Reno De Medici

RdM GROUP

Interim Report

for the period ended

31 December 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

CONTENTS[1]

[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

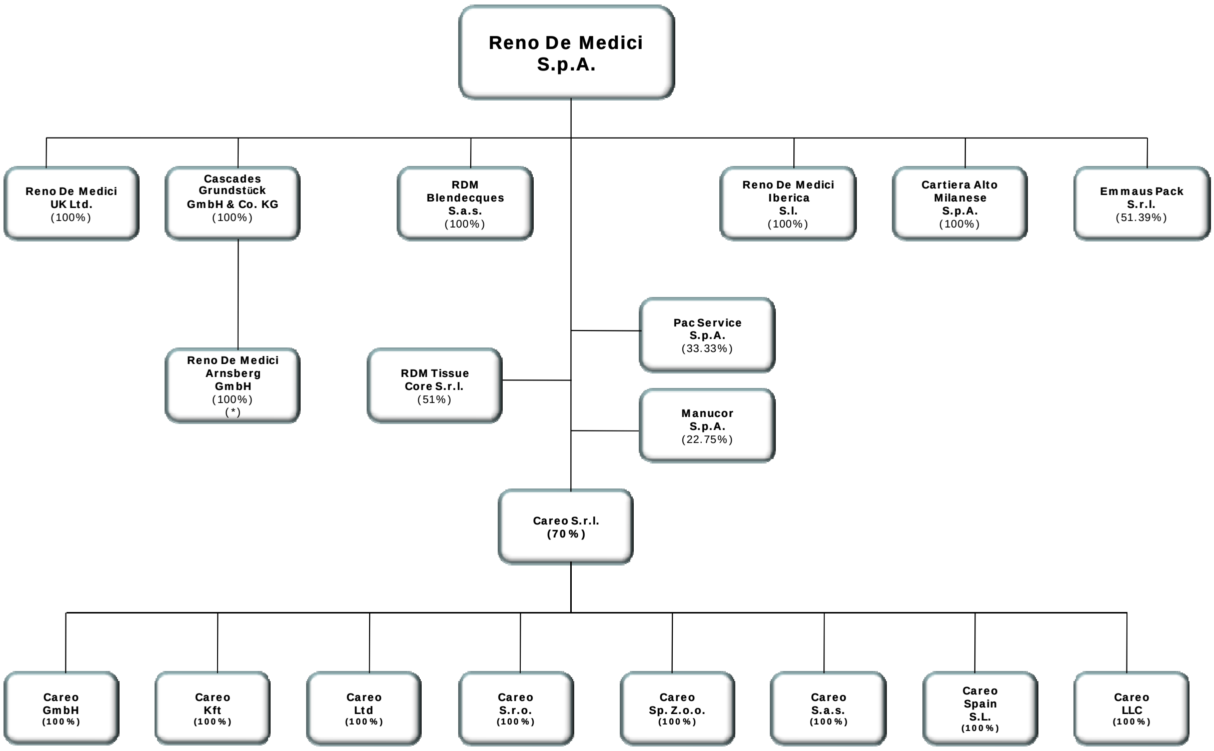
Sergio Pivato	Chairman
Giovanni Maria Conti	Standing auditor
Carlo Tavormina	Standing auditor
Domenico Maisano	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANIES OF THE GROUP AT 31 DECEMBER 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

Reno De Medici Group closed the fourth quarter of 2010 with a positive net result, in line with the trend for previous quarters. Net profit in 2010 was approximately Euro 2.1 million, compared to a loss of Euro 6.6 million recorded at the end of last year. Net profit in the quarter was Euro 463 thousand.
The improvement derives from a significant increase in EBITDA, which reached Euro 40.0 million, compared with Euro 32.2 million in 2009. EBITDA was Euro 12.1 million in the fourth quarter.

This positive result was achieved in a complex year, characterised by a still-volatile macroeconomic situation, by large increases in costs of energy and of raw materials for pulp, and by delayed increases in prices of cartonboard (implemented only in the second quarter). Tonnes sold on the European market increased 6.5% compared to the previous year, marking a return to 2008 levels. This increase, recorded in all major countries (although in a differentiated manner), is attributable to a modest increase in consumption and to restocking, especially around the middle of the year. Order volume exceeded forecasts, and demand reached good levels in the fourth quarter as well. In addition, the economic recovery under way in major Far Eastern countries promoted exports under more profitable conditions than in the past.

The market seemed to have regained stability late in the year, even if the general trend for prices of raw materials for pulp continued upward, driven by numerous factors in various industries, including continuous reduction in production of waste paper by the graphics industry, higher demand deriving from new production capacity for corrugated board in Europe, and trading activities focused on exports to the Far East. This upward trend in industrial costs caused an additional increase in selling prices, applied to products in delivery as of 15 October 2010.

In 2010, the trend for energy prices (gas/crude/coal) rose steadily and anticipated the effects of resumed global demand (prices rose from 15 to 30% compared to average levels in the previous year). The general rise in gas and coal prices, driven by crude, was noted in the last quarter as well.

In 2010, Group production was 930 thousand tonnes, compared to 854 thousand in the same period of 2009. In terms of volumes sold, about 946 thousand tonnes were shipped in 2010, compared to 864 thousand in 2009.
In the last quarter as well, a full order portfolio allowed highly efficient planning of production activities.

Consolidated sales revenues amounted to Euro 504 million (up 18% compared to 2009) thanks to higher sales volumes and increased unit revenues.
With regard to cost items (other than energy and raw materials for pulp), there was a slight increase, in absolute terms, of labour costs compared to the previous year due to contractual increases, the higher

number of hours worked, and allocations for the employee incentive plans adopted in the fourth quarter of 2009. On the other hand, cost of labour per unit decreased slightly.

Ultimately, EBITDA closed at Euro 40.0 million compared to Euro 32.2 million in the same period of 2009.

The Group posted an operating profit of Euro 12.1 million compared to Euro 5.0 million in the same period of 2009.

EBIT at 31 December 2009 was restated at approximately Euro 1.2 million for purposes of comparison with the amount at 31 December 2010, following the reclassification of actuarial profits/losses deriving from the calculation of employee benefits made by the Group during the year.

The decrease in net financial expense is primarily due to the favourable trend in interest rate and the decrease of financial indebtedness.

Net Financial Standing was approximately Euro 106.5 million (a significant improvement compared to Euro 130.8 million in December 2009) thanks to positive economic performance and to management of working capital.
With regard to working capital, the increase in inventories derives from their higher unit value, affected by higher production costs in general and by higher costs of raw materials for pulp in particular, although physical quantities of stocks are decreasing. The increase in trade receivables and payables is attributable to the general rise of prices and unit costs as well as to a number of other effects, such as the reduction of payables achieved thanks to the non-recourse factoring programme launched during the year, as well as the different revenue mix, with increased sales on *Overseas* markets (offering more favourable collection terms). Trade payables are influenced by temporal effects linked especially to the flow of purchases for purposes of investment.

In 2010, the Group's geographic mix of revenues was affected by the different growth dynamics of its components: stronger growth on extra-EU markets (driven by Turkey and by *Overseas* sales) and in Italy, with consequent increase in the importance of these markets compared to those in other European countries.

	31.12.2010	Inc. %	31.12.2009	Inc. %
(thousands of Euros)				
Italy	178,980	35.6 %	152,449	35.6 %
EU	249,477	49.5 %	222,361	51.9 %
Extra EU	75,142	14.9 %	53,310	12.5 %
Revenues from sales	**503,599**	**100 %**	**428,120**	**100 %**

Consolidated results

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

(thousands of Euros)	31.12.2010	31.12.2009 (*)
Revenues from sales	**503,599**	**428,120**
EBITDA (1)	**40,035**	**32,209**
EBIT (2)	**12,072**	**4,956**
Results of operating activities before taxes (3)	**4,926**	**(5,294)**
Current and deferred taxes	*(2,874)*	*(1,297)*
Profit (loss) for the period	**2,052**	**(6,591)**

(*) Comparative figures as December 31, 2009 have been "revised" to make them consistent, following the reclassification of actuarial profits/losses deriving from the calculation of employee benefits made by the Group during the year.

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 31 December 2010 achieved net revenues of Euro 503.6 million, compared to Euro 428.1 million in the corresponding period of the previous year.

Consolidated EBITDA as at December 31, 2010 reached Euro 40.0 million compared to Euro 32.2 million in the corresponding period in 2009.

The Operating Profit (EBIT) as at December 31, 2010 amounted to Euro 12.1 million, compared to Euro 5.0 million in the corresponding period in 2009.

The Result of operating activities before taxes was positive for an amount of Euro 4.9 million, compared to a negative amount of Euro 5.3 million for the same period of 2009.

The Group as at December 31, 2010 made capital expenditures of Euro 16.9 million (Euro 19.7 million at 31 December 2009).

The consolidated net financial indebtedness at December 31, 2010 amounted to Euro 106.5 million, compared to 130.8 million at December 31, 2009.

More specifically, the gross financial indebtedness at December 31, 2010, measured at amortized cost amounted to 107.3 (compared to Euro 131.0 million at December 2009) and consisted of the non-current portion of long-term loans for Euro 55.5 million, the current position of long term loans for about Euro 10.2 million and bank credit facilities and other financial liabilities of about Euro 41.6 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 December 31, 2010 liquidity and financial credits due within 12 months amount of Euro 2.6 million (compared with Euro 2.0 million in December 2009).

Major operations

There are no significant events to report.

Outlook for operations

In terms of order numbers and sale prices, the beginning of 2011 appears substantively in line with the last months of 2010.

From a financial perspective, production factors such as energy and maceration costs continue to rise, also in correlation to the political instability in North Africa and the Middle East. It is reasonable to believe that these increased costs will have to be recuperated on the revenues front.

In conclusion, in a European macroeconomic scenario that shows signs of recovery, albeit slow and differing from country to country, a certain degree of volatility persists, making it hard to make financial and market projections that are completely reliable.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010

Consolidated Income Statement	31.12.2010	31.12.2009 (*)
(thousands of Euros)		
Revenues from sales	503,599	428,120
Other revenues and income	14,999	19,324
Changes in stocks of finished goods	2,130	(5,202)
Cost of raw materials and services	(395,237)	(328,428)
Staff costs	(81,060)	(75,764)
Other operating costs	(4,396)	(5,841)
Gross Operating Profit	**40,035**	**32,209**
Depreciation and amortisation	(26,449)	(26,655)
Recovery of value and write-downs of assets	(1,514)	(598)
Operating Profit	**12,072**	**4,956**
Financial expenses	*(7,788)*	*(10,897)*
Exchange rate differences	*613*	*432*
Financial Income	*91*	*219*
Financial income (expenses), net	(7,084)	(10,246)
Income (loss) from investments	(62)	(4)
Taxation	(2,874)	(1,297)
Profit (loss) for the period	**2,052**	**(6,591)**
Attributable to:		
Profit (loss) for the period pertaining to the Group	1,380	(6,945)
Profit (loss) for the period pertaining to minority interests	672	354

(*) Comparative figures as December 31, 2009 have been “revised” to make them consistent, following the reclassification of actuarial profits/losses deriving from the calculation of employee benefits made by the Group during the year.

Consolidated Statement of financial posistion - ASSETS	31.12.2010	31.12.2009
(thousand of Euros)		
Non-current assets		
Tangible fixed assets	245,546	256,231
Goodwill	63	63
Other intangible assers	6,004	6,243
Investments	6,403	6,690
Deferred tas assets	1,626	1,473
Derivative financial instruments		
Financial assets held for sale	191	193
Trade receivables	81	81
Other receivables	370	364
Total non-current assets	**260,284**	**271,338**
Current assets		
Stocks	81,925	74,313
Trade receivables	120,972	110,417
Other trade receivables	5,623	4,800
Financial assets held for sale		188
Derivative financial instruments		
Liquid funds	2,210	1,707
Total current assets	**210,730**	**191,425**
TOTAL ASSETS	**471,014**	**462,763**

Consolidated Statement of financial position - LIABILITIES	31.12.2010	31.12.2009
(thousands of Euros)		
Shareholders' Equity		
Shareholders' equity attributable to the Group	155,578	154,144
Minority interests	1,010	677
Total shareholders' equity	**156,588**	**154,821**
Non-current liabilities		
Bank loans and other financial liabilities	55,531	62,672
Derivative financial instruments	1,011	846
Other payables	1,595	1,872
Deferred tax liabilities	25,502	27,407
Employee benefits	24,030	24,632
Non-current provisions for contingencies and charges	5,837	3,562
Total non-current liabilities	**113,506**	**120,991**
Current liabilities		
Bank loans and other financial liabilities	50,416	64,901
Derivative financial instruments	794	1,069
Trade payables	127,204	102,683
Other payables	16,398	16,119
Current taxation	3,257	1,340
Employee benefits	2,851	
Current provisions for contingencies and charges		839
Total current liabilities	**200,920**	**186,951**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**471,014**	**462,763**

Net financial position	31.12.2010	30.09.2010	31.12.2009
(thousands of Euros)			
Cash and cash equivalents and short-term financial receivables	2,601	4,139	2,053
Short-term financial payables	(51,723)	(50,787)	(68,307)
Valuation of current portion of derivatives	(794)	(925)	(1,069)
Short-term financial position, net	**(49,916)**	**(47,573)**	**(67,323)**
Long-term financial payables	(55,531)	(60,719)	(62,672)
Valuation of current portion of derivatives	(1,011)	(1,648)	(846)
Financial position, net	**(106,458)**	**(109,940)**	**(130,841)**

NOTES

The interim report of the RDM Group at 31 December 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 fourth 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 December 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 with the exception to the reclassification of actuarial profits/losses deriving from the calculation of employee benefits, now accounted in the line item "Financial income (expenses), net" of the consolidated income statement. Comparative figures at December 31, 2009 have been "revised" to make the years consistent.

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 December 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 (0.86075 GBP/EUR). Income

and expenditures were converted using the average exchange rate for the reference period (0.85784 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 1,596 employees at 31 December 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 December 2010 corresponds to the underlying documents, books and accounting entries.

Milan, February 11, 2011

Signed

Stefano Moccagatta