Reno De Medici

RdM GROUP

Interim Report for the period ended 31 March 2010

Reno De Medici S.p.A.
Registered office: Via Durini 16/18, Milan
Share capital: Euro 185,122,487.06 fully paid
Fiscal code and VAT no. 00883670150

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[1] This document is an English translation from Italian. The Italian original shall prevail in case of difference in interpretation and/or factual errors.

COMPANY BODIES AND INDEPENDENT AUDITORS

Board of Directors

Christian Dubé	Chairman
Giuseppe Garofano	Deputy Chairman
Ignazio Capuano	Managing Director
Riccardo Ciardullo	Director
Robert Hall	Director
Sergio Garribba	Director
Laurent Lemaire	Director
Mirko Leo	Director
Vincenzo Nicastro	Director
Carlo Peretti	Director
Emanuele Rossini	Director

Board of Statutory Auditors

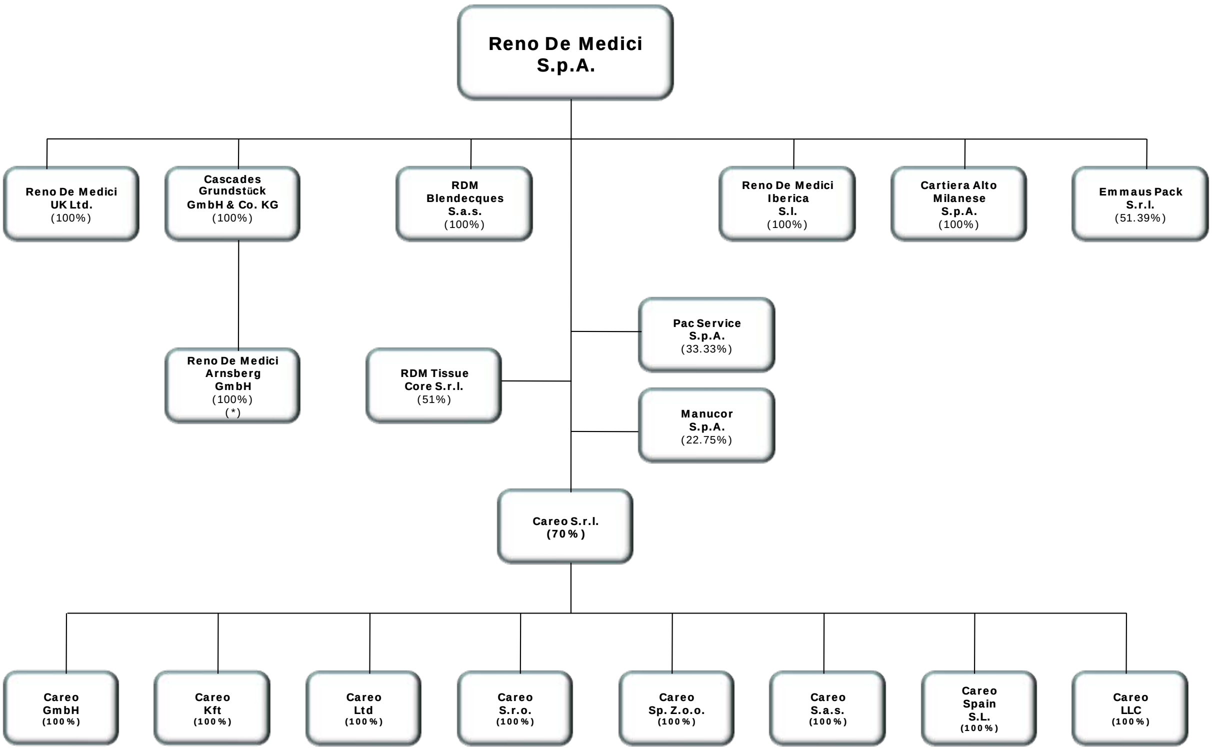
Sergio Pivato	Chairman
Giovanni Maria Conti	Standing auditor
Carlo Tavormina	Standing auditor
Domenico Maisano	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANIES OF THE GROUP AT 31 MARZO 2010

The following chart excludes non-operating companies and companies in liquidation of the Reno De Medici Group (the "RDM Group" or the "Group").



(*) Subsidiary company held by Reno De Medici S.p.A. at 94% and by Cascades Grundstück GmbH & Co. KG to 6%

REPORT OF THE DIRECTORS ON OPERATIONS

Market performance in the first quarter of 2010 led to a rise of 7% in demand at a European level compared with the same period in 2009, despite the continuing existence of a generally recessionary macro-economic situation and the fact that household spending remains depressed. This rise has been driven by Italy, Germany, Spain and Eastern Europe, while the trend is more reflective in other countries and still negative in France.

Production amounted to 226 thousand tonnes in the period compared with 201 thousand tonnes in the same period in 2009; in terms of volumes sold, 234 thousand tonnes were shipped compared with 210 thousand tonnes in 2009.

The appreciable level of the order backlog enabled production to be planned effectively which benefited efficiency.

Consolidated revenues from sales totalled Euro 115 million in the period, representing a rise of 6% over 2009.

The respectable performance of production and revenues was not translated into an improvement in earnings for a variety of reasons.

Average sales prices remained lower than those for the first quarter of last year, while the price increase announced at the end of 2009 is taking in shape only in the second quarter, while there has been an increase in the cost of raw material mixture as the result of a predictable decrease in production from waste and an unpredictable increase in the level of imports from Europe to Far Eastern countries, especially China.

Labour costs also rose slightly, due to contractual increases and to the accruals made in connection with the employee incentive plan which was set up at the end of 2009.

The remaining main cost components were stable, included those related to energy.

As a consequence EBITDA closed at Euro 7.1 million compared to Euro 8.6 million in the first quarter of 2009.

The Group posted an operating profit of Euro 346 thousand for the quarter compared to Euro 2.3 million in the same period of 2009.

The decrease in net financial expense is primarily due to the favourable trend in interest rates.

The Group had a net financial position Euro 125.2 million at the end of the period, a considerable improvement over the balance of Euro 131 million at 31 December 2009; this arises from positive operational management, in particular as far as collection is concerned, and from positive timing differences.

The table for the geographical mix of the Group’s revenues during the first quarter of 2010 highlights the increase in the percentage of revenues earned on the domestic market, in line with trends on the European market, and those earned on non-European Union markets (Turkey, the Middle East and the Far East).

Revenues by geographical areas	31.03.2010	Inc. %	31.03.2009	Inc. %
(thousands of Euros)				
Italy	42,579	37.0%	35,318	32.6%
EU	56,104	48.7%	62,462	57.6%
Extra EU	16,425	14.3%	10,594	9.8%
Revenues from sales	**115,108**	**100%**	**108,374**	**100%**

Consolidated results

The following table sets out the highlights of the profit and loss accounts for 31 March 2010 and 31 March 2009.

Consolidated income statement	31.03.2010	31.03.2009
(thousands of Euros)		
Revenues from sales	**115,108**	**108,374**
EBITDA ***(1)***	**7,086**	**8,642**
EBIT ***(2)***	**346**	**2,281**
Result of operating activities before taxes ***(3)***	**(1,597)**	**(214)**
Current and deferred taxes	*(348)*	*(812)*
Profit (loss) for the period	**(1,945)**	**(1,026)**

(1) Cfr. Interim consolidated financial statements of RDM Group, "Gross Operating Margin"
(2) Cfr. Interim consolidated financial statements of RDM Group, "Operating Profit "
(3) Cfr. Interim consolidated financial statements of RDM Group, "Profit (loss) for the period" - "Taxation"

The RDM Group in the first quarter of 2010 achieved net revenues of Euro 115.1 million, compared to Euro 108.4 million in the corresponding period of the previous year.

Consolidated EBITDA as at March 31, 2010 reached Euro 7.1 million compared to Euro 8.6 million in the corresponding period in 2009.

The Operating Profit (EBIT) as at March 31, 2010 amounted to Euro 0.3 million, compared to Euro 2.3 million in the corresponding period in 2009.

The Result of operating activities before taxes was negative for an amount of Euro 1.6 million, compared to a negative amount of Euro 0.2 million for the same period of 2009.
The Group as at March 31, 2010 made capital expenditures of Euro 2.2 million (Euro 4.1 million at 31 March 2009).

The consolidated net financial indebtedness at March 31, 2010 amounted to Euro 125.2 million, compared to 130.8 million at December 31, 2009.

More specifically, the gross financial indebtedness at March 31, 2010, measured at amortized cost amounted to 124.9 (compared to Euro 131.0 million at December 2009) and consisted of the non-current portion of long-term loans for Euro 62.6 million, the current position of long term loans for about Euro 7.5 million and bank credit facilities and other financial liabilities of about Euro 54.8 million, consisting mainly of credit lines based trade accounts receivables.

Derivatives instruments entered into in order to provide *cash flow hedge* have been noted on the balance sheet for a total negative amount of Euro 2.6 million.

As at March 31, 2010 liquidity and financial credits due within 12 months amount of Euro 2.3 million (compared with Euro 2.0 million in December 2009).

Major operations

There are no particular operations to report.

Outlook for operations

The 2010 continues to be characterized by an overall context that does not yet show permanent signs of a pick-up in household consumption.

Earnings prospects should be affected positively by the expected stabilization of the cost of raw material mixture and the increase of sales prices from the first quarter of 2010. In this scenario the reversal of trend of the cost of raw material is not yet registered, while we are also seeing a good reaction on leading markets to the resulting increase in sales prices.

As a consequence, therefore, following a first quarter in 2010 when earnings have suffered from the adverse effect of the increase in raw material mixture costs, timing differences respect to the price increases, we can expect to see a recovery in later quarters. However, it should be note the difficulty of projecting the current estimates for the full year, given the strong volatility of economic context.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2010

Consolidated income statement	31.03.2010	31.03.2009
(thousands of Euros)		
Revenues from sales	115,108	108,374
Other revenues	4,547	4,230
Changes in stocks of finished goods	(1,400)	(4,218)
Cost of raw materials and services	(90,403)	(80,071)
Staff costs	(19,347)	(18,432)
Other operating costs	(1,419)	(1,241)
Gross Operating Margin	**7,086**	**8,642**
Depreciation and amortisation	(6,740)	(6,361)
Operating Profit	**346**	**2,281**
Financial expense	*(2,210)*	*(2,836)*
Exchange rate differences	*433*	*169*
Financial income	*4*	*172*
Financial income (expenses), net	(1,773)	(2,495)
Income (loss) from investments	(170)	-
Taxation	(348)	(812)
Profit (loss) for the period	**(1,945)**	**(1,026)**
Attributable to:		
Profit (loss) for the period pertaining to the Group	(2,115)	(1,112)
Profit (loss) for the period pertaining to minority interests	170	86

Consolidated statement of financial position	31.03.2010	31.12.2009
(thousands of Euros)		
ASSETS		
Non-current assets		
Tangible fixed assets	251,663	256,231
Goodwill	63	63
Other intangible assets	6,243	6,243
Investments	6,520	6,690
Deferred tax assets	1,505	1,473
Financial assets held for sale	193	193
Trade receivables	81	81
Other receivables	725	364
Total non-current assets	**266,993**	**271,338**
Current assets		
Stocks	73,613	74,313
Trade receivables	115,526	110,417
Other receivables	5,297	4,800
Financial assets held for sale	-	188
Liquid funds	1,890	1,707
Total current assets	**196,326**	**191,425**
TOTAL ASSETS	**463,319**	**462,763**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the Group	152,005	154,144
Minority interests	847	677
Total shareholders' equity	**152,852**	**154,821**
Non-current liabilities		
Bank loans and other financial liabilities	62,639	62,672
Derivative financial instruments	1,070	846
Other payables	1,986	1,872
Deferred tax liabilities	27,063	27,407
Employee benefits	24,996	24,632
Non-current provisions for contingencies and charges	3,922	3,562
Total non-current liabilities	**121,676**	**120,991**
Current liabilities		
Bank loans and other financial liabilities	61,397	64,901
Derivative financial instruments	1,518	1,069
Trade payables	109,603	102,683
Other payables	13,637	16,119
Current taxation	1,845	1,340
Current provisions for contingencies and charges	791	839
Total current liabilities	**188,791**	**186,951**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**463,319**	**462,763**

Net financial position	31.03.2010	31.12.2009	Variation
(thousand of Euros)			
Cash and cash equivalents and short-term financial receivables	2,264	2,053	211
Short-term financial payables	(62,276)	(68,307)	6,031
Valuation of current portion of derivatives	(1,518)	(1,069)	(449)
Short-term financial position, net	**(61,530)**	**(67,323)**	**5,793**
Long-term financial payables	(62,639)	(62,672)	33
Valuation of non current portion of derivatives	(1,070)	(846)	(224)
Financial position, net	**(125,239)**	**(130,841)**	**5,602**

NOTES

The interim report of the RDM Group at 31 March 2010 has been prepared on the basis of article 82, first paragraph, of the Regulations for Issuers adopted by Consob in resolution no. 11971 of 14 May 1999 and subsequent amendments and supplements.
As a consequence the requirements of article 154-ter of the Consolidated Finance Act (TUF) are satisfied.

This interim report has not been audited by the Independent Auditors.

There are not changes in the scope of consolidation occurred in this first quarter 2010 compared the previous quarter.

Accounting principles

The Group's financial position, results and cash flows have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure stated in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.
The recognition and measurement policies used in the preparation of the consolidated financial statements for the quarter ended 31 March 2010 are unchanged with respect to those used in the preparation of the consolidated financial statements for the year ended 31 December 2009, to which reference should be made for details.

RDM has used the same accounting policies in the preparation of this interim report as those used in the preparation of the interim report for the period ended 31 December 2009.

In the current area of consolidation, there is a company which prepares its accounts in a currency other than the Euro (Reno de Medici UK Ltd., accounts in GBP).
In order to translate the quarterly results for the company, Reno de Medici Uk Ltd., into a foreign currency, the Euro was identified as the functional currency, the same as the Group Parent Company, in consideration of the fact that the company carries out business operations which are heavily integrated with those of the Parent Company (IAS 21).

As at 31 March 2010, all the assets and liabilities were converted using the exchange rate applicable on the date of reference for the company's statement of financial situation (0.8898 GBP/EUR). Income and expenditures were converted using the average exchange rate for the reference period (0.8876 GBP/EUR).

The differences due to exchange rate conversion resulting from the application of this method were classified as an item of shareholders' equity up to the transfer of the investment.

The preparation of interim report in accordance with International Financial Reporting Standards requires the use of estimates and assumptions which affect the carrying values of the assets and liabilities in the consolidated balance sheet and the disclosures relating to contingent assets and liabilities at the balance sheet date. The actual results could differ from these estimates. Estimates are used in measuring the result contributed by discontinued operations, in making provisions for the collection risk for receivables and inventory obsolescence, in the calculation of depreciation, amortisation, impairment, employee benefits, restructuring provisions, taxation and other accruals and provisions and in the measurement of derivative instruments. Estimates and assumptions are reviewed periodically and the effects of any changes are recognised immediately in the profit and loss account, excluding the derivative instruments.

The Group's financial situation, results and cash flows are presented in thousands of euro.

Workforce

The RDM Group had 1,610 employees at 31 March 2010 compared to 1,618 employees at 31 December 2009.

Statement of the Manager in charge of the preparation of the company's accounting records in accordance with the provisions of article 154-bis, paragraph 2, of Italian Legislative Decree no. 58/1998 (the Consolidated Finance Act - TUF)

The manager in charge of the preparation of the company's accounting records, Stefano Moccagatta, declares, in accordance with the provisions of the second paragraph of article 154-bis of Italian Legislative Decree no. 58/1998 (the Consolidated Finance Act - TUF), that the accounting information in this Interim Report of Reno De Medici S.p.A. at 31 March 2010 corresponds to the underlying documents, books and accounting entries.

Milan, 06 May 2010

Signed

Stefano Moccagatta