Half-yearly Financial Report
06302021

NET REVENUES: €311.6 MILLION
(COMPARED WITH €290.1 MILLION AS AT JUNE 30, 2020)

GROSS OPERATING PROFIT (EBITDA): €17.4 MILLION
(COMPARED WITH €42.3 MILLION AS AT JUNE 30, 2020)

OPERATING PROFIT (EBIT): €2.6 MILLION
(COMPARED WITH €27.7 MILLION AS AT JUNE 30, 2020)

NET RESULT BEFORE DISCONTINUED OPERATIONS: PROFIT OF €0.8 MILLION (COMPARED WITH A PROFIT BEFORE DISCONTINUED OPERATIONS OF €20.4 MILLION AS AT JUNE 30, 2020)

NET PROFIT (LOSS) FOR THE PERIOD: NET PROFIT OF €3.4 MILLION
(NET PROFIT OF €24.9 MILLION AS AT JUNE 30, 2020)

NET FINANCIAL POSITION: €9.6 MILLION
(-€8.9 MILLION AT DECEMBER 31, 2020)

Reno De Medici S.p.A.
Milano, Viale Isonzo 25
Capitale sociale Euro 140.000.000
Codice fiscale e Partita IVA 00883670150

CONTENTS

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

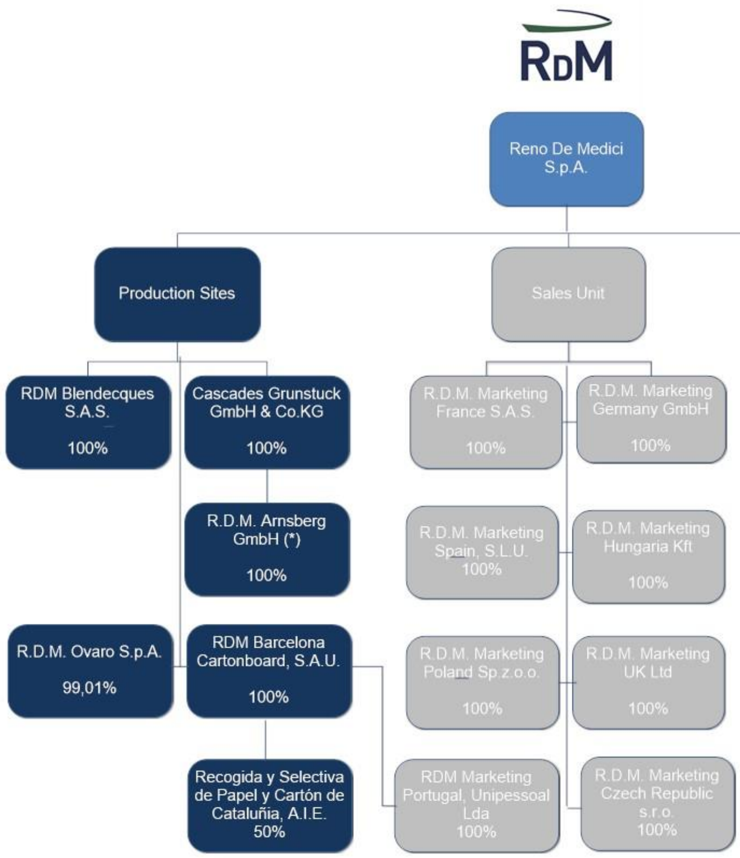
Diana Rizzo	Director
Gian Carlo Russo Corvace	Statutory Auditor
Tiziana Masolini	Statutory Auditor
Domenico Maisano	Deputy Statutory Auditor
Alessandra Pederzoli	Deputy Statutory Auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

2. GROUP OPERATING COMPANIES AS AT JUNE 30, 2021

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



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

3. Introduction

This half-year financial report as at June 30, 2021 has been prepared in accordance with Legislative Decree No. 58/1998, as subsequently 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, 2020, except for what described in the section " New IFRS and IFRIC accounting standards, amendments and interpretations already approved by the European Union" of the Notes to the financial statements.

4. DIRECTORS' REPORT ON OPERATIONS

A very strong inflationary effect across all sectors of the economy characterized the first half of 2021, leading to declining results, due above all to higher raw material and energy costs.

As already experienced in the previous waves occurred in 2020, the new wave of the Covid-19 pandemic in the first half of 2021 did not cause particular negative effects on the trend of volumes sold, rather the opposite, given the very strong and persistent demand for material recorded. However, the continuing closure of different sectors at alternating phases depending on the country is causing an ongoing general state of economic weakness. The Group continues to adopt all necessary measures to preserve employee health and safety and keep its own production level unchanged in order to meet the demand of customers, that, as should be recalled, operate primarily in strategic sectors not impacted by the Covid-19 emergency.

The inflationary rise in all cost items, particularly fibers and energy, the dynamics of which are analyzed below, led the Group to implement four different selling price increases, of which two during the first quarter, one during the second quarter and the last one in July 2021. Since the positive effect of price rises was deferred compared with the negative effect of the main cost items, also as a result of the strong backlog, the margins for the first half of 2021 were negatively impacted by the different time dynamics.

The economic results for the first half of 2021 are reported reflecting the reclassification under "Discontinued operations" of the French subsidiary R.D.M. La Rochette, as described in detail in the section "Subsequent events".

In this general scenario, which remained extremely difficult, the RDM Group's results for the first half of the year decreased compared with the same period of the previous year.

In the first half of the year, gross operating profit (EBITDA), net of La Rochette, amounted to €17.4 million compared with €42.3 million for the same period of the previous year, with EBITDA margin at 5.6%, decreasing compared with the first half of 2020 (14.6%) and the 2020 full-year figure (13%).

Net profit for the first half of the year, before discontinued operations, amounted to €0.8 million compared with €20.4 million for the first half of 2020. The decrease was mainly attributable to a lower EBITDA, whereas the other income statement items showed a decline in financial expense and taxation, the latter as a consequence of the results reported.

Income from discontinued operations amounted to €2.6 million, down €1.9 million compared with the first half of 2020.

In the first half of 2021, the Group continued to consolidate the initiatives launched in the previous years, aimed at achieving efficiencies and synergies in all the Group's strategic areas. The first half of 2021 also saw the launch of the implementation of new initiatives such as the Lean Project and the digital transformation, which are expected to significantly increase efficiency and margins.

In 2021 as well, the Group forged ahead the process for integrating RDM Barcelona Cartonboard S.A.U., continuing to work on the synergies identified in the previous years. Further benefits are expected in 2021. The synergies identified relate to various areas, including volumes sold, selling prices, geographical areas per product served, purchases, production efficiency gains and overheads. To date, synergies are not yet in line with the projections of the integration plans, with a negative effect attributable both to the energy costs imposed by the Spanish authorities on electricity cogeneration plants and to the slowdown caused by the pandemic in the previous year, which was particularly severe in the Iberian area. The integration process for 2021 is currently being realigned in light of the recent acquisition of Paprinsa.

Consolidated Net Financial Position at June 30, 2021 was positive at €9.6 million, with a €18.5 million improvement compared with December 2020 (-€8.9 million).

The improvement in net financial position was mainly attributable to both a positive — although sharply declining — EBITDA and the decrease in working capital, mainly due to the reduction in inventories of finished products. Worth of mention is also the positive effect arising from the €8 million proceeds collected from the sale of the land located in Boffalora Sopra Ticino and from the disposal of the equity investment in La Rochette in April, amounted to €5 million. Cash flows for the second quarter were negatively affected by the payment of dividends (€5.3 million) and by the payment of customers bonuses set aside at the end of the year.

In line with the previous year, cash flows for the first half of the year were not negatively affected by customers' non-payment or deferred payments due to the Covid-19 emergency.

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, in light of the sale of R.D.M. La Rochette S.A.S., will account for 100% of consolidated sales, recorded a 0.5% decrease in total demand in the first half of 2021 compared with the first half of the previous year. The negative change was essentially due to the strong increase reported in March 2020, during the very first phase of the Covid-19 emergency, when there had been a very sharp rise in demand linked to customers' concerns of being left without stock. Demand in the first half of 2021 was hence more than satisfactory, also in consideration of forecasts calling for an ongoing robust trend. The change in volumes differed in the Group's various markets of operation. In the European markets, volumes rose in Poland (+6.7%), Eastern Europe (+5.2%), Italy (+1.9%), Spain (+2.1%) and other minor markets, while declining quite markedly in the UK (-6.9%) and France (-1.8%). Overseas markets dropped sharply (-13.5%) compared with the first half of 2020, whereas Europe showed a good demand trend. The RDM Group's growth outperformed the market (+3.5%), above all in the Group's reference markets, such as Italy (2.9%) and Germany in particular (+10.7%). Almost all RDM's paper mills reported a volume increase either in line or above the market's performance, with the exception of the Villa Santa Lucia plant, which rose sharply compared with the previous year, when it had been impacted by a production halt of more than twenty days following the seizure of the external wastewater treatment plant.

As already mentioned, during the first half of the year, the Group implemented three different price rises, i.e., in January, March and May, to counteract the strong inflationary increases. An additional increase was announced in July to offset the effects of the further increases in the prices of raw materials, and in particular of energy sources. The effects of the price increases are seen at a delay of around three months, which means that their full effect will only become visible in the fourth quarter of this year.

Turning to the main production factors, following the ongoing decrease in prices reported in the three previous years, although with some upward movements, the price of paper for recycling started to increase sharply as of December 2020. The downward trend in the price of paper for recycling in recent years was due to the known restrictions imposed by the Chinese Government on imports of unsorted paper for recycling 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. The current sharp increase was due to a strong demand, mainly driven by the corrugated cardboard sector as the result of the e-commerce boom and the presence of new production capacities, and to collection still below pre-pandemic levels, particularly as regards urban collection. After the considerable increase in prices in the first quarter, the second quarter also saw a sharp rise, above all in Italy, where the effect was postponed by the auctions of Comieco (the Italian consortium for the recovery and recycling of fiber-based packaging).

After the decrease recorded in the past two years for the main energy sources (natural gas, electricity, and coal), **energy costs** showed a marked turnaround as of December 2020. The increase did not reflect the dynamics strictly linked to the sector in which the Group operates. The Group’s profitability in the first half of 2021 was also negatively impacted by the rise in energy costs, despite the fact that the main energy source, namely gas, is partially hedged by the Group.

The energy cost trend is obviously one of the factors considered when defining pricing policies, particularly when price increases are launched to maintain profitability margins, as was the case in the first half of 2021.

CAPITAL EXPENDITURE

In the first half of 2021, the Group’s **capital expenditure** amounted to €11.2 million, compared with €5.2 million in 2020. The increase in investments compared with the previous year was due to the inability to undertake investments during the first wave of the pandemic in 2020 owing to the restrictions imposed. The main investments in the first half of 2021 included the new paper-forming section and stock preparation revamping in Barcelona (€1.8 million), the boiler house revamping, the gas turbine in Villa S. Lucia (€0.7 million) and the new steam boiler in Santa Giustina (€0.8 million). It should be noted that, after the go-live in November 2020 at the Ovaro plant, the implementation of the new ERP system continued at all Group companies.

CONSOLIDATED RESULTS

The following table summarizes the key income statement indicators at June 30, 2021 and 2020.

(thousands of Euros)	06.30.2021	06.30.2020*
Revenues from sales	**311,586**	**290,056**
Gross operating profit (EBITDA) (1)	**17,408**	**42,310**
Operating profit (EBIT) (2)	**2,613**	**27,692**
Profit (loss) before taxes (3)	**2,869**	**26,513**
Current and deferred taxes	*(2,078)*	*(6,081)*
Profit (loss) for the period before discontinued operations	**791**	**20,432**
Discontinued operations	*2,633*	*4,492*
Profit (loss) for the period	**3,424**	**24,924**

(*) On April 30, 2021, 100% of the equity investment in R.D.M. La Rochette S.A.S. was sold. Therefore, pursuant to IFRS 5, the related operating results were recognized under "Discontinued Operations". In addition, figures at June 30, 2020 were restated accordingly to make them comparable with those at June 30, 2021.

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

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

3) See "Profit (Loss) for the period" – "Taxes" in the Consolidated Financial Statements of the RDM Group

Revenues from sales amounted to €311.6 million compared with €290.1 million for the same period of 2020. The €21.5 million increase was attributable to higher volumes sold and to the first effects of the rises in selling prices applied in the first half of 2021.

At June 30, 2021, the **tons** sold by the RDM Group in the WLC segment reached 563 thousand units compared with 538 thousand units in 2020 (+4.7%). The tons recorded at June 30, 2020 had been impacted by both the halt at the Villa Santa Lucia plant — following the seizure of Cosilam Consortium's wastewater treatment plant by the competent judicial authority — and the stoppage of the Ovaro plant due to weak demand.

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

RDM GROUP	06.30.2021	%	06.30.2020*	%
(thousands of Euros)				
Italy	102,511	33%	90,923	31%
European Union	167,998	54%	158,259	55%
Rest of the world	41,077	13%	40,874	14%
Total revenues from sales	**311,586**	**100%**	**290,056**	**100%**

(*) On April 30, 2021, 100% of the equity investment in R.D.M. La Rochette S.A.S. was sold. Therefore, pursuant to IFRS 5, the related operating results were recognized under “Discontinued Operations”. In addition, figures at June 30, 2020 were restated accordingly to make them comparable with those at June 30, 2021.

Other revenues amounted to €5.3 million, down €1 million compared with the same period of 2020. Such decrease is essentially attributable to a reduction in Energy Efficiency Certificates, also known as “White Certificates” (-€1.9 million), recognized in the first half of 2021, partially offset by the €0.5 million capital gains from the sale of the land located in Boffalora Sopra Ticino, finalized in February 2021, and other minor income.

The **cost of raw materials and services** amounted to €246.9 million, up €45.2 million compared with the same period of 2020. The change was chiefly attributable to the sharp rise in the price of recycled paper, which had already begun in December 2020, and energy costs, which showed a marked turnaround as of December 2020 compared with the previous years.

Personnel costs amounted to €45.7 million, in line with the same period of 2020.

In the first half of 2021, **gross operating profit (EBITDA)** reached €17.4 million, down compared with €42.3 million for the same period of 2020, with a 5.6% ratio to revenues compared with 14.6% in 2020.

Operating profit (EBIT) amounted to €2.6 million compared with €27.7 million in the first half of 2020. Amortization and depreciation for the first half of 2021 were in line with the same period of 2020.

At June 30, 2021, **net financial income** amounted to €98 thousand compared with net financial expense of €1.2 million for the same period of the previous year.

The €1.3 million change was essentially attributable to:

- €0.8 million: higher financial income recognized on the measurement at June 30, 2021 of the derivatives entered into by the Spanish subsidiary to hedge purchases of natural gas and energy sales;
- €0.3 million: higher financial income arising from exchange rate differences due to the appreciation of US Dollar and Pound Sterling.

Income from equity investments for the reporting period amounted to €158 thousand compared with a €17 thousand loss for the same period of 2020.

The amount allocated for **taxes** was €2.1 million compared with €6.1 million for the same period of 2020; the change was mainly related to the lower taxable income due to the drop in margins

Net result of **Discontinued Operations** amounted to €2.6 million and included the €4.3 million positive result for the first four months of the year of R.D.M. La Rochette S.A.S., net of the €1.7 million capital loss on the sale recognized on April 30 following the disposal of the said company. For further information, reference should be made to section "Key events".

Consolidated net profit reached €3.4 million, down compared with €24.9 million at June 30, 2020. The remarkable reduction reflects the decline in the WLC segment's EBITDA margin, partially offset by lower income taxes and lower financial expense.

FINANCIAL PERFORMANCE - SECOND QUARTER 2021

(thousands of Euros)	IIQ 2021	IIQ 2020*	Change	%
Revenues from sales	158,139	139,291	18,848	14%
Other revenues and income	2,300	4,467	(2,167)	(49%)
Change in inventories of finished goods	2,012	7,361	(5,349)	(73%)
Cost of raw materials and services	(133,868)	(102,003)	(31,865)	31%
Personnel costs	(22,991)	(23,173)	182	(1%)
Other operating costs	(843)	(1,299)	456	(35%)
Gross operating profit	**4,749**	**24,644**	**(19,895)**	**(81%)**
Depreciation, amortization and write-downs	(7,614)	(7,337)	(277)	4%
Operating profit	**(2,865)**	**17,307**	**(20,172)**	**(117%)**
Net financial income (expense)	755	(1,307)	2,062	(158%)
Gains (losses) on investments	110	(116)	226	(195%)
Profit (loss) before taxes	**(2,000)**	**15,884**	**(17,884)**	**(113%)**
Taxes	(383)	(3,166)	2,783	(88%)
Profit (losses) for the period before Discontinued Operations	**(2,383)**	**12,718**	**(15,101)**	**(119%)**
Discontinued operations	942	2,830	(1,888)	(67%)
Profit (loss) for the period	**(1,441)**	**15,548**	**(16,989)**	**(109%)**

(*) On April 30, 2021, 100% of the equity investment in R.D.M. La Rochette S.A.S. was sold. Therefore, pursuant to IFRS 5, the related operating results were recognized under "Discontinued Operations". In addition, figures at June 30, 2020 were restated accordingly to make them comparable with those at June 30, 2021.

The results for the second quarter of 2021 showed a sharp deterioration compared with the same period of the previous year.

Despite the increase in volumes sold and sales, partly attributable to the increase in selling prices, the quarter was severely impacted by the trend of purchase prices.

Volumes sold increased by 6.2% on the same quarter of the previous year due to quite robust demand and the reduced effect on the Ovaro paper mill of the Covid-19 closures relating to non-essential businesses.

As already thoroughly described, the lower EBITDA level compared with the second quarter of 2020 was due mainly to the sharp increase during the quarter, after that already seen in the Q1 2021, in the main cost components, particularly raw materials and energy costs. The positive effects of the three different price increases announced in the first half of the year will lag behind the cost increase. Accordingly, a return to profit margins in line with expectations will only be possible starting in the fourth quarter of 2021.

The decrease in financial expense was due entirely to the positive effect of the hedging contract for gas purchases and energy sales by the Barcelona paper mill. The reduction in taxation is instead directly linked to the lower results reported for the quarter.

Main risks and uncertainties to which the Reno De Medici Group is exposed

In the course of its business activities, the 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

On February 11, a final agreement for the sale was signed for the transfer to the Vetropack Group of the land located in Boffalora Sopra Ticino. The sale price was set at €13 million. This transaction had no significant impact on the result at June 30, 2021, as a write-down of €1.5 million had been recognized in the Financial Statements at December 31, 2020 to align its carrying value with its realizable value.

On April 30, 2021, the RDM Group finalized, through its subsidiary RDM Blendecques S.A.S., the agreement for the sale of a 100% interest in its subsidiary R.D.M. La Rochette S.A.S., a company under French law, to Bonaparte Holding S.A.S., 100% owned by Mutares SE & Co. KgaA.
Under the contract, the Enterprise Value of R.D.M. La Rochette S.A.S. was set at €28.8 million and the final price, less net financial debt and other adjustments, at about €11 million (Equity Value). Final consideration, inclusive of post-closing adjustments, amounted to €12.3 million. Under the contract, the price includes an earnout on the higher EBITDA achieved, compared with the reference value, in the next three years.
The transaction has no material impact on the RDM Group's 2021 results, since the 2020 Financial Statements already included a write-down of €3.7 million to align the carrying value of the La Rochette CGU with its realizable value. Despite the final price of sale increased and an earn-out, amounted to €2.9 million, was booked, a further loss of €1.7

million was recognized, in addition to the write-down already recognized in the 2020 Financial Statements, due to the increase in the net assets during the first four months of the investee sold.

On June 8, 2021, the Company entered into an irrevocable commitment 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 (in Sappemeer and Hoogezand), 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 global economic scenario continues to be marked by the Covid-19 emergency. As already mentioned, and in line with the previous year, the pandemic is having no effect on the RDM Group, either in terms of volumes and sales or in financial terms. In any case, the Group is continuing to monitor the situation by preparing monthly forecasts in order to identify potential critical issues and implement corrective actions, where necessary.

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.
The main elements of the Plan authorized by the Shareholders’ Meeting are described hereunder:

Rationale

- Disposing 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;

- disposing of the treasury shares acquired, or already 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 in Article 114-*bis* of the CFA, reserved for the Directors and/or employees of Reno De Medici S.p.A., 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 divestment 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 purchase and dispose of treasury shares is not subject to a time limit.

Maximum number of shares to be purchased

The authorization refers 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 the Legislative

Decree No. 58 dated February 24, 1998, and Article 144-*bis*, paragraph 1, letter b), of Consob Regulation No. 11971/99, in accordance with the operating methods established in the actual market organization and management regulations, which do not allow the direct matching 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 (MTA) organized and managed by Borsa Italiana S.p.A. in the stock exchange session prior to each individual transaction.

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 Reno de Medici shares recorded in the 20 trading days preceding the dates of purchase.

<u>Stock Grant Plan and Phantom Stock Grant Plan for the three-year period 2020/2021/2022 reserved for the CEO and the Company's Key Management Personnel. Verification of the achievement of the performance objectives for the 2020 financial year.</u>

During the six-month period of reference, with the support of the Remuneration Committee, the Board of Directors ascertained the achievement of the performance objectives set for the 2020 financial year in relation to the Stock Grant and Phantom Stock Grant Plan for the three-year period 2020/2021/2022 reserved for the CEO and the Company's Key Management Personnel, as established by the Shareholders' Meeting of April 29, 2020 pursuant to Article 114-*bis* of the TUF.

For more details on the objectives and the Plan, reference should be made to 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.

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Purchase of treasury shares in the first half of 2021

At June 30, 2021, Reno De Medici S.p.A. held a total of 2,070,000 treasury shares, or 0.55% of the share capital, thereby achieving the maximum number of shares that can be acquired.
In the first half of 2021, Reno De Medici S.p.A. did not carry out any purchase or disposal of treasury shares and no Reno De Medici S.p.A. shares were purchased or disposed of by its subsidiaries.

OUTLOOK

The current situation continues to be characterized by significant elements of uncertainty 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 the 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.

As far as energy prices are concerned, following the significant reduction in the past two years, a sharp increase is being observed in the main energy sources used by the Group (electricity, gas and coal). A further price increase, mainly with regard to gas, is scheduled for the second half of the year. As already described, the energy cost trend has in any event been considered when implementing sales price policies.

In terms of profitability, the RDM Group has a moderately negative short-term vision, due to the dynamics explained above. Currently, the outlook is positive 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 in the short period, 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. The RDM Group is ready to take further action on selling prices where cost trends so require.

In 2021, the **RDM Group** will continue to pursue 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 Group 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.

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 “RPT Regulation”) issued by Consob with resolution No. 17221 of March 12, 2010 as subsequently amended, and pursuant to the recommendations contained in the Corporate Governance Code adopted by the Corporate Governance Committee of Borsa Italiana S.p.A. and published on January 31, 2020, the Board of Directors of Reno de Medici approved the RPT Procedure on June 7, 2021, with the favorable opinion of the Related Party Transactions Committee. This RPT Procedure repeals the previous editions of November 4, 2019, August 3, 2011 and November 8, 2010. The RPT Procedure is available on the Company’s website (www.rdmgroup.com), in the Governance section.

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:

- there were no transactions concluded with related parties qualifying as transactions of greater importance pursuant to the Reno de Medici Procedure in compliance with the Consob Regulation;
- no transactions were concluded with related parties, as defined by Article 2427, paragraph 2, of the Italian Civil Code, which had a considerable influence on the statement of financial position or the results of the Company;

- there were no changes or developments in the 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, 2021.

Reno De Medici Group

Condensed consolidated half-year financial statements

as at June 30, 2021

5. Condensed consolidated half-year financial statements as at June 30, 2021

5.1. Consolidated statement of income

	Note	06.30.2021	06.30.2020*
(thousands of Euros)			
Revenues from sales	1	311,586	290,056
- of which related parties		*7,683*	*6,314*
Other revenues and income	2	5,303	6,278
- of which related parties		*37*	*43*
Change in inventories of finished goods	3	(5,251)	(4,200)
Cost of raw materials and services	4	(246,859)	(201,692)
Personnel costs	5	(45,712)	(45,313)
Other operating costs	6	(1,659)	(2,819)
Gross operating profit		**17,408**	**42,310**
Depreciation and amortization	7	(14,795)	(14,618)
Operating profit		**2,613**	**27,692**
Financial expense		*(1,118)*	*(1,310)*
Gains (losses) on foreign exchange		*115*	*(143)*
Financial income		*1,101*	*291*
Net financial income (expense)	8	98	(1,162)
Gains (losses) on investments	9	158	(17)
Taxes	10	(2,078)	(6,081)
Profit (loss) for the period before discontinued operations		**791**	**20,432**
Discontinued operations	11	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
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			

(*) On April 30, 2021, 100% of the equity investment in R.D.M. La Rochette S.A.S. was sold. Therefore, pursuant to IFRS 5, the related operating results were recognized under "Discontinued Operations". In addition, figures at June 30, 2020 were restated accordingly to make them comparable with those at June 30, 2021.

5.2. Consolidated Statement of Comprehensive Income

	06.30.2021	06.30.2020
(thousands of Euros)		
Profit (loss) for the period	**3,424**	**24,924**
Other components that may be transferred to the income statement in subsequent financial years:	**433**	**(29)**
Change in fair value of cash flow hedges	*379*	*68*
Profit (loss) on translation of financial statements of foreign investee companies	*54*	*(97)*
Total other components of comprehensive profit (loss)	**433**	**(29)**
Total comprehensive profit (loss)	**3,857**	**24,895**
Total comprenhensive profit (loss) attributable to:		
- Group	*3,857*	*24,895*
- Minority interests		

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

5.3. Consolidated Statement of Financial Position

	Note	06.30.2021	12.31.2020
(thousands of Euros)			
ASSETS			
Non-current assets			
Tangible fixed assets	12	206,500	220,745
Right-of-use asset	13	10,772	15,166
Goodwill	14	4,389	4,389
Intangible fixed assets	15	13,956	14,013
Intangible assets with an indefinite useful life	15	2,736	2,736
Equity investments	16	582	950
Deferred tax assets		181	243
Other receivables	19	15,704	5,823
Total non-current assets		**254,820**	**264,065**
Current assets			
Inventories	18	81,524	102,231
Trade receivables	17	72,292	59,959
Receivables from associates and joint ventures	17	9,109	6,272
Other receivables	19	19,960	18,774
Derivative instruments		1,910	712
Cash and cash equivalents	20	57,867	62,985
Total current assets		**242,662**	**250,933**
TOTAL ASSETS		**497,482**	**514,998**

(thousands of Euros)	Note	06.30.2021	12.31.2020
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**
Total shareholders' equity	21	**233,216**	**234,127**
Non-current liabilities			
Payables to banks and other lenders	20	35,200	50,845
Derivative instruments	20	217	388
Deferred taxes		7,202	7,231
Employee benefits		33,118	37,245
Non-current provisions for risks and charges	24	5,987	5,380
Total non-current liabilities		**81,724**	**101,089**
Current liabilities			
Payables to banks and other lenders	20	18,772	21,062
Derivative instruments	20	244	517
Trade payables	25	139,171	130,811
- of which related parties			*1*
Other payables	22	19,510	23,205
Other payables to associates and joint ventures	22	101	101
Current taxes		3,728	2,447
Employee benefits	23		113
Current provisions for risks and charges	24	1,016	1,526
Total current liabilities		**182,542**	**179,782**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**497,482**	**514,998**

RDM

5.4. Consolidated statement of 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 Euros)											
Shareholders' equity 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 year			797		11,791	(12,588)					
Purchase of treasury shares less the shares assigned		912							912		912
Stock Grant Reserve				(800)					(800)		(800)
Profit (loss) for the period						24,924			24,924		24,924
Other components of comprehensive profit				(97)			68		(29)		(29)
Total comprehensive profit (loss)				(97)		24,924	68		24,895		24,895
Shareholders' equity 06.30.2020	**140,000**	**(148)**	**3,172**	**35,651**	**34,194**	**24,924**	**(819)**	**(9,498)**	**227,476**		**227,476**
Shareholders' equity 12.31.2020	**140,000**	**(1,539)**	**3,172**	**35,985**	**34,176**	**33,551**	**(548)**	**(10,670)**	**234,127**		**234,127**
Dividends distributed						(5,263)			(5,263)		(5,263)
Allocation of profit (loss) for the year			1,137	21,608	5,543	(28,288)					
Stock Grant Reserve				259					259		259
Other movements					236				236		236
Profit (loss) for the period						3,424			3,424		3,424
Other components of comprehensive profit				54			379		433		433
Total comprehensive profit (loss)				54		3,424	379		3,857		3,857
Shareholders' equity 06.30.2021	**140,000**	**(1,539)**	**4,309**	**57,906**	**39,955**	**3,424**	**(169)**	**(10,670)**	**233,216**		**233,216**

5.5. Consolidated Statement of Cash Flows

	June 30 2021	June 30 2020
(thousands of Euros)	3,424	24,924
Profit (Loss) for the period	2,078	6,634
Taxes	14,795	15,444
Depreciation and amortization	(98)	1,443
Financial (income) expense	(158)	17
Gains (losses) on investments	(484)	5
Capital losses (gains) on the sale of fixed assets	1,665	
Losses from the sale of R.D.M. La Rochette business	(79)	1,036
Change in provisions for in employee benefits and in other provisions including the provision for bad and doubtful receivables		
	3,832	2,620
Change in inventories	(28,784)	(9,066)
Change in trade receivables	*(2,837)*	
- of which related parties	26,887	(14,582)
Change in trade payables	**1,935**	**(21,028)**
Total change in working capital		
	23,078	**28,475**
Gross cash flow		
	(703)	(1,234)
Interest (paid) collected in the period	(1,327)	(4,501)
Taxes paid in the period		
	21,048	**22,740**
Cash flow from operating activities		
		(4)
Other equity investments	(8,085)	(5,177)
Investment net of divestment in tangible and intangible assets	189	138
Dividends received	5,000	
Cash from sale of R.D.M. La Rochette business		
	(2,896)	**(5,043)**
Cash flow from investing activities		
	(5,263)	(3,009)
Dividends paid		(148)
Treasury shares	(8,733)	(12,593)
Change in other financial assets and liabilities and short-term bank debts	(1,497)	(1,745)
Lease payments		
	(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 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**

5.6. Notes to the financial statements

Reno De Medici S.p.A. is a company established as a legal entity under Italian law. The RDM Group operates mainly in Europe. The business of the Group is the production and distribution of cartonboard made from recycled fibers and, albeit to a lower extent, from virgin fibers. Following the sale of R.D.M. La Rochette S.A.S., which took place in April, the RDM Group is no longer operating in the segment based on virgin fibers.

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

The shares of Reno De Medici S.p.A. are listed on the STAR segment of Borsa Italiana S.p.A. and on the Madrid stock exchange.

The condensed consolidated half-year financial statements of RDM Group were approved and authorized for publication by the Board of Directors of RDM on August 2, 2021.

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, 2020, 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 using the amortized cost method. The carrying amount of hedged assets and liabilities which qualify 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 statement of income is presented in a vertical format with items broken down by nature, as this provides reliable and more relevant information than a classification by destination;
- the consolidated statement of comprehensive income is presented separately from the consolidated statement of income, 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 statement of income, but charged directly to the shareholders' 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 at 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 from 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, 2020.

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.

The financial position, statement of income and cash flows are presented in thousand of Euro.

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

- Amendment to IFRS 4 - *Insurance contracts*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - *Interest Rate Benchmark Reform*

No impacts were booked in the condensed consolidated half-year financial statements following the introduction of the above standards 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 IAS 8 - *Accounting policies, Changes in Accounting Estimates and Errors*
- Amendment to IFRS 16 - *Leases: Covid-19-Related Rent Concessions*
- Amendment to IAS 12 - *Income taxes*

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

Impairment tests

Every six months, the Group tests the carrying amount of its tangible and intangible assets 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 should be recalled that for the consolidated financial statements at December 31, 2020, the impairment test relating to the cash-generating units was conducted only for the CGU of Pac Service S.p.A., on which a goodwill of €4.4 million was allocated, for which the value in use was determined using the discounted cash flow (DCF) methodology. The test had not identified any need for write-downs.

Moreover, based on the recommendations contained in the 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, 2020, 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 no write-down was made.

On the basis of the above, the Directors believe that the medium/long-term precautionary valuations used for the impairment test made on December 31, 2020, continue to apply; however, considering that these valuations were determined on the basis of estimates of future developments, the Group cannot be certain that they will not require revision, in which case the results could have an effect on the value.

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 2021 was characterized, as was the case for 2020, by the Covid-19 emergency, which resulted, especially during the first wave of the pandemic, in the temporary shutdown of many manufacturing industries and the ensuing recessionary effect. 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, also the first half of 2021 did not show negative performances in terms of volumes. The general economic situation and continuing health emergency mean that possible negative effects on volumes cannot be ruled out. As the risk cannot be eliminated, and in any event is much less severe than at the beginning of the emergency, selling price performance and the actions taken by the Group will allow to mitigate its effects. At the level of raw materials, after the sharp price declines seen in previous years, the first half of 2021 saw a very severe increase in the prices of all raw materials and, in particular, of recycled fibers. The reasons for this increase are to be sought in the strong demand from corrugated cardboard due to booming e-commerce and a collection that continued to fall short of pre-pandemic levels. The Group responded to the rise in prices of raw materials with four increases in selling prices. The deferred effect of the increase in selling prices, due in part to high order levels, did not allow margins to be recovered in the near term, but will make it possible to return to margins in line with expectations in the fourth quarter. Energy prices declined markedly in 2020, particularly gas, electricity and coal, after they reached their high for the previous years in 2018. The first half of 2021 saw instead a sharp increase in the price of all energy sources, and gas and CO2 in particular. Further increases are expected also in the second half of the year. Within this scenario, the Group will continue with its energy consumption efficiency policies and investments aimed at reducing them. As usual, the sharp rise in energy costs were taken into account when defining the different price rises implemented in 2021. Credit risk is one of the risks related to the general economic environment and is described in more detail in section “Credit risk”.

Risks related to the Group’s results

It should be noted that there are no specific risks associated with the structure and/or the nature of the 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 healthy financial position and the ongoing very favorable credit market conditions, despite the recent health 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. As at 30 June 2021, the Group had cash available and essentially does not use short term lines of credit, except in the context of programs for the non-recourse factoring of trade receivables. As at 30 June 2021, medium and long-term debt amounted to €42.8 million, of which €11.5 million at an unhedged floating rate. At 30 June 2021, cash and cash equivalents stood at €57.9 million. According to the forecasts for 2021, 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 managing to fulfil 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 30 June 2021, the positive net financial debt of the RDM Group was equal to €9.6 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. This risk is present, especially in Italy, which remains one of Europe's most fragile economies and is historically characterized by very long payment terms with the ensuing 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, even if during the entire 2020 financial year and until the first half of 2021 this risk did not actually manifest itself. 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 non-recourse 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. As far as the Group is concerned, this exposure is particularly related to fluctuations of 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 energy factors. Given the expected volumes of costs and revenues which are either denominated in dollars or fluctuate according to the dollar, it is felt that the net exposure is not significant in relation to the overall size of the business.

Capital risk

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

Risks related to climate change

The paper manufacturing process is energy intensive and contributes to the emission of greenhouse gases, the main cause of climate change. We adopt energy management systems (ISO 50001) for several of the Group's mills, certified by accredited third-party bodies. We are particularly sensitive to these issues and have therefore started a process of transition towards production processes and energy sources with a lower environmental impact. The use of high efficiency co-generation plants, greater energy efficiency and the use of cleaner fuels also enable us to contain the risks of volatility in the purchase price of emission allowances under the Emission Trading System (EU-ETS). The presence of mills in locations potentially subject to climate change events such as rising river flows and increased frequency and intensity of storms exposes us to potential risks of disruption to operations. To reduce the impacts associated with the occurrence of natural disasters, including fires, we have implemented a prevention program that involves conducting third-party audits to assess exposure to this type of risk and identifying specific action plans for each of the Group's board mills.

Cyber security

Cybersecurity has been a global priority area for several years. Cybersecurity risks also have a potentially significant effect on the Group and are continuously monitored. The migration of IT infrastructures to the cloud as well as the scale of cyber-attacks, the nature of which is constantly changing, not only affect IT infrastructures and business operations but can lead to possible breaches or theft of sensitive and personal data. To ensure business continuity, we have implemented an IT security management and control system to prevent the loss of relevant and personal data and information across the Group, including backup systems and cloud servers, and we adopt advanced systems to prevent unauthorized access to corporate databases.

Risks related to epidemics and pandemics

In recent years, the world has had to deal with an increasing number of epidemics and infectious diseases. Given the absence of a true comprehensive emergency response plan, countries have had to deal with the Covid-19 crisis in a reactive manner. RDM Group responded promptly to governmental indications, assessing risks, preparing all necessary protocols to prevent contagion and setting up vigilance committees on the correct application of internal procedures. Thanks to this way of managing the Covid-19 emergency, no Group mill or site has seen an outbreak of Coronavirus infection. The proper management of the emergency allowed the Group to define emergency rules and procedures for possible future epidemiological or pandemic crises. The rigorous management of infectious risks has allowed

RDM Group to reliably play the role of “essential” player, providing a continuous support of the food and pharmaceutical supply chain, the two key sectors in emergency management and most served by RDM Group board mills.

5.6.3 Scope of consolidation

The financial position, results and cash flows of the 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. Pursuant to IFRS 10, the definition of control is 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 requires 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 statement of income, 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 shareholder's 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 held; the portions 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 statement of income;
- the acquisition of subsidiaries is accounted for 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 actual impairment of the asset sold) arising from commercial or financial intragroup transactions not yet realized with third parties;

- any increases or decreases in a consolidated company'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 statement of income 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	Capital Activity (Eur/1000)	Control percentage 06.30.2021 Direct	Indirect	12.31.2020 Direct	Indirect
R.D.M. Arnsberg GmbH	Arnsberg (D)	Industrial	5,113	94%	6%	94%	6%
RDM Blendecques S.A.S.	Blendecques (F)	Industrial	5,037	100%		100%	
Cascades Grundstück GmbH & Co. KG	Arnsberg (D)	Services	38	100%		100%	
R.D.M. Magenta S.r.l.	Milano (I)	Industrial	3,700	100%		100%	
R.D.M. Ovaro S.p.A.	Milano (I)	Industrial	12,625	99,01%		99,01%	
R.D.M. La Rochette S.A.S.	La Rochette (F)	Industrial					100%
Barcelona Cartonboard S.A.U.	Barcelona (E)	Industrial	14,943	100%		100%	
PAC Service S.p.A.	Vigonza (I)	Industrial	1,000	100%		100%	
R.D.M. Marketing France S.A.S.	Saint – Denis (F)	Commercial	337	100%		100%	
R.D.M. Marketing Germany GmbH	Krefeld (D)	Commercial	210	100%		100%	
R.D.M. Marketing Spain S.L.U.	El Prat de Llobregat (E)	Commercial	26	100%		100%	
R.D.M. Marketing UK Ltd	Wednesbury (UK)	Commercial		100%		100%	
R.D.M. Marketing Czech Republic s.r.o.	Praga (RC)	Commercial	20	100%		100%	
R.D.M. Marketing Hungaria Kft.	Budapest (HU)	Commercial	17	100%		100%	
R.D.M. Marketing Poland Sp. z o.o.	Varsavia (P)	Commercial	11	100%		100%	
R.D.M. Marketing Portugal Unipessoal Lda	Lisbona (PT)	Commercial	3		100%		100%

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

Corporate name	Registered office	Business	Capital Activity (Eur/1000)	Control percentage 06.30.2021 Direct	Indirect	12.31.2020 Direct	Indirect
Società Collegate							
Emmaus Pack S.r.l.	Milano (I)	Industrial	200	34,39%		34,39%	
Società a controllo congiunto (Joint Venture)							
RECOG.SEL.PAP. Y CART. C., A.I.E.	Barcellona (E)	Industrial	3		50,00%		50,00%

The scope of consolidation changed on June 30, 2021. In detail, on April 30, 2021 the RDM Group finalized, through its subsidiary RDM Blendecques S.A.S., the sale of a 100% interest in its subsidiary R.D.M. La Rochette S.A.S.

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 denominated 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 2021

Segment Information

Following the sale of R.D.M. La Rochette S.A.S., the RDM Group is no longer operating in the FBB segment (Folding Box Board – cartonboard for folding boxboard based on virgin fibers); therefore, all reporting documents used internally by the Directors refer to the only operating segment, namely the WLC segment (White Lined Chipboard – paperboard coated packaging on a recycled base), represented by the plants located in France, Germany and Spain and by all plants operating in Italy.

The following table provides operating information by geographical area for the first half of 2021 and the first half of 2020:

Income statement 06.30.2021	WLC	FBB	Consolidated
(thousands of Euros)			
Revenues from sales	**311,586**		**311,586**
Gross operating profit	**17,408**		**17,408**
Amortization and depreciation	(14,795)		(14,795)
Operating profit	**2,613**		**2,613**
Net financial income (expenses)	98		98
Gains (losses) on investments	158		158
Taxes	(2,078)		(2,078)
Profit/loss for the period before discontinued operations	**791**		**791**
Discontinued operations		2,633	2,633
Profit/loss for the period	**791**	**2,633**	**3,424**
Portions of profit (loss) of equity-accounted investments	158		158

Income statement 06.30.2020	WLC	FBB	Unallocated items and adjustments	Consolidated
(thousands of Euros)				
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)

Notes

1. Revenues from sales

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

	06.30.2021	06.30.2020*	Variation	%
(thousands of Euros)				
Italy	102,511	90,923	11,588	13%
European Union	167,998	158,259	9,739	6%
Rest of the world	41,077	40,874	203	0%
Total revenues from sales	**311,586**	**290,056**	**21,530**	**7%**

(*) On April 30, 2021, 100% of the equity investment in R.D.M. La Rochette S.A.S. was sold. Therefore, pursuant to IFRS 5, the related operating results were recognized under "Discontinued Operations". In addition, figures at June 30, 2020 were restated accordingly to make them comparable with those at June 30, 2021.

In the first half of 2021, the RDM Group's revenues from sales amounted to €311.6 million, up compared with €290.1 million for the same period of 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. At June 30, 2021, the **tons** sold by the RDM Group in the **WLC segment** reached 563 thousand units compared with 538 thousand units in 2020 (+4.7%). The tons recorded at June 30, 2020 had been impacted by both the halt at the Villa Santa Lucia plant — following the seizure of Cosilam Consortium's wastewater treatment plant by the competent judicial authority — and the stoppage of the Ovaro plant due to weak demand.

2. Other revenues and income

At June 30, 2021, other revenues and income amounted to €5.3 million and mainly included: revenues generated by participation in the energy interruptibility service (€1 million), revenues from Energy Efficiency Certificates, also known as "White Certificates" (€2 million), income from the sale of electricity in the first half of 2021 (€0.4 million), contingent assets (€0.3 million), the capital gains from the sale of the land located in Boffalora Sopra Ticino, finalized in February 2021 (€0.5 million), and other minor income.

3. Change in inventories of finished goods

The change in inventories for the first half of 2021 was primarily attributable to the overall decline in the plants' inventories of finished goods.

4. Cost of raw materials and services

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

	06.30.2021	% Value of production (**)	06.30.2020*	% Value of production (**)
(thousands of Euros)				
Cost for raw materials	143,446	46.83%	111,121	38.87%
Cost for services	102,644	33.51%	90,199	31.55%
Cost for use of third-party assets	769	0.25%	372	0.13%
Total	**246,859**	**80.58%**	**201,692**	**70.56%**

(*) On April 30, 2021, 100% of the equity investment in R.D.M. La Rochette S.A.S. was sold. Therefore, pursuant to IFRS 5, the related operating results were recognized under "Discontinued Operations". In addition, figures at June 30, 2020 were restated accordingly to make them comparable with those at June 30, 2021.
(**) Value of production = Revenues from sales plus changes in inventories of finished products

"Cost of raw materials" refers mainly to the purchase of products used to make pulp (recycled paper, wood paste, cellulose and chemicals) and for packaging.

The cost of raw materials and services amounted to €246.9 million, up €45.2 million compared with the same period of 2020. The change was chiefly attributable to the sharp rise in the price of recycled paper, which had already begun in December 2020. Similarly, energy costs showed a marked turnaround as of December 2020 compared with the previous years: the significant cost increase in all main sources (natural gas, electricity and coal) negatively impacted the Group's profitability in the first half of 2021.

5. Personnel costs

Personnel costs amounted to €45.7 million, in line with the same period of 2020.

6. Other operating costs

Other operating costs amounted to €1.7 million at June 30, 2021, down compared with €1.2 million in the same period of the previous year. This decrease was mainly due to the accrual to the provision for bad and doubtful receivables which amounted to €77 thousand at June 30, 2021 compared with €0.9 million at June 30, 2020. The greater accrual to the provision recognized in 2020 was attributable to the greater difficulties encountered in collecting receivables as a result of the financial tensions affecting certain clients due to the Covid-19 emergency. Moreover, this item includes taxes of €1 million, and costs for contributions to trade associations of €0.3 million

7. Amortization and depreciation

The following table shows a breakdown of depreciation and amortization:

(thousands of Euros)	06.30.2021	06.30.2020*	Variation
Amortization of intangible assets	870	803	67
Depreciation of tangible fixed assets	12,509	12,409	100
Depreciation and amortization of Right-of-use asset	1,416	1,406	10
Total	**14,795**	**14,618**	**177**

(*) On April 30, 2021, 100% of the equity investment in R.D.M. La Rochette S.A.S. was sold. Therefore, pursuant to IFRS 5, the related operating results were recognized under "Discontinued Operations". In addition, figures at June 30, 2020 were restated accordingly to make them comparable with those at June 30, 2021.

Amortization and depreciation were in line with those reported in the same period of the previous year.

8. Net financial income (expense)

The following table shows a breakdown of net financial income and expense:

(thousands of Euros)	06.30.2021	06.30.2020*	Variation
Financial income	**1,101**	**291**	**810**
Interest and other financial income	15	11	4
Income from derivative financial instruments	1,086	280	806
Financial expense	**(1,118)**	**(1,310)**	**192**
Interest paid to banks	(106)	(180)	74
Loss on derivative financial instruments	(126)	(140)	14
Financial expense on defined-benefit plans	(81)	(115)	34
Expenses, commission and other financial charges	(609)	(641)	32
Interest on leased assets (IFRS16)	(196)	(234)	38
Exchange rate differences	**115**	**(143)**	**258**
Exchange rate income	555	424	131
Exchange rate expenses	(440)	(567)	127
Total	**98**	**(1,162)**	**1,260**

(*) On April 30, 2021, 100% of the equity investment in R.D.M. La Rochette S.A.S. was sold. Therefore, pursuant to IFRS 5, the related operating results were recognized under "Discontinued Operations". In addition, figures at June 30, 2020 were restated accordingly to make them comparable with those at June 30, 2021.

At June 30, 2021, net financial income amounted to €98 thousand compared with €1.2 million net financial expense recognized in the same period of the previous year.

The €1.3 million change was essentially attributable to:

- €0.8 million: higher financial income recognized on the measurement at June 30, 2021 of the derivatives entered into by the Spanish subsidiary to hedge purchases of natural gas and energy sales;

- €0.3 million: higher financial income arising from exchange rate differences due to the appreciation of US Dollar and Pound Sterling.

9. Income (losses) from equity investments

Income from investments as at June 30, 2021 stood at €158 thousand and were due to the adjustment to the equity investment in the associate Emmaus Pack S.r.l.

10. Taxes

The following table shows the breakdown of current and deferred taxes as at June 30, 2021:

(thousands of Euros)	06.30.2021	06.30.2020*	Variation
Deferred (prepaid) taxes	(144)	480	(624)
Current taxes	(1,934)	(6,561)	4,627
Total	**(2,078)**	**(6,081)**	**4,003**

(*) On April 30, 2021, 100% of the equity investment in R.D.M. La Rochette S.A.S. was sold. Therefore, pursuant to IFRS 5, the related operating results were recognized under "Discontinued Operations". In addition, figures at June 30, 2020 were restated accordingly to make them comparable with those at June 30, 2021.

The allocation for **taxes** was €2.1 million, compared with €6.1 million for the same period of 2020; the change was mainly related to the lower taxable income due to the drop in margins.

11. Discontinued operations

Discontinued operations amounted to €2.6 million and were broken down as follows:

(thousands of Euros)	06.30.2021
Result R.D.M. La Rochette S.A.S.	4,298
Loss R.D.M. La Rochette S.A.S.	(1,665)
Discontinued operations	**2,633**

On April 30, 2021, the RDM Group finalized, through its subsidiary RDM Blendecques S.A.S., the agreement for the sale of a 100% interest in its subsidiary R.D.M. La Rochette S.A.S., a company under French law, to Bonaparte Holding S.A.S., 100% owned by Mutares SE & Co. KgaA.

The final consideration, inclusive of post-closing adjustments, amounted to €12.3 million. The contract also includes an earn-out on the higher EBITDA that will be achieved, compared with

the reference value, in the next three years. The final consideration, inclusive of the above-mentioned earn-out, entailed, as at June 30, 2021, a loss of €1.7 million, in addition to the €3.7 million write-down that had already been recognized in the financial statements at December 31, 2020 to align the carrying value of the La Rochette CGU with its realizable value.
It should be noted that the sale of the company R.D.M. La Rochette S.A.S. entailed the withdrawal of the RDM Group from the FBB segment (Folding Box Board - cartonboard for folding boxboard based on virgin fibers); therefore, the related operating results at June 30, 2021 and June 30, 2020 have been reclassified under “Discontinued operations” in the Statement of income.

Here below are the statement of income, statement of financial position and statement of cash flows of the company R.D.M. La Rochette S.A.S.:

(thousands of Euros)	04.30.2021	06.30.2020
Revenues from sales	42,376	62,270
Other revenues and income	2,002	1,872
Change in inventories of finished goods	(2,378)	(2,788)
Cost of raw materials and services	(30,227)	(45,558)
Personnel costs	(5,686)	(8,974)
Other operating costs	(500)	(670)
Depreciation and amortization	(587)	(826)
Net financial income (expense)	(71)	(281)
Taxes	(631)	(553)
Discontinued operations	**4,298**	**4,492**

(thousands of Euros)	04.30.2021
Tangible fixed assets	13,164
Rights-of-use-asset	3,880
Equity investments	340
Other receivables	2,073
Total non-current assets	**19,457**
Inventories	16,894
Trade receivables	8,207
Other receivables	2,415
Cash and cash equivalents	7,831
Total current assets	**35,347**
Total Assets	**54,804**

(thousands of Euros)	04.30.2021
Shareholders' equity	20,567
Total shareholders' equity	**20,567**
Payables to banks and other lenders	6,738
Non-current provisions for risks and charges	28
Employee benefits	3,914
Total non-current liabilities	**10,680**
Payables to banks and other lenders	2,700
Trade payables	14,704
Other payables	5,564
Current provisions for risks and charges	50
Taxes	539
Total current liabilities	**23,557**
Total liabilities and shareholders' equity	**54,804**

(thousands of Euros)	April 30, 2021	June 30, 2020
Cash Flow from operating activities	4,563	7,292
Cash Flow from investing activities (*)	4,273	(572)
Cash Flow from financing activities	(225)	(1,421)
Net Cash Flow	**8,611**	**5,299**

(*) The investing activities includes the cash and cash equivalents generated by the sale of R.D.M. La Rochette S.A.S business.

12. Tangible fixed assets

The following table shows the change in tangible fixed assets:

(thousands of Euros)	Lands	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Historical cost	45,134	91,533	733,289	1,583	15,719	11,632	898,890
Accumulated depreciation/write-downs	(1,515)	(63,793)	(597,008)	(1,407)	(14,422)		(678,145)
Net book value as at 12.31.2020	**43,619**	**27,740**	**136,281**	**176**	**1,297**	**11,632**	**220,745**
Increases	49	74	2,435	6	60	7,784	10,408
Decreases	(3,725)	(221)	(256)	(3)	(22)		(4,227)
Change in consolidation of the historical cost	(185)	(8,289)	(116,957)		(2,281)	(1,927)	(129,639)
Change in consolidation of provision for acc. depr./write-downs		6,791	111,197		2,160		120,148
Reclassification of cost		47	1,126		9	(1,183)	(1)
Depreciation for the period*		(1,443)	(11,327)	(16)	(124)		(12,910)
Decrease in provision for acc. depr./write-downs	1,515	221	216	2	22		1,976
Value as at 06.30.2021							
Historical cost	41,273	83,144	619,637	1,586	13,485	16,306	775,431
Accumulated depreciation/write-downs		(58,224)	(496,922)	(1,421)	(12,364)		(568,931)
Net book value as at 06.30.2021	**41,273**	**24,920**	**122,715**	**165**	**1,121**	**16,306**	**206,500**

(*) The amount includes depreciation until April 30, 2021 of R.D.M. La Rochette S.A.S.

For the purpose of determining possible impairment losses, it should be noted that no impairment indicators emerged such as to modify the valuations made as of December 31, 2020. For further details, reference should be made to the “Impairment testing” section.

13. Rights of use

This item, which stood at €10.8 million, referred to the rights of use for leased assets which, following the implementation of IFRS 16, were recognized under fixed assets.

(thousands of Euros)	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Software	Total
Historical cost	13,401	5,261	46	1,194	1,058	20,960
Accumulated depreciation/write-downs	(2,847)	(1,819)	(11)	(454)	(663)	(5,794)
Net book value as at 12.31.2020	**10,554**	**3,442**	**35**	**740**	**395**	**15,166**
Change in consolidation of the historical cost	(4,532)	(624)		(15)		(5,171)
Change in consolidation of provision for acc. depr./write-downs	1,030	259		1		1,290
Increases	87	752	21	254	39	1,153
Decreases	(336)	(273)	11	(103)		(701)
Depreciation and amortization for the period*	(606)	(618)	(7)	(182)	(190)	(1,603)
Decrease in provision for acc. depr./write-downs	300	273	(11)	71		633
Exchange rate translation differences	5					5
Value as at 06.30.2021						
Historical cost	8,625	5,116	78	1,330	1,097	16,246
Accumulated depreciation/write-downs	(2,123)	(1,905)	(29)	(564)	(853)	(5,474)
Net book value as at 06.30.2021	**6,502**	**3,211**	**49**	**766**	**244**	**10,772**

(*) The amount includes depreciation and amortization until April 30, 2021 of R.D.M. La Rochette S.A.S.

14. Goodwill

Goodwill stood at €4.4 million and referred to the acquisition of PAC Service S.p.A., finalized in 2018.

15. Intangible fixed assets

Intangible fixed assets totaled €16.7 million, in line with the previous year.

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

16. Equity investments

Equity investments stood at €0.6 million. The decrease compared with December 31, 2020 amounted to €0.4 million and was mainly due to the exit of R.D.M. La Rochette S.A.S. from the consolidation scope and in particular to a lower equity investment in Scierie De Savoie, held by La Rochette.

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

The value of equity-accounted investments in the statement of financial position is as follows:

	06.30.2021	12.31.2020
(thousands of Euros)		
Associates	481	512
Joint ventures	2	2
Total	**483**	**514**

The impact on the statement of income for the period of the valuation of equity investments using the equity method is as follows:

	06.30.2021	06.30.2020
(thousands of Euros)		
Associates	158	(17)
Total	**158**	**(17)**

The balance at June 30, 2021 included the €158 thousand write-up of the company Emmaus Pack S.r.l.

17. Trade receivables and receivables from associates and joint ventures

The following table shows a breakdown of trade receivables, which amounted to €81.4 million:

	06.30.2021	12.31.2020	Variation
(thousands of Euros)			
Trade receivables	72,292	59,959	12,333
Receivables from associates and joint ventures	9,109	6,272	2,837
Current trade receivables	**81,401**	**66,231**	**15,170**

Trade receivables, net of the provision for bad and doubtful receivables of €4.5 million, amounted to €81.4 million, up €15.2 million compared with December 31, 2020. This change was due to:

- a €23.4 million increase, attributable to higher volumes sold in the second quarter of 2021 compared with the fourth quarter of 2020 and the effect of the rise in selling prices;
- a €8.2 million decrease, due to the sale of R.D.M. La Rochette S.A.S.

The item "Receivables from associates and joint ventures" includes commercial transactions with Emmaus Pack S.r.l. (€9,109 thousand).

18. Inventories

Inventories as at June 30, 2021 stood at €81.5 million, down compared with €20.7 million at December 31, 2020. Such reduction is essentially due to the sale of the company R.D.M. La Rochette S.A.S. (€18.7 million).
The remaining €2 million reduction was attributable to lower inventories of finished goods following the strong demand, partially offset by higher inventories of raw materials associated with the increase of the related purchase prices.

19. Other receivables (current and non-current)

At June 30, 2021, "Other receivables (non-current portion)" totaled €15.7 million. This item chiefly included:
- receivables of €1 million for deposits in favor of a factoring company, 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 Barcelona Cartonboard S.A.U.;
- the Guarantee Fund of €1.2 million set up at Terna, the grid operator;
- tax credit for competitiveness and employment (CICE and Participation Effort) granted by the French government to the subsidiary R.D.M. Blendecques S.A.S., for a total of €0.4 million;
- the non-current portion, amounting to €4.3 million, of the loan issued by the subsidiary RDM Blendecques S.A.S. to Bonaparte Holding S.A.S. following the sale of the company R.D.M. La Rochette S.A.S. on April 30, 2021. It should be noted that part of the final consideration for the sale, totaling €12.3 million, will be paid through a vendor loan granted by the subsidiary RDM Blendecques S.A.S to the above-mentioned Bonaparte Holding S.A.S. The total value of the vendor loan, which is measured at amortized cost and will mature in three years from the finalization of the transaction, amounts to €6.5 million;
- the non-current portion, amounting to €1.7 million, of the receivable claimed by the subsidiary R.D.M. Blendecques S.A.S. from Bonaparte Holding S.A.S. relating to the earn-out measured at fair value;

- a €5.9 million receivable for the advance payment for the acquisition by the subsidiary R.D.M. Barcelona Cartonboard S.A.U. of 100% of the share capital in four companies under Spanish law: Papelera del Principado S.A. (Paprinsa) and three minor companies. The transaction became effective on July 1, 2021.

At June 30, 2021, the "Other receivables (current portion)" item totaled €20 million. This item chiefly included:

- the current portion, amounting to €2.2 million, of the above-mentioned vendor loan;
- the current portion, amounting to €1.2 million, of the above-mentioned earn-out;
- the value of the CO_2 allowances acquired as at June 30, 2021 by the Parent Company, Reno De Medici S.p.A., and the German subsidiary R.D.M. Arnsberg GmbH, amounting to €4.5 million;
- receivables for deposits in favor of a factoring company, amounting to €2 million, pursuant to the agreements entered into by the Parent Company, Reno De Medici S.p.A., and the subsidiaries RDM Blendecques S.A.S. and R.D.M Barcelona Cartonboard S.A.U.;
- the €1.7 million VAT credit;
- the current portion of the French CICE tax credit, amounting to €0.6 million.
- prepaid expenses amounting to €4.8 million, chiefly including €3.7 million costs borne for the purchase of paper for urban recycling (Comieco's auctions) and €0.4 million insurance costs.

20. Net financial position

The Consolidated Net Financial Position at June 30, 2021 was positive at €9.6 million, with a €18.5 million decline compared with -€8.9 million at December 31, 2020.
The improvement in the net financial position was mainly attributable to both a positive — although sharply declining — EBITDA and the decrease in working capital, mainly due to the reduction in inventories of finished products.

The net financial position consisted of the following:

(thousands of Euros)	06.30.2021	12.31.2020	Variation
Cash	15	13	2
Bank deposits	57,852	62,972	(5,120)
A. Cash and cash equivalents	**57,867**	**62,985**	**(5,118)**
Other financial receivables	4,259	243	4,016
Current derivative financial instruments	1,910	712	1,198
B. Current financial receivables	**6,169**	**955**	**5,214**
1. Current payables to banks			
2. Current portion of medium and long-term loans	*16,336*	*17,498*	*(1,162)*
3. Other current financial liabilities	*205*	*617*	*(412)*
4. Payables to other lenders for current Right-of-use asset	*2,231*	*2,947*	(716)
Payables to banks and other lenders (1+2+3+4)	18,772	21,062	(2,290)
Derivatives - current financial liabilities	244	517	(273)
C. Current financial debt	**19,016**	**21,579**	**(2,563)**
D. Net current financial debt (C-A-B)	**(45,020)**	**(42,361)**	**(2,659)**
Payables to banks and other lenders	26,356	38,233	(11,877)
Derivatives - non-current financial liabilities	217	388	(171)
Payables to other lenders for non current Right-of-use asset	8,844	12,612	(3,768)
E. Non-current financial debt	**35,417**	**51,233**	**(15,816)**
F. Net non-current financial debt	**35,417**	**51,233**	**(15,816)**
G. Net financial debt (D+F)	**(9,603)**	**8,872**	**(18,475)**

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

The table below reports, as required by IAS 7 - *Statement of Cash Flow*, the change in liabilities from financing activities:

	12.31.2020	Cash flow (*)	Non-cash transactions		06.30.2021
			Exchange rate translation differences	Fair Value Variation	
(thousands of Euros)					
Current financial receivables	**955**	4,016		1,198	**6,169**
Current financial debt	**21,579**	(2,290)		(273)	**19,016**
Non-current financial debt	**51,233**	(15,645)		(171)	**35,417**
Net liabilities from financing activities	**71,857**	**(21,951)**		**(1,642)**	**48,264**
Cash and cash equivalents	**62,985**	(5,118)			**57,867**
Net financial debt	**8,872**	**(16,833)**		**(1,642)**	**(9,603)**

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

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

	within 12 months	more than 12 months	over 60 months	Total
(thousands of Euros)				
Banque Palatine 1067376	603	454		1,057
Banque Palatine 1067377	404	306		710
FRIE 1	414	207		621
FRIE 2	406			406
FRIE 3	113	283		396
FRIE 4	137	545	136	818
FRIE 5	71	285	711	1,067
Banca Popolare Milano	2,857	1,429		4,286
Unicredit	7,000	17,500		24,500
Banca Intesa	1,667	2,500		4,167
Unicredit	102			102
Agence de L'eau	58	53		111
Be Spoken	2,000	1,490		3,490
Berivo Equipment	274			274
Endesa Energia SAU	303			303
Friulia		508		508
Total nominal debt	**16,409**	**25,560**	**847**	**42,816**
Amortized cost effect	(73)	(51)		(124)
Total debt using the amortized cost method	**16,336**	**25,509**	**847**	**42,692**

The Group's financial indebtedness mainly consists of medium- and 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 ratios 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, 2021, the Group was in compliance with the financial ratios.

In terms of collateral, the Parent Company loan agreement requires RDM, *inter alia*, to provide mortgages on mills, in the total amount of €130.3 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, 2021.

The table below shows the main features of the IRS derivative instruments outstanding as at June 30, 2021:

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	4,286	0,45% fisso	Half-yearly	(41)
					Euribor 6m		
Reno De Medici S.p.A.	Unicredit S.p.A.	Eur	07.31.2024	24,500	0,385% fisso	Half-yearly	(420)
					Euribor 6m		
							(461)

The table below shows the main features of the commodity swap outstanding as at June 30, 2021:

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	6,000	90,4	Monthly	111
					USD/MT		
RDM Barcelona Cartonboard S.A.U.	Axpo Iberia S.L.	EUR	12.31.2021	813,312		Monthly	1,799
					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 modest or non-existent for the asset or liability subject to measurement, the inputs are non-observable.

			Fair value as at the date of the financial statements based on:		
	Classification	06.30.2021	Level 1	Level 2	Level 3
(thousands of Euros)					
Derivative instruments on interest rates	Non-current derivative instruments	**(217)**		(217)	
Derivative instruments on interest rates	Current derivative instruments	**(244)**		(244)	
Derivative instruments on commodities	Current derivative instruments	**1.910**		1.910	

21. Shareholders' equity

The share capital, which stood at €140 million as at June 30, 2021, is broken down as follows:

	Number	Total value
Ordinary shares	377,559.880	139,910,651
Savings shares	241,114	89,349
Total	**377,800,994**	**140,000,000**

It should be recalled that in June 2016 the Company started a buyback plan of its own shares. For further information, reference should be made to section "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, it should be recalled that dividends of €5,263 thousand were distributed in 2020.

22. Other current payables and other payables to associates and joint ventures

Other current payables amounted to €19.6 million (€23.3 million at December 31, 2020). The €3.7 million change compared with December 31, 2020 was chiefly attributable to the sale of R.D.M. La Rochette (€4.9 million). 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.

23. Employee benefits

"Employee benefits" amounted to €33.1 million as at June 30, 2021. The €4.2 million reduction compared with December 31, 2020 was chiefly attributable to the sale of R.D.M. La Rochette (€3.8 million).

At June 30, 2021, the RDM Group employed 1,446 people, compared with 1,729 at December 31, 2020. The reduction in workforce was essentially due to the deconsolidation of the company R.D.M. La Rochette S.A.S.

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

At June 30, 2021, non-current and current provisions for risks and charges totaled €6 million and €1 million, respectively.

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

The balance at June 30, 2021 was as follows:

(thousands of Euros)	06.30.2021	12.31.2020	Variation
Trade payables	139,171	130,811	8,360
Current trade payables	**139,171**	**130,811**	**8,360**

Trade payables totaled €139.2 million (€130.8 million at December 31, 2020) and were all due within 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparty.
The increase compared with the previous year was essentially due to the above-mentioned rise in purchase costs and was partially offset by the sale of R.D.M. La Rochette S.A.S.

26. 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 section "Key events".

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

With regard to the main existing disputes, reference should be made to section 5.8.

Commitments and guarantees given to third parties included:

- sureties of €5.3 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (Belluno) mill;
- sureties of €7.8 million issued to the Comieco consortium;
- sureties of €67 thousand issued to the customs authorities;
- a surety of €450 thousand issued to Terna S.p.A.;
- a surety of €90 thousand issued to the Province of Milan;
- sureties of €524 thousand issued in connection with property leases.

5.7 Related-party transactions

As already highlighted in section “Intra-group and related-party transactions”, 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-yearly financial statements, related-party transactions occurred 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.
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, *inter alia*, 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, through the exercise of a put option to be exercised by June 27, 2017. Therefore, 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 tranches. The last portion has been repurchased on June 15, 2020. Following this transaction, R.D.M. Ovaro S.p.A. was totally owned by Reno De Medici S.p.A.

In order to continue the partnership with Friulia S.p.A., on December 16, 2020 the Shareholders' Meeting of R.D.M. Ovaro S.p.A. authorized a share capital increase to a total of €12,625,000 through the issuance of 125,000 preferred shares, subscribed by Finanziaria Regionale Friuli-Venezia Giulia – Società per Azioni – Friulia S.p.A. ("Friulia"). As a result of this transaction, Friulia S.p.A. acquired a 0.99% interest in R.D.M. Ovaro S.p.A. It bears also recalling that as part of this transaction, Reno De Medici S.p.A. and Friulia S.p.A., respectively, reserved a call option, exercisable between December 16, 2022 and December 16, 2025, and a put option, exercisable between December 16, 2023 and December 16, 2025 on Friulia S.p.A.'s stake in RDM Ovaro 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		
(thousands of Euros)	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
Emmaus Pack S.r.l.		9,109				
Recogida Sel.Pap.YCart.C.A.I.E.						101
Total		**9,109**				**101**
Impact on item total		**100.00%**				**100.00%**

Revenues and costs with related parties

(thousands of Euros)	Revenues from sales	Other revenues and income	Financial income
Emmaus Pack S.r.l.	7,683	37	
Total	**7,683**	**37**	
Impact on item total	**2.47%**	**0.70%**	

The compensation due to the Directors and Statutory Auditors of Reno de Medici S.p.A. for the performance of their duties amounted to €266 thousand and €83 thousand, respectively.

5.8. Lawsuits and arbitration proceedings

Existing disputes and risks

Nothing to report.

5.9. Subsequent events

On July 1, 2021, the RDM Group finalized the acquisition by its subsidiary RDM Barcelona Cartonboard S.A.U. of 100% of the share capital of four companies under Spanish law. The acquisition involves one of the main European players in the coated chipboard sector, Papelera del Principado S.A. (Paprinsa), and three smaller companies operating in contiguous businesses. The provisional price for the acquisition is based on a total Enterprise Value of €30.4 million, calculated on EBITDA for 2020 of €5.1 million, and on a Net Financial Debt of €18.9 million at December 31, 2020. At the closing of the deal, an initial amount of €5.9 million was paid. The price will be subject to adjustments as provided for in the agreements, based on the NFP, the working capital, and the overall EBITDA of the four companies at the effective date of the transaction as at July 1, 2021. The RDM Group funded the acquisition from its own cash resources.

On July 5, 2021, Apollo Global Management, Inc. (NYSE: APO) announced that, through certain funds managed by its affiliates, it entered into definitive agreements to acquire a majority stake in Reno De Medici S.p.A. Apollo Funds will acquire approximately 67% equity ownership in RDM from the Company’s top two shareholders, Cascades Inc. and Caisse de dépôt et placement du Québec for €1.45 per share, representing a 24% premium to the 90-day volume weighted average share price. The closing of the transaction, which is subject to customary closing conditions, is expected to take place by third quarter 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, 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 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 final price paid, after all adjustments provided for in the contract, was €146.7 million, of which €7.1 million was paid into an escrow account securing contingent liabilities. No additional price adjustments are provided for. The acquisition was funded through external financing (Banca Intesa and UniCredit) for a total of €100 million, while using the cash available at the closing date for the remainder.

The Eska Group is a global leader in the production of solid board, a segment in which the RDM Group operates through its Ovaro paper mill. The segment is characterized by above-average profit margins. The strategic rationale for the transaction is to become a market leader in a segment with superior profit margins, to cover an area, at the European level, in which the RDM Group had a limited presence, to leverage the Eska Group's significant presence in the United States, with possible synergies for the other business and possible synergies with Ovaro Mill, operating in the same market.

6. List of investments in subsidiaries and associates

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, 2021 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

Subsidiaries

RDM Blendecques S.A.S.
Blendecques – France
Direct ownership percentage: 100%

R.D.M. Ovaro S.p.A.
Ovaro - Italy
Direct ownership percentage: 99,01%

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 – Spain
Direct ownership percentage: 100%

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

Emmaus Pack S.r.l.
Milan - Italy
Direct ownership percentage: 34.39%

Recogida Sel. Pa. YCart. C. A.I.E.
Barcelona – Spain
Indirect ownership percentage: 50%

LIST OF INVESTMENTS IN OTHER COMPANIES

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 (Turin) – Italy
Consortium share

Idroenergia S.c.r.l.

Aosta – Italy

Consortium share

Paper Interconnector

Milan - Italy

Consortium share

Università Carlo Cattaneo

Castellanza (Varese) – Italy

Consortium share

Interconnector Energy Italia S.C.p.A

Rome – Italy

Consortium share

CERTIFICATION

of the condensed consolidated half-yearly 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 No. 58 of February 24, 1998:
   - the suitability based on the characteristics of the business; and
   - the 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 2021.

2. No significant issues have emerged in this regard.

3. It is further certified that:

   3.1 The condensed consolidated half-year financial statements as at June 30, 2021:

   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) provide a true and fair view of the financial position, results and cash flows of the issuer and of all of the companies whose accounts have been consolidated.

   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-yearly 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, August 2, 2021

Chief Executive Officer	Financial Reporting Executive
Michele Bianchi	Luca Rizzo