# Q1

# Interim Report
31.03.2012

NET REVENUES: EURO 116.6 MILLION
(COMPARED TO EURO 138.1 MILLION AT 31 MARCH 2011)

GROSS OPERATING PROFIT (EBITDA): EURO 7.2 MILLION
(COMPARED TO EURO 11.2 MILLION AT 31 MARCH 2011)

OPERATING PROFIT (EBIT): EURO 0.7 MILLION
(COMPARED TO EURO 4.7 MILLION AT 31 MARCH 2011)

PROFIT (LOSS) FOR THE PERIOD: EURO (2.1) MILLION
(COMPARED TO EURO 2.2 MILLION AT 31 MARCH 2011)

NET FINANCIAL INDEBTEDNESS: EURO 95.5 MILLION
(COMPARED TO EURO 86.6 MILLION AT 31 DECEMBER 2011)

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 |
| Giulio Antonello | Director |
| Robert Hall | Director |
| Sergio Garribba | Director |
| Laurent Lemaire | Director |
| Vincenzo Nicastro | Director |
| Carlo Peretti | Director |

## Board of Statutory Auditors

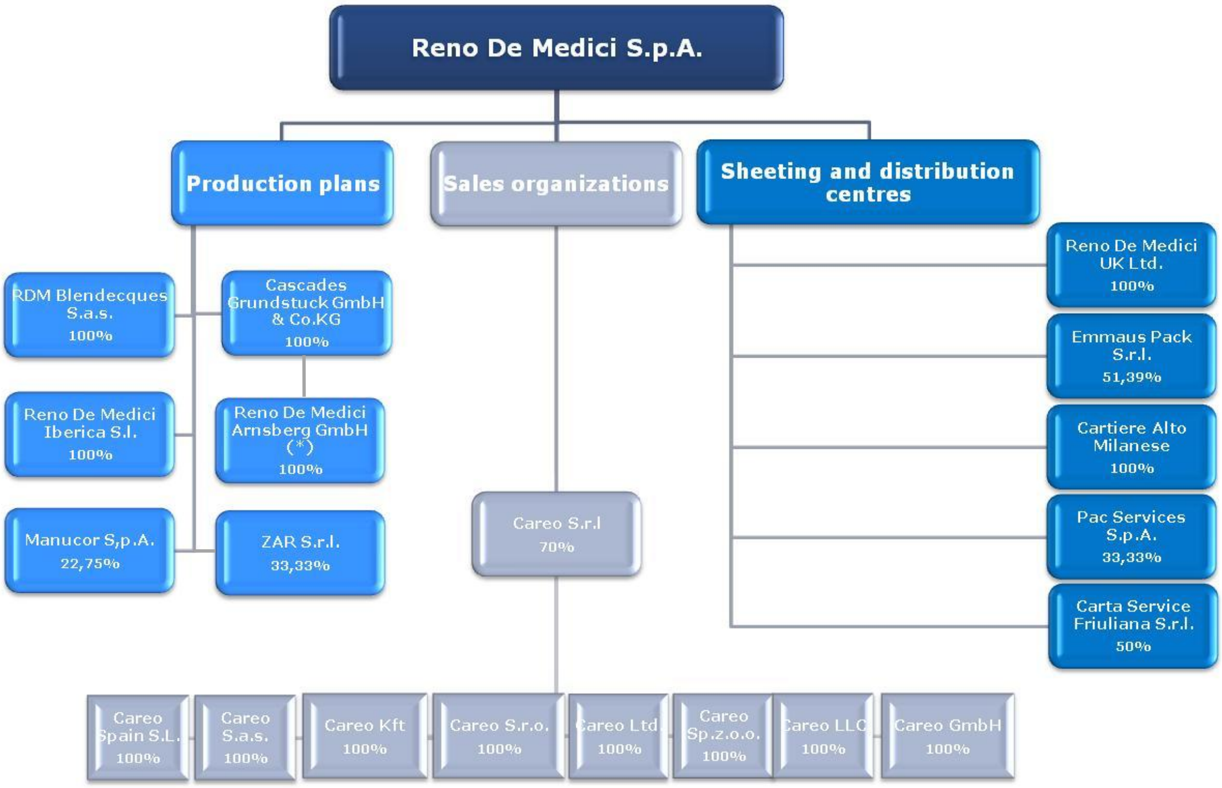
| | |
|---|---|
| Carlo Tavormina | Chairman |
| Laura Guazzoni | Standing auditor |
| Giovanni Maria Conti | Standing auditor |
| Tiziana Masolini | Substitute auditor |
| Domenico Maisano | Substitute auditor |

## Independent Auditors

PricewaterhouseCoopers S.p.A.

## OPERATING COMPANY OF THE GROUP AT 31 MARCH 2012

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. at 6%.

## REPORT OF THE DIRECTORS ON OPERATIONS

The first quarter of 2012 saw the first tenuous signs of a possible slight upturn, interrupting the constant deterioration of the global economic situation throughout the whole of the second half of 2011. The scenario, though, remains uncertain, at least in the short term.

Europe is forecast to be in recession in 2012, penalised by the credit crunch and the recessionary effects of the policies for readjusting the public accounts; the United States and Japan are expecting very limited growth and the emerging countries are also suffering the effects of the European crisis, which is hitting their exports.

In the coated carton board packaging sector the most tangible positive sign is the end of the destocking phenomenon which was a negative feature of the second half of 2011, with the resulting pick-up in order flow in the first quarter and improvement in manufacturing efficiency.

Given this scenario, European demand for coated carton board in the quarter rose by 4.5% over the previous three months, while comparing with the first quarter of pre-crisis 2011 there was a fall of 5.3%. Sales picked up on the overseas markets where the situation appears more normal than the last few months of 2011 when they were penalised by excessive stocks held by distributors, weak demand and turbulence in certain countries.

The Reno De Medici Group earned revenues of Euro 117 million in the first quarter of 2012, a decrease over the Euro 138 million achieved in the corresponding quarter of 2011, a fall essentially due to lower sales volumes: 209 thousand tonnes in 2012 compared to 241 thousand tonnes in the first quarter of 2011.

In terms of trends in the main production factors there was a rise in the prices of raw materials for pulp in January and February, which then stabilised at medium-high levels with the resulting erosion in the spread, the difference between unit sales prices and the unit cost of fibrous raw materials.
There was an increase in the price of energy components over the same period of the previous year, in particular in Italy, where natural gas, which is the main energy factor, rose by 26%. The price of natural gas also increased over the last part of 2011, driven by seasonal weather factors and especially heightened speculative tension. In the first quarter the price in Italy was around 20% higher if compared to purchases from the same supplier in France. It is absolutely evident that this situation prohibitively penalises production in Italy.

Labour costs fell from Euro 19.9 million in the first quarter of 2011 to Euro 18.1 million, due to the lower number of hours worked, above all the result of the suspended activities at the Magenta factory and, to a lesser extent, the reduction in the workforce.

The increase in the cost of natural gas and, lesser so, the decrease in sales volumes and fixed costs at the Magenta factory, where operations have been partially suspended, led to a fall in EBITDA which closed at Euro 7.2 million compared to Euro 11.2 million in the first quarter of 2011. It should be noted that of this decrease approximately Euro 3 million is due to the increase in natural gas prices, although in a context in which international prices are actually falling.

Consolidated net financial debt at 31 March 2012 amounted to Euro 95.5 million compared to Euro 86.6 million at 31 December 2011. The increase is mainly attributable to the fall in trade payables.

## Consolidated results

The following table sets out the highlights of the profit and loss accounts for 31 March 2012 and 31 March 2011.

| | 31.03.2012 | 31.03.2011 |
|---|---|---|
| (thousands of Euros) | | |
| **Revenues from sales** | **116,637** | **138,070** |
| **EBITDA (1)** | **7,180** | **11,157** |
| **EBIT (2)** | **657** | **4,681** |
| **Results of operating activities before taxes (3)** | **(1,777 )** | **3,059** |
| *Current and deferred taxes* | *(342 )* | *(875 )* |
| **Profit (loss) for the period** | **(2,119 )** | **2,184** |

1) Cfr. Consolidated financial statement of RDM Group, “Gross Operating Profit”

2) Cfr. Consolidated financial statement of RDM Group, “Operating Profit”

3) Cfr. Consolidated financial statement of RDM Group, “Profit (loss) for the period” – “Taxation”

The following table provides a geographical analysis of sales revenues of cartonboard:

| (thousands of Euros) | 31.03.2012 | Inc. % | 31.03.2011 | Inc. % |
|---|---|---|---|---|
| Italy | 37,890 | 32.5 % | 47,616 | 34.5 % |
| EU | 59,599 | 51.1 % | 64,782 | 46.9 % |
| Extra EU | 19,148 | 16.4 % | 25,672 | 18.6 % |
| **Revenues from sales** | **116,637** | **100 %** | **138,070** | **100 %** |

The RDM Group in the first quarter 2012 achieved net revenues of Euro 116.6 million, compared to Euro 138.1 million in the corresponding period of the previous year.

The above geographical analysis shows there was a decrease in the domestic component, mostly due to particularly adverse trends in the Italian market.

Consolidated EBITDA at March 31, 2012 amounted to Euro 7.2 million compared to Euro 11.2 million in the corresponding period in 2011.

Consolidated Operating Profit (EBIT) at March 31, 2012 is positive for Euro 0.7 million, compared to Euro 4.7 million in the corresponding period in 2011.

Net financial expenses for the quarter ended 31 March 2012 amounted to Euro 1.8 million, essentially in line with the same period of the previous year given the more or less stable interest rates. The improvement in the net financial position did not lead to a decrease in interest expense as this was achieved above all through an increased use of receivables factoring.

Investments were written down by Euro 663 thousands, due to the adjustment to equity of the equity interest in Manucor S.p.A..

There was a pre-tax current loss of Euro 1.8 million compared to a profit of Euro 3.1 million in the previous period. This result is due to a considerable extent to the fixed costs incurred at the Magenta factory and the write down of the investment in Manucor S.p.A..

The Group as at March 31, 2012 made capital expenditures of Euro 3.3 million (Euro 6.7 million at 31 March 2011).

The gross financial indebtedness at March 31, 2012, measured at amortized cost amounted to 98.8 (compared to Euro 88.7 million at December 2011) and consisted of the non-current portion of long-term loans for Euro 45.9 million, the current position of long term loans for about Euro 13.8 million and bank credit facilities and other financial liabilities of about Euro 39.1 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 1.7 million.

As at March 31, 2012 liquidity and financial credits due within 12 months amount of Euro 5.0 million (compared with Euro 3.8 million in December 2011).

## Major operations

There are no significant matters to report.

## Outlook for operations

Future operations are characterised by extreme uncertainty, although in the presence of positive signs which must however find confirmation in the extent to which the economic and financial situation is able to hold its ground; this will depend on the demand for consumer goods to which the packaging market is closely linked. The overall situation remains highly uncertain, while a pick-up in the economy, which in any case will be limited, can only be expected over time, while in the meantime the risk of a recessionary relapse remains high.

As far as the coated carton board is specifically concerned, positive signs are above all arising from the destocking policy adopted for the whole of the second half of 2011 by end customers and converters, with the resulting return of order flow to normal levels and the stabilisation of pulp raw materials and energy costs, although this awaits confirmation. The increase in sales prices announced for May ought also to contribute to a rebalancing of earnings, although this will only begin to have its effect in the second half of the year.

Given this scenario, Reno De Medici will continue operations with its objective of safeguarding industrial efficiency and profitability, adapting its production levels and prices to real demand.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2012

| Consolidated Income Statement | 31.03.2012 | 31.03.2011 |
|---|---|---|
| (thousands of Euros) | | |
| Revenues from sales | 116,637 | 138,070 |
| Other revenues and income | 5,213 | 3,559 |
| | | |
| Changes in stocks of finished goods | (470 ) | 4,627 |
| Cost of raw materials and services | (94,688 ) | (113,679 ) |
| Staff costs | (18,095 ) | (19,899 ) |
| Other operating costs | (1,417 ) | (1,521 ) |
| **Gross Operating Profit** | **7,180** | **11,157** |
| Depreciation and amortisation | (6,523 ) | (6,476 ) |
| **Operating Profit** | **657** | **4,681** |
| *Financial expenses* | *(1,688 )* | *(1,671 )* |
| *Exchange rate differences* | *(95 )* | *(142 )* |
| *Financial Income* | *28* | *51* |
| Financial income (expenses), net | (1,755 ) | (1,762 ) |
| | | |
| Income (loss) from investments | (679 ) | 140 |
| Taxation | (342 ) | (875 ) |
| **Profit (loss) for the period** | **(2,119 )** | **2,184** |
| | | |
| Attributable to: | | |
| Profit (loss) for the period pertaining to the Group | (2,200 ) | 2,043 |
| Profit (loss) for the period pertaining to minority interests | 81 | 141 |

| Consolidated Statement of financial position - ASSETS | 31.03.2012 | 31.12.2011 |
|---|---|---|
| (thousand of Euros) | | |
| *Non-current assets* | | |
| Tangible fixed assets | 237,819 | 239,831 |
| Goodwill | 63 | 63 |
| Other intangible assets | 5,910 | 6,066 |
| Investments | 5,177 | 5,810 |
| Deferred tax assets | 414 | 399 |
| Financial assets held for sale | 195 | 195 |
| Trade receivables | 46 | 82 |
| Other receivables | 696 | 328 |
| **Total non-current assets** | **250,320** | **252,774** |
| *Current assets* | | |
| Stocks | 75,573 | 77,982 |
| Trade receivables | 95,513 | 93,836 |
| Other receivables | 10,534 | 6,584 |
| Liquid funds | 1,233 | 2,564 |
| **Total current assets** | **182,853** | **180,966** |
| **Non-current assets held for sale** | | **1,290** |
| **TOTAL ASSETS** | **433,173** | **435,030** |

| Consolidated Statement of financial position - LIABILITIES | 31.03.2012 | 31.12.2011 |
|---|---|---|
| (thousands of Euros) | | |
| **Shareholders' Equity** | | |
| Shareholders' equity attributable to the Group | 150,404 | 152,575 |
| Minority interests | 793 | 713 |
| **Total shareholders' equity** | **151,197** | **153,288** |
| **Non-current liabilities** | | |
| Bank loans and other financial liabilities | 45,841 | 45,934 |
| Derivative financial instruments | 1,009 | 1,022 |
| Other payables | 1,530 | 1,543 |
| Deferred tax liabilities | 17,254 | 18,399 |
| Employee benefits | 24,418 | 24,363 |
| Non-current provisions for contingencies and charges | 6,434 | 6,716 |
| **Total non-current liabilities** | **96,486** | **97,977** |
| **Current liabilities** | | |
| Bank loans and other financial liabilities | 52,917 | 42,764 |
| Derivative financial instruments | 711 | 601 |
| Trade payables | 117,533 | 123,879 |
| Other payables | 13,624 | 15,899 |
| Current taxation | 705 | 358 |
| Employee benefits | | 264 |
| **Total current liabilities** | **185,490** | **183,765** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **433,173** | **435,030** |

| Net financial position | 31.03.2012 | 31.12.2011 | Variations |
|---|---|---|---|
| (thousands of Euros) | | | |
| Cash and cash equivalents and short-term financial receivables | 4,960 | 3,756 | 1,204 |
| Short-term financial payables | (52,917 ) | (42,764 ) | (10,153 ) |
| Valuation of current portion of derivatives | (711 ) | (601 ) | (110 ) |
| **Short-term financial position, net** | **(48,668 )** | **(39,609 )** | **(9,059 )** |
| Long-term financial payables | (45,841 ) | (45,934 ) | 93 |
| Valuation of current portion of derivatives | (1,009 ) | (1,022 ) | 13 |
| **Financial position, net** | **(95,518 )** | **(86,565 )** | **(8,953 )** |

## NOTES

The interim report of the RDM Group at 31 March 2012 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.

## 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 2012 are unchanged with respect to those used in the preparation of the consolidated financial statements for the year ended 31 December 2011, 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 2011.

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 2012, 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 (0.8339 GBP/EUR). Income and expenditures were converted using the average exchange rate for the reference period (0.8345 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 1,469 employees at 31 March 2012 compared to 1,502 employees at 31 December 2011.

## 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 2012 corresponds to the underlying documents, books and accounting entries.

Milan, May 4, 2012

Signed
Stefano Moccagatta