

Report Financial Half-yearly 06302020

NET REVENUES: €352.3 MILLION

(COMPARED WITH €362.2 MILLION AS AT JUNE 30, 2019)

GROSS OPERATING PROFIT (EBITDA): €48.5 MILLION

(COMPARED WITH €38.9 MILLION AS AT JUNE 30, 2019)

OPERATING PROFIT (EBIT): €33 MILLION

(COMPARED WITH €24.5 MILLION AS AT JUNE 30, 2019)

NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF € 24.9 MILLION

(PROFIT OF €16.7 MILLION AS AT JUNE 30, 2019)

NET FINANCIAL DEBT: € 38.5 MILLION

(€52 MILLION AS AT DECEMBER 31, 2019)

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1. BOARD OF DIRECTORS AND AUDITORS

Board of Directors

Eric Laflamme	Chairman
Michele Bianchi	Chief Executive Officer
Allan Hogg	Director
Giulio Antonello	Director
Gloria Francesca Marino	Director
Laura Guazzoni	Director
Sara Rizzon	Director

Board of Statutory Auditors

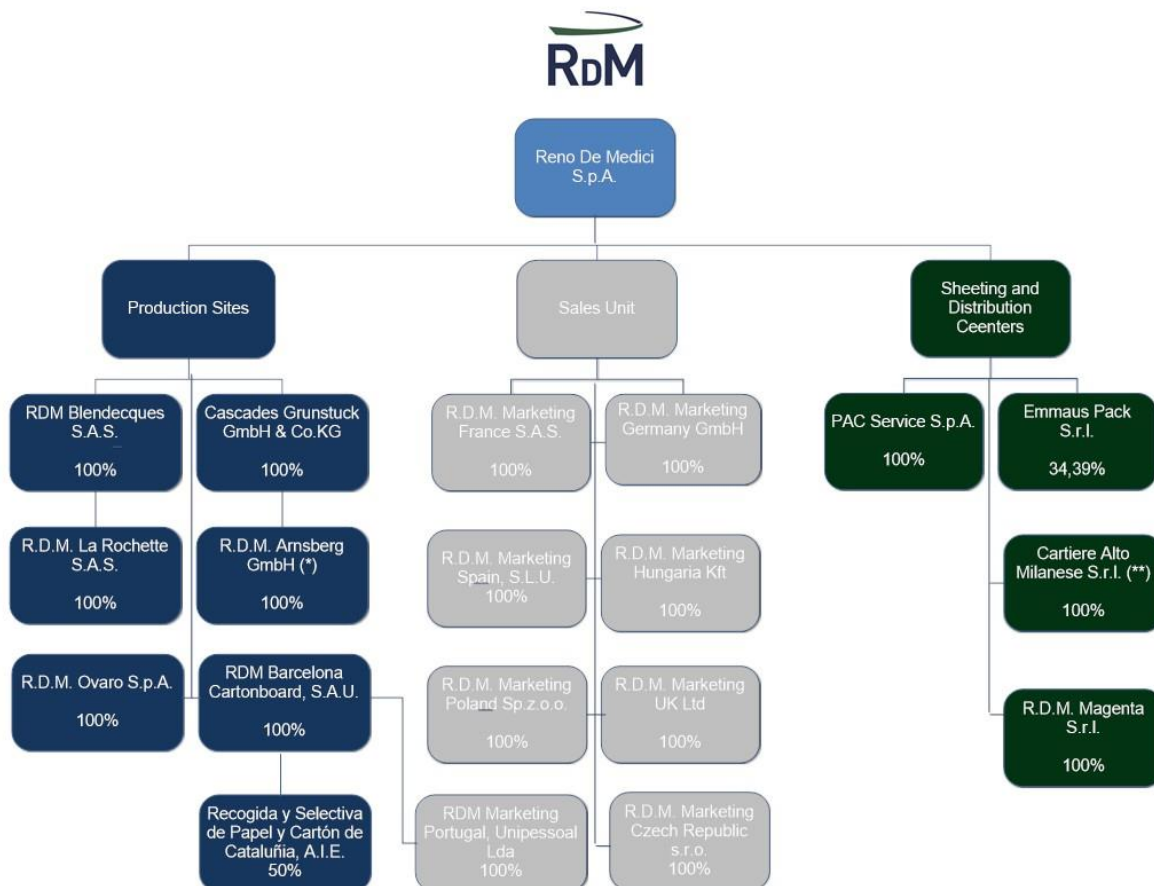
Giancarlo Russo Corvace	Chairman
Giovanni Maria Conti	Statutory Auditor
Tiziana Masolini	Statutory Auditor
Francesca Marchiori	Deputy Statutory Auditor
Domenico Maisano	Deputy Statutory Auditor

Independent Auditors

Deloitte & Touche S.p.A.

2. GROUP OPERATING COMPANIES AS AT JUNE 30, 2020

The graph below summarizes the companies of Reno De Medici Group (“RDM Group” or the “Group”).



(*) Company owned 94% by Reno De Medici S.p.A. and 6% by Cascades Grundstück GmbH & Co.KG.

(**) Company in liquidation

3. Introduction

This half-year financial report as at June 30, 2020 has been prepared in accordance with Legislative Decree 58/1998, as amended, and the Issuers' Regulation issued by Consob.

The condensed consolidated half-year financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee and presented in accordance with IAS 34 – Interim Financial Statements, applying the same accounting standards adopted in preparing the consolidated financial statements as at December 31, 2019, except for what described in the next section "IFRS and IFRIC accounting standards, amendments and interpretations already approved by the European Union".

4. Interim report on operations

The RDM Group closed the first half of 2020 with excellent results despite the Covid-19 emergency that spread at global level in the period under review and severely impacted the economic scenario of all countries, thus confirming the essential nature of the industry in which the Group operates.

Despite the 25-day forced shutdown due to force majeure of the Villa Santa Lucia plant in February, the RDM Group reported a good increase in shipments compared to the first half of 2019, with a sharp growth in the first four months, also attributable to the increase in inventories operated by customers to prevent any supply problems. This was followed by a decline in May due to a reduction in inventories, and a modest increase in June. The main explanation for the evolution of demand is that most end users of the Group's products are concentrated in sectors — food and pharmaceuticals in particular — that have proved strategic in the emergency situation and that have seen an increase in demand.

In this situation, the Group's ability to maintain its level of production unchanged with all paper mills operating at full capacity was fundamental and ensured by implementing all measures necessary to protect the health and safety of the employees, which has always been the Group's priority.

In this particularly difficult global context, the RDM Group closed the first half of 2020 with very positive results thanks to the volume trend and the improved contribution margins.

In the first half of 2020, gross operating profit (EBITDA) amounted to €48.5 million compared with €38.9 million for the same period of the previous year, with a ratio to sales at 13.8%, significantly increasing compared with the first half of 2019 (10.7%) and the 2019 full-year figure (10.3%).

Net profit for the first half of the year amounted to €24.9 million compared with €16.7 million for 2019. The increase was chiefly attributable to the improved EBITDA, whereas the other income statement items (amortization and depreciation, financial expense and taxes) were cumulatively in line with the same period of the previous year.

In light of the important benefits achieved in 2018 and 2019, in 2020 the RDM Group continued the initiatives aimed at achieving efficiencies and synergies to consolidate structural profitability enhancements, and thus leading to an improved financial position. These initiatives are designed to increase efficiency in production, cut costs and optimize sales at the level of price and value added. The initiatives become even more important in the current scenario in order to respond to any negative consequences of the Covid-19 emergency, and in particular the effects associated with the negative economic growth forecasts.

In 2020, the Group forged ahead the process for integrating RDM Barcelona Cartonboard S.A.U. that yielded significant synergies in 2019 and is expected to generate further benefits in the current year. The synergies identified relate to various areas, including sales volumes, selling prices, geographical areas per product served, purchases, production efficiency gains and overheads. Synergies are essentially in line with the projections of the integration plans.

Consolidated net financial debt at June 30, 2020 amounted to €38.5 million, with a €13.5 million reduction compared with December 2019 (€52 million).

The debt decrease was mainly due to the high level of EBITDA, negatively offset by a higher level of working capital, which is quite normal in the first half of the year, due to payment and collection dynamics. In the first half, cash flows were impacted to a very marginal extent by non-payment or deferred payment by customers as a result of the Covid-19 emergency.

Gearing improved from 0.20 to 0.14.

BUSINESS STRATEGY

The segment in which the RDM Group has been traditionally operating, namely the WLC (White Lined Chipboard – paperboard coated packaging on a recycled base), which accounted for over 82% of consolidated turnover in the first half of 2020, recorded a 1.6% increase in total demand compared with the first half of the previous year. Despite the shutdown of many economic sectors, the increase was chiefly due to the concentration of end users in the food and pharmaceuticals sectors, which as a result of Covid-19 took on strategic significance to the management of the emergency. Order intake and shipments were nonetheless very positive in the first two months of the year as well, before the current emergency arose, following a rather weak fourth quarter of 2019. The change in volumes differed in the Group's various markets of operation. In European markets, volumes rose in France (+6.1%), North Europe (+5.4%) and other minor markets, while declining quite markedly in Spain (-5.7%), the UK (-3.5%) and Italy (-2.6%). Overseas markets also shrank markedly (-5.6%) compared with the first half of 2019, also as a result of the decrease in customers' insurance coverage due the exposure of many countries to a higher risk. The RDM Group's growth was higher-than-market's performance (+1.7%), mainly attributable to the Villa Santa Lucia paper mill, which was impacted by the halt of production, from February 7 to March 1, following the seizure order applying to the Cosilam Consortium's purification plant rendered by the competent judicial authority due to reasons that are not attributable to the plant in any way. The effect of the halting of production was partially mitigated at the level of volumes shipped by the use of finished product inventories and the reassignment of orders to the Group's other mills. The other paper mill that saw weak demand, with the resulting need to plan stoppages, was the Ovaro plant. The explanation lies in its lesser exposure to strategic sectors, operating for the most part in industries, such as luxury or school products, that essentially halted production during the most intensive phase of the emergency. In any event, the decrease in volumes was modest, and although the short-term outlook remains negative, the resumption of production in all sectors in which the Ovaro plant operates should permit a gradual return to normal levels. It should be noted that RDM overperformed the market in term of volumes in its main markets of reference, namely Italy (+3%), Spain (-1.4%) and France (+8.7%).

In order to both protect and increase margins, RDM continued to optimize its order backlog through its new sales organization and to pursue a pricing policy designed to preserve existing margins.

Turning to the main production factors, following the sharp decrease in prices reported in the two previous years, the price of recycled paper further declined markedly in the first quarter of 2020. The downward trend in the price of recycled paper is due to the known restrictions imposed by the Chinese Government on imports of unsorted recycled paper and the restrictions on the release of licenses that have created an excess of supply thereby causing a decline in prices. To date, there are no indications of policy changes by the Chinese authorities, who continue to drive towards the goal of zero imports starting from 2021. As of mid-March 2020, the Covid-19 emergency drove prices up sharply and steadily, mainly due to the decrease in supply as a result of the temporary shutdown of some sectors and the decrease in urban collection. This phenomenon was observed throughout Europe and then spread at the global level. The reopening of many industrial businesses, together with weak demand in many sectors of the paper industry, resulted in a new downtrend starting in July.

The FBB segment (Folding Box Board – cartonboard for folding boxboard based on virgin fibers), which accounted for 18% of consolidated turnover, recorded a 5.3% increase in market demand, compared with an improvement of 8.3% reported by the RDM Group. The increase in the market was mainly due to the same factors as set out above for the WLC segment. The higher-than-market increase reported by La Rochette was also due to the problems that occurred in the first quarter of the previous year. La Rochette plant's EBITDA margin improved compared with the previous year and continued to benefit from the selling price increase seen in 2019, along with the level of raw material cost after the previous year's sharp decreases. The robust level of value added, together with the greater volumes manufactured and sold, drove a first-half very satisfactory result.

In the first half of 2020, the purchase prices for virgin pulp, after the peak reached in 2018 and the subsequent sharp decline in 2019, were essentially stable as regard both types of virgin fibers, despite some signs of downtrend. A tendency towards an increase in prices — albeit not significant in extent — could begin to be seen in the second half year.

After the substantial cost increases recorded in 2018 for the main energy sources (natural gas, electricity, and coal), **energy costs** showed a marked turnaround in 2019. However, it was not possible to benefit fully from the price reduction in 2019, since the Group generally procures much of its requirements under medium-term contracts. The full benefit of the reduction in prices occurred in 2019 will be achieved in 2020, as has already been seen in the first half. Covid-19 has resulted in a further sharp decline in the prices of the main sources of procurement, with the exception of CO₂. The benefit for the RDM Group in the first half of 2020

was, as usual, limited by the presence of the medium-term contracts still in effect. A further benefit is however expected as of the fourth quarter of 2020.

CAPITAL EXPENDITURE

In the first half of 2020, the Group's **capital expenditure** amounted to €5.2 million, compared with €9.8 million in 2019. With respect to the same period of the previous year, capital expenditure was impacted, and therefore slowed down, by the Covid-19 emergency. As is usual, capital expenditure in the first half was quite limited, since strategic investments are implemented in August and December, and was concentrated in a series of initiatives of modest extent or in the completion of projects from the previous year. It should be noted that the implementation of the new ERP system continued at all Group companies.

NET FINANCIAL POSITION

Consolidated net financial debt at June 30, 2020 amounted to €38.5 million, down €13.5 million compared with €52 million at December 31, 2019.

The improvement in financial position was essentially due to the high EBITDA recorded, only partly negatively impacted by the higher level of working capital, which in the first half of the year was, as usual, penalized by cash flow dynamics and in particular by the payment of client bonuses set aside at the end of the year. The financial situation — and in particular collections from clients — were only partially affected by the Covid-19 emergency, with a limited increase in the level of past-due accounts.

Among financial transactions, worth of notice are the payment of dividends (€3 million) and the purchase of Friulia S.p.A.'s stake in R.D.M. Ovaro S.p.A. (€0.7 million).

CONSOLIDATED RESULTS

The table below shows the summary indicators of the income statement as at 30 June 2020 and 2019.

	06.30.2020	06.30.2019
(thousands of Euro)		
Revenues from sales	352,327	362,235
GROSS OPERATING PROFIT (EBITDA) (1)	48,462	38,916
Operating profit (EBIT) (2)	33,018	24,521
Pre-tax income (3)	31,558	22,278
<i>Current and deferred taxes</i>	<i>(6,634)</i>	<i>(5,620)</i>
Profit (loss) for the period	24,924	16,658

1) See "Gross operating profit" in the consolidated financial statements of RDM Group

2) See "Operating profit" in the consolidated financial statements of RDM Group

3) See "Profit (loss) for the period – Taxes" in the consolidated financial statements of RDM Group

Sales amounted to €352.3 million compared with €362.2 million for the same period of 2019. The €9.9 million reduction was mainly due to the decrease in selling price that began in the second half of 2019 as a result of a weak demand and the downward trend in raw materials. By contrast, sales volumes increased.

The **tons sold** during the period by the RDM Group reached 614 thousand units, compared with 602 thousand sold during the same period of 2019. Despite the shutdown of many economic sectors, the increase was chiefly due to the concentration of end users in the food and pharmaceuticals sectors, which as a result of Covid-19 took on strategic significance to the management of the emergency. However, sales volumes were particularly positive also in the first two months, i.e., before the spread of the current emergency.

Compared with the first half of 2019, the **average selling prices** decreased further in the WLC segment, only partially offset by an increase in prices in the FBB segment.

The table below shows the subdivision of net revenues generated by the sale of cardboard, broken down by geographical area:

RDM GROUP	06.30.2020	Inc. %	06.30.2019	Inc. %
(thousands of Euro)				
Areas				
Italy	102,129	29%	103,285	29%
EU	203,932	58%	210,976	58%
Non-EU	46,266	13%	47,974	13%
Total revenues from sales	352,327	100%	362,235	100%

Other revenues amounted to €8.1 million, up €2.6 million compared with the same period of 2019. This increase was essentially attributable to higher revenues from Energy Efficiency Certificates (also known as “White Certificates”) (+€0.7 million), greater contributions recognized to the French subsidiaries and the Spanish subsidiary in accordance with local regulations, which support the competitiveness of industrial sites with high energy consumption (€1.1 million).

The **cost of raw materials and services** amounted to €247.2 million, a decline of €31 million compared with the same period of 2019. This item was influenced by a lower average cost of recycled paper and virgin pulp compared with the same period of the previous year. Energy costs declined sharply, in particular those of gas, which represents the main energy source used by the RDM Group.

Personnel costs amounted to €54.3 million, up by €1.8 million compared with the same period of 2019. This change was due to the contractual increases, the productivity improvement, as well as the accrual in the period of the 2020-2022 incentive plans for top management based on performance phantom shares and stock grants.

In the first half of 2020, **gross operating profit (EBITDA)** rose to €48.5 million compared with €38.9 million for the same period of 2019 and accounted for 13.8% of revenues (10.7% in 2019).

Operating profit (EBIT) amounted to €33 million compared with €24.5 million in the first half of 2019.

Net financial expense totaled €1.4 million, down compared with €2.3 million in 2019. The €0.9 million decline was essentially due to the financial income recognized on the measurement of the Spanish subsidiary's derivatives (€0.3 million) and the decrease in banking interests following a lower debt.

Income from equity investments amounted to -€17 thousand compared with €86 thousand for the same period of 2019.

The amount allocated for **taxes** was €6.6 million compared with €5.6 million for the same period of 2019; the change was due to a greater taxable income generated by some companies that reported prior years' tax losses.

Consolidated net profit was €24.9 million, up compared to €16.7 million at June 30, 2019. The sharp increase was mainly attributable to the improved EBITDA.

FINANCIAL PERFORMANCE SECOND QUARTER 2020

<i>(thousands of Euro)</i>	II Q 2020	II Q 2019	Change	% Change
Revenues from sales	169,765	178,529	(8,764)	-5%
Other revenues	5,939	3,157	2,782	88%
Change in inventories of finished goods	6,066	2,415	3,651	151%
Cost of raw materials and services	(124,171)	(137,294)	13,123	-10%
Personnel costs	(27,835)	(25,803)	(2,032)	8%
Other operating costs	(1,452)	(1,149)	(303)	26%
Gross operating profit	28,312	19,855	8,457	43%
Depreciation and amortization	(7,577)	(7,299)	(278)	4%
Operating profit	20,735	12,556	8,179	65%
Net Financial income (expense)	(1,455)	(1,421)	(34)	2%
Gains (losses) from investments	(116)	(16)	(100)	625%
Result before taxes	19,164	11,119	8,045	72%
Taxes	(3,616)	(2,409)	(1,207)	50%
Profit (loss) for the period	15,548	8,710	6,838	79%

The results for the second quarter of 2020 showed a substantial improvement compared with the same period of the previous year.

Despite the decline in revenues from sales (-5%), EBITDA amounted to €28.3 million, sharply improving compared to the same quarter of the previous year (€19.9 million). Accordingly, net profit also increased markedly (+€6.8 million compared to the second quarter of 2019).

The reduction in revenues was mainly due to the decrease in selling price that began in the second half of 2019 as a result of a weak demand and the downward trend in raw materials.

Sales volumes declined by 1.4% compared with the same quarter of the previous year, mainly due to the reduction in inventories operated by customers following the significant increase reported in March, at the beginning of the Covid-19 emergency.

EBITDA improved compared with the second quarter of 2019 chiefly as a result of the sharp reduction in energy costs — in particular those of gas, which represents the main energy source used by the RDM Group — and increased efficiencies in terms of production and use of raw materials. Value added, i.e., the difference between selling prices and raw materials, also improved owing to the decline in raw material prices, only partially offset by the decrease in selling prices and the consumptions efficiencies.

Main risks and uncertainties to which Reno de Medici Group is exposed

In the course of its business activities, Reno De Medici Group is exposed to external risks and uncertainties, deriving from exogenous factors associated with the general or specific macroeconomic context of the operating segment in which such activities are carried out, as well as risks deriving from strategic choices and internal operational risks.

For a detailed analysis of the risks, see section 5.6.2 of the illustrative notes, as well as the “Outlook” section.

Key events

The first half of 2020 was characterized by the Covid-19 containment measures imposed by EU and non-EU governments. The nature and impact of these measures varied widely from one sector of the economy to the next. In the case of the RDM Group, as stated in the 2019 Annual Financial Report, according to the Decree of the President of the Council of Ministers of March 22, 2020, its finished products were deemed essential as they are primarily used by the food and pharmaceutical industries. This resulted in the nearly full operation of the Group's paper mills, with the exception of its Ovaro paper mill, with margin levels that were deemed satisfactory and even exceeded expectations in some cases. In addition, in July 2020 shipping performance was in line with the budget, and margin levels remained positive.

In the first half of 2020, cash flow performance was positive, driving an improvement in net financial position of €13.5 million; despite the ongoing uncertainties on possible delayed financial effects generated by the Covid-19 emergency, to date no elements exist that may call for significant negative effects on cash flows in the second half of the year.

In this regard, the Directors constantly monitor the macro-economic environment and update the related business strategies, where necessary.

It bears remarking that, in view of the market uncertainty inherent in the current scenario, on the one hand, and the essential nature of most of the Group's finished products, on the other, the Directors deemed it prudent to prepare some estimates of the performance of the business in the second half of 2020, assuming both a conservative scenario involving a decline in volumes compared with 2019, and a pessimistic scenario that places further strain on sales estimates.

In particular, the Directors analyzed assumptions relating to the performance of the main drivers of reference, including shipments, which represent the figure with the greatest degree

of variability, and the performance of raw material and energy costs, which is instead tied to less volatile dynamics in the short and medium term.

At the level of sales volumes, the quantity level in both scenarios considered is forecast to fall below that of 2019 by the end of 2020. In addition, despite assuming a decline with respect to budget volumes of 8% in the conservative scenario and of 10% in the pessimistic scenario, it should be noted that both scenarios envisage an EBITDA margin level that shows no critical aspects.

Among the assumptions made by the Directors, in addition to the number of days of shutdown, which differs on the basis of the scenario analyzed and planned to support the expected backlogs, there is no need for any significant modification of the other strategic variables at this time. On the basis of the adequate level of net financial debt, the estimated margin level and cash flows deemed to be satisfactory, neither the capital expenditure nor the overhead cost structure are expected to undergo substantial changes.

In light of the foregoing, the additional information collected in the first half of 2020 and the different market environment in which the Ovaro paper mill operates, the Directors examined the 2020 budget figures and 2021-2023 plans and did not identify any elements classifiable as indicators of impairment of the cash-generating units and other assets as of June 30, 2020, therefore confirming the values on the books as of December 31, 2019.

On February 7, the Villa Santa Lucia mill was forced to suspend production due to the seizure — not attributable to the plant in any way — of the Cosilam Consortium's purification plant rendered by the competent judicial authority. On March 1, Villa Santa Lucia was able to resume production after the seizure of the system was lifted, since the court of review granted the petition. The RDM Group is assessing all possible future alternatives with regard to water treatment and dependence on the Consortium's purification plant.

On 15 June 2020, Reno De Medici S.p.A., in accordance with the agreements signed with **Friulia S.p.A.** in 2017, repurchased, at a cost of €692.682, the last 5% of the shareholding owned by Friulia S.p.A. in R.D.M Ovaro S.p.A. Following this operation, R.D.M. Ovaro S.p.A. is totally owned by Reno De Medici S.p.A.

Other information

Authorization to buy and sell treasury shares

Following the expiry of the term of the previous authorization granted by the Shareholders' Meeting of April 29, 2019, the Shareholders' Meeting of April 29, 2020 adopted the resolutions authorizing the purchase and sale of ordinary treasury shares pursuant to Articles 2357 and 2357-ter of the Italian Civil Code.

Below, the main elements of the Plan authorized by the Shareholders' Meeting:

Rationale

- dispose of the treasury shares acquired, or held by the Company, also with regard to their assignment in service of the Stock Grant Plan reserved for the Company's Chief Executive Officer adopted by the Shareholders' Meeting on April 28, 2017 pursuant to Articles 114-bis of the CFA;
- dispose of the treasury shares acquired, or held by the Company, servicing any further Stock Grant Plans — including the 2020-2022 Stock Grant Plan — and any other remuneration plans based on financial instruments as referred to the Article 114-bis of the CFA, reserved for the Directors and/or employees of the Company, as well as any possible plans for the free allocation of shares to the Shareholders;
- availing, where deemed strategically appropriate by the Board of Directors, of investment or disinvestment opportunities, including in relation to available liquidity;
- satisfying any obligations arising from financial instruments issued by the Company, its subsidiaries or third-parties; and
- carrying out activities to support market liquidity.

Duration

Until the Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2020, and in any event for a period not exceeding 18 months from the date of the resolution approving the proposal.

The authorization to dispose of treasury shares is not subject to a time limit.

Maximum number of shares to be purchased

The authorization relates to the purchase, in one or more tranches, of a maximum number of ordinary shares with no nominal value that — taking into account the treasury shares already held by the Company and any share that might be purchased by its subsidiaries — does not exceed, in total, 10% of the share capital.

Any purchase transactions would be conducted up to the distributable profits and available reserves resulting from the last financial statements approved at the time each transaction is executed.

Methods to purchase treasury shares and indication of minimum and maximum price

Purchases will be made on regulated markets pursuant to Articles 132 of Legislative Decree No. 58 of February 24, 1998 and 144-bis, paragraph 1, letter b) of Consob Regulation 11971/99, in accordance with the operating methods established in the actual market organization and management regulations which do not allow the direct combination of trading purchase proposals with fixed trading sales proposals.

The minimum and maximum purchase price is calculated as a unit price that cannot be more than 10% higher or lower than the reference price recorded on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. in the stock exchange session prior to each individual transaction.

In any event, the purchase prices and volumes will be identified in accordance with the conditions established by Delegated Regulation (EU) No. 1052 of March 8, 2016 and in particular:

- shares may not be purchased at a price exceeding the higher of the price of the last independent transaction and the price of the current highest independent purchase offer on the trading platform where the purchase is made; and
- in terms of volumes, the daily purchase quantities will not exceed 25% of the daily average volume of trading in the Reno De Medici share recorded in the 20 trading days preceding the dates of purchase.

Stock Grant Plan for the three-year period 2017/2018/2019 reserved for the CEO. Verification of the achievement of the performance objectives for the financial year 2019.

During the six-month reference period, with the support of the Remuneration Committee, the Board of Directors ascertained the achievement of the performance objectives set for the 2019 financial year in relation to the Stock Grant Plan for the three-year period 2017/2018/2019 reserved for the CEO, as established by the Shareholders' Meeting of April 28, 2017 pursuant to Article 114-*bis* of the TUF. Moreover, since the three-year period of reference of the Plan has come to an end, with the support of the Remuneration Committee, the Board of Directors ascertained the achievement of the performance objectives set for the three years and, on April 30 2020, according to the Plan, the 2,262,857 shares were assigned to the CEO.

Regarding the objectives and for more details on the Plan, please see the prospectus drafted pursuant to Article 84-*bis* of Consob's Issuers Regulation 11971/1999, which is available at www.rdmgroup.com and via the authorized storage facility eMarketStorage.com.

Purchase of treasury shares in the first half of 2020

In the first half of 2020, in compliance with the authorization granted by the Ordinary Shareholders' Meeting on April 29, 2020 pursuant to Article 2357 of the Italian Civil Code, Reno de Medici S.p.A. purchased a total of 216,600 ordinary treasury shares at a unit price of €0.68 for a total amount of €147,668.

These purchases were carried out on regulated markets in compliance with Article 132 of Legislative Decree 58 of February 24, 1998 and Article 144-bis, 1b) of Consob Regulation 11971/1999.

Following the purchases made in the first half of the year, Reno de Medici holds a total of 216,600 treasury shares, or 0.06% of share capital.

During the period under review, no treasury shares were offloaded, and no Reno de Medici shares were purchased by subsidiaries.

It is highlighted that, on April 30, 2020, a number of 2,262,857 shares of Reno De Medici S.p.A. were assigned to his CEO according to the Stock Grant Plan for the three-year period 2017/2018/2019 come to an end with the approval of Financial Statement 2019.

SHARE-BASED LONG-TERM INCENTIVE PLANS RESERVED FOR THE COMPANY'S CEO AND MANAGERS WITH STRATEGIC RESPONSABILITIES

On April 29, 2020, the Shareholders' Meeting, also approved:

- the 2020-2022 Stock Grant Plan that grant to each plan beneficiary, i.e., the Chief Executive Officer and Managers with Strategic Responsibilities, the right to receive, free of charge, a maximum of 2,070,000 ordinary shares of the Company at the end of the performance period and provided that certain performance objects, to be set for each year of the three-year period 2020-2022, are met and that the beneficiaries maintain their positions within/employment relationships with the Company;
- the 2020-2022 Phantom Stock Grant Plan that calls for the allotment, free of charge, of a maximum of 2,070,000 phantom shares, which entitle each plan beneficiary, i.e., the Chief Executive Officer and Managers with Strategic Responsibilities, to receive a cash bonus at the end of the performance period and provided that certain performance objectives, to be set for each year of the three-year period 2020-2022, are met and that the beneficiaries maintain their positions within/employment relationships with the Company.

One of the Plans' goals is to align the beneficiaries' interests with the main objective of creating value for the Company and the Group over the medium and long term. The Plan is a way of supplementing the fixed component of remuneration with variable performance-related components, in line with best market practice.

Regarding the objectives and for more details on the Plan, please see the prospectus drafted pursuant to Article 84-*bis* of Consob's Issuers Regulation 11971/1999, which is available at www.rdmgroup.com and via the authorized storage facility eMarketStorage.com.

Outlook

The current situation is still characterized by considerable elements of uncertainty relating to the Covid-19 emergency. The first aspect relates to the duration of the global recession and the impact, according to the curve of the recession, on the sector in which the RDM Group operates. The second element of uncertainty regards the scope and methods of the measures in support of the economy by the European Community — which still are not fully clear — and to their possible effects on the current recession. Of course, there remains the risk that the

health emergency may resume, with effects that are difficult to determine, although we may be satisfied with how we have handled it thus far and with the impacts that we have reported, given the essential nature of the products manufactured by the RDM Group.

In the RDM Group's core business, **White Lined Chipboard** (WLC), the short-term outlook (second half of the year) is characterized by uncertainties at the level of volumes, as a consequence of the recession that followed on the March-May shutdown period, as well as of the negative growth prospects for the various economies. The prices of recycled paper, after declining further in the first quarter of 2020 and subsequently increasing sharply in the second quarter as a result of the decrease in waste collection, are once again dropping. The duration and impact of the downtrend are essentially tied to the continuing recession in those sectors of the paper industry mainly linked to types of manufacturing deemed to be non-essential. Selling prices were essentially flat in the first half of the year. The effect of the price increase announced in May, the duration of which may be expected to correlate with recycled paper price trends, will begin to be seen in July.

The same considerations as for the WLC segment also apply in the **Folding Box Board** (FBB) segment. The slight uptrend in raw material prices was fueled by heightened demand in certain sectors and segments positively impacted by the current emergency, greater use due to the replacement of recycled grades with virgin due to reduced collection and recycling and the recovery of global demand for commodities. Selling prices are expected to remain essentially unchanged in the second half of 2020.

After the sharp fall in **energy prices** in 2019, the main energy sources used by the Group (electricity, natural gas and coal) are undergoing a further marked decline, once again due to the Covid-19 emergency, which has resulted in the shutdown of many manufacturing industries and a decrease in the price of oil. The benefit on the bottom-line will be partial in the next quarter, since RDM uses medium-term contracts with fixed prices for part of its consumption, above all for natural gas. Higher benefits are expected to be seen in the fourth quarter of 2020.

The second half of the year is expected to more challenging in term of volume with normal season downtime during the summer period and less robust demand; however, the foreseeable decrease in volumes may be offset by a positive trend of sales prices and raw materials costs. The true element of uncertainty remains demand tied to consumption, which

we hope may be sustained by the national and European economic recovery measures that will be implemented.

In 2020, the **RDM Group** will continue to pursue the set of initiatives already launched in 2018-2019, designed to achieve a structural increase in its profitability and mitigate the possible negative effects of the current emergency situation over the medium term. One part of the program will continue to leverage the multi-mill integration of **RDM Barcelona Cartonboard**.

The Group's financial situation could be adversely affected by the current scenario in the event of non-payment by customers. Although the RDM Group did not suffer particular negative effects in the first half of the year, it is nonetheless assessing all possible measures required to mitigate future effects on its net financial position, which continues to be very solid, and confirms its strong cash generation.

In addition, precisely how the current economic support measures recently approved by the European Community will be implemented is not yet clear.

Intragroup and related-party transactions

In implementation of Article 2391-*bis* of the Italian Civil Code and in accordance with the general principles set out in the "Regulation on Related Party Transactions" (the "OPC Regulation"), issued by Consob with resolution No. 17221 of March 12, 2010 as it was subsequently amended, on November 8, 2010, the Board of Directors approved the "Procedure for Related Party Transactions" (the "Procedure"). The Procedure have been reviewed on November 4, 2019.

The Procedure is available at www.rdmgroup.com - in the Governance section > Committees and other bodies > Related Parties Committee.

Including with regard to the provisions of Article 5, paragraph 8 of Consob Regulation, it should be noted that during the half-year under review:

- no transactions of greater importance were concluded, as these are defined in Reno de Medici Procedures in compliance with the provisions of the Consob Regulation;
- there were no transactions with related parties, as these are defined pursuant to Article 2427, paragraph 2, of the Italian Civil Code, with a material impact on the financial position or results of the companies;

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- there were no changes or developments of related party transactions described in the last annual report that had a material effect on the financial position or results of the company during the reporting period.

Information on related-party transactions, including the information required by the Consob Notice of July 28, 2006, is presented in Note 5.7 to the condensed consolidated half-year financial statements as at June 30, 2020.

Reno De Medici Group

Condensed consolidated half-year financial statements

as at June 30, 2020

5. Condensed consolidated half-year financial statements as at June 30, 2020

5.1. Consolidated income statement

	Note	06.30.2020	06.30.2019
(thousands of Euro)			
Revenues from sales	1	352,327	362,235
- of which related parties		6,710	5,880
Other revenues	2	8,150	5,594
- of which related parties		43	50
Change in inventories of finished goods	3	(6,989)	4,588
Cost of raw materials and services	4	(247,250)	(278,289)
- of which related parties		(68)	(102)
Personnel cost	5	(54,287)	(52,487)
Other operating costs	6	(3,489)	(2,725)
Gross operating profit		48,462	38,916
Depreciation and amortization	7	(15,444)	(14,395)
Operating profit		33,018	24,521
Financial expense		(1,543)	(2,331)
Gains (losses) on foreign exchange		(193)	(75)
Financial income		293	77
Net financial income (expense)	8	(1,443)	(2,329)
Gains (losses) on investments	9	(17)	86
Taxes	10	(6,634)	(5,620)
Profit (loss) for the period		24,924	16,658
Total profit (loss) for the period attributable to:			
- Group		24,924	16,658
- Minority interests			
Average number of shares			
Basic		377,401,841	377,543,310
Diluted		377,401,841	377,543,310
Basic earnings (loss) per ordinary share (Euro)		0.07	0.06
Diluted earnings (loss) per ordinary share (Euro)		0.07	0.06

5.2. Consolidated statement of comprehensive income

	06.30.2020	06.30.2019
(thousands of Euro)		
Profit (loss) for the period	24,924	16,658
Other components of comprehensive profit (loss)		
Other components that may be transferred to the income statement in subsequent financial periods:	(29)	14
<i>Change in fair value of cash flow hedges</i>	68	19
<i>Profit (loss) on translation of financial statements of foreign investee companies</i>	(97)	(5)
Total components of comprehensive profit (loss)	(29)	14
Total comprehensive profit (loss)	24,895	16,672
Total comprehensive profit (loss) attributed to:		
- Group	24,895	16,672
- Minority interests		

All values in the table are stated net of related tax effects.

5.3. Consolidated statement of financial position

	Note	06.30.2020	12.31.2019
(thousands of Euro)			
ASSETS			
Non-current assets			
Tangible assets	11	224,281	232,586
Right of Use	12	11,864	12,371
Goodwill	13	4,389	4,389
Intangible assets	14	13,402	13,632
Intangible assets with an indefinite useful life	14	2,736	2,736
Equity investments	15	660	810
Deferred tax assets		358	389
Other receivables	18	5,510	5,518
Total non-current assets		263,200	272,431
Current assets			
Inventories	17	106,523	108,948
Trade receivables	16	77,992	70,317
Receivables from associates and joint ventures	16	7,775	6,812
Other receivables	18	15,836	16,552
Cash and cash equivalents	19	40,513	40,382
Total current assets		248,639	243,011
TOTAL ASSETS		511,839	515,442

	Note	06.30.2020	12.31.2019
(thousands of Euro)			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		140,000	140,000
Other reserves		28,358	27,478
Retained earnings (losses)		34,194	22,403
Profit (loss) for the period		24,924	15,597
Shareholders' equity attributable to the Group		227,476	205,478
Minority interests			
Total shareholders' equity	20	227,476	205,478
Non-current liabilities			
Payables to banks and other lenders	19	54,786	63,986
Derivative instruments	19	636	752
Deferred taxes liabilities		8,182	8,660
Employee benefits	22	36,166	36,410
Non-current provision for risks and charges	23	4,979	4,221
Total non-current liabilities		104,749	114,029
Current liabilities			
Payables to banks and other lenders	19	21,716	25,610
Derivative instruments	19	1,908	2,211
Trade payables	24	126,579	141,209
- of which <i>related parties</i>			2
Other payables	21	24,919	22,952
Other Payables to associates and joint ventures	21	101	101
Current taxes		3,535	2,884
Employee benefits	22		98
Current provision for risks and charges	23	856	870
Total current liabilities		179,614	195,935
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		511,839	515,442

5.4. Consolidated statement of changes in shareholders' equity

	Share Capital	Treasury shares reserve	Legal reserve	Other reserves	Retained earnings (losses)	Profit (loss) for the period	Hedging reserve	Reserve for "Actuarial gain/(loss)"	Total Shareholders' Equity (Group)	Total Shareholders' Equity (minority shareholders)	Total Shareholders' equity
(thousands of Euro)											
Shareholders' equity at 12.31.2018	140,000	(1,060)	1,477	36,536	(2,433)	27,170	(456)	(6,416)	194,818		194,818
Purchase Price Allocation RDM Barcelona Cartonboard S.A.U.					(24)	1,197			1,173		1,173
Shareholders' equity at 12.31.2018 restated	140,000	(1,060)	1,477	36,536	(2,457)	28,367	(456)	(6,416)	195,991		195,991
Dividends distributed						(2,633)			(2,633)		(2,633)
Allocation of profit (loss) for the period			898		24,836	(25,734)					
Purchase of Treasury shares											
Stock Grant reserve IFRS 9											
Profit (loss) for the period						16,658			16,658		16,658
Other components of comprehensive profit (loss)				(5)			19		14		14
Total comprehensive profit (loss)				(5)		16,658	19		16,672		16,672
Shareholders' equity at 06.30.2019 post restated	140,000	(1,060)	2,375	36,531	22,379	16,658	(437)	(6,416)	210,030		210,030

	Share Capital	Treasury shares reserve	Legal reserve	Other reserves	Retained earnings (losses)	Profit (loss) for the period	Hedging reserve	Reserve for "Actuarial gain/(loss)"	Total Shareholders' Equity (Group)	Total Shareholders' Equity (minority shareholders)	Total Shareholders' equity
(thousands of Euro)											
Shareholders' equity at 12.31.2019	140,000	(1,060)	2,375	36,548	22,403	15,597	(887)	(9,498)	205,478		205,478
Dividends distributed						(3,009)			(3,009)		(3,009)
Allocation of profit (loss) for the period			797		11,791	(12,588)					
Purchase of Treasury shares		912							912		912
Stock Grant reserve IFRS 9				(800)					(800)		(800)
Profit (loss) for the period						24,924			24,924		24,924
Other components of comprehensive profit (loss)				(97)			68		(29)		(29)
Total comprehensive profit (loss)				(97)		24,924	68		24,895		24,895
Shareholders' equity at 06.30.2020	140,000	(148)	3,172	35,651	34,194	24,924	(819)	(9,498)	227,476		227,476

5.5. Consolidated statement of cash flows

	06.30.2020	06.30.2019
(thousands of Euro)		
Profit (Loss) for the period	24,924	16,658
Taxes	6,634	5,620
Depreciation and amortization	15,444	14,395
Financial (income) expense	1,443	2,329
Write-downs (revaluations) of financial assets	17	(67)
Capital losses (gains) on sale of fixed assets	5	(11)
Change in provisions for in employee benefits and in other provisions including the provision for bad and doubtful receivables	1,036	(2,141)
Change in inventories	2,620	(5,032)
Change in trade receivables	(9,066)	(11,330)
- of which related parties		
Change in trade payables	(14,582)	5,371
- of which related parties		
Total change in working capital	(21,028)	(10,991)
Gross cash flows	28,475	25,792
Interest paid in the year	(1,234)	(1,767)
Taxes paid in the year	(4,501)	(1,531)
Cash flow from operating activities	22,740	22,494
Other equity investments	(4)	1
Investment net of disinvestment in tangible and intangible assets	(5,177)	(9,385)
Dividends received	138	62
Cash flow from investing activities	(5,043)	(9,322)
Dividends paid	(3,009)	(2,633)
Treasury shares	(148)	
Change in other financial assets and liabilities and short-term bank debts	(14,338)	(11,534)
- of which related parties		
Change in medium/long-term loans		(224)
Cash flow from financing activities	(17,495)	(14,391)
Exchange rate translation differences	(71)	(4)
Change in unrestricted cash and cash equivalents	131	(1,223)
Unrestricted cash and cash equivalents at the beginning of the period	40,382	31,181
Unrestricted cash and cash equivalents at the end of the period	40,513	29,960

5.6. Notes to the financial statements

Reno De Medici S.p.A. is a company which is established as a legal entity under Italian law, RDM Group operates mainly in Europe. The business of the Group is the production and distribution of cartonboard made from recycled fibers and, even if lower level, from virgin fibers.

Reno De Medici S.p.A. has its registered office in Milan, Italy.

The shares of the Parent company Reno De Medici S.p.A. are listed on the Star segment of Borsa Italiana S.p.A. and on the Madrid stock exchanges.

The condensed consolidated half-year financial statements of RDM Group were approved and authorized for publication by the Board of Directors of RDM on July 30, 2020.

5.6.1 Accounting standards and valuation criteria

The condensed consolidated half-year financial statements were prepared according to the going concern assumption.

The condensed consolidated half-year financial statements were prepared according to IAS 34 – Interim financial statements, applying the same accounting standards used to prepare the consolidated financial statements as at December 31, 2019, except for what described in the next section "IFRS and IFRIC accounting standards, amendments and interpretations already approved by the European Union".

The condensed half-year financial statements were prepared on the basis of the general principle of historical cost, except for derivative financial instruments, which are recognized at fair value, and financial liabilities, which are recognized on the basis of the amortized cost method. The carrying amount of hedged assets and liabilities which are qualified for hedge accounting is adjusted to take into account changes in the fair value due to hedged risks.

The Group has chosen to present the structure and content of its consolidated financial statements in the following manner:

- the consolidated statement of financial position is presented with separate sections for assets, liabilities and shareholders' equity. Assets and liabilities are then presented on the basis of their classification as current, non-current or held for sale;

-
- the consolidated income statement is presented in a vertical format with items broken down by nature, as this provides reliable and more relevant information than a classification by function;
 - the consolidated statement of comprehensive income is presented separately from the consolidated income statement, and each item is shown net of the tax effect;
 - the consolidated statement of cash flows is presented using the indirect method;
 - the consolidated statement of changes in shareholders' equity is presented by showing the profit or loss for the period separately from any income and expense not recognized directly on the income statement, but charged directly to equity on the basis of specific IAS/IFRS accounting standards, and is presented showing transactions with shareholders separately.

Preparing the interim financial statements requires management to make assumptions that have an effect on the amounts of revenues, costs, assets and liabilities on the financial statements and on the information regarding potential assets and liabilities on the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment, should prove outdated due to differing trends in the operational context than those forecast, these would be consequently modified in the period during which the changes became manifest. For a broader description of the Group's most relevant valuation procedures, see the section "Estimates and valuations" in the consolidated financial statements as at December 31, 2019.

It should also be noted that some valuation procedures, especially the more complex ones such as the determination of possible impairment losses on non-current assets, are generally carried out in a more complete manner only for the annual financial statements, when all the detailed information is available, as well as in cases of impairment indicators requiring an immediate valuation of any impairment losses.

The balance sheet, income statement and financial situation are presented in thousands of Euro.

IFRS and IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ALREADY APPROVED BY THE EUROPEAN UNION

- Amendment to IFRS 3: “*Definition of a Business*”
- Amendment to IAS 1 and IAS 8: “*Definition of material*”
- Amendment to IFRS 9, IAS 39 and IFRS 7: “*Interest Rate Benchmark Reform*”

No impacts were booked in the Half-year consolidated financial statement following the introduction of the above Principles and amendments.

IFRS and IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

- IFRS 17 – “*Insurance Contracts*”
- Amendment to IAS 1 - “*Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*”
- Amendment to IFRS 3 - “*Business Combinations*”
- Amendment to IAS 16 – “*Property Plant and Equipment*”
- Amendment to IAS 37 – “*Provisions, Contingent Liabilities and Contingent Assets*”
- IFRS 14 – “*Regulatory Deferral Accounts*”

The company is currently performing the qualitative analyses required to define the probable effects of application of the above principles.

Impairment testing

Every six months, the Group reviews the carrying amount of its tangible and intangible assets and investments to determine whether there are any indicators that these assets have become impaired. If any such indicators exist, the recoverable amount of such assets is estimated to determine the write-down amount.

It is highlighted that for the purpose of the consolidated financial statement, the impairment test relating to the cash generating units was conducted only for:

-
- the CGU of RDM La Rochette, in view of impairment indicators identified by the Administrators, which the value in use was determined based on the results in the appraisal prepared by an independent expert;
 - the CGU of Pac Service, on which was allocated a goodwill of €4.4 million, which the value in use was determined through the discounted cash flow (DCF) methodology.

Concerning the CGU of RDM La Rochette, some fixed assets were written-down by a total value of €9.5 million; any write-down was identified for the CGU of Pac Service.

Moreover, on the base of the recommendations contained in Joint Document No, 4 of March 4, 2010 of the Bank of Italy, Consob and ISVAP, concerning the impairment test conducted on the CGU of Pac Service S.p.A., the Group has described the main assumptions used to calculate the recoverable amount (value in use) as at December 31, 2019, relating to estimated operating cash flows, the discount rate and the final growth rate, and it had prepared sensitivity analyses on test results with respect to changes in the basic assumptions for determining the value in use of the cash generating unit. Based on these sensitivity analyses any write-down was made.

On the basis of the above, the Directors believe that the medium/long-term precautionary valuations used for the impairment testing for the business outlook up to December 31 2019 continue to apply; however, considering that these valuations were determined on the basis of estimates of future developments, the Group cannot be certain that these valuations will not require revision, in which case the results could have an effect on the value.

Moreover, as indicated in the Directors' Report on Operations, following the spread of Covid-19 (Coronavirus), that has impacted the national and international scenario since January 2020, further sensitivity analyses on the forecasts of future economic-financial flows and on the main scenarios used to test the capital assets have been made. Based on these analyses, any elements have not been identified that could constitute an impairment of cash generating unit.

5.6.2 Financial risk management policy

The Group, like all industrial operators, is exposed to the risks associated with the general macroeconomic environment.

The first half of 2020 was characterized by the Covid-19 emergency, which resulted in the temporary shutdown of many manufacturing industries and the ensuing recessionary effect, which has not yet become fully manifest. Due to the high exposure of the sector in which the Group operates to production segments deemed strategic, and above all to food and pharmaceutical sectors, the first half of the year did not show negative performances in terms of volumes, which, combined with the improved contribution margins, made it possible to achieve an excellent level of profitability. The global recession caused by the health emergency entails a high risk of a decrease in volumes, the extent of which is still difficult to estimate. Although this risk cannot be eliminated, the forecast selling and purchase price performance, together with the sharp reduction in energy costs, will permit this risk to be mitigated. The Group continues to work on preparing for various scenarios relating to the possible future impact of the current recession and to identify various measures to reduce such impact.

With reference to raw materials, the main risk — first identified in 2018 — is that resulting from a possible increase in the price of recycled paper due to the fact that, after the sharp fall seen in 2018, prices further declined in 2019, mainly due to the decision taken by the Chinese government to continue to block imports. Although there are no price increase trends in the short-term, it is not possible to rule out this risk in the medium-term, also because of the block on imports by China. The Covid emergency resulted in a sharp rise in prices in April and May and a subsequent downtrend towards pre-crisis values. As already occurred in May, the Group believes that it can offset any increases in the raw materials side by acting on the selling prices of its products.

With regard to energy prices, all of them declined markedly in 2019, particularly gas, electricity and coal, after they reached their high of previous years in 2018. The forecasts of price increases in 2020 were canceled by Covid-19, which in fact led to a further decrease in all energy components. Within this scenario, the Group will continue with its energy consumption efficiency policies and investments aimed at reducing them.

Credit risk is one of the risks related to the general economic environment and is described in more detail in the following section.

Risks related to the Group's results

It should be stated that there are no specific risks associated with the structure and/or the nature of RDM Group.

Risks related to the requirements for financial resources

The Group currently has largely sufficient financial resources available to meet reasonably foreseeable requirements as a result of the Group's positive financial position and the ongoing very favorable credit market conditions despite the recent sanitary emergency.

Risks related to interest rates

Exposure to interest rate risk involves mainly the medium-/long-term lines of credit on which the Group's financial provisions are currently based. At June 30, 2020, the Group has cash available and uses a very small portion of short-term lines of credit, except for the without recourse assignment of trade receivables (non-recourse factoring). As at June 30, 2020, medium- and long-term debt totaled €64 million, of which €13.4 million at an unhedged floating rate. At June 30, 2020, cash and cash equivalents stood at €40.5 million.

According to the forecasts for 2020, in the Eurozone interest rates will remain at current levels until at least the end of the year.

Liquidity risk

Liquidity risk is defined as the risk of not meeting obligations associated with liabilities.

Prudent management of liquidity risk entails maintaining adequate cash and cash equivalents and the ability to access the loans needed to support operations.

To deal with this risk, the Group's treasury unit ensures the flexibility of the supply of funds through access to diversified sources of credit.

As at June 30, 2020, the net financial debt of RDM Group was equal to €38.5 million, with wide margins to satisfy all reasonable financial requirements.

Credit risk

Credit risk is the exposure of the Group to the insolvency of its customers, especially in Italy, which is still the Group's primary market, remains one of Europe's most fragile economies and

is historically characterized by very long payment terms and consequently high exposure to customers.

As a result of the situation created following the spread of the Covid-19 (Coronavirus) pandemic, based on the information available, the Group cannot rule out that at least some of its customers could have to deal with situations of financial tension with consequences, at least in the short-term, on payment times and credit ratings.

The RDM Group has many tools to effectively manage this risk: insurance agreements were entered into with a leading credit insurance company and various agreements were also entered into for the nonrecourse assignment of receivables.

Any uninsured and/or uninsurable positions are monitored continually by the appropriate corporate functions, with the support of external sources of information and monitoring for the Italian customer base.

In order to contain this risk, the Group checks risky positions vigilantly and promptly.

Although the policies adopted thus far have restricted losses on receivables, the risk cannot be entirely eliminated.

Currency risk

This risk is the exposure of the Group to fluctuations in exchange rates of costs and revenues denominated in currencies other than the Euro. This exposure is particularly related to fluctuations in the US dollar, a currency in which a significant part of revenues from overseas markets is denominated, and, as far as costs are concerned, purchases of certain raw materials and energies. Given the expected volumes of costs and revenues which are either denominated in dollars or are pegged to the dollar, we consider that the net exposure is at a contained level in relation to the overall size of the business.

Capital risk

The Group is deemed to be adequately capitalized in relation to the reference market and its size.

Concerning to other strategic risks of RDM Group, climate change risks, environmental risks and cyber security risks, please refer to the Consolidated Non Financial Report 2019

5.6.3 Scope of consolidation

The financial position, results and cash flows of RDM Group include the financial position, results and cash flows of Reno De Medici S.p.A. and of the companies over which it has the

right to exercise control. The definition of control is not based solely on the concept of legal ownership. IFRS 10 introduced a more solid definition of control compared with the past, based on three elements: (a) power over the business purchased; (b) exposure or rights, at variable returns resulting from involvement with the latter; (c) capacity to utilize the power to influence the amount of these returns. IFRS 10 stipulates that in order to evaluate whether it has control over the acquired business, an investor should focus only on activities that materially affect returns and rights which are substantial, i.e., can be exercised in practice when important decisions have to be taken with regard to the acquired business. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is acquired until the date that such control ceases to exist. The portions of shareholders' equity and profit or loss attributable to minority interests are shown separately in the consolidated statement of financial position, consolidated income statement, and consolidated statement of comprehensive income.

The main consolidation principles adopted are as follows:

- the carrying amount of each investment consolidated on a line-by-line basis is eliminated against the related equity, with the assets, liabilities, income and expense of the subsidiary being added to those of the Parent Company, regardless of the size of the investment; the shares of subsidiaries' capital and reserves and of subsidiaries' profit or loss attributable to minority interests are shown separately in the consolidated statement of financial position and the consolidated income statement;
- the acquisition of subsidiaries is accounted using the purchase method as required by IFRS 3 Revised;
- all balances and transactions among Group companies are eliminated, as are any profits and losses (unless losses indicate an impairment of the sold asset requiring recognition) arising from commercial or financial intragroup transactions not yet realized with third parties;
- any increases or decreases in a subsidiary's equity arising from its post-acquisition results are recorded upon elimination in the "Retained earnings (losses)" equity reserve;
- dividends distributed by Group companies were eliminated from the income statement upon consolidation.

The following table provides a list of subsidiaries consolidated on a line-by-line basis with the respective percentage holdings:

Corporate name	Registered office	Business	Share Capital (€/000)	Control percentage			
				06.30.2020		12.31.2019	
				direct	indirect	direct	indirect
R.D.M. Arnsberg GmbH	Arnsberg (G)	Industrial	5,113	94.00%	6.00%	94.00%	6.00%
RDM Blendecques S.A.S.	Blendecques (F)	Industrial	5,037	100.00%		100.00%	
Cartiera Alto Milanese S.r.l. in liquidation	Milan (I)	Commercial	12	100.00%		100.00%	
Cascades Grundstück GmbH & Co, KG	Arnsberg (G)	Services	28	100.00%		100.00%	
R.D.M. Magenta S.r.l.	Milan (I)	Industrial	3,700	100.00%		100.00%	
R.D.M. Ovaro S.p.A.	Milan (I)	Industrial	12,500	100.00%		95.00%	
R.D.M. La Rochette S.A.S.	La Rochette (F)	Industrial	4,000		100.00%		100.00%
R.D.M. Barcelona Cartonboard S.A.U.	Barcelona (E)	Industrial	14,943	100.00%		100.00%	
PAC Service S.p.A.	Vigonza (I)	Industrial	1,000	100.00%		100.00%	
R.D.M. Marketing France S.A.S.	Saint-Denis (F)	Commercial	337	100.00%		100.00%	
R.D.M. Marketing Germany GmbH	Krefeld (G)	Commercial	210	100.00%		100.00%	
R.D.M. Marketing Spain S.L.U.	El Prat de Llobregat (E)	Commercial	26	100.00%		100.00%	
R.D.M. Marketing UK Ltd	Wednesbury (UK)	Commercial		100.00%		100.00%	
R.D.M. Marketing Czech Republic s,r,o,	Prague (CR)	Commercial	19	100.00%		100.00%	
R.D.M. Marketing Hungaria Kft,	Budapest (HU)	Commercial	17	100.00%		100.00%	
R.D.M. Marketing Poland Sp, z o,o,	Warsaw (P)	Commercial	11	100.00%		100.00%	
R.D.M. Marketing Portugal Unipessoal Lda	Lisbona (PT)	Commercial	3		100.00%		100.00%

The following investments in associates and joint ventures are included in the condensed consolidated half-year financial statements according to the equity method:

Corporate name	Head office	Business	Share capital (€/000)	Control percentage			
				06.30.2020		12.31.2019	
				direct	indirect	direct	indirect
Associates							
Emmaus Pack S.r.l.	Milan (I)	Industrial	200	34.39%		34.39%	
Joint ventures							
RECOG,SEL,PAP, Y CART, C., A,I,E,	Barcelona (E)	Industrial	3		50.00%		50.00%

The scope of consolidation changed on June 30, 2020. In particular on 15 June 2020, Reno De Medici S.p.A., in accordance with the agreements signed with Friulia S.p.A. in 2017, repurchased, at a cost of €692,682, the last 5% of the shareholding owned by Friulia S.p.A. in R.D.M Ovaro S.p.A. Following this operation, R.D.M. Ovaro S.p.A. is totally owned by Reno De Medici S.p.A.

The financial statements of each Group company are prepared in the currency of the economic area in which it mainly operates (the functional currency). For the purposes of the consolidated financial statements, the financial statements of each entity are expressed in Euro, which is the Group's functional currency and the currency in which the condensed consolidated half-year financial statements are presented.

5.6.4. Notes to the financial statements for the first half of 2020

Segment Information

The following segment information has been prepared on the basis of the reports that company management uses and reviews to assess performance and to make its main strategic decisions.

The RDM Group's business is divided into two sectors, white lined chipboard (WLC) and folding box board (FBB) based on virgin fibers.

The reports used by directors show results in two operating sectors: WLC, represented by mills located in France, in Germany and in Spain, which became part of the Group from October 31,

2018, and by all the mills operating in Italy, and FBB in which the company R.D.M. La Rochette S.A.S.

The economic measure of the results achieved by each operating segment is the profit or loss for the year; within that result, operating profit and gross operating profit are specifically highlighted.

There is no need to reconcile the segment valuations contained in this section with the figures included in the financial statements in this report, as all the displayed income components are measured using the same accounting policies adopted for the preparation of the Group's consolidated financial statements. Unallocated items and adjustments include intersegment balances relating to intercompany transactions.

The following table provides operating information by geographical area for the first half of 2020 and the first half of 2019:

Income statement 06.30.2020	WLC	FBB	Unallocated items and adjustments	Consolidated
(thousands of Euro)				
Revenues from sales	295,504	62,271	(5,448)	352,327
Intercompany	(5,069)	(379)	5,448	
Net sales revenues from third parties	290,435	61,892		352,327
Gross operating profit	42,287	6,152	23	48,462
Amortization and depreciation	(14,591)	(826)	(27)	(15,444)
Operating profit	27,696	5,326	(4)	33,018
Net financial income (expenses)	(1,168)	(267)	(8)	(1,443)
Gains (losses) on investments	138		(155)	(17)
Taxes	(6,068)	(553)	(13)	(6,634)
Profit/loss for the period	20,598	4,506	(180)	24,924
Portions of profit (loss) of equity-accounted investments	(17)			(17)

Income statement 06.30.2019	WLC	FBB	Unallocated items and adjustments	Consolidated
(thousands of Euro)				
Revenues from sales	309,113	59,729	(6,607)	362,235
Intercompany	(5,948)	(659)	6,607	
Net sales revenues from third parties	303,165	59,070		362,235
Gross operating profit	36,096	2,798	22	38,916
Amortization and depreciation	(13,403)	(1,066)	74	(14,395)
Operating profit	22,693	1,732	96	24,521
Net financial income (expenses)	(2,012)	(295)	(22)	(2,329)
Gains (losses) on investments	62		24	86
Taxes	(5,368)	(213)	(39)	(5,620)
Profit/loss for the period	15,375	1,224	59	16,658
Portions of profit (loss) of equity-accounted investments	86			86

Notes

1. Revenues from sales

The following table provides a breakdown of net revenues from the sale of cartonboard by geographical area of customers.

	06.30.2020	06.30.2019	Variation	%
(thousands of Euro)				
Italy	102,129	103,285	(1,156)	(1%)
European Union	203,932	210,976	(7,044)	(3%)
Rest of the world	46,266	47,974	(1,708)	(4%)
Total revenues from sales	352,327	362,235	(9,908)	(3%)

In the first half of 2020, RDM Group's revenues from sales amounted to €352.3 million, down compared with €362.2 million for the same period of the previous year. The €9.9 million reduction compared to the same period of the previous year was mainly due to the decrease in selling price that began in the second half of 2019 as a result of a weak demand and the downward trend in raw materials. By contrast, sales volumes increased.

2. Other revenues and income

At June 30, 2020, other revenues and income amounted to €8.1 million and mainly included: revenues generated by participation in the energy interruptibility service (€0.6 million), revenues from Energy Efficiency Certificates (also known as "White Certificates") (€4 million), income from sale of electricity in the first half of 2020 (€0.4 million), contingent assets (€0.7 million), ordinary contributions received from Comieco (€0.1 million), contributions in favor of the French subsidiaries and the Spanish subsidiary in accordance with local regulations, which support the competitiveness of industrial sites with high energy consumption (€1.5 million) and other minor income.

3. Change in inventories of finished goods

The change in inventories in the first half of 2020 was primarily attributable to the reduction in inventories of finished products due to the halt of production and the subsequent use of existing stocks to respond to demand.

4. Cost of raw materials and services

The following table shows the costs incurred for raw materials and services:

	06.30.2020	% of value of production (*)	06.30.2019	% of value of production (*)
(thousands of Euro)				
Cost for raw materials	138,239	40%	161,736	44.1%
Cost of services	108,169	31.3%	115,851	31.6%
Cost for use of third-party assets	842	0.2%	702	0.2%
Total	247,250	71.6%	278,289	75.9%

(*) Value of production = Revenues from sales plus changes in inventories of finished products

The “Cost of raw materials” refers mainly to the purchase of products used to make pulp (wastepaper, wood paste, cellulose and chemicals) and for packaging.

The cost of raw materials and services amounted to €247.2 million, down €31 million compared with the same period of 2019. This item was influenced by a lower average cost of recycled paper and virgin pulp compared with the same period of the previous year. Energy costs declined sharply, in particularly those of gas, which represents the main energy source used by the RDM Group.

5. Personnel cost

Personnel costs amounted to €54.3 million, up by €1.8 million compared with the same period of 2019. This change was due to the contractual increases, the productivity improvement, as well as the accrual in the period of the 2020-2022 incentive plans for top management based on performance phantom shares and stock grants.

6. Other operating costs

Other operating costs amounted to €3.5 million at June 30, 2020, up €0.8 million compared with the same period of the previous year. This increase is mainly due to the greater accrual to the provision for bad and doubtful receivables, equal to €1 million, recognized, partially, to reflect the greater difficulties encountered in collecting receivables as a result of the financial tensions affecting certain clients owing to the Covid-19 emergency. Moreover this item includes taxes of €2 million, and contributions to trade associations of €0.4 million.

7. Amortization and depreciation

The following table sets out details of the “Depreciation and amortization” item:

	06.30.2020	06.30.2019	Variation
(thousands of Euro)			
Amortization of intangible assets	803	564	239
Depreciation of tangible fixed assets	12,901	12,293	608
Amortization of rights of use	1,740	1,538	202
Total	15,444	14,395	1,049

Depreciation and amortization amounted to €15.4 million, up compared with the same period of the previous year. The €1 million increase was mainly attributable to the completion of RDM Barcelona Cartonboard S.A.U.’s Purchase Price Allocation, following which, at December 31, 2019, the amortization previously estimated had been revised.

8. Net financial income (expenses)

The following table shows net financial income and expense:

	06.30.2020	06.30.2019	Variation
(thousands of Euro)			
Financial income	293	77	216
Interest and other financial income	13	77	(64)
Income from derivative financial instruments	280		280
Financial expense	(1,543)	(2,331)	788
Interest to banks and other lenders	(482)	(670)	188
Loss on derivative financial instruments	(154)	(190)	36
Financial expense on defined-benefit plans	(128)	(412)	284
Financial interest on leases	(240)	(204)	(36)
Expenses, commission and other financial charges	(539)	(855)	316
Exchange rate differences	(193)	(75)	(118)
Exchange rate income	528	405	123
Exchange rate expenses	(721)	(480)	(241)
Total	(1,443)	(2,329)	886

Net Financial Expense at June 30, 2020 amounted to €1.4 million, compared with €2.3 million for the same period of the previous year.

The €0.9 million decline was essentially attributable to:

- the €0.3 million financial income recognized on the measurement at June 30, 2020 of the derivatives entered into by the Spanish subsidiary to hedge purchases of natural gas and energy sales. Although these contracts were entered into for hedging purposes, they were not accounted for according to the hedge accounting method;
- the €0.2 million change in financial expense due to the lower financial debt.

9. Gains (losses) on investments

Losses from investments as at June 30, 2020 stood at €17 thousand and are due to the adjustment to the equity investment in associate Emmaus Pack S.r.l.

10. Taxes

The following table shows the breakdown of current and deferred taxes as at June 30, 2020:

	06.30.2020	06.30.2019	Variation
(thousands of Euro)			
Deferred taxes	480	1,240	(760)
Current taxes	(7,114)	(6,860)	(254)
Total	(6,634)	(5,620)	(1,014)

The allocation for **Taxes** is €6.6 million, compared with €5.6 million in 2019. The change is related to more taxable income thanks to the greater taxable income generated by some companies that have tax losses carryforward.

11. Tangible fixed assets

The following table shows the change in tangible fixed assets:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euro)							
Historical cost	45,062	92,524	714,349	1,507	15,065	13,151	881,658
Accumulated depreciation/write-downs		(61,867)	(571,619)	(1,382)	(14,204)		(649,072)
Net book value as at 12.31.2019	45,062	30,657	142,730	125	861	13,151	232,586
Increases		134	1,594	5	315	2,562	4,610
Decreases			(18)		(11)		(29)
Reclassification of cost		130	7,975	45	26	(8,176)	
Depreciation for the period		(1,446)	(11,342)	(9)	(104)		(12,901)
Decrease in accumulated depreciation/write-downs			9		6		15
Value as at 06.30.2020							
Historical cost	45,062	92,788	723,900	1,557	15,395	7,537	886,239
Accumulated depreciation/write-downs		(63,313)	(582,952)	(1,391)	(14,302)		(661,958)
Net book value at 06.30.2020	45,062	29,475	140,948	166	1,093	7,537	224,281

For the purpose of determining possible impairment losses, it is noted that no impairment indicators emerged such as to modify the valuations made as of December 31, 2019. For further details, see the “Impairment testing” section.

12. Rights of use

This item, which stands at €11.9 million, refers to the rights of use for leased assets which, following the implementation of IFRS 16, were recorded under fixed assets.

	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Software	Total
(thousands of Euro)						
Historical cost	9,698	4,024	18	947	966	15,653
Accumulated depreciation/write-downs	(1,460)	(1,223)	(8)	(269)	(322)	(3,282)
Net book value as at 12.31.2019	8,238	2,801	10	678	644	12,371
Increases	304	690		297	92	1,383
Decreases	(13)	(363)		(97)		(473)
Depreciation for the period	(821)	(576)	(4)	(169)	(170)	(1,740)
Decrease in accumulated depreciation/write-downs	6	281		59		346
Exchange differences	(21)			(2)		(23)
Value as at 06.30.2020						
Historical cost	9,968	4,351	18	1,145	1,058	16,540
Accumulated depreciation/write-downs	(2,275)	(1,518)	(12)	(379)	(492)	(4,676)
Net book value at 06.30.2020	7,693	2,833	6	766	566	11,864

13. Goodwill

“Goodwill” stands at €4.4 million and refers to the acquisition of PAC Service S.p.A., purchased in the year 2018.

14. Intangible fixed assets

Intangible fixed assets totaled €16.1 million. The decrease compared with the previous year, of €0.2 million, is essentially due to the amortization in the period, €0.8 million, partially offset by the increase of the cost due to the implementation of the new ERP.

“Intangible assets with an indefinite useful life” refer to the valuation of concessions granted in Germany in relation to water rights with an indefinite useful life.

15. Equity investments

Equity investments stood at €0.7 million. The decrease compared with the previous year is mainly due to the valuation at equity of the stake held in Emmaus Pack S.r.l.

The information required by IFRS 12 for equity-accounted investments is provided below.

The value of equity-accounted investments in the balance sheet is as follows:

	06.30.2020	12.31.2019
(thousands of Euro)		
Associates	225	379
Join ventures	2	2
Total	227	381

The impact of equity accounting on the income statement for the period is as follows:

	06.30.2020	06.30.2019
(thousands of Euro)		
Associates	(17)	67
Total	(17)	67

The balance as at June 30, 2020 includes the valuation of the equity investment in Emmaus Pack S.r.l., equal to €17 thousand.

16. Trade receivables and receivables from associates and joint ventures

The breakdown of trade receivables, which amount to €86 million, is provided below:

	06.30.2020	12.31.2019	Variation
(thousands of Euro)			
Trade receivables	77,992	70,317	7,675
Receivables from associates and joint ventures	7,775	6,812	963
Current trade receivables	85,767	77,129	8,638

Trade receivables, net of the provision for bad and doubtful receivables of €5.6 million, amounted to €86 million, up €8.6 million compared with December 31, 2019. This increase is due to both the rise in volumes sold in the second quarter of 2020 compared with the fourth quarter of 2019 and the payment of annual premiums paid to customers during the first half of 2020.

The item “Receivables from associates and joint ventures” includes commercial transactions with Emmaus Pack S.r.l. (€7,775 thousand).

17. Inventories

Inventories as at June 30, 2020 stood at €106.5 million, decreasing compared with €2.4 million at December 31, 2019. The decline was primarily attributable to the reduction in inventories of finished products due to the halt of production and the subsequent use of existing stocks to respond to demand.

18. Other receivables (current and non-current)

At June 30, 2020, the “Other receivables (non-current portion)” item totaled €5.5 million, in line with the previous year. This item included:

- receivables for deposits in favor of a factoring company of €0.8 million, pursuant to the agreements entered into by the Parent Company, Reno De Medici S.p.A., and by the subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S.;
- the Guarantee Fund set up at Terna, the grid operator, of €1 million;

-
- tax credit for competitiveness and employment (CICE and Participation Effort) granted by the French government to the subsidiaries R.D.M. La Rochette S.A.S. and RDM Blendecques S.A.S., for a total of €2.3 million.

At June 30, 2020, the “Other receivables (current portion)” item totaled €15.8 million, in line with the previous year. This item included:

- the VAT credit of €1.6 million;
- the current portion of the French CICE credit of €1.1 million;
- receivables for deposits in favor of a factoring company of €1.4 million, pursuant to the agreements entered into by the Parent Company, Reno De Medici S.p.A., and by the subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S.;
- prepaid expenses of €7.7 million. The item also includes the costs incurred for the demolition of the buildings at the Magenta plant in accordance with the preliminary sales agreement entered into for it at the end of 2018, net of the advances collected. Given the suspensive clauses in the above-mentioned agreement, this asset was not classified as available for sale pursuant to IFRS 5.

19. Net financial position

Consolidated net financial debt at June 30, 2020 amounted to €38.5 million, down €13.5 million compared with €52 million at December 31, 2019.

The improvement in financial position was essentially due to the high EBITDA recorded in the first half of the year, partly offset by the higher level of working capital.

Among financial transactions, worth of notice are the payment of dividends (€3 million) and the purchase of Friulia S.p.A.’s stake in R.D.M. Ovaro S.p.A. (€0.7 million).

The net financial position consisted of the following:

	06.30.2020	12.31.2019	Variation
(thousands of Euro)			
Cash	14	16	(2)
Funds available from banks	40,499	40,366	133
A. Cash and cash equivalents	40,513	40,382	131
Other receivables	40	147	(107)
B. Current financial receivables	40	147	(107)
<i>1. Current payables to banks</i>			
<i>2. Current portion of medium and long-term loans</i>			
	19,118	22,706	(3,588)
<i>3. Other current financial liabilities</i>			
	90	98	(8)
<i>4. Leasing financial liabilities</i>			
	2,508	2,806	(298)
Debts to banks and other lenders (1+2+3+4)	21,716	25,610	(3,894)
Derivatives – current financial liabilities	1,908	2,211	(303)
C. Current financial debt	23,624	27,821	(4,197)
D. Net current financial debt (C-A-B)	(16,929)	(12,708)	(4,221)
Non-current financial receivables			
E. Non-current financial receivables			
Payables to banks and other lenders			
	45,307	54,303	(8,996)
Derivatives – non-current financial liabilities			
	636	9,683	(116)
Leasing financial liabilities			
	9,479	752	(204)
F. Non-current financial debt	55,422	64,738	(9,316)
G. Net non-current financial debt (F-E)	55,422	64,738	(9,316)
H. Net financial debt (D+G)	38,493	52,030	(13,537)

Non-current “Payables to banks and other lenders” comprise medium- and long-term loans granted by banks (valued according to the amortized cost method).

The table below reports, as required from IAS 7 - “Statement of Cash Flow”, the variation of the liabilities from financing activities:

	12.31.2019	Cash flow (*)	Non-cash transactions			06.30.2020
			Change in scope of consolidation	Exchange rate translation differences	Fair Value variation	
(thousands of Euro)						
Current financial receivables	147	(107)				40
Current financial debt	27,821	(3,894)			(303)	23,624
Non-current financial debt	64,738	(9,200)			(116)	55,422
Net liabilities from financing activities	92,412	(12,987)			(419)	79,006
Cash and cash equivalents	40,382	131				40,513
Net financial debt	52,030	(13,118)			(419)	38,493

(*) The information of “Cash flow” are reported in the Statement of Cash Flow.

The table below shows outstanding medium- and long-term loans, broken down by due date and recorded at nominal value:

	within 12 months	more than 12 months	more than 60 months	Total
(thousands of Euro)				
Banque Palatine 1067376	601	1,057		1,658
Banque Palatine 1067377	401	710		1,111
FRIE 1	414	621		1,035
FRIE 2	813	406		1,219
FRIE 3	113	396		509
FRIE 4	136	545	273	954
Banca Popolare Milano	2,857	4,286		7,143
UniCredit	7,000	24,500		31,500
Banca Intesa (RDM Blendecques S.A.S.)	1,667	4,167		5,834
Banca Intesa (R.D.M. La Rochette S.A.S.)	1,667	4,167		5,834
Credem	251			251
BNL	100			100
UniCredit	100	102		202
Agence de l'eau	58	111		169
Encelipa	84	3		87
Be Spoken		3,490		3,490
Berivo Equipment	1,095	287		1,382
Endesa Energia SAU	1,199	303		1,502
Kemira	36			36
Total nominal debt	18,592	45,151	273	64,016
Amortized cost effect	(96)	(115)		(211)
Total debt using the amortized cost method	18,496	45,036	273	63,805

The Group's financial indebtedness now mainly consists of medium long-term loans, which provide the Group with the stability of the necessary financial sources to adequately support its operations, and, in particular, capital expenditure, as well as possible projects to take advantage of strategic investment opportunities.

Some loans require certain financial covenants to be respected based on the following ratios:

- Net financial position/Shareholders' equity
- Net financial position/Gross operating profit

- Gross operating profit/Net financial expense
- Shareholders' equity/Medium to long-term debt
- Shareholders' equity/Shareholders' equity at December 31, 2016

The financial parameters are calculated half-yearly or annually, depending on the loan, based on the figures of the Group's consolidated financial statements. The half-year calculations of the Group's gross operating profit and net financial expense are based on the 12-month period ending on the last day of the half-year concerned.

In the event of non-compliance with the financial covenants, the lending banks may terminate the loan agreements: as at June 30, 2020 the Group was in compliance with the financial parameters.

In terms of collateral, the Parent company loan agreement requires, inter alia, RDM to provide mortgages on mills, in the total amount of €123.7 million.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at June 30, 2020.

The table below shows the main features of the derivative instruments outstanding as at June 30, 2020:

Company	Counterparty	Currency	Due date	Notional value (€/000)	Interest	Liquidation of interest	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	7,143	0.45% fixed	Half-yearly	(90)
					Euribor 6m		
R.D.M. La Rochette S.A.S.	Intesa San Paolo S.p.A.	EUR	11.15.2023	5,834	0.245% fixed	Half-yearly	(69)
					Euribor 6m		
Reno De Medici S.p.A.	Unicredit S.p.A.	EUR	07.31.2024	31,500	0.385% fixed	Half-yearly	(607)
					Euribor 6m		
							(766)

The table below shows the main features of the commodity swap outstanding as at June 30, 2020:

Company	Counterparty	Currency	Due date	Quantity (MT)	Contractual price	Spread settlement	Fair value of derivative (€/000)
R.D.M. Arnsberg GmbH	UniCredit S.p.A.	USD	12.31.2021	18,000	90.4	Monthly	(553)
USD/MT							
R.D.M. Barcelona Cartonboard S.A.U.	Axpo Iberia S.L.	EUR	12.31.2020	813,312		Monthly	(1,225)
EUR/MWH							

Below is the hierarchy of levels for the measurement of the fair value of derivatives:

- level 1: inputs used in measurements are represented by quoted prices in active markets for identical assets and liabilities to those subject to measurement;
- level 2: inputs other than quoted prices included in level 1 that are observable for the financial asset or liability, both directly (prices) and indirectly (derived from prices);
- level 3: in the event that observable inputs are not available, and therefore market activity is light or non-existent for the asset or liability subject to measurement, the inputs are non-observable.

Classification	06.30.2020	Fair value as at the date of the financial statements based on:		
		Level 1	Level 2	Level 3
(thousands of Euro)				
Derivative instruments on interest rates	Non-current derivative instruments	(471)	(471)	
Derivative instruments on interest rates	Current derivative instruments	(295)	(295)	
Derivative instruments on commodities	Non-current derivative instruments	(165)	(165)	
Derivative instruments on commodities	Current derivative instruments	(1,613)	(1,613)	

20. Shareholders' equity

The share capital, which stood at €140 million as at June 30, 2020, breaks down as follows:

	Number	Total value
Ordinary shares	377,546,253	139,905,602
Savings shares	254,741	94,398
Total	377,800,994	140,000,000

We hereby reiterate that in June 2016 the company started a buyback plan of its own shares. For further information please refer to the paragraph "Other information - Authorization to buy and sell treasury shares".

With reference to the savings shares, RDM's articles of association require that if a dividend of less than 5% of the par value of the share is assigned to the savings shares in a financial year, the difference is calculated as an increase in the privileged dividend in the next two financial years. To this end, dividends of €3,009 thousand were distributed in 2020.

2020-2021-2022 Stock Grant Plan

In April 2020, the Ordinary Shareholders' Meeting approved an Incentive Plan reserved for the Company's Chief Executive Officer and Key Management Personnel that calls for the allotment of a maximum of 2,070,000 Stock Grants, which entitle each plan beneficiary to receive shares at the end of the performance period, provided that certain performance objectives, to be set for each year of the three-year period, are met and that the beneficiaries maintain their positions within/employment relationships with the Company. On the base of the above Plan, a Stock Grant reserve, equal to €258 thousand, was booked in the condensed consolidated half-year financial statements.

21. Other payables and other payables to associates and joint ventures

Other current payables amounted to €25 million (€23 million at December 31, 2019). This item essentially includes payables to employees for deferred compensation, payables to the Treasury for contributions on compensation, VAT payables to the Treasury, and payables to directors and statutory auditors.

22. Employee benefits

"Employee benefits" amounted to €36.2 million as at June 30, 2020 in line with December 31, 2019.

At June 30, 2020, RDM Group employed 1,742 people, compared with 1,766 at December 31, 2019.

23. Non-current and current provisions for risks and charges

At June 30, 2020, non-current and current provisions for risks and charges totaled €5 million and €0.9 million, respectively. The overall change compared with December 31, 2019, amounting to €0.7 million, was essentially attributable to the €334 thousand cost recognized for the Phantom Stock Grants envisaged in the plan, as illustrated below.

2020-2021-2022 Phantom Stock Grant Plan

In April 2020, the Ordinary Shareholders' Meeting approved an Incentive Plan reserved for the Company's Chief Executive Officer and Key Management Personnel that calls for the allotment of a maximum of 2,070,000 Phantom Stock Grants, which entitle each plan beneficiary to

receive a cash bonus at the end of the performance period, provided that certain performance objectives, to be set for each year of the three-year period, are met and that the beneficiaries maintain their positions within/employment relationships with the Company.

24. Current trade payables and payables to associates and joint ventures

The balance at June 30, 2020 breaks down as follows:

	06.30.2020	12.31.2019	Variation
(thousands of Euro)			
Trade payables	126,579	141,209	(14,630)
Total	126,579	141,209	(14,630)

Trade payables totaled €127 million (€141 million at December 31, 2019) and are all due within 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparty.

The change compared with the previous year was essentially due to normal working capital movements.

25. Non-recurring transactions

The Group's income, financial position, and cash flows were not influenced by non-recurring significant events and transactions as defined in Consob Notice No, DEM/6064293 except as already explained in the paragraph "Key events",

26. Contingent liabilities and commitments and other guarantees given to third parties

Regarding the main existing disputes, see section 5.8,

Commitments and guarantees given to third parties include:

- sureties of €6.6 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- sureties of €3.7 million issued to the Comieco consortium;
- sureties of €67 thousand issued to the customs authorities;
- a surety of €424 thousand issued to Terna S.p.A.;

-
- a surety of €90 thousand issued to the Province of Milan;
 - a surety of €6.1 million issued in favor of Vetropack, the potential purchaser of the Magenta site, following the preliminary sales agreement.
 - a surety of €524 thousand issued in connection with property leases;

5.7 Related-party transactions

As already highlighted, there were no transactions with related parties or other parties that were atypical or unusual or extraneous to normal business operations or such as to cause harm to the Group's income, financial position or cash flow.

In the condensed consolidated half-year financial statements, related-party transactions were in existence with:

- the parent company;
- associates;
- joint ventures;
- other related parties,

Transactions between Reno De Medici S.p.A. and its consolidated subsidiaries were eliminated from the condensed consolidated half-year financial statements and are therefore not shown in these notes.

The transactions carried out with the related parties identified above are part of normal business operations in the usual area of activity of each party involved from time to time and are governed under arm's length conditions.

These transactions include commercial relations with the company Emmaus Pack S.r.l., for the sale of cardboard.

In June 2017, Reno De Medici S.p.A. and Friulia S.p.A. redefined the shareholders' agreements signed on June 27, 2012, in the context of the acquisition by Friulia of a 20% share of R.D.M. Ovaro S.p.A. at the price of €2,5 million. These agreements gave to Friulia S.p.A. the right to resell its shareholding in R.D.M. Ovaro S.p.A. to Reno De Medici S.p.A. under certain conditions, *inter alia*, through the exercise of a "put option" to be exercised by June 27, 2017. Therefore, in June 2017, in recognition of the success of the partnership and in view of the new

investments required to increase the value of the R.D.M. Ovaro S.p.A. and its potential expansion plans, the Parties agreed that the extension of the partnership was advantageous for the subsidiary and therefore signed new agreements under which Reno De Medici S.p.A. would buy back the 20% stake in R.D.M. Ovaro S.p.A. owned by Friulia, against the total amount of €2,497,010.95, in four equal shares. The last share has been repurchased on June 15, 2020. Following this operation, R.D.M. Ovaro S.p.A. is totally owned by Reno De Medici S.p.A.

Pursuant to Consob Resolution No, 15519 of July 27, 2006, the transactions described above are shown in the tables below:

Receivables and payables with related parties

	Current assets			Current liabilities		
	Trade receivables	Receivables from associates and joint ventures	Other receivables from associates and joint ventures	Trade payables	Payables to associates and joint ventures	Other payables to associates and joint ventures
(thousands of Euro)						
Cascades Groupe Produits						
Emmaus Pack S.r.l.		7,775				
Recog.Sel.Pap.YCart.C., A.I.E.						101
Total		7,775				101
Impact on item total		100%		0%		100%

Revenues and costs deriving from related-party transactions

	Revenues from sales	Other revenues	Financial income
(thousands of Euro)			
Emmaus Pack S.r.l.	6,710	43	
Total	6,710	43	
Impact on item total	1,9%	0,53%	

	Cost of raw materials and services	Financial charges
(thousands of Euro)		
Emmaus Pack S.r.l.		
Cascades Canada Ulc	68	
Total	68	
Impact on item total		0%

The compensation due to the directors and statutory auditors of Reno de Medici S.p.A. for the performance of their duties amounted to €250 thousand and €83 thousand, respectively.

5.8. Lawsuits and arbitration proceedings

Existing disputes and risks

Nothing to report.

5.9. Subsequent events

There are no significant subsequent events to report.

6. List of investments in subsidiaries and associated companies

Pursuant to Article 126 of Consob Resolution No. 11971 of May 14, 1999, as subsequently amended and supplemented, below is the list of equity investments held at June 30, 2020 in companies with unlisted shares or in limited-liability companies, exceeding 10% of the capital.

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Cartonboard industry – subsidiaries

Cartiera Alto Milanese S.r.l. in liquidation

Milan - Italy

Direct ownership percentage: 100%

RDM Blendecques S.A.S.

Blendecques – France

Direct ownership percentage: 100%

R.D.M. La Rochette S.A.S.

La Rochette – France

Indirect ownership percentage: 100% (through RDM Blendecques S.A.S.)

R.D.M. Ovaro S.p.A.

Ovaro - Italy

Direct ownership percentage: 100%

R.D.M. Arnsberg GmbH

Arnsberg – Germany

Direct ownership percentage: 94%

Indirect ownership 6% (through Cascades Grundstück GmbH & Co,KG)

R.D.M. Magenta S.r.l.

Milan - Italy

Direct ownership percentage: 100%

Pac Service S.p.A.

Vigonza - Padua - Italy

Direct ownership percentage: 100%

R.D.M. Barcelona Cartonboard S.A.U.

Barcelona – Spagna

Direct ownership percentage 100%

Services industry – subsidiaries

Cascades Grundstück GmbH & Co.KG

Arnsberg – Germany

Direct ownership percentage: 100%

R.D.M. Marketing Germany GmbH
Krefeld – Germany
Direct ownership percentage: 100%

R.D.M. Marketing France S.A.S.
Paris – France
Direct ownership percentage: 100%

R.D.M. Marketing Spain S.L.U.
Prat de Llobregat - Barcelona - Spain
Direct ownership percentage: 100%

R.D.M. Marketing UK Limited
Wednesbury – United Kingdom
Direct ownership percentage: 100%

R.D.M. Marketing Czech Republic S,r,o,
Prague – Czech Republic
Direct ownership percentage: 100%

R.D.M. Marketing Hungaria KFT
Budapest - Hungary
Direct ownership percentage: 100%

R.D.M. Marketing Poland SP z,o,o,
Warsaw - Poland
Direct ownership percentage: 100%

R.D.M. Marketing Portugal Unipessoal Lda
Lisbon – Portugal
Indirect ownership percentage: 100% (through R.D.M. Barcelona Cartonboard S.A.U.)

LIST OF EQUITY-ACCOUNTED INVESTMENTS

Cartonboard sector and other industrial production

Emmaus Pack S.r.l.

Milan - Italy

Direct ownership percentage: 34,39%

Recogida Sel, Pa, YCart, C. A.I.E.

Barcelona – Spagna

Indirect ownership percentage: 50%

LIST OF INVESTMENTS IN OTHER COMPANIES

Cartonboard sector

Cartonnerie Tunisienne S.A.

Les Berges Du Lac – Tunis

Direct ownership percentage: 5,274%

Consortiums

Gas Intensive S.c.r.l.

Milan - Italy

Consortium share

Comieco

Milan - Italy

Consortium share

Conai

Milan - Italy

Consortium share

Consorzio Filiera Carta

Frosinone – Italy

Consortium share

C.I.A.C. S.c.r.l.

Valpenga (TO) – Italy

Consortium share

Idroenergia S.c.r.l.

Aosta – Italy

Consortium share

Paper Interconnector

Milan - Italy

Consortium share

Università Carlo Cattaneo

Castellanza (VA) – Italy

Consortium share

Interconnector Energy Italia S.C.p.A

Roma – Italia

Quota consortile

CERTIFICATION

**of the condensed consolidated half-year financial statements, pursuant to Article 81-ter of
Consob Regulation No, 11971 of May 14, 1999, as amended and supplemented**

1. The undersigned, Michele Bianchi, as CEO and Luca Rizzo as the Financial Reporting Executive of Reno De Medici S.p.A., certify, considering the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

- the suitability for the characteristics of the business and
- actual implementation of the administrative and accounting procedures pertaining to the preparation of the condensed consolidated half-year financial statements for the first half of 2020.

2. No significant issues have emerged in this regard.

3. We further certify that:

3.1 The condensed consolidated half-year financial statements as at June 30, 2020:

- a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002, and in particular IAS 34 - Interim Financial Reporting;
- b) are consistent with the figures reported in the relevant accounting books and records;
- c) present fairly the financial position, the results and the cash flows of the issuer and of all of the companies included in the consolidation.

3.2 The interim report on operations includes a reliable analysis with reference to important events occurring during the first six months of the year and their effect on the condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of information on material related-party transactions.

Milan, July 30, 2020

Chief Executive Officer
Michele Bianchi

Chief Financial Officer
Luca Rizzo