Reno De Medici

RDM GROUP

Interim Report

for the period ended

30 September 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

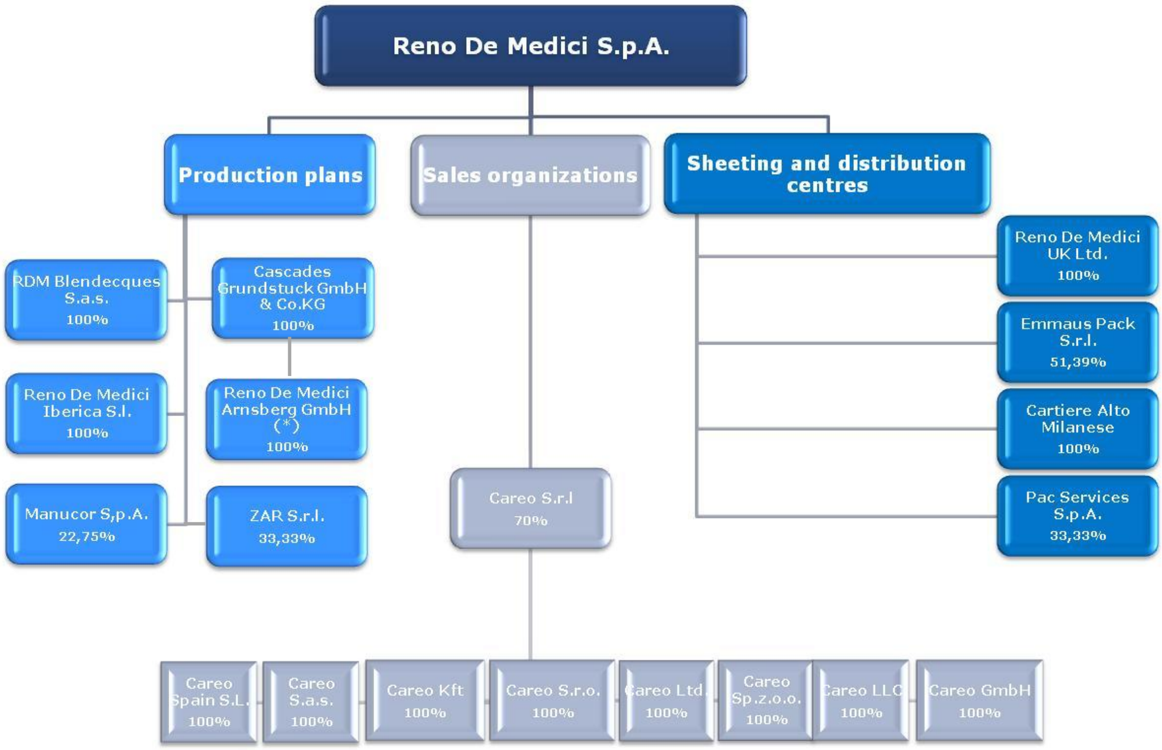
Sergio Pivato	Chairman
Giovanni Maria Conti	Standing auditor
Carlo Tavormina	Standing auditor
Domenico Maisano	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANIES OF THE GROUP AT 30 SEPTEMBER 2011

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

Following two very positive quarters, in the third quarter the Reno De Medici Group felt the negative effects of the turbulence on the financial markets, and that of Europe in particular, which is having repercussions on the real economy.

After weakening in the second quarter, as already noted, order flow in the third quarter was affected by an appreciable deterioration in the overall macroeconomic situation. As at the end of 2008, a crisis which was purely of a financial nature, this time linked to the sovereign debt of certain European countries, has turned into a further worsening of the economic situation overall. Uncertain about trends in household consumption, industrial operators have resorted more to using up their stocks. To this should be added other problems of an objective nature: the United States continues having to deal with an unemployment level which is keeping consumption depressed; Japan is still feeling the effects caused by the nuclear disaster. Even the economies of the emerging countries are slowing down as the a result of the monetary cooling policies being practised by some of the larger countries such as China and India.

In this scenario, high levels of stocks and the uncertainties hanging over the immediate future have also led to a sharp slowdown in the demand for coated cartonboard, with destocking clearly taking place. At a European level there was a fall of 2.6% in demand in the first nine months of 2011 over the same period in 2010, with a drop of over 8% in the third quarter compared to the second quarter. The negative trend in Europe was partially contained by increases in sales on overseas markets.

The Group's production in the period reached 675 thousand tonnes compared to 692 thousand tonnes for the same period in 2010; the fall is entirely attributable to the third quarter, due to stoppages at certain factories. In terms of volumes sold, 684 thousand tonnes were despatched compared to 701 thousand tonnes in 2010.

The Reno De Medici Group earned revenues of Euro 395 million in the first nine months of 2011, representing a rise of 8% over the same period in 2010, essentially due to the increase in prices introduced in 2010 and at the beginning of 2011, in turn caused by the constant rise in the cost of raw materials. EBITDA fell from Euro 28 million in the first nine months of 2010 to Euro 24.8 million in the corresponding period in 2011. This comparison reflects the peculiarity of the third quarter of 2010, which was exceptionally positive due amongst other things to the over-procurement policies followed by customers, in contrast to the opposing trend seen in the third quarter of 2011 which, as said, was penalised by destocking. Profitability in the quarter also felt the effect of stoppages at certain factories. There was a net loss of Euro 1.5 million for the period, with the result also being affected by the write-down of investments.

The price of the principal production factors remains high as regards virgin and recycled fibre and energy; the upwards trend has however come to a halt due to the concerns connected with the reduced prospects for a pick-up in the economy.

As regards fibrous raw materials, the upwards trend in the price of recycled fibre which characterised the first half of 2011 appears for the moment to have petered out, due amongst other things to the reduction in purchases of waste paper by Far Eastern manufacturers. Virgin fibre fell too, above all as the result of the high level of stocks and the weakness of demand. On the other hand the price of chemical components continued to rise.
On the energy front the slight decrease in oil due to the weakness of demand caused prices to settle, although they still remained high. In the case of natural gas, however, there was a slight inertial rise due to adjustments made to long-term contracts based on the 'moving averages' of the prices of the previous months. There was a fall in coal prices which among other things was due to environmental problems.

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

	30.09.2011	Inc. %	30.09.2010	Inc. %
(thousands of Euros)				
Italy	132,964	33.7 %	129,550	35.3 %
UE	191,217	48.4 %	182,646	49.8 %
Extra EU	70,669	17.9 %	54,584	14.9 %
Revenues from sales	**394,850**	**100 %**	**366,780**	**100 %**

Staff costs fell from Euro 59.3 million in 2010 to Euro 56.2 million in 2011 as the result of the lower number of hours worked and the decrease in the parent's workforce.

Consolidated operating profit (EBIT) is positive for Euro 5.1 million compared to Euro 8.5 million in the same period of 2010.

Financial income (expense), net fell slightly from Euro 5,5 million on 30 September 2010 to Euro 5.3 million in the same period of 2011.

Net Financial Indebtedness on 30 September 2011 amounted to Euro 105.2 million, in line compared to Euro 106.5 million on 31 December 2010, and Euro 103.4 million on 30 June 2011.

Consolidated results

The following table sets out the highlights of the profit and loss accounts for 30 September 2011 and 31 September 2010.

(thousands of Euros)	30.09.2011	30.09.2010
Revenues from sales	**394,850**	**366,780**
EBITDA (1)	**24,758**	**28,014**
EBIT (2)	**5,071**	**8,494**
Results of operating activities before taxes (3)	**(431)**	**3,086**
Current and deferred taxes	*(1,030)*	*(1,497)*
Profit (loss) for the period	**(1,461)**	**1,589**

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 in the third quarter 2011 achieved net revenues of Euro 116.3 million, compared to Euro 125.2 million in the corresponding period of the previous year.

Consolidated EBITDA at September 30, 2011 amounted to Euro 24.8 million compared to Euro 28.0 million in the corresponding period in 2010.

Consolidated Operating Profit (EBIT) at September 30, 2011 amounted to Euro 5.1 million, compared to Euro 8.5 million in the corresponding period in 2010.

Consolidated Result of operating activities before taxes was negative for an amount of Euro 0.4 million, compared to a positive amount of Euro 3.1 million for the same period of 2010.

The Group as at September 30, 2011 made capital expenditures of Euro 18.9 million (Euro 11.4 million at 30 September 2010).

The gross financial indebtedness at September 30, 2011, measured at amortized cost amounted to 109.6 (compared to Euro 107.3 million at December 2010) and consisted of the non-current portion of long-term loans for Euro 50.9 million, the current position of long term loans for about Euro 13.9 million and bank credit facilities and other financial liabilities of about Euro 44.8 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 1.8 million.

As at September 30, 2011 liquidity and financial credits due within 12 months amount of Euro 6.2 million (compared with Euro 2.6 million in December 2010).

Major operations

There are no significant events to report.

Outlook for operations

The outlook for operations for the remainder of the year is expected to be in line with the negative trend seen in the third quarter, due to the persisting weakness of the economy, the specific difficulties being encountered by certain countries, the drop in consumption and the disruption still characterising the financial markets.

The specific critical features of the industry relate above all the extent to which volumes will hold up: the uncertainty about the immediate future could in fact reduce the tendency of households to spend, with the resulting continuation of the destocking process. In this situation Reno De Medici will work to safeguard industrial efficiency and profitability, adjusting production levels to real demand.

It is expected that there will be a fall in the cost of production factors during the rest of the year, in particular in that of raw material mixture. Energy costs should remain at their present high levels in the short term.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2011

Consolidated Income Statement	30.09.2011	30.09.2010
(thousands of Euros)		
Revenues from sales	394,850	366,780
Other revenues and income	10,602	10,468
Changes in stocks of finished goods	2,402	3,038
Cost of raw materials and services	(323,738)	(289,189)
Staff costs	(56,174)	(59,315)
Other operating costs	(3,184)	(3,768)
Gross Operating Profit	**24,758**	**28,014**
Depreciation and amortisation	(19,687)	(19,520)
Operating Profit	**5,071**	**8,494**
Financial expenses	*(5,607)*	*(6,131)*
Exchange rate differences	*231*	*657*
Financial Income	*96*	*18*
Financial income (expenses), net	(5,280)	(5,456)
Income (loss) from investments	(222)	48
Taxation	(1,030)	(1,497)
Profit (loss) for the period	**(1,461)**	**1,589**
Attributable to:		
Profit (loss) for the period pertaining to the Group	(1,724)	1,067
Profit (loss) for the period pertaining to minority interests	263	522

Consolidated Statement of financial position - ASSETS	30.09.2011	31.12.2010
(thousand of Euros)		
Non-current assets		
Tangible fixed assets	243,042	244,241
Goodwill	63	63
Other intangible assets	6,281	5,990
Investments	6,502	6,689
Deferred tax assets	1,227	1,369
Financial assets held for sale	194	191
Trade receivables	81	81
Other receivables	528	370
Total non-current assets	**257,918**	**258,994**
Current assets		
Stocks	88,968	81,925
Trade receivables	107,486	121,016
Other receivables	7,739	4,247
Liquid funds	3,230	2,210
Total current assets	**207,423**	**209,398**
Non-current assets held for sale	**1,290**	**1,290**
TOTAL ASSETS	**466,631**	**469,682**

Consolidated Statement of financial position - LIABILITIES	30.09.2011	31.12.2010
(thousands of Euros)		
Shareholders' Equity		
Shareholders' equity attributable to the Group	153,905	155,565
Minority interests	656	1,010
Total shareholders' equity	**154,561**	**156,575**
Non-current liabilities		
Bank loans and other financial liabilities	50,866	55,531
Derivative financial instruments	1,124	1,011
Other payables	1,596	1,596
Deferred tax liabilities	24,471	25,536
Employee benefits	24,807	24,175
Non-current provisions for contingencies and charges	5,666	6,087
Total non-current liabilities	**108,530**	**113,936**
Current liabilities		
Bank loans and other financial liabilities	58,086	50,416
Derivative financial instruments	698	794
Trade payables	129,397	127,227
Other payables	14,677	16,398
Current taxation	682	1,630
Employee benefits		2,706
Total current liabilities	**203,540**	**199,171**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**466,631**	**469,682**

Net financial position	30.09.2011	30.06.2011	31.12.2010
(thousands of Euros)			
Cash and cash equivalents and short-term financial receivables	6,181	5,990	2,601
Short-term financial payables	(58,646)	(57,688)	(51,723)
Valuation of current portion of derivatives	(698)	(587)	(794)
Short-term financial position, net	**(53,163)**	**(52,285)**	**(49,916)**
Long-term financial payables	(50,866)	(50,636)	(55,531)
Valuation of current portion of derivatives	(1,124)	(677)	(1,011)
Financial position, net	**(105,153)**	**(103,598)**	**(106,458)**

NOTES

The interim report of the RDM Group at 30 September 2011 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.

Comparing with the previous quarter the associate RDM Tissue Core S.r.l. has been put into liquidation.

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 2011 are unchanged with respect to those used in the preparation of the consolidated financial statements for the year ended 31 December 2010, 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 2010.

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 2011, 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 (0.8667 GBP/EUR). Income and expenditures were converted using the average exchange rate for the reference period (0.8714 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 1,537 employees at 30 September 2011 compared to 1,596 employees at 31 December 2010.

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 2011 corresponds to the underlying documents, books and accounting entries.

Milan, November 4, 2011

Signed
Stefano Moccagatta