Reno De Medici

RdM GROUP

Interim Report for the period ended 31 March 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

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

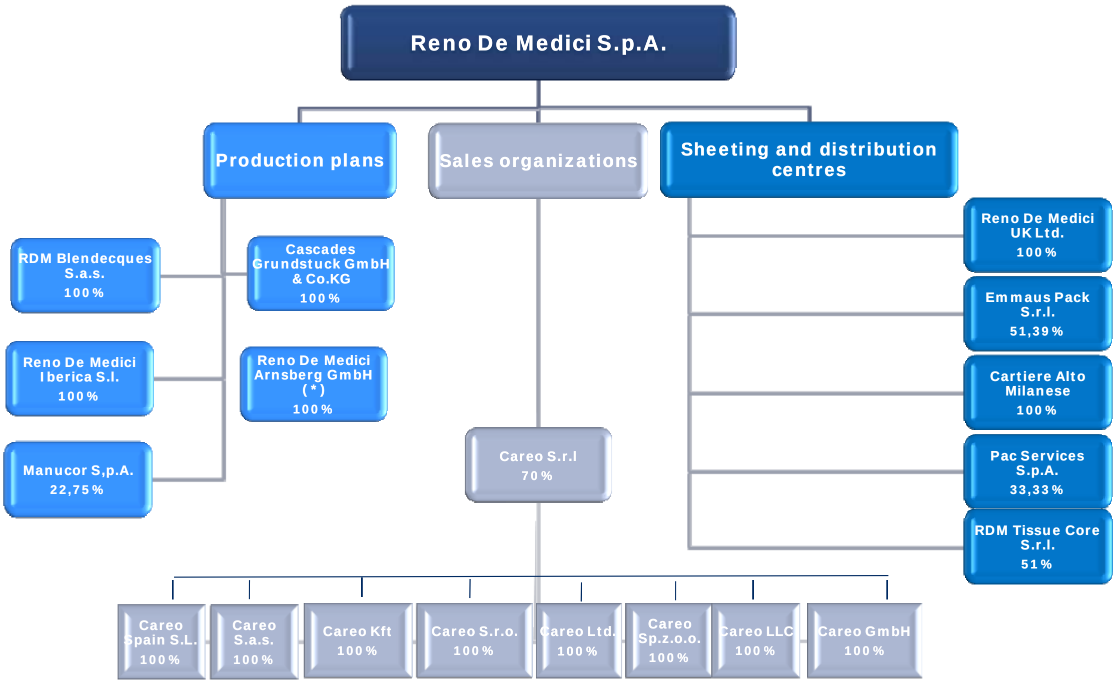
Sergio Pivato	Chairman
Giovanni Maria Conti	Standing auditor
Carlo Tavormina	Standing auditor
Domenico Maisano	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANIES OF THE GROUP AT 31 MARCH 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

The Reno De Medici Group achieved positive results in the first quarter of 2011, with growing revenues and net profit of Euro 2.2 million (compared to a loss of Euro 1.9 million in the same period of the previous year). EBITDA grew considerably as well, increasing to Euro 11.2 million (compared to Euro 7.1 million in the first quarter of 2010).

European demand in terms of tonnes dispatched rose in a contained manner, by 2.5%, compared to the corresponding period for the previous year, despite a market in which orders fell slightly compared to the final quarters of 2010.

The quarter was also characterized by a general increase in the cost of the main production factors, virgin and recycled cellulose fibers and energies (gas and electricity). In order to maintain margins the company announced a price increase across all markets, effective for deliveries from 15 April. The effect of this increase will be seen in subsequent quarters. Trends in fibre quotations were linked to the following:

- for virgin fibre to an imbalance in demand over supply following the closing of various cellulose factories during the years of the recent crisis;
- for recycles fibre to the constant reduction in the generation of waste by the graphic industry and to exports to the Far East.

There has been an upwards trend in energy prices, and in particular in the price of oil, due to:

- considerable speculation connected with the North African crisis and the Fukushima tragedy;
- an increase in the demand for fuels caused by significant economic activity in the BRIC countries coupled with a more modest rise in production in the industrialized countries.

Group production in the quarter reached 243 thousand tonnes (compared to 226 thousand in the same quarter of 2010). As regard the volumes sold, about 241 thousand tonnes were shipped in the quarter (compared to 235 thousand tonnes in the same quarter of 2010).

Consolidated sales revenues in the quarter amounted to Euro 138 million (up 20% compared to the same quarter of 2010) thanks to the increased unit revenues and higher sales volumes above described. 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; on the other hand, productivity (tonnes produced per employee) and efficiency indicators (cost of labour per unit) improved.

Ultimately, consolidated EBITDA closed at Euro 11.2 million compared to Euro 7.1 million in the same period of 2010.

Consolidated operating profit of Euro 4.7 million compared to Euro 0.3 million in the same period of 2010.

Net Financial Indebtedness was substantially unchanged compared to the first quarter of 2010. The benefits generated by reduced indebtedness were absorbed by the lack of currency exchange revenues earned in the same quarter of the previous year, due to the temporary rise in the value of the US dollar. Interest rates rose slightly as well.

Net Financial Standing dropped below the Euro 100 million threshold (a further improvement compared to Euro 106.5 million in December 2010) thanks to positive economic performance and to management of working capital (down approximately Euro 5 million).

In the first quarter of 2011, the Group's geographic mix of revenues was affected by the different dynamics of its components: stronger growth on extra-EU markets (driven especially by sales in Turkey) and, to a lesser degree, on Overseas markets and in Italy, with consequent increase in the importance of extra-EU markets. The growth in turnover is substantially attributable to the rise in selling prices, with the exception of Turkey, where there was a significant increase in volumes sold.

	31.03.2011	Inc. %	31.03.2010	Inc. %
(thousands of Euros)				
Italy	47,616	34.5 %	42,970	37.3 %
UE	64,782	46.9 %	55,793	48.5 %
Extra EU	25,672	18.6 %	16,345	14.2 %
Revenues from sales	**138,070**	**100 %**	**115,108**	**100 %**

Consolidated results

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

(thousands of Euros)	31.03.2011	31.03.2010
Revenues from sales	**138,070**	**115,108**
EBITDA (1)	**11,157**	**7,086**
EBIT (2)	**4,681**	**346**
Results of operating activities before taxes (3)	**3,059**	**(1,597)**
Current and deferred taxes	*(875)*	*(348)*
Profit (loss) for the period	**2,184**	**(1,945)**

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 first quarter 2011 achieved net revenues of Euro 138.1 million, compared to Euro 115.1 million in the corresponding period of the previous year.

Consolidated EBITDA at March 31, 2011 amounted to Euro 11.2 million compared to Euro 7.1 million in the corresponding period in 2010.

Consolidated Operating Profit (EBIT) at March 31, 2011 amounted to Euro 4.7 million, compared to Euro 0.3 million in the corresponding period in 2010.

Consolidated Result of operating activities before taxes was positive for an amount of Euro 3.1 million, compared to a negative amount of Euro 1.6 million for the same period of 2010.

The Group as at March 31, 2011 made capital expenditures of Euro 6.7 million (Euro 2.2 million at 31 March 2010).

The consolidated net financial indebtedness at March 31, 2011 amounted to Euro 99.4 million, compared to 106.5 million at December 31, 2010.

More specifically, the gross financial indebtedness at March 31, 2011, measured at amortized cost amounted to 101.3 (compared to Euro 107.3 million at December 2010) 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 9.9 million and bank credit facilities and other financial liabilities of about Euro 35.9 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 1.4 million.

As at March 31, 2011 liquidity and financial credits due within 12 months amount of Euro 3.3 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 depends on factors which are hard to quantify and which are linked to exogenous factors such as the crisis in North Africa and its repercussions on energy prices, which could have adverse consequences on the world economic recovery.
The order backlog remains at satisfactory levels, although the volume of orders is lower than the corresponding period of the previous year, also because the rebuilding of stocks which took place in the first quarter of last year has not been repeated.

The greatest uncertainties in the sector are linked to the trend in production factor costs (especially of waste paper for pulp), whose rise could continue for the next few months. Energy costs will continue their upwards trend for the rest of the year; in particular, the Italian mills are being penalized by the new charges introduced by the Energy Authority and by the government to support energy from renewable sources.
On the other hand, it seems reasonable to predict that the negative impact of higher production factor costs will be offset by increased selling prices, as was the case for all of 2010.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2011

Consolidated Income Statement	31.03.2011	31.03.2010
(thousands of Euros)		
Revenues from sales	138,070	115,108
Other revenues and income	3,559	4,547
Changes in stocks of finished goods	4,627	(1,400)
Cost of raw materials and services	(113,679)	(90,403)
Staff costs	(19,899)	(19,347)
Other operating costs	(1,521)	(1,419)
Gross Operating Profit	**11,157**	**7,086**
Depreciation and amortisation	(6,476)	(6,740)
Operating Profit	**4,681**	**346**
Financial expenses	*(1,671)*	*(2,210)*
Exchange rate differences	*(142)*	*433*
Financial Income	*51*	*4*
Financial income (expenses), net	(1,762)	(1,773)
Income (loss) from investments	140	(170)
Taxation	(875)	(348)
Profit (loss) for the period	**2,184**	**(1,945)**
Attributable to:		
Profit (loss) for the period pertaining to the Group	2,043	(2,115)
Profit (loss) for the period pertaining to minority interests	141	170

Consolidated Statement of financial position - ASSETS	31.03.2011	31.12.2010
(thousand of Euros)		
Non-current assets		
Tangible fixed assets	244,027	244,241
Goodwill	63	63
Other intangible assets	6,441	5,990
Investments	6,829	6,689
Deferred tax assets	1,233	1,369
Financial assets held for sale	191	191
Trade receivables	81	81
Other receivables	1,499	370
Total non-current assets	**260,364**	**258,994**
Current assets		
Stocks	88,400	81,925
Trade receivables	115,847	121,016
Other trade receivables	4,355	4,247
Liquid funds	2,874	2,210
Total current assets	**211,476**	**209,398**
Non-current assets held for sale	**1,290**	**1,290**
TOTAL ASSETS	**473,130**	**469,682**

Consolidated Statement of financial position - LIABILITIES	31.03.2011	31.12.2010
(thousands of Euros)		
Shareholders' Equity		
Shareholders' equity attributable to the Group	157,866	155,565
Minority interests	1,150	1,010
Total shareholders' equity	**159,016**	**156,575**
Non-current liabilities		
Bank loans and other financial liabilities	55,492	55,531
Derivative financial instruments	670	1,011
Other payables	1,595	1,596
Deferred tax liabilities	25,344	25,536
Employee benefits	24,375	24,175
Non-current provisions for contingencies and charges	5,948	6,087
Total non-current liabilities	**113,424**	**113,936**
Current liabilities		
Bank loans and other financial liabilities	44,569	50,416
Derivative financial instruments	739	794
Trade payables	133,893	127,227
Other payables	17,321	16,398
Current taxation	1,462	1,630
Employee benefits	2,706	2,706
Total current liabilities	**200,690**	**199,171**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**473,130**	**469,682**

Net financial position	31.03.2011	31.12.2010	Variations
(thousands of Euros)			
Cash and cash equivalents and short-term financial receivables	3,265	2,601	664
Short-term financial payables	(45,767)	(51,723)	5,956
Valuation of current portion of derivatives	(739)	(794)	55
Short-term financial position, net	**(43,241)**	**(49,916)**	**6,675**
Long-term financial payables	(55,492)	(55,531)	39
Valuation of current portion of derivatives	(670)	(1,011)	341
Financial position, net	**(99,403)**	**(106,458)**	**7,055**

NOTES

The interim report of the RDM Group at 31 March 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.

There are not changes in the scope of consolidation occurred in this first quarter 2011 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 March 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 March 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 (0.8837 GBP/EUR). Income and expenditures were converted using the average exchange rate for the reference period (0.8539 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 1,589 employees at 31 March 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 March 2011 corresponds to the underlying documents, books and accounting entries.

Milan, May 3, 2011

Signed

Stefano Moccagatta