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Testo del comunicato

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Press release

Information to the public pursuant to CONSOB resolution No. 11971 of May 14, 1999, as subsequently amended and extended.

The Board of Directors approves the Half-Year Financial Report at June 30, 2021

CONTINUED IMPACT OF HIGHER PRICES OF INPUT COSTS ON RDM'S MARGINS IN THE SHORT TERM NET FINANCIAL POSITION POSITIVE AT €9.6 MILLION

- **CONSOLIDATED NET SALES AT €311.6 MILLION, UP 7.4% COMPARED WITH €290.1 MILLION AT JUNE 30, 2020¹.**
- **CONSOLIDATED EBITDA AT €17.4 MILLION, DOWN 58.9% COMPARED WITH €42.3 MILLION AT JUNE 30, 2020¹.**
- **CONSOLIDATED EBIT AT €2.6 MILLION, DOWN 90.6% COMPARED WITH €27.7 MILLION AT JUNE 30, 2020¹.**
- **CONSOLIDATED NET PROFIT AT €3.4 MILLION, DOWN 86.3% COMPARED WITH €24.9 MILLION AT JUNE 30, 2020.**
- **NET FINANCIAL POSITION POSITIVE AT €9.6 MILLION COMPARED WITH A NET FINANCIAL DEBT OF €8.9 MILLION AT DECEMBER 31, 2020.**

Milan, August 2, 2021 - The Board of Directors of Reno De Medici S.p.A. examined and approved the Half-Year Financial Report at June 30, 2021.

Michele Bianchi, CEO of RDM Group commented:

“In the first half of 2021 we had to operate within a challenging scenario, with significant increases in fiber and energy prices, as well as sharp rises of logistic costs. In reaction to the changed context, RDM Group implemented increases in selling prices, the full effects of which will become visible at the EBITDA level in the coming months.”

“If, on the one hand, operating margins were impacted in the first half of 2021 by the higher costs of the supply of raw materials and services, on the other we can benefit from the positive economic context and our ability to realign margins by leveraging on the business model that we have built over the past few years,” concluded the CEO.

¹ This item includes the WLC segment alone, as 100% of the interest in R.D.M. La Rochette S.A.S. was sold on April 30, 2021. In accordance with IFRS 5, the subsidiary's operating results were therefore recognized under “Discontinued operations” in the Group's Consolidated Income Statement at June 30, 2021. Accordingly, the figures at June 30, 2020 as well were restated to make them comparable with those at June 30, 2021.

Group's performance at June 30, 2021

On April 30, 2021, RDM Group finalized the contract for the sale of a 100% interest in R.D.M. La Rochette S.A.S., the only Group plant operating in the FBB segment. In accordance with IFRS 5, the subsidiary's operating results were recognized under "Discontinued operations" in the Group's Consolidated Income Statement at June 30, 2021.

In the first half of 2021, the trend of the WLC market demand was favorable in volume terms, despite a slight decline (-0.5%) compared with the robust demand reported in the first half of 2020. Within this context, the Group increased the tons shipped (+4.7%) that, combined with the first effects of the rises in selling prices, led to a 7.4% increase in Consolidated Net Sales¹. The steady rise in input costs, particularly in paper for recycling and energy, together with the time mismatch between the announced increases in selling prices and their effect on sales, led to a decline in the EBITDA margin¹ to 5.6% at the end of June 2021 compared with 14.6% at the end of June 2020. The decline in EBIT is reflected in the decrease of the Group's Net Profit (-86.3%).

Group's performance in the WLC segment at June 30, 2021

The **WLC segment** (White Lined Chipboard – coated paperboard for packaging based on recycled fibers) accounted for 100% of consolidated sales at June 30, 2021, following the sale of the subsidiary R.D.M. La Rochette S.A.S., operating in the FBB segment. In the first half of the previous year, the Group's core business had shown a sharp growth in **market demand in volume terms**, above all in the first four months of the year, when it had increased by over 2.5% to then stabilize at a 1.6% growth rate at the end of June 2020 compared with the same period of 2019. The increase had been attributable to the outbreak of the Covid-19 pandemic and, more specifically, to the increased demand for packaging by essential sectors (e.g., food and cleaning) and concerns among packaging manufacturers of future shortages in the cartonboard supply chain. In the first half of 2021, demand trend remained positive, although slightly declining compared with the same period of 2020 (-0.5%).

Within this environment, **volumes shipped** by RDM Group in the first half of 2021 grew compared with the first six months of 2020 (+4.7%), significantly overperforming the market, also in light of the halts occurred in the first half of 2020 at the Villa Santa Lucia plant for reasons not depending on the plant, and of the Ovaro plant following the closure of non-essential businesses during the first waver of the pandemic. The increase in Consolidated Net Sales¹ (+7.4%) was attributable both to higher volumes shipped and the rises in **selling prices** implemented in the first six months of 2021 compared with the same period of 2020.

Turning to the **main production factors**, in the first half of 2021 the **cost of paper for recycling** was significantly higher than that for the same period of 2020. The upward trend of the cost of paper for recycling, which began in the fourth quarter of 2020, accelerated in the first half of 2021, fueled by the increased demand for containerboard, in turn driven by the growth of e-commerce, and the decline in urban collection following the temporary closures due to the Covid-19 pandemic.

With regard to **energy costs**, the price of all main energy sources (natural gas, electricity and coal) started to rise at the end of 2020 to then increase further in the first six months of 2021. This uptrend was more marked in the second quarter of 2021 than in the first quarter of 2021, as RDM Group renewed some contracts aimed to partially hedge its purchases of natural gas in a context where the prices of the energy commodities were on the rise.

In light of the increase in the cost of production factors, particularly paper for recycling and energy, RDM Group announced several rises in **selling prices**. These price increases started to generate effects on the income statement as of the end of the second quarter of 2021. These effects will however be fully visible in the next months of 2021, once the orders in the backlog have been invoiced. The ongoing inflationary trend of input costs combined with the time mismatch between the announced increases in selling prices and their effect on sales generated a decline in the Group's EBITDA margin¹ to **5.6%** at the end of the first half of 2021 compared with 14.6% for the first six months of 2020.

Group's performance in the FBB segment at April 30, 2021

On April 30, 2021, RDM Group finalized the contract for the sale of a 100% interest in R.D.M. La Rochette S.A.S., the only Group plant operating in the **FBB segment** (Folding Box Board - cartonboard for folding boxboard based on virgin fibers). For further information, reference should be made to the press release published by Reno De Medici S.p.A. on May 3, 2021.

Following the transaction, the subsidiary's operating results were recognized under "Discontinued operations" in the Group's Consolidated Income Statement at June 30, 2021, in accordance with IFRS 5. The figures at June 30, 2020 as well were restated to make them comparable with those at June 30, 2021.

In 2021, FBB **demand** continued its positive trend, with volumes up +9.1% at the end of April 2021 compared with the same period of 2020.

In the first four months of 2021, **virgin pulp costs** were slightly lower than in the same period of 2020 and **energy costs** were in line with those reported in 2020.

In the context of a robust demand, the tons sold in the first six months of 2021 by the French subsidiary R.D.M. La Rochette S.A.S. rose by 2.3% compared with 2020. The volume increase offset the decline in **selling prices** compared with the same period of 2020. Together with the favorable price trend of virgin fibers, it also allowed the FBB segment's contribution to the Group's **Net Profit** to remain stable.

The **Group's Net Profit** amounted to €3.4 million, decreasing compared with €24.9 million at June 30, 2020 (-86.3%) and reflecting the decline in the WLC segment's EBITDA margin (€24.9 million in terms of EBITDA¹), while also partially benefiting from lower income taxes¹ (€4 million) and lower financial expense¹ (€1.3 million). The Net Profit generated by R.D.M. La Rochette S.A.S. contributed to the Group's Net Profit for €4.3 million at June 30, 2021 (compared with €4.5 million for the first half of 2020), allowing to offset a capital loss of €1.7 million after the sale of the equity investment: the item "Discontinued Operations" at June 30, 2021 therefore totaled €2.6 million.

Main consolidated Income Statement figures at June 30, 2021

Consolidated Net Sales¹ amounted to €311.6 million compared with €290.1 million for the previous year. The €21.5 million increase was attributable to higher volumes sold and to the first effects of the rises in selling prices in the first half of 2021 compared with the same period of 2020. At June 30, 2021, the **tons** sold by RDM Group in the **WLC segment** reached 563 thousand units compared with 538 thousand units in the first six months of 2020 (+4.7%), which had been impacted by the halt at the Villa Santa Lucia and Ovaro plants.

In terms of geographical markets, the pro-rata contribution of sales was in line with June 30, 2020. Europe continued to be RDM Group's core market, accounting for 53.9% (€168 million) in the first half of 2021 compared with 54.6% (€158.3 million) in the first half of 2020. Italian sales accounted for 32.9% (€102.5 million) compared with 31.3% (€90.9 million) at June 30, 2020. Sales to the rest of the world were equal to 13.2% (€41.1 million) compared with 14.1% in the first half of 2020 (€40.9 million).

The **cost for raw materials and services**¹ amounted to €246.9 million, up €45.2 million compared with the first half of 2020 (€201.7 million), mainly due to the rise in the price of paper for recycling and, to a lower extent, of energy and production factors.

Personnel costs¹ amounted to €45.7 million, in line with €45.3 million for the first half of 2020.

At June 30, 2021, **Consolidated Gross Operating Profit (EBITDA**¹) stood at €17.4 million compared with €42.3 million for the same period of 2020 (-58.9%). The Group's EBITDA margin was 5.6%, down compared with 14.6% at the end of June 2020.

Consolidated Operating Profit (EBIT¹) amounted to €2.6 million, down (-90.6%) compared with €27.7 million at the end of June 2020. Amortization and depreciation for the first half of 2021 were in line with the same period of 2020 (€14.8 million at June 30, 2021 compared with €14.6 million at June 30, 2020).

The **Group's Net Profit** amounted to €3.4 million, decreasing compared with €24.9 million at June 30, 2020 (-86.3%) and reflecting the decline in the WLC segment's EBITDA margin (€24.9 million in terms of EBITDA¹), while also partially benefiting from lower income taxes¹ (€4 million) and lower financial expense¹ (€1.3 million). The Net Profit generated by R.D.M. La Rochette S.A.S. contributed to the Group's Net Profit for €4.3 million at June 30, 2021 (compared with €4.5 million for the first half of 2020), allowing to offset a capital loss of €1.7 million after the sale of the equity investment: the item "Discontinued Operations" at June 30, 2021 therefore totaled €2.6 million.

Consolidated Net Financial Position at June 30, 2021 was positive at €9.6 million, improving by €18.5 million compared with a net financial debt of €8.9 million at December 31, 2020. The improved net financial position reflected the positive effect arising from the €8 million proceeds collected for the sale of the land located in Boffalora sopra Ticino (former Magenta paper mill), the sale of the interest in R.D.M. La Rochette S.A.S. and the cash generation for the quarter.

In the first half of 2021, the Group's **capital expenditure** amounted to €11.2 million, compared with €5.2 million for the same period of 2020, which was negatively impacted by the Covid-19 emergency.

Subsequent events

On July 5, 2021, Apollo Global Management, Inc. announced that certain funds managed by its affiliates have entered into definitive agreements to acquire approximately 67% equity ownership in Reno De Medici S.p.A. from the Company's top two shareholders, Cascades Inc. and Caisse de dépôt et placement du Québec, for €1.45 per share. The closing of the transaction, which is subject to customary closing conditions, is expected to take place by Q3 2021. Upon closing, Apollo will launch a mandatory tender offer for the remaining shares, with the aim to de-list the company.

On July 13, 2021, Reno De Medici S.p.A. finalized the agreement for the acquisition of 100% of the share capital of Fineska B.V., the Dutch holding company of “Eska” Group. The seller, Andes C.V. is a vehicle controlled by the US investment firm Andlinger & Co.

The Eska Group is a global leader in the production of solid board based on 100% recycled fibers in its two factories located in The Netherlands, with an overall installed yearly capacity of 290,000 tons. Solid-board applications range from luxury packaging to bookbinding, from puzzles & games to stationery.

The price for the acquisition of the Eska Group is based on an overall Enterprise Value of €155 million, calculated on the €24.6 million EBITDA for 2020. The transaction was financed through a €100 million loan issued by Intesa Sanpaolo S.p.A. and UniCredit S.p.A. and, for the remainder, drawing on the cash available at closing.

Outlook

The current situation continues to be characterized by significant uncertainties relating above all to the constant, considerable price increases seen in the first half of the year, across all cost components, and in particular raw materials and energy. Despite the vaccination campaigns, there also continues to be uncertainty relating to Covid-19 due to the further increase in case numbers and their possible consequences in economic terms.

In RDM Group’s core business, **White Lined Chipboard (WLC)**, the short-term outlook (third quarter) remains very positive in volume terms, whilst it can be expected that the third quarter may also be impacted, albeit to a lesser extent than the second quarter, by the recent sharp increases in fibers and energy costs. In fact, the full effect of the four price increases already implemented will only be felt from the fourth quarter. After the sharp increases in the first half of the year, the price of recycled fibers is expected to remain essentially stable in the second half of the year.

In terms of profitability, RDM Group has a moderately negative short-term vision, due to the dynamics explained above. Currently, a positive outlook is forecast for the second half of the year, when the selling price increases become fully operational. The figure relating to the economic recovery remains positive, driven in part by the significant dedicated European and global recovery plans, with the consequent increases in volumes consumed and thus in the Group’s sales. Unless purchase prices fall considerably over the coming weeks, above all in terms of raw materials, the results for 2021 will clearly be penalized by the trends witnessed in the first half of the year. RDM Group is ready to take further action on selling prices where cost trends so require.

In 2021, RDM **Group** will continue to pursue the initiatives aimed at structurally increasing its profitability. Further benefits are expected, starting with the integration of Paprinsa and the Iberian area, the reinforcement of the specialties segment served by the Ovaro and Eska paper mills, the launch of the Lean Manufacturing program in a pilot paper mill and the following extension of the program to the rest of the Group, and the digitalization and automation plan.

Mr. Luca Rizzo, the officer in charge of drafting the Company’s accounting documents, declares pursuant to Art. 154-bis, sub-section 2, of Italian Legislative Decree 58/1998 (“Consolidated Financial Law”) that the accounting information contained in this press release corresponds to documentary results and to accounting books and records.

The Half-Year Financial Report as of June 30, 2021 will be available on August 4, 2021 at the Company's registered office in Milan, Viale Isonzo 25, and on the corporate website www.rdmgroup.com (Investor Relations/Financial statements and reports). It will also be searchable on the authorized storage system, accessible at the site www.emarketstorage.com.

Attached:

- Consolidated Income Statement at June 30, 2021
- Consolidated Statement of Comprehensive Income at June 30, 2021
- Consolidated Statement of Financial Position at June 30, 2021
- Statement of Cash Flows at June 30, 2021

For further information

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Consolidated Income Statement at June 30, 2021

	06.30.2021	06.30.2020*
(thousands of Euros)		
Revenues from sales	311.586	290.056
- of which related parties	7.683	6.314
Other revenues and income	5.303	6.278
- of which related parties	37	43
Change in inventories of finished goods	(5.251)	(4.200)
Cost of raw materials and services	(246.859)	(201.692)
Personnel costs	(45.712)	(45.313)
Other operating costs	(1.659)	(2.819)
Gross operating profit	17.408	42.310
Depreciation and amortization	(14.795)	(14.618)
Operating profit	2.613	27.692
<i>Financial expense</i>	(1.118)	(1.310)
<i>Gains (losses) on foreign exchange</i>	115	(143)
<i>Financial income</i>	1.101	291
Net Financial income (expense)	98	(1.162)
Gains (losses) on investments	158	(17)
Taxes	(2.078)	(6.081)
Profit (loss) for the period before discontinued operation	791	20.432
Discontinued operations	2.633	4.492
Profit (loss) for the period	3.424	24.924
Total profit (loss) for the period attributable to:		
- Group	3.424	24.924
- Minority interests		
Average number of shares		
Basic	376.103.138	377.401.841
Diluted	376.103.138	377.401.841
Basic earning (loss) per ordinary share (Euros)	0,01	0,07
Diluted earning (loss) per ordinary share (Euros)	0,01	0,07
Basic earning (loss) per ordinary share (Euros) post discontinued operations		
Diluted earning (loss) per ordinary share (Euros) post discontinued operations		

(*) As a result of the sale of a 100% interest in R.D.M. La Rochette S.A.S. and the subsequent reclassification of the subsidiary's results to "Discontinued operations" in accordance with IFRS 5, data at June 30, 2020 were restated to make them comparable with those at June 30, 2021.

Consolidated Statement of Comprehensive Income at June 30, 2021

	06.30.2021	06.30.2020
(thousands of Euros)		
Profit (loss) for the period	3.424	24.924
Other components of comprehensive profit (loss)		
Other components that may be transferred to the income statement in subsequent financial years:	433	(29)
<i>Change in fair value of cash flow hedges</i>	379	68
<i>Profit (loss) on translation of financial statements of foreign investee companies</i>	54	(97)
Total other components of comprehensive profit (loss)	433	(29)
Total comprehensive profit (loss)	3.857	24.895
Total comprehensive profit (loss) attributable to:		
- Group	3.857	24.895
- Minority interests		

Consolidated Statement of Financial Position at June 30, 2021

	06.30.2021	12.31.2020
(thousands of Euros)		
ASSETS		
Non-current assets		
Tangible fixed assets	206.500	220.745
Right-of-use asset	10.772	15.166
Goodwill	4.389	4.389
Intangible fixed assets	13.956	14.013
Intangible assets with an indefinite useful life	2.736	2.736
Equity investments	582	950
Deferred tax assets	181	243
Other receivables	15.704	5.823
Total non-current assets	254.820	264.065
Current assets		
Inventories	81.524	102.231
Trade receivables	72.292	59.959
Receivables from associates and joint ventures	9.109	6.272
Other receivables	19.960	18.774
Derivative instruments	1.910	712
Cash and cash equivalents	57.867	62.985
Total current assets	242.662	250.933
TOTAL ASSETS	497.482	514.998

	06.30.2021	12.31.2020
(thousands of Euros)		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	140.000	140.000
Other reserves	49.837	26.400
Retained earnings (losses)	39.955	34.176
Profit (loss) for the period	3.424	33.551
Shareholders' equity attributable to the Group	233.216	234.127
Minority interests		
Total shareholders' equity	233.216	234.127
Non-current liabilities		
Payables to banks and other lenders	35.200	50.845
Derivative instruments	217	388
Deferred taxes	7.202	7.231
Employee benefits	33.118	37.245
Non-current provisions for risks and charges	5.987	5.380
Total non-current liabilities	81.724	101.089
Current liabilities		
Payables to banks and other lenders	18.772	21.062
Derivative instruments	244	517
Trade payables	139.171	130.811
<i>- of which related parties</i>		<i>1</i>
Other payables	19.510	23.205
Other payables to associates and joint ventures	101	101
Current taxes	3.728	2.447
Employee benefits		113
Current provisions for risks and charges	1.016	1.526
Total current liabilities	182.542	179.782
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	497.482	514.998

Statement of Cash Flows at June 30, 2021

	06.30.2021	06.30.2020
(thousands of Euro)		
Profit (Loss) for the period	3.424	24.924
Taxes	2.078	6.634
Depreciation and amortization	14.795	15.444
Financial (income) expense	(98)	1.443
Gains (losses) on investments	(158)	17
Capital losses (gains) on sale of fixed assets	(484)	5
Losses from sale of R.D.M. La Rochette business	1.665	
Change in provisions for in employee benefits and in other provisions including the provision for bad and doubtful receivables	(79)	1.036
Change in inventories	3.832	2.620
Change in trade receivables	(28.784)	(9.066)
- of which related parties	(2.837)	
Change in trade payables	26.887	(14.582)
Total change in working capital	1.935	(21.028)
Gross cash flow	23.078	28.475
Interest (paid) collected in the period	(703)	(1.234)
Taxes paid in the period	(1.327)	(4.501)
Cash flow from operating activities	21.048	22.740
Other equity investments		(4)
Investment net of disinvestment in tangible and intangible assets	(8.085)	(5.177)
Dividends received	189	138
Cash from sale of R.D.M. La Rochette business	5.000	
Cash flow from investing activities	(2.896)	(5.043)
Dividends paid	(5.263)	(3.009)
Treasury shares		(148)
Change in other financial assets and liabilities and short-term bank debts	(8.733)	(12.593)
Lease payments	(1.497)	(1.745)
Cash flow from financing activities	(15.493)	(17.495)
Exchange rate translation differences	54	(71)
Change in unrestricted cash and cash equivalents	2.713	131
Unrestricted cash and cash equivalents at the beginning of the period	62.985	40.382
Cash and cash equivalents following to the sale of R.D.M. La Rochette business	(7.831)	
Unrestricted cash and cash equivalents at the end of the period	57.867	40.513

Fine Comunicato n.0217-52

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