Q4

Reno De Medici

RDM GROUP

Interim Report

31122011

NET REVENUES: EURO 507.1 MILLION
(COMPARED TO EURO 503.6 MILLION AT 31 DECEMBER 2010)

GROSS OPERATING PROFIT (EBITDA): EURO 30.0 MILLION
(COMPARED TO EURO 40.0 MILLION AT 31 DECEMBER 2010)

OPERATING PROFIT (EBIT): EURO 2.2 MILLION
(COMPARED TO EURO 12.0 MILLION AT 31 DECEMBER 2010)

PROFIT (LOSS) FOR THE PERIOD: EURO (2.7) MILLION
(COMPARED TO EURO 2.0 MILLION AT 31 DECEMBER 2010)

NET FINANCIAL INDEBTEDNESS: EURO 86.6 MILLION
(COMPARED TO EURO 106.5 MILLION AT 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
Giulio Antonello	Director
Robert Hall	Director
Sergio Garribba	Director
Laurent Lemaire	Director
Vincenzo Nicastro	Director
Carlo Peretti	Director

Board of Statutory Auditors

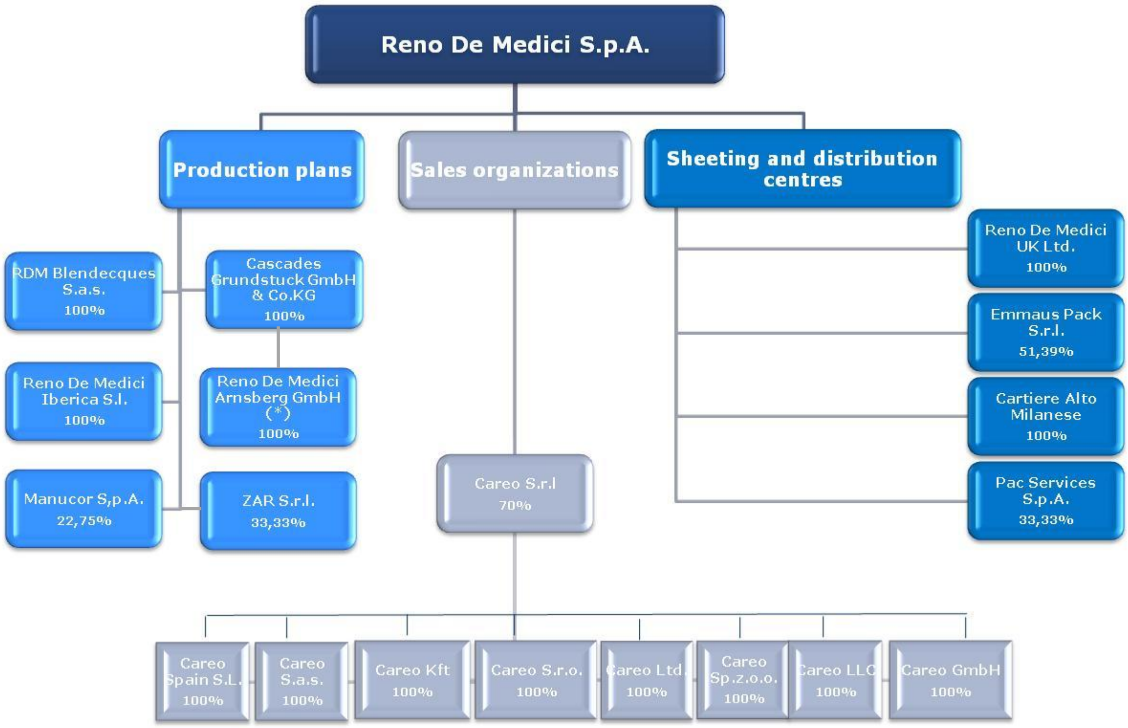
Sergio Pivato	Chairman
Giovanni Maria Conti	Standing auditor
Carlo Tavormina	Standing auditor
Domenico Maisano	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANY OF THE GROUP AT 31 DECEMBER 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 OPERATION

In a negative economic context, the fourth quarter of 2011 the Reno De Medici Group saw a further slight deterioration of its results from the previous quarter, when the positive trend of the first half reversed.

The turmoil in the European financial markets, in particular, and the related uncertainties reverberated onto the real economy, causing a significant slowdown of new orders; this was exacerbated by the greater use of inventories by industrial operators, also in the presence of a lower propensity to consume by households.

The problems are compounded by the continuing high rate of unemployment in the United States, which keeps a lid on consumer spending, and the on-going effects of the nuclear disaster in Japan. The Asian Economy too are slowing down, due to tighter monetary policies in China and India.

All this had negative consequences also for the demand of coated board, which in Europe in 2011 fell by 4% compared to 2010. In the fourth quarter of 2011, European demand for this product was down 0.4% from the previous quarter, on average, and resulted from a varying performance among the different countries, with Germany, France, UK and Italy dropping by more than 3%. Worthy of note is also the sharp decrease of demand in extra EU markets.

In this context, all the main manufacturers stopped temporarily their plant operations in the latter part of the year.

In 2011 the Group’s output for the period reached 854 thousand of tons, compared to 930 thousand of tons in 2010. This decline was due entirely to the third and, mostly, the fourth quarters, due to the temporary stoppage of all the Company’s plants. As to volumes sold, total shipments amounted to 878 thousand of tons, compared to 946 thousand of tons in 2010.

Total revenues for the Reno De Medici Group in 2011 amounted to Euro 507 million, which was in line with the Euro 504 million for 2010. However, it should be noted that lower volumes sold in 2010 and at the beginning of 2011 were offset by the higher prices determinated by the constant increase of raw material costs.

EBITDA decreased from Euro 40 million in 2010 to Euro 30 million in 2011. This comparison reflects first of all the decrease in sales determined by the deterioration of the general economy and the inventory policies where customers de-stocked in 2011. The increase in selling prices were not enough to cover the rising costs of the main factors of production: virgin and recycled fibres, chemical and energy products.

In the fourth quarter the prices of the main factors of production, both virgin and recycled fibres, remained high, as did energy prices. However, the rising trend halted, due to concerns related to reduced economic growth expectations.

As to fibrous raw materials, following an increase in the prices of recycled fibres in the first half, a trend reversal set in over the past few months, also in relation to a decrease in pulp purchases by

manufacturers in the Far East. Virgin fibres are down due to high inventory levels and a weak demand. The prices of chemical components were largely stable in the fourth quarter, after the increases posted in the previous quarters.
On the energy front in the fourth quarter prices remained high, but there were no further increases related to the Iranian crisis, as a weak demand offset any pressures on the supply side.

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

	31.12.2011	Inc. %	31.12.2010	Inc. %
(thousands of Euros)				
Italy	170,645	33.7 %	178,980	35.5 %
UE	250,221	49.3 %	249,477	49.5 %
Extra EU	86,185	17.0 %	75,142	15.0 %
Revenues from sales	**507,051**	**100 %**	**503,599**	**100 %**

Labour costs dropped from Euro 81.1 million in 2010 to Euro 72.7 million in 2011, due to the lower number of worked hours determined by the plant temporary stoppages and the trimming of the Parent Company's staff.

Consolidated operating profit (EBIT) is positive for Euro 2.2 million compared to Euro 12.0 million in the same period of 2010.

Net financial expense rose from Euro 7.1 million at 31 December 2010 to Euro 7.8 million at 31 December 2011, despite the lower indebtedness, due to higher short-term interest rates and the charges associated with the greater use of receivable factoring.

Investments were written down by Euro 670 thousands, due mainly to the adjustment to equity of the equity interest in Manucor S.p.A. for Euro 1,053 thousands.

Consolidated net borrowings at 31 December 2011 amounted to Euro 86.6 million, compared to Euro 106.5 million at 31 December 2010. This decreasing was due entirely to the steps taken to reduce working capital, especially in the second half of the year, by using non-recourse factoring more extensively, by managing receivables more rigorously and by reducing inventories.

Consolidated results

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

	31.12.2011	31.12.2010
(thousands of Euros)		
Revenues from sales	507,051	503,599
EBITDA (1)	30,010	40,023
EBIT (2)	2,152	12,031
Results of operating activities before taxes (3)	(6,303)	5,194
Current and deferred taxes	*4,129*	*(3,155)*
Results of operating activities after taxes (4)	(2,174)	2,039
Discontinued operations	*(536)*	
Profit (loss) for the period	(2,710)	2,039

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”

4) Cfr. Consolidated financial statement of RDM Group, “Profit (loss) for the period before discontinued operations”

The RDM Group in the fourth quarter 2011 achieved net revenues of Euro 112.2 million, compared to Euro 136.8 million in the corresponding period of the previous year.

Consolidated EBITDA at December 31, 2011 amounted to Euro 30.0 million compared to Euro 40.0 million in the corresponding period in 2010.

Consolidated Operating Profit (EBIT) at December 31, 2011 amounted to Euro 2.2 million, compared to Euro 12.0 million in the corresponding period in 2010.

Consolidated Result of operating activities before taxes was negative for an amount of Euro 6.3 million, compared to a positive amount of Euro 5.2 million for the same period of 2010.

Taxation includes the recognition by the Parent Company of deferred tax income arising from the application of Decree Law no. 98 of 6 July 2011 (the “Manovra economica 2011”) converted with amendments into Law no. 111 of 15 July 2011 which provides that unused tax losses may be carried forward on an unlimited time basis.

The Group as at December 31, 2011 made capital expenditures of Euro 22.7 million (Euro 16.9 million at 31 December 2010).

The gross financial indebtedness at December 31, 2011, measured at amortized cost amounted to 88.8 (compared to Euro 107.3 million at December 2010) and consisted of the non-current portion of long-term loans for Euro 46.0 million, the current position of long term loans for about Euro 13.2 million and bank credit facilities and other financial liabilities of about Euro 29.6 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 1.6 million.

As at December 31, 2011 liquidity and financial credits due within 12 months amount of Euro 3.8 million (compared with Euro 2.6 million in December 2010).

Major operations

There were no major events.

Outlook for operations

In the current economic and financial context there are uncertainties especially in terms of demand for staple goods, with its significant effects on the packaging market. Thus, it is hard to predict a demand recovery, even though the sharp drop due to de-stocking in the last quarter of 2011 appears to have come to an end.

New orders in the first weeks of 2012 seem to bear that out, given that sales volumes are back to “normal”. Pulp prices show a slight decline, but this cannot be regarded yet as a long-term trend. Margins however are not much different from those in the last quarter of 2011, considering also energy costs, which are slightly up. Against this backdrop, Reno De Medici will continue to operate in such a way as to safeguard its industrial efficiency and profitability, adapting output and prices to effective demand.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011

Consolidated Income Statement	31.12.2011	31.12.2010
(thousands of Euros)		
Revenues from sales	507,051	503,599
Other revenues and income	15,424	14,890
Changes in stocks of finished goods	(4,738)	4,445
Cost of raw materials and services	(410,507)	(397,455)
Staff costs	(72,660)	(81,060)
Other operating costs	(4,560)	(4,396)
Gross Operating Profit	**30,010**	**40,023**
Depreciation and amortisation	(27,128)	(26,076)
Recovery of value and write-downs of assets	(730)	(1,916)
Operating Profit	**2,152**	**12,031**
Financial expenses	*(8,310)*	*(7,765)*
Exchange rate differences	*452*	*613*
Financial Income	*73*	*91*
Financial income (expenses), net	(7,785)	(7,061)
Income (loss) from investments	(670)	224
Taxation	4,129	(3,155)
Profit (loss) for the period before discontinued operations	**(2,174)**	**2,039**
Discontinued operations	(536)	
Profit (loss) for the period	**(2,710)**	**2,039**
Attributable to:		
Profit (loss) for the period pertaining to the Group	(2,996)	1,367
Profit (loss) for the period pertaining to minority interests	286	672

Consolidated Statement of financial position - ASSETS	31.12.2011	31.12.2010
(thousand of Euros)		
Non-current assets		
Tangible fixed assets	240,260	244,241
Goodwill	63	63
Other intangible assets	5,719	5,990
Investments	5,810	6,689
Deferred tax assets	399	1,369
Financial assets held for sale	195	191
Trade receivables	81	81
Other receivables	328	370
Total non-current assets	**252,855**	**258,994**
Current assets		
Stocks	77,982	81,925
Trade receivables	93,775	121,016
Other receivables	5,001	4,247
Liquid funds	2,564	2,210
Total current assets	**179,322**	**209,398**
Non-current assets held for sale	**1,290**	**1,290**
TOTAL ASSETS	**433,467**	**469,682**

Consolidated Statement of financial position - LIABILITIES	31.12.2011	31.12.2010
(thousands of Euros)		
Shareholders' Equity		
Shareholders' equity attributable to the Group	152,737	155,565
Minority interests	679	1,010
Total shareholders' equity	**153,416**	**156,575**
Non-current liabilities		
Bank loans and other financial liabilities	45,997	55,531
Derivative financial instruments	1,022	1,011
Other payables	1,543	1,596
Deferred tax liabilities	18,291	25,536
Employee benefits	24,363	24,175
Non-current provisions for contingencies and charges	6,716	6,087
Total non-current liabilities	**97,932**	**113,936**
Current liabilities		
Bank loans and other financial liabilities	42,700	50,416
Derivative financial instruments	601	794
Trade payables	123,879	127,227
Other payables	14,317	16,398
Current taxation	358	1,630
Employee benefits	264	2,706
Total current liabilities	**182,119**	**199,171**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**433,467**	**469,682**

Net financial position	31.12.2011	31.12.2010	Variations
(thousands of Euros)			
Cash and cash equivalents and short-term financial receivables	3,756	2,601	1,155
Short-term financial payables	(42,700)	(51,723)	9,023
Valuation of current portion of derivatives	(601)	(794)	193
Short-term financial position, net	**(39,545)**	**(49,916)**	**10,371**
Long-term financial payables	(45,997)	(55,531)	9,534
Valuation of current portion of derivatives	(1,022)	(1,011)	(11)
Financial position, net	**(86,564)**	**(106,458)**	**19,894**

NOTES

The interim report of the RDM Group at 31 December 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.

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 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 31 December 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 (0.8353 GBP/EUR). Income and expenditures were converted using the average exchange rate for the reference period (0.8679 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 1,502 employees at 31 December 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 31 December 2011 corresponds to the underlying documents, books and accounting entries.

Milan, February 10, 2012

Signed
Stefano Moccagatta