

Reno De Medici



**Interim Report
for the period ended
30 September 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

CONTENTS¹

COMPANY BODIES AND INDEPENDENT AUDITORS	3
OPERATING COMPANIES OF THE GROUP AT 30 SEPTEMBER 2010	4
REPORT OF THE DIRECTORS ON OPERATIONS	5
Consolidated results	7
Major operations	9
Outlook for operations	9
INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010	10
NOTES	14
Accounting principles	14
Workforce	15
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)	16

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
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

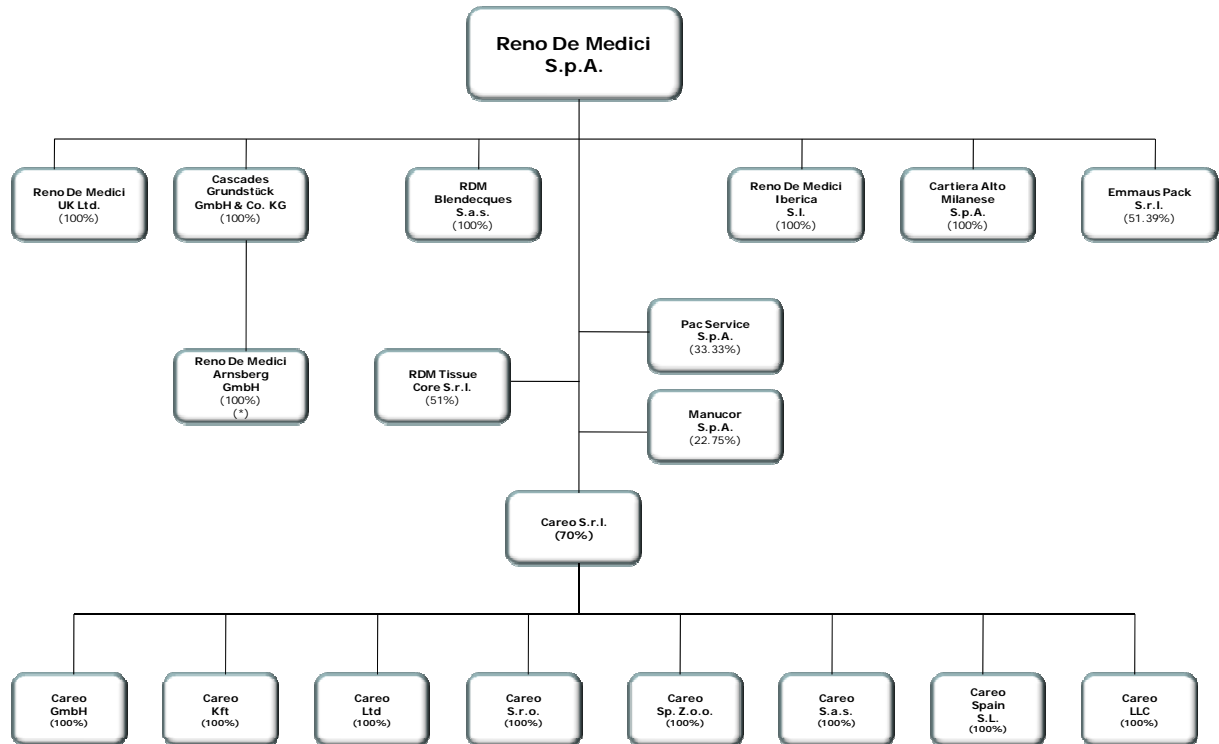
Independent Auditors

PricewaterhouseCoopers S.p.A.

* Mr. Mirko Leo resigned as a member of the Board of Directors on 4 August 2010 with immediate effect.

OPERATING COMPANIES OF THE GROUP AT 30 SEPTEMBER 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

The Reno De Medici Group ended the third quarter taking cumulative net earnings to Euro 1,589 thousand compared with the loss of Euro 3,400 thousand incurred in the same period last year, thereby confirming its good performance in the previous quarter. The net profit of Euro 698 thousand for the quarter was also positive.

EBITDA reached Euro 28 million, a considerable increase over the figure of Euro 24.5 million for the previous year.

EBITDA for the quarter ended close to Euro 10 million, falling only slightly from the result of Euro 11 million for the previous quarter due to the regular shutdowns in August in many factories for annual maintenance. On the other hand these shutdowns were shorter than in previous years, thereby benefiting the *operating rate* and hence the result.

The positive result for the quarter is also to be appreciated, compared with the previous quarters, considering the lack of benefit relating to the increase of exchange rate of USD dollar, and to an increase in the provisions for internal pension funds, as a result of a decrease of actuarial rates.

The Group's satisfying results form part of a market situation which in terms of tonnes sold shows a rise of around 8% compared with the same period of the previous year, confirming the trend of the previous quarter. Order volumes are above expectations: the slight growth in industrial demand in Europe appears to have been caused by the rebuilding of stocks, and in certain countries, also by a pick-up in consumptions. The economic recovery that is more evident in the larger Far Eastern countries has encouraged exports.

There have been appreciable rises for the Reno De Medici Group in some European countries and in the *Overseas* market, where has benefited by the offer reduction (reduction of production over-capacity) and by the strengthening of the dollar.

The market appears to have rediscovered a certain equilibrium as far as changes in prices and unit costs are concerned.

The increases in **sales prices** have enabled to recover, albeit late, the considerable rise in the price of **recycled fibre** registered in the first few months of the year.

The trend in **energy prices** in the quarter showed of an overall but slightly upwards tendency, driven by oil price, and above all due to the appreciation of the dollar, despite the fact that demand remains at continuingly low levels.

The Group's production reached 693 thousand tonnes during the period compared with 630 thousand tonnes in the corresponding period in 2009. In terms of tonnes sold, 701 thousands tonnes were shipped, compared with 634 thousands tonnes in 2009.

The appreciable level of the order backlog provided for effective production planning and efficiency benefits.

Consolidated sales revenues for the period totalled Euro 367 million, +15% above those of 2009 due to an increase in sales volumes and rises in average prices.

On the cost side, in addition to the trends in recycled fibre and energy prices which have already been commented upon there was also a slight rise (absolute value) in staff costs, compared the previous year, due to contractual increases, to more working hours, and to provisions relating to the employee incentive plans set up at the end of 2009. On the other hand there has been a drop of the level of staff cost per unit of product.

Ultimately, EBITDA closed at Euro 28.0 million compared to Euro 24.5 million in the same period of 2009.

The Group posted an operating profit of Euro 8.5 million compared to Euro 4.1 million in the same period of 2009.

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

The Net Financial Position closed the period at Euro 110 million, a considerable improvement over the figure of Euro 131 million existing at the end of December 2009; this arose both for a positive economic performance, for a good collection trends, and for the execution of factoring plan.

The table for the geographical mix of the Group's revenues during the third quarter of 2010 highlights the increase in the percentage of revenues earned on the domestic market and extra-EU market, driven by Turkey and by the selling in *Overseas* market.

	30.09.2010	Inc. %	30.09.2009	Inc. %
(thousands of Euros)				
Italy	129,550	35.3%	109,672	34.5%
EU	180,609	49.3%	171,151	53.7%
Extra EU	56,621	15.4%	37,748	11.8%
Revenues from sales	366,780	100%	318,571	100%

Consolidated results

The following table sets out the highlights of the profit and loss accounts for 30 September 2010 and 30 September 2009.

	30.09.2010	30.09.2009
(thousands of Euros)		
Revenues from sales	366,780	318,571
EBITDA (1)	28,014	24,525
EBIT (2)	8,494	4,129
Results of operating activities before taxes (3)	3,086	(2,298)
<i>Current and deferred taxes</i>	<i>(1,497)</i>	<i>(1,102)</i>
Profit (loss) for the period	1,589	(3,400)

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 RDM Group as at 30 September 2010 achieved net revenues of Euro 336.8 million, compared to Euro 318.6 million in the corresponding period of the previous year.

Consolidated EBITDA as at September 30, 2010 reached Euro 28.0 million compared to Euro 24.5 million in the corresponding period in 2009.

The Operating Profit (EBIT) as at September 30, 2010 amounted to Euro 8.5 million, compared to Euro 4.1 million in the corresponding period in 2009.

The Result of operating activities before taxes was positive for an amount of Euro 3.1 million, compared to a negative amount of Euro 2.3 million for the same period of 2009.

The Group as at September 30, 2010 made capital expenditures of Euro 11.4 million (Euro 12.3 million at 30 September 2009).

The consolidated net financial indebtedness at September 30, 2010 amounted to Euro 109.9 million, compared to 130.8 million at December 31, 2009.

More specifically, the gross financial indebtedness at September 30, 2010, measured at amortized cost amounted to 111.5 (compared to Euro 131.0 million at December 2009) and consisted of the non-current portion of long-term loans for Euro 60.7 million, the current position of long term loans for about Euro 7.8 million and bank credit facilities and other financial liabilities of about Euro 43.0 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 September 30, 2010 liquidity and financial credits due within 12 months amount of Euro 4.1 million (compared with Euro 2.0 million in December 2009).

Major operations

There are no particular operations to report.

Outlook for operations

Trends in sales prices and the main cost items, but above all the high order backlog held by Group companies, allow us to expect to see a positive fourth quarter and one that is in line with the previous quarters.

The recently announced increase in sales prices for deliveries from 15 October should neutralise any additional increases in the cost of certain types of recycled fibre, while energy costs appear stable.

As a consequence, projected results for the whole of 2010 appear positive in terms of both revenues and earnings and represent a considerable improvement over the previous year.

It is though complex to make a forecast for the long term as this is closely linked to the level of demand at European level.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010

Consolidated Income Statement		30.09.2010	30.09.2009
	(thousands of Euros)		
Revenues from sales		366,780	318,571
Other revenues		10,468	14,349
Changes in stocks of finished goods		3,038	(5,638)
Cost of raw materials and services		(289,189)	(242,449)
Staff costs		(59,315)	(56,328)
Other operating costs		(3,768)	(3,980)
Gross Operating Profit		28,014	24,525
Depreciation and amortisation		(19,520)	(19,914)
Recovery of value and write-downs of assets			(482)
Operating Profit		8,494	4,129
	<i>Financial expenses</i>	(6,131)	(6,648)
	<i>Exchange rate differences</i>	657	145
	<i>Financial Income</i>	18	80
Financial income (expenses), net		(5,456)	(6,423)
Income (loss) from investments		48	(4)
Taxation		(1,497)	(1,102)
Profit (loss) for the period		1,589	(3,400)
Attributable to:			
Profit (loss) for the period pertaining to the Group		1,067	(3,646)
Profit (loss) for the period pertaining to minority interests		522	246

Consolidated Statement of financial position - ASSETS		30.09.2010	31.12.2009
	(thousand of Euros)		
<i>Non-current assets</i>			
Tangible fixed assets		248,131	256,231
Goodwill		63	63
Other intangible assers		6,091	6,243
Investments		6,639	6,690
Deferred tas assets		1,467	1,473
Derivative financial instruments			
Financial assets held for sale		190	193
Trade receivables		81	81
Other receivables		599	364
Total non-current assets		263,261	271,338
<i>Current assets</i>			
Stocks		80,333	74,313
Trade receivables		121,580	110,417
Other trade receivables		5,103	4,800
Financial assets held for sale			188
Derivative financial instruments			
Liquid funds		3,406	1,707
Total current assets		210,422	191,425
TOTAL ASSETS		473,683	462,763

Consolidated Statement of financial position - LIABILITIES		30.09.2010	31.12.2009
	(thousands of Euros)		
Shareholders' Equity			
Shareholders' equity attributable to the Group		154,995	154,144
Minority interests		860	677
Total shareholders' equity		155,855	154,821
Non-current liabilities			
Bank loans and other financial liabilities		60,719	62,672
Derivative financial instruments		1,648	846
Other payables		1,647	1,872
Deferred tax liabilities		25,914	27,407
Employee benefits		26,844	24,632
Non-current provisions for contingencies and charges		5,148	3,562
Total non-current liabilities		121,920	120,991
Current liabilities			
Bank loans and other financial liabilities		50,786	64,901
Derivative financial instruments		925	1,069
Trade payables		124,451	102,683
Other payables		17,458	16,119
Current taxation		2,288	1,340
Current provisions for contingencies and charges			839
Total current liabilities		195,908	186,951
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		473,683	462,763

Net financial position	30.09.2010	30.06.2010	31.12.2009
(thousands of Euros)			
Cash and cash equivalents and short-term financial receivables	4,139	2,287	2,053
Short-term financial payables	(50,787)	(56,790)	(68,307)
Valuation of current portion of derivatives	(925)	(956)	(1,069)
Short-term financial position, net	(47,573)	(55,459)	(67,323)
Long-term financial payables	(60,719)	(60,605)	(62,672)
Valuation of current portion of derivatives	(1,648)	(1,459)	(846)
Financial position, net	(109,940)	(117,523)	(130,841)

NOTES

The interim report of the RDM Group at 30 September 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 third 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 30 September 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 30 September 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 (0.85995 GBP/EUR). Income and expenditures were converted using the average exchange rate for the reference period (0.85344 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 1,603 employees at 30 September 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 30 September 2010 corresponds to the underlying documents, books and accounting entries.

Milan, November 08, 2010

Signed
Stefano Moccagatta