Annual Financial Statements at 31 December 2011

Annual report and financial statements
ended 31 December 2011 ([1])

83° Fiscal Year

Ordinary shareholders' meeting
of 26 April 2012 first call
of 27 April 2012 second call

Reno De Medici

Milan, Via Durini 16/18
Share capital Euro 185,122,487.06
Fiscal code and VAT no. 00883670150

This document is an English Translation from Italian. The Italian original shall prevail in case of difference in interpretation and/or factual errors

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RENO DE MEDICI S.P.A. FINANCIAL STATEMENTS AT 31 DECEMBER 2011

The holders of right voting of Reno De Medici S.p.A. (hereafter also RDM and/or the Company) are called to an Ordinary General Meeting at 11.00 a.m. on 26 April 2012 at the Company's registered office in Via Durini 16/18, Milan in first call and, if necessary, at 12.00 a.m. on 27 April 2012 at Borsa Italiana in Piazza degli Affari 6, Milan in second call to discuss and adopt resolutions on the following

Agenda

1. Annual financial statements for the year ended 31 December 2011: related resolutions.
    - 1.1. Approval of the annual financial statements for the year ended 31 December 2011. Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors.
    - 1.2. Presentation of the consolidated financial statements for the year ended 31 December 2011.
    - 1.3. Presentation of Social and Environment Report for year 2011.
2. Appointment of the Statutory Auditors for the 2012-2014 three year period: related resolutions.
    - 2.1. Appointment of three Statutory Auditors and two Deputy Auditors.
    - 2.2. Appointment of the Chairman of the Board of Statutory Auditors.
    - 2.3. Determination of the annual remuneration due to the members of the Board of Statutory Auditors.
3. Appointment of the Independent Auditor for the 2012-2020 nine-year period: related resolutions.
    - 3.1. Appointment of the Independent Auditor for the 2012-2020 nine-year period.
    - 3.2. Determination of the relative remuneration.
4. Report on remuneration pursuant to article n. 123 ter of Legislative Decree n. 58/98: related resolutions.

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INFORMATION ON THE COMPANY'S SHARE CAPITAL AND ABOUT VOTING SHARES.

The following matters are noted in particular:

a) At the issue of this calling the Company's share capital is Euro 185,122,487.06 made up of 377,800,994 shares of EUR 0.49 par value each divided into:
   1) 377,471,641 ordinary shares;
   2) 329,353 savings shares convertible into ordinary shares. Pursuant to article 6 of the Company's Bylaws savings shares have no voting rights in ordinary or extraordinary shareholders' meetings;

b) each ordinary share is entitled to one vote in Shareholders' Meetings;

c) the Company does not hold any treasury shares.

Addition to the Agenda

Pursuant to Article 126-bis of Legislative Decree No. 58/98, Shareholders representing, also jointly, at least one fortieth of the Company's share capital with the right to vote may request, within ten days of the publication of this notice, additions to the agenda regarding the items to be discussed, indicating their such items in the request. The request shall be submitted in writing by the Shareholders and it must be lodged at the Company's registered office in Milan, Via Durini 16/18 by registered email or by certified electronic mail, at renodemedici@pec.it, with documentation suitable to prove their entitlement. Within the same period of ten days and by the same way, the Shareholders requesting additions to the agenda shall also submit a report on the items proposed for discussion in the General Meeting. No additions are admitted for those items on which the General Meeting resolves at the proposal of the directors or on the basis of a project or report prepared by the directors. The integrated list of the items to be discussed in the General Meeting, if any, shall be made available to the public by the same means of publication of this notice, at least 15 days prior to the date of the General Meeting, on first call. At the same time and by the same means of publication of this notice the Company shall make available to public the report of Shareholders with Board of Directors' possible evaluations.

Title to Participate

Pursuant to Article 83-sexies of Legislative Decree No. 58/98 and Articles 8 and 9 12.1 of the Company's Bylaws, the right to participate and vote at the Meeting shall be conditioned upon the reception by the Company of a notice given by an intermediary enabled pursuant to the applicable laws, attesting to the ownership of the Shares based on the intermediary accounting records as on the basis of balances recorded at the end of the seventh trading day prior to the date of the shareholders' meeting on first call (i.e. April 17, 2012).

Therefore, those who become owners of the shares subsequent to April 17, 2012 shall have no right to attend and vote in the General Meeting.

The Owners of not dematerialization shares have to entrust them to the intermediary enabled to operate into the Centralised Administration Services of dematerialization shares pursuant to art. 17 of Consob and Banca d'Italia's Act dated 24th December 2010. Then, the Owners of not dematerialization shares are entitled to ask to Intermediary sending the above mentioned notice.

Those entitled to participate in the General Meeting are invited to arrive before the time on which the Meeting has been called, to simplify registration operations, which shall begin at 11:30 am.

Those who are entitled to participate in the General Meeting may appoint a representative by way of a proxy given in writing or by electronical means, pursuant to the applicable laws. The proxy form can be found at the Company's registered office, as well as on the company website, at www.renodemedici.it .

The proxy may be transmitted to the Company by registered mail at the Company's registered office at via Durini n. 16/18, 20121 Milan, to the attention of the Legal Office or by certified electronic mail, at renodemedici@pec.it

If the representative delivers or transmits a copy of the proxy to the Company, he/she shall certify, under his/her own responsibility, the conformity of the proxy to the original document, as well as the identity of the delegating person.

The proxy may be given, together with voting instruction, free of charge to the delegating person, to Studio Segre S.r.l., which has been appointed by the Company pursuant to Art. 135- undecies of Legislative Decree No. 58/98, on condition that the proxy is transmitted by a registered letter with return receipt sent to the registered office of Studio Segre S.r.l., in Torino, Via Valeggio n. 41, or by certified electronic mail, at segre@legalmail.it and that Studio Segre receives it within the end of the second day of open market prior to the date of the General Meeting, on first call (i.e. within the end of April 24, 2012).

Any proxy given to Studio Segre shall not have effect with regard to those proposals, for which no voting instructions have been given. The proxy and the voting instruction may be revoked within the end of the second day of open market prior to the date of the General Meeting, on first call (i.e. within the end of April 24, 2012). The proxy form is available at the Company's registered office. The notice given by an intermediary it is necessary also in case of appointment of the delegating person of Company; therefore, without the mentioned notice the proxy will be not in force.

RIGHT TO ASK QUESTIONS ABOUT THE ITEMS IN AGENDA

Pursuant to Article 127-ter of Legislative Decree No. 58/98, the Shareholders may ask questions relating to the items on the agenda even the day before the Meeting in first call, by sending them by registered mail, at the Company's registered office, or by certified electronic mail, at renodemedici@pec.it. Questions asked before the General Meeting shall be answered during the Meeting.

Appointment of the Statutory Auditors

The Board of Statutory Auditors shall be appointed in accordance with Article 19 of the By-laws.

The Board of Statutory Auditors is appointed on the basis of lists presented by shareholders by the method specified below, under which candidates are assigned a sequential number.

The lists presented by shareholders and signed by the people presenting them must be lodged at the Company's registered office in Via Durini 16/18, Milan, in order that they may be made available to anyone making a request, at least twenty five days prior to the date established for the Shareholders' Meeting in first call and will be publicised by the other means provided by prevailing laws and regulations.

Shareholders in general, shareholders who are party to significant shareholders' agreements within the meaning of article 122 of Legislative Decree no. 58/1998, the controlling party, subsidiaries and parties under common control within the meaning of article 93 of Legislative Decree no. 58/1998 may not present, or take part in the presentation of, including through intermediaries or trust companies, more than one single list, nor may they vote for different lists, and no candidate may be included in more than one list, failing which he or she will become ineligible. Names listed or votes cast in breach of this prohibition will not be allocated to any list.

Only shareholders who on their own or together with other presenting shareholders hold in total shares representing at least 4.5% of share capital with voting rights in an ordinary Shareholders' Meeting are entitled to present lists, together with the necessary information in order to identify the person who transmits the lists. The ownership of the number of shares required for submission of lists by the Shareholders shall be certified by a notice issued by an intermediary enabled pursuant to the applicable laws, proving the ownership of the number of shares represented, determined by taking into account the shares recorded in the name of the Shareholders as of the date on which the lists are filed with the Company.

The candidates to the office of statutory auditor must have the professional qualification and integrity requirements indicated in the decree of the Ministry of Justice No. 162 of March 30, 2000. In addition, candidates must have the independence requirements set forth under the applicable law.

Anyone exceeding the limits to the number of offices held pursuant to the laws and regulations in force shall not be appointed as statutory auditor.

The lists shall be divided in two sections: one for candidates to the office of statutory auditor and the other one for candidates to the office of deputy auditor. In any event, there shall be no more than three names of candidates for the section regarding statutory auditors and two for the section regarding deputy auditors. The first of the candidates of each section must be entered in the register of auditors of accounts and must have exercised the activity of legal audit of accounts for no less than three years.

Statements shall be filed together with such list, whereby the single candidates accept their nomination and certify, under their own responsibility, the non-existence of any reasons for ineligibility and incompatibility, as well as the existence of the independency, integrity and professional qualification requirements set out by the applicable laws.

A curriculum vitae of the candidates shall be filed with the company registered office together with the lists, containing (i) exhaustive information on the personal and professional characteristics of each of them, as well as (ii) the list of the management and supervising assignments held by each of them in other companies as at the date of submission of the list. Candidates are recommended to notify any changes in their assignments up to the date on which the meeting is actually held.

In the event that by April 1, 2012 only one list is submitted, or only lists submitted by shareholders that are affiliated with each other in the meaning of Art. 144-quinquies of the Regolamento Emittenti, lists may be submitted up to the third day following such date. In such hypothesis, the thresholds for the submission of lists shall be reduced by one half, and therefore to 2,25% of the share capital.

Documentation

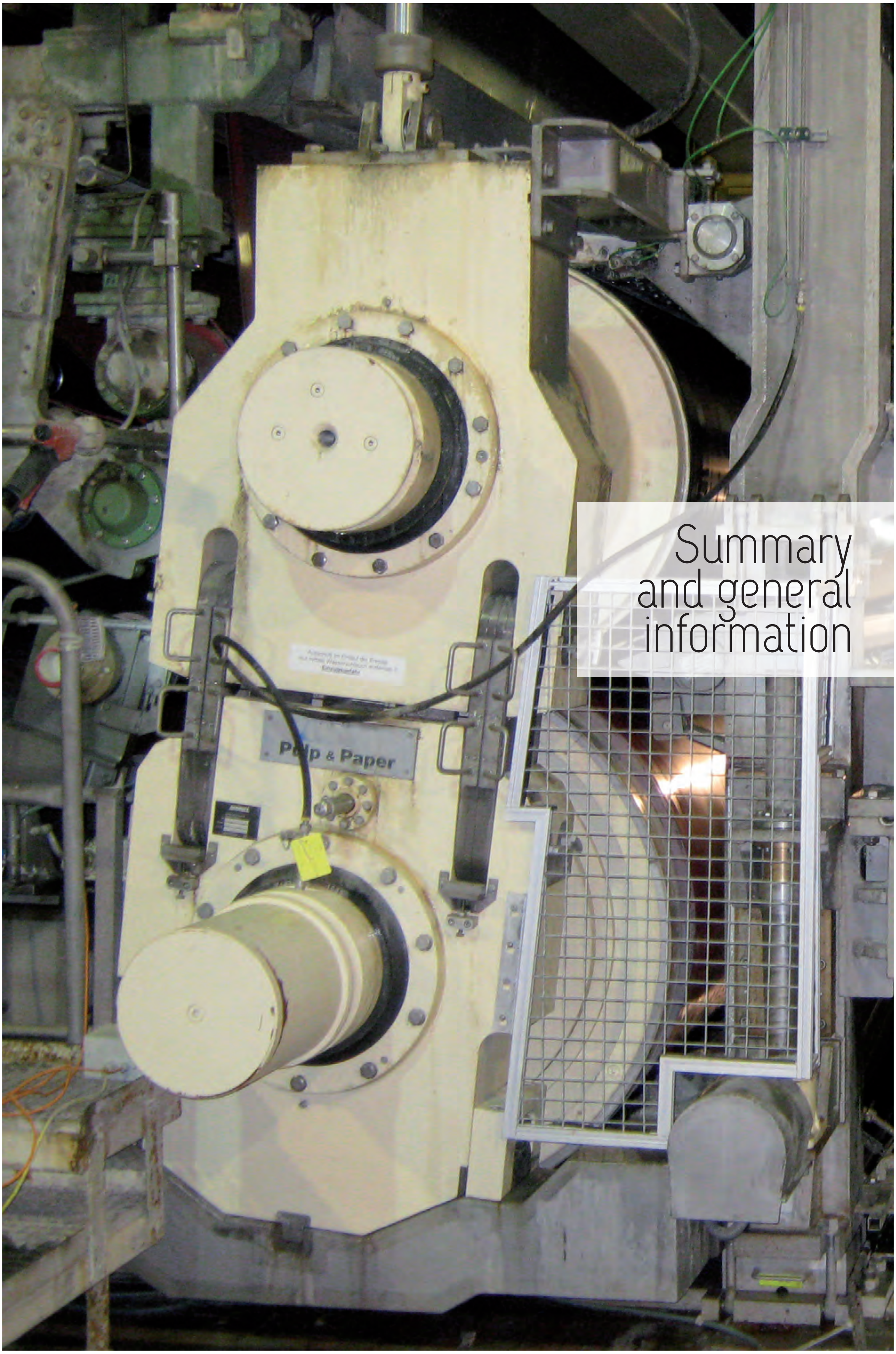
It is hereby noted that at the same time as this notice was published the Report of the Board of Directors on the matters included in the agenda was put at the public's disposal by being lodged at the Company's registered office in Via Durini 16/18, Milan and at Borsa Italiana S.p.A. and by being posted on the Company's website, with the possibility of obtaining a copy.

The Company's Annual Report, consisting of the draft Annual Financial Statements, the Consolidated Financial Statements, the Report of the Board of Directors, the Attestation of the Manager Responsible for the Preparation of Company Accounting Documents and of the delegated body, the Report of the Board of Statutory Auditors and the Report of the Independent Auditors will be put at the public's disposal within the terms of law at the Company's registered office in Via Durini 16/18, Milan and at Borsa Italiana S.p.A. and will be available for consultation on the Company's website www.renodemedici.it.

Milan, 15 March 2012

On behalf of the Board of Directors
The Chairman
Christian Dubè

Summary and general information



COMPANY BODIES AND INDEPENDENT AUDITORS

Board of Directors

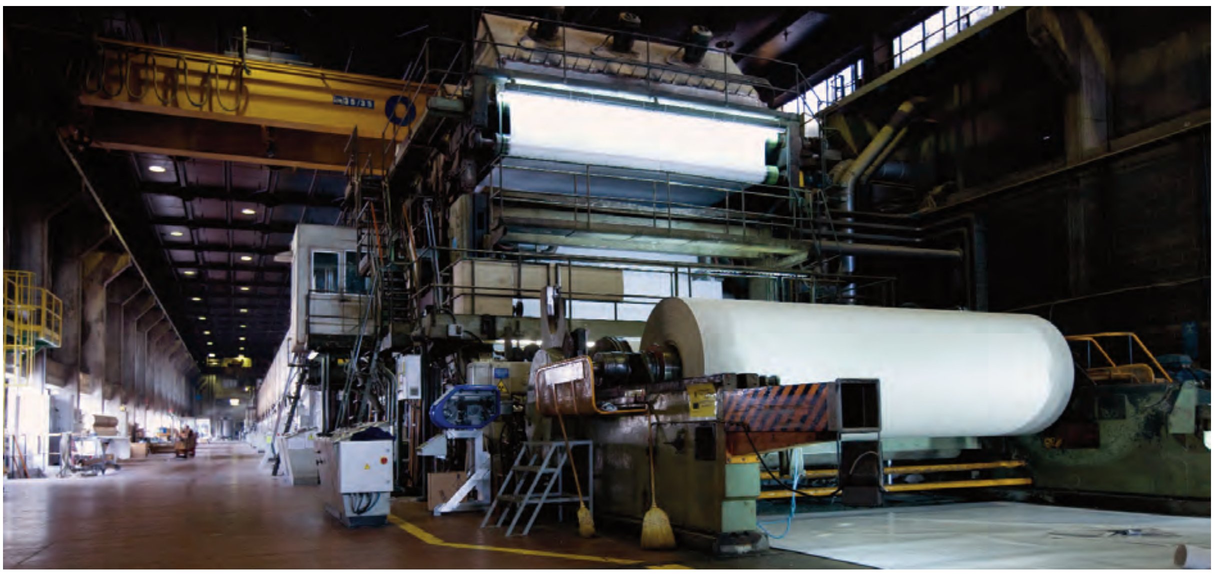
Christian Dubé	Chairman
Giuseppe Garofano	Deputy Chairman
Ignazio Capuano	Managing Director
Giulio Antonello	Director
Robert Hall	Director
Sergio Garribba	Director
Laurent Lemaire	Director
Vincenzo Nicastro	Director
Carlo Peretti	Director

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.



PRINCIPAL ECONOMIC AND FINANCIAL DATA OF THE GROUP AND OF RENO DE MEDICI S.P.A.

The principal figures of the consolidated profit and loss account and balance sheet of the Reno De Medici Group ("RDM" or "Group") at 31 December 2011 and for the year then ended, with comparative data for the prior year, are set out in the following.

RDM GROUP *(millions of Euros)*	2011	2010
ECONOMIC DATA (1)		
Revenues from sales	507	504
Gross operating profit (EBITDA)	30	40
Depreciation and amortisation and recovery of value and write-down of assets	(28)	(28)
Operating Profit (EBIT)	2	12
Profit (loss) for the year before discontinued operation	(2)	2
Profit (loss) for the year	(3)	2
Profit (loss) for the year pertaining to the Group	(3)	1
BALANCE SHEET DATA		
- Non-current assets (2)	253	259
- Non-current assets held for sale	1	1
- Non-current liabilities, employee benefits and provision funds (3)	(51)	(57)
- Current assets (liabilities) (4)	(11)	(16)
- Working capital (5)	48	76
Net capital invested (NIC) (6)	240	263
Net financial indebtedness (7)	87	106
Shareholders' equity	153	157
RATIO		
EBITDA / Revenues from sales	5.9%	7.9%
EBIT / NIC	0.8%	4.6%
Debt ratio (Net Financial indebtedness / NIC)	36.3%	40.3%

(1) See RDM Group consolidated financial statements.
(2) See RDM Group consolidated financial statements - total of "Non-current assets" excluding the detail items "Trade receivables".
(3) See RDM Group consolidated financial statements - total of the following detail items of "Non-current liabilities": "Other payables", "Deferred tax liabilities", "Employee benefits" and "Non-current provision for contingencies and charges".
(4) See RDM Group consolidated financial statements - total of the detail item "Other receivables", classified in "Current assets", excluding the detail items: "Other payables", "Current taxation" and "Employee benefits", classified in "Current liabilities".
(5) See RDM Group consolidated financial statements - total of the detail items "Stocks", "Trade receivables" and "Associated companies and joint ventures trade receivables" classified in "Current assets" and the detail items "Trade receivables" classified in "Non-current assets", excluding the detail item "Trade payables" and "Associated companies and joint ventures trade payables", classified in "Current liabilities".
(6) Total of the items above.
(7) See RDM Group consolidated financial statements - total of the detail items "Derivative financial instruments" classified in "Non-current assets", "Liquid funds" and "Other associated companies and joint ventures receivables", classified in "Current assets", excluding the following detail items "Bank loans and other financial liabilities" and "Derivative financial instruments", classified in "Non-current liabilities" and "Bank loans and other financial liabilities", "Derivative financial instruments" and "Other associated companies and joint ventures payables", classified in "Current liabilities".

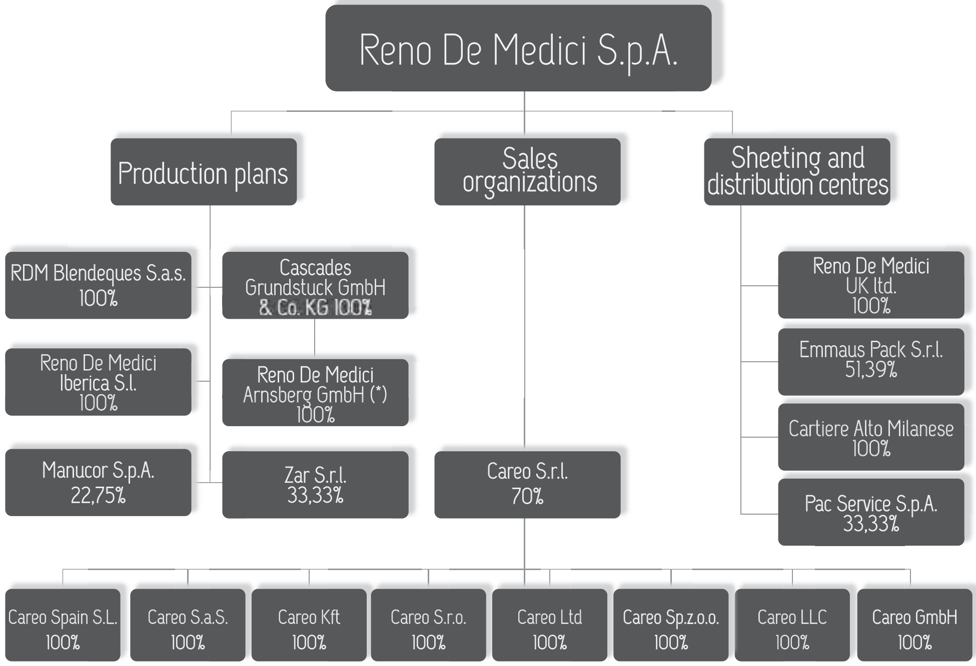
The key profit and loss and balance sheet items of the Parent Company at 31 December 2011, compared to the figures of the previous year, are as follows:

RDM *(millions of Euros)*	2011	2010
ECONOMIC DATA [8]		
Revenues from sales	284	295
Gross Operating Profit (EBITDA)	20	23
Depreciation and amortisation and recovery of value and write-downs of assets	(16)	(18)
Operating Profit (EBIT)	4	5
Profit (loss) for the year	4	4
BALANCE SHEET DATA		
- Non-current assets [9]	265	271
- Non-current assets held for sale	1	1
- Non-current liabilities, employee benefits and provision funds [10]	(21)	(29)
- Current assets (liabilities) [11]	(5)	(11)
- Working capital [12]	23	53
Net capital invested (CIN) [13]	264	285
Net financial indebtedness [14]	111	136
Shareholders' equity	153	149
RATIO		
EBITDA / Revenues from sales	7.0%	7.8%
EBIT / NIC	1.5%	1.8%
Debt ratio (Net financial indebtedness / CIN)	42%	47.7%

(8) See RDM financial statements.
(9) See RDM financial statements - total of "Non-current assets".
(10) See RDM financial statements - total of the following detail items of "Non-current liabilities": "Other payables", "Deferred tax liabilities", "Employee benefits" and "Non-current provision for contingencies and charges".
(11) See RDM financial statements - total of the detail items "Other receivables" classified in "Current assets", excluding the detail items "Other payables", "Current taxation", and "Employee benefits" classified in "Current liabilities".
(12) See RDM financial statements - total of the detail items "Stocks", "Trade receivables", "Group trade receivables" classified in "Current assets", excluding the detail item "Trade payables", "Group trade payables" classified in "Current liabilities".
(13) Total of the items above.
(14) See RDM financial statements - total of the detail items: "Liquid funds" and "Other Group receivables", classified in "Current assets", excluding the following detail items "Bank loans and other financial liabilities", "Derivative financial instruments" and "Other Group payables" classified in "Non-current liabilities" and "Bank loans and other financial liabilities", "Derivative financial instruments" and "Other Group payables", classified in "Current liabilities".

OPERATING COMPANIES OF THE RENO DE MEDICI GROUP AT 31 DECEMBER 2011

The following table excludes Group non-operating companies and companies in liquidation.

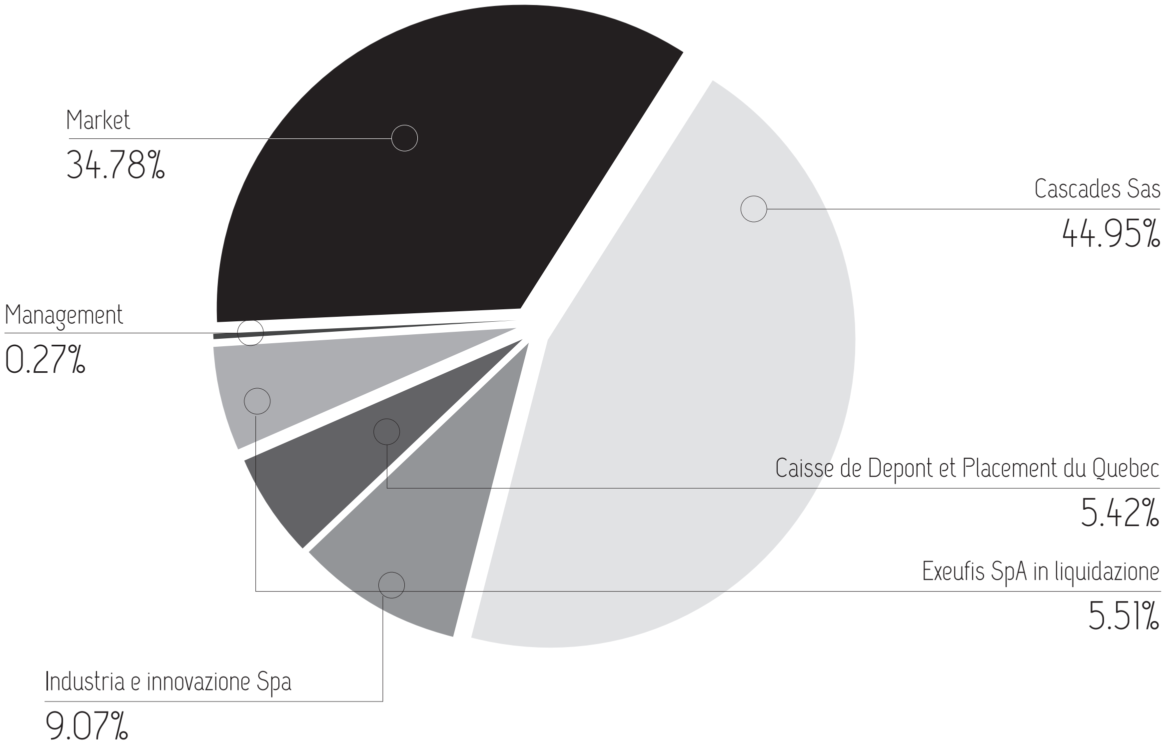


(*) Subsidiary company held by Reno De Medici S.p.A. at 94% and by Cascades Grundstück GmbH & Co.KG. at 6%.

SHAREHOLDERS

The shareholders of Reno De Medici S.p.A. at 21 March 2012 were as follows, according to the shareholders book, as integrated by the communications received in compliance with art. 120 and art. 152 – octies, paragraph 7 of the Italian TUF, as well as by the data informed by Consob:

Ordinary Shares	n.	377,471,641
Convertible saving shares	n.	329,353
Total shares	**n.**	**377,800,994**



Report of the board of directors

REFERENCE MARKET AND PERFORMANCE

The Reno De Medici Group closes 2011 in a negative global economic scenario, characterized by the deterioration recorded in the second half of the year, after a still positive first semester.

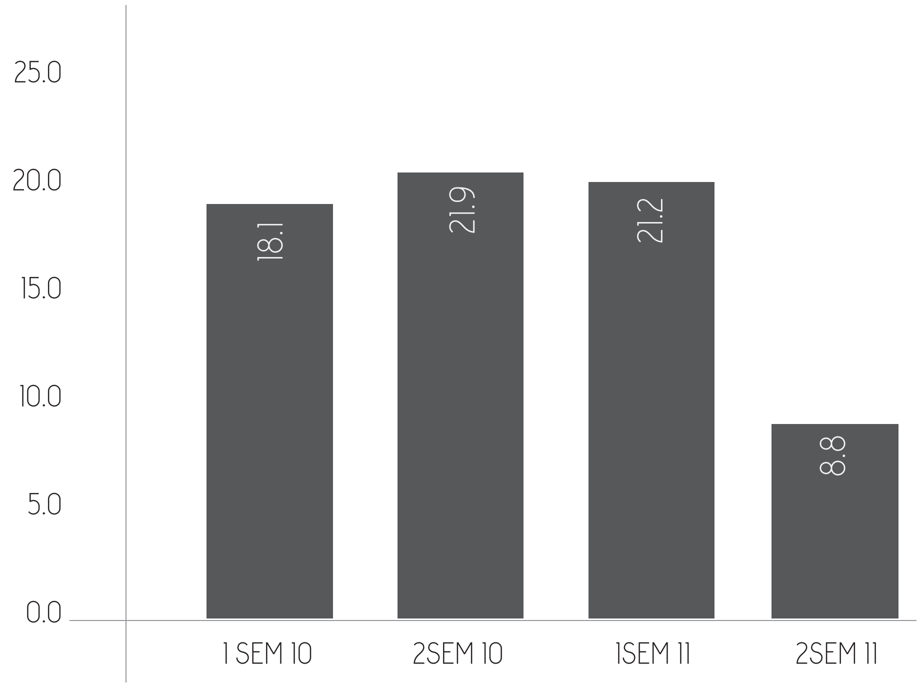


Fig 1.:"EBITDA 2010-2011 Trend"

The turmoil in the financial markets, European in particular, and the related uncertainties reverberated onto the real economy, causing a significant slowdown in the order flows; this was exacerbated by the greater use of inventories by industrial operators, also in the presence of a lower propensity to consume by the families.
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. The decrease in demand is recorded in all the most important countries, with the only exception of Germany, that substantially remains aligned to the 2010 values.
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 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 selling prices as a consequence of 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 of sold tons 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.

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 fibers 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. The prices of virgin fibers are down as well, due to high inventory levels and a weak demand. The prices of chemical components were largely stable in the fourth quarter, after the increases recorded in the previous quarters.
On the energy front prices remained high, but there were no further increases nothwithstanding the Iranian crisis, as a weak demand offset the pressures on the supply side.

MAJOR OPERATIONS OF THE RENO DE MEDICI GROUP IN 2011

The ordinary General Meeting of the Shareholders approved an Incentive Plan applicable to management at their meeting in April 2011. The Plan was based on financial instruments pursuant to Article 114 bis of Legislative Decree 58/98.

We have summarised the main characteristics below.

Management plan based on "Performance Phantom Shares" for 2011-2012-2013

The Plan is intended for certain managers of the RDM Group as beneficiaries and is designed to structure the variable part of the remuneration of the Executive Directors to be appointed and other key executives.
The Plan calls for the award of a total 8,265,000 performance phantom shares, to be distributed variously to the beneficiaries, and for additional 2,393,000 performance phantom shares, to be distributed to new potential beneficiaries to be identified in accordance with the Rules of the Plan.
The Plan provides for the beneficiaries to receive a cash bonus if the return on invested capital and certain financial ratios meet specific targets at 31 December of each of 2011-2012-2013. In case the targets are met in one and/or two years and/or the targets are met only in part in one and/or two and/or three years, for purposes of the formula the number of applicable phantom shares will be calculated by dividing the number of shares awarded by the number of years of the Plan.

PRINCIPAL RISKS AND UNCERTAINTIES TO WHICH RENO DE MEDICI S.P.A. AND THE GROUP ARE EXPOSED

Risks connected with general economic conditions

Both the Company and the Group, on a par with all industrial enterprises, are exposed to risks connected with the development of the current economic crisis which has had a negative effect on the half of 2011. The situation is due to extend to the first months of 2012, while the first weak signs of a slight recovery are expected to become evident only in the final part of the year. This recovery should then strengthen over 2013.
The first risk connected to these negative economic trends is that relating to sales volumes. While such risk cannot be eliminated altogether, it is possible to reduce it by actions available to the Group in terms of adapting production to real demand.
As far as the specific sector of packaging paper is concerned, it is considered that the risks connected to the continuation of the recession have been mitigated in part by the reduction of stocks held by converters and end-customers, with the consequent need to reconstitute them.
In this context another risk factor is linked to credit, and arise from the increased difficulties experienced by many customers in the punctual payment of their debts. These difficulties have been exacerbated by the restrictive credit policies adopted by banks. This situation should have been alleviated by the recent measures taken by the ECB in assuring the liquidity required to encourage the relaxation of the tight lending policies adopted previously.

Another risk factor is connected with the development of prices of pulp raw materials. This is however expected to be slightly less critical than in the past given that the rising prices characterising the past two years seem to be flattening out.

In contrast to the above, the risks connected with energy prices remain in the expectation of further rises. This risk also includes an important component linked to the exchange rate with the American dollar given that energy prices (natural gas and coal in particular) are directly or indirectly linked to fluctuations in the oil price. The situation is however kept under constant and careful monitoring by the responsible management functions.

Risks related to the Group's results

There are no specific risks connected to the nature and structure of the RDM Group.

Risks relating to funding requirements

The Group currently has financial resources available to it which are sufficient to meet its reasonably foreseeable needs in 2012.

Risks relating to interest rates

The exposure to interest rate risk affects medium to long-term credit lines standing at the total amount of Euro 59.8 million as at 31 December 2011. Euro 32.5 million of the above figure attracts variable rate interest without hedge protection. As at 31 December 2011 short-term credit lines had been used in the amount of Euro 29.6 million, all attracting variable interest rates.
After the increase in interest rates occurring over 2011, expected future trends make it reasonable to suppose that there will be no significant negative events linked to interest rates fluctuations in 2012.

Liquidity Risk

The liquidity risk is defined as the risk not to be able to meet the obligations associated to the financial liabilities.

A prudent management of the liquidity risk requires the availability of adequate financial cash balances, the possibility to accede to adequate financings, and the capability to liquidate positions on the market.
In order to face such risk, the Group's Treasury Department makes sure that the provision of funds is sufficiently flexible, also by relying on diversified lines of credit.
As of December 31, 2011, the consolidated Net Financial Position is negative by Euro 86.6 million, lower by Euro 19.9 million compared to the Euro 106.5 million at December 31, 2010.

Credit Risk

As already stated at the beginning of this section dealing with risks, credit risk is essentially represented by the exposure of the Company and Group to the insolvency of its end customers. In order to ensure the correct management of this risk RDM has subscribed insurance policies with a major insurance company that cover the whole Group. Any situations which either have not been, or cannot be, insured pursuant to the above are kept under constant monitoring by the responsible company functions.
Over 2010 the Parent Company also entered into a "without recourse" account receivables factoring agreement by which it was able to obtain advance payment on trade receivables falling due after 31 December 2011 amounting to a total of about Euro 14.4 million.
In order to further reduce the above risks the Group has also adopted a restrictive client credit policy with careful monitoring of the positions considered at risk. The policies adopted have so far allowed the Group to keep losses on receivables to a very low level, without any evident deterioration of the overall credit situation.

Exchange Rate Risk

Credit risk is linked to the exposure of both the Company and the Group to fluctuations in exchange rates of income and costs expressed in currencies different from the euro. So far as the Reno De Medici Group is concerned, such exposure is particularly linked to fluctuations of the American dollar, the currency in which a significant part of its income from "overseas" markets is denominated. Costs for some raw materials, as well as energy costs are denominated in dollars, or are linked to the dollar. Given the volumes of costs and income determinated in dollars, it is considered that net exposure is not significant in relation to the global dimensions of the business.

Capital Risk

We believe that the RDM Group is adequately capitalized, with reference to its own relevant market and size.

Conclusions

For a more detailed analysis, and for the comparison of the 2011 data with 2010, please refer to the chapters related to "Financial instruments and risk management", for both the Group and for the Parent Company.

ECONOMIC AND FINANCIAL PERFORMANCE OF THE RENO DE MEDICI GROUP

The results of the RDM Group, the principal items of the balance sheet and the composition of the Group's net financial position are set in the following.

Economic results

RDM GROUP *(thousands of Euros)*	2011	%	2010	%
Revenues from sales	507,051	100.00%	503,599	100.00%
Operating costs (15)	(486,601)		(482,911)	
Other operating income (expenses) (16)	9,560		19,335	
Gross Operating Profit (EBITDA)	**30,010**	**5.92%**	**40,023**	**7.95%**
Depreciation and amortisation and recovery of value and write-downs of assets	(27,879)		(27,992)	
Operating Profit (EBIT)	**2,131**	**0.42%**	**12,031**	**2.39%**
Net financial income (expenses)	(7,785)		(7,061)	
Income (loss) from investments	(670)		224	
Taxation	4,021		(3,155)	
Profit (loss) for the year before discontinued operations	**(2,303)**	**(0.45%)**	**2,039**	**0.40%**
Discontinued operations	(536)			
Profit (loss) for the year	**(2,839)**	**(0.56%)**	**2,039**	**0.40%**
Profit (loss) for the year pertaining to the Group	**(3,125)**	**(0.62%)**	**1,367**	**0.27%**

RDM Group recorded at 31 December 2011 Revenues from sales of Euro 507.1 million, compared with Euro 503.6 million obtained in 2010.

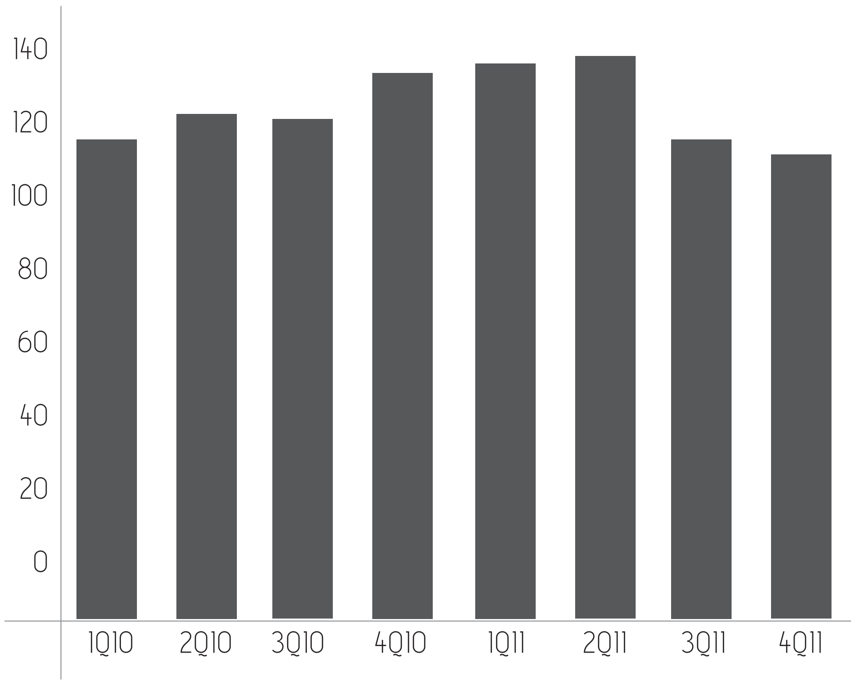


Fig 2.: "Revenues 2010-2011 Quarterly Trend"

(15) See RDM Group consolidated statements. The balance is the total of the following profit and loss account items: "Cost of raw materials and services", "Staff costs" and "Other operating costs".
(16) See RDM Group consolidated statements. The balance is the total of the following profit and loss account items: "Other revenues", Change in stocks of finished goods".

The table below provides the break-down of net revenues by geographical area:

RDM GROUP *(thousands of Euros)*	2011	%	2010	%
Area				
Italy	170,645	34%	178,980	36%
European Union	250,221	49%	249,477	49%
Extra EU	86,185	17%	75,142	15%
Revenues from sales	**507,051**	**100%**	**503,599**	**100%**

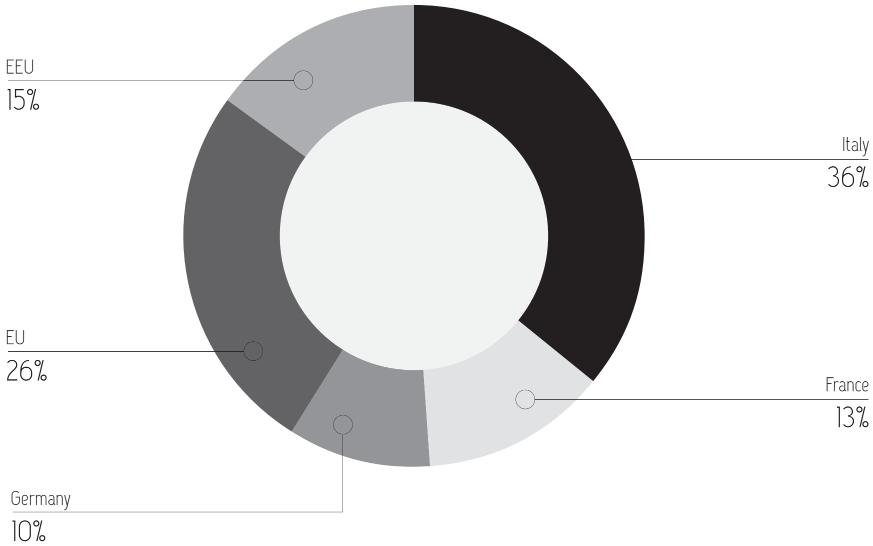


Fig 3.:"Geographic mix revenues"

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.

Operating Profit (EBIT) is positive for Euro 2.1 million, compared to Euro 12.0 million in 2010.

RDM GROUP *(thousands of Euros)*	2011	2010
Net Financial income (expenses)	(7,785)	(7,061)
Income (loss) from investments	(670)	224
Total	**(8,455)**	**(6,837)**

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, the charges associated with the greater use of receivable factoring and the increase in actuarial charges deriving from the calculation of the benefits to employees applied by the Group.

"Income (loss) from investments" at December 31, 2011, consists of the positive effect arising from the accounting under the equity method of the investments in Careo S.r.l. and Pac Service S.p.A., and the negative effect resulting from the write-down of the investments in Manucor S.p.A. accounted under the equity method as well.

Taxation includes the recognition by the Parent Company of deferred tax income on unused tax losses as descrided in the Notes.

The net result in 2011 is negative by Euro 2.8 million, compared to a profit of Euro 2.0 million in 2010.

The result pertaining the Group is negative by Euro 3.1 million, compared to a profit of Euro 1.4 million in 2010.

Balance sheet

The following table sets out the principal balance sheet items.

RDM GROUP *(thousands of Euros)*	2011	2010
Trade receivables [17]	93,836	121,016
Stock	77,982	81,925
Trade payables [18]	(123,879)	(127,227)
Working capital	**47,939**	**75,714**
Other current assets [19]	5,393	3,856
Other current liabilities [20]	(16,522)	(19,427)
Non-current assets [21]	252,774	258,994
Non-current assets held for sale	1,290	1,290
Non-current liabilities [22]	(19,942)	(27,132)
Invested capital	**270,932**	**293,295**
Employee benefits and provision funds [23]	(31,079)	(30,262)
Net invested capital	**239,853**	**263,033**
Net financial position [24]	86,565	106,458
Shareholders' equity	153,288	156,575
Total sources	**239,853**	**263,033**

(17) See RDM Group consolidated financial statements - total of the following detail items: "Trade receivables" and "Associated companies and joint ventures trade receivables", classified as "Current assets".
(18) See RDM Group consolidated financial statements - total of the following detail items: "Trade payables" and "Associated companies and joint ventures trade payables", classified as "Current liabilities".
(19) See RDM Group consolidated financial statements - detail items: "Other receivables" and "Financial assets hel for sale" classified as "Current Assets".
(20) See RDM Group consolidated financial statements - total of the following detail items: "Other payables", "Current provisions for contingences and charges", "Employee benefits" and "Current taxation", classified as "Current liabilities".
(21) See RDM Group consolidated financial statements - total of "Non-current assets".
(22) See RDM Group consolidated financial statements - total of the detail items of "Non-current liabilities": "Other payables" and "Deferred tax liabilities".
(23) See RDM Group consolidated financial statements - total of the detail items of "Non-current liabilities": "Employee benefits" and "Non-current provisions for contingencies and charges".
(24) See RDM Group consolidated financial statements - total of the detail items "Derivative financial instruments", classified in "Non-current assets", "Liquid funds" and "Other associated companies and joint ventures receivables", classified in "Current assets", excluding the following detail items "Bank loans and other financial liabilities" and "Derivative financial instruments", classified in "Non-current liabilities" and "Bank loans and other financial liabilities", "Derivative financial instruments" and "Other associated companies and joint ventures payables", classified in "Current liabilities".

Net Working Capital at the end of 2011 amounts to Euro 47.9 million, with a decrease of Euro 27.8 million compared 2010, as a consequence of the lower volumes manufactured and sold, of the increase of the accounts receivable factoring program activated last year (Euro 14.4 million vs. Euro 7.2 million at December 31, 2010), of the reduction of the inventories, and of the effects of some time lags between inflows and outflows.

"Non-current assets held for sale" consists of plant and machinery of the Marzabotto mill for which a sales agreement was drawn up at the end of 2011; the disposal will be finalized and completed during 2012.

The decrease in "Non-current assets" is primarily due to the decrease by Euro 4.4 million of the carrying amount of tangible fixed assets.

The decrease in "Non-current liabilities" is due to the deferred tax effect of the difference between the fair value of fixed assets (mostly the tangible fixed assets and intangible assets of Reno De Medici Arnsberg GmbH) and their tax bases.

Net financial position

The consolidated net financial indebtedness at 31 December 2011 amounts to Euro 86.6 million, decreasing by Euro 19.9 million compared to Euro 106.5 million at 31 December 2010, mainly due to the decrease of working capital.

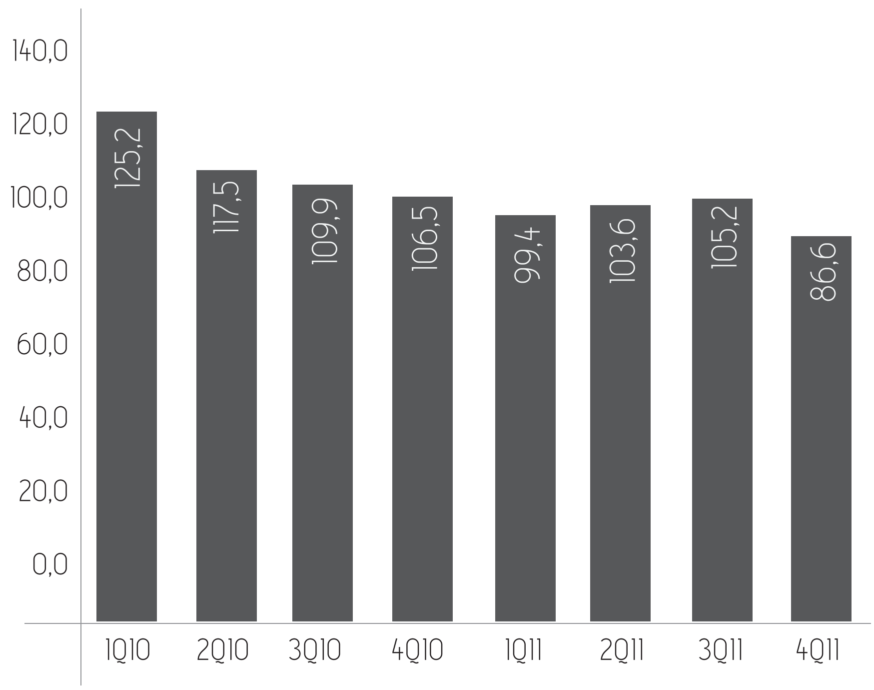


Fig 4.: "Net financial position 2010-2011 Quarterly Trend"

The variations recorded in 2011, compared to the previous fiscal year, are as follow:

GROUP RDM *(thousands of Euros)*	2011	2010	Variations
Cash and cash equivalents and short-term financial receivables (25)	3,756	2,601	1,155
Short-term financial payables (26)	(42,764)	(51,723)	8,959
Valuation of current portion of derivatives (27)	(601)	(794)	193
Net short-term financial position	**(39,609)**	**(49,916)**	**10,307**
Long-term financial payables (28)	(45,934)	(55,531)	9,597
Valuation of non-current portion of derivatives (29)	(1,022)	(1,011)	(11)
Net financial position	**(86,565)**	**(106,458)**	**19,893**

Research and development activities

The Group carried out research and development activities on a continuous basis throughout 2011, with the aim of constantly renewing its manufacturing processes from a technological standpoint and continuing its research for a better use of the materials deployed in those processes, in order to enhance the quality of its products and processes. The actions taken to develop new business areas and create new products are described at the beginning of this report.

Capital expenditure

Over 2011 the RDM Group effected technical investments amounting to Euro 23.7 million (Euro 16.9 million in 2010).

Such investments had as their objective the reduction of variable costs, the increase in production capacity, improvement in safety and the reduction of environmental impact.

The intervention in the German subsidiary Arnsberg's works took the form of the introduction of a new "shoe press".

At the Ovaro works modifications were made to the continuous machine in order to increase its capacity with the installation of a "shoe press".

Improvement and modernising works were implemented at the Santa Giustina production works with particular reference to the reconstruction of the wet part of the continuous machine.

Of the investments made in the Villa Santa Lucia factory the most significant concerned the installation of a new head box.

Other improvement and/or modernising works to plant and machinery were implemented in the remaining factories.

(25) See RDM Group consolidated financial statements - Total of "Liquid funds" and "Other associated companies and joint ventures receivables" classified as "Current Assets".
(26) See RDM Group consolidated financial statements - Total of "Bank loans and other financial liabilities" and "Other associated companies and joint ventures payable" classified as "Current liabilities".
(27) See RDM Group consolidated financial statements - detail item "Derivative financial instruments", classified as "Current assets" excluding the detail item "Derivative financial instruments", classified as "Current liabilities".
(28) See RDM Group consolidated financial statements - detail item "Bank loans and other financial liabilities" classified as "Non-current liabilities".
(29) See RDM Group consolidated financial statements - detail item "Derivative financial instruments", classified as "Non-current assets" excluding the detail item "Derivative financial instruments", classified as "Non-current liabilities".

Human resources

The RDM Group believes that human resources are a key factor of success, and training deserves adequate attention. Based on the specific corporate duties, customized training sessions are organized.

RDM keeps due records of the training courses organized for personnel.
The training courses are held by professionals specifically competent in the different subjects, and are recorded and documented by the persons responsible for their execution.

The Group's workforce at 31 December 2011 totaled 1,502 units.

The number of employees is lower by 93 units compared to the previous year (1.595 units at 31 December 2010).

At 31 December 2011 the Group's workforce consisted of 11 executives, 398 middle managers and white-collar employees and 1.093 blue-collar employees.

ECONOMIC AND FINANCIAL PERFORMANCE OF THE RENO DE MEDICI S.P.A.

Economic results

The following table sets out the principal profit and loss account items for the year ended 31 December 2011, with comparative figures provided for the prior year:

RDM *(thousands of Euros)*	2011	2010
Revenues from sales	284,150	294,724
Operating costs [30]	(276,561)	(284,446)
Other operating income (expenses) [31]	12,855	13,011
Gross Operating Profit (EBITDA)	**20,444**	**23,289**
Depreciation and amortisation and recovery of value and write-downs of assets	(16,323)	(17,746)
Operating Profit (EBIT)	**4,121**	**5,543**
Financial income (expenses), net	(6,710)	(6,061)
Income (loss) from investments	1,639	4,721
Taxation	4,954	(138)
Profit (loss) for the year	**4,004**	**4,065**

Over 2011 income dropped slightly by 3.59% as compared with 2010, attributable to reduction in sales (-12%) partially set off by the increase in prices.

We have set out below the geographical distribution of sales income which confirms that the Italian market remained stable (+2.7%) in contrast with a significant drop in the European Union (-28%) although this in turn was counter-balanced in part by the increase from non-European Union countries (+13.5%):

RDM *(thousands of Euros)*	2011	%	2010	%
Area				
Italy	171,273	60%	166,727	57%
EU	56,240	20%	78,111	27%
Extra EU	56,637	20%	49,886	16%
Total revenues from sales	**284,150**	**100%**	**294,724**	**100%**

It is important to note how prices for raw materials and energy (gas, electricity and coal) have followed an upwards trend from the first quarter of 2011 due to extensive speculative activities connected to the North African crisis, the tragedy with such a strong impact on nuclear energy and high fuel demand connected to the growing economic activity of the BRIC countries. In contrast however, downward trends in production in industrialised Western countries have served to slow demand thus avoiding further price increases particularly towards the end of the year. This does not alter the fact however that prices remained high throughout 2011. The cost of methane increased in particular while electricity costs remained at reasonable levels thanks to a number of contracts for energy supplies from the international market.

(30) See RDM financial statements. The balance is the total of the following profit and loss account items: "Cost of raw materials and services", "Staff costs" and "Other operating costs".
(31) See RDM financial statements. The balance is the total of the following profit and loss account items: "Other revenues" and "Change in stocks of finished goods".

The net reduction in labour costs as compared with the previous accounting period amounted to about Euro 9.1 million (in percentage terms, 19.5%). It was mainly attributable to the shorter hours worked as a consequence of the stoppages in the various works premises and to a reduction in the staff compliment.

Net results were positive, amounting to Euro 4.0 million, after the deduction of amortisation of about Euro 16.3 million, net financial charges of Euro 6.7 million, income from shares of Euro 1.6 million and positive tax items of Euro 5.0 million.

Taxation includes the recognition by the Parent Company of deferred tax income on unused tax losses as descrided in the Notes.

Balance sheet

The following table sets out the key balance sheet items.

RDM *(thousands of Euros)*	2011	2010
Trade receivables (32)	64,228	90,010
Stocks	44,982	47,245
Trade payables (33)	(85,876)	(84,704)
Working capital	**23,334**	**52,551**
Other current assets (34)	2,527	978
Other current liabilities (35)	(7,848)	(11,660)
Non-current assets (36)	265,492	270,432
Non-current assets held for sale	1,290	1,290
Non-current liabilities (37)	(2,113)	(8,089)
Invested capital	**282,682**	**305,503**
Employee benefits and provision funds (38)	(18,762)	(20,627)
Net invested capital	**263,920**	**284,875**
Net financial position (39)	110,755	135,814
Shareholders' equity	153,165	149,061
Total sources	**263,920**	**284,875**

(32) See RDM financial statements - total of the following detail items: "Trade receivables" and "Group trade receivables" and classified as "Current assets".
(33) See RDM financial statements - total of the following detail items: "Trade payables" and "Group trade payables", classified as "Current liabilities".
(34) See RDM financial statements - total of the following detail items: "Other receivables" and "Financial asset held for trade" classified as "Current assets".
(35) See RDM financial statements - total of the following detail items: "Other payables", "Current taxation" and "Employee benefits" classified as "Current liabilities".
(36) See RDM financial statements - total of "Non-current assets".
(37) See RDM financial statements - total of the detail items of "Non-current liabilities": "Other payables" and "Deferred tax liabilities".
(38) See RDM financial statements - total of the detail items of "Non-current liabilities": "Employee benefits" and "Non-current provisions for contingencies and charges".
(39) See RDM financial statements - total of the detail items "Liquid funds" and "Other Group receivables", classified in "Current assets", excluding the following detail items "Bank loans and other financial liabilities", "Derivative financial instruments" and "Other Group payables" classified in "Non-current liabilities" and "Bank loans and other financial liabilities", "Derivative financial instruments" and "Other Group payables", classified in "Current liabilities".

Net Working Capital at the end of 2011 amounts to Euro 23.3 million, with a decrease of 29.2 Million Euro compared 2010, as a consequence of the lower volumes manufactured and sold, of the increase of the accounts receivable factoring program activated last year (Euro 14.4 million vs. Euro 7.2 million at December 31, 2010).

Net invested capital at 31 December 2011 was funded by interest-bearing debt as to 41.97%, and by own funds as to 58.03%.

Net financial position

The Parent Company's net financial debt amounted to Euro 110.8 million at 31 December 2011, compared to Euro 135.8 million at 31 December 2010.

RDM *(thousands of Euros)*	2011	2010	Variations
Cash and cash equivalents [40]	2,199	1,817	382
Short-term financial payables [41]	(62,322)	(76,198)	13,876
Valuation of current portion of derivatives [42]	(464)	(663)	199
Net short-term financial position	**(60,587)**	**(75,044)**	**14,457**
Long-term financial payables [43]	(49,146)	(59,759)	10,613
Valuation of non-current portion of derivatives [44]	(1,022)	(1,011)	(11)
Net financial position	**(110,755)**	**(135,814)**	**25,059**

The Euro 25 million improvement in the Net Financial Position is mainly attributable to the above description concerning the reduction of working capital.

Research and development activities

Reference should be made to the details provided in the note to the consolidated financial statements.

Capital expenditure

The RDM made capital expenditures of Euro 14.4 million in 2011 (Euro 10.9 million in 2010).

The aim of these investments was to reduce variable costs, improve production capacity, improve safety and further mitigate the effect on the environment.

(41) See RDM financial statements - total of the item "Liquid funds".
(41) See RDM financial statements - total of the item "Other Group receivables" classified as "Current assets", excluding "Bank loans and other financial liabilities" and "Other Group payables" classified as "Current liabilities".
(42) See RDM financial statements - detail item "Derivative financial instruments", classified as "Current assets" excluding the detail item "Derivative financial instruments", classified as "Current liabilities".
(43) See RDM financial statements - total of the item "Bank loans and other financial liabilities" and "Other Group payables" classified as "Non-current liabilities".
(44) See RDM financial statements - detail item "Derivative financial instruments", classified as "Non-current assets" excluding the detail item "Derivative financial instruments", classified as "Non-current liabilities".

At the Ovaro works modifications were made to the continuous machine in order to increase its capacity with the installation of a "shoe press".

Investments made at the Santa Giustina facility related to improvement and/or modernisation of the equipments, and the rebuild of wet-end of the board machine is especially noteworthy.

Investments made at the Villa Santa Lucia facility related the installation of a new head box for the under top layer, and to the improvement of the board machine's energy efficiency.

Investments at the remaining facilities consisted of the improvement and/or modernisation of plant and machinery.

Human resources

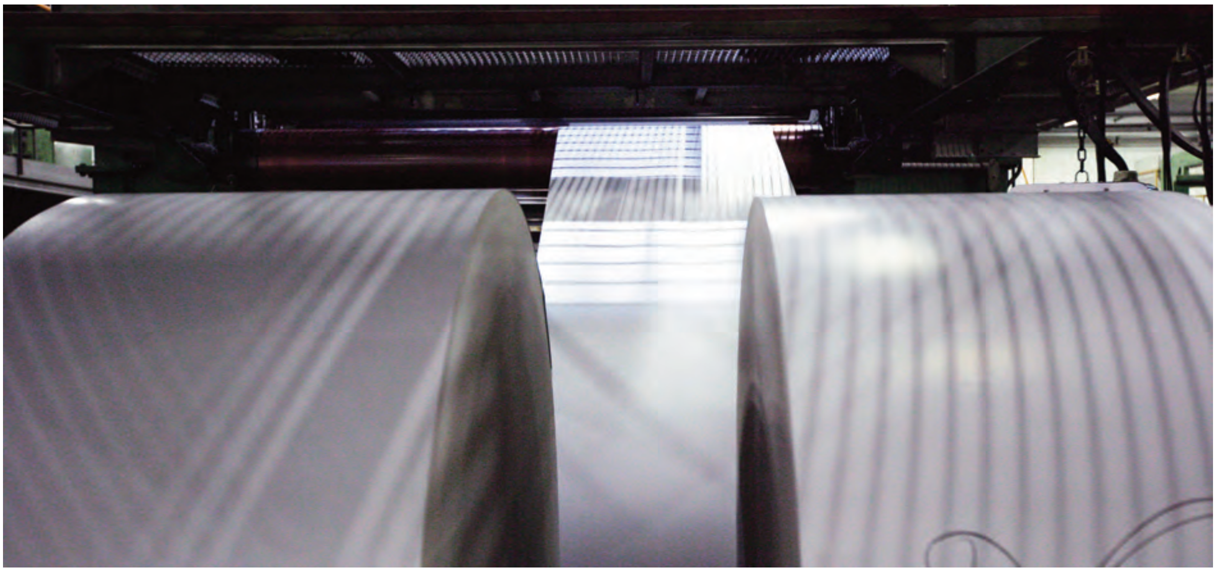
RDM's workforce at 31 December 2011 totaled 840 units. The number of employees is lower by 78 over the previous year, mainly as a result of the 'staff mobility' plans activated in the year at some Italian mills.

At 31 December 2011 the Group's workforce consisted of 11 executives, 212 middle managers and white-collar employees and 617 blue-collar employees.

Training activities are commented above in this document, in the corresponding paragraph of "Human Resources " of the Group.

RECONCILIATION BETWEEN THE GROUP'S NET RESULT FOR THE YEAR AND NET EQUITY AND THOSE OF THE PARENT COMPANY RENO DE MEDICI S.P.A.

(thousands of Euros)	Shareholders' equity 2011	Result for the year 2011
Reno de Medici S.p.A.	153,165	4,004
Differences between the carrying value of subsidiary companies and the corresponding share of their shareholder's funds	*4,330*	*1,070*
Dividends received from subsidiary companies		*(7,306)*
Reversal of gains from sales to Group companies	*(1,574)*	
Reversal of allocation of merger difference	*(2,837)*	*148*
Other consolidated adjustment	*(509)*	*(1,041)*
Consolidated financial statements	152,575	(3,125)



RECONCILIATION BETWEEN THE GROUP'S NET FINANCIAL POSITION FOR THE YEAR END THOSE OF THE PARENT COMPANY RENO DE MEDICI S.P.A.

(thousands of Euros)	Net Financial Position 31.12.2011	Net Financial Position 31.12.2010
Net Financial Position - Reno De Medici S.p.A.	(110,755)	(135,814)
Cash and cash equivalents and short-term financial receivables of subsidiary companies	367	393
Short-term financial payables of subsidiary companies	(2,604)	(3,474)
Long-term financial payables of subsidiary companies	(3,157)	(2,857)
Eliminations of short-term financial payables due to subsidiary companies	31,140	38,365
Eliminations of long-term financial payables due to subsidiary companies	6,370	7,084
Eliminations of short-term financial receivables from subsidiary companies	(7,926)	(10,155)
Net Financial Position - RDM Group	(86,565)	(106,458)

OTHER INFORMATION

Risks and dispute in course

Concerning the litigation initiated in 2008 by certain employees of the French subsidiary RDM Blendecques S.a.s., according to the complex restructuration process of French company, on 6 February 2012 the court of the first instance issued an initial ruling ordering the Company to pay an indemnity, against which the Company has appealed.

Tax audit

In respect of the tax audit which was completed in 2011 and regarded fiscal years 2005 to 2009, the Company has finalized 2005 and 2006 by means of a settlement proposal for which assessment notices have already been received. The findings of the finance police concentrated on trading relations with suppliers resident in black list countries (mostly Switzerland), for which the Company has received questionnaires from the tax revenue office for all the years in question and provided the explanations requested.

Program Document on Safety

In 2010 RDM updated its Code for the Protection of Personal Data in compliance with the requirements of current laws and regulations. In addition, in accordance with the requirements of rule 26 of the Technical Discipline on the minimum security standards that must be adopted, as attached to the Legislative Decree no. 196 of 27 June 2003, also known as the "Personal Data Protection Code", the Company updated its Programme Safety Document regarding the processing of personal data.

Environment and safety

Over the accounting period RDM was able to honour its commitment to the achievement and maintenance of adequate environmental, safety and quality standards consistent with its own company principles. The above was achieved by means of important initiatives such as:

- the development of ever greater integration of the business systems involved with the management of the environment, safety and quality. This was promoted by exploiting the synergies between the different aspects;
- the updating of the Risk Assessment Documents;
- the continuous updating of the assessment of risks from interference between different activities;
- the examination and assessment of the propriety of contractors by requesting the production of documents confirming the absence of criminal convictions;
- periodical staff training on health and safety at the work-place as well as seeking to increase awareness of the importance of safeguarding and protecting the environment in the performance of their various duties.

Currently, Reno De Medici S.p.A. has no convictions against it under a final judgment of the Court, whether now or in the past, in relation to personal injury (whether simple, serious and/or extremely serious) and/or death following an accident at work. Proceedings are however currently pending conducted by the Public Prosecutor based at the Court of Bologna, General Roll no. 8967/2011. The proceedings were opened following an accident at work suffered by Mr Ruscio within the Marzabotto works premises occurring on 13 November 2008. The parties under investigation include Reno De Medici pursuant to Legislative Decree 231/2001. As matters stand at the moment the proceedings have reached the stage of the service of the notice of Conclusion of the Preliminary Investigation. It is thus now a question of waiting for the investigating authorities to take the next steps in the procedure.

The company has retained its ISO 14000 certification and has begun the procedure for obtaining safety certification.

Own Shares

As at 31 December 2011, the Company does not hold its own shares and neither does it appear that the Board of Directors been authorized to purchase its shares.

Shares held by directors and board of statutory auditors

In compliance with the provisions of Consob Regulation no. 11971, as subsequently amended and supplemented, the information on interests held by RDM Directors and Auditors in RDM and its subsidiaries is reported below:

First and last name	Investee company	Number of shares 31.12.2010	Number of shares purchased	Number of shares sold	Number of shares 31.12.2011
Christian Dubé	Reno De Medici S.p.A.	125,000	100,000		225,000
Giuseppe Garofano	Reno De Medici S.p.A.	275,000			275,000
Ignazio Capuano	Reno De Medici S.p.A.	230,000	320,000		550,000

Information on arrangements with subsidiaries, associated companies and joint venture

The transactions of Parent Company in place with subsidiaries, associated companies and joint venture fall within the real of routine company management in the context of the typical business operations conducted by each party concerned and are regulated and concluded at market conditions.

RDM's arrangements with its subsidiaries and associated companies mainly regard:

- sales promotion and marketing services with Careo S.r.l. (Careo);
- sales of cardboard to Cartiera Alto Milanese S.p.A. (CAM), Emmaus Pack S.r.l. (Emmaus), RDM Iberica S.l. and Reno De Medici UK Ltd;
- the provision of general services to Careo, R.D.M. Tissue Core S.r.l. (Tissue), Emmaus, CAM, RDM Iberica S.L., RDM Blendecques S.a.s., Reno de Medici UK Ltd. and Reno De Medici Arnsberg Gmbh;
- purchases of off-cuts from Emmaus;
- interest payable and/or receivable on cash-pooling and loan agreements concluded with Careo, CAM, Emmaus, RDM Iberica S.L., RDM Blendecques S.a.s., Reno de Medici UK Ltd. and Reno De Medici Arnsberg Gmbh;
- sales of cardboard to Pac Service S.p.A. and Tissue;
- the fiscal consolidation agreement under which Reno De Medici Spa is the consolidating company vis-à-vis CAM, Emmaus, Reno Logistica S.r.l. in liquidation and Careo.

See chapter 12 of the Report on Corporate Governance with regard to the new Procedure for Related-Party Transactions adopted on 8 November 2010 in conformity to the Rules adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently modified and supplemented.

Reference should be made to the financial statement contained in this Report for a quantitative analysis of the arrangements in place between RDM and its subsidiaries, associated and joint venture during 2011, as well as to the section headed 'Relations with Associated Parties' for a more detailed description of the above-listed arrangements.

Related party disclosures

There have been no transactions with related parties of an unusual or abnormal nature, not falling within the ordinary course of the business or such as to adversely affect the economic, equity or financial situation of the Group.

Transactions with related parties fall within the ordinary course of business in the context of the regular activity of each party concerned.

In general business relationships with related parties are conducted on an arm's length basis, as are interest-bearing payables and receivables, where not regulated by specific contractual terms and conditions.

In addition to the companies with which RDM is directly and indirectly related, related parties include all related parties as such are defined by international accounting standards.

Amongs these transactions the following are mentioned:

- business relationships with Pac Service S.p.A., a company of which RDM owns 33%, in connection with sales of cardboard. Sales made in 2011 totalled Euro 2,658 thousand, while trade receivables at 31 December 2011 amounted to Euro 106 thousand. It should be note that during the year RDM has sold pro-soluto the receivables of Pac Service S.p.A. as consequence of the commencement of a factoring programme. For more detail see the 'Notes' contained in this Report;
- business relationships with R.D.M. Tissue Core S.r.l. in liquidation, a company of which RDM owns 51%, defined joint ventures, in connection with sales of cardboard. Sales made in 2011 totalled Euro 808 thousand, receipts in the same year totalled Euro 1,048 thousand, while trade receivables at 31 December 2011 amounted to Euro 365 thousand;
- following the business combination of Cascades Group as part of the overall agreement RDM sold its virgin fibre cartonboard customer list to Cascades S.A.S. at a price of Euro 1.2 million.
- Furthermore, within the combination agreement Reno De Medici S.p.A. and Cascades S.A.S. have retained, respectively, a call option to be exercised in 2012 and a put option to be exercised in 2013, on the European operations of Cascades S.A.S. in the virgin fiber carton board sector, presently located in the mills of la Rochette in France, and of Djupafors in Sweden.

SUBSEQUENT EVENTS

On 22 February 2012, Reno De Medici S.p.A. purchased the interest held by 4G S.r.l. in RDM Tissue core S.r.l. in liquidation, becoming the company's sole quotaholder. A resolution was adopted by shareholders at the extraordinary general meeting of 7 March 2012 to retract the liquidation status of RDM Tissue Core S.r.l.. This retraction has effect from 15 March 2012

Concerning the litigation initiated in 2008 by certain employees of the French subsidiary RDM Blendecques S.a.s., according to the complex restructuration process of French company, on 6 February 2012 the court of the first instance issued an initial ruling ordering the Company to pay an indemnity, against which the Company has appealed.

OUTLOOK FOR OPERATIONS

In the current economic and financial context there are still areas of uncertainty in particular as regards the trend of demand for mass consumption goods to which the packaging market is closely linked. As a consequence, it is difficult to make forecasts in relation to the recovery of demand even if the drastic fall due to the reduction of stocks of the last quarter of 2011 appears to have come to an end.

The order flows of the first months of 2012 confirm the above assessment. Indeed, sales levels have returned to "normal". The prices of the fibers appear to be following a slight downward trend even though not yet sufficient to be considered a longer-term trend. Margins are not substantially different from those recorded in the last quarter of 2011, as also considering that energy costs are slightly rising. In such a scenario, Reno De Medici will continue to ensure that the industrial efficiency and profitability of its business are preserved by adjusting production levels and prices to real demand.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

prepared pursuant to article 123-bis of the Consolidated Finance Law and article 89-bis of the Issuers' Regulations

FINANCIAL YEAR 2011

Approved by the Board of Directors of Reno De Medici S.p.A. at its meeting of 21 March 2012

www.renodemedici.it

1. GLOSSARY

Board	The Board of Directors of Reno De Medici S.p.A.
C.C.	The Compensation Committee of Reno De Medici S.p.A.
C.E.O.	Chief Financial Officer
Code	The Corporate Governance Code for listed companies approved by the Corporate Governance Committee in March 2006 and promoted by Borsa Italiana S.p.A.
Company/RDM	Reno De Medici S.p.A., having registered office at Via Durini 16/18, Milan, Italy
Consolidated Finance Law/TUF	Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented
Group	Reno De Medici S.p.A. and the companies it controls pursuant to article 2359 of the Italian civil code and article 93 of the Consolidated Finance Law
I.C.C.	The Internal Control Committee of Reno De Medici S.p.A.
Instructions to the Stock Exchange Rules	The instructions to the rules for the markets organised and managed by Borsa Italiana S.p.A.
Issuers' Regulations	The regulations relating to issuers published by Consob in resolution no. 11971 of 14 May 1999 as subsequently amended and supplemented
Market Regulations	The regulations relating to issuers published by Consob in resolution no. 16191 of 29 October 2007 as subsequently amended and supplemented
Report	This report on corporate governance and ownership structures pursuant to article 123-bis of the TUF
Stock Exchange Rules	The rules for the markets organised and managed by Borsa Italiana S.p.A.
Related Party Committee	The Related Party Committee of Reno De Medici S.p.A
Related-Party Regulation	The Regulation issued by the Consob by resolution no. 17221 of March 12, 2010 regarding related-party transactions, as subsequently amended and integrated
Year	The financial year ended 31 December 2011

2. PROFILE OF THE ISSUER

RDM's organisation is based on the traditional model and complies with the requirements of laws and regulations on the matter of listed issuers.

It is structured in the following manner:

2.1. ORGANISATION OF THE COMPANY

• SHAREHOLDERS' GENERAL MEETING

This body is competent to adopt resolutions in ordinary or extraordinary session on the matters reserved for it by the law and by the Company's articles of association.

• BOARD OF DIRECTORS.

This body is granted the widest powers for the ordinary and extraordinary management of the Company, having the faculty to take all such actions as may be appropriate for achieving the corporate purpose, excluding those reserved - by the law or by the articles of association - to the shareholders' general meeting. It may therefore take all the action it believes suitable, including disposition, for reaching the corporate object.

• BOARD OF STATUTORY AUDITORS.

This body has the duty to supervise the following:

- that the law and the Company's articles of association are being complied with as well as the principle of proper management;
- that the Company's organisational structure, its system of internal control and its administrative and accounting system are adequate; this includes ensuring that the latter system is reliable for representing operations correctly;
- the means by which the corporate governance rules provided by codes of conduct prepared by companies managing regulated markets or by trade associations, which in public statements the Company declares it complies with, are implemented in practice;
- the adequacy of the instructions given to subsidiaries in respect of the information to be provided to satisfy communication obligations.

• AUDITING COMPANY.

Legal Auditing is performed by a specialised company registered in the Consob roll, suitably appointed by the shareholders' meeting on the opinion of the Board of Statutory Auditors.

PricewaterhouseCoopers S.p.A. has been appointed to audit RDM. The company engaged to audit RDM is engaged in a similar manner in almost all of the members of the RDM Group. The appointment will expire on the occasion of the approval of Financial Statement at 31 December 2011.

2.2. OBJECTIVES AND BUSINESS MISSION.

It is RDM's intention to maintain and strengthen its position as a large-scale international competitor in the sector regarding cardboard produced from recycled materials.

In this respect the RDM Group is Italy's largest and Europe's second largest manufacturer in its sector.

The Group is present not only in Italy but also in Spain, France, Germany and the United Kingdom. The various types of cardboard produced by the Group are directed towards all the various uses to which it may be put in the packaging and publishing sectors. RDM's products are offered to the market through a series of different commercial channels as a means of getting closer to customer needs and improving the efficiency of the service provided. Customer service is an essential value for RDM and the Company pursues the objective of responding to the requirements of both production and product usage, in this way becoming the ideal partner of convertors and end users for guaranteeing quality, innovation and convenience.

RDM is also actively committed to the environment through its careful management of the energy and natural resources required in the production process. The closed cycle value chain for the product based on recycling represents a strength for the sustainability of the Group's operations.

RDM pursues its mission through strict compliance with the objective of creating value for its shareholders.

The steps and objectives assumed by the Company, which in conducting business and corporate activities it pursues through its directors, employees and collaborators, are realised in full compliance with the principles expressed in the Code of Ethics adopted by the Board of Directors which constitutes the basis and reference point of the Company's Organisational Model.

Concerning the commitment of RDM Group in favour of the green economy, please read our Social and Environmental Report for year 2011 issued on Company's website: www.renodemedici.it

3. INFORMATION ON THE OWNERSHIP STRUCTURE AT 21 MARCH 2012 (AS PER ARTICLE 123-BIS, PARAGRAPH 1 OF THE TUF).

3.1. SHARE CAPITAL STRUCTURE

Amount in euros of subscribed and paid-up share capital:

Euro 185,122,487.06 fully paid-up

Classes of shares making up share capital

- 377.471.641 ordinary shares each of nominal value Euro 0.49;
- 329.353 savings shares convertible into ordinary shares at the request of shareholders in February and September of each year.

	N° of shares	% of capital	Listed	Rights and obligations
Ordinary shares	377,471,641		Listed on the Star Electronic Stock Exchange (MTA)	Shares are registered and freely transferable. They grant attendance and voting rights at ordinary and extraordinary shareholders' meetings, dividend rights and the right to the refund of capital in the event of the winding up of the Company.
Savings shares	329,353			The holders of savings shares are not eligible to vote in either ordinary or extraordinary shareholders' meetings nor do they have the right to call such meetings. Shares confer dividend rights by the means established in the articles of association.
Shares with restricted voting rights	/	/	/	/
Shares not having voting rights	/	/	/	/

At the date of this Report RDM had not issued any other classes of shares or any financial instruments which are either convertible or exchangeable for shares.

At the date of this Report RDM had not share and had not approved any share-based incentive plans which could lead to increases in share capital, including bonus issues.

3.2. RESTRICTIONS ON THE TRANSFER OF SECURITIES

At the date of this Report the only restriction on the transfer of the Company's shares consists of the three-year lock-up period provided in the 2010-2011 financial instrument-based incentive plan for employees of the RDM Group as approved by shareholders in general meeting on 16 October 2009 and expired on 31 December 2011.

The restriction on circulation relates exclusively to any shares that the employee/beneficiary may own as a result of this plan.

Further information may be found in the Information Document as per article 114-bis of the TUF and article 84-bis of the Issuers' Regulations, a copy of which is published on the Company's website:
(www.renodemedici.it/investorrelations/documentieprospettiinformativi).

3.3. SIGNIFICANT HOLDINGS IN THE COMPANY'S CAPITAL.

At the date of this Report, on the basis of the entries in the shareholders' register and taking into consideration any communications pursuant to article 120 of the TUF and other information received, the following parties directly or indirectly own shares in the Company equal to or exceeding 2% of share capital:

Declarer	Direct shareholder	% of ordinary capital	% of voting capital
Cascades Inc.	Cascades s.a.s.	44.75	44.75
Industria e Innovazione S.p.A.	Industria e Innovazione S.p.A.	9.072	9.072
Caisse de dépot et placement du Québec	Caisse de dépot et placement du Québec	5.418	5.418
Fallimento Exeufis S.p.A. in Liquidazone	Exeufis S.p.A. in Liquidazone	5.512	5.512

3.4. SECURITIES GRANTING SPECIAL RIGHTS

The Company has not issued any securities which grant special control rights.

3.5. EMPLOYEE SHAREHOLDINGS: MEANS BY WHICH VOTES ARE EXERCISED

On 16 October 2009, the shareholders of RDM in general meeting approved an employee incentive plan in respect of which the Information Document prepared pursuant to article 114-bis of Legislative Decree no. 58/98 and pursuant to article 84-bis of the Issuers' Regulations and in particular in compliance with format 7 of annex 3 of the Issuers' Regulations has been drawn up and published; the plan may be consulted on the website www.renodemedici.it/investorrelations/documentieprospettiinformativi to which reference should be made. This Plan is expired on 31 December 2011 but the obligations for Beneficiaries are already in force.

Voting rights implicit in the shares acquired under this incentive plan belong to and are exercised directly by the owner of the shares.

3.6. RESTRICTIONS ON VOTING RIGHTS

At the date of this Report there were no restrictions or conditions on the exercising of voting rights. There are no financial rights connected to securities that are separate from the ownership of such.

3.7. AGREEMENTS BETWEEN SHAREHOLDERS

At the date to approval of the Corporate Governance, the Company has not know any Shareholders's Agreement.

3.8. CHANGE OF CONTROL CLAUSES

The Company has not entered any significant agreements that become effective, are modified or are terminated on the change of control of the contracting company.

The Company points out that the article number 9 of Incentive Plan for Management approved provides that *"In the event of the announcement of a public offer on the shares of RDM and/or of operations which may lead to a Change of Control, the Board of Directors will be able to pay fully or partially the Bonus in advance and the CAP will not be applied"*.

3.9. DELEGATIONS OF POWERS TO INCREASE SHARE CAPITAL AND AUTHORISATIONS TO PURCHASE TREASURY SHARES

At the date of this Report no powers had been delegated to the Board of Directors pursuant to article 2443 of the Italian civil code to increase the Company's share capital and/or issue equity financial instruments other than shares.

At the date of this Report shareholders in general meeting had not adopted any resolutions for the purchase of treasury shares pursuant to articles 2357 and following of the Italian civil code.

RDM did not hold any treasury shares at the date of this Report.

3.10. MANAGEMENT AND COORDINATION

RDM is not subjected to management and coordination pursuant to and to the effects of articles 2497 and following of the Italian civil code.

3.11. INDEMNITY OF THE DIRECTORS IN THE EVENT OF THEIR RESIGNATION OR DISMISSAL OR IN THE CASE THAT THEIR RELATIONSHIP CEASES FOLLOWING A PUBLIC TENDER OFFER

The Company points out that the information required by article 123-bis, paragraph 1 i) of the TUF is provided in the section of this Report dedicated to directors' compensation. Up to the approval of this Report, in compliance with art. 7 of Code of Borsa Italiana S.p.A. the Company points out that there are not agreements about indemnity of the directors in the event of their resignation or dismissal or in the case that their relationship ceases following a public tender offer.

3.12. INFORMATION PURSUANT TO ARTICLE 123-BIS PARAGRAPH 1 L)

The regulations applicable to the appointment and replacement of directors and those relating to amendments to the Company's articles of association are set out in the section of this Report dedicated to the Board of Directors. At the date of this Report there were not any agreement of replacement for executive Directors.

The articles of association do not contain any provisions relating to amendments to the articles other than those to be found in prevailing laws and regulations.

In addition, in compliance with article 2365 of the Italian civil code, the articles of association delegate the responsibility to the Board of Directors to adopt resolutions to update the articles for the requirements of laws and regulations.

3.13 ADHERENCE TO A CORPORATE GOVERNANCE CODE OF CONDUCT

Information on adherence to a corporate governance code of conduct may be found in Part 4 of the Report "Corporate Governance Structure of Reno De Medici S.p.A.". During 2012 the Company will update its system of corporate governance for the new provisions of the Corporate Governance Code issued by Borsa Italiana in December 2011.

3.14. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS: MAIN FEATURES IN RELATION TO THE FINANCIAL REPORTING PROCESS, INCLUDING CONSOLIDATED REPORTING

For information about the main features of existing risk management and internal control systems in relation to the financial Reporting process, including consolidated Reporting, reference should be made to Part 11 of the Report ("Internal Control System").

4. COMPLIANCE (AS PER ARTICLE 123-BIS, PARAGRAPH 2 A) OF THE TUF).

4.1. INTRODUCTION

RDM complies with the Corporate Governance Code adopted by Borsa Italiana in March 2006. This Code is available on the website of Borsa Italiana (www. borsa italiana.it). Reno De Medici had adopted the traditional governance system.

The corporate governance system adopted by the Company sets itself the primary objective of creating value for shareholders, with the awareness of the importance of transparency in the way choices are made and business decisions are arrived at and the need to set up an effective internal control system. The Company is constantly engaged in identifying and pursuing initiatives and steps designed to improve its corporate governance system. In carrying out this process of continuous improvement the Company pays attention to national and international best practice.

In compliance with applicable laws and regulations this Report describes RDM's system of corporate governance and provides details of the practical means by which the Company implements the requirements of the Code.

4.2. MAIN CORPORATE GOVERNANCE TOOLS

Set out below is a list of the main corporate governance tools used by the Company, which also enable it to comply with the most recent provisions of laws and regulations, the provisions of the Code and national and international best practice:

- Articles of Association.
- Code of Ethics.
- The Organisational and Administrative Model as per Legislative Decree no. 231/01 and respective protocols and procedures.
- Internal Control Committee regulations.
- Regulations for transactions carried out with related parties.
- Regulations for managing privileged information and the establishment of a register of persons having access to that information.
- Internal Dealing Code.

5. INFORMATION ON THE IMPLEMENTATION OF THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE.

5.1. BOARD OF DIRECTORS

5.1.1. APPOINTMENT AND REPLACEMENT

The Company is managed by a Board of Directors consisting of not fewer than seven and not more than fifteen members. From time to time before electing the board shareholders in general meeting determine the number of its members within such limits.

Directors are appointed for a term not exceeding three fiscal years and may be re-elected in accordance with article 2383 of the Italian civil code.

The appointment and replacement of members of the Board of Directors is governed by article 12 of the articles of associations that establishes: *"The Board of Directors shall be appointed on the basis of lists presented by shareholders following the procedure defined below, in which candidates shall be assigned a sequential number.*

The lists presented by shareholders and signed by those presenting them shall be lodged at the Company's registered office at least fifteen days prior to that determined as the date of the Shareholders' Meeting in first call; the lists shall be made available to whoever makes a request and shall be subject to all the other forms of communication provided by the laws and regulations prevailing at the time.

Shareholders who are members of a shareholders' pact pursuant to article 122 of Legislative Decree no. 58/ 1998, the controlling entity, a subsidiary or an entity under common control pursuant to article 93 of Legislative Decree no. 58/1998, may not present, or take part in the presentation of, including by intermediate third party or trustee company, more than one single list, nor may they vote for any other list; no person may be a candidate in more than one list, failing which he or she shall be ineligible. The names of persons included in voting lists prepared in breach of the above and the votes cast in breach shall not be assigned to any list.

Only those shareholders who on their own or together with other presenting shareholders hold a total number of shares with voting rights that represent at least 2.5% of share capital with voting rights in the ordinary shareholders' meeting or, if different, the maximum percentage permitted by any applicable laws and regulations, shall be entitled to present lists.

The following shall be lodged together with each list within the terms described above: (i) an appropriate certificate issued by an intermediary qualified pursuant to law that demonstrates the ownership of the number of shares required to present the lists; (ii) the statements made by the individual candidates in which they accept their nomination, affirm under their own responsibility that there are no reasons for which they are ineligible or incompatible with the position and confirm that they possess the requisites for the respective positions; (iii) a curriculum vitae of each candidate relating to his or her personal and professional characteristics, with a description as appropriate of the reasons justifying why he or she should be considered to be independent pursuant to article 148, paragraph 3, of Legislative Decree no. 58/1998.

Any lists presented without following the preceding provisions shall be considered as not having been presented.

The election of the Board of Directors shall proceed as follows:

a) all the directors except one shall be taken from the list obtaining the highest number of votes cast by the shareholders, in the sequential order in which they are stated in the list;

b) the remaining director shall be taken from the minority list which obtained the second highest number of votes cast by the shareholders; this list shall not be connected in any way whatsoever, not even indirectly, with either the list referred to at paragraph a) or with the shareholders who presented or voted in favour of the list referred to at paragraph a).

To this purpose, any lists which fail to receive a number of votes equal to at least one half of those required to present the lists, as referred to at the eighth paragraph of this article, shall in any case not be taken into consideration.

If the candidates elected by the above-mentioned procedure are insufficient to ensure that the number of directors holding the independence requisite established for statutory auditors by article 148, paragraph 3, of Legislative Decree no. 58/1998 are appointed, which is equal to the minimum number established by law in relation to the total number of directors, the non-independent director who was elected last in the sequential order of the list obtaining the highest number of votes, as referred to in paragraph a) of the preceding paragraph, shall be replaced by the first, in sequential order, unelected independent candidate of the same list or, failing that, by the first unelected independent candidate in sequential order of the other lists, on the basis of the votes they each obtained. This replacement procedure shall continue until the Board of Directors consists of the number of members needed to hold the requisites called for by article 148, paragraph 3, of Legislative Decree no. 58/1998, equal to at least the minimum number provided by law. If this procedure is unable to ensure that the required result is obtained, then a replacement shall be found by passing a resolution by a relative majority at a shareholders' meeting, subject to the presentation for appointment of candidates holding the mentioned requisites.

In the case that only one list is presented or in the case that no lists are presented at all, the shareholders' meeting shall pass resolutions with the majorities provided by law without following the above procedure.

Different or additional provisions of mandatory laws or regulations shall remain binding.

If one or more directors should fall from office at any time during the financial year, provided that the majority continues to consist of directors appointed by the shareholders' meeting, the provisions of article 2386 of the Italian civil code shall apply as follows:

- *a) the Board of Directors shall select the replacement from the members of the same list as that to which the former director or directors belonged, ensuring however that there is still the number of directors having the independence requisites called for by article 148, paragraph 3, of Legislative Decree no. 58/1998, equal to at least the minimum number established by law, and the shareholders' meeting shall adopt its resolution, with the majorities required by law, following the same criteria;*
- *b) if there are no unelected candidates in the list referred to or if there are no candidates in the list having the requisites called for, or in any event when for whatever reason it is not possible to follow the requirements set out in paragraph a), the Board of Directors shall make the replacement, as shall the shareholders' meeting subsequently, with the majorities required by law in the absence of a list vote.*

In any case the Board and the shareholders' meeting shall proceed with the appointment in order to ensure that the number of independent directors satisfies the total minimum number required by the laws and regulations prevailing at the time. Nevertheless, the shareholders' meeting may resolve that the number of the members of the Board be reduced to the number of the directors then in office for the remaining portion of their term.

If at least one half of the directors appointed by the shareholders' meeting should fall from office for any reason, then all the members of the Board shall be deemed fallen from office; in that case the directors still in office shall convene a shareholders' meeting forthwith to appoint a new Board.

In a similar manner the Board shall remain in office until the shareholders' meeting has adopted a resolution for its renewal; until that takes place the Board of Directors may only carry out acts having the nature of ordinary administration".

Pursuant to article 13 the Board shall elect a chairman from among its members and may elect one or more deputy chairmen.

The Company is not obliged to respect any laws or regulations on matters of the composition and characteristics of the Board of Directors other than those provided by the TUF.

The resolution number 18083 dated 25 January 2012 of Consob confirmed the percentage of 4.5% of share capital with voting rights in the ordinary shareholders' meeting in compliance with article number 144-*quarter* TUF.

5.2 PRESENT COMPOSITION

The ordinary shareholders' meeting of 27 April 2011 determined in 9 the number of members of the Board of Directors currently in office, consisting of the following directors: Messrs. Giuseppe Garofano, Ignazio Capuano, Giulio Antonello, Christian Dubé, Sergio Garribba, Laurent Lamaire, Vincenzo Nicastro, Carlo Peretti and Robert Hall. The Board in force was appointed by the only list of Cascades s.a..

The present Board of Directors is composed to 9 members and they remain in office until the ordinary shareholders' meeting called to approve the financial statements for financial year 2013. The Directors are shared in: 3 executive directors (as per the definition in the Code) and 6 non-executive directors, 3 of whom are Independent.

Name	Office held
Christian Dubè	Chairman - Executive
Giuseppe Garofano	Deputy Chairman - Executive
Ignazio Capuano	Managing Director - Executive
Giulio Antonello	Non-executive
Sergio Garribba	Non-executive -Independent
Robert Hall	Non-executive
Laurent Lemaire	Non-executive
Vincenzo Nicastro	Non-executive -Independent
Carlo Peretti	Non-executive -Independent

On 27 April 2011 the Board of Directors checked that the pre-requisites for independence held by the directors Sergio Garribba, Vincenzo Nicastro and Carlo Peretti.

Information regarding the personal and professional characteristics of the individual members of the Board of Directors is contained in the following short curricula vitae:

Christian Dubè

Born in Canada in October 1956, he was awarded a degree in Business Administration from Laval University in 1979. Specialising in corporate finance and M&A, he worked for Domtar Inc from 1996, becoming the company's CFO in 1998, a position he held until 2004. Since 2004 he has been vice president and CFO of Cascades Inc.. Currently, he is not Director in other Italian listed company.

Giuseppe Garofano

Born in Nereto (Teramo) in 1944, he graduated in Chemical Engineering at the Milan Polytechnic and took a diploma in Business Economics (which then became a Master in Business Administration) at the SDA Bocconi University School of Management in 1972. He began his professional work as a process engineer in Montedison, then moving on to work at Istituto Mobiliare Italiano (IMI) and Morgan Stanley - First Boston in New York.

He has been Deputy Chairman and Managing Director of Iniziativa Meta and chairman of Montedison.

Formerly a Director, among other things, of leading banks and insurance companies such as Fondiaria S.p.A. (Deputy Chairman), Milano Assicurazioni S.p.A. (Deputy Chairman), RAS, Previdente Assicurazioni (Chairman), Deutsche Bank Italia and Mediobanca - Banca per il Credito Finanziario S.p.A., he has also been a member of the Advisory Board of the EBRD (European Bank for Reconstruction and Development).

Positions as Director or Statutory Auditor in other companies listed on Italian and non-Italian regulated markets, in financial companies, banks and insurance companies or in companies of considerable size:

Chairman of the Board of Directors of RCR Cristalleria Italiana S.p.A.;

Chairman of the Board of Directors of Manucor S.p.A.,

Chairman of the Board of Directors of Industria ed Innovazione S.p.A.;

Deputy-Chairman of Board of Directors of Alerion Clean Power S.p.A.;

Member of Board of Directors of Autostrada Torino –Milano S.p.A.;

Member of Board of Directors of Banca MB S.p.A.;

Member of Board of Directors of CBM S.p.A.;

Member of Board of Directors of Efibanca S.p.A.;

Member of Board of Directors of Pellegrini S.p.A..

Ignazio Capuano

Born in Palermo in 1957, he took a degree in Hydraulic Engineering, following which he successfully attended an economic masters course at New York University. His working activities have been concentrated from the beginning in the strategic finance, planning and industrial development sector. General manager for Italy for the Saffa Group (subsequently merged with Reno De Medici S.p.A.) from 1998 to 2003, he then assumed the position of managing director of the RWE Italy, working in the energy and environmental development sector.

Giulio Antonello

Giulio Antonello, born Bari in 1968, graduated in economics, specialising in finance, in May 1990 at The Wharton School of Finance, University of Pennsylvania. He took a masters in International Affairs at the Columbia University of New York. He began his professional experience as a UI USA financial analyst in 1990 in New York, was controller (Chairman's assistant) at Cemconsult AG (Holcim Group) in Zug from 1992 to 1994 and was an associate of IBI Bank AG in Zurich from 1996 to 1997. He has also held a position as Director at: Concrete Milano S.p.A.; Industriale Calce S.p.A.; Dolomite Colombo S.p.A.; Star S.p.A.; Think S.p.A.; Bonaparte 48 S.p.A.; Castello di Casole S.p.A.; Norman S.p.A.; Campisi SIM; NuovaAntenna3 S.p.A.

Positions as Director or Statutory Auditor in other companies listed on Italian and non-Italian regulated markets, in financial companies, banks and insurance companies or in companies of considerable size:

Managing Director of Alerion Clean Power S.p.A..

Member of Board of Directors of IBI Corporate Finance BV;

Member of Board of Directors of Findea S.p.A.;

Member of Board of Directors of Mediapason S.p.A.;

Member of Board of Directors of IBI S.p.A..

Member of Board of Directors of Alerion Energie Rinnovabili S.p.A.;

Member of Board of Directors of SIAS S.p.A.;

Member of Board of Directors of Industria ed Innovazione S.p.A.;

Sergio Garribba

Born in Cles (TN) on 11 July 1939, he holds a degree in Nuclear Energy from the Milan Polytechnic, where he was an ordinary professor, and the University of California. Prof. Sergio Garribba is one of the leading experts in the energy sector. He has held numerous positions in this sector for various international organisations and has been an advisor to the Italian government on several occasions. He was director general of the Energy and Mineral Resources Department at the Ministry of Economic Development from January 2004 to November 2006 and is the joint author of a series of publications, including 20 books.

Robert Hall

Robert Hall holds a degree from the University of Sherbrooke in 1983. Before joining Cascades Group in 1994, Robert Hall was a partner with the law firm Byers Casgrain in Montreal. He has been a member of the Québec Bar continuously since 1984 and is a member of the CBA.

Laurant Lemaire

Born in Drummondville (Canada) on 2 January 1939, he was awarded a degree in Commerce by the University of Sherbrooke in 1962. In 1992 he became chairman and CEO of Cascades Inc., a position he handed over to his brother Alain in July 2003, becoming executive vice president. The numerous and important successes which he achieved as head of Cascades Inc. have led to his recognition in several ways by various Canadian institutions.
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Vincenzo Nicastro

Born in Rome in 1947, he graduated with first class honours in jurisprudence. Lawyer who may represent clients in the Supreme Court. Amongst other things he has been a special administrator of the Mandelli Group in special administration; a member of the group of special administrators of the Fornara Group in special administration; the Chairman of the Board of Statutory Auditors of Cariverona S.p.A.; a Statutory Auditor of Infracom S.p.A., Granarolo S.p.A. and Centrale del Latte di Milano S.p.A.; the Chairman of the Board of Directors and then Chairman of the Board of Statutory Auditors of the liquidators of Inma S.p.A.; a Director of the Piccolo Teatro di Milano – Teatro d'Europa.

Author of several publications in the Ned (Non Executive Directors) Community.

Positions as Director or Statutory Auditor in other companies listed on Italian and non-Italian regulated markets, in financial companies, banks and insurance companies or in companies of considerable size:

Chairman of the Board of Directors of RED.IM S.r.l. (company of the Realty Vailog Group);

Member of Board of Directors of Industria ed Innovazione S.p.A.;

Statutory Auditor of Unicredit S.p.A.;

Statutory Auditor of COSUD S.r.l.;

Statutory Auditor of Unicredit Leasing S.p.A.;

Chairman of Board of Statutory Auditor of Unicredit Coporate Banking S.p.A.;

Chairman of Board of Statutory Auditor of Chia Hotel & Resort S.r.l.;

Chairman of Board of Statutory Auditor of Credit Agricole Private Equity Sgr S.p.A.;

Chairman of Supervisory Board of Filati Bertrand in A.S.

Special Commissioner of Carrozzeria Bertone S.p.A. and Bertone S.p.A.;

Carlo Peretti

Born in Florence in 1930, he was awarded a degree in Electronic Engineering by the Turin Polytechnic.

He began his professional experience in 1953 at Fatme Ericsson, in the area of the design and production of telephone exchanges.

He worked at Ing. C. Olivetti & C. S.p.A. and from 1959 in the Olivetti Computers Division, where he held various positions including Managing Director and General Manager and, from 1985 to 1997, Chairman of the Board of Directors. He has been involved in the restructuring of businesses in difficulty, such as the Rizzoli Corriere della Sera Group (RCS Media Group), where he held the position of Deputy Chairman, and Cartiere Sottrici Binda S.p.A., where he held the position of Chairman.

Positions as Director or Statutory Auditor in other companies listed on Italian and non-Italian regulated markets, in financial companies, banks and insurance companies or in companies of considerable size:

Chairman of the Board of Directors of Vodafone Omnitel N.V..

Member of Board of Directors of Industria ed Innovazione S.p.A.;

Member of Board of Directors of Risanamento S.p.A.;

Member of Board of Directors of Gancia S.p.A.;

Member of Board of Directors of JAV Group S.p.A.;

Member of Board of Directors of BTS;

Member of Supervisory Board of Equinox Fondo Investimenti

At the date of this Report, considering the high skills of Directors, the Company had choose to no fix a maximum number of appointment for its each Members. On 10 February 2012, considering the number and engagement of each Director the Board of Directors see fit its composition.

5.3. ROLE AND DUTIES OF THE BOARD OF DIRECTORS

The Board of Directors is vested with the widest powers for the ordinary and extraordinary management of the Company. The Board may therefore perform any acts, including acts of disposition, it deems appropriate for the achievement of the Company's objects, to the exclusion only of any acts expressly reserved for the shareholders' meeting by law.

More specifically and also in the light of the new procedure for related party transactions, the duties and roles of the management body may be summarised as follows:

- review and approve the strategic plans, business plans and financial plans of the Company and the Group it heads, the Company's corporate governance system and the Group's structure;
- approve material transactions as identified in the procedure for related party transactions approved by the Company pursuant to the Related Parties Regulations;
- assess annually the adequacy of the organisational, administrative and general accounting structure of the Company, the Group and subsidiaries having strategic importance, as prepared by the Managing Director, with specific reference to the adequacy, effectiveness and effective working of the internal control system and as to how conflicts of interest are managed;
- assign and withdraw the powers of delegated bodies, excluding matters reserved solely for the competence of the board pursuant to article 2381 of the Italian civil code and the provisions of the Company's bylaws, establishing the limits to these powers and the way the bodies operate;

- approve the compensation of the Managing Director and the other Directors holding specific positions, including attendance at the committees set up by the Board of Directors, subject to a review of the proposals submitted by the compensation committee and after consultation with the Board of Statutory Auditors pursuant to article 2389, paragraph 3 of the Italian civil code;
- allocate the total compensation due to members of the board in the absence of a specific resolution of shareholders on the matter;
- review the general performance of operations, taking into consideration in particular the information received from the delegated bodies, and periodically compare the results achieved with those planned;
- review and provide prior approval of the transactions and operations performed by the Company and its subsidiaries when such transactions and operations have significant strategic importance or have significant importance with regard to the Company's results, assets or financial position, giving specific attention to situations where one or more Directors hold interests on their own behalf or that of third parties and, more generally, to transactions and operations with related parties;
- assess on an annual basis the size, composition and working of the board itself and its committees, possibly expressing an orientation on the professional figures whose presence on the board is considered appropriate;
- provide information in the corporate governance Report on the performance of the above-mentioned duties and, in particular, on the number of board meetings held during the year and the respective percentage attendance by each Director;
- establish the lines of direction for the internal control system and risk management system, so that the main risks concerning the issuer and its subsidiaries are properly identified and suitably measured, managed and monitored, additionally establishing the degree to which those risks are compatible with a correct and healthy management of the business that is consistent with the strategic objectives that have been identified;
- assess at least on an annual basis the adequacy, the effectiveness and the effective working of the internal control system and the risk management system with respect to the business's features and the risk profile assumed, together with its effectiveness.

Without prejudice to the provisions of articles 2420-ter and 2443 of the Italian civil code, resolutions on the following matters, which must in any case be adopted in compliance with article 2436 of the Italian civil code, are the competence of the Board of Directors:

- mergers in the cases provided for by articles 2505 and 2505-bis of the Italian civil code, including those regarding demergers referred to by article 2506-ter of the Italian civil code;
- the opening or closing of secondary offices;
- the transfer of the registered office anywhere within the national jurisdiction;
- an indication of which directors shall have powers of legal representation;
- any capital reduction on a withdrawal; and
- amendments to be made to the articles of association for compliance with applicable laws and regulations.

In compliance with art. 15 of ByLaw the resolutions relating to any of the matters listed below are of the sole competence of the Board of Directors and must be adopted by favoreble vote of the majority of Directors:

a) any proposal to be submitted to an extraordinary shareholders' meeting whose subject or effect is an increase in the Company's share capital, with the exception of proposals to reduce and at the same time increase capital pursuant to articles 2446 and 2447 of the Italian civil code;
b) any purchase, sale or leasing of businesses, parts of businesses, assets, including property assets or equity investments representing non-current assets (including the purchase or sale of treasury shares and the redemption of shares), whose value, for each individual transaction or for a series of linked transactions (or those functional to carrying out the same transaction), exceeds Euro 10,000,000.00 (ten million);
c) any proposal to be submitted to a shareholders' meeting regarding the distribution of dividends and/or reserves, in whatever form, and/or voluntary reductions in share capital, or any resolution to distribute interim dividends;
d) the stipulating of loans, mortgages or agreements regarding any other financial debt of any nature, having a term exceeding eighteen months and whose value, for each individual transaction or for a series of linked transactions (or those functional to carrying out the same transaction), exceeds Euro 10,000,000.00 (ten million);

e) the appointment or revocation of powers of the managing director and the finance and administration manager, as well as the assignment, amendment or revocation of the powers granted to persons holding such positions;

f) the compensation, in whatever capacity, paid to the Company's managing director and the remuneration policies for top management;

g) the approval of strategic plans and annual and multi-annual budgets and changes of strategic importance to those plans and/or budgets.

The Board also has reserved for its exclusive competence the approval of large transactions and transactions with related parties. (reference should be made to chapter 11 of this Report in this respect).

The Board of Directors of RDM met on 5 occasions during 2011 with each meeting lasting an average of 4 hours.

On 16 January 2012, the Company issued a timetable which schedules the dates for five meetings of the Board of Directors in 2012. At the date of this Report one meeting (namely that of 10 February 2012 regarding the approval of the interim Report on operations at 31 December 2011) had already been held.

The financial calendar may be consulted on RDM's website.

Non-board members also took part in meetings of the Board of Directors in 2011, such as Mrs. Veronica Arciuolo as head of legal and corporate affairs, who also acted as the secretary to the Board, and Mr. Stefano Moccagatta as CFO and manager in charge of the preparation of the accounting records. In addition, from time to time the Board evaluates the need to have other people attend Board meetings, depending on the matters on the agenda, for the purpose amongst other things of availing themselves of persons with specific specialist skills.

All information relating to the compensation paid to the members of the Board of Directors is contained in chapter 8 of this Report: Directors' Compensation.

At the date of this Report no directors had communicated that they perform activities which compete with those of the Company. In this respect the shareholders' meeting has not provided general and prior authorisation to any of the exceptions to the prohibition to compete included in article 2390 of the Italian civil code.

At its meeting of 10 February 2012, the Board of Directors concluded that RDM's general organisational, administrative and accounting and administrative structure is adequate. In particular, the Board expressed a positive opinion on the implementation of, and changes made to, the accounting and administrative procedures prepared and adopted by the manager in charge during 2011, considering them to be adequate for the characteristics of the Company.

5.4. DELEGATED BODIES: CHAIRMAN, DEPUTY CHAIRMAN, MANAGING DIRECTOR

The Board of Directors may delegate its functions to an executive committee (provided by article 16 of the Company's articles of association) or alternatively to the chairman and/or other members of the board, appointing one or more managing directors. The delegated bodies may in their turn, as part of the functions assigned to them, delegate powers for single acts or categories of acts to employees of the Company and third parties, with the possibility of sub-delegation.

At the date of this Report the Board of Directors had not appointed an executive committee. The Executive Directors are:

Chairman of the Board of Directors

Save absence or impediment the Chairman of the Board of Directors calls meetings of the Board, coordinates the activities of such meetings and leads the proceedings, ensuring that adequate and timely information is provided to the directors to enable the Board to express its opinion with the due required knowledge on the matters submitted for its assessment.

At its meeting of 27 April 2011 the Board of Directors assigned to the Chairman, Mr. Christian Dubè, all the powers provided by the law and by the Company's articles of association to represent the Company with respect to third parties and in a court of law, specifying that he may carry out any act which taken on its own does not lead to a payment, a withdrawal or an investment exceeding Euro 10,000,000.00. Despite the fact that operational powers have been assigned to the Chairman of the Board of Directors he should not be considered to be the principal person in charge of the management of the Issuer, as this role is carried out by the Managing Director.

For this reason, applying the provisions of article 2 of the Corporate Governance Code the Company has not appointed a Lead Independent Director.

The Chairman of the Board of Directors ensures at board meetings that the necessary time is dedicated to each of the matters listed on the agenda to enable a constructive debate to take place and encourages contributions from Directors during the course of the meetings; in addition, he ensures, together with the secretary to the Board of Directors, Mr. Arciuolo, that the information provided before the meeting is given on a timely basis and is complete, using the necessary means to maintain the confidentiality of the data and information supplied. On average, the documents regarding matters on the agenda should be sent to all the Directors and Statutory Auditors with 5 days' notice. If the documentation is bulky or complex, then it should be accompanied by summaries. Only in urgent situations should the documentation be made available as soon as possible. When the chairman sees fit, in connection with the contents of a subject and the respective resolution, the information documents may be provided directly in the meeting, with notice of this being given to the Directors and Statutory Auditors. In this case, in addition to providing all the explanatory documentation required and any explanations that may be requested, the Chairman may also suspend the sitting to enable all the Directors and Statutory Auditors to study the documentation they have received so that they may cast their votes in a fully aware and informed manner.

Finally, given that certain Directors are not of Italian nationality, all the information is also provided in English.

Deputy Chairman of the Board of Directors

In the event of the absence and/or impediment of the Chairman, the Deputy Chairman convenes the Board of Directors and chairs meetings of the Board. On 27 April 2011 the Board of Directors appointed Mr. Giuseppe Garofano as Deputy Chairman and assigned to him all the powers provided by the law and by the Company's articles of association to represent the Company with respect to third parties and in a court of law, specifying that he may carry out any act which taken on its own does not lead to a payment, a withdrawal or an investment exceeding Euro 10,000,000.00, subject to prior agreement with the Chairman, also informally.

The Chairman and the Deputy Chairman provide immediately all information to Board and Statutory Auditors in case of exercise of their powers.

Managing Director

At its meeting of 27 April 2011 the Board of Directors appointed Mr. Ignazio Capuano as Managing Director, granting him the widest powers of ordinary and extraordinary management, excluding those which the law or the Company's articles of association specifically reserve for the shareholders' meeting or for the Board collegiately. Such powers may be exercised by sole signature for transactions not leading, singly, to spending commitments exceeding Euro 10,000,000. The Board also delegated the Managing Director with the task of supervising the technical and manufacturing operations of the Company.

Pursuant to the Company's articles of association and in compliance with the requirements of article 150 of the TUF, the Managing Director Reports to the Board of Directors and the Board of Statutory Auditors at least on a quarterly basis, and in any event at meetings of the Board, on the activities he has performed, on operational performance in general, on the outlook for operations and on the most significant transactions of an economic, financial or capital nature, and in any case the most significant due to their size or features, carried out by the Company and its subsidiaries; in particular, the Managing Director Reports on transactions in which he has an interest, on his own behalf or on behalf of third parties, and on any abnormal or unusual transactions or related party transactions which are not reserved for the sole competence of the Board. This information is provided, in general, at the same time as the Board of Directors approves the periodic accounting information (the financial statements, the half-year Report and the quarterly Reports).

In 2011 this information was Reported by the Managing Director to the Board of Directors and to the Board of Statutory Auditors on a quarterly basis, at the same time as the Board of Directors approved the periodic accounting information (the financial statements, the half-year Report and the quarterly Reports) and is included in the minutes of the individual meetings.

As part of the information he provides on a periodic basis to the Board, the Managing Director also furnishes members with adequate, specific and detailed information on various different aspects of the Company and the Group (even if not strictly connected with its core business), with the aim of increasing the directors' knowledge of the business reality and the events taking place.

For the purpose of enhancing the value of board meetings as being a typical moment when the Directors (and in particular the non-executive Directors) can acquire suitable information concerning the Company's operations, the Managing Director ensures that the managers in charge of business functions who have competence concerning matters on the agenda will remain at the board's disposal to attend these meetings and/or the meetings of the various committees when requested.

5.5. NON-EXECUTIVE DIRECTORS

The Board consists for the most part of non-executive members (as it lacks delegated operational powers and/or executive functions within the business), in order to ensure that in terms of number and authoritativeness their opinion may have a significant weight when board decisions are taken.

The non-executive directors bring their specific skills to board discussions, thereby encouraging an examination of the matters being discussed from different viewpoints and accordingly leading to decisions being taken to adopt resolutions which are meditated, informed and in line with the corporate interest.

With the exception of the Chairman, the Deputy Chairman and the Managing Director, the other 6 members of the Board are all non-executive.

5.6. INDEPENDENT DIRECTORS

As a means of implementing the provisions of the Code, at its meeting of 27 April 2011 the Board of Directors made an assessment on the basis of the information provided by the individuals concerned or in any case that available to the Company as to the independence of the directors acting in that role. This assessment was performed at a Board meeting but in the absence of the members concerned. The Board of Statutory Auditors checked that the criteria and procedures followed by the Board for assessing whether the independence requirements continued to exist were adequate and suitable.

The independent directors met on three occasion in 2011, noting that there were no matters to be brought to the attention of the Corporate Bodies. The results were issued to the market by a press release.

5.7. LEAD INDEPENDENT DIRECTOR

At the date of this Report a lead independent director had not been appointed as the premises of the Code were not applicable.

6. PROCESSING OF CORPORATE INFORMATION

The Board of Directors has approved the procedures - which incorporate the recommendations of Consob and Borsa Italiana and the laws and regulations implementing the European Market Abuse Directive - which establish the requirements for communicating privileged information to the public and define the rules for acquiring the data and information from subsidiaries needed to provide adequate and timely information to the Board and to the market on events and circumstances which could end up being privileged information.

The Code of Conduct on the subject of internal dealing is available on the Company's website. For this purpose it is noted that during the sitting on 4 November 2011, the Board of Directors, with the favourable opinion of the internal control committee and the Board of Statutory Auditors, adopted the new Internal Dealing Procedure and the new Inside Information Procedure, replacing those existing previously. During 2012 the Company will assess the possibility of making changes to the Internal Dealing Procedure to update it for the modifications introduced by Consob Resolution no. 18079 of 20 January 2012 (published in Official Journal no. 31 of 7 February 2012), which amongst other things deals with disclosures of transactions performed by significant persons and persons closely associated with significant persons, as per article 114, paragraph 7 of Legislative Decree no. 58 of 24 February 1998.

6.1. PROCEDURE FOR THE EXTERNAL COMMUNICATION OF PRIVILEGED INFORMATION

During the meeting of 4 November 2011, the Board has approved the new procedure for the "Maintenance and updating of the register of persons having access to privileged information in RDM", in accordance with the provisions of article 115-bis of the TUF.

This procedure, incorporating the provisions of the Issuers' Regulations, determines the following:

(i) the means and terms by which persons are entered in the register and possibly subsequently cancelled from the register, being those persons who due to their working or professional activities or due to the functions they perform on behalf of RDM have access to privileged information on a regular or occasional basis;

(ii) the means by which the person concerned is informed that his or her name has been entered in or cancelled from the register, together with the related reasons.

During the 2011 the Internal Audit verified that the Procedure is adequate.

6.2 INTERNAL DEALING

The Board has additionally approved the "Procedure relating to the identification of significant parties and to the communication of transactions performed by such parties, including those carried out through intermediaries, whose subject is shares issued by RDM S.p.A. or financial instruments linked to these".

This procedure was drawn up to comply with article 114, paragraph 7 of the TUF.

In compliance with the mentioned Procedure, on 27 August 2008 the Board appointed Mrs. Veronica Arciuolo as Manager in charge of Registry.

7. INTERNAL BOARD COMMITTEES

An Internal Control Committee, the Related Party Committee and the Compensation Committee have been created within the Board of Directors for the purpose of enhancing the effectiveness and efficiency of the proceedings of the Board.

As demonstrated by the best Italian and international practice, far from acting as a replacement for the Board of Directors in carrying out their duties, the committees perform a precious role by carrying out preliminary enquiries and acting as a driver - which materialises in the drafting of proposals, recommendations and opinions - thus allowing the board to take its decisions on a more informed basis. In the case of the RDM Group, this role has turned out to be particularly effective in regard to dealing with delicate matters, given the variegated composition of the board.

Taking into consideration the fact that the present list vote mechanism ensures that there are transparent appointment procedures and a balanced composition of the Board, guaranteeing in particular the presence of an adequate number of independent directors, the Board of Directors has considered it unnecessary to create a committee within the Board to deal with proposals for the appointment of directors.

8. COMPENSATION COMMITTEE

8.1. COMPOSITION OF THE COMPENSATION COMMITTEE

The Compensation Committee consists of 3 non-executive directors, two of whom are independent.

The members of the Compensation Committee are as follows: Mr. Vincenzo Nicastro (independent), who acts as the committee's chairman, Mr. Robert Hall, Mr. and Mr. Carlo Peretti (independent).

The Committee met twice in 2011: a) the first time on 21 March 2011, to review the phantom share based Incentive Plan for the management of the Group for 2011-2013; b) the second time on 27 April 2011, to draft the proposal for the new Board of Directors for assigning compensation to Directors with specific positions, pursuant to article 2389 of the Italian civil code, and to the members of each Committee. Each meeting lasted on average 2 hours. The Board of Statutory Auditors attends the meetings of the Compensation Committee.

Minutes are kept of the meetings of the Compensation Committee.

8.2. FUNCTIONS OF THE COMPENSATION COMMITTEE

In accordance with the Corporate Government Code, the Compensation Committee has the duty to present proposals to the Board regarding the remuneration of directors having specific positions, monitoring that the decisions taken by the Board are implemented, assessing on a periodic basis the criteria adopted to determine the remuneration of managers with strategic responsibilities, where such exist, supervising their application on the basis of the information provided by the managing directors and drawing up general recommendations for the Board of Directors on this subject.

There are not Strategic Managers in compliance with the requirements of TUF and R.E. excepting Mr. Capuano as CEO.

The establishment of this committee ensures that the most ample and transparent information on the compensation due to directors having specific positions is available, together with the respective means by which it is determined. It is nonetheless specified that in compliance with article 2389, paragraph 3 of the Italian civil code, the Compensation Committee has the sole function of making proposals, whereas the power of determining the compensation paid to directors having specific positions remains in all cases with the Board of Directors after consultation with the Board of Statutory Auditors.

9. DIRECTORS' COMPENSATION

9.1. COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS

The directors' compensation has been approved by shareholders in general meeting.

On 27 April 2011 shareholders in general meeting adopted a resolution to pay total gross annual compensation of Euro 180,000.

A resolution for the compensation of executive directors, also by virtue of the provisions of article 2389 of the Italian civil code, was adopted by the Board of Directors on the proposal of the Compensation Committee and with the favourable opinion of the Board of Statutory Auditors.

On 27 April 2011, on the proposal of the Compensation Committee and with the favourable opinion of the Board of Statutory Auditors, the Board of Directors assigned, also pursuant to article 2389, paragraph 3 of the Italian civil code, annual compensation of € 100,000.00 to the Chairman, Mr. Christian Dubé, annual compensation of € 75,000.00 to the Deputy Chairman, Mr. Giuseppe Garofano, and gross annual fixed remuneration of Euro 204,000.00 to the Managing Director. It is noted that for his position as General Manager Mr. Capuano is assigned both fixed remuneration and variable remuneration based on reaching certain business objectives determined by the Chairman of the Board of Directors. In this respect it should be noted that in drawing up its proposal for the Board, the Compensation Committee considered it both essential and fundamental that such should be sufficient for attracting, keeping and motivating the executive Directors, also in the light of the specific professional skills and commitment requested of them. In addition, thanks to the adoption of the Incentive Plan for 2011-2013 (cf. below), the remuneration of the Executive Directors and key (but not 'strategic') executives is defined in such a way as to align their interests with the pursuit of the priority objective of the creation of shareholder value in a medium-long time frame, as well as being linked to achieving specific business performance objectives.

Through a resolution adopted on 27 April 2011, shareholders in general meeting approved an incentive plan based on financial instruments as per article 114-bis of the TUF addressed to the Company's management, whose beneficiaries include the Chairman, the Deputy Chairman and the Managing Director. At the date of this Report, the Chairman, the Deputy Chairman and the Managing Director, together with certain managers, are important (but not strategic) for the Group,

The plan consists of the free of charge granting to the Beneficiaries (as defined and identified in the respective Information Document) of non-transferable phantom shares that will entitle the holders to receive a cash bonus in 2014 if a specified level of business performance.

The Information Document drawn up and published pursuant to article 114-bis of Legislative Decree no. 58/98 and pursuant to article 84-bis of the Issuers' Regulations and in particular in compliance with format 7 of annex 3 of the Issuers' Regulations, containing detailed information on the Plan, may be consulted on the Company's website (www.renodemedici.it/investorrelations/documentieprospettiinformativi), to which reference should be made.

The compensation of non-executive directors is not linked to the Company's results.

These directors are accordingly not the beneficiaries of the above-mentioned incentive plan nor do they benefit from any other compensation of an incentive nature. Such persons are solely entitled to the compensation established by shareholders in general meeting on 27 April 2011 for all the members of the Board of Directors.

Non-executive directors who are also members of one or both of the internal committees of the Company's Board of Directors (the Internal Control Committee and the Compensation Committee) also receive an additional fee, determined by the Board. All compensation is paid over the term in office on a temporal basis.

The detailed information is in Report in compliance with art. 123 TUF available on the Company's website www.renodemedici.it/investorreletions/shareholdersmeeting.

10 INTERNAL CONTROL COMMITTEE

10.1. COMPOSITION OF THE COMMITTEE

On 27 April 2011 the Board appoint the Internal Control Committee for the years 2011-2013.

The Internal Control Committee has three non-executive and independent members, of whom one (Mr. Vincenzo Nicastro) has appropriate experience in accounting and financial matters.

The present Internal Control Committee consists of: Mr. Carlo Peretti - Chairman, Mr. Vincenzo Nicastro and Prof. Sergio Garribba.

Starting from 27 April 2011 the Internal Control Committee met on 2 occasions in 2011. The average duration of the meetings was two hours. The Committee had approved the changes of Model in compliance with 231 and the new two Procedure about Internal Dealing and Market Abuse.

Members of the Board of Statutory Auditors also took part in the proceedings of the Committee. In addition, depending on the agenda, the Managing Director, the CFO, the Head of Legal Affairs, the Internal Control Officer and the Auditing Company, are also invited to attend, amongst other things to Report on the individual items on the agenda.

The meetings of the Compensation Committee were properly registered in minutes.

10.2. FUNCTIONS ASSIGNED TO THE INTERNAL CONTROL COMMITTEE

The Committee's functions are of a propositional and consulting nature with respect to the Board of Directors and relate to matters regarding the supervision of the general performance of the Company's operations in order to carry out its purpose about the management of Company.

An effective system of internal control acts as a contribution to ensuring that the Company's assets are safeguarded, that business operations are efficient and effective, that financial information is reliable and that laws and regulations are complied with. In performing its functions the Committee has access to all the information and business functions it may deem necessary, assessing the adequacy of the internal control system with respect to the business's characteristics and ensuring that its assessments and decisions relating to the internal control system, the approval of the financial statements and half-year Reports and relations between the issuer and the external auditor are supported by adequate processes of enquiry.

More specifically, the Committee has the task of checking the extent to which the internal control system is working and its adequacy, as well as verifying that internal procedures and directives are being followed, in order to ensure that the Company is being managed in a sound and effective manner and to detect, prevent and manage to the extent possible financial and operational risks and harmful fraud to the Company.

The following specific functions of the Committee are highlighted by way of example:

- examining the issues and matters important for controlling business operations;
- assessing the work programme prepared by the Internal Control Officer and receiving his periodic Reports;
- assessing together with the Company's administrative heads and the auditors the appropriateness of the accounting principles that may be applicable and their consistency for the purposes of preparing the consolidated financial statements;
- supervising the effectiveness of the legal audit;
- assessing the audit programmes and the results of the work of the auditors stated in their opinion and management letter;
- Reporting to the Board of Directors, on at least a six-monthly basis at the meetings held to approve the draft financial statements and the half-year Report, on the work performed and the adequacy of the internal control system;

- performing any other duties that may be assigned by the Board of Directors.

As part of its periodical checks on the adequacy and effective working of the organisation structure regarding the internal control system the Committee performed the following during the year:

- it reviewed and agreed with the Internal Control Officer an updating of the business risk analysis, assessing the steps and measures taken by the Company to mitigate the effect of such risks and checking the adequacy and effective working of the organisational structure and the effective working of the organisational structure as concerns the internal control system;
- it discussed with the Internal Control Officer the most significant findings, the reasons underlying these matters and any difficulties encountered by the Committee in carrying out its work;
- it checked that subsidiaries have adopted an adequate Organisational and Administrative Model as per Legislative Decree no. 231/01;
- it reviewed the updating of the Organisational and Administrative Model as per Legislative Decree no. 231/01;
- it reviewed the 2010 audit programme for the Company and the Group, checking the principal results;
- it reviewed the 2010 audit programme;
- it arranged to carry out the checks for which it is responsible in connection with the preparation of the interim management Report and the half-year Report, including in this holding meetings with the auditing company, informing the Board as to the outcome of such checks and providing recommendations;
- it checked the adequacy and effective application of the accounting principles used and their consistency in connection with the preparation of the consolidated financial statements;
- it reviewed the results of the activities performed by the Company to check whether the requirements of Law no. 262/2005 were satisfied.

In addition, the Committee also reviewed the main business risks and the measures taken to prevent, monitor and control such risks.

Between 27 April 2011 and the date of this Report the Internal Control Committee Reported to the Board on 3 August 2011 and 4 November 2011.

In compliance with the new Regulation of Operation with Third Parties, the Internal Committee is appointed as Committee for the approval of these operations in case of the Independent Directors are 3.

The Committee has its own budget for carrying out the duties assigned to it.

In addition, pursuant to its regulations, the Committee may avail itself of the assistance of internal employees and external professionals, at the Company's cost, for carrying out its duties.

11. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

11.1. INTRODUCTION

RDM is aware that financial information has a central role in the creation and maintenance of positive relations between the business and the range of parties with which it comes into contact and that together with business performance it contributes to creating shareholder value.

RDM is similarly aware that investors rely on management and all of the Company's employees to comply fully with the system of rules making up the Company's internal control system.

The control system consists of the set of rules, procedures and organisational structures designed to enable the main risks to be identified, measured, managed and monitored through a suitable enquiry process and the business to be conducted in a healthy and proper manner that is consistent with the objectives that have been set. This system is integrated within the more general organisational and corporate governance structures set up by the issuer and takes into suitable consideration reference models and best practices existing at a national and international level. An effective internal control and risk management system contributes to ensuring that the business is conducted in a way consistent with the business objectives established by the Board of Directors, encouraging decisions to be taken in an informed manner. It helps in safeguarding the Company's assets and in ensuring that business processes are efficient and effective, that financial information is reliable and that laws and regulations, as well as the bylaws and internal procedures, are complied with.

In connection with internal control RDM has prepared, and keeps updated, a suitable system which is entrusted with the task of ensuring that accurate corporate information is produced and that there is adequate control over all of the Group's activities, with specific attention being given to the areas considered to be at the greatest risk. More specifically, the objectives assigned to the Group's internal control system may be summarised as follows:

- ensuring that business activities are performed effectively and efficiently;
- guaranteeing that accounting entries are reliable and accurate and that business assets are safeguarded;
- ensuring compliance with external laws and regulations and company rules.

The basic elements of the internal control system set up by the Company, which are subjected to constant monitoring and updating, are the following:

- the segregation of duties and functions in performing so-called critical transactions;
- the traceability of transactions;
- the management of decisional processes on the basis of criteria that are objective to the greatest extent possible.

This system is realised by means of procedures, organisational structures and controls implemented by RDM and the Group's operational companies within the most significant business processes in terms of risk. The types of control implemented may be analysed as follows:

- automatic or manual line controls of a preventive nature with respect to the individual transaction and those of a corrective nature;
- controls of a managerial nature concentrating on the performance of the business and individual processes compared to forecasts.

Added to these types of control, entrusted to the responsibility of management by area of individual competence, are the activities performed by the internal audit function, which is entrusted with the duty of ensuring that the auditing activities of RDM and, starting from 2010, those of the Group, are carried out on the basis of the annual and multi-annual audit programmes.

11.2. EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS REGARDING THE FINANCIAL INFORMATION PROCESS

The system for managing financial information process risks should not be considered separately from the corresponding internal control system as these are elements of the same control and risk management system, which in turn forms part of the overall system of internal control whose aim is to detect, prevent and monitor overall business risks.

This system is designed to ensure that financial information is trustworthy, accurate, reliable and timely.

11.3. DESCRIPTION OF THE MAIN FEATURES OF THE EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM REGARDING THE FINANCIAL INFORMATION PROCESS

Underlying the administrative and accounting procedures conforming to Law n. 262/05 is an analysis of the risk that intentional and non-intentional errors inherent in the processes leading to the formation of financial information may occur. As a consequence, in order to define such a system, the areas of risk where events may occur that compromise the reliability of financial information are identified and assessed.

On the basis of the identification and assessment of the risk areas, the elements of internal control relating to financial information are analysed by means of:

- an overall summary analysis, with particular emphasis being placed on the components of control that regard the reliability of the financial information;
- an analysis of each operating process relating to significant items of the financial statements, for financial information purposes, through a matrix correlating the objectives identified in the process activities and the controls associated with these.

The system is developed in the following macro-stages:

- risk identification and assessment;
- assessment of the adequacy of control activities.

In addition, the following activities are assigned to specific functions (internal audit):

- checking the working of the internal control system;
- monitoring the control system and its evolution.

<u>Risk identification and assessment</u>

Risks are identified with respect to financial statement assertions (existence and occurrence, completeness, rights and obligations, measurement and recording, presentation and disclosures) and other control objectives such as for example that authorisation limits are complied with, that incompatible duties are segregated, that controls over physical security are in place, that assets and documentation exist and that transactions are traceable.

<u>Assessing the adequacy of control activities</u>

Specific controls are identified on the basis of an assessment of the risks, and these may be separated into the following two macro-types:

- controls that apply to the business organisation as a whole, which being are common to the entire organisation being assessed and going across the board represent structural elements of the financial information internal control system;
- specific controls at a process level.

Starting from December 2009 at a Group level it should be noted that a Manual was distributed to all Group companies, which contains guidelines and a description of the processes and controls to be used for preparing the Reporting package and the statement issuing by relative directors.

Controls of a "specific" nature were identified at a process level such as checking on the basis of supporting documentation that the proper accounting entries had been made, that the authorisations required had been given, that accounting reconciliations had been prepared and that consistency checks had been performed.

The specific control activities were performed with respect to both the 'ordinary' processes carried out during the year and the 'non-ordinary' processes carried out mainly during interim and year-end closures.

Extraordinary transactions were also subjected to specific control procedures involving a suitable level of management.

Control procedures, in particular those relating to the 'ordinary' processes, are to a large extent based on the existence of an adequate information system.

Specific procedures exist for preparing consolidated information, including those of a computer-based nature, and these are updated in relation to business needs and monitored by the structure in charge. Consolidated information is received from the various Group companies and processed at the central offices of the Consolidated Financial Statements Department.

Checking the working of the internal control system

Specific monitoring activities exist to check and ensure the that the system of internal control over financial information is working; these are carried out by the parties in charge of the processes (the process owners) and by third parties who are independent with respect to the processes (internal audit).

Monitoring and the control system and its evolution

In order to ensure that the system is adequately monitored, the "design" of its components is systematically assessed and renewed, in each case on the occurrence of significant events and new risk highlighted by the process of risk assessment.

The working of the controls described in the procedures managing the administrative and accounting system is assessed by means of specific testing carried out by internal audit.

Any weaknesses in the design or the working of the controls are Reported to the process owner and the manager in charge of the preparation of the corporate accounting records in order for remedial action to be organised; a check is then performed to ensure that this has been implemented.

Pursuant to paragraph 5 of article 154-bis of the TUF the manager in charge of the preparation of the corporate accounting records together with the Managing Director sign a statement confirming the adequacy and effective application of the administrative and accounting procedures used in the formation of the annual and consolidated financial statements and all other communications of a financial nature.

11.4. EXECUTOR DIRECTOR IN CHARGE OF THE INTERNAL CONTROL SYSTEM

On 27 April 2011 the Board of Directors nominated the Managing Director, Mr. Ignazio Capuano, as the executive director in charge of supervising the working of the internal control system and risk management.

The Director in charge of supervising the working of the internal control and risk management systems:

a) a) identifies the main business risks, taking into consideration the activities performed by the issuer and its subsidiaries, and submits them on a periodic basis to the Board of Directors;

b) puts into practice the lines of direction established by the Board of Directors, looking after the design, establishment and management of the internal control and risk management system and constantly checking its overall adequacy, effectiveness and efficiency;

c) deals with adapting this system to changes in operating conditions and laws and regulations;

d) may ask the internal audit function to perform procedures on specific operational areas and the extent to which internal rules and procedures are complied with during the performance of business functions, providing simultaneous notification to the Chairman of the Board of Directors, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors;
e) Reports on a timely basis to the Control and Risks Committee (or to the Board of Directors) as to any issues or critical matters that emerge during the performance of his work or in any case of which he has become aware, so that the Committee (or Board) may take suitable measures.

11.5. INTERNAL CONTROL OFFICER

An important role in the internal control system is performed by the Internal Auditor, who also has the role of Internal Control Officer.

The Internal Control Officer must:
(i) ensure that the supervisory activities as per Legislative Decree no. 231/2001 are being performed;
(ii) update the system for identifying, classifying and assessing risk areas for the purpose of planning testing;
(iii) carry out scheduled (the programme approved by the Supervisory Body) and unscheduled checks, identifying any gaps with the models adopted and drawing up proposals for the corrective measures to be taken;
(iv) ensure that relations with the auditing company are maintained;
(v) maintain relations with the Supervisory Body, the Internal Control Committee and the Board of Statutory Auditors and ensure that information flows with these bodies are taking place.

The Officer has free access to the data, documents and information that may be needed for carrying out testing procedures.

At the date of the preparation of this Report Mrs. Serena Monteverdi held the position of Internal Control Officer and Internal Auditor.

11.6. ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

With regard to the coming into force of Legislative Decree no. 231 of 8th June 2001, as subsequently amended and supplemented, which has introduced a special system of company liability for certain crimes, the company has taken the necessary measures (in accordance with the provisions of the aforesaid Decree) to avoid the emergence of such liability on its part, by setting up special control systems designed to prevent certain kinds of crime.

In particular, on 28th September 2005 the Company's Board of Directors approved an ", Management,

Organisational and Control Model under Legislative Decree 231/01" (hereinafter the "Model") that complies with the requirements of the same Decree, and is drawn up on the basis of Confidustria's guidelines. The thus-approved Model was then the subject of certain updates, approved by the Board of Directors on 27th August 2008, on 5th November 2009 and 4th November 2011 also considering the result of legislative developments, regarding the Legislative Decree no.231/2001 and changes to the Company's organizational structure, a process for the revision of the Model has been initiated.

The current Model is composed of a general part and number 9 special parts.

The general part deals basically with the Supervisory Body (hereinafter the "Supervisory Board") and the flows of information that have to be supplied to said Body, as well as the Reporting by the Supervisory Body to the company organs; it also deals with staff training, the divulgation of the Model within the company environment, and the system of penalties for failure to observe the provisions of the Model.

Each special part, one section for each type of crime foreseen by the decree and abstractly applicable to the reality in which the company operates, which are: (i) crimes against the Public Administration; (ii) company crimes; (iii) market abuse; (iv) crimes related to occupational safety; (v) crimes related to receipt and laundering of illegal moneys; (vi) computer crime; (vii) crimes related to cross-border organised crime; (viii) crimes related to obstructing industry and commerce; (ix) crimes related environment. The special part of the Model lists the areas of risk for each of the categories of crime, it establishes the specific decisional protocols and regulations governing conduct for those operating in the aforesaid risk areas, and it defines the monitoring procedures.

In accordance with what is provided in Article 6 of the aforementioned Decree, on 27th June, 2006, the Board of Directors decided to set up a Supervisory Body with a collegiate structure.

More specifically, this body currently consists of two independent directors and a member of the Company having particular and specific skills on Legislative Decree no. 231/2001 matters.

The Body in charge was appointed by the Board of Directors dated 27 April 2011 and it met two times in 2011 with the consistent attendance of all of its members.

The average duration of the meetings of the Supervisory Body was 3 hours and members of the Board of Statutory Auditors, the Internal Control Officer and, depending on the matters on the agenda, members of the Company also attended.

The Supervisory Body autonomously approves its supervisory programme on an annual basis; this includes testing the adequacy of the Model and performing compliance checks on the Model.

11.7. AUDITING COMPANY

PricewaterhouseCoopers S.p.A. has been engaged to perform legal auditing activities; the company was appointed by shareholders in an ordinary general meeting on 30 April 2006 for a term commencing financial year 2006 (two thousand and six) and ending financial year 2011 (two thousand and eleven), up to the approval of the financial statements for the year ending 31 December 2011 (two thousand and eleven).

11.8. MANAGER IN CHARGE OF THE PREPARATION OF THE CORPORATE ACCOUNTING RECORDS

On 13 November 2008, following the receipt of a favourable opinion from the Board of Statutory Auditors, the Board of Directors appointed Mr. Stefano Moccagatta, RDM's Financial and Control Manager, as the manager in charge of the preparation of the corporate accounting records.

Pursuant to article 21 of the Company's articles of association the body having competence for making such appointment is the Board, subject to the obligatory requirement to obtain an opinion from the Board of Statutory Auditors. Under article 154-bis of the TUF the manager concerned must have acquired experience totalling at least three years in the following:

a) administration and control activities or managerial duties in joint stock companies whose share capital is not less than two million Euros, or
b) professional activities or being on the university teaching staff in connection with legal, economic, financial and scientific-economic matters strictly connected with business and the functions that the manager in charge of the preparation of the corporate accounting records is called to perform, or
c) executive functions in public entities or public administration bodies operating in the credit, financial and insurance sectors or in any case in sectors strictly connected with the business sector.

In compliance with the requirements of prevailing laws and regulations, the manager in charge of the preparation of the corporate accounting records has prepared and implemented adequate administrative and accounting procedures for the preparation of the statutory and consolidated financial statements and any other communications of a financial nature.

Together with the Managing Director the manager in charge of the preparation of the corporate accounting records has additionally represented in Reports attached to the statutory financial statements, the consolidated financial statements and the half-year Report that:

(i) the above-mentioned administrative and accounting procedures were adequate and actually applied during the period to which the accounting documents relate;

(ii) the contents of such documents have been prepared in accordance with the international accounting standards applicable in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

(iii) the documents correspond to the results of the accounting books and records and that they are suitable for providing a true and fair view of the financial position, results and cash flows of the Company and the set of entities included in the consolidation;

(iv) the Report on operations included with the statutory financial statements and the consolidated financial statements contains a reliable analysis of the performance, the results from operations and the situation of the Company and the set of entities included in the consolidation, and a description of the main risks and uncertainties to which they are exposed;

(v) the interim operational Report included with the half-year Report contains a reliable analysis of the information required by article 154-ter, paragraph 4 of the TUF.

The provisions governing the responsibility of directors with respect to the duties assigned to them are also applicable to the manager in charge of the preparation of the corporate accounting records, save any action that may be taken that is based on his employment relationship with the Company.

12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

With reference to related-party transactions, the Board of Directors formally approved the "Procedure for Related-Party Transactions" on 8 November 2010. This procedure was modified during the Board's Meeting of 3rd August 2011.

The Procedure was prepared and adopted in conformity to the Rules adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently modified and supplemented.

The new Procedure seeks to interpret the primary intent of the law by increasing the protection of minority shareholders and of other interested parties by combating possible abuses deriving from transactions in potential conflict of interest with related parties (such transactions include, but are not limited to, mergers, acquisitions, divestments, increases of reserved capital). The key points of the Procedure are:

a) a) strengthening the role of independent directors in all steps of the decision-making process for related-party transactions;
b) methods to ensure transparency;
c) the obligation to notify the Supervisory Authority and the public;
d) the clear identification of transactions of lesser importance based on type of transaction as well as on economic significance, setting the threshold of € 100,000.00 for such purpose.

The new Procedure took effect on 1 January 2011.

Its principal elements are:

1) identification of the party related to the Company ("**Related Party**"). In conformity to the provisions of Annex 1 to the Consob Rules, a subject is deemed a related party if:
   (a) he/she directly, or indirectly through subsidiaries, trust companies, or third parties:
      (i) controls the Company, is controlled by it, or is subject to joint control of the Company;
      (ii) holds a stake in the Company sufficient to exercise a significant influence over same;
      (iii) exercises control of the Company jointly with other persons;
   (b) (b) it is an affiliate of the Company;
   (c) it is a joint venture in which the Company participates;
   (d) he/she is a member of the Board of Directors, of the Board of Auditors, is a manager with strategic responsibilities of the Company or of its parent company;
   (e) he/she is a close relative of one of the individuals referred to at letters (a) or (d);
   (f) it is a body in which one of the subjects referred to at letters (d) or (e) exercises control, joint control, or significant influence, or holds, directly or indirectly, a significant stake (not less than 20%) of voting rights;
   (g) it is a complementary, collective, or individual pension fund (Italian or foreign) formed for the benefit of the employees of the Company or of any other body related to it.
2) <u>Identification of Transactions of Greater Importance</u>, i.e.:
   (i) (i) transactions in which at least one of the following Relevance Indexes (adopted in conformity to the provision referred to in Annex 3 of Consob Resolution 1722/2010, as subsequently modified and supplemented), applicable depending on the specific operation, exceeds the 5% threshold;
   (ii) transactions with the parent company listed (if any) or with subjects that are related to the latter in turn related to RDM, where at least one Relevance Index exceeds the 2.5% threshold;
   (iii) transactions that may influence the Company's management independence (including decisions regarding intangible assets) or decisions that may regard activities or assets of strategic importance for the Company, where at least one Relevance Index exceeds the 2.5% threshold. Evaluation of the strategic importance of given activities or assets is entrusted without exception to the Board of Directors, which resolves

with regard to same from time to time at the request of even just one of its members or at the request of the Board of Auditors.

3) Definition of Transactions of Lesser Importance: all transactions that cannot be defined as transactions of greater importance are defined as transactions of lesser importance;

4) Identification of Cases of Exclusion and of Exemption from Procedures Defined for Related-Party Transactions;

5) Formation of Committee for Related-Party Transactions and Relative Requirements of Independence. Reference is made to § 10.2. of this Report, which specifies that when there are three Independent Members and such Members form the Internal Control Committee, the latter Committee is also delegated the functions of the Committee for Related-Party Transactions;

6) Adoption of Specific Procedures for Approval of Related-Party Transactions and Relative Disclosure: contained in the Procedure.

The Procedure for Related-Party Transactions was approved at the Board of Directors meeting on 8 November 2010 and is available on the Company's website at: www.renodemedici.it/governance/codiciinterni.

13. APPOINTMENT OF STATUTORY AUDITORS

Article 19 of the Company's articles of association establishes that the standing and substitute members of the Board of Statutory Auditors are to be elected by a list vote procedure.

More specifically, this article provides for the following:

"The lists shall bear the names of one or more candidates, to which a sequential number is assigned, and shall indicate whether a person is a candidate for the position of standing auditor or substitute auditor.

The number of candidates on the list shall not exceed the number of Board members to be appointed.

Only those shareholders who on their own or together with other presenting shareholders hold a total number of shares with voting rights that represent at least 2.5% of share capital with voting rights in the Ordinary Shareholders' Meeting or, if different, the maximum percentage permitted by any applicable laws and regulations, shall have the right to present lists.

No shareholder, shareholders who are members of a shareholders' pact pursuant to article 122 of Legislative Decree no. 58/1998, controlling entity, subsidiary or company under common control pursuant to article 93 of Legislative Decree no. 58/ 1998, shall present, or shall take part in the presentation of, either by intermediate third party or a trustee company, more than one single list, nor may they vote for any other list; no person may be a candidate in more than one list, failing which he or she shall be ineligible. The names of persons included in voting lists prepared in breach of the above and the votes cast in breach shall not be assigned to any list.

The lists presented by shareholders and signed by those presenting them must be lodged at the Company's registered office at least fifteen days prior to that determined as the date of the Shareholders' Meeting in first call, and mention of this shall be made in the notification of the meeting, without altering in any way the other forms of communication provided by the laws and regulations prevailing at the time. Shareholders must lodge at the Company's registered office a copy of the certificates issued by authorised intermediaries to demonstrate that they are the owners at the date of lodging the lists of the number of shares required to do this, in compliance with prevailing laws and regulations.

In the case that at the end of the term for presentation only one list is lodged or in the case that lists are only presented by shareholders related on the basis of the provisions of applicable laws and regulations, lists may only be presented up until the end of the fifth day following that date. In that case the thresholds established by the articles of association for the presentation of lists are reduced by one half.

The following shall be lodged with each list at the Company's registered office within the terms for lodging the lists: (a) summarised information regarding the presenting shareholders (including the total percentage of shares held); (b) a statement by the shareholders - other than those who hold, including jointly, a controlling or relative majority interest in the Company - declaring that they have no relationship as envisaged by applicable laws and regulations with such shareholders; (c) exhaustive details of the professional and personal characteristics of each candidate; (d) statements with which each candidate accepts his or her nomination, affirms under his or her own responsibility that there are no reasons for which they are ineligible or incompatible with the position and confirms that he or she possesses the requisites called for by prevailing laws and regulations to be appointed as statutory auditors; and (e) a list of any management or control positions held by each candidate in other companies.

The first two candidates on the list obtaining the highest number of votes shall be elected as standing auditors together with the first candidate on the list obtaining the second highest number of votes that shall not be connected, even indirectly, with the shareholders who presented or voted in favour of the list obtaining the highest number of votes.

The first candidate for the position as substitute auditor on the list obtaining the highest number of votes and the first candidate for the position as substitute auditor on the list obtaining the second highest number of votes pursuant to the preceding paragraph shall be elected as substitute auditors.

In the case of a tied vote between two or more lists, the eldest candidates shall be elected as statutory auditors until all the positions have been filled.

The candidate of the list that obtained the second highest number of votes shall be the Chairman of the Board, in all cases in accordance with the matters described in the preceding paragraphs.

In the case that only one list is presented or in the case that no lists are presented at all, the candidates named in the single list shall be elected as standing and substitute auditors or, respectively, those voted into office by the shareholders' meeting, on the assumption that they obtain the relative majority of the votes of such meeting.

If any auditor so appointed fails to meet the integrity and professional requirements under the applicable regulations or under these articles of association, then he or she shall be deemed fallen from office forthwith.

In the case that a standing statutory auditor is to be replaced, the resulting vacancy shall be filled by the substitute auditor included in the same list as that of the statutory auditor to be replaced or, in default, in the case that the auditor to be replaced is a statutory auditor of the minority, by the candidate included next in the same list as that of the auditor to be replaced or, in order, by the first candidate of the list of the minority that obtained the second highest number of votes.

It remains unaltered that the Chairman of the Board of Statutory Auditors shall be the auditor of the minority.

If the shareholders' meeting is required to appoint standing and/or substitute statutory auditors to complete the number of auditors for the Board of Statutory Auditors the procedure is as follows: if auditors elected from the majority list are to be replaced, the appointment is made on a relative majority of votes and does not depend on the lists; if, however, auditors elected from a minority list are to be replaced, the meeting replaces them on a relative majority of votes, making their selection from the candidates included in the list of the auditor to be replaced, or alternatively from the candidates included in the minority list obtaining the second highest number of votes.

If it is not possible, for whatever reason, to replace the auditors designated by the minority by applying this procedure, the shareholders' meeting shall hold a vote whose result shall be determined on the basis of a relative majority; the result of this vote shall exclude, however, the votes of the shareholders who, on the basis of the notifications made pursuant to prevailing regulations, hold, either indirectly or jointly with other members of a shareholders' pact pursuant to article 122 of Legislative Decree no. 58/1998, the majority of the votes that may be cast in the shareholders' meeting, as well as those of the shareholders that control, are controlled by or are under the common control of the same".

14. STATUTORY AUDITORS

14.1. PRESENT COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors currently in office was appointed by shareholders in general meeting on 28 April 2009. At that date the percentage of capital required to present a list was 2.5% of shares having voting rights in ordinary general shareholders' meetings.

At the end of the respective term only one list was lodged, that of the shareholder Industria ed Innovazione S.p.A..

In compliance with prevailing laws and regulations and the Company's articles of association, lodged together with the list were the curricula vitae of the candidates containing details of their professional and personal characteristics, a list of any management or control positions held by each candidate in other companies and a statement by each candidate that there are no reasons for which he or she is ineligible or incompatible with the position and that he or she possesses the requisites to be appointed as statutory auditors called for by prevailing laws and regulations, the Company's articles of association and the Corporate Governance Code.

The list consisted of the following names:

- Prof. Sergio Pivato, born in Milan on 13 November 1945
- Mr. Carlo Tavormina, born in Rome on 24 October 1964
- Mr. Giovanni Maria Conti, born in Milan on 4 October 1964
- Mr. Domenico Maisano, born in Milan on 4 June 1969
- Ms. Myrta De Mozzi, born in Vicenza on 1 March 1971

The candidates on the sole list lodged were elected with a vote in favour of 57.106% of capital with voting rights.

The term of the Board currently in office expires on the approval of the financial statements for the year ending 31 December 2011. The Board is made up as follows:

Member	Position
Sergio Pivato	Chairman
Giovanni Maria Conti	Standing Auditor
Carlo Tavormina	Standing Auditor
Myrta De Mozzi	Substitute Auditor
Domenico Maisano	Substitute Auditor

Information regarding the personal and professional characteristics of the individual members of the Board of Statutory is contained in the following short curricula vitae:

Sergio Pivato

Born in Milan on 13 November 1945, he is currently Ordinary Professor of Economics and Business Management at the Bocconi University in Milan and Chairman of the CRESV Research Centre. A Certified Accountant (Dottore Commercialista) since 1977 he has also been a Registered Auditor since 1984.

He holds office in 2 other listed companies:

- Ubi Banca Scpa,
- Brembo S.p.A.

And in 3 no listed Company:

- Auchan S.p.A.,

- Sma S.p.A.,
- Società Editoriale Vita S.p.A.

Giovanni Maria Conti

Born in Milan on 4 October 1964, he graduated in Business Management at the Bocconi University in Milan in 1992. He has been on the Roll of Certified Accountants (*Dottori Commercialisti*) since 1994 and has been a Registered Auditor since 1999.

He currently holds the following positions:

- member of Board of Directors and Remuneration Committee and Chairman of Internal Control Committee of Biancamano S.p.a. (Listed Compay).
- member of Board of Directors :
  - Borbonese S.p.a.
  - Cofinvest S.r.l. (Chairman)
  - Gewa Med S.r.l.
  - RSC & Partners Consulting S.r.l. (Chairman)
- Presidente del Consiglio di Sorveglianza di Immobiliare 1750 S.p.A.
- Standing Auditor of:
  - Alerion Energie Rinnovabili S.r.l. (Chairman)
  - Callari S.r.l. (Chairman)
  - Careo S.r.l. (Chairman)
  - Eolo S.r.l.
  - Fomas Hop S.p.a.
  - Lucchini S.p.a.
  - Mylan S.p.a.
  - Reno De' Medici S.p.a. (listed company)
  - Sunpower Italia S.r.l.
  - Us.Fin. S.r.l.

Carlo Tavormina

Born in Rome on 24 October 1964. He graduated in Economics and Business at Turin University in 1989. He has been on the Milan Roll of Certified Accountants (Dottori Commercialisti) since 1993 and has been a Registered Auditor since 1999. Since 2001 he is also on the Roll of Expert Witnesses for the Court of Milan with the specialisation: "Business appraisals".

He currently holds the following positions:

A. Chairman of Statutory Auditors of:
   - Industria e innovazione S.p.A. (Listed Company);

B. Standing Auditor of:
   - Reno De Medici S.p.A. (listed Company)
   - Manucor S.p.A.
   - NEM SGR S.p.A. (gruppo BPVI)
   - RCR Cristalleria Italiana S.p.A.
   - Telelombardia S.r.l.

C. Chairman of ODV in compliance with D.Lgs. 231/01 di:
   - PRO-FAMILY S.p.A.,

14.2 MEETINGS OF THE BOARD OF STATUTORY AUDITORS AND ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS

The Board held 6 meetings in 2011.

The following table provides details of the attendance of each Statutory Auditor at meetings of the Board of Statutory Auditors and meetings of the Board of Directors held in 2011.

Member	Attendance at meetings of the Board of Statutory Auditors	Attendance at meetings of the Board of Directors
Sergio Pivato	10/10	5/5
Giovanni Maria Conti	10/10	5/5
Carlo Tavormina	10/10	5/5

14.3. ROLE AND DUTIES

In addition to the duties assigned to it by the law, by holding periodic meetings the Board of Statutory Auditors also supervises the procedures carried out by the auditing company and provides its prior approval to any additional engagements that may given to the auditing company by the Company and Group companies, in accordance with article 160 of the TUF.

During its work the Board:

(i) supervised the independence of the auditing company, verifying that the provisions of laws and regulations in this respect had been complied with and checking the nature and size of the non-audit services provided to the Company and its subsidiaries by the auditing company and the entities belonging to its network;

(ii) interfaced with the internal audit function and with the ICC in carrying out its activities by means of specific meetings and by taking part at all of the meetings of the ICC and the Supervisory Body;

(iii) provided an opinion at meetings of the Board of Directors when requested;

(iv) during its checks on 27 April 2011, acknowledged the assessments made by the Board of Directors and attested that the criteria and verification procedures adopted by the Board to assess the independence of its members were properly applied;

(v) supervised that the internal control system was being applied and asked special Audit.

15. SHAREHOLDER RELATIONS

The specific business function "Investor Relations" has been established owing to the importance - emphasised by the Code - of creating a continuing and professional relationship with the shareholders as a whole and with institutional investors.

First and foremost this function provides the key elements for enabling the financial market to obtain a perception of the Company which is consistent with the intrinsic value of the Group's activities.

RDM has adopted a communications policy aimed at establishing constant dialogue with institutional investors, shareholders and the market and at ensuring that complete, accurate and timely information about its activities is published on a regular basis, with the sole limitation being the need for confidentiality which certain types of information may present.

RDM acts in order to maintain constant dialogue with the market with regard to the laws and regulations on the circulation of privileged information.

Disclosure to investors, the market and the press is ensured by issuing press releases, holding periodic meetings with institutional investors, the financial community and the press and making the very latest documents available on the Company's website (www.renodemedici.it).

Relations with investors, shareholders and financial analysts are maintained by the person in charge of Investor Relations, Mr. Zaki Haned appoint on 4 January 2012 in compliance with Board's resolution dated 3 August 2011. Mr Haned avails himself of the collaboration of Image Building S.p.A..

Periodic financial statements and information relating to significant events and transactions are released to the public on a timely basis, including by publication on the Company's website.

The website also includes the Company's press releases, corporate governance documents, documents distributed during meetings with financial analysts, notices to shareholders and information and documents concerning matters on the agenda of shareholders' meetings.

Contact

Reno De Medici

Zaki Haned
Tel. +39 3486844347 Fax +39 02 89966200
E-mail investor.relations@renodemedici.it

16. SHAREHOLDERS' MEETINGS

A properly constituted shareholders' meeting represents the shareholders, and its resolutions, adopted in compliance with the law and the Company's articles of association, bind all shareholders.

During the calling, the scheduling and the managing of shareholders' meetings special attention is given to encouraging the highest level of attendance by shareholders and to ensuring that the maximum level of quality of information is provided to them on these occasions, allowing for the restrictions relating to price sensitive information and the means by which it is circulated.

Pursuant to article 10 of the Company's articles of association, as modified on 8 November 2010 in compliance with the Legislative Decree n. 27/2010 *"A Shareholders' Meeting is called by a notice contained the information in compliance with the regulation in force to publish conforming to law terms:*

- *in the Company's website; - when necessary by mandatory provision or by Directors' resolution in the Official Gazette of the Italian Republic, or in one of the following daily newspapers: Il Sole 24 Ore, MF - Milano Finanza, Finanza & Mercati;- by the others procedures laid down also by the regulations prevailing at the time. The notice to convene may also contain the date of a Shareholders' Meeting to be held in second call or, in the case of an Extraordinary Shareholders' Meeting, third call. The relevant provisions of law and the Company's Articles shall apply to how Shareholders' Meetings shall be attended. The proxy to attend the Shareholders' Meeting could be notified to the Company also sending the document to e-mail address stated in the notice."*.

The shareholders' meeting is chaired by the Chairman of the Board of Directors or, in the case of his absence or impediment, by a Deputy Chairman or, in the case of his absence or impediment, by another person designated by the meeting.

It is the Chairman's responsibility to establish who is entitled to attend the meeting and to verify the validity of proxies, and to resolve any disputes which may arise in this respect. The Chairman may delegate this task to others.

It is the Chairman's responsibility to direct the discussion and establish the voting order and procedures (votes are always held openly). In this respect the Company has considered it unnecessary to draw up and approve regulations for shareholders' meetings.

The Chairman is assisted by a secretary designated by the meeting. A secretary's assistance is not required when the minutes of the meeting are taken by a notary.

The resolutions adopted by a shareholders' meeting are included in a minute signed by the Chairman and by the secretary or notary.

One ordinary shareholders' meeting was held in 2010.

The Board Reports to shareholders' meetings, at the very least to the meeting held to approve the annual financial statements, on the activities it has performed and those that are planned, and in any case when it considers this to be appropriate. In order to allow shareholders to come to informed decisions on matters for which the shareholders' meeting is competent, the Board publishes detailed Reports on each matter on the agenda (for those matters for which it has competence), in the observance of prevailing laws and regulations.

These Reports are also available on the Company's website www.renodemedici.it.

17. CHANGES SINCE THE END OF THE FINANCIAL YEAR

There have been no significant changes to the corporate governance structure between the end of the financial year 2011.

Table 1: Board of Directors

Director	Position	Executive	Non-executive	Independent	Attendance/ Meetings (*)	Number of other positions
Christian Dubè	Chairman	X			5/5	
Giuseppe Garofano	Deputy Chairman	X			5/5	
Ignazio Capuano	Managing Director	X			5/5	
Riccardo Ciardullo **	Director		X		2/2	1
Giulio Antonello***	Director		X		2/3	1
Robert Hall	Director		X		5/5	1
Sergio Garribba*	Director		X	X	5/5	1
Laurent Lemaire	Director		X		5/5	
Vincenzo Nicastro	Director		X	X	4/5	3
Carlo Peretti	Director		X	X	5/5	3
Emanuele Rossini**	Director		X		2/2	

* All absences from the meetings of the Board of Directors have been properly justified.
** Director removed from 27th April 2011.
*** Director appointed on 27th April 2011.

Table 2: Internal Control Committee

Director	Position	Independent	Attendance/ Meetings
Carlo Peretti	Chairman	X	3/3
Vincenzo Nicastro		X	3/3
Sergio Garribba		X	2/3

Table 3: Compensation Committee

Director	Position	Independent	Attendance/ Meetings
Riccardo Ciardullo*	Chairman		1/2
Vincenzo Nicastro**	Chairman	X	2/2
Carlo Peretti		X	2/2
Robert Hall			2/2

* Member removed from 27th April 2011.
**Chairman appointed on 27th April 2011.

Table 4: Supervisory Body

Member	Position	Independent	Attendance/ Meetings
Carlo Peretti	Chairman	X	3/3
Vincenzo Nicastro		X	3/3
Veronica Arciuolo			3/3

Consolidated financial statements at 31 december 2011

CONSOLIDATED INCOME STATEMENT

(thousands of Euros)	Note	31.12.2011	31.12.2010
Revenues from sales	1	507,051	503,599
- of which related parties	*34*	*9,047*	*10,529*
Other revenues and income	2	14,235	14,890
- of which non recurring	*32*		*959*
- of which related parties	*34*	*1,654*	*1,684*
Changes in stock of finished goods	3	(4,675)	4,445
Cost of raw materials and services	4	(409,442)	(397,455)
- of which related parties	*34*	*(17,916)*	*(21,111)*
Staff costs	5	(72,660)	(81,060)
- of which non recurring	*32*		*(1,118)*
Other operating costs	6	(4,499)	(4,396)
Gross Operating Profit		**30,010**	**40,023**
Depreciation and amortization	7	(27,496)	(26,076)
Recovery of value and write-downs of assets	8	(383)	(1,916)
- of which non recurring	*32*		*(1,867)*
Operating Profit		**2,131**	**12,031**
Financial expense		*(8,310)*	*(7,765)*
Exchange rate differences		*452*	*613*
Financial income		*73*	*91*
Financial income (expenses), net	9	(7,785)	(7,061)
Income (loss) from investments	10	(670)	224
Taxation	11	4,021	(3,155)
Profit (loss) for the year before discontinued operations		**(2,303)**	**2,039**
Discontinued operations	12	(536)	
Profit (loss) for the year		**(2,839)**	**2,039**
Total profit (loss) for the year attributable to:			
- Owners of the company		(3,125)	1,367
- Minority interests		286	672
Profit (loss) per ordinary share (Euros)		(0.008)	0.004
Profit (loss) per ordinary share diluted (Euros)		(0.008)	0.004
Profit (loss) per ordinary share before discontinued operations (Euros)		(0.007)	0.004
Profit (loss) per ordinary share before discontinued operations diluted (Euros)		(0.007)	0.004

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euros)	Note	31.12.2011	31.12.2010
Profit (loss) for the year		(2,839)	2,039
Other components of comprehensive profit (loss)			
Cash Flow Hedge	*24*	*100*	*(8)*
Current translation differences	*24*	*35*	*62*
Total other components of comprehensive profit (loss)		135	54
Total comprehensive profit (loss)		(2,704)	2,093
Total comprehensive profit (loss) attributable to:			
- Owners of the company		(2,990)	1,421
- Minority interest		286	672

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(thousands of Euros)	Note	31.12.2011	31.12.2010
Non-current assets			
Tangible fixed assets	13	239,831	244,241
Goodwill	14	63	63
Intangible assets	15	2,476	2,017
Intangible assets with an indefinite useful life	15	3,590	3,973
Investments	16	5,810	6,689
Deferred tax assets	17	399	1,369
Financial assets available for sale	18	195	191
Trade receivables	19	82	81
Other receivables	20	328	370
Total non-current assets		252,774	258,994
Current assets			
Stock	21	77,982	81,925
Trade receivables	19	92,289	119,181
- of which related parties	*34*	*886*	*586*
Associated companies and joint ventures trade receivables	19	1,547	1,835
Other receivables	20	5,392	3,856
Other associated companies and joint ventures receivables	20	1,192	391
Liquid funds	22	2,564	2,210
Total current assets		180,966	209,398
Non-current assets held for sale	23	1,290	1,290
TOTAL ASSETS		435,030	469,682

LIABILITIES AND SHAREHOLDERS' EQUITY

(thousands of Euros)	Note	31.12.2011	31.12.2010
Shareholders' equity			
Share capital		185,122	185,122
Other reserves		504	166
Retained earnings (losses) brought forwards		(29,926)	(31,090)
Profit (loss) for the year		(3,125)	1,367
Shareholders' equity attributable to the Group		**152,575**	**155,565**
Minority interests		713	1,010
Total Shareholders' equity	**24**	**153,288**	**156,575**
Non-current liabilities			
Bank loans and other financial liabilities	22	45,934	55,531
Derivative financial instruments	25	1,022	1,011
Other payables	26	1,543	1,596
- of which related parties	*34*	*1,204*	*1,204*
Deferred tax liabilities	27	18,399	25,536
Employee benefits	28	24,363	24,175
Non-current provisions for contingencies and charges	29	6,716	6,087
Total non-current liabilities		**97,977**	**113,936**
Current liabilities			
Bank loans and other financial liabilities	22	42,764	50,416
Derivative financial instruments	25	601	794
Trade payables	30	116,813	123,054
- of which related parties	*34*	*1,416*	*3,257*
Associated companies and joint ventures trade payables	30	7,066	4,173
Other payables	26	15,899	15,091
Other associated companies and joint ventures payables	26		1,307
Current taxation	31	358	1,630
Employee benefits	28	264	2,706
Total current liabilities		**183,765**	**199,171**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**435,030**	**469,682**

CONSOLIDATED CASH FLOW STATEMENT

(thousands of Euros)	Note	31.12.2011	31.12.2010
Profit (loss) for the year before discontinued operation and taxation		(6,324)	5,194
Depreciation and amortization	7.8	27,879	27,992
Losses (gains) from investments	10	670	(224)
Financial (income) expense	9	8,237	7,674
Losses (gains) on disposal of non-current assets	2		(1,259)
Change in the employees' leaving entitlement, other provision fund including provision for bad and doubtful debts		(3,867)	2,637
Change in stocks	21	3,943	(7,822)
Change in receivables		25,916	(10,231)
- of which related parties	*34*	*(12)*	*2,684*
Change in payables		(3,716)	26,798
- of which related parties	*34*	*1,052*	*3,090*
Change in total working capital		26,143	8,745
Gross cash flows		**52,738**	**50,759**
Interests paid in the year		(5,260)	(5,051)
- of which related parties	*34*	*(27)*	*(10)*
Interests received in the year		49	6
- of which related parties	*34*	*49*	*6*
Taxes paid in the year		(2,847)	(4,289)
Cash flows from operating activities		**44,680**	**41,425**
Sale (purchase) of financial assets available for sale		(4)	190
Investments and disinvestments in non current assets	13	(23,552)	(15,782)
Investments in joint venture	16	(30)	(192)
Dividends received		290	260
Cash flows from investing activities		**(23,296)**	**(15,524)**
Dividends paid		(583)	(339)
Change in financial assets and liabilities and short-term bank borrowings		(10,500)	(17,536)
- of which related parties	*34*	*(2,108)*	*(2,144)*
Change in long-term bank borrowings		(9,982)	(7,585)
Cash flows from financial activities		**(21,065)**	**(25,460)**
Exchange difference from convertion	24	**35**	**62**
Change in unrestricted liquid funds	22	**354**	**503**
Unrestricted liquid funds at beginning of the year	22	**2,210**	**1,707**
Unrestricted liquid funds at end of the year	22	**2,564**	**2,210**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Euros)	Share Capital	Legal reserve	Other reserves	Retained earnings (losses) brought forwards	Profit (loss) for the year	Hedging reserve	Share-holders' equity attributable to Group	Minority interest	Total Share-holders' equity
Shareholders' equity at 31.12.2009	**185,122**	**5**	**903**	**(24,145)**	**(6,945)**	**(796)**	**154,144**	**677**	**154,821**
Distribution of dividends								(339)	(339)
Appropriation of profit (loss)				(6,945)	6,945				
Profit (loss) for the year					1,367		1,367	672	2,039
Other components of comprehensive profit (loss)			62			(8)	54		54
Total comprehensive profit (loss)			62		1,367	(8)	1,421	672	2,093
Shareholders' equity at 31.12.2010	**185,122**	**5**	**965**	**(31,090)**	**1,367**	**(804)**	**155,565**	**1,010**	**156,575**
Distribution of dividends								(583)	(583)
Appropriation of profit (loss)		203		1,164	(1,367)				
Profit (loss) for the year					(3,125)		(3,125)	286	(2,839)
Other components of comprehensive profit (loss)			35			100	135		135
Total comprehensive profit (loss)			35		(3,125)	100	(2,990)	286	(2,704)
Shareholders' equity at 31.12.2011	**185,122**	**208**	**1,000**	**(29,926)**	**(3,125)**	**(704)**	**152,575**	**713**	**153,288**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FORM AND CONTENT

RDM is a company which is established as a corporate person under the legislation of the Republic of Italy. The RDM Group carries out its activities principally in Europe. These activities consist in the production and distribution of cartonboard for packaging made of recycled fiber. The commercial operations are carried out through a network of agents led by the joint-venture Careo S.r.l..

RDM has its registered office in Milan, Italy.

RDM's shares are listed on the Star segment of Borsa Italiana S.p.A. and on the Madrid and Barcelona stock exchanges.

The consolidated financial statements of the RDM Group were approved by the Board of Directors of RDM on 21 March 2012 which approved them for publication.

The consolidated financial statements of the RDM Group are presented in Euros (rounded to the nearest thousand), as this is the prevailing currency in the countries in which the Group principally operates. Subsidiary companies are included in the consolidated financial statements on the basis of the principles described in the section Accounting principles and policies.

The consolidated financial statements for 2011 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and adopted by the European Union, as well as based on the regulations issued to implement art. 9 of the Italian Decree nr. 38/205. By IFRS is also intended all the revised accounting principles (International Accounting Standards or IAS) and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and those of its predecessor, the Standing Interpretations Committee ("SIC").

The following amendments, improvements and interpretations effective from 1 January 2011 but not relevant to the Group:

- Amendment to IAS 32 - Financial Instruments: Presentation, Classification of Rights Issues;
- Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Improvements to IAS/IFRS (2010);
- Amendment to IFRS 7 – Financial Instruments: Disclosures;
- Related parties disclosure – IAS 24 (revised 2009).

It should be note that during the 2011 the Board of IASB has approved and issued the following documents and emendaments:

- IFRS 10 – Consolidated financial statements;
- IFRS 11 – Joint arrangmentes;
- IFRS 12 – Disclosure of interests in other entities;
- IFRS 13 – Fair value measurement;
- IAS 27 – Consolidated and separate financial statements;
- IAS 28 – Investments in Associates and Joint Ventures
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
- Amendaments to IAS 1 – Presentation of Financial Statement;
- Amendaments to IAS 19 – Employee Benefits.

Those documents will be applicable only after the approval by UE.

The financial statements are prepared on a historical cost basis with the exception of the treatment of derivative financial instruments and financial assets held for sale which are recognised at fair value and financial liabilities which are recognised at amortised cost. The carrying amount of hedged assets and liabilities which qualify for hedge accounting is adjusted to take account of changes in the fair value of the hedged risks.

The financial statements are prepared on the going concern assumption. In this respect, despite operating in an economic and financial environment that continues to be difficult, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of specific estimates and valuations, as well as management's reasonable judgment in applying accounting policies. Those matters requiring higher levels of complexity and a greater use of assumptions and estimates are discussed in the paragraph "Specific estimates and valuations".

The Group has chosen to present the structure and content of its consolidated financial statements in the following manner:

- the consolidated statement of financial position is presented with separate sections for assets, liabilities and shareholders' equity. Assets and liabilities are then presented on the basis of their classification as current, non-current or held for sale;
- the consolidated income statement is presented in a vertical format with expenses analysed using a classification based on their nature, as this provides reliable and more relevant information compared to a classification based on their function;
- the consolidated statement of comprehensive income is presented separately from consolidated income statement and each figures are exposed net of fiscal effect;
- the consolidated statement of cash flow is presented using the indirect method;
- the consolidated statement of changes in equity is presented by showing separately the profit or loss for the year and any gains and losses recognised directly in equity and not in profit or loss, in accordance with any specific IAS/IFRS requirements and it is presented by showing separately the transactions with shareholders.

Scope of consolidation

The consolidated financial statements include the financial statements of all subsidiary companies, from the date on which control is acquired until the date that such control ceases.

The accounting period and the balance sheet date for the preparation of the consolidated financial statements correspond to those of the Parent Company and of all the entities included in the scope of consolidation.

The following table provides a list of subsidiaries consolidated on a line-by-line basis with the respective percentage holdings:

Company name	Registered office	Activity	Share capital (Eur/1000)	Shareholding			
				31.12.2011		31.12.2011	
				Direct	Indirect	Direct	Indirect
Reno De Medici Iberica S.L.	Prat de Llobregatt (E)	Manufacturing	39,061	100.00 %		100.00 %	
Reno De Medici UK Limited	Wednesbury (GB)	Manufacturing	12,433	100.00 %		100.00 %	
Reno De Medici Arnsberg GMBH	Arnsberg (D)	Manufacturing	5,113	94.00 %	6.00 %	94.00 %	6.00 %
RDM Blendecques S.A.S.	Blendecques (F)	Manufacturing	1,037	100.00 %		100.00 %	
Cartiera Alto Milanese S.p.A.	Milan (I)	Sales	200	100.00 %		100.00 %	
Emmaus Pack S.r.l.	Milan (I)	Manufacturing	200	51.39 %		51.39 %	
Cascades Grundstück GmbH & Co. KG	Arnsberg (D)	Services	5	100.00 %		100.00 %	

It should be note that Reno Logistica S.r.l. in liquidation, 100% controlled by Reno De Medici S.p.A, has been evaluated with the net equity method, being non-material investment in liquidation company.

The following table reports the list of the associated companies and jointly-controlled companies (Joint Venture) that are evaluated according to the net equity method:

Company name	Registered office	Activity	Share capital (Eur/1000)	Shareholding			
				31.12.2011		31.12.2010	
				Direct	Indirect	Direct	Indirect
Associated companies							
Pac Service S.p.A.	Vigonza (I)	Industriale	1,000	33.33%		33.33%	
Jointly-controlled companies (Joint Venture)							
Careo S.r.l.	Milano (I)	Commerciale	100	70.00%		70.00%	
R.D.M. Tissue core S.r.l. in liquidation	Milano (I)	Industriale	100	51.00%		51.00%	
Manucor S.p.A.	Milano (I)	Industriale	10,000	22.75%		22.75%	
Zar S.r.l.	Silea (I)	Industriale	90	33.33%			

There is a new joint venture in the scope of consolidation of Reno De Medici Group compared to December 31, 2010. ZAR S.r.l. (established on 6 June 2011), which is 33.33% held, a company engaged in the purchase, sale, and processing of waste paper as well as support and assistance in connection with those activities. This company is subject to joint control on the basis of quotaholders' agreements.

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

ACCOUNTING PRINCIPLES AND POLICIES

Consolidation principles

The financial and economic position of the RDM Group comprises the financial and economic position of Reno De Medici S.p.A. and those enterprises over which it has the right to exercise control. The definition of control is not based solely on the concept of legal ownership. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain the related benefits. Control is generally presumed to exist when the Group holds, directly or indirectly, more than half of the voting rights, also taking into consideration any potential voting rights that are immediately exercisable. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The equity and result attributable to minority interests are shown separately in the consolidated statement of financial position, consolidated income statement, and consolidated statement of comprehensive income respectively.

The more significant consolidation policies adopted are as follows:

- the carrying amount of investments consolidated on a line-by-line basis is eliminated against the related equity, with the assets, liabilities, income and expense of the subsidiary being added together with those of the parent, regardless of the size of the investment; share capital and minorities reserve of subsidiaries and minorities profit and loss of subsidiaries are presented in consolidated statement of financial position and in consolidated income statement;
- The acquisition of subsidiaries is accounted for using the purchase method as required by IFRS 3 revised (see "Business Combinations");
- all balances and significant transactions between Group companies are eliminated, as are any profits and losses (unless losses indicate an impairment of the sold asset requiring recognition) arising from commercial or financial intragroup transactions not yet realised with third parties;
- any increases or decreases in a subsidiary's equity arising from its post-acquisition results are recorded on consolidation in an equity reserve denoted "Retained earnings (losses) brought forward";
- dividends distributed by Group companies are eliminated from the profit and loss account on consolidation.

Consolidation of foreign entities

The financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates (the functional currency).

The assets and liabilities of foreign operations which form part of the scope of consolidation and which are stated in a currency other than the euro are translated at the closing rate at the balance sheet date (the closing rate method). Income and expenses are translated at the average rate for the year. The exchange differences resulting from the use of this approach are recognised in the other components of comprehensive income in a specific equity's reserve until the disposal of the investment.

The exchange rates used to translate into Euros the financial statements of companies forming part of the scope of consolidation are set out in the following table.

Currency	Open-exchange apertura	Weight-exchange	End-exchange rate 31.12.2011
Sterlina G. Bretagna	0.8608	0.8679	0.8353

Investments

This item includes investments in associated companies and jointly-controlled companies which are accounted for under the equity method.

The consolidated financial statements include the share pertaining to the Group of the results of investments in associates, accounted for under the equity method, from the date that significant control or jointly-controlled commences until the date that it ceases. The Group's share of intragroup profits as yet unrealised with third parties is eliminated. The Group's share of unrealised losses is eliminated only to the extent that they do not represent an actual lower value of the asset sold.

Losses in excess of equity are accounted for to the extent to which the investor has a commitment to the investee to abide by legal or constructive requirements or in any other way to cover its losses.

Associates

Associates refer to those companies in which the Group exercises a significant influence over the companies, but does not hold control or joint control over its financial and operating policies.

Joint ventures and joint controlled companies

Joint ventures or jointly controlled companies are those companies for which the Group's power to govern the financial and operating decisions requires the unanimous consent of the parties sharing control. Joint-ventures and jointly-controlled companies are consolidated according to the equity method, and by using the same Group's accounting principles.

Business combinations

Business combinations are accounted for by applying the acquisition method. Under this method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Group and the equity interests issued in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at that date.

Goodwill is measured as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interest is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The selection of the measurement method is made on a transaction-by transaction basis.

Any contingent consideration arrangement in the business combination is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination in order to determine goodwill. Changes in the fair value are recognized in income statement.

Tangible fixed assets

Tangible fixed assets are stated at their original cost of purchase, production or contribution, including those direct accessory purchase costs required to bring an asset into a condition for use. Cost is reduced by accumulated depreciation and any write-downs in value.

Costs for improvements, modernisation and transformation incurred after the initial evaluation of the asset acquired or produced internally are ascribed to fixed assets and depreciated across their useful life provided they derive from separate analytic accounting evaluations and when it is probable that the future economic benefits expected from the asset will increase.

Replacement costs of identifiable components of complex assets are ascribed to fixed assets and depreciated across their useful life. The residual value of the replaced component is ascribed to the income statement. Maintenance and repair costs are ascribed to the income statement in the year they are incurred.

Assets acquired under finance leases, which assign to the Group substantially all the risks and rewards of ownership, are recognised as tangible assets at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as financial debt.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets, determined on the basis of the period during which the asset will be used by the Group. Lands are not depreciated, even if acquired together with buildings.

The annual depreciation rates used are as follows:

Category		Years
Buildings	Factory buildings Small constructions	40 - 33
Plant and machinery	General plant and machinery Specific plant and machinery	25 - 5 25 - 5
Industrial and commercial equipments	Sundry equipment	5 - 4
Other assets	Furniture and ordinary office machinery Eletronic office machinery Internal vehicles Motor vehicles	12 - 8 6 - 5 5 6 - 4

The Group reviews, at least annually, if there is any indication that tangible assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss, as described in the paragraph "Impairment" below.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognised when the recoverable amount is lower than the carrying amount. Even if the causes of the previous write-down are cesead, the goods are recovered at the less value amongst fair value and book value net of depreciations that should be booked without the previous impairment loss, and putting the adjustment to profit and loss.

Non-current assets held for sale

Non-current assets held for sale consist of non-current assets whose carrying value will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are stated at the lower of their carrying amount and their fair value less costs to sell and are not depreciated.

Goodwill

Goodwill is not amortised but is subject to impairment testing carried out at each balance sheet date or alternatively at more frequent intervals if there is any indication that an asset may be impaired, in accordance with IAS 36 as described in the paragraph "Impairment" below.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets

Intangible assets consist of identifiable assets not having physical substance, controlled by the Group and from which future economic benefits are expected.

Intangible assets are recognized when the cost of an asset can be measured reliably, in accordance with IAS 38 - Intangible Assets.

Intangible assets having a finite life are measured at cost and amortized on a straight-line basis over their useful lives, estimated on the basis of the period during which the asset will be used by the Group.

The annual amortization rates used are as follows:

Category		Years
Concessions, licences, trade marks and similar right	Software licences	5
Other intangible assets	Sundry deferred charges	12 - 5

Intangible assets with an indefinite useful life are not amortized, but are tested for impairment annually, as explained in the following paragraph "Impairment". An intangible asset is regarded to have an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Impairment

At each balance sheet date the Group reviews the carrying amount of its tangible and intangible assets with a definite useful life to assess whether there is any indication that these assets may be impaired (impairment indicators). If any such indication exists, the Group makes an estimate of the recoverable amount of such assets to determine any impairment loss (impairment test). Where it is not possible to estimate the recoverable amount of an individual asset the Group makes an estimate of the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of a binding sales agreement, fair value is estimated on the basis of values expressed by an active market, by recent transactions, or on the basis of the best available information to reflect the amount that the company might obtain by selling the asset.

In calculating value in use, estimated future cash flows are discounted to present value using a after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the estimated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The resulting impairment loss is recognised in the profit and loss account.

When there is no longer any reason for an impairment loss to be recognised, the carrying amount of an asset (or cash-generating unit) is increased to a new carrying amount based on its estimated recoverable value, which may not exceed the net carrying amount that would have been determined if no impairment loss has been recognised for the asset. A reversal of an impairment loss is recognised in the profit and loss account.

Goodwill and intangible assets with an indefinite useful life are tested for impairment on an annual basis, or more frequently if there is any indication that an asset may be impaired.

Derivative financial instruments

Derivative financial instruments consist of assets and liabilities measured at fair value.

In accordance with IAS 39, derivative financial instruments only qualify for hedge accounting if all of the following apply:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of the hedged item (a fair value hedge; an example is the hedging of the fair value of assets or liabilities yielding or bearing a fixed rate), the instrument is measured at fair value and any gain or loss on remeasurement is recognised in the profit and loss account. In a consistent manner, any gain or loss on the hedged item attributable to the hedged risk adjusts the carrying value of the hedged item;
- where a derivative financial instrument is designated as a hedge of the exposure to variability in the cash flows of the hedged item (a cash flow hedge; an example is the variation in cash flows of assets or liabilities due to variations in exchange rates), the changes in fair value of the instrument are initially recognised in the other components of comprehensive income in a specific equity's reserve and are subsequently recognised in the profit and loss account in a manner consistent with the recognition in the profit and loss account of the effects of the hedged transaction.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the profit and loss account.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments which are explicitly designated as available for sale or which cannot be classified in any of the preceding categories, and which are included in non-current assets unless it is management's intention to sell them in the twelve months following the balance sheet date.

Financial fixed assets available for sale consist of investments in other companies and other non-current financial assets, which are measured at fair value; changes in the measurement of fair value are recognised in equity. When there is objective evidence that a financial asset is significantly impaired for an extended period, the impairment loss is recognised in income despite the fact it has not been sold. When fair value cannot be reliably measured, investments are measured at cost as adjusted for any impairment losses.

Trade receivables and other receivables

Trade receivables and other receivables are initially measured at the fair value of the amount received. Subsequent adjustments are made to account for any write-downs. Non-current trade receivables and other receivables are subsequently measured at amortised cost, based on the asset's original effective interest rate.

Stocks

Stocks are measured at the lower of purchase or production cost, including ancillary costs, determined on a weighted average basis, and estimated realisable value, determined from market trends.

In the case of raw materials, market value means replacement cost; for finished goods and semi-finished goods, market value means net realisable value (less the costs necessary to make the sale) representing the amount that the Group would expect to obtain from the sale of these goods in its normal activities.

Liquid funds and cash equivalent

Liquid funds consist of available cash on hand and bank deposits, shares in liquid funds and other highly liquid investments which can be readily converted into cash and which are subject to an insignificant risk of changes in value.

Employee benefits

The benefits subsequent to the termination of the relation between employer and employee are based on planes that, based on their features, can be defines as "defined contributions plans" or "defined benefits plans".

In the "defined contributions plans", such as the Italian TFR (Italian leave indemnity) accrued after the coming into force of the 2007 Italian "Finance Law", the obligation of the company, limited to the payment of a contribution to the Public Social Security System, or to an asset or to a specific juridical entity (so called 'fund'), is determined based on the due contributions, after deducting the already payed amounts.

The "defined benefits plans, such as the Italian TFR before the coming into force of the 2007 Italian "Finance law", are plans such that the benefits subsequent to the termination of the relation between employer and employees are a future obligation, for which the Company bears the relevant actuarial and investment risks.

The indemnity leave fund is determined based on the actuarial value of the liability of the Company, according to the current legislation, the collective wage agreements, and the company's integration agreements

The actuarial evaluation, based on demographic, financial and turnover assumptions, is entrusted to independent actuarians. The profit and losses deriving from the actuarial calculations are charged to the profit and loss account as costs or revenues in financial income and expenses.

Compensation plan in form of capital shares with stock appreciation rights.

In previous years, Reno De Medici S.p.A. has approved two incentive plans (one for management and one for its employees and for the employees of the Group companies) in the form of "transactions with payment based on shares with stock appreciation rights". The ordinary General Meeting of the Shareholders approved an Incentive Plan applicable to management at their meeting in April 2011. The Plan was based on financial instruments pursuant to Article 114 bis of Legislative Decree 58/98.

According to IFRS 2, the options are initially valued with reference to their fair value on the allocation date, with consideration of an estimate of the options that will actually accrue in favour of assignees. The determined value is recorded as a personnel cost on the income statement on a straight line basis throughout the accrual period.

This allocation is performed on the basis of a Management estimate of stock options that will accrue. Fair value is determined by utilising a binomial tree option calculator.

Until the liability has been extinguished, the fair value of the options must be recalculated on the closing date of each financial year and on the settlement date, with all changes in fair value reported on the income statement.

Provisions for contingencies and charges

The Group records provisions when it has an obligation, legal or constructive, arising from a past event, for which it is probable that a cost will be incurred to satisfy that obligation and when a reliable estimate of the amount can be made. Provisions are measured at the best estimate of the amount that at the balance sheet date the Group would rationally pay to settle the obligation or transfer it to a third party.

Whenever the expectations of the employment of resources extend beyond the following fiscal year, the liability is recorded based on their actuarial value, as determined through the actualization of the expected cash flows, discounted at a rate that also takes into account the cost of funding and the risk of the liability.

The amount provided for the agents' termination liability is determined on the basis of actuarial techniques and provided by independent actuaries.

Changes in estimates are recognised in the profit and loss account of the period in which the change occurs.

The cost that the company expects to sustain to carry out the restructuration plans are recorded in the fiscal year in which the Group has formally defined such plans, and in which the concerned subjects have formed the valid expectation that the restructuration will take place.

The risks that might generate a possible liability are recorded in the specific section "Contingent liabilities and commitments and other guarantees granted to third parties", but no cost provisions are recorded.

Bank loans and other financial liabilities

This item consists of financial liabilities made up of bank loans, debenture loans and financial amounts due to others, including amounts due to lessors in respect of finance leases. Bank loans and other financial liabilities are measured at amortised cost.

Financial liabilities are initially recognised at cost, represented by the fair value of the amount received net of accessory costs attributable to the acquisition of a loan. After initial recognition loans are measured at amortised cost, determined using the effective interest method. Amortised cost is calculated taking into account issue costs and any discount or premium envisaged at the time of settlement.

Trade payables and other payables

These liabilities are initially measured at the fair value of the amount to be paid. Subsequent measurement is at amortised cost using the effective interest method.

Revenues and costs

Revenues are recognized to the extent that the benefits associated to the sale of goods or services are likely to be attained by the company, and the relevant amount can be determined in a reliable way.

The revenues are recorder at the fair value of the consideration received or expected, taking into account the possible commercial discounts or volume premiums.

As regards the sale of goods, the revenues are recognized when the Company has transferred to the purchaser the main risks and benefits associated to the property of the good itself.

As regards the supply of services, the revenues are recongnized at the time the services are rendered.

Taxation

Current income taxes are based on an estimate of the taxable income for the year and the legislation prevailing in the countries in which the Group operates. The expected liability, net of any on-account payments or withholding tax suffered, is recognised under "Current taxation".

Deferred tax assets and liabilities reflect the temporary differences between the carrying amount of an asset or liability and its tax base.

"Deferred tax liabilities" consist of deferred tax balances arising from temporary differences which will be taxed in future years in accordance with prevailing tax legislation.

"Deferred tax assets" consist of taxes which despite being recoverable in future years refer to the current year, and are recognised to the extent that it is probable that taxable profit will be available in the future against which deductible temporary differences can be utilised.

Income taxes are recognised in the income statement unless they relate to items directly credited or charged to equity, in which case the tax effect is recognised directly in that account.

Deferred tax assets are recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Reno De Medici S.p.A., almost all its Italian subsidiaries (Emmaus Pack S.r.l., Cartiera Alto Milanese S.p.A. and Reno Logistica S.r.l. in liquidation) and the joint venture Careo S.r.l., have taked part in the domestic tax consolidation programme pursuant to Articles 117 and followings of the Consolidated Income Tax Act (T.U.I.R.). The company acts as the consolidating company in this plan and calculates a single taxable base for the group of companies taking part, thereby enabling benefits to be realised from the offsetting of taxable income and tax losses in a single tax return. Each company participating in the consolidation transfers its taxable income or tax loss to the consolidating company. As a consequence of this transfer, Reno De Medici S.p.A. recognises a receivables or a payables corresponding the amount of the IRES, net of the amounts paid, from that companies contributing taxable income or tax loss.

Discontinued operations

Discontinued operations consist of important autonomous lines of activity – in terms of business or geographical area or which form part of a single, co-ordinated disposal programme – that have either been disposed of or are held for sale, and subsidiary companies acquired exclusively for resale.

The results of discontinued operations, which are represented by the profits or losses of these operations and any gains or losses on disposal, are presented separately in the profit and loss account, net of any related tax effects, in a single line item.

Exchange differences

Transaction in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into Euros at the Balance Sheet date at the exchange rate prevailing that date, classified into profit and loss account.

Dividends

Dividends are recognised at the date on which their distribution is approved by shareholders.

Earnings per share

The base earning per share is defined as the ratio between the result of the Group attributable to the shares, and the weighted number of shares that circulated in the fiscal year.

The diluted earnings per share is calculated by taking into account the effect of all the potential common shares with dilutive effect. Similarly, it is equal to the base earning per share.

Financial instruments and risk management

IFRS 7 - Financial Instruments: Disclosures requires extensive disclosures to be made in connection with the nature of credit, liquidity and market risks and the way in which these risks are managed, and reference should be made to the paragraphs "Financial instruments and risk management" in the notes to the consolidated financial statements in this respect.

Use of estimates and measurement in specific situations

The preparation of financial statements and the related notes in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and assumptions used are based on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

Estimates are used to detect any provisions made against trade receivables, inventory obsolescence, depreciations, write-down, employee benefits, restructuring funds, taxes, other provisions, funds and evaluations of derivative instruments.

Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In this respect the situation caused by the present economic and financial crisis has led to the need to make assumptions regarding future performance which are characterised by significant uncertainty; as a consequence, therefore, it cannot be excluded that actual results may arise during the following year which differ from the estimates, with an effect, unpredictable at the present moment but which could be significant, on the carrying amounts of the items in question as represented here.

The valuation methods and the main assumptions used by management in applying accounting standards which relate to the future development of activities are discussed in the following. These methods and assumptions may have significant effects on the amounts recognised in the consolidated financial statements, with the resulting risk that adjustments may need to be made in future years having a potential effect on these amounts which is equally significant.

Fair value of derivative contracts and financial instruments

The fair value of financial instruments which are not quoted on a regulated active market is determined by employing various valuation techniques. In this respect, the Group uses those techniques which it believes are the most reasonable in connection with the specific financial instruments that have to be valued and adopts assumptions and makes estimates based on market conditions at the balance sheet date.

Taxation

The overall determination of the tax charge for the year requires the use of estimates and valuations, including those relating to any specific tax liabilities which may not be determinable at the date on which the related individual operation is carried out. In addition, in order to calculate deferred tax assets, the Group employs estimates and valuations which also take into account expectations of future events.

Seasonal factors affecting revenues

The trend of revenues for the sale of cartonboard for packaging is a function of the general tendency of the economies of the markets in which sales are made and in particular of the trend in the demand for consumer goods; it is not affected by specific seasonal factors during the year.

There are, however, seasonal effects in the production and sale of products as a result of factors connected with the calendar, such as for example if there is a high number of public holidays or periods of vacation in one month or accounting period rather than another (such as for example in August and December) that may typically recur in the main countries supplied.

Impairment testing

At each balance sheet date the Group reviews the carrying amount of its tangible and investments to assess whether there is any indication that these assets may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of such assets to determine any impairment loss.

No goodwill has been allocated to the Reno de Medici CGUs and therefore no specific impairment test is required to be carried out each year. However, the current economic and financial crisis that is being felt worldwide, with the consequent heavy losses recorded in the major regulated markets over the last 36 months, indicates a situation of total uncertainty insofar as the possible future economic scenarios, whether at a global or a domestic level.

Furthermore, due to the crises in the financial markets, the market capitalization of the Group has followed a downwards trend over the last 36 months, with an average level that is lower than its equity. This difference has mainly been generated starting from the second half of 2008, at the same time that the effects of the global financial crisis were felt.

Applying the procedure required by IAS 36, the RDM Group has identified the cash-generating units representing the smallest identifiable groups of assets that generate cash flows that are largely independent within the consolidated financial statements.

The lowest aggregation of assets for cash-generating units is represented by the single factories.

The recoverability of carrying amounts is tested by comparing the net book value of the individual cash-generating units with the present value of the estimated cash flows deriving from the continuing use of the assets making up the cash-generating units and that of their terminal value.

The main assumptions used by the Group in measuring the recoverable amount (value in use) regard the following:

a) estimates of operating cash flows;
b) the discount rate;
c) the final growth rate.

With respect to point a), given the current economic and financial crisis the RDM Group has made a prudent assumption, valid only for impairment testing, of the way in which its operations are expected to develop in the period from 2012 to 2014.

For discounting cash flows the Group has used the same rate, 7.82%, for all cash-generating units, a rate which reflects current market assessments and also takes into account the specific risks of the sector.

In performing the impairment test the terminal value was determined by using a growth rate (g rate) of 1.5%.

The need to recognise an impairment loss did not arise from the plans revised in this way except at the Magenta, Marzabotto and Blendecques factories, where in order to determine the recoverable amount of the production units fair value less costs to sell (current market value) had to be used rather than value in use, and this was calculated on the basis of appraisals estimated by an independent valuer.

In addition, on the basis of the recommendations included in joint document no. 4 prepared by the Bank of Italy, Consob and ISVAP (the insurance regulator), on March 4th, 2010, the Group prepared sensitivity analyses on the results of the tests, basing these on changes in the underlying assumptions (the use of the growth rate in calculating the terminal value and the discount rate) that affect the value in use of the cash generating units, but no additional indications of impairment emerged.

Considering that recoverable amounts are calculated on the basis of estimates, given the uncertainty governing the way in which the present global crisis will evolve the Group cannot be certain that a revision of these estimates will not be required in the future, with the resulting effect on values. The Group will keep the way in which the situation evolves constantly under control in order to make any revision to the assumptions underlying the estimates that may be needed.

Business plans were amended in a prudent manner for the impairment testing of cash-generating units and investments, in order to take account of the present adverse economic and financial situation and the uncertainties weighing upon the business.

In this respect, however, it cannot be excluded that if the crisis continues or deteriorates the present valuations may need to be revised.

Notes

Segment information

The following segment information has been prepared on the basis of the reports that management uses and reviews to assess performance and to take its main strategic decisions.

A geographical format has been adopted as the means of reporting segment information, based on the location of the Group's manufacturing facilities and its cutting and/or distribution centers.

The reports used by management provide details of results by individual manufacturing facility and cutting and/or distribution centre. The data are then aggregated into five geographical segments: Italy, Spain, Germany, France and the United Kingdom.

The segment Italy consists of the factories at Ovaro, Marzabotto, Villa Santa Lucia, Santa Giustina and Magenta together with the cutting and/or distribution centres such as Emmaus Pack S.r.l. and Cartiera Alto Milanese S.p.A.; the segment Spain consists of the factory at Almazan and the cutting and/or distribution centre at LLiça de Vall, together with smaller centres; the segment Germany consists of the factory at Arnsberg; the segment France consists of the factory at Blendecques; and the segment UK consists of the cutting and/or distribution centre at Wednesbury.

Revenues by individual operating segment are generated by the sale of coated cartonboard made from recycled fibre.

The Group assesses the performance of its operating segments on the basis of gross operating profit, operating profit and the profit/(loss) for the year.

The revenues by segment that are presented are those earned directly or attributable to the segment and arise from ordinary operations; they include revenues arising from transactions with third parties and revenues arising from transactions with other segments, measured at market prices. Segment costs are the costs arising from the operations of the segment that have been incurred with third parties and with other operating segments, or those directly attributable to the segment. Costs incurred with other segments are measured at market prices.

The economic measure of the results achieved by each segment is the profit or loss for the year; within that result operating profit and gross operating profit are specifically highlighted.

As part of the way in which the Group is managed, the treasury function of the Parent Company Reno De Medici S.p.A. constantly monitors and manages financial income and expense; from an operational standpoint this function takes all decisions of a financial nature.

A reconciliation between the segment valuations contained in these disclosures and the figures included in the financial statements in this report is not necessary as all the components of income presented are measured in accordance with the accounting policies used in the preparation of the Group's consolidated financial statements. Unallocated items and adjustments include intersegment balances.

The following table provides profit and loss data by geographical segment for the years ended 31 December 2011 and 2010:

Profit and loss 31.12.2011 *(thousands of Euros)*	Italy	Spain	Germany	France	Uk	Unallocated items & adjustments	Consolidated
Revenues from sales	**324,284**	**38,619**	**124,152**	**59,894**	**7,277**	**(47,175)**	**507,051**
Revenues from transactions with other segments	(45,358)		(1,270)	(544)	(3)	47,175	
Revenues from external customers	**278,926**	**38,619**	**122,882**	**59,350**	**7,274**		**507,051**
Gross operating profit	**21,787**	**709**	**9,121**	**(711)**	**(125)**	**(771)**	**30,010**
Depreciation and amortization	(16,369)	(936)	(9,835)	(534)	(59)	237	(27,496)
Recovery of value and write-down of assets			(383)				(383)
Operating profit	**5,418**	**(227)**	**(1,097)**	**(1,245)**	**(184)**	**(534)**	**2,131**
Financial income (expense), net	(6,780)	251	(911)	(345)			(7,785)
Income (loss) from investments	1,639					(2,309)	(670)
Taxation	4,454	(827)	314	8		72	4,021
Profit (loss) for the year before discontinued operations	**4,731**	**(803)**	**(1,694)**	**(1,582)**	**(184)**	**(2,771)**	**(2,303)**
Discontinued operations				(536)			(536)
Profit (loss) for the year	**4,731**	**(803)**	**(1,694)**	**(2,118)**	**(184)**	**(2,771)**	**(2,839)**
Interest in profit/(loss) of joint venture and associates accounted for by equity method	(625)						
Total Assets	**409,536**	**49,544**	**121,616**	**21,674**	**4,769**	**(172,109)**	**435,030**
Investments	**14,430**	**737**	**7,163**	**1,372**			**23,702**

Profit and loss 31.12.2010 *(thousands of Euros)*	Italy	Spain	Germany	France	Uk	Unallocated items & adjustments	Consolidated
Revenues from sales	337,079	38,436	112,608	53,942	12,932	(51,398)	503,599
Revenues from transactions with other segments	(48,197)		(2,633)	(559)	(9)	51,398	
Revenues from external customers	288,882	38,436	109,975	53,383	12,923		503,599
Gross operating profit	26,225	962	13,523	(1,704)	1,104	(87)	40,023
Depreciation and amortization	(15,889)	(909)	(9,293)	(393)	(59)	467	(26,076)
Recovery of value and write-down of assets	(1,916)						(1,916)
Operating profit	8,420	53	4,230	(2,097)	1,045	380	12,031
Financial income (expense), net	(6,130)	2	(383)	(540)	(10)		(7,061)
Income (loss) from investments	4,722					(4,498)	224
Taxation	(1,117)	(106)	(1,433)	(87)		(412)	(3,155)
Profit (loss) for the year	5,895	(51)	2,414	(2,724)	1,035	(4,530)	2,039
Interest in profit/(loss) of joint venture and associates accounted for by equity method	227						
Total Assets	445,231	50,263	133,581	23,261	7,273	(189,927)	469,682
Investments	10,972	162	4,005	1,823			16,962

In 2011 and 2010, no single external customer of the Group accounted for 10 percent or more of consolidated revenues.

1. Revenues from sales

Revenues from sales arise essentially from sales of cartonboard:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Revenues from sales	507,051	503,599	3,452
Total revenues from sales	**507,051**	**503,599**	**3,452**

The following table provides a geographical analysis of sales revenues:

(thousands of Euros)	31.12.2011	31.12.2010	Variations	%
Italy	170,645	178,980	(8,335)	(4.7 %)
UE	250,221	249,477	744	0.3 %
Extra UE	86,185	75,142	11,043	14.7 %
Total revenues from sales	**507,051**	**503,599**	**3,452**	**0.7 %**

Total revenues for the Reno De Medici Group in 2011 amounted to Euro 507.1 million, which was in line with the Euro 503.6 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.

2. Other revenues and income

Other revenues and income may be analysed as follows:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Grants	607	725	(118)
Indemnities	858	271	587
Recharge of costs	1	3	(2)
Revenues from sales of energy	8,366	7,529	837
Other revenues	4,403	6,362	(1,959)
Total	**14,235**	**14,890**	**(655)**

"Grants" are mainly made up ordinary contributions received from Comieco in relation to the use of the waste paper deriving from the public differentiated waste collection.

In 2011 "Indemnities" item included an insurance recovery relevant to an accident occurred in an Italian mill.

"Revenues from sales of energy" relate to amounts granted to the Group by certain energy suppliers for joining the "interruption" scheme and income arising from the sale of electricity by the factories in Italy, France and Germany during 2011 and from the use of the GAS storage rights.

"Other revenues" includes mainly contingency assets, collections from creditors' arrangement procedures, VAT recoveries following the closure of insolvency proceedings, revenues from services provided to associated companies and joint venture for an amount of about Euro 1.7 million.

3. Change in stocks of finished goods

Changes in stock in hand (Euro 4.7 million) are essentially attributable to the stoppages implemented by the Company in all works premises, in the second half of the year, as a consequence of the significant slow-down in order flows, accentuating the greater use of stocks.

4. Cost of raw materials and services

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Cost of raw material	**238,774**	**230,481**	**8,293**
Purchase of raw material	239,507	233,647	5,860
Change in stocks of raw materials	(733)	(3,166)	2,433
Services regarding sales	**52,462**	**54,280**	**(1,818)**
Trasports	38,799	41,384	(2,585)
Commissions and agents' costs	13,663	12,896	767
Services regarding manufacturing	**99,979**	**95,435**	**4,544**
Energy	65,407	59,393	6,014
Maintanance	12,364	13,803	(1,439)
Waste disposal	11,995	12,344	(349)
Other manufacturing services	10,213	9,895	318
General services	**14,617**	**13,795**	**822**
Insurance	3,207	2,810	397
Legal, notarial, administrative and external collaboration	4,093	4,015	78
Board of directors	1,529	1,407	122
Statutory auditors	200	203	(3)
Postal and telephone	668	758	(90)
Other	4,920	4,602	318
Use of third party assets	**3,610**	**3,464**	**146**
Rental and leasing	3,610	3,464	146
Total	**409,442**	**397,455**	**11,987**

The "Cost of raw materials" refers mainly to the purchase of the products used to make the mixture (waste paper, wood paste, cellulose and chemicals) and of those used for packaging.

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 result of the trend above descript these costs rise from 45.4% of the value of production ("Revenues from sales" plus "Change in stocks of finished goods") in 2010 to 47.5% in 2011.

Service costs rise in total by 2.2% over the previous year (Euro 167.1 million for the year ended 31 December 2011 against Euro 163.5 million for the year ended 31 December 2010), amounting to 33.3% of value of production (32.2% for the year ended 31 December 2010). This trend is substantially due to the increase in energy costs. While energy prices have not increased further in connection with the Iranian crisis of the last quarter, they have still remained at high levels.

The decrease of the item "Trasports" for Euro 2.6 million is mainly due to the lower volumes sold. These costs amounting to 7.7% on the value of production (8.1% on December 31, 2010).

The costs for the "Use of third-parties assets" at 31 December 2011 are in line with the figures at 31 December 2010.

5. Staff costs

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Salaries and wages	53,650	56,694	(3,044)
Social security contributions	15,958	17,482	(1,524)
Indemnity for defined contribution plans	1,620	2,027	(407)
Indemnity for defined benefits plans	232	234	(2)
Incentive plans		2,539	(2,539)
Other costs	1,200	2,084	(884)
Total	**72,660**	**81,060**	**(8,400)**

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 stoppages and the trimming of the Parent Company's staff.
It should also be noted that the figure for the heading "Other costs" in the last accounting period included the costs deriving from the discontinuance of activities at the works premises in Marzabotto.

The heading "Incentive plans" as at 31 December 2010 included the provision made for the incentive plan applicable to the Top Management based on phantom share performance.

The 2011 Financial Statements do not contain any provision for the new Plan 2011-2013 in relation to the actual figures, in a general macro-economic scenario deteriorated, compated to the resolution of the plan. For greater details on this point please refer to 'Note 28' Employee benefits of these Notes to the Financial Statements.

The following table sets out for the RDM Group the number of employees at the end of the year and the average number of employees during the year, analysed by category:

Employees by category	31.12.2011	31.12.2010	Variations
Executives	11	15	(4)
Middle Managers and White-collar	398	422	(24)
Blue-collar	1,093	1,158	(65)
Total	**1,502**	**1,595**	**(93)**
Temporany lay-off in CIGS	**37**	**64**	**(27)**
Permanent manpower	**1,465**	**1,531**	**(66)**

Weight employees by category	31.12.2011	31.12.2010	Variations
Executives	11	15	(4)
Middle Managers and White-collar	407	419	(12)
Blue-collar	1,118	1,149	(31)
Total	**1,536**	**1,583**	**(47)**

During the year due to shrinking orders on most of the mills, the company has resorted to layoffs ordinary income (including Magenta mill) to the extent necessary to accommodate the temporary downtime in the production cycle.

6. Other operating costs

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Accruals to provisions		132	(132)
Write-down of working capital receivables	1,183	668	515
Other operating costs	3,316	3,596	(280)
Total	**4,499**	**4,396**	**103**

There has been an increase in the provisions made against trade receivables compared the previous year.

"Other operating costs" at 31 December 2011 are in line with the figures at 31 December 2010. These costs mainly consist in other taxes incurred by Group companies, co-operative contributions for industrial associations and other contingent liabilities.

7. Depreciation and amortisation

The following table sets out details of the item "Depreciation and amortisation":

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Amortisation of intangible assets	777	599	178
Depreciation of tangible assets	26,719	25,477	1,242
Total	**27,496**	**26,076**	**1,420**

"Depreciation and amortisation" at 31 December 2011 are in line with the figures at 31 December 2010.

8. Recovery of value and write-downs of assets

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Write down	383	1,916	(1,533)
Total	**383**	**1,916**	**(1,533)**

The write-down of Euro 0.4 million as at 31 December 2011 refers to the loss of value as a consequence of the impairment in according with the IAS 36 of the concessions granted in Germany in relation to the water use rights with unlimited duration.

On December 31, 2010, the write-down deriving from the alignment between the carrying amount and the fair value of assets held for sale related to Marzabotto mill.

9. Financial income (expenses), net

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Financial income	**73**	**91**	**(18)**
Interest and other financial income	73	91	(18)
Financial expense	**(8,310)**	**(7,765)**	**(545)**
Bank interest	(4,823)	(4,765)	(58)
Financial charge from derivative instruments	(661)	(895)	234
Financial charge on defined benefits plans	(1,945)	(1,399)	(546)
Expenses, commissions and other financial charges	(881)	(706)	(175)
Exchange differences	**452**	**613**	**(161)**
Exchange gains	3,071	2,953	118
Exchange losses	(2,619)	(2,340)	(279)
Total	**(7,785)**	**(7,061)**	**(724)**

There has been a worsening of Euro 0.7 million in net financial expenses, despite the lower indebtedness, due to higher short-term interest rates and the charges associated with the greater use of receivable factoring. It is also important to note an increase in actuarial charges deriving from the calculation of the benefits to employees applied by the Group. The item contains an actuarial gain for an amount of Euro 865 thousand.

10. Income (loss) from investments

I proventi (oneri) da partecipazioni sono relativi principalmente a quanto di seguito riportato:

- income of Euro 0.2 million arising from accounting for the investment in the joint venture Careo S.r.l. by using the equity method;
- income of Euro 0.2 million arising from accounting for the investment in the associate Pac Service S.p.A. by using the equity method;
- expenses of Euro 1.1 million arising from accounting for the investment in the joint venture Manucor S.p.A. by using the equity method.

11. Taxation

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Deferred taxation	6,720	1,767	4,953
Current taxation	(2,699)	(4,922)	2,223
Total	**4,021**	**(3,155)**	**7,176**

It is worthy of note that the Tax heading includes the recording of advance tax applicable to the Group Holding Company pursuant to the provisions of Legal Decree no. 98 of 6 July 2011 (the so-called "2011 Economic Adjustment"), converted into law with amendments by Law no. 111 of 15 July 2011. While the above provisions on the one hand, exclude temporal limits on the ability to carry forward previous tax losses, on the other, they introduce a quantitative limit on their use. In particular, previous tax losses can be carried forward without limit in time but they may only be used up to the limit of 80% of the declared income chargeable to tax for each accounting period. For greater details on this point please refer to Note 27 of these Notes to the Financial Statements.

Reconciliation between the theoretical tax burden and the tax burden as per the Financial Statements (income taxes)

See below reconciliation between the theoretical tax burden and the tax burden as per the Financial Statements (income taxes).
For further details see Note 27 – Deferred taxation.

(thousands of Euros)	Imponibile	% IRES	31.12.2011
Profit (loss) before taxation	(1,347)		
Theoretical tax charge		**29.40%**	**(396)**
Temporary differences	1,823		
Permanent differences which will reverse in future years	2,116		
Permanent differences which will not reverse in future years	(268)		
Total difference	3,671		
Effective tax charge	**2,324**	**29.40%**	**683**

Reconciliation between the theoretical tax burden and the tax burden as per the Financial Statements (IRAP)

As regards the current IRAP, the reconciliation between the theoretical and actual tax burden of the Parent Company, and of the Italian controlled subsidiaries Emmaus Pack S.r.l. and C.a.m. S.p.A. is the following:

(thousands of Euros)	Imponibile	% IRAP	31.12.2011
Difference between value and cost of production	44,197		
Costs for insurance and tax wedge reduction	(13,532)		
Total	**30,665**		
Theoretical tax charge		**3.90%**	**1,196**
Permanent differences for major regional taxation	2,273		
Reversal of prior year temporary differences	1,566		
Permanent differences which will not reverse in future years	3,002		
Total difference	**6,841**		
Effective tax charge	**37,506**	**3.90%**	**1,463**
Current taxation		**4.77%**	

The "permanent differences for major regional taxation", relevant to the Parent Company only, derive from the application of the higher rate of 4.82% to the net production of the Lazio region.

12. Discontinued operations

The heading "Discontinued operations" as at 31 December 2011 refers to the update estimate of payables due to a number of employees consequential to the closing of the production line in 2008 within the French subsidiary company's production unit.

13. Tangible fixed assets

As regards the movements of tangible assets related the year 2010 and 2011, are the following:

(thousands of Euros)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Asset in course of construction	Total
Cost	27,642	92,061	626,633	13,960	14,493	4,321	779,110
Accumulated depreciation/ Write-down		(47,435)	(452,351)	(9,111)	(13,982)		(522,879)
Net Book value 31.12.09	**27,642**	**44,626**	**174,282**	**4,849**	**511**	**4,321**	**256,231**
Increases	83	496	6,670	155	198	9,368	16,970
Decreases	(111)	(274)	(789)		(4)	(12)	(1,190)
Reclassification of cost		18	(52,567)	7	14	(4,013)	(56,541)
Recovery of value and write down			(87)				(87)
Depreciation of the year		(2,576)	(22,457)	(803)	(241)		(26,077)
Write down			38				38
Other changes (acc. Depr.)		171	54,534	211	494		55,409
Utilization of the acc. Depr.		210	297		4		511
Value at 31.12.2010							
Cost	27,614	92,301	579,860	14,122	14,701	9,664	738,262
Accumulated depreciation/ Write-down		(50,050)	(420,533)	(9,703)	(13,733)		(494,020)
Net Book 31.12.10	**27,614**	**42,250**	**159,327**	**4,419**	**968**	**9,664**	**244,241**

(thousands of Euros)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Asset in course of construction	Total
Cost	27,614	92,301	579,860	14,122	14,701	9,664	738,262
Accumulated depreciation/ Write-down		(50,051)	(420,533)	(9,703)	(13,734)		(494,021)
Net Book value 31.12.10	**27,614**	**42,250**	**159,327**	**4,419**	**968**	**9,664**	**244,241**
Increases		1,830	18,163	175	29	2,682	22,879
Decreases		(50)	(1,250)		(10)		(1,310)
Reclassification of cost	(4,127)	4,960	20,337	(12,079)	(226)	(8,974)	(109)
Depreciation of the year		(3,283)	(23,205)	(14)	(217)		(26,719)
Other changes (acc. Depr.)		292	(8,118)	7,717	(188)		(297)
Utilization of the acc. Depr.			1,136		10		1,146
Value at 31.12.2011							
Cost	23,487	99,041	617,110	2,218	14,494	3,372	759,722
Accumulated depreciation/ Write-down		(53,042)	(450,720)	(2,000)	(14,129)		(519,891)
Net Book value 31.12.11	**23,487**	**45,999**	**166,390**	**218**	**365**	**3,372**	**239,831**

"Land" includes the areas pertaining to the manufacturing facilities of the Parent Company, situated at Magenta (MI), Santa Giustina (BL), Ovaro (UD), Villa Santa Lucia (FR) and Marzabotto (BO), those of RDM Iberica S.L. at Almazan and those of the German company Reno De Medici Arnsberg GmbH.

"Buildings" relate mainly to the manufacturing facilities. The increases for the year regard investments in improvements to owned properties.

"Plant and machinery" relates to specific and general manufacturing plant and machinery.

The heading "Increases" refers to technical investments effected over 2011 in the amount of Euro 22.9 million (Euro 17.0 million in 2010).

The increases are related to investments with the aim to reduce variable costs, improve production capacity, improve safety and mitigate the effect on the environment.

Investments at the factory of the German subsidiary of Arnsberg regarded the completation of a new "shoe press".

Investments in the Ovaro works premises took the form of modifications to the continuous machine in order to increase its productive capacity by the installation of a "shoe press".

Investments made at the Santa Giustina facility related to improvement and/or modernisation of the equipments, and the rebuild of wet-end of the board machine is especially noteworthy.

Investments made at the Villa Santa Lucia facility related the installation of a new head box.

Investments at the remaining facilities consisted of the improvement and/or modernisation of plant and machinery.

"Industrial and commercial equipment" consists mainly of assets used in the production process at the various facilities.

"Other assets" consist mostly of electronic office machines and office furniture, fixtures and fittings.

There are charges (mortgages and privileges) totaling Euro 310.1 million on owned property and plant and machinery, pledged in favour of banks as security on loans, whose outstanding balance at 31 December 2011 amounted to Euro 54,8 million.

For more information related to impairment test, see the paragraph "Impairment testing".

14. Goodwill

Goodwill arises from the acquisition of Barneda Carton S.A., which was transferred to RDM Iberica in 2006 following the purchase of the business. Disclosures regarding impairment testing may be found in the paragraph "Impairment testing".

15. Intangible assets

As regards the movements of intangible assets related the year 2011 and 2010, are the following:

(thousands of Euros)	Concessions, licences, trade marks and similar rights	Other	Financial assets in progress	Total Intagible assets with a definite useful life	Intagible assets with an indefinite useful life
Net book value at 31.12.2009	**1,829**	**334**	**107**	**2,270**	**3,973**
Increases	218		96	314	
Decreases		(49)		(49)	
Reclassification of cost	93			93	
Amortisation for the year	(468)	(143)		(611)	
Net book value a 31.12.2010	**1,672**	**142**	**203**	**2,017**	**3,973**

(thousands of Euros)	Concessions, licences, trade marks and similar rights	Other	Financial assets in progress	Total Intagible assets with a definite useful life	Intagible assets with an indefinite useful life
Net book value at 31.12.2010	**1,672**	**142**	**203**	**2,017**	**3,973**
Increases	263	427	133	823	
Decreases		(15)		(15)	
Reclassification of cos		428		428	
Write down/recovery for the year					(383)
Amortisation for the year	(517)	(260)		(777)	
Net book value at 31.12.2011	**1,418**	**722**	**336**	**2,476**	**3,590**

"Intangible assets with an indefinite useful life" consists of the valuation of concessions granted in Germany relevant to water rights with unlimited duration.

At the balance sheet date, the Group has done the impairment test in according with the IAS 36, identifying a loss of value amounting to Euro 383 thousand.

For more information related to impairment test, see the paragraph "Impairment testing".

16. Investments

(thousands of Euros)	Carry value a 31.12.2010	Investments	Elimination of dividens from associates	Devaluation/ Revaluation	Carry value at 31.12.2011
Associated companies					
Pac Service S.p.A.	1,568		(290)	182	1,460
Jointly-controlled companies (Joint Venture					
Careo S.r.l.	329			250	579
Manucor S.p.A.	4,792			(1,051)	3,741
ZAR S.r.l.		30			30
Total	**6,689**	**30**	**(290)**	**(619)**	**5,810**

Write-downs and revaluations relate to the adjustment to the carrying amount of the investments in Manucor S.p.A. and Careo S.r.l. (which are defined as joint ventures on the basis of the terms of corporate governance included in their bylaws), and Pac Service S.p.A., to the Group's share of their equity.

As discussed above there is a new joint venture, ZAR S.r.l. with an investment of Euro 30 thousands.

Following the key figures of the balance sheets and profit and loss accounts, prepared in accordance with IFRS, of the mainly joint ventures.

	Careo (1)		Manucor	
(thousands of Euros)	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Non-current assets	997	710	86,234	91,221
Current assets	13,388	7,580	53,374	59,293
Total assets	**14,385**	**8,290**	**139,608**	**150,514**
Shareholders' Equity	810	503	16,440	21,067
Non-current liabilities	2,902	2,265	29,532	100,109
Current liabilities	10,673	5,522	93,636	29,338
Total liabilities	**14,385**	**8,290**	**139,608**	**150,514**
Revenues	15,101	14,285	154,501	140,771
EBITDA	928	727	5,671	11,524
EBIT	871	679	(4,211)	509
Profit (loss) for the year	353	347	(4,627)	(866)

(1) Figures are related to the information used in the consolidated financial statement ot the evalutation under equity method of investment.

It should be note that at the end of 2011 Manucore has not met certain financial parameters and contractual obligations provided by loan.

Manucor requested the bank to temporarily suspend the application of such financial covenants; the bank formally accepted the request on 03 February 2012.

As the banks' formal resolution was received after the closing of the fiscal year, according to IAS 1, the non-current portion of the loans, for an amount of Euro 60.3 million, has been reclassified as a short-term loan (even if such amount proves to be still at medium term due to waiver that has been obtained).

17. Deferred tax assets

"Deferred tax assets", classified as non-current assets, arise from deductible temporary differences in Cartiera Alto Milanese S.p.A. and Emmaus Pack S.r.l.. The difference with respect to 31 December 2010 can be attributed for the most part to the set off of the Spanish subsidiary's tax asset effected during the second six-month period.

18. Financial assets available for sale

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Financial assets available for sale	195	191	4
Non-current	**195**	**191**	**4**

"Financial assets available for sale", non current portion, is made mainly by the investment in Cartonnerie Tunisienne S.A. for Euro 0.1 million, and by other minor investments in syndicates.

These investments are accounted for at cost, if the case adjusted for decreases in value, as the relevant fair value cannot be reliably determined.

19. Trade receivables and Associated companies and joint ventures trade receivables

The following table presents an analysis of trade receivables between current and non-current balances, whose total amounted to Euro 93.9 million.

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Trade receivables	82	81	1
Non-current trade receivables	**82**	**81**	**1**
Trade receivables	92,289	119,181	(26,892)
Associated companies and joint ventures trade receivables	1,547	1,835	(288)
Current trade receivables	**93,836**	**121,016**	**(27,180)**

The decrease of Euro 27.2 million euros is mainly the consequence of the effect resulting from the without recourse factoring programme, under which trade receivables amounting to Euro 14.4 million due after 31 December 2011 have been sold (Euro 7.2 million at 31 December 2010), and the decrease in turnover in the fourth quarter of 2011 compared to the same period of the previous year.

The current portion of "Trade receivables" is stated net of a provision for bad and doubtful debts of Euro 5.3 million. The following table sets out the changes for the year in that provision:

(thousands of Euros)	31.12.2010	Charge	Utilization	31.12.2011
Provision for bad and doubtful debts	5,560	1,183	(1,414)	5,329
Total	**5,560**	**1,183**	**(1,414)**	**5,329**

Moreover it should be note that the item "trade receivables", current portion, includes trade receivables from related parties for an amount of Euro 0.9 million (compared to Euro 0.6 million at 31 December 2010). For more details, see Note 34.

"Associated companies and joint ventures trade receivables" includes mainly the relations that the Parent company Reno De Medici S.p.A. maintains with Careo S.r.l., R.D.M. Tissue core S.r.l. in liquidation, and the relations that Spanish subsidiary Reno De Medici Iberica S.l. maintains with Careo Spain S.l. related to trade relations. For more details, see Note 34.

The following table provides a geographical analysis of current "Trade receivables":

(thousands of Euros)	31.12.2011	31.12.2010
Italy	51,490	66,716
UE	33,895	41,792
Rest of the world	8,451	12,508
Total	**93,836**	**121,016**

20. Other receivables and Associated companies and joint ventures trade receivables

Other non-current receivables *(thousands of Euros)*	31.12.2011	31.12.2010	Variations
Tax credits		229	(229)
Guarantee deposits	131	91	40
Other receivables	197	50	147
Total	**328**	**370**	**(42)**

The "Non-current part" of the heading "Tax receivables" as at 31 December 2010 referred to applications for the refund of IRPEG (company income tax) for previous years. During the year the heading has been written down on prudential grounds, as they are hardly recoverable given that it is considered relates to proceedings which have been pending for several years now.

Other non-current receivables *(thousands of Euros)*	31.12.2011	31.12.2010	Variations
Tax receivables	2,914	1,486	1,428
Prepayments and accrued income	224	194	30
Miscellaneous	2,254	2,176	78
Total	**5,392**	**3,856**	**1,536**
Other associated companies and joint ventures receivables	1,192	391	801
Totale	**6,584**	**4,247**	**2,337**

Current "Tax receivables" relate to a tax receivables. The increase of the item is related to the credit for the tax whitheld in Germany , of which the reimboursement is pending.

"Other associated companies and joint ventures receivables", at 31 December 2011, arise mainly from relations of financial nature with Reno Logistica S.r.l. in liquidation and Careo S.r.l., respectively for an amount of Euro 332 thousands. and Euro 870 thousands.

21. Stocks

The following table provides an analysis of stocks at 31 December 2011 and 31 December 2010:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Raw material and consumables	42,271	41,715	556
Provision for obsolescence	(2,805)	(2,982)	177
Finished goods and goods for resale	38,536	43,224	(4,688)
Provision for obsolescence	(20)	(32)	12
Total	**77,982**	**81,925**	**(3,943)**

The provision for obsolescence against raw material and consumables relates mainly to the French facility of Blendecques.

For the commentary to the change in stocks of finished goods see Note 3.

22. Posizione finanziaria netta

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Cash	34	36	(2)
Funds available at banks	2,530	2,174	356
A. Cash and cash equivalent	**2,564**	**2,210**	**354**
Other associated companies and joint ventures receivables	1,192	391	801
B. Current financial receivables	**1,192**	**391**	**801**
1. Bank overdraft	*29,557*	*40,176*	*(10,619)*
2. Current portion of medium and long term loans	*12,879*	*9,875*	*3,004*
3. Other current financial liabilities	*328*	*365*	*(37)*
Bank loans and other financial liabilities (1+2+3)	42,764	50,416	(7,652)
Other associated companies and joint ventures payables		1,307	(1,307)
Derivatives - current financial liabilities	601	794	(193)
C. Current financial debt	**43,365**	**52,517**	**(9,152)**
D. Current financial debt, net (C-A-B)	**39,609**	**49,916**	**(10,307)**
Bank loans and other financial liabilities	45,934	55,531	(9,597)
Derivatives - non-current financial liabilities	1,022	1,011	11
E. Non-current financial payables	**46,956**	**56,542**	**(9,586)**
F. Financial debt, net (D+E)	**86,565**	**106,458**	**(19,893)**

The Gross Financial Indebtedness as of 31 December 2011, determined according to the amortized cost method, amounts to Euro 88.7 million (compared to Euro 107.2 million as of 31 December 2010) and includes non-current portions of medium-long term loans for an amount of Euro 45.9 million, current portions of medium-long term loans for Euro 13.2 million, and trade financings for Euro 29.6 million, mainly consisting of lines for the discount of trade account receivables.
This decreasing was due mainlyto 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. As described in note 3.
Net financial indebtedness also benefits from some mismatches in the cash flow receipts and payments.

The outstanding medium and long-term financings, sorted out by due-date and recorded at nominal value, are the following:

(thousands of Euros)	Due within on year	Due after more	Due after more than five years	Total
M.I.C.A. - scad, 13 febbraio 2016	142	625		767
M.I.C.A. - scad, 16 ottobre 2013	151	154		305
San Paolo Imi - due on April 6, 2016	3,276	11,465		14,741
San Paolo Imi fin.pool - tranche A - due on April 6, 2016	6,280	21,982		28,262
San Paolo Imi fin.pool - tranche B - due on April 6, 2016	2,000	7,000		9,000
Banca Pop.Emilia Romagna - due on May 15, 2016	620	2,170		2,790
DRESDNER BANK - due on December 2015	714	2,143		2,857
M.I.T.C. - due on October 1, 2025		24	214	238
Leasing Caterpillar - due on April 25, 2016	13	47		60
Caja Duero - due on April 21, 2019	64	431	297	792
Total payables at nominal value	**13,260**	**46,041**	**511**	**59,812**
Effect of amortized cost	**(381)**	**(620)**		**(1,001)**
Total payables valued with amortized cost	**12,879**	**45,421**	**511**	**58,811**

RDM is bound by certain restrictions and commitments with thresholds for the pool funding that are normal for syndicated loans of this nature; amongst these are limitations on obtaining additional debt, on distributing dividends, on granting guarantees (a negative pledge), on the disposal of core activities, constrains on making investments and on carrying out financial transactions of an extraordinary nature.
In particular, this loan requires certain financial covenants to be respected that are based on the following ratios:

– Net financial position/Equity;
– Net financial position/Gross operating profit;
– Gross operating profit/Net financial expense.

These ratios must be calculated every six months on the basis of the figures stated in the Group's year end and half year consolidated financial statements, starting from 31 December 2006.

The half year calculations of Gross operating profit and net financial expense are based on the twelve month period ending on the last day of the half year concerned.

The eventual failure to respect the loan agreement covenants can be grounds for the lending banks to terminate the arrangement.

It should be note that during the 2011 there were repayments of principal for a total amount of Euro 10.4 million, and distursed loans for Euro 3.4 million.

In terms of guarantees the agreement requires RDM to provide mortgages on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia factories, for an overall total of euro 120 million. This guarantees are related to the pool funding.

Special liens on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia's plant and machinery are granted as guarantees, for a total amount of Euro 120 Million. This guarantees are related to the pool funding.

In additional, on October 2009 the negotiations with IntesaSanpaolo and Unicredit for the rescheduling of the loans originally arranged in 2006 were formally concluded with the signing of a Modification Agreement.

The two loans originally totalled Euro 74.7 million, fully disbursed; following repayments there was an outstanding balance of Euro 52.0 million at 31 December 2011.

The new terms, in order to achieve an optimal split between short-term and medium/long-term sources of funding, provide amongst other things for a reformulation of debt servicing, with two years of grace being given for the repayment of the principal, depending on the investment plans made by the Reno De Medici Group. The investment plans are at constant amounts, with the final due date remaining as the initial 2016.
Such terms have made it possible to comply with the financial commitments relating to RDM's investment plans from 2009 to 2011 exceeding routine levels (amounting to a total of about Euro 15 million), and are necessary for the further optimisation of production activities. They have made it possible to optimise the division of RDM's financial debt between short and medium to long-term sources.
The Amending Agreement provides in addition for changes to the contractual covenants which are now based on revised parameters and the postponement of the call options available to Reno De Medici (from 2010 to 2012) and the put options available to Cascades S.A.S. (from 2011 to 2013) provided by the Combination Agreement signed in 2007 by the Parties for the purchase by Reno De Medici of two factories located in France and Sweden currently owned by Cascades S.A.S. and dedicated to the production of cartonboard from virgin fibre, together with the means by which these rights may be exercised.

The value of such option is based on a specific non-financial variable relevant to the above mentioned operations.

It will also be recalled that a variable rate loan agreement was concluded on 13 April 2006 for Euro 6.2 million with Banca Popolare dell'Emilia Romagna, expiring on 15 May 2016, with repayments to be made on a six-monthly basis.
In addition, a variable rate loan agreement was concluded on 31 December 2006 for Euro 14.7 million with Banca San Paolo Imi. The loan has been paid out in full with repayment due on 6 April 2016. The above loans also entailed the imposition of registered mortgages on the works premises located at Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia respectively securing the total amount of Euro 40.6 million together with floating charges and

special privileges over the plant and machinery installed in the works premises in Magenta, Santa Giustina and Villa Santa Lucia for a total value of Euro 29.5 million as at 31 December 2011.

During the 2008, the subsidiary Reno De Medici Arnsberg Gmbh subscribed a loan agreement for Euro 5 million that also provides, besides other clauses, for certain financial parameters to be verified semi-annually, a "change of control" clause, and the obligation to inform the bank, in case new loans are assumed.

It should be note that Parent company and Germany subsidiary respect at 31 December 2011 the financial parameters above described.

In order to reduce the variability of financial charges on the indebtedness, interest rate swaps have been subscribed on the outstanding loans as of 31 December 2011. For a more thorough information on the derivative instruments in portfolio as of 31 December 2011, see Note 24.

23. Non-current assets held for sale

"Non-current assets held for sale" consists of plant and machinery of the Marzabotto mill for which a sales agreement was drawn up at the end of 2011; the disposal will be finalized and completed during 2012.

24. Shareholders' equity

Changes in shareholders' equity for the year are set out in the following table:

Description *(thousands of Euros)*	Shareholders's equity at 31.12.2010	Changes in the year					Shareholders's equity at 31.12.2011
		Allocation of the annual result	Current traslation differences	Fair value asset available for sale	Hedge accounting	Profit (loss) for the year	
Share capital	185,122						185,122
Share premium							
Legal reserve	5	203					208
Other reserves:							
- Extraordinary reserve	1,150						1,150
- Exchange difference from convertion	(185)		35				(150)
Hedging reserve	(804)				100		(704)
Profit (loss) brought forward	(31,090)	1,164					(29,926)
Profit (loss) for the year	1,367	(1,367)				(3,125)	(3,125)
Total	**155,565**		**35**		**100**	**(3,125)**	**152,575**

The General Meeting of the Shareholders of 27 April 2011 resolved on the distribution of the 2010 profits of the Group Holding Company amounting to Euro 4,065,057, as follows:

a) Euro 203,253 to the Legal reserve pursuant to Article 2430 of the Italian Civil Code;

b) Euro 3,861,804 to cover losses.

In addition it is noted that in accordance with the requirements of article 5 of the Corporate's bylaws holders of savings shares may convert such shares to ordinary shares in February and September each year. In 2011, 15,281 savings shares were converted to ordinary shares. As the result of this the Company's share capital at 31 December 2011, fully subscribed and fully paid, was made up as follows:

	Quantity	Par value	Total
Ordinary shares	377,471,413	€0.49	184,960,992.37
Saving share	329,581	€0.49	161,494.69
Total	**377,800,994**		**185,122,487.06**

It is noted that in the period 1-28 Febraury 2012, 228 savings shares were converted to ordinary shares vested as from 1st January, 2011.

Following the detail of the number of outstanding shares at 31 December 2011 and at 31 December 2010:

	31.12.2011	31.12.2010	Delta
Issued Shares	377,800,994	377,800,994	
Total issue share	377,800,994	377,800,994	

The Company's bylaws also provide that if during any one fiscal year a dividend per share is distributed to savings shareholders which is less than 5% of the nominal value of the savings shares (being Euro 0.49), then the difference is transferred as an increase in the privileged dividend of the following two years. In this respect it is recalled that no dividends were distributed in 2010 and 2011.

Minority interests of Euro 0.7 million (Euro 1 million at 31 December 2010) relate to the share held by minority quota holders in the subsidiary Emmaus Pack S.r.l..

Tax effect concerning the components of statement of comprehensive income is following:

	31.12.2011			31.12.2010		
(thousands of Euros)	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
Cash flow Hedge	138	(38)	100	(11)	3	(8)
Current traslastion differences	35		35	62		62

25. Derivative financial instruments

In order to reduce the variability of financial charges on the indebtedness, interest rate swaps have been subscribed on the outstanding loans of 31 December 2011:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Non-current liabilities	**1,022**	**1,011**	**11**
Derivative financial instruments (Hedge accounting)	871	862	9
Derivative financial instruments (Hedge accounting)	151	149	2
Current liabilities	**601**	**794**	**(193)**
Derivative financial instruments (Hedge accounting)	430	617	(187)
Derivative financial instruments (Hedge accounting)	171	177	(6)

There was a negative fair value of Euro 1,623 thousand at 31 December 2011 of the derivative financial instruments represented by interest rates swaps.

The following table sets out the main features of the Company's derivative financial instruments at 31 December 2011:

Company	Counterparty	Currency	Maturity	Nominal Value (€/000)	Interest	Payment of interest	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	06,04,2016	13,500	4.11% fixed / Euribor 6m	Six monthly	(867)
Reno De Medici S.p.A.	Unicredit Banca d'Impresa S.p.A.	Eur	06,04,2016	6,750	4.11% fixed / Euribor 6m	Six monthly	(434)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	15,05,2016	2,790	4.15% fixed / Euribor 6m	Six monthly	(185)
Reno De Medici Arnsberg GmbH	Dresdner Bank AG	Eur	31,12,2015	2,857	3.59% fixed / Euribors 6m	Six monthly	(137)
				25,897			(1,623)

26. Other payables and other associated companies and joint ventures payables

The following table provides a detail of other payables:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Deferred income	339	392	(53)
Miscellaneous payables	1,204	1,204	
Other non-current payables	**1,543**	**1,596**	**(53)**
Payables to personnel	4,162	5,646	(1,484)
Payables to social security authorities	3,168	4,248	(1,080)
Payables to tax authorities	6,310	2,905	3,405
Miscellaneous payables	902	969	(67)
Company body	1,181	1,209	(28)
Accrual and deferred income	176	114	62
Other current payables	**15,899**	**15,091**	**808**
Other associated companies and joint ventures payables		1,307	(1,307)
Total other payables	**15,899**	**16,398**	**(499)**

"Deferred income" relate for Euro 0.3 million to the non-current portion of the public grant as per the Italian law Nr. 488 and relevant to the Santa Lucia mill; the portion of the grant that will exceed five years amounts to Euro 0.1 million.

"Miscellaneous payables", non-current portion, are Euro 1.2 million relevant to the consideration recognized to Cascades S.A.S. for the sale of the virgin fiber customers list. The consideration for such sale, as defined in the Combination Agreement subscribed with Cascades Group, has not been recorded as income since RDM retains a "residual involvement", as defined by IAS 18, because of the put and call options for the acquisition of the assets owned by Cascades S.A.S. that operate in the virgin-fiber carton board sector.

"Payables to personnel" consists mainly of amounts for deferred compensation and due to a reduction in the number of hours worked and staff cuts particularly in the Parent Company.

"Payable to social security authorities" relates for the most part to amounts for social security contributions due on current wages and salaries paid to employees in December and paid over in January 2012, and to accruals for social security contributions due on deferred compensation (employee leave, additional months' salaries and overtime).

"Payables to tax authorities" relate to withholding tax due to the authorities on remuneration paid to employees in December, VAT payables, an amount payable to the German tax authorities for withholdings at source and miscellaneous tax payables. The increase in this item is due to the rise in the VAT payable, which was settled in January 2012 and the amount payable to the German tax authorities for withholdings at source, paid in the month of March 2012.

"Other associated companies and joint ventures liabilites" as at December 31, 2010, arised mainly from relations of financial nature between Reno De Medici S.p.a. and Careo S.r.l. for an amount of Euro 0.7 million, and relations of financial nature between Reno De Medici Arnsberg GmbH and Careo Gmbh for an amount of Euro 0.6 million.

27. Deferred taxation

The followwing table provides a summary of the determination of deferred tax assets and deferred tax liabilities from temporary differences at 31 December 2011:

(thousands of Euros)	2011 Temporary difference	2011 Average tax rate %	2011 Tax effect	2010 Temporary differences	2010 Average tax rate %	2010 Tax effect
Recognised deferred tax assets	**35,114**		**9,110**	**18,783**		**4,555**
Booking depreciation exceeding tax depreciation	-	0.00%	-	126	30.57%	39
Tax losses to carry forward	19,924	27.50%	5,479	4,963	28.87%	1,433
Write-down for permanent losses in value	1,820	3.90%	71	1,820	3.90%	71
Write-down stock	322	3.90%	13	322	3.90%	13
Provision for future charges(IRAP)	410	3.90%	16	894	3.90%	35
Provision for future charges (IRES)	304	27.50%	84	335	27.50%	92
Other temporary differences (IRES)	2,686	27.50%	739	6,882	27.53%	1,895
Other temporary differences IRAP	185	3.90%	7	152	3.90%	6
Employee benefits actualised	2,538	31.20%	792	2,050	30.57%	627
Valutation of derivatives with hedge accounting	970	27.50%	267	1,108	27.50%	305
Unrecognised deferred tax liabilities consolidation booking	5,818	27.50%	1,600			
Tax assets consolidation booking	137	31.20%	43	131	30.57%	40
Recognised deferred tax liabilities	**86,430**		**27,110**	**93,038**		**28,721**
Booking depreciation exceeding tax depreciation	24,041	31.40%	7,549	25,607	31.40%	8,041
Other temporary differences	2,708	31.13%	843	2,843	30.59%	870
Remeasuting TFR IFRS	3,212	27.50%	883	3,408	27.50%	937
Tax liabilities consolidation booking	56,469	31.58%	17,834	61,180	30.85%	18,874
Recognised deferred tax (assets) liabilities, net			**18,000**			**24,167**
- of which deferred tax liabilities			*18,399*			*25,536*
- (of which deferred tax assets)			*(399)*			*(1,369)*
Unrecognised deferred tax assets	**154,733**		**46,218**	**174,919**		**51,803**
Write-down for permanent losses in value	3,582	27.50%	985	6,977	30.34%	2,117
Write-down stock	322	27.50%	89	322	27.50%	89
Bad and doubtful debts	1,854	28.09%	521	1,658	28.37%	470
Provision for future charges	7,140	27.84%	1,987	4,341	27.62%	1,199
Financial interest deductible	553	27.50%	152	7,678	27.50%	2,111
Other temporary differences	101	33.33%	34	-		-
Tax losses to carry forward	138,619	30.02%	41,614	110,831	30.47%	33,767
Tax loss for the year	2,562	32.60%	835	43,112	27.95%	12,049
Unrecognised deferred tax assets			**46,218**			**51,803**

Deferred tax assets and liabilities at 31 December 2011 have been offset as the conditions in IAS 12 are satisfied; in particular, they are offset when balances relate to income taxes levied by the same taxation authority and when there is a legally enforceable right to do so.

Deferred tax assets are recognised to the extent that it is probable that the Company will have taxable profits in the future, also in connection with the absorbtion of taxable timing differences in future fiscal years, that will allow the utilization of deductible timing differences, or tax losses carried forward. The increase of the item compared to last year is due to the posting of anticipated taxes on the total amount of debit interests that had not been deducted in prior years, and to the anticipated taxes that have been recorded on previous tax losses, for the portion that is deemed to be recoverable thanks to future taxable profits, based on the plans of the Company. It has also to be reminded that Legal Decree no. 98 of 6 July 2011 (the so-called "2011 Economic Adjustment") allows that tax losses can be brought forward for an unlimited period in time.

We report here after the tax losses of the Group, for a total amount of Euro 141.1 million, broken-down based on the years in which they can be recovered.

(thousands of Euros)	2011
Reno De Medici S.p.A.	42,312
RDM Iberica S.L.	86,214
RDM Blendecques S.A.S.	24,521
Reno De Medici UK Limited	8,056
Total tax losses to carry forward	**141,103**

28. Employee benefits

The following table present details of Employee benefits, current and non-current balances:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Employee benefits - defined benefits plans	12,945	11,843	1,102
Employee benefits - defined contribution plans	11,418	12,187	(769)
Employee benefits - Incentive plans		145	(145)
Non-current employee benefits	24,363	24,175	188
Employee benefits - Incentive plans		2,706	(2,706)
Employee benefits - defined contribution plans	264		264
Current employee benefits	264	2,706	(2,442)
Total	**24,627**	**26,881**	**(2,254)**

Following the changes in legislation the previous year regarding the employees' leaving entitlement (TFR), the Group has continued to recognise its obligation for the portion of this obligation accrued at 31 December 2006 in accordance with the rules for defined benefit plans, while it recognises its obligation for the portion accruing from 1 January 2007, due to supplementary pension funds or the Treasury Fund of the Italian social security organisation INPS, on the basis of the contributions due during the year.

The current part of the heading "Employee benefits" as at 31 December 2010 included liabilities arising from the incentive plans 2009-2010, paid on 2011.

The economic and financial assumptions used were as follows:

	Italy	Germany	France
Annual discount rate	4.25%	4.5%	4.75%
Annual inflation rate	2%	2%	2%
Annual increase in overall salaries and wages	3%	1.75%	2.25%

Movements in the actuarial value of the non current liabilities for the year were as follows:

(thousands of Euros)	TFR pension fund	Incentive plans	Total
Actuarial value at 31.12.2010	**24,030**	**145**	**24,175**
Service cost	286		286
Interest cost	1,089		1,089
Actuarion gain/loss	856		856
Services rendered	(1,898)	(2)	(1,900)
Other movements		(143)	(143)
Actuarial value at 31.12.2011	**24,363**		**24,363**

Management plan based on "Performance Phantom Shares" for 2011-2012-2013

In April 2011, in the Ordinary General Meeting the Shareholders approved the new performance phantom share plan for the 2011-2013 period, pursuant to and due to the effects of article 114 bis of Legislative Decree 58/59.
The following notes illustrate the main features.
The Plan is intended for certain managers of the RDM Group as beneficiaries and is designed to structure the variable part of the remuneration of the Executive Directors to be appointed and other key executives.
The Plan calls for the award of a total 8,265,000 performance phantom shares, to be distributed variously to the beneficiaries, and for additional 2,393,000 performance phantom shares, to be distributed to new potential beneficiaries to be identified in accordance with the Rules of the Plan.
The Plan provides for the beneficiaries to receive a cash bonus if the return on invested capital and certain financial ratios meet specific targets at 31 December of each of 2011-2012-2013. In case the targets are met in one and/or two years and/or the targets are met only in part in one and/or two and/or three years, for purposes of the formula the number of applicable phantom shares will be calculated by dividing the number of shares awarded by the number of years of the Plan.

The 2011 Financial Statements do not contain any provision for the new Plan 2011-2013 in relation to the actual figures, in a general macro-economic scenario deteriorated, compated to the resolution of the plan.

29. Non-current provisions for contingencies and charges

Non-current provisions for contingencies and charges:

(thousands of Euros)	31.12.2010	Other movements	Charge	Utilisation	31.12.2011
Agents' termination indemnity	172	(10)	32		194
Provision for future charges	5,708		1,637	(1,078)	6,267
Provision for losses on investments	207		48		255
Total	**6,087**	**(10)**	**1,717**	**(1,078)**	**6,716**

The heading "Agents' termination indemnity" represents the calculation of the value of liability on the basis of actuarial techniques.

With reference to the "Provision for future charges", the drawings of the accounting period amounted to Euro 1.1 million. These were attributable for the most part, to drawings from the Reserve covering the Santa Giustina and fill (Euro 650 thousand), the Mobility Reserve together with the settlement of a number of disputes.
So far as transfers to reserves for the accounting period are concerned (Euro 1.7 million) these are essentially provision for costs required to provide future cover of the new land-fill site for the Santa Giustina works, provision for costs deriving from mobility procedures and the updated estimate of liabilities due to a number of staff employed on the

production line closed in 2008 forming part of the French subsidiary's production unit. On 6 February 2012 the court of the first instance issued an initial ruling ordering the Company to pay an indemnity, against which the Company has appealed.

The increase in the "Provision for losses on investments" is connected to the write-down of the value of the shareholdings owned in the subsidiary Reno Logistica in liquidation and in the joint venture R.D.M. Tissue Core S.r.l. in liquidazione.

30. Trade payables and Associated companies and joint ventures trade payables

The balance at 31 December 2011 is made up as follows:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Trade payables	116,813	123,054	(6,241)
Associated companies and joint ventures trade payables	7,066	4,173	2,893
Total	**123,879**	**127,227**	**(3,348)**

"Trade payables" amount to Euro 116.8 million at 31 December 2011 (Euro 123.1 million at 31 December 2010) and are all due within 12 months. Balances are stated net of trade discounts and are adjusted for any returns or rebates agreed with the seller.

"Associated companies and joint ventures trade payables" amounting to Euro 7.1 million (Euro 4.2 million at 31 December 2010) relate to balances of a trading nature with Careo S.r.l..

31. Current taxation

At 31 December 2011 this item consists of the amount payable to the inland revenue for current taxation for the year then ended.

32. Non-recurring transactions

Non-recurring event and significant transactions

The effects of non-recurring transactions, as defined by Consob Communication no. DEM/6064293, are shown in the income statement.
The Group's financial position and results have not been affected by any other non-recurring transactions, meaning transactions or events which do not occur frequently as part of normal operations.

Balances and transactions deriving from abnormal and/or unusual transactions

The Reno De Medici Group did not carry out any abnormal or unusual transactions in 2011 as these terms are defined by the above-mentioned Consob communication no. DEM/6064293. Abnormal and/or unusual transactions are transactions which for their size, theirs importance, the nature of counterparties, the subject of the transaction, the means of determing the price or the timing of the event may give rise to doubt over:

- the completeness and accuracy of the information provided in the financial statements;
- the conflicts of interest;
- the safeguarding of business assets;
- the protection of minority shareholders.

33. Contingent liabilities and commitments and other guarantees given to third parties

Reference should be made to the section "Other information" in the Report of the Board of Directors for a discussion of the principal disputes in which the Company is involved.

Commitments and guarantees to third parties include the following:

- sureties of Euro 1.6 million provided in favour of the Province of Belluno regarding the landfill located at the Santa Giustina (BL) facility;
- a surety of Euro 421 thousand provided in favour of the Lazio Region regarding the landfill located at the Villa Santa Lucia (FR) facility;
- sureties of Euro 1.4 million provided to the Comieco consortium;
- sureties of Euro 69 thousand provided in favour of the customs authorities;
- a surety of Euro 90 thousand provided in favour of the Lombardy Region;
- a surety of Euro 108 thousand given in connection with the leasing of property.
- a surety of Euro 750 thousand provided to Valli S.p.A.;
- a surety of Euro 120 thousand provided to Stogit S.p.A.;
- sureties of Euro 1.8 million provided to Terna S.p.A.;
- a surety of Euro 124 thousand provided in favour of "Agenzia delle Entrate" to RDM Tissue Core S.r.l. in liquidation.

Furthermore, within the combination agreement Reno De Medici S.p.A. and Cascades S.A.S. have retained, respectively, a call option to be exercised in 2012 and a put option to be exercised in 2013, on the European operations of Cascades S.A.S. in the virgin fiber carton board sector, presently located in the mills of la Rochette in France, and of Djupafors in Sweden. It should be note that the value of such option is based on a specific non-financial variable relevant to the above mentioned operations, and the information are not ready needed to proceed with the evaluation.

Furthermore, with reference to the acquisition of investment in Manucor, relations between the shareholders are also governed by as series of agreements which amongst other things envisage:

- a term ending 31 May 2013 during which shares may not be transferred (the "lock-up" period);
- the requirement to co-sell shares, following the acceptance by the shareholders (also during the lock-up period) of an offer made by a third party for the purchase on 100% of the company's capital;
- at the end of the lock-up period , the right for the shareholders to co-sell shares if at least one of such displays an intention to sell his investment in the company to third parties;
- after the elapse of three (3) years from the date of execution of the Agreement, at its own initiative IntesaSanPaolo shall be entitled to set in motion a contractually established procedure for the transfer of its holding to Reno de Medici and, in such case, the other Shareholders may also express their intent to transfer their holdings to Reno De Medici. Reno de Medici shall not be under any obligation to purchase such holdings. Should the parties fail to reach agreement, Intesa Sanpaolo shall be entitled to seek offers to purchase its and the other Shareholders' shares on the open market, at terms and conditions that should protect the investments made, and in such case all the Shareholders shall be obliged to sell their shares;
- the possibility for Reno de Medici to purchase all the investments held by the other shareholders (the "call option"), once 4 years have passed from the date of signing the agreement, at their market value at the exercise date.

34. Related party transactions

– Transactions with subsidiaries, associated companies and joint venture

The transactions in place with subsidiaries, associated companies and joint venture fall within the realm of routine company management in the context of the typical business operations conducted by each party concerned and are regulated and concluded at market conditions.

RDM's arrangements with its subsidiaries and associated companies and joint ventures mainly regard:

- sales promotion and marketing services with Careo S.r.l. (Careo);
- sales of cardboard to Cartiera Alto Milanese S.p.A. (CAM), Emmaus Pack S.r.l. (Emmaus), RDM Iberica S.l. and Reno De Medici UK Ltd;
- the provision of general services to Careo, R.D.M. Tissue Core S.r.l. (Tissue), Emmaus, CAM, RDM Iberica S.L., RDM Blendecques S.a.s., Reno de Medici UK Ltd. and Reno De Medici Arnsberg Gmbh;
- purchases of off-cuts from Emmaus;
- interest payable and/or receivable on cash-pooling and loan agreements concluded with Careo, CAM, Emmaus, RDM Iberica S.L., RDM Blendecques S.a.s., Reno de Medici UK Ltd. and Reno De Medici Arnsberg Gmbh;
- sales of cardboard to Pac Service S.p.A. and Tissue;
- the fiscal consolidation agreement under which Reno De Medici Spa is the consolidating company vis-à-vis CAM, Emmaus, Reno Logistica S.r.l. in liquidation and Careo.

See chapter 12 of the Report on Corporate Governance with regard to the new Procedure for Related-Party Transactions adopted on 8 November 2010 in conformity to the Rules adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently modified and supplemented.

– Other related parties

There have been no transactions with related parties of an unusual or abnormal nature, not falling within the ordinary course of the business or such as to adversely affect the economic, equity or financial situation of the Group.

Transactions with related parties fall within the ordinary course of business in the context of the regular activity of each party concerned.

In general business relationships with related parties are conducted on an arm's length basis, as are interest-bearing payables and receivables, where not regulated by specific contractual terms and conditions.

In addition to the companies with which RDM is directly and indirectly related, related parties include all related parties as such are defined by international accounting standards.

Amongs these transactions the following are mentioned:

- business relationships with Pac Service S.p.A., a company of which RDM owns 33%, in connection with sales of cardboard. Sales made in 2011 totalled Euro 2,658 thousand, while trade payables at 31 December 2011 amounted to Euro 106 thousand. It should be note that during the year RDM has sold pro-soluto the receivables of Pac Service S.p.A. as consequence of the commencement of a factoring programme. For more detail see the Note 19 contained in this Report;
- business relationships with R.D.M. Tissue Core S.r.l. in liquidation, a company of which RDM owns 51%, in connection with sales of cardboard. Sales made in 2011 totalled Euro 808 thousand, receipts in the same year totalled Euro 1,048 thousand, while trade receivables at 31 December 2011 amounted to Euro 365 thousand;
- Following the business combination of Cascades Group as part of the overall agreement RDM sold its virgin fibre cartonboard customer list to Cascades S.a.s. at a price of Euro 1.2 million.
- Furthermore, within the combination agreement Reno De Medici S.p.A. and Cascades S.A.S. have retained, respectively, a call option to be exercised in 2012 and a put option to be exercised in 2013, on the European operations of Cascades S.A.S. in the virgin fiber carton board sector, presently located in the mills of la Rochette in France, and of Djupafors in Sweden.

Related parties transactions

Following the integrated information requested by CONSOB communication Nr. 6064293 of 28th July 2006, related to related party transactions.

(thousands of Euros)	31.12.2011 Directors	31.12.2011 Statutory auditors	31.12.2010 Directors	31.12.2010 Statutory auditors
Short-Term benefits	1,145	160	936	175
Post-employment benefits	16			
Other long-term benefits				
Compensation for termination of employment				
Stock Option - Plan				
Total	1,161	160	936	175

Remunerations not yet paid amounts to Euro 803 thousand to the Directors, and Euro 160 thousand to the Statutory Auditors.

Receivables and payables with related parties

The following tables provide details of receivables and payables due from and due to related parties at 31 December 2011:

(thousands of Euros)	Current assets: Trade receivables	Current assets: Associated companies and joint ventures trade receivables	Current assets: Other associated companies and joint ventures trade receivables	Current liabilities: Trade payables	Current liabilities: Associated companies and joint a ventures trade payables	Non-current liabilities: Other payables
Careo Ltd.		28				
Careo S.a.s.		83			230	
Careo Spain S.L.		365				
Careo S.r.l.		706	870		6,730	
Cascades Asia Ltd.	558					
Cascades Canada ULC				48		
Cascades Djupafors A.B.	134			235		
Cascades Groupe Produits				1		
Cascades Inc.				4		
Cascades S.A.S.	194			1,128		1,204
Pac Service S.p.A.					106	
RDM Tissue core S.r.l. in liquidation		365				
Renologistica S.r.l. in liquidation			322			
Total	886	1,547	1,192	1,416	7,066	1,204
Incidence on the total of the item	1 %	100 %	100 %	1.2 %	100 %	78 %

Revenues and costs deriving from related party transactions

Following the revenues and costs obtained with related parties during 2011:

(thousands of Euros)	Revenues from sales	Other revenues	Financial income
Careo GmbH		15	
Careo Ltd		200	
Careo S.a.s.	795	56	
Careo Spain S.L.		153	
Careo S.r.l.		647	53
Cascades Asia Ltd	4,719		
Cascades Djupafors A.B.		293	
Cascades S.A.S.	67	278	
Pac Service S.p.A.	2,658		
RDM Tissure core S.r.l. in liquidation	808	12	
Total	**9,047**	**1,654**	**53**
Incidence on the total	**1.8 %**	**11.6 %**	**72.6 %**

(thousands of Euros)	Raw material and services costs	Financial charges
Careo GmbH		27
Careo S.a.s.	32	
Careo S.r.l.	12,784	4
Cascades Canada ULC	189	
Cascades Djupafors A.B.	907	
Cascades Inc.	10	
Cascades S.A.S.	3,974	
Red. Imm. S.r.l.	20	
Total	**17,916**	**31**
Incidence on the total	**4.4 %**	**0.4 %**

Cash flow from related parties

(thousands of Euros)	31.12.2011
Revenues and income	10,701
Cost and charge	(17,916)
Financial income	53
Financial expenses	(31)
Change in trade receivables	(12)
Change in trade payables	1,052
Change in total working capital	1,040
Cash flows from operating activities	**(6,153)**
Change in other financial assets and liabilities, and short term borrowings	(2,108)
Cash flows from financing activities	**(2,108)**
Cash flows for the year	**(8,261)**

FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The analyses and disclosures required by IFRS 7 Financial Instruments: Disclosures are provided below.
This analysis has been carried out for the situation in the financial statements at 31 December 2011, as compared to the figures at 31 December 2010, and for the consolidated financial statements of the RDM Group.
All figures are stated in thousands of Euros.

The following section provides information about the relevance of financial instruments to the balance sheet and income statement.

Relevance of financial instruments to the balance sheet and financial position

The following table sets out the carrying amount of each type of financial asset and liability in the balance sheets of the consolidated financial statements.

	31.12.2011		31.12.2010	
(thousands of Euros)	Book value	Fair value	Book value	Fair value
Liquid funds	**2,564**	**2,564**	**2,210**	**2,210**
Loans and trade	**100,830**	**100,830**	**125,714**	**125,714**
Trade receivables	93,918	93,918	121,097	121,097
Other associated companies and joint venture receivables	1,192	1,192	391	391
Other receivables	5,720	5,720	4,226	4,226
Available-for-sale financial assets	**195**	**195**	**191**	**191**
Financial liabilities at amortised cost	**(230,018)**	**(234,576)**	**(251,168)**	**(260,091)**
Unsecured long and medium-term bank loans	(1,397)	(2,043)	(1,389)	(1,430)
Secured long-term bank loans at amortised cost	(57,730)	(61,642)	(64,375)	(73,257)
Short-term bank loans as use of commercial facilities	(29,570)	(29,570)	(40,183)	(40,183)
Trade payables	(123,879)	(123,879)	(127,227)	(127,227)
Other associated companies and joint venture payables			(1,307)	(1,307)
Other payables	(17,442)	(17,442)	(16,687)	(16,687)
Financial liabilities at fair value throught profit and loss	**(322)**	**(322)**	**(326)**	**(326)**
Hedging derivative financial instruments	**(1,301)**	**(1,301)**	**(1,478)**	**(1,478)**
	(128,051)	**(132,609)**	**(124,857)**	**(133,780)**
Unrecognised gain (loss)	**(4,558)**		**(8,923)**	

Following this, after a discussion of the criteria and financial models used to estimate the fair values of the above-mentioned financial instruments further details are provided on the individual items themselves.

Derivative instruments

In general the fair value of derivatives is calculated using mathematical models that use directly observable input data (such as for example the interest rate curve), so these instruments belong to the fair value second level.

The only derivative instruments indexed to interest rates acquired by Group companies are interest rate swaps. A discounted cash flow model is used to measure these instruments, in which the fair value of a derivative is given by the sum of the present values of future cash flows estimated on the basis of the interest rate, futures and swap riskless curve conditions at the balance sheet date.

The Group did not hold any foreign exchange derivative instruments any derivative instrument index-linked to commodity prices at 31 December 2011.

Loans

The total in question consists of all the outstanding long-term loans. These were measured by calculating the net present value of the future flows generated by the financial instrument, taking into account the repayment plans defined in the loan agreements.

In the case of indexed loans, future interest rates were estimated by calculating the forward rates implicit in the quoted euro risk-less curve of the interest rate, futures and swap at 31 December 2011 and 31 December 2010.

Future flows were discounted on the basis of the euro yield curve at 31 December 2011 and 31 December 2010.

Financial assets

The following table sets out details of financial assets.

(thousands of Euros)	31.12.2011	31.12.2010
Non current financial assets		
Non derivative financial assets	195	191
Available-for-sale financial assets	195	191
Hedging derivative financial instruments		
Total	195	191
Current financial assets		
Non derivative financial assets	2,564	2,210
Total	2,564	2,210

Financial liabilities

The following table sets out details of financial liabilities.

(thousands of Euros)	31.12.2011	31.12.2010
Non current liabilities		
Non derivative financial liabilities	(45,932)	(55,531)
Unsecured long and medium-term bank loans at amortised cost	(1,064)	(1,072)
Secured long and medium-term bank loans at amortised cost	(44,868)	(54,459)
Hedging derivative financial instruments	(871)	(862)
Non-hedging derivative financial instruments	(151)	(149)
Total	(46,954)	(56,542)
Current liabilities		
Non derivative financial liabilities	(42,765)	(50,416)
Unsecured long and medium-term bank loans at amortised cost - current portion	(333)	(317)
Secured long and medium-term bank loans at amortised cost - current portion	(12,862)	(9,916)
Short-term bank loans as use of commercial facilities	(29,570)	(40,183)
Hedging derivative financial instruments	(430)	(617)
Non-hedging derivative financial instruments	(171)	(177)
Total	(43,366)	(51,210)

Terms and conditions and repayment plans of loans

The terms and conditions of loans are summarised in the following table.

(thousands of Euros)	Currency	Nominal interest rate	Maturity	Nominal value 31.12.2011	Book value	Nominal value 31.12.2010	Book value
Secured long and medium-term bank loans at amortised cost				**57,650**	**56,649**	**65,498**	**64,048**
Intesa SanPaolo loan in pool(tranche A)	Euro	Eur6m +spread	2016	28,262	27,434	31,500	30,300
Intesa SanPaolo loan in pool (tranche B)	Euro	Eur6m+ spread	2016	9,000	8,846	10,000	9,778
Banca Popolare Emilia Romagna	Euro	mEur6m+ spread	2016	2,790	2,771	3,410	3,382
Intesa SanPaolo funds BEI	Euro	5,86%	2011			1,164	1,164
Intesa SanPaolo funds BEI	Euro	5,39%	2011			3,387	3,387
Intesa SanPaolo	Euro	Eur6m+ spread	2016	14,741	14,741	12,466	12,466
Dresdner Bank	Euro	Eur6m+ spread	2015	2,857	2,857	3,571	3,571
Unsecured long and medium-term bank loans at amortised cost				**2,162**	**2,162**	**1,358**	**1,358**
MinIndustria 10686	Euro	Fix	2013	305	305	454	454
MinIndustria 11172	Euro	Fix	2016	767	767	904	904
M.I.T.C.	Euro	Fix	2025	238	238		
Leasing Caterpillar	Euro	Fix	2016	60	60		
Caja Duero	Euro	Eur12m+ spread	2019	792	792		
Total long and medium-term bank loans				**59,812**	**58,811**	**66,856**	**65,406**
Short-term bank loans as use of commercial facilities in foreign currency						**655**	**655**
Intesa SanPaolo GBP equivalent in Euro	Euro	Libor2m+ spread	n/a			655	655
Short-term bank loans as use of commercial facilities				**29,556**	**29,556**	**39,521**	**39,521**
Used portfolio	Euro	mEur1m+ spread	n/a	12,076	12,076	19,082	19,082
Advance Invoices	Euro	mEur1m+ spread	n/a	1,786	1,786	3,038	3,038
Loans export	Euro	Euribor+ spread	n/a	13,495	13,495	13,000	13,000
Loans import	Euro	Euribor+ spread	n/a	2,199	2,199	4,401	4,401
Total short-term bank loans	**Euro**			**29,556**	**29,556**	**40,176**	**40,176**
Total onerous liabilities	**Euro**			**89,368**	**88,367**	**107,032**	**105,582**

Other financial instruments

The fair value of receivables from customers, payables to suppliers and financial liabilities falling due contractually within twelve months of the balance sheet date has not been calculated as this approximates the carrying amount of the financial instrument.

Other Information

The following table provides details of the changes in the equity hedging reserve.

(thousands of Euros)	
Reserve 31.12.2010	(804)
Hedge accounting	*419*
Fair value	*(319)*
Reserve 31.12.2011	(704)

The figure for hedge accounting represents the release of the reserve when the cash flows for outstanding loans occurred, while the figure for fair value is the accrual to reserves due to the change of fair value

Credit Risk

This section provides details in both quantitative and qualitative terms of the exposure to credit risk and the way in which this is managed.

Risk exposure

The exposure to credit risk at the balance sheet date, related to the operating management, may be summarized as follows.

(thousands of Euros)	31.12.2011	31.12.2010
Gross trade receivables	99,165	126,576
- provisions for bad and doubtul debts	(5,329)	(5,560)
Total	93,836	121,016

Overdue or impaired financial assets

The following table provides details of the ageing of trade receivables stated net of specific write-downs:

31 December 2011	Amount due receivables			Receivables	Total
(thousands of Euros)	over 60 days	from 31 to 60	from 0 to 30	not due	
Italy	2,400	1,199	5,051	42,840	51,490
UE	401	1,093	7,302	25,099	33,895
Rest of the world	235	33	496	7,687	8,451
Total	3,036	2,325	12,849	75,626	93,836

31 Dicember 2010 (thousands of Euros)	Amount due receivables			Receivables	Total
	over 60 days	from 31 to 60	from 0 to 30	not due	
Italy	916	1,001	5,168	59,631	66,716
UE	555	856	6,656	33,725	41,792
Rest of the world	8	31	2,078	10,391	12,508
Total	**1,479**	**1,888**	**13,902**	**103,747**	**121,016**

A total of 19.4% of the receivables portfolio of the RDM Group at 31 December 2011 was overdue, while at 31 December 2010 the corresponding figure was 14.3%. This change reflects the global performance of the market. This change reflects the global performance of the market, strongly affected by the 2011 crisis. This is the same reason for the worsening of the situation of overdue receivables starting from those unpaid from 31 days.

How Credit risk is managed

In general the Group's commercial risk management policy provides assurance by requiring all customer receivables, excluding those on the Italian market, to be insured with prime insurance companies. Any uninsured or partially insured balances call for the specific authorisation of RDM management, depending on the amount. Specific credit control procedures requiring the authorisation of various levels of RDM management are in place for customers on the Italian market. The Group's operational policies envisage a constant monitoring of receivables due from Italian and non-Italian customers and the prompt initiation of suitable recovery procedures in the event of default.

The procedures for carrying out an internal creditworthiness assessment, needed in order to start doing business with a potential customer, call for the collection and analysis of qualitative and quantitative information. In comparison with the previous year and given the importance of the matter, RDM has established procedures suitable for its own structure and the Group's new situation in order to enable an improvement in information flow to be achieved and, as a result, to permit risk to be monitored and contained.

Market risk

Market risk is defined as the risk that the fair value or the cash flows associated with that a financial instrument will fluctuate because of changes in the values of market variables such as foreign exchange rates, interest rates, the prices of raw materials and stock exchange quotations.

The market risks to which the Group was exposed during the year ended may be classified as follows:

- exchange risk;
- interest rate risk;
- commodity risk.

The following paragraphs provide a description of the relevance of each of these risks and the way in which it is managed.

Exchange Risk

Exposure to currency risk derives from the following:

- trade receivables/payables are denominated in currencies other than functional currency ("Euro");
- liquidity is held in foreign currency current accounts;
- financial debt is denominated in foreign currency.

The main currencies in which the Group carries out its commercial activities are the United States dollar and the British pound. A marginal portion of trading is nonetheless also carried out in a series of other currencies.

In respect of the exposure to currency risk, the Group managed the marginal imbalance between investments and funds in the same currency by using a natural hedging approach and by carefully and constantly monitoring market conditions; as a result, it was considered unnecessary to enter hedging derivative agreements.

The following table, expressed in euros, provides details of the exposure of the RDM Group and is based on the official ECB exchange rates at 31 December 2011 and 31 December 2010

Exchange BCE *(per ogni euro)*	31.12.2011	31.12.2010
USD	1.2939	1.3362
GBP	0.8353	0.8608
CHF	1.2156	1.2504
CAD	1.3215	1.3322

The following table provides details of the exposure to currency risk which is presented on the basis of the notional amount of the exposure, expressed in thousands of Euros.

	31.12.2011				31.12.2010			
(thousands of Euros)	USD	GBP	CHF	CAD	USD	GBP	CHF	CAD
Trade receivables	4,420	4,316	67		7,530	4,686	52	
Short-term loans as use of commrcial facilities						(655)		
Trade payables	(4,841)			(56)	(4,123)	(68)		(70)
Liquid Funds	1,807	333	13	1	1,189	337	4	1
Exposure	**1,386**	**4,649**	**80**	**(55)**	**4,596**	**4,300**	**56**	**(69)**

Sensitivity analysis of exchange risk

In order to measure the effect on the balance sheet or profit and loss account of any changes to foreign exchange rates at 31 December 2011, assumptions were made (at 31 December 2011 and 31 December 2010) as to variations in the value of the euro compared to the foreign currencies applicable in the circumstances.

More specifically two scenarios were envisaged: an appreciation and a depreciation of 10% in the euro compared to the other currencies. For each of the two situations the gain or loss arising from outstanding transactions at 31 December 2011 and 31 December 2010 was then calculated. In this way it was possible to determine what the effect on results and equity would have been if exchange rates had varied as assumed.

The following tables provide a summary of the results of this analysis, indicating the additional effect to that actually recognised at the balance sheet date. It should be noted that the theoretical adjustments arising from changes in the exchange rate only give rise an effect on the result for the year and therefore on the profit and loss account.

Appreciation of 10% Euros		Depreciation of 10% Euros	
(thousands of Euros)	Profit and loss	*(thousands of Euros)*	Profit and loss
31 December 2011		31 December 2011	
USD	(126)	USD	154
GBP	(423)	GBP	517
CHF	(7)	CHF	9
CAD	5	CAD	(6)
Total	**(551)**	**Totale**	**674**
31 December 2010		31 December 2010	
USD	(418)	USD	511
GBP	(391)	GBP	478
CHF	(5)	CHF	6
AUD	6	AUD	(8)
Total	**(808)**	**Total**	**987**

How currency risk is managed

RDM Group's risk management policy, with specific reference to exposure to currency risk, has as its main objective that of limiting the exposure to foreign currency arising from exporting finished goods and importing raw materials to and from foreign markets. The following guidelines are used in pursuing this policy:

- first of all, inflows and outflows in the same currency are offset (natural hedging);
- secondly, recourse is made to export financing in the same currency or the currency of forward sales. These transactions are arranged by using a notional amount and date which correspond to those of the forecast cash flows (if the amount is significant), so that any changes in the cash flows arising from the forward transactions, as the result of the appreciation or depreciation of the Euro against other currencies, are substantially offset by a corresponding change in the forecast cash flows of the underlying positions;
- finally, forward sales are hedged. There were no outstanding transactions of this type at the balance sheet date.

As a general rule, the currency risk management policy recommends the use of the natural hedging effect to a maximum and, in any case, excludes any possibility of making recourse to transactions in complex derivatives, such as for example those having barriers.

The Administration and Finance Department of RDM Group has the responsibility of monitoring currency risk and sets out currency risk hedging strategies to contain exposure within the limits set by the policy.

Interest rate risk

Financial liabilities exposing the RDM Group to interest rate risk are for the most part long-term floating rate indexed loans.

The following table sets out the positions subject to interest rate risk, separating fixed rate from variable rate exposures in terms of the notional value of the financial instruments.

The exposure to interest rate risk arising from loans is however partially mitigated by entering interest rate swap agreements designed to hedge the volatility of future cash flows indexed to market rates.

(thousands of Euros)	31.12.2011	%	31.12.2010	%
Floating rate long and medium-term loans	(25,425)	28.4 %	(27,316)	25.5 %
Floating rate long and medium-term loans hedged by IRS	(20,063)	22.4 %	(25,898)	24.2 %
Fixed rate long and medium-term loans	(1,065)	1.2 %	(1,072)	1.0 %
Total non current liabilities	**(46,553)**	**52.1 %**	**(54,286)**	**50.7 %**
Floating rate long and medium-term loans	(7,120)	8.0 %	(1,900)	1.8 %
Floating rate long and medium-term loans hedged by IRS	(5,834)	6.5 %	(5,834)	5.5 %
Fixed rate long and medium-term loans	(306)	0.3 %	(4,836)	4.5 %
Floating rate short-term bank loans as use of commercial facilities	(29,556)	33.1 %	(40,176)	37.5 %
Total current liabilities	**(42,816)**	**47.9 %**	**(52,746)**	**49.3 %**
Total floating rate	(62,101)	69.5 %	(69,392)	64.8 %
Total fixed rate or floating rate hedged by IRS	(27,268)	30.5 %	(37,640)	35.2 %
Total	**(89,369)**	**100.0 %**	**(107,032)**	**100.0 %**

Sensitivity analysis of interest rate risk

A sensitivity analysis of the financial instruments exposed to interest rate risk was performed at the date of the preparation of the financial statements. The following assumptions were used in the model:

- for bank current account exposures and the spreads paid by interest rate swaps, financial income/expense was recalculated by applying a variation of +/-50 bps to the interest payable rate, multiplied by the amounts stated in the financial statements and considering a time period of one year;
- for loans with a repayment plan, the variation in financial expense was calculated by applying the variation of +/-50 bps to the loan interest payable rate at each refixing date, multiplied by the outstanding principal during the year;
- the change in the fair value of interest rate swaps at the balance sheet date was calculated by applying the variation of +/-50 bps to the Euro riskless rate curve for deposits, futures and swaps at the date of the preparation of the financial statements.

	Profit (Loss)		Shareholder's equity	
(thousands of Euros)	Increase 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
31 December 2011				
Fiscal year cash flow	(302)	301		
Derivative Cash Flow	139	(140)		
Floating rate loans	*(441)*	*441*		
Effectiveness of hedges			242	(246)
Sensitivity of net financial flow	**(302)**	**301**	**242**	**(246)**
31 December 2010				
Fiscal year cash flow	(306)	304		
Derivative Cash Flow	*182*	*(184)*		
Floating rate loans	*(488)*	*488*		
Effectiveness of hedges			*349*	*(357)*
Sensitivity of net financial flow	**(306)**	**304**	**349**	**(357)**

An analysis of these scenarios demonstrated that the profit and loss account and equity have low reactivity to changes in interest rates. The reactivity of financial expense recognised in the profit and loss account is considerably limited by cash flow hedges.

How interest rate risk is managed

RDM Group makes recourse to a mixture of debt instruments which depends on the nature of its financial requirements. More specifically: short-term debt to fund working capital needs and forms of medium-term financing to back investments linked to the core business.

The following are the technical forms used most prevalently:

- advances for the short-term need;
- loans for the medium- to long-term need. These instruments, which are arranged with prime lending banks, are to a large extent indexed at floating rates which are subject to revision every three or six months.

RDM Group's current risk management policy is designed to reduce the variability of the financial expense incurred on its debt and the related effect on results. The objectives in terms of risk management therefore consist in practical terms of stabilising the cash flows linked to servicing debt consistent with budget forecasts.

From an operating standpoint RDM Group's aim is to reach that objective by entering agreements for derivatives represented by interest rate swaps (IRS).

Consistent with the features of the transactions carried out and its risk management objectives, RDM Group has decided to structure its hedging relations using a cash flow hedge approach.

More specifically, hedging relations envisage converting payments indexed at a floating rate, generated by the loan, to those based on a fixed rate. This is carried out by using interest rate swaps, under which RDM Group receives a flow of payments from the counterparty bank at a floating rate corresponding to that on its debt, netting the spread. Corresponding to these receipts RDM Group generates payment flows based on fixed rates. The consolidated position (debt + IRS) is therefore equivalent overall to a liability bearing interest at a fixed rate.

The present hedging policy excludes the recourse to transactions in complex derivatives.

At the end of the years in question the risk of variability in cash flows linked to floating rate debt was hedged by derivative financial instruments.

Commodity Risk

In terms of the business carried out by RDM Group, commodity risk is the risk that the profit for the year will be reduced as the consequence of having to incur higher costs to purchase raw materials. This risk forms part of the general categories of price risk and market risk if the cost of the raw materials is dependent on changes in a quoted index.

At the end of September 2011 the Group had entered contracts for the supply of natural gas at prices indexed to the quotation of specific energy market indices. In order to limit commodity risk, these supply contracts contain mobile averages with time lags of up to 12 months so that the effect on the supply price arising from the change in the index in any month may be dampened down to the greatest extent possible.

At the end of October 2011 the Group had entered contracts for the supply of electricity at prices indexed to the quotation of specific energy market indices, decreased of a spread, fixed in order to reduce the "commodity risk".

There were no outstanding derivative hedging instruments at 31 December 2011.

A sensitivity analysis was not performed on this category of risk as it was not considered material at the date of preparation of the financial statements in terms of its impact on the profit and loss account and on the Group's business margins.

How commodity risk is managed

The nature of RDM Group's business leads to an exposure to fluctuations in the price of electricity, natural gas and certain chemicals derived from petroleum (such as latexes) and fibrous raw materials.

The contracts for the supply of natural gas are indexed to a basket of fuels and are concluded at the end of the year with reference to the supply for the following year. Electricity is purchased at a price indexed to the reference value of the electricity market as published by the "Energy Market Manager".

In order to put competitive pressure on suppliers of raw materials such as chemicals and fibrous materials and to monitor contractual conditions on a constant basis, the Group aims at diversifying both supply markets and the suppliers themselves.

The Group's present policy does not permit the use of derivative instruments from the complex payoff given the difficulties inherent in managing them. It is however possible for it to enter technical forms of hedging with prime counterparty banks.

Liquidity risk

Liquidity risk can arise if there is difficulty in obtaining the funds required to satisfy scheduled contractual commitments at market economic conditions.

This may result from an inadequacy of the resources available to meet financial obligations under the agreed terms and conditions and at the pre-determined due dates, or from the circumstance that the business may be required to settle its financial liabilities earlier than the natural due date.

The analysis performed was designed to measure at each contractual due date the cash flows deriving from the various types of financial liability held at 31 December 2011 and 31 December 2010.

Financial liabilities were separated on the basis of their nature into non-derivative and derivative financial liabilities. In the latter case, given the different accounting treatment, a further separation was made on the basis as to whether the derivative had been formally designated as a hedge and turned out to be effective or whether it was accounted for without following hedge accounting rules.

The main assumptions relating to the Group's financial requirements that were used to carry out the analyses below were as follows:

- cash flows are not discounted;
- cash flows are allocated to their respective time-bands on the basis of the first possible payment date envisaged by the contractual terms and conditions (the worst case scenario);
- all instruments held at the balance sheet date for which payments have been contractually designated are included; planned future commitments which have not yet been recognised in the financial statements are not included;
- If the amount payable is not fixed (eg. future interest payments), financial liabilities are measured at market terms and conditions at the balance sheet date;
- cash flows also include the interest that the Group will pay up to the repayment date of a liability, measured at the balance sheet date and calculated on the basis of market forward interest rates.

31 December 2011 (thousands of Euros)	Book value	Contractual financial	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Long and medium-term bank loans	(57,730)	(65,875)	(7,934)	(7,928)	(14,849)	(34,844)	(320)
Short-term bank loans as use of commercial facilities	(29,570)	(29,570)	(29,570)				
Other current financial liabilities							
Hedging derivative financial instruments	(1,301)	(1,333)	(233)	(201)	(477)	(422)	
Non-hedging derivative financial instruments	(322)	(328)	(61)	(43)	(132)	(92)	
Trade payables	(123,879)	(123,879)	(123,879)				
Total	(212,802)	(220,853)	(161,677)	(8,172)	(15,326)	(35,358)	(320)

31 December 2011 (thousands of Euros)	Book value	Contractual financial	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Long and medium-term bank loans	(65,764)	(79,775)	(5,505)	(8,098)	(15,571)	(44,170)	(6,431)
Short-term bank loans as use of commercial facilities	(40,183)	(40,183)	(40,183)				
Other current financial liabilities	(1,307)	(1,307)	(1,307)				
Hedging derivative financial instruments	(1,479)	(1,515)	(346)	(274)	(493)	(401)	(1)
Non-hedging derivative financial instruments	(326)	(334)	(76)	(61)	(124)	(73)	
Trade payables	(127,227)	(127,227)	(127,227)				
Total	(236,286)	(250,341)	(174,644)	(8,433)	(16,188)	(44,644)	(6,432)

In the first section of the tables the book value of the liabilities is compared with the total value of cash flows that – given the present market conditions – are expected to be received or paid to counterparts. In the second section of the table the detailed temporal profile of the total cash flow is analyzed. Cash flows are recorded as "contractual financial flows".

How liquidity risk is managed

The Group's financial activity is virtually all centred on Reno de Medici S.p.A. which, on the basis of a consolidated practice inspired by prudence and stakeholder protection, negotiates credit facilities with the banking system and constantly monitors the cash flows of the individual Group companies.

The RDM Group's management policies provide for the continuous monitoring of liquidity risk. RDM's objective is to mitigate that risk by maintaining sufficient liquidity and/or short-term deposits with prime counterparties and by having access to short- term credit facilities backed mainly by receivables from domestic and foreign customers.

OTHER INFORMATION

Investments in subsidiary companies and associates at 31 December 2011 (pursuant to article 38, paragraph 2 of Legislative Decree no. 127/91).

LIST OF SUBSIDIARY COMPANIES CONSOLIDATED ON A LINE BY LINE BASIS

Cartonboard sector

Cartiera Alto Milanese S.p.A.
Milan - Italy
Direct ownership 100%

Emmaus Pack S.r.l.
Milan - Italy
Direct ownership 51.39%

RDM Blendecques S,a,s
Blendecques - France
Direct ownership 100%

Reno De Medici Arnsberg GmbH
Arnsberg - Germany
Direct ownership 94%
Indirect ownership 6% (through Cascades Grundstück Gmbh & Co.KG).

Reno De Medici Iberica S.L.
Prat de Llobregat - Barcelona - Spain
Direct ownership 100%

Reno De Medici UK Limited
Wednesbury - UK
Direct ownership 100%

Service sector

Cascades Grundstück Gmbh & Co.KG
Arnsberg – Germany
Direct ownership 100%

LIST OF EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Cartonboard sector

Manucor S.p.A.
Milan - Italy
Direct ownership 22.75%

Pac Service S.p.A.
Vigonza - Padova - Italy
Direct ownership 33.33%

R.D.M. Tissue core S.r.l. in liquidation
Milan - Italy
Direct ownership 51%

ZAR S.r.l.
Silea - Italy
Direct ownership 33.33%

Service sector

Reno Logistica S.r.l in liquidation
Milano - Italy
Direct ownership 100%

Careo S.r.l.
Milan - Italy
Direct ownership 70%

Careo Gmbh
Krefeld - Germany
Indirect ownership 70% (through Careo S.r.l.)

Careo S.a.s
La Fayette - France
Indirect ownership 70% (through Careo S.r.l.)

Careo Spain S.L.
Prat de Llobregat - Barcelona - Spain
Indirect ownership 70% (through Careo S.r.l.)

Careo Ltd
Wednesbury - UK
Indirect ownership 70% (through Careo S.r.l.)

Careo S.r.o.
Praga - Czech Republic
Indirect ownership 70% (through Careo S.r.l.)

Careo KFT
Budapest - Hungary
Indirect ownership 70% (through Careo S.r.l.)

Careo SP z.o.o.
Warsaw - Poland
Indirect ownership 70% (through Careo S.r.l.)

Careo LLC
Russia
Indirect ownership 70% (through Careo S.r.l.)

LIST OF INVESTMENTS IN OTHER COMPANIES

Cartonboard sector

Cartonnerie Tunisienne S.A.
Les Berges Du Lac - Tunis
Direct ownership 5.274%

Consorzi

Gas Intensive S.c.r.l.
Milan - Italy
Consortium share

Comieco
Milan - Italy
Consortium share

Conai
Milan - Italy
Consortium share

Consorzio Filiera Carta
Frosinone - Italy
Consortium share

C.I.A.C. S.c.r.l.
Valpenga (TO) - Italy
Consortium share

Idroenergia S.c.r.l.
Aosta - Italy
Consortium share

Università Carlo Cattaneo
Castellanza (VA) - Italy
Consortium share

SUBSEQUENT EVENTS

Reference should be made to the "Other Information" section of the Report of the Board of Directors for details of significant events occurring after December 2011.

ATTESTATION

of consolidated financial statements at 31 December 2011, in compliance with article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented

1, 1. The undersigned Ignazio Capuano, in his capacity as CEO, and Stefano Moccagatta, in his capacity as Manager responsible for the preparation of company accounting documents, of Reno De Medici S.p.A., hereby attest, also taking account of the provisions of section 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998,

- are proportionate to the characteristics of the enterprise and
- have been effectively implemented.

that the administrative and accounting procedures pertaining to the preparation of the year-end financial statements and followed during the period running from 1 January until 31 December 2011:

2, No significant issues have emerged in such regard.

3, It is further attested that

3,1, the consolidated financial statements:

a) were prepared according to the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) are consistent with the figures reported in the relevant accounting books and records;

c) are able to provide a true and honest picture of the financial position and economic situation of the issuer and the companies whose accounts have been consolidated;

3,2, the Directors' Report comprises a reliable analysis of the performance levels and results achieved during the year, as well as of the situation of the issuer and of the entire group of companies included in the consolidation of accounts, together with a description of the major risks and uncertainties to which they are exposed.

Milan, 21 March 2012

Ignazio Capuano
Managing Director

Stefano Moccagatta
Manager responsible for the preparation of company accounting documents

REPORT OF AUDITORS

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Reno De Medici SpA

1 We have audited the consolidated financial statements of Reno De Medici SpA and its subsidiaries ("Reno De Medici Group") as of 31 December 2011 which comprises the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flows statement and related notes. The directors of Reno De Medici SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 4 April 2011.

3 In our opinion, the consolidated financial statements of the Reno De Medici Group as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Reno De Medici Group for the period then ended.

4 The directors of Reno De Medici SpA are responsible for the preparation of the Report of the Board of Directors in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report of the Board of Directors and of the specific section on corporate governance and ownership structure, solely with reference to the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, with the financial statements, as required by

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Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Catania** 95129 Corso Italia 302 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10122 Corso Palestro 10 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37135 Via Francia 21/C Tel.0458263001

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law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the Report of the Board of Directors and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the specific section of the aforementioned report are consistent with the consolidated financial statements of Reno De Medici Group as of 31 December 2011.

Milan, 4 April 2012

PricewaterhouseCoopers SpA

Signed by

Andrea Brivio
(Partner)

This report has been translated into the English language from the original which was issued in Italian, solely for the convenience of international readers.
We have not examined the translation of the financial statements referred to in this report.

Reno de Medici S.p.A. financial statements at 31 december 2011

INCOME STATEMENT

	Note	31.12.2011	31.12.2010
Revenues from sales	1	284,150,055	294,723,631
- of which related parties	*36*	*52,098,302*	*55,837,183*
Other revenues and income	2	14,715,201	14,300,535
- of which non-recurring	*34*		*959,049*
- of which related parties	*36*	*6,140,978*	*5,848,330*
Changes in stocks of finished goods	3	(1,859,832)	(1,289,687)
Cost of raw materials and services	4	(236,777,576)	(234,935,944)
- of which related parties	*36*	*(7,752,193)*	*(8,399,004)*
Staff costs	5	(37,585,383)	(46,695,016)
- of which non-recurring	*34*		*(1,117,690)*
Other operating costs	6	(2,198,803)	(2,814,197)
Gross Operating Profit		20,443,662	23,289,322
Depreciation and amortisation	7	(16,322,394)	(15,831,209)
Recovery of value and write-downs of assets	8		(1,915,515)
- of which non-recurring	*34*		*(1,866,831)*
Operating Profit		4,121,268	5,542,598
Financial expenses		*(7,266,745)*	*(6,788,371)*
Exchange rate differences		*131,632*	*290,618*
Financial income		*424,702*	*436,308*
Financial income (expenses), net	9	(6,710,411)	(6,061,445)
Income (loss) from investments	10	1,639,092	4,721,561
Taxation	11	4,953,942	(137,657)
Profit (loss) for the year		4,003,891	4,065,057

STATEMENT OF COMPREHENSIVE INCOME

	Note	31.12.2011	31.12.2010
Profit (loss) for the year		4,003,891	4,065,057
Other components of comprehensive profit (loss)			
Cash Flow Hedge	*24*	*99,987*	*(8,011)*
Total other components of comprehensive profit (loss)		99,987	(8,011)
Total comprehensive profit (loss)		4,103,878	4,057,046

STATEMENT OF FINANCIAL POSITION

ASSETS

	Note	31.12.2011	31.12.2010
Non-current assets			
Tangible fixed assets	12	156,726,818	158,530,991
Intangible assets	13	1,461,308	1,686,227
Investments in subsidiary companies	14	101,365,675	104,104,578
Investments in associated companies and joint ventures	15	5,605,041	5,575,041
Financial assets available for sale	16	194,683	190,597
Other receivables	17	138,031	344,357
Total non-current assets		**265,491,556**	**270,431,791**
Current assets			
Stocks	18	44,981,863	47,245,063
Trade receivables	19	45,420,428	63,433,023
Group trade receivables	20	18,807,880	26,576,846
Other receivables	17	2,527,124	978,213
Other Group receivables	21	10,013,147	10,653,905
Liquid funds	22	2,198,772	1,817,027
Total current assets		**123,949,214**	**150,704,077**
Non-current assets held for sale	**23**	**1,289,556**	**1,289,556**
TOTAL ASSETS		390,730,326	422,425,424

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	31.12.2011	31.12.2010
Shareholders' equity			
Share capital		185,122,487	185,122,487
Share premium			
Other reserves		655,050	351,810
Retained earnings (losses) brought forwards		(36,616,489)	(40,478,293)
Profit (loss) for the year		4,003,891	4,065,057
Total shareholders' equity	**24**	**153,164,939**	**149,061,061**
Non-current liabilities			
Bank loans and other financial liabilites	22	42,776,371	52,673,979
Other Group payables	32	6,370,292	7,084,578
Derivative financial instruments	25	1,021,753	1,010,767
Other payables	26	1,542,703	1,594,806
- of which related parties	*36*	*1,204,033*	*1,204,033*
Deferred tax liabilities	27	569,576	6,493,734
Employee Benefits	28	11,195,327	12,136,592
Non-current provisions for contingencies and charges	29	7,566,670	8,490,878
Total non-current liabilities		**71,042,692**	**89,485,334**
Current liabilities			
Bank loans and other financial liabilites	22	39,906,783	47,555,457
Derivative financial instruments	25	463,932	663,055
Trade payables	30	79,405,243	81,736,031
Group trade payables	31	6,470,935	2,967,777
Other payables	26	7,357,619	8,599,640
Other Group payables	32	32,428,206	39,296,652
Current taxation	33	225,481	354,881
Employee Benefits	28	264,496	2,705,536
Total current liabilities		**166,522,695**	**183,879,029**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		390,730,326	422,425,424

CASH FLOW STATEMENT

(thousands of Euros)	Note	31.12.2011	31.12.2010
Profit (loss) for the year before taxation		(950)	4,203
Depreciation and amortisation	7-8	16,322	17,747
Losses (income) from investments	10	(1,639)	(4,722)
Financial (income) expense	9	6,841	6,351
Losses (gains) on disposal of non-current assets		(24)	(959)
Change in the employees' leaving entitlement, other provision fund including provision for bad and doubtful debts		(4,323)	2,559
Change in stocks	18	2,263	(1,909)
Change in trade receivables		24,761	(7,510)
- of which related parties	*36*	*8,114*	*(5,410)*
Change in trade payables		(271)	18,853
- of which related parties		3,196	2,242
Change in total working capital		*26,753*	*9,434*
Gross cash flow		**42,980**	**34,613**
Interests paid in the year		(5,220)	(5,012)
- of which related parties	*36*	*(884)*	*(518)*
Interests received in the year		408	352
- of which related parties	*36*	*408*	*352*
Taxes paid in the year		(1,256)	(1,914)
Cash flow from operating activities		**36,912**	**28,039**
Sale (purchase) of financial assets available for sale		(4)	190
Investments and disinvestments in non current assets	12-13	(14,270)	(9,849)
Operation on equity	29	(3,618)	(6,106)
Investments in subsidiary's companies		(5)	
Investments in joint venture		(30)	
Dividends received	10	7,307	8,426
Cash flow from investing activities		**(10,620)**	**(7,339)**
Change in financial assets and liabilities and short-term bank borrowings		(14,913)	(10,963)
- of which related parties	*36*	*(6,531)*	*5,127*
Change in long-term bank borrowings		(10,996)	(8,991)
- of which related parties	*36*	*(714)*	*(2,121)*
Cash flow from financial activities		**(25,909)**	**(19,954)**
Change in unrestricted liquid funds	**22**	**383**	**746**
Unrestricted liquid funds at beginning of the year	**22**	**1,816**	**1,070**
Unrestricted liquid funds at end of the year	**22**	**2,199**	**1,816**

STATEMENT OF CHANGES IN EQUITY

(thousands of Euros)	Share capital	Legal reserve	Extra-ordinary reserve	Retained earnings (loss) brought forwards	Profit (loss) for the year	Hedging reserve	Total share-holders' equity
Shareholders' equity at 31.12.2009	185,122	5	1,150	(35,809)	(4,669)	(795)	145,004
Appropriation of profit (loss) 2009				(4,669)	4,669		
Profit (loss) for the year					4,065		4,065
Other components of comprehensive profit (loss)						(8)	(8)
Total comprehensive profit (loss)					4,065	(8)	4,057
Shareholders' equity at 31.12.2010	185,122	5	1,150	(40,478)	4,065	(803)	149,061
Appropriation of profit (loss) 2010		203		3,862	(4,065)		
Profit (loss) for the year					4,004		4,004
Other components of comprehensive profit (loss)						100	100
Total comprehensive profit (loss)					4,004	100	4,104
Shareholders' equity at 31.12.2011	185,122	208	1,150	(36,616)	4,004	(703)	153,165

NOTES TO FINANCIAL STATEMENTS

FORM AND CONTENT

RDM is a company which is established as a corporate person under the legislation of the Republic of Italy. The RDM carries out its activities principally in Europe. These activities consist in the production and distribution of cartonboard for packaging made of recycled fiber. The commercial operations are carried out through a network of agents led by the joint-venture Careo S.r.l..

RDM has its registered office in Milan, Italy.

RDM's shares are listed on the Star segment of Borsa Italiana S.p.A. and on the Madrid and Barcelona stock exchanges.

Draft financial statements of the RDM were approved by the Board of Directors of RDM on 21 March 2012 which approved them for publication.

Reno De Medici S.p.A., as Parent Company, has prepared the consolidated financial statements of the RDM Group at 31 December 2011.

The separate financial statements for 2011 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and adopted by the European Union, as well as based on the regulations issued to implement art. 9 of the Italian Decree nr. 38/205. By IFRS is also intended all the revised accounting principles (International Accounting Standards or IAS) and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and those of its predecessor, the Standing Interpretations Committee ("SIC").

The separated financial statements for 2011 was prepared by applying the same accounting standards adopted for the Separate Financial Statement at 31 December 2010.

The following amendments, improvements and interpretations effective from 1 January 2011 but not relevant to RDM:

- Amendment to IAS 32 - Financial Instruments: Presentation, Classification of Rights Issues;
- Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement;
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments;
- Improvements to IAS/IFRS (2010);
- Amendment to IFRS 7 - Financial Instruments: Disclosures;
- Related parties disclosure - IAS 24 (revised 2009).

It should be note that during the 2011 the Board of IASB has approved and issued the following documents and emendaments:

- IFRS 10 - Consolidated financial statements;
- IFRS 11 - Joint arrangmentes;
- IFRS 12 - Disclosure of interests in other entities;
- IFRS 13 - Fair value measurement;
- IAS 27 - Consolidated and separate financial statements;
- IAS 28 - Investments in Associates and Joint Ventures
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine
- Amendaments to IAS 1 - Presentation of Financial Statement;
- Amendaments to IAS 19 - Employee Benefits.

Those documents will be applicable only after the approval by UE.

The financial statements are prepared on a cost basis, with the exception of derivatives and financial assets intended for sale, which were recorded at fair value, and of financial liabilities, which were recorded according to the straight-line method. The book value of recorded assets and liabilities subject to hedging transactions, for which conditions exist for the application of hedge accounting, was adjusted to account for changes in fair value attributable to the risks subject to hedging.

The financial statements are prepared on the going concern assumption. In this respect, despite operating in an economic and financial environment that continues to be difficult, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern.

The preparation of the separate financial statements in accordance with IFRS requires the use of specific estimates and valuations, as well as management's reasonable judgment in applying accounting policies. Those matters requiring higher levels of complexity and a greater use of assumptions and estimates are discussed in the paragraph "Use of estimates and measurement in specific situation".

The Parent Company has chosen to present the structure and content of its separate financial statements in the following manner:

- the statement of financial position is presented with separate sections for assets, liabilities and shareholders' equity. Assets and liabilities are then presented on the basis of their classification as current, non-current or held for sale;
- the income statement is presented in a vertical format with expenses analysed using a classification based on their nature, as this provides reliable and more relevant information compared to a classification based on their function;
- the statement of comprehensive income is presented separately from income statement and each figures are exposed net of fiscal effect;
- the cash flow statement is presented using the indirect method;
- the statement of changes in equity is presented by showing separately the profit or loss for the year and any gains and losses recognised directly in equity and not in profit or loss, in accordance with any specific IAS/IFRS requirements, and it is presented by showing separately the transactions with shareholders.

ACCOUNTING PRINCIPLES AND POLICIES

Tangible fixed assets

Tangible fixed assets are stated at their original cost of purchase, production or contribution, including those direct accessory purchase costs required to bring an asset into a condition for use. Cost is reduced by accumulated depreciation and any write-downs in value.

Costs for improvements, modernisation and transformation incurred after the initial evaluation of the asset acquired or produced internally are ascribed to fixed assets and depreciated across their useful life provided they derive from separate analytic accounting evaluations and when it is probable that the future economic benefits expected from the asset will increase.

Replacement costs of identifiable components of complex assets are ascribed to fixed assets and depreciated across their useful life. The residual value of the replaced component is ascribed to the income statement. Maintenance and repair costs are ascribed to the income statement in the year they are incurred.

Assets acquired under finance leases, which assign to the Parent Company substantially all the risks and rewards of ownership, are recognised as tangible assets at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as financial debt.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets, determined on the basis of the period during which the asset will be used by the Parent Company. Land is not depreciated, even if acquired together with buildings.

The annual depreciation rates used are as follows:

Category		Years
Buildings	Factory buildings Small constructions	33 20
Plant and machinery	General plant and machinery Specific plant and machinery	20 - 5 20 - 5
Industrial and commercial equipments	Sundry equipment	5
Other assets	Furniture and ordinary office machinery Eletronic office machinery Internal vehicles Motor vehicles	8 5 5 4

The Company reviews, at least annually, if there is any indication that tangible assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss, as described in the paragraph "Impairment test" below.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognised when the recoverable amount is lower than the carrying amount. Even if the causes of the previous write-down are cesead, the goods are recovered at the less value amongst fair value and book value, putting the adjustment to profit and loss.

Non-current assets held for sale

Non-current assets held for sale consist of non-current assets whose carrying value will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are stated at the lower of their carrying amount and their fair value less costs to sell and are not depreciated.

Intangible assets

Intangible assets consist of identifiable assets not having physical substance, controlled by the Company and from which future economic benefits are expected.

Intangible assets are recognized when the cost of an asset can be measured reliably, in accordance with IAS 38 - Intangible Assets.

Intangible assets having a finite life are measured at cost and amortized on a straight-line basis over their useful lives, estimated on the basis of the period during which the asset will be used by the Company.

The annual amortization rates used are as follows:

Category		Years
Concessions, licences, trade marks and similar rights	Software licences	5
Other intangible assets	Sundry deferred charges	12 - 5

Intangible assets with an indefinite useful life are not amortized, but are tested for impairment annually, as explained in the following paragraph "Impairment test". An intangible asset is regarded to have an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company.

Impairment testing

At each balance sheet date the Company reviews the carrying amount of its tangible and intangible assets with a definite useful life to assess whether there is any indication that these assets may be impaired (impairment indicators). If any such indication exists, the Company makes an estimate of the recoverable amount of such assets to determine any impairment loss (impairment test). Where it is not possible to estimate the recoverable amount of an individual asset the Company makes an estimate of the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less cost to sell and value in use. In the absence of a binding sales agreement, fair value is estimated on the basis of values expressed by an active market, by recent transactions, or on the basis of the best available information to reflect the amount that the company might obtain by selling the asset.

In calculating value in use, estimated future cash flows are discounted to present value using a after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the estimated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The resulting impairment loss is recognised in the profit and loss account.

When there is no longer any reason for an impairment loss to be recognised, the carrying amount of an asset (or cash-generating unit) is increased to a new carrying amount based on its estimated recoverable value, which may not exceed the net carrying amount that would have been determined if no impairment loss has been recognised for the asset. A reversal of an impairment loss is recognised in the profit and loss account.

Goodwill and intangible assets with an indefinite useful life are tested for impairment on an annual basis, or more frequently if there is any indication that an asset may be impaired.

Investments in subsidiary companies, associates and joint ventures

Investments in subsidiary companies, associates and joint ventures are measured at cost and undergo testing to determine the extent of any impairment losses, as described in the paragraph "Impairment" above.

The test is conducted whenever there are indicators of a probable impairment of interests.

In relation to interests in subsidiaries and associates, if the investee company has distributed dividends, the following aspects are also considered indicators of impairment:

- Book value of the interest on the financial statement exceeds book value of the investee company's net assets (including any related goodwill) expressed on the consolidated financial statement;
- The dividend exceeds the total of aggregate profits (aggregate income statement) of the investee company in the dividend reference period
- The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and its value in use

Specifically, when considering the existence of possible impairment of interests in subsidiaries and associates, since these are interests for which a reliable market value cannot be determined ("fair value less costs to sell"), the recoverable amount was defined as value in use, i.e., the current value of cash flows estimated with reference to the forecast results of the investee companies and to the estimated value of a hypothetical ultimate disposal in line with the provision of IAS 28 paragraph 33.

When it is necessary to proceed with an impairment loss, this is recognised in the profit and loss account of the year.

When the impairment of an asset is subsequently eliminated or reduced, the book value of the asset is increased to the new estimate of the recoverable amount and may not exceed the value that would have been determined if no impairment had been measured. The reinstatement of an impaired asset is immediately recorded on the income statement.

Derivative financial instruments

Derivative financial instruments consist of assets and liabilities measured at fair value.

In accordance with IAS 39, derivative financial instruments only qualify for hedge accounting if all of the following apply:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of the hedged item (a fair value hedge; an example is the hedging of the fair value of assets or liabilities yielding or bearing a fixed rate), the instrument is measured at fair value and any gain or loss on remeasurement is recognised in the profit and loss account. In a consistent manner, any gain or loss on the hedged item attributable to the hedged risk adjusts the carrying value of the hedged item;
- where a derivative financial instrument is designated as a hedge of the exposure to variability in the cash flows of the hedged item (a cash flow hedge; an example is the variation in cash flows of assets or liabilities due to variations in exchange rates), the changes in fair value of the instrument are initially recognised in the other components of comprehensive income in a specific equity's reserve and are subsequently recognised in the profit and loss account in a manner consistent with the recognition in the profit and loss account of the effects of the hedged transaction.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the profit and loss account.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments which are explicitly designated as available for sale or which cannot be classified in any of the preceding categories, and which are included in non-current assets unless it is management's intention to sell them in the twelve months following the balance sheet date.

Financial fixed assets available for sale consist of investments in other companies and other non-current financial assets, which are measured at fair value; changes in the measurement of fair value are recognised in equity. When there is objective evidence that a financial asset is significantly impaired for an extended period, the impairment loss is recognised in income despite the fact it has not been sold. When fair value cannot be reliably measured, investments are measured at cost as adjusted for any impairment losses.

Trade receivables and other receivables

Trade receivables and other receivables are measured at cost, represented by the initial fair value of the amount received in exchange. Subsequent adjustments are made to account for any write-downs. Non-current trade receivables and other receivables are subsequently measured at amortised cost, based on the asset's original effective interest rate.

Stocks

Stocks are measured at the lower of purchase or production cost, including ancillary costs, determined on a weighted average basis, and estimated realisable value, determined from market trends.

In the case of raw materials, market value means replacement cost; for finished goods and semi-finished goods, market value means net realisable value, representing the amount that the Group would expect to obtain from the sale of these goods in its normal activities.

Liquid funds and cash equivalent

Liquid funds consist of available cash on hand and bank deposits, shares in liquid funds and other highly liquid investments which can be readily converted into cash and which are subject to an insignificant risk of changes in value.

Employee benefits

The benefits subsequent to the termination of the relation between employer and employee are based on planes that, based on their features, can be defines as "defined contributions plans" or "defined benefits plans".

In the "defined contributions plans", such as the Italian TFR (Italian leave indemnity) accrued after the coming into force of the 2007 Italian "Finance Law", the obligation of the company, limited to the payment of a contribution to the Public Social Security System, or to an asset or to a specific juridical entity (so called 'fund'), is determined based on the due contributions, after deducting the already payed amounts.

The "defined benefits plans", such as the Italian TFR before the coming into force of the 2007 Italian "Finance law", are plans such that the benefits subsequent to the termination of the relation between employer and employees are a future obligation, for which the Company bears the relevant actuarial and investment risks.

The indemnity leave fund is determined based on the actuarial value of the liability of the Company, according to the current legislation, the collective wage agreements, and the company's integration agreements. The actuarial evaluation, based on demographic, financial and turnover assumptions, is entrusted to independent actuarians. The profit and losses deriving from the actuarial calculations are charged to the profit and loss account as costs or revenues in financial income and expenses.

Compensation plan in form of capital shares with stock appreciation rights.

In the previous year Reno De Medici S.p.A. has approved two incentive plans (one for management and one for its employees and for the employees of the Group companies) in the form of "transactions with payment based on shares with stock appreciation rights."

According to IFRS 2, the options are initially valued with reference to their fair value on the allocation date, with consideration of an estimate of the options that will actually accrue in favour of assignees. The determined value is recorded as a personnel cost on the income statement on a straight line basis throughout the accrual period.

This allocation is performed on the basis of a Management estimate of stock options that will accrue. Fair value is determined by utilising a binomial tree option calculator.

Until the liability has been extinguished, the fair value of the options must be recalculated on the closing date of each financial year and on the settlement date, with all changes in fair value reported on the income statement.

Provisions for contingencies and charges

The Company records provisions when it has an obligation, legal or constructive, arising from a past event, for which it is probable that a cost will be incurred to satisfy that obligation and when a reliable estimate of the amount can be made. Provisions are measured at the best estimate of the amount that at the balance sheet date the Company would rationally pay to settle the obligation or transfer it to a third party.

Whenever the expectations of the employment of resources extend beyond the following fiscal year, the liability is recorded based on their actuarial value, as determined through the actualization of the expected cash flows, discounted at a rate that also takes into account the cost of funding and the risk of the liability.

The amount provided for the agents' termination liability is determined on the basis of actuarial techniques and provided by independent actuaries.

Changes in estimates are recognised in the profit and loss account of the period in which the change occurs.

The cost that the company expects to sustain to carry out the restructuration plans are recorded in the fiscal year in which the Company has formally defined such plans, and in which the concerned subjects have formed the valid expectation that the restructuration will take place.

The risks that might generate a possible liability are recorded in the specific section "Contingent liabilities and commitments and other guarantees given to third parties", but no cost provisions are recorded.

Bank loans and other financial liabilities

This item consists of financial liabilities made up of bank loans, debenture loans and financial amounts due to others, including amounts due to lessors in respect of finance leases. Bank loans and other financial liabilities are measured at amortised cost.

Financial liabilities are initially recognised at cost, represented by the fair value of the amount received net of accessory costs attributable to the acquisition of a loan. After initial recognition loans are measured at amortised cost, determined using the effective interest method. Amortised cost is calculated taking into account issue costs and any discount or premium envisaged at the time of settlement.

Trade payables and other payables

These liabilities are initially measured at the fair value of the amount to be paid. Subsequent measurement is at amortised cost using the effective interest method.

Revenues and costs

Revenues are recognized to the extent that the benefits associated to the sale of goods or services are likely to be attained by the company, and the relevant amount can be determined in a reliable way. The revenues are recorder at the fair value of the consideration received or expected, taking into account the possible commercial discounts or volume premiums.

As regards the sale of goods, the revenues are recognized when the Company has transferred to the purchaser the main risks and benefits associated to the property of the good itself.

As regards the supply of services, the revenues are recongnized at the time the services are rendered.

Taxation

Current income taxes are determined on the basis of an estimate of taxable income for the period. Current tax assets and liabilities are determined using tax rates and tax laws and regulations in force at the balance sheet date. Income tax liabilities are recognised in "Current taxation" in the balance sheet, net of the corresponding amounts paid on account and withholding taxes, or in "Other recevables", if during the year the Parent Company has paid amounts higher than taxation.

Reno De Medici S.p.A., almost all its Italian subsidiaries (Emmaus Pack S.r.l., Cartiera Alto Milanese S.p.A. e Reno Logistica S.r.l. in liquidation) and the joint venture Careo S.r.l., have taked part in the domestic tax consolidation plan pursuant to Articles 117 and followings of the Consolidated Income Tax Act (T.U.I.R.).The company acts as the consolidating company in this programme and calculates a single taxable base for the group of companies taking part, thereby enabling benefits to be realised from the offsetting of taxable income and tax losses in a single tax return. Each company participating in the consolidation transfers its taxable income or tax loss to the consolidating company. As a consequence of this transfer, Reno De Medici S.p.A. recognises a receivables or a payables corresponding the amount of the IRES, net of the amounts paid, from that companies contributing taxable income or tax loss.

Deferred tax assets and liabilities reflect the effect of temporary differences between the accounting value and tax base of assets and liabilities.

The item "Deferred tax liabilities" represents liabilities to taxation arising from temporary differences which give rise to taxation in future periods in accordance with prevailing tax legislation.

The item "Deferred tax assets" represents taxation which, although relating to the accounting income or expense of future periods, refers for fiscal purposes to the current period, and are recognised when it is believed probable that sufficient taxable income will be generated in future periods for their recovery.

Income taxes are recorded in the profit and loss account, with the exception of the taxes relevant to items directly debited or credited to the net equity, the tax effect of which is recognized directly in the equity.

Prepaid taxes on matured tax losses are recorded only if future taxable income is likely to be obtained, for an amount sufficient to cover the carried forward losses.

Discontinued operations

Discontinued operations consist of important autonomous lines of activity – in terms of business or geographical area or which form part of a single, co-ordinated disposal programme – that have either been disposed of or are held for sale, and subsidiary companies acquired exclusively for resale.

The results of discontinued operations, which are represented by the profits or losses of these operations and any gains or losses on disposal, are presented separately in the profit and loss account, net of any related tax effects, in a single line item.

Exchange differences

Transaction in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into Euros at the Balance Sheet date at the exchange rate prevailing that date, classified into profit and loss account.

Dividends

Dividend received are recognised at the date on which their distribution is approved by shareholders.

Financial instruments and risk management

IFRS 7 - Financial Instruments: Disclosures requires extensive disclosures to be made in connection with the nature of credit, liquidity and market risks and the way in which these risks are managed, and reference should be made to the paragraphs "Financial instruments and risk management" in the notes to the separate financial statements and in these respects.

Use of estimates and measurement in specific situations

The preparation of financial statements and the related notes in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and assumptions used are based on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

Estimates are used to detect any provisions made against trade receivables, inventory obsolescence, depreciations, write-down, employee benefits, restructuring funds, taxes, other provisions, funds and evaluations of derivative financial instruments.

Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In this respect the situation caused by the present economic and financial crisis has led to the need to make assumptions regarding future performance which are characterized by significant uncertainty; as a consequence, therefore, it cannot be excluded that actual results may arise during the following year which differ from the estimates, with an effect, unpredictable at the present moment but which could be significant, on the carrying amounts of the items in question as represented here.

The valuation methods and the main assumptions used by management in applying accounting standards which relate to the future development of activities are discussed in the following. These methods and assumptions may have significant effects on the amounts recognised in the separate financial statements, with the resulting risk that adjustments may need to be made in future years having a potential effect on these amounts which is equally significant.

Fair value of derivative contracts and financial instruments

The fair value of financial instruments which are not quoted on a regulated active market is determined by employing various valuation techniques. In this respect, the Company uses those techniques which it believes are the most reasonable in connection with the specific financial instruments that have to be valued and adopts assumptions and makes estimates based on market conditions at the balance sheet date.

Taxation

The overall determination of the tax charge for the year requires the use of estimates and valuations, including those relating to any specific tax liabilities which may not be determinable at the date on which the related individual operation is carried out. In addition, in order to calculate deferred tax assets, the Company employs estimates and valuations which also take into account expectations of future events.

Seasonal factors affecting revenues

The trend of revenues for the sale of cartonboard for packaging is a function of the general tendency of the economies of the markets in which sales are made and in particular of the trend in the demand for consumer goods; it is not affected by specific seasonal factors during the year.

There are, however, seasonal effects in the production and sale of products as a result of factors connected with the calendar, such as for example if there is a high number of public holidays or periods of vacation in one month or accounting period rather than another (such as for example in August and December) that may typically recur in the main countries supplied.

Impairment testing

At each balance sheet date the Parent Company reviews the carrying amount of its tangible and investments to assess whether there is any indication that these assets may be impaired. If any such indication exists, the Parent Company makes an estimate of the recoverable amount of such assets to determine any impairment loss.

No goodwill has been allocated to the Reno de Medici CGUs and therefore no specific impairment test is required to be carried out each year. However, the current economic and financial crisis that is being felt worldwide, with the consequent heavy losses recorded in the major regulated markets over the last 36 months, indicates a situation of total uncertainty insofar as the possible future economic scenarios, whether at a global or a domestic level.

Furthermore, due to the crises in the financial markets, the market capitalization of the Parent Company has followed a downwards trend over the last 36 months, with an average level that is lower than its equity. This difference has mainly been generated starting from the second half of 2008, at the same time that the effects of the global financial crisis were felt.

Applying the procedure required by IAS 36, the Parent Company has identified the cash-generating units representing the smallest identifiable groups of assets that generate cash flows that are largely independent within the financial statements.

The lowest aggregation of assets for cash-generating units is represented by the single factories.

The recoverability of carrying amounts is tested by comparing the net book value of the individual cash-generating units with the present value of the estimated cash flows deriving from the continuing use of the assets making up the cash-generating units and that of their terminal value.

The main assumptions used by the Parent Company in measuring the recoverable amount (value in use) regard the following:

a) estimates of operating cash flows
b) the discount rate
c) the final growth rate.

With respect to point a), given the current economic and financial crisis the Parent Company has made a prudent assumption, valid only for impairment testing, of the way in which its operations are expected to develop in the period from 2012 to 2014.

For discounting cash flows the Parent Company has used the same rate, 7.82%, for all cash-generating units, a rate which reflects current market assessments and also takes into account the specific risks of the sector.

In performing the impairment test the terminal value was determined by using a growth rate (g rate) of 1.5%.

The need to recognise an impairment loss did not arise from the plans revised in this way except at the Magenta and Marzabotto factories, where in order to determine the recoverable amount of the production units fair value less costs to sell (current market value) had to be used rather than value in use, and this was calculated on the basis of appraisals estimated by an independent valuer.

In addition, on the basis of the recommendations included in joint document no. 4 prepared by the Bank of Italy, Consob and ISVAP (the insurance regulator), on March 4th, 2010, the Parent Company prepared sensitivity analyses on the results of the tests, basing these on changes in the underlying assumptions (the use of the growth rate in calculating the terminal value and the discount rate) that affect the value in use of the cash generating units, but no additional indications of impairment emerged.

Considering that recoverable amounts are calculated on the basis of estimates, given the uncertainty governing the way in which the present global crisis will evolve the Parent Company cannot be certain that a revision of these estimates will not be required in the future, with the resulting effect on values. The Parent Company will keep the way in which the situation evolves constantly under control in order to make any revision to the assumptions underlying the estimates that may be needed.

Business plans were amended in a prudent manner for the impairment testing of cash-generating units and investments, in order to take account of the present adverse economic and financial situation and the uncertainties weighing upon the business.

In this respect, however, it cannot be excluded that if the crisis continues or deteriorates the present valuations may need to be revised.

1. Revenues from sales

Revenues from sales arise essentially from sales of cartonboard:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Revenues from sales	284,150	294,724	(10,574)
Total revenues from sales	**284,150**	**294,724**	**(10,574)**

During the 2011 the revenues from sales has been decreased of 3.59% compared to 2010, due to the lower sales volumes (-12%) partially offset by higher prices.

The following table provides a geographical analysis of sales revenues showed the firmnees of the domestic market (+2.7%), the significant fall in the European Union (-28%) partially balanced by the Extra European Countries (+13.5%).

(thousands of Euros)	31.12.2011	31.12.2010	Variations	%
Italy	171,273	166,727	4,546	2.7 %
EU	56,240	78,111	(21,871)	(28 %)
Extra EU	56,637	49,886	6,751	13.5 %
Total revenues from sales	**284,150**	**294,724**	**(10,574)**	**(3.6 %)**

2. Other revenues and income

Other revenues may be analyzed as follows:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Grants	607	725	(118)
Indemnities	847	270	577
Appreciation	58	991	(933)
Recharge of costs	1	3	(2)
Rental income	9	9	
Revenues for services	6,113	5,848	265
Revenues from sales of energy	5,836	5,166	670
Other revenues	1,244	1,289	(45)
Total	**14,715**	**14,301**	**414**

"Grants" mainly consist of ordinary grants received from Comieco that relate to the use of waste paper deriving from urban waste differentiation schemes.

"Indemnities" is referring to insurance recovery relevant to accident occurred during 2011.

"Revenues for services", relating to provision of general services to Group companies.

"Revenues from sales of energy" relate to amounts granted to the Group by certain energy suppliers for joining the "interruption" scheme, income arising from the sale of electricity by the factories in Italy during 2011 and from the use of the GAS storage rights.

"Other revenues" consist primarily of prior period income, which includes amongst other things receipts from insolvency proceedings and recoveries of VAT following the completion of bankruptcy procedures, revenues from sales other than those of cartonboard.

3. Change in stocks of finished goods

Change in stocks (Euro -1.9 million) relates mainly to the higher tons sold that the tons produced.

4. Cost of raw materials and services

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Cost of raw material	**134,492**	**132,891**	**1,601**
Purchase of raw material	134,089	135,957	(1,868)
Changes in stocks of raw materials	403	(3,066)	3,469
Services regarding sales	**29,393**	**31,240**	**(1,847)**
Trasport	22,278	24,574	(2,296)
Commissions and agents' costs	7,115	6,666	449
Services regarding manufacturing	**62,155**	**60,355**	**1,800**
Energy	40,913	37,900	3,013
Maintenance	4,236	5,614	(1,378)
Waste disposal	8,122	8,019	103
Other manufacturing services	8,884	8,822	62
General services	**9,518**	**9,404**	**114**
Insurance	1,675	1,457	218
Legal, notarial, administrative and external collaboration	2,758	3,021	(263)
Board of directors	828	762	66
Statutory auditors	166	166	
Postal and telephone	493	564	(71)
Other	3,598	3,434	164
Use of third party assets	**1,220**	**1,046**	**174**
Rental and leasing	1,220	1,046	174
Total	**236,778**	**234,936**	**1,842**

The "Cost of raw materials" refers mainly to the purchase of the products used to make the mixture (waste paper, wood paste, cellulose and chemicals) and of those used for packaging. As the result of price trends in 2011, see the "Report of the Board of Directors", despite the decrease in the volumes, these costs increase during the year from 45.3% of the value of production ("Revenues from sales" plus "Change in stocks of finished goods") in 2010 to 47.6% in 2011.

"Service costs" are stable (Euro 101.1 million for the year ended 31 December 2011 against Euro 101.0 million for the year ended 31 December 2010), while their incidence of value of production has increased equal to 35.8% (34.4% for the year ended 31 December 2010).

Changes going in both directions can be found in "Service costs": "Services regarding sales" fell (- Euro 1.8 million) due above all to a sharp decrease in sales shipping costs (- Euro 2.3 million), which was the result of the fall in sales volumes.

On the other hand "Services regarding manufacturing" increased (+ Euro 1.8 million), mainly due to the significant increase in energy costs (+Euro 3.0 million). It will be recalled that the prices of Energy sources (gas, electricity and coal) have followed an upward trend from the first quarter of 2011 due to extensive speculative activities connected to the North African crisis, the tragedy with such a strong impact on nuclear energy and high fuel demand connected to the growing economic activity of the BRIC countries. In contrast however, downward trends in production in industria-lised Western countries have served to slow demand thus avoiding further price increases particularly towards the end of the year. This does not alter the fact however that prices remained high throughout 2011. The cost of methane increased in particular while electricity costs remained at reasonable levels thanks to a number of contracts for energy supplies from the international market.

"Maintenance costs" fell (-Euro 1.4 million) as the result of the lower number of days worked during the year.

The costs for the "Use of third-parties assets" at 31 December 2011 increase to 16.6% compared to the figures at 31 December 2010.

5. Costo del personale

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Salaries and wages	26,725	30,263	(3,538)
Social security contributions	9,179	10,770	(1,591)
Indemnity for defined contributions plans and incentive plans	1,548	4,349	(2,801)
Other costs	133	1,313	(1,180)
Total	**37,585**	**46,695**	**(9,110)**

The net drop of Euro 9.1 million in staff costs compared to the previous year (in percentage terms 19.5%) due to the lower number of worked hours determined by the plant stoppages and the staff trimming.

The heading "Incentive plans" as at 31 December 2010 included the provision made for the incentive plan applicable to the Top Management based on phantom share performance (2.4 milion of Euros).

The 2011 Financial Statements do not contain any provision for the new Plan 2011-2013 in relation to the actual figures, in a general macro-economic scenario deteriorated, compated to the resolution of the plan. For greater details on this point please refer to 'Note 28' Employee benefits of these Notes to the Financial Statements.

It should also be noted that the figure for the heading "Other costs" in the last accounting period included the costs deriving from the discontinuance of activities at the works premises in Marzabotto.

The following table sets out for the Company the number of employees at the end of the year and the average number of employees during the year, analyzed by category:

Employees by category	31.12.2011	31.12.2010	Variations
Executives and managers	11	15	(4)
Middle Managers and White-collar	212	232	(20)
Blue-collar	617	671	(54)
Total	**840**	**918**	**(78)**
Temporary lay-off in CIGS	37	64	(27)
Permanent manpower	**803**	**854**	**(51)**

Weight employees by category	31.12.2011	31.12.2010	Variations
Executives and managers	11	15	(4)
Middle Managers and White-collar	219	229	(10)
Blue-collar	637	662	(25)
Total	867	906	(39)

During the year due to shrinking orders on most of the mills, the company has resorted to layoffs ordinary income (including Magenta mill) to the extent necessary to accommodate the temporary downtime in the production cycle.

6. Other operating costs

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Accruals to provisions		306	(306)
Whrite-down of working capital receivables	180	305	(125)
Other operating cost	2,019	2,203	(184)
Total	**2,199**	**2,814**	**(615)**

The item decreased by 21.9% over the previous year. More specifically, there has been a decrease in the provisions made against trade receivables and against other risks.

Moreover other operating costs for 2011 are decreased compared with those of the previous year. The total relates mainly to various taxes payable by the Company, trade association subscriptions and miscellaneous prior period expenses.

7. Depreciation and amortization

The following table sets out the amortisation charge for intangible assets and the depreciation charge for tangible fixed assets:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Amortisation of intangible assets	517	468	49
Depreciation of tangible assets	15,805	15,363	442
Total	**16,322**	**15,831**	**491**

"Depreciation and amortization"slightly went up by 3.1% from Euro 15.8 million at 31 December 2010 to Euro 16.3 million at 31 December 2011, as the result of the strategies adopted for investing in tangible assets pursued over the past few years, partially offset by the finishing of the amortisation of some tangible fixed assets.

8. Recovery of value and write-down of assets

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Write-down		1,916	(1,916)
Total		**1,916**	**(1,916)**

It will be recalled that the write down of 31 December 2010 referred to the alignment of the value recorded in the accounts with the lower current market value of the "Operational assets available for sale" taken from the Marzabotto works premises.

9. Financial income (expenses), net

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Financial income (expenses)	**425**	**436**	**(11)**
Interest from subsidiary and affiliated companies	421	361	60
Other income	4	75	(71)
Financial expenses	**(7,267)**	**(6,788)**	**(479)**
Interest due to subsidiary and affiliated companies	(895)	(519)	(376)
Interest due to banks	(4,609)	(4,686)	77
Losses on derivative financial instruments	(655)	(895)	240
Interest on financing employees' leaving entitlement	(659)	(464)	(195)
Expenses, commissions and other financial charges	(449)	(224)	(225)
Exchange differences	**132**	**291**	**(159)**
Realised foreing exchange gains (losses):			
Realised gains	1,932	1,808	124
Realised losses	(1,642)	(1,508)	(134)
Unrealised foreing exchange gains (losses):			
Unrealised gains		58	(58)
Unrealised losses	(158)	(67)	(91)
Total	**(6,710)**	**(6,061)**	**(649)**

There has been worsening of Euro 0.6 million in net financial expense.

This is due to a significant increase in interest payable to subsidiary and affiliated companies and in expenses, commissions and other financial charges banks.

The item "Interest on financing the employees' leaving entitlement" increases and arises from the financial component of the charge for the year (also called the interest cost and actuarial gains/losses) calculated in accordance with IAS 19. The item contains an actuarial gain for an amount of Euro 122 thousand.

10. Income (loss) from investments

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Income from equity investments in subsidiary companies	**7,017**	**8,166**	**(1,149)**
Dividends from Reno De Medici Arnsberg Gmbh	6,000	6,000	
Dividends from Emmaus Pack S.r.l.	617	360	257
Dividends from Cartiera Alto Milanese S.p.A.	400	400	
Dividends from Reno De Medici Iberica S.L.		1,406	(1,406)
Income from equity investments in associates	**290**	**260**	**30**
Dividends from Pac Service S.p.A.	290	260	30
Write-down and losses from investments in subsidiary and associates companies	**(5,668)**	**(3,704)**	**(1,964)**
Write-down Reno Logistica S.r.l.	(7)	(28)	21
Write-down RDM Blendecques S.A.S.	(2,877)	(3,620)	1,743
Write-down RDM Tissue Core S.r.l.	(40)	(56)	16
Write-down Reno De Medici Iberica S.L.	(1,485)		(1,485)
Write-down Cartiera Alto Milanese S.p.A.	(1,259)		(1,259)
Total	**1,639**	**4,722**	**(3,083)**

Income (loss) from investments amounting to Euro 1.6 million compared to Euro 4.7 million for the previous year. The decrease is due to the decrease of dividends paid from the subsidiary companies and to the higer write down of the investment.

The investments in Reno Logistica S.r.l. in liquidation and in R.D.M. Tissue Core S.r.l. in liquidation have been written down by a further Euro 7 thousand and 40 thousand to adjust them carrying amount to equity at 31 December 2011. In addition, the provision for the investment in the subsidiary RDM Blendecques S.A.S. had to be adjusted by Euro 2.9 million, to cover the loss accrued for which, according to local regulations, there is a legal obbligation.

11. Taxation

The item amount to 5.0 million of Euros as follows:

	31.12.2011	31.12.2010	Variations
Current taxation	**(1,008)**	**(907)**	**(101)**
IRAP of the year	(1,350)	(1,758)	408
Tax receivables L.296/06	111		111
IRAP of previous years	(318)	(137)	(181)
Income from tax consolidation (IRES)	549	988	(439)
Deferred taxation	**5,962**	**769**	**5,193**
IRES	5,922	705	5,217
IRAP	40	64	(24)
Total	**4,954**	**(138)**	**5,092**

It is worthy of note that the item "Deferred taxation" (IRES) includes the recording of advance tax applicable to the Group Holding Company pursuant to the provisions of Legal Decree no. 98 of 6 July 2011 (the so-called "2011 Economic Adjustment"), converted into law with amendments by Law no. 111 of 15 July 2011. While the above provisions on the one hand, exclude temporal limits on the ability to carry forward previous tax losses, on the other, they introduce a quantitative limit on their use. In particular, previous tax losses can be carried forward without limit in time but they may only be used up to the limit of 80% of the declared income chargeable to tax for each accounting period. For greater details on this point please refer to Note 27 of these Notes to the Financial Statements.

The variation in the IRAP charge for the 2011 is the result of lower taxable income.

Item "Income from tax consolidation (IRES)" relates to the taxable income transferred from consolidated subsidiary companies to Parent Company Reno De Medici S.p.A..

Reconciliation between the theoretical and actual tax charge (IRES)

The reconciliation between the theoretical and actual tax burden relevant to the IRES.

The Company doesn't report a taxable income:

IRES *(thousands of Euros)*	Tax income	% IRES	31.12.2011
Profit (loss) before taxation	(950)		
Theoretical tax charge		**27,50%**	**–**
Temporary differences	(2.117)		
Permanent differences which will reverse in future years	1.116		
Permanent differences which will not reverse in future years	(382)		
Total difference	(1.383)		
Increase of tax losses	2,333		
Effective tax charge		**27,50%**	**–**

Reconciliation between the theoretical and actual tax charge (IRAP)

IRAP *(thousands of Euros)*	Taxable income	% IRAP	31.12.2011
Difference between value and cost of production (excluding B9, B10 c), d) and B12 e B13)	41,887		
Financial statement reclassifications	–		
Costs for apprentices, desabled persons and compulsory insurance	(13,337)		
Total	28,550		
Theoretical tax charge		**3.90%**	**1,113**
Permanent differences for more regional taxation	2,273		
Temporary differences	1,566		
Permanent differences which will not reverse in future years	2,239		
Total difference	6,078		
Effective tax charge	**34,628**	**3.90%**	**1,350**
Current taxation		**4.73%**	

"Permanent difference for more regional taxation" arise from the application of the higher rate of 4.82% in the region of Lazio to the net value of production.

12. Tangible fixed assets

As regards the movements of tangible assets related the year 2010 and 2011, are the following:

Tangible fixed asset (thousands of Euros)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction	Total
Cost	22,256	74,625	465,340	1,993	9,129	3,839	577,182
Accumulated depreciation / Write-down		(36,324)	(363,485)	(1,941)	(8,972)	–	(410,722)
Net book value at 31.12.09	**22,256**	**38,301**	**101,855**	**52**	**157**	**3,839**	**166,460**
Variations for the year - cost:							
Increases		398	2,338	1	–	8,062	10,799
Decreases	(111)	(274)	(297)	–	(4)	–	(686)
Other moviments	–	–	(54,180)	–	–	–	(54,180)
Write-down	–	–	(87)	–	–	–	(87)
Reclassification of cost		115	3,384		–	(3,499)	–
Variations for the year - accumulated depreciation:							
Depreciations for the year	–	(2,510)	(12,766)	(27)	(60)	–	(15,363)
Other moviments	–	–	51,024	–	–	–	51,024
Write-down	–	–	38	–	–	–	38
Utilisation of accumulated depreciation	–	224	298	–	4	–	526
Value at 31.12.2010							
Cost	22,145	74,864	416,498	1,994	9,125	8,402	533,028
Accumulated depreciation/ Write-down	–	(38,610)	(324,891)	(1,968)	(9,028)	–	(374,497)
Net book value at 31.12.10	**22,145**	**36,254**	**91,607**	**26**	**97**	**8,402**	**158,531**

Tangible fixed asset *(thousands of Euros)*	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction	Total
Cost	22.145	74.864	416.498	1.994	9.125	8.402	533.028
Accumulated depreciation / Write-down	–	(38.610)	(324.891)	(1.968)	(9.028)	–	(374.497)
Net book value at 31.12.10	**22.145**	**36.254**	**91.607**	**26**	**97**	**8.402**	**158.531**
Variations for the year - cost:							
Increases		1.701	10.664	175	9	1.545	14.094
Decreases		(50)	(1.099)		(10)	–	(1.159)
Reclassification of cost	–	495	7.221	27	4	(7.747)	
Variations for the year - accumulated depreciation:							
Depreciations for the year	–	(2.540)	(13.206)	(13)	(47)		(15.806)
Utilisation of accumulated depreciation			1.057		10		1.067
Value at 31.12.2011							
Cost	22.145	77.010	433.284	2.196	9.128	2.200	545.963
Accumulated depreciation/ Write-down	–	(41.150)	(337.040)	(1.981)	(9.065)	–	(389.236)
Net book value at 31.12.11	**22.145**	**35.860**	**96.244**	**215**	**63**	**2.200**	**156.727**

"Land" includes the areas pertaining to the manufacturing facilities of the Parent Company, situated at Magenta (MI), Santa Giustina (BL), Ovaro (UD), Villa Santa Lucia (FR) and Marzabotto (BO).

"Buildings" relate mainly to the manufacturing facilities. The increases for the year regard investments in improvements to owned properties.

The RDM made capital expenditure of Euro 14.1 million in 2011 (Euro 10.8 million in 2010).

The aim of making these investments was to reduce variable costs, improve safety and mitigate the effect on the environment.

Investments in the Ovaro works premises took the form of modifications to the continuous machine in order to increase its productive capacity by the installation of a "shoe press".

Investments made at the Santa Giustina facility related to improvement and/or modernisation of the equipments, and the rebuild of wet-end of the board machine is especially noteworthy. It has also been in operation a new lot of landfill site.

Investments made at the Villa Santa Lucia facility related the installation of a new head box.

"Reclassification of cost" relates to the entry into operation of "Assets in course of construction" at the end of previous year.

At the year ended 31 December 2010 "Other changes (cost)" and "Other changes (acc. Depr.)" were related to plant and machinery of Marzabotto mills reclassified in "non current assets held for sales".

"Industrial and commercial equipment" consists mainly of assets used in the production process at the various facilities. Increases relate principally to miscellaneous purchases for immaterial single amounts.

"Other assets" consist mostly of electronic office machines and office furniture, fixtures and fittings.

There are charges (mortgages and privileges) totaling Euro 310.1 million on owned property and plant and machinery, pledged in favour of banks as security on loans, whose outstanding balance at 31 December 2011 amounted to Euro 54.9 million.

On the date of the financial statement, the company conducted the impairment test in conformity to the provisions of IAS 36 and did not reveal any impairments.

For more information related to impairment test, see the previous paragraph "Impairment testing".

13. Intangible assets

As regards the movements of tangible assets related the year 2010 and 2011, are the following:

Other intangible assets *(thousands of Euros)*	Concessions, licences, trade marks and similar rights	Other	Financial assets in progress	Total
Net book value at 31.12.09	**1,829**	**49**	**107**	**1,985**
Increases	218			218
Decreases		(49)		(49)
Reclassification of cost	107		(107)	
Amortisation for the year	(468)			(468)
Net book value at 31.12.10	**1,686**			**1,686**

Other intangible assets *(thousands of Euros)*	Concessions, licences, trade marks and similar rights	Other	Financial assets in progress	Total
Net book value at 31.12.10	**1,686**			**1,686**
Increases	159		133	292
Amortisation for the year	(517)			(517)
Net book value at 31.12.11	**1,328**		**133**	**1,461**

"Concessions, licences trade marks and similar rights" relates to costs incurred for the purchase of software licences.

"Financial assets in progress" relates to projects started up as part of the strengthening of the company's operational systems.

There have been no revaluations or write-downs of intangible assets during the year.

14. Investments in subsidiary companies

(thousands of Euros)	Cost 31.12.2010	Provision against cost 31.12.2010	Net book value 31.12.2010	Increases (Decreases) of investments	Cost 31.12.2011	Increases (Decreases) of provisions	Provision against cost 31.12.2011	Net book value 31.12.2011
Cartiera Alto Milanese S.p.A.	2,864	(366)	2,498		2,864	(1,259)	(1,625)	1,239
Reno De Medici Arnsberg GmbH	54,113		54,113		54,113			54,113
Reno De Medici UK Ltd	1,717		1,717		1,717			1,717
Cascades Grundstuck GmbH	3,459		3,459	5	3,464			3,464
Emmaus Pack S.r.l.	108		108		108			108
RDM Blendecques S.A.S.,								
Reno De Medici Iberica S.L.	111,918	(69,708)	42,210		111,918	(1,485)	(71,193)	40,725
Reno Logistica S.r.l. in liquidat.	493	(493)			493		(493)	
Total	**174,672**	**(70,567)**	**104,105**	**5**	**174,677**	**(2,744)**	**(73,311)**	**101,366**

The following table sets out details of the Company's percentage shareholding in subsidiary companies, the share or quota capital of the subsidiary, the subsidiary's equity and its result for the year at 31 December 2011. This data are presented in accordance with IFRS, except for Cartiera Alto Milanese S.p.A., Emmaus Pack S.r.l. and Reno Logistica S.r.l. in liquidation, whose data are provided on the basis of the National accounting principles:

(thousands of Euros)	Registered	Shareholding	Share capital at 31.12.2011	Shareholder's equity at 31.12.2011	Result for the year 2011
Cartiera Alto Milanese S.p.A.	Milano (IT)	100 %	200	1,189	133
Reno De Medici Arnsberg GmbH	Arnsberg (DE)	94 %	5,113	64,914	(1,311)
Reno De Medici UK Ltd	Wednesbury (GB)	100 %	11,390	2,134	(184)
Cascades Grundstuck GmbH	Arnsberg (DE)	100 %	5	307	(9)
Emmaus Pack S.r.l.	Milano (IT)	51.39 %	200	1,471	594
RDM Blendecques S.A.S.	Blendecques (FR)	100 %	1,037	(7,317)	(2,118)
Reno De Medici Iberica S.L.	Prat de Llobregatt (ES)	100 %	39,061	40,450	(802)
Reno Logistica S.r.l. in liquidat.	Milano (IT)	100 %	25	(210)	(6)

Reno De Medici Arnsberg GmbH is directly held as to 94% with the remaining 6% indirectly held through Cascades Grundstück GmbH & Co. KG.

As riguards the investments in Reno De Medici Iberica S.L. and Cartiera Alto Milanese S.p.A. an impairtment test was carried out to verify an impairment loss for the value of the investments in subsidiary companies by comparing the "Economic Value" being the net recoverable value of the investments (net of the their net financial position at December 31, 2011) and the book value of the investments at December 31, 2011. As a consequence, both investments have been devalueted, for an amount of 1.5 and, respectivily, 1.3 million Euros.

15. Investments in associated companies and joint ventures

The following table sets out investment in associated companies and defined as joint ventures:

(thousands of Euros)	Registered office	Shareholding	Carry value 31.12.2010	Increase (decrease)	Carry value 31.12.2011
Careo S.r.l.	Milano (IT)	70 %	386		386
Manucor S.p.A.	Milano (IT)	22.75 %	4,802		4,802
Pac Service S.p.A.	Vigonza (IT)	33.33 %	387		387
RDM Tissue Core S.r.l. in liquidation	Milano (IT)	51 %			
Zar S.r.l.	Silea (IT)	33.33 %		30	30
Total			**5,575**	**30**	**5,605**

At the end of the previuos year it was necessary write down the investment in R.D.M. Tissue Core S.r.l. in liquidation due to the losses recorded by the company in its second period of activity.

A brief summary of the key figures of the balance sheets and profit and loss accounts of Careo S.r.l., Manucor S.p.A., Pac Service S.p.A., R.D.M. Tissue Core S.r.l. in liquidation and Zar S.r.l. prepared in accordance with Italian accounting principles and approved by their own Board of Directors, are set out below:

(thousands of Euros)	Careo S.r.l.	Manucor S.p.A,	Pac Service S.p.A,	RDM Tissue Core S.r.l.	Zar S.r.l.
Total assets	11,198	119,164	10,454	304	89
Shareholders' Equity	278	12,194	5,467	(61)	89
Other liabilities	10,920	106,970	4,987	365	
Value of production	16,582	158,298	16,761	960	
Profit (loss) for the year	(55)	(3,853)	526	(58)	(1)

16. Financial assets available for sale

The item includes investments in other companies and other financial investments, classified in non-current portion, detailed below:

(thousands of Euros)	Registered office	Shareholding	Carry value 31.12.2010	Increase (decrease)	Carry value 31.12.2011
C.I.A.C. S.c.r.l.	Valpenga (TO) - Italy	Consortium share	1		1
Cartonnerie Tunisienne S.A.	Les Berges Du Lac (Tunisi)	5.274%	121		121
Comieco	Milano - Italy	Consortium share	40	3	43
Conai	Milano - Italy	Consortium share	23		23
Consorzio Filiera Carta	Isola del Liri (Fr) - Italy	Consortium share	4	1	5
Gas Internsive S.c.r.l.	Milan - Italy	Consortium share	1		1
Idroenergia S.c.r.l.	Aosta - Italy	Consortium share	1		1
Total financial assets			**191**	**4**	**195**

Non-current "Financial assets available for sales" is made mainly by the investment in Cartonnerie Tunisienne S.A. for Euro 0.1 million, and by other minor investments in syndicates. These investments are accounted for at cost, if the case adjusted for decreases in value, as the relevant fair value cannot be reliably determined.

17. Other receivables – current and non-current

The following table presents an analysis of trade receivables between current and non-current balances:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Tax receivables		230	(230)
Guarantee deposits	122	83	39
Receivables from related parties	16	31	(15)
Other receivables	**138**	**342**	**(206)**
Non-current other receivables	1,750	229	152
Tax receivables	633	645	18
Prepaid expenses	144	134	10
Miscellaneous receivables	**2,527**	**978**	**1,549**
Total	**2,665**	**1,322**	**1,343**

At 31 December 2010 the item "Tax receivables", non-current portion, related mainly to applications for IRPEG refunds relating to prior years. During the year the heading has been written down on prudential grounds as they are hardly recoverable given that it is considered relates to proceedings which have been pending for several years now.

"Miscellaneous receivables", non-current portion, are those due from companies in liquidation.

Current "Tax receivables" relate to a tax receivables. The increase of the item is related to the credit for the tax whitheld in Germany , of which the reimboursement is pending.

"Miscellaneous receivables", current portion, consist mainly of receivables due from social security authorities for advances made as part of employee lay-off procedures (Euro 0,6 million).

"Prepaid expenses" mainly regard various service costs, insurance and rent.

18. Stocks

The following table provides an analysis of stocks at 31 December 2011:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Raw material and consumables	22,141	22,545	(404)
Provision for absolescence	(454)	(454)	
Finished goods and goods for resale	23,295	25,154	(1,859)
Total	**44,982**	**47,245**	**(2,263)**

As already commented in note 3, the decrease of finished goods stocks it was caused particulary by the higher of volumes sold.

In contrast the slight decrease in raw material and consumable inventories derives from their was influenzed by higher production costs in general and by higher costs of raw materials for pulp in particular, although physical quantities of stocks are decreasing.

19. Trade receivables

The following table sets out the changes in trade receivables due from third parties, which amount in total to Euro 45.4 million, as December 31, 2011:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Trade receivables	45,420	63,433	(18,013)
Current trade receivables	**45,420**	**63,433**	**(18,013)**

The decrease in receivables compared to the previous year was caused by the drop of revenues and the development of the non-recourse factoring program launched in the previous (Euro 14.4 million as against Euro 7.2 million on 31 December 2010). The current portion of trade receivables from third parties is stated net of a provision for bad and doubtful debts of euro 2.6 million. The following table sets out the changes for the year in that provision:

(thousands of Euros)	31.12.2010	Charge	Utilization	31.12.2011
Provision for bad and doubtful debts	2,590	180	(178)	2,592
Total	**2,590**	**180**	**(178)**	**2,592**

The following table provides an analysis of trade receivables from third parties by geographical area:

(thousands of Euros)	31.12.2011	31.12.2010
Italy	33,694	46,761
UE	4,885	8,487
Rest of the world	6,841	8,185
Total	**45,420**	**63,433**

20. Group trade receivables

"Group trade receivables" of euro 18.8 million may be analysed as follows:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Receivables from subsidiary companies	17,737	25,325	(7,588)
Total receivables from subsidiary companies	**17,737**	**25,325**	**(7,588)**
Receivables from associated companies and joint ventures	1,071	1,252	(181)
Total receivables from associated companies and joint ventures	**1,071**	**1,252**	**(181)**
Total Group receivables	**18,808**	**26,577**	**(7,769)**

"Receivables from subsidiary companies" of Euro 17.7 million may be analysed as follows:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Cartiera Alto Milanese S.p.A.	4,698	6,235	(1,537)
Emmaus Pack S.r.l.	6,501	8,134	(1,633)
Reno De Medici Iberica S,L,	1,688	3,084	(1,396)
Reno De Medici Arnsberg Gmbh	808	4,541	(3,733)
RDM Blendecques S.A.S.	3,385	2,180	1,205
Reno De Medici UK Ltd	657	1,151	(494)
Total receivables from subsidiary companies	**17,737**	**25,325**	**(7,588)**

The amount receivables from subsidiary companies includes a balance of Euro 244 thousand resulting from the tax consolidation agreement with Cartiera Alto Milanese S.p.A for Euro 109 thousand and with Emmaus Pack S.r.l. for Euro 135 thousand.

"Receivables from associated companiesand joint ventures" may be analyzed as follows:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Pac Service S.p.A.		116	(116)
Total receivables from associated companies		**116**	**(116)**
Careo S.r.l.	706	542	164
R.D.M. Tissue Core S.r.l. in liquidazione	365	593	(228)
Careo S.A.S.		1	(1)
Total receivables from joint ventures	**1,071**	**1,136**	**(65)**
Total receivable from associated and joint ventures	**1,071**	**1,252**	**(181)**

Receivables derive from relations of service provided to subsidiaries, associated companies and joint ventures are regulated with the normal market condition.

The amount receivables from associated companies includes a balance of Euro 315 thousand resulting from the tax consolidation agreement with Careo S.r.l..

21. Other Group trade receivables

These receivables relate to the cash pooling arrangement with Group companies:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Careo S.r.l.	869		869
Reno Logistica S.r.l. in liquidation	322	391	(69)
Emmaus Pack S.r.l.	897		897
RDM Blendecques S.A.S.	7,925	10,263	(2,338)
Total	**10,013**	**10,654**	**(641)**

22. Net financial position

The following table provide the net financial position at 31 December 2011 and 2010:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Cash	10	13	(3)
Funds available at banks	2,189	1,804	385
A. Cash and cash equivalent	**2,199**	**1,817**	**382**
Other Group receivables	10,013	10,654	(641)
B. Current financial receivables	**10,013**	**10,654**	**(641)**
1. Bank overdraft and short term loans	*27,819*	*38,036*	*(10,217)*
2. Current portion of medium and long term loans	12,088	9,519	2,569
Bank loans and other financial liabilities (1+2)	39,907	47,555	(7,648)
Other Group payables	32,428	39,297	(6,869)
Derivatives - current financial liabilities	464	663	(199)
C. Current financial debt	**72,799**	**87,515**	**(14,716)**
D. Current financial debt, net (C-A-B)	**60,587**	**75,044**	**(14,457)**
E. Non-current financial receivables			
Bank loans and other financial liabilities	42,776	52,674	(9,898)
Other Group payables	6,370	7,085	(715)
Derivatives - non current financial liabilities	1,022	1,011	11
F. Non-current financial payables	**50,168**	**60,770**	**(10,602)**
G. Non current financial debt (F-E)	**50,168**	**60,770**	**(10,602)**
H. Financial debt, net (D+G)	**110,755**	**135,814**	**(25,059)**

The company had net financial debt at 31 December 2011 of Euro 110.8 million (compared to Euro 135.8 million at 31 December 2010). This decreasing was due mainlyto 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. The financial net position also benefits from some time lags between in-flows and out-flows.

Bank overdrafts and short-term loans of Euro 27.8 million consist of commercial facilities made up mainly of advances on trade receivables.

Other Group receivables and payables consist of balances of a financial nature arising from cash pooling transactions carried out as part of the Group's centralized fund management.

The outstanding medium-term financings, sorted out by due-date and recorded at nominal value, are the following:

(thousands of Euros)	Due within one year	Due after more than one year	Due after more than five year	Total
M.I.C.A. - due 13 February 2016	142	625		767
M.I.C.A. - due 16 October 2013	151	154		305
San Paolo Imi - due 6 April 2016	3,276	11,465		14,741
San Paolo Imi fin.pool - tranche A - due 6/4/2016	6,280	21,982		28,262
San Paolo Imi fin.pool - tranche B - due 6/4/2016	2,000	7,000		9,000
Banca Pop. Emilia Romagna - due 15/5/2016	620	2,170		2,790
Total payables at nominal value	**12,469**	**43,396**		**55,865**
Effect of amortized cost	**(381)**	**(620)**		**(1,001)**
Total payables valued with amortized cost	**12,088**	**42,776**		**54,864**

IRDM is bound by certain restrictions and commitments with tolerance levels for the pool funding that are normal for syndicated loans of this nature; amongst these are limitations on obtaining additional debt, on distributing dividends, on granting guarantees (a negative pledge), on the disposal of core activities, constraint on making investments and on carrying out financial transactions of an extraordinary nature.

In particular, this loan requires certain financial covenants to be respected that are based on the following ratios:

- Net financial position/Equity;
- Net financial position/Gross operating profit;
- Gross operating profit /Net financial expense.

These ratios must be calculated every six months on the basis of the figures stated in the Group's year end and half year consolidated financial statements, starting from 31 December 2006. It should be recalled that on October 2009 the negotiations with IntesaSanpaolo and Unicredit for the rescheduling of the loans originally arranged in 2006 were formally concluded with the signing of a Modification Agreement.

The new terms provide, inter alia, the re-modulation of debt service, that provides for a grace period of two years for the reimbursement of the principal installments, based on the capital expenditures of the Reno De Medici Group, that will be subsequently reimbursed on a straight line basis, maintaining the original maturity date (2016).

Such terms enabled the Group to meet the financial commitments generated by RDM's capital expenditures that in the period 2009-2011 exceed the normal levels of investment (for a total amount of approximately Euro 15 million), that are necessary in order to continue the optimization of the production activities; moreover those allow to balance the allocation of RDM's financial debt between short-term and medium/long-term sources.

Modification Agreement has provided the modification of contractual financial covenants based on new parameters and the postponement of the call options granted to Reno De Medici (from 2010 to 2012), and of the put options granted to Cascades S.A.S. (from 2011 to 2013) provided by the Combination Agreement signed in 2007 by the parties and relevant to the acquisition by Reno De Medici of two plants currently owned by Cascades S.A.S., located in France and Sweden, that producing cartonboard based on virgin fibre.

The half year calculations of Gross operating profit and net financial expense are based on the twelve month period ending on the last day of the half year concerned.

The eventual failure to respect the loan agreement covenants can be grounds for the lending banks to terminate the arrangement.

Parent company respected at 31 December 2011 the financial parameters above described.

It should be note that during the 2011 there were repayments of principal for a total amount of Euro 9.7 million, and distursed loans for Euro 2.3 million.

In terms of guarantees the agreement requires RDM to provide mortgages on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia factories, for an overall total of euro 120 million. The amount relates only to the pool funding.

Special liens on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia's plant and machinery are granted as guarantees, for a total amount of Euro 120 Million.

It should also be remembered that on 13 April 2006 a loan of EUR 6.2 million was contracted at a variable rate of interest with Banca Popolare dell'Emilia Romagna, to be repaid in six-monthly instalments and with the relevant agreement expiring on 15 May 2016. Moreover on 31 December 2006 a loan of EUR 14.7 million was contracted at a variable rate of interest with Banca San Paolo Imi, totally disbursed, to be repaid on 6 April 2016. These agreements require RDM to provide mortgages on Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia factories for an overall total of EUR 40.6 million and special liens on Magenta, Santa Giustina and Villa Santa Lucia's plant and machinery for an overall total of EUR 29.5 million.

In order to reduce the variability of financial charges on the indebtedness, interest rate swaps have been subscribed on the outstanding loans as of 31 December 2011. For a more thorough information on the derivative instruments in portfolio as of 31 December 2011, see Note 25.

23. Non-current assets held for sale

"Non-current assets held for sale" consists of plant and machinery of the Marzabotto mill for which a sales agreement was drawn up at the end of 2011; the disposal will be finalized and completed during 2012.

24. Shareholders' equity

Changes in shareholders' equity for the year 2011 are set out in the following table:

Description (thousands of Euros)	Shareholders' equity at 31.12.2010	Changes in the year: Allocation the annual Result	Increase in share capital	*Fair value* assets available for sale	Hedge accounting	Profit (loss) for the year	Shareholders' equity at 31.12.2011
Share capital	185,122						185,122
Legal reserve	5	203					208
Other reserves:							
- Extraordinary reserve	1,150						1,150
Hedging reserve	(803)				100		(703)
Profit (loss) brought forward	(40,478)	3,862					(36,616)
Profit (loss) for the year	4,065	(4,065)				4,004	4,004
Total	**149,061**				**100**	**4,004**	**153,165**

The shareholders' meeting on 27 April 2011 adopted a resolution to allocate the Company's result of Euro 4,065,057 for 2010 as follows:

a) Euro 203,253 to the legal reserve pursuant to article 2430 of Italian civil code;

b) the balance of Euro 3,681,804 to cover past losses.

Following the detail of the number of outstanding shares at 31 December 2011 and at 31 December 2010:

	31.12.2011	31.12.2010	Delta
Issued Shares	377,800,994	377,800,994	
Total issued share	**377,800,994**	**377,800,994**	

In addition it is noted that in accordance with the requirements of article 5 of the Company's bylaws holders of savings shares may convert such shares to ordinary shares in February and September each year. In 2011, 15,281 savings shares were converted to ordinary shares. As the result of this the Company's share capital at 31 December 2011, fully subscribed and fully paid, was made up as follows:

	Quantity	Par value	Total
Ordinary shares	377,471,413	€0.49	184,960,992.37
Saving shares	329,581	€0.49	161,494.69
Total	**377,800,994**		**185,122,487.06**

It is noted that in the period 1-28 Febraury 2012, 228 savings shares were converted to ordinary shares vested as from 1st January, 2011.

The Company's bylaws also provide that if during any one fiscal year a dividend per share is distributed to savings shareholders which is less than 5% of the nominal value of the savings shares (being Euro 0.49), then the difference is transferred as an increase in the privileged dividend of the following two years. In this respect it is recalled that no dividends were distributed in 2010 and 2011.

The following table provides an analysis of the individual items of shareholders' equity on the basis of the use to which each item may be put, its origin and its utilisation in prior years, as required by article 2427, no. 7-bis of the Italian civil code:

Description *(thousands of Euros)*	Balance at 31.12.2011	Utilisation possibilities (1)	Available portion	Summary of utilisation in 2010 - 2009 - 2008 For loss cover	 For other purposes
Share capital	185,122	-	-	-	-
Legal reserve	208	B		-	-
Other reserves:					
- Extraordinary reserve	1,150	A,B,C	1,150	-	-
Hedging reserve	(703)	-	-	-	-
Profit (loss) brought forward	(36,616)	-	-	-	-
Total	**149,161**	**-**	**1,150**	**-**	**-**
Non-distributable portion	-	-	-	-	-
Distributable portion remaining			**1,150**		

Residua quota distribuibile

(1)

A) For increases in share capital
B) To cover losses
C) For distribution to shareholders

Tax effect concerning the components of statement of comprehensive income is following:

(thousands of Euros)	31.12.2011 Gross value	31.12.2011 Tax (charge) benefit	31.12.2011 Net value	31.12.2010 Gross value	31.12.2010 Tax (charge) benefit	31.12.2010 Net value
Cash Flow Hedge Fair value gains on available-for-sale financial asset	138	(38)	100	(11)	3	(8)

25. Derivative financial instruments

In order to reduce the variability of financial charges on the indebtedness, interest rate swaps have been subscribed on the outstanding loans of 31 December 2011:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Derivative financial instruments (Hedge accounting)	871	862	9
Derivative financial instruments (No hedge accounting)	151	149	2
Non-current derivative financial instruments	**1,022**	**1,011**	**11**
Derivative financial instruments (Hedge accounting)	430	616	(186)
Derivative financial instruments (No hedge accounting)	34	47	(13)
Current derivative financial instruments	**464**	**663**	**(199)**
Total	**1,486**	**1,674**	**(188)**

There was a negative fair value of Euro 1,486 thousand at 31 December 2011 of the derivatives represented by interest rates swaps.

The following table sets out the main features of the Company's derivative financial instruments at 31 December 2011:

Company	Counterparty	Currency	Maturity	Nominal value (€/000)	Interest	Payment of interest	Fair value of derivate (€/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	06,04,2016	13,500	4.11% fixed Euribor 6m	Six monthly	(867)
Reno De Medici S,p,A	Unicredit Banca d'Impresa S.p.A.	Eur	06,04,2016	6,750	4.11% fixed Euribor 6m	Six monthly	(434)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	15,05,2016	2,790	4.15% fixed Euribor 6m	Six monthly	(185)
				23,040			(1,486)

26. Other payables

The following table provides details of current and non-current other payables:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Deferred income	339	391	(52)
Miscelaneous payables	1,204	1,204	
Other non-current payables	**1,543**	**1,595**	**(52)**
Payable to personnel	1,777	3,056	(1,279)
Payable to social security authorities	2,283	3,335	(1,052)
Payable to tax authorities	2,585	1,359	1,226
Miscelaneous payables	170	270	(100)
Company bodies	491	528	(37)
Accrued payables	52	52	
Other current payables	**7,358**	**8,600**	**(1,242)**
Total other payables	**8,901**	**10,195**	**(1,294)**

"Other non-current payables" at 31 December 2011 amounting to Euro 1.5 million and are in line to prior year.

"Deferred income", non-current portion, for Euro 0.3 million representing the portion to be recognised as income from the Law no. 488 grant given in connection with the Villa Santa Lucia facility; the portion exceeding five years amounts to Euro 0.1 million.

"Miscellaneous payables", non-current portion, equal to Euro 1.2 million represent the price agreed with Cascades S.A.S. for the sale of the Company's virgin fibre customer list; the consideration for this sale, arranged as part of the agreements entered during the combination with Cascades, has not been recognised as income since, given the put and call options for the purchase of the companies owned by Cascades S.A.S. operating in the virgin fibre cartonboard production sector, RDM maintains a "continuing involvement" as defined by IAS 18.

"Payable to personnel" consist mainly of amounts due for deferred remuneration. The item was decreased due to the lower number of worked hours and the staff trimming.

"Payable to social security authorities" relates for the most part to amounts due to social security authorities for social security contributions payable on current wages and salaries paid to employees in December, which were paid over in January 2012, and to accruals for social security contributions due on deferred remuneration (employee leave, additional months' salaries and overtime). The item decrease is related to the decrease of the "payable to personnel".

"Payable to tax authorities" consists of VAT debt and withholding taxes on wages and salaries paid to employees in December and miscellaneous tax payables. The item increase is caused by the increase of the VAT debt that was paid in January 2012.

"Miscellaneous payables" is fell mainly as a result of the payment in favour of local taxes for previous year.

"Deferred income" relates to the portion of the Law no. 488 capital grant referring to the next fiscal year.

27. Deferred tax liabilities

Change in deferred tax liabilities were as follow:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Non current liabilities	570	6,494	(5,924)
Total deferred taxation	**570**	**6,494**	**(5,924)**

The following table provides a summary of the determination of deferred tax assets and deferred tax liabilities from temporary differences at 31 December 2011:

(thousands of Euros)	31.12.2011 Temporary differences	31.12.2011 Average tax rate %	31.12.2011 Tex effect	31.12.2010 Temporary differences	31.12.2010 Average tax rate %	31.12.2010 Tax effect
Recognised deferred tax assets	**30.866**		**7.876**	**11.706**		**2.477**
Tax losses to carry forward	19.924	27,50%	5.479	2.231	27,50%	611
Write-downs for permanent losses in value	1.820	3,90%	71	1.820	3,90%	71
Stock provision	322	3,90%	12	322	3,90%	13
Provision for future charges (IRAP)	410	3,90%	16	894	3,90%	35
Provision for future charges (IRES)	304	27,50%	84	335	27,50%	92
Other temporary differences IRAP	42	3,90%	2	92	3,90%	4
Other temporary differences IRES	1.256	27,50%	345	4.904	27,50%	1.348
Valuation of derivatives with hedge accounting	970	27,50%	267	1.108	27,50%	305
Financial charges deductible in future years	5.818	27,50%	1.600		27,50%	
Recognised deferred tax liabilities	**27.302**		**8.446**	**28.997**		**8.973**
Book depreciation exceeding tax depreciation	24.041	31,40%	7.550	25.607	31,40%	8.041
Other temporary differences IRES	49	27,50%	13	(18)	27,50%	(5)
Remeasurement TFR IFRS	3.212	27,50%	883	3.408	27,50%	937
Recognised deferred tax (assets) liabilities, net			**570**			**6.494**
Unrecognised deferred tax assets	**31.659**		**8.706**	**56.055**		**15.416**
Write-downs for permanent losses in value	3.582	27,50%	985	3.582	27,50%	985
Stock provision	322	27,50%	89	322	27,50%	89
Bad and doubtful debts	1.667	27,50%	458	1.410	27,50%	388
Provision for future charges (IRES)	3.146	27,50%	865	3.395	27,50%	934
Financial charges deductible in future years	553	27,50%	152	7.574	27,50%	2.083
Tax losses to carry forward	22.080	27,50%	6.072	39.772	27,50%	10.937
Tax loss for the year	309	27,50%	85		27,50%	
Unrecognised deferred tax assets			**8.706**			**15.416**

Deferred tax assets and liabilities at 31 December 2011 have been offset as the conditions in IAS 12 are satisfied; in particular, they are offset when balances relate to income taxes levied by the same taxation authority and when there is a legally enforceable right to do so.

The origin of these balances lies mostly in the excess of the statutory carrying amounts of certain fixed asset items over their tax bases, resulting from the allocation of the surplus arising on the 1998 merger and the effects of the transition to IFRS, as the above table shows. Deferred tax liabilities therefore represent the future tax charge that will be incurred by the Company as a consequence of the fact that a portion of annual book depreciation will not be deductible in arriving at taxable income for IRES and IRAP purposes.

Deferred tax assets are recognised to the extent that it is probable that the Company will have taxable profits in the future, also in connection with the absorbtion of taxable timing differences in future fiscal years, that will allow the utilization of deductible timing differences, or tax losses carried forward. The increase of the item compared to last year is due to the posting of anticipated taxes on the total amount of debit interests that had not been deducted in prior years, and to the anticipated taxes that have been recorded on previous tax losses, for the portion that is deemed to be recoverable thanks to future taxable profits, based on the plans of the Company. It has also to be reminded that Legal Decree no. 98 of 6 July 2011 (the so-called "2011 Economic Adjustment") allows that tax losses can be brought forward for an unlimited period in time.

The following table provides details of the consolidated tax losses for Euro 42.3 million at 31 December 2011 2011 identifying the year in which they first arose:

Consolidated tax losses

(thousands of Euros)	2006	2007	2008	2009	2010	2011	Total
Reno De Medici S.p.A.	25,625	10,460	5,919	-	-	309	42,313
Total tax losses to carry forward	**25,625**	**10,460**	**5,919**	**-**	**-**	**309**	**42,313**

28. Employees benefits

The following table provides a comparison between the balances at 31 December 2010 and 31 December 2011:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
TFR Pension Fund	11,195	11,991	(796)
Incentive plans		146	(146)
Non-current employee benefits	**11,195**	**12,137**	**(942)**
Incentive plans		2,706	(2,706)
TFR Pension Fund	264		264
Current employee benefits	**264**	**2,706**	**(2,442)**
Total	**11,459**	**14,843**	**(3,384)**

Following the changes in legislation the previous year regarding the employees' leaving entitlement (TFR), the Group has continued to recognise its obligation for the portion of this obligation accrued at 31 December 2006 in accordance with the rules for defined benefit plans, while it recognises its obligation for the portion accruing from 1 January 2007, due to supplementary pension funds or the Treasury Fund of the Italian social security organisation INPS, on the basis of the contributions due during the year.

The actuarial valuation of the employees' leaving entitlement at 31 December 2011 in accordance with IAS 19 was made by an independent actuary on the basis of information provided by the Company.

The following demographic assumptions were used by the actuary:

- mortality rates: RG48 table used for forecasts the mortality rates (source "Ragioneria Generale dello Stato");
- incapacity: the INPS model for forecasts has been used for age and gender;
- retirement age for general activities: it has been assumed that active workers will reach the first of the pension requisites valid for the "Assicurazione Generale Obbligatoria" (Compulsory General Insurance);
- employees leaving for reasons other than death in service: an annual turnover frequency of 5.00% has been assumed;
- advances of the entitlement: an annual figure of 3.00% has been assumed.

The economic and financial assumptions used were as follows:

	Italia
Annual discount rate	4,25%
Annual discount rate	2,00%
Annual increase in TFR Pension fund	3,00%

Movements in the actuarial value of the employee benefits for the year were as follows:

(thousands of Euros)	TFR Pension Fund	Incentive plans	Total
Actuarial value at 31.12.2010	**11,991**	**2,852**	**14,843**
Service cost			
Interest cost	658		658
Services rendered	(1,454)	(2,265)	(3,719)
Other movements		(587)	(587)
Actuarial value at 31.12.2011	**11,195**		**11,195**

"Interest cost" contains an actuarial gain for an amount of Euro 122 thousand.

"Incentive plans" at 31 December 2010 included the liability relating to the incentive plans 2009-2011 amounting to a total of Euro 2.7 million, which was paid during 2011 to the beneficiaries as the specific plan targets (observance of financial covenants and return on invested capital) were achieved at 31 December 2010.

In the "other movements" was included the cost of Euro 143 thousand related to "Incentive Scheme open to RDM Group employees in 2010-2011". As the plan expired, the residual debt was released and credited to the profitt and loss.

Management plan based on "Performance Phantom Shares" for 2011-2012-2013

In April 2011, in the Ordinary General Meeting the Shareholders approved the new performance phantom share plan for the 2011-2013 period, pursuant to and due to the effects of article 114 bis of Legislative Decree 58/59.

The following notes illustrate the main features.

The Plan is intended for certain managers of the RDM Group as beneficiaries and is designed to structure the variable part of the remuneration of the Executive Directors to be appointed and other key executives.

The Plan calls for the award of a total 8,265,000 performance phantom shares, to be distributed variously to the beneficiaries, and for additional 2,393,000 performance phantom shares, to be distributed to new potential beneficiaries to be identified in accordance with the Rules of the Plan.

The Plan provides for the beneficiaries to receive a cash bonus if the return on invested capital and certain financial ratios meet specific targets at 31 December of each of 2011-2012-2013. In case the targets are met in one and/or two years and/or the targets are met only in part in one and/or two and/or three years, for purposes of the formula the number of applicable phantom shares will be calculated by dividing the number of shares awarded by the number of years of the Plan.

The 2011 Financial Statements do not contain any provision to reserves in relation to the plan given that the deterioration of the general macro-economic scenario both now and in the future, as compared with the situation when the resolution setting up the plan was passed, means that the targets fixed will not be possible to achieve.

29. Non-current provisions for contingencies and charge

The balance at 31 December 2011 is as follow:

(thousands of Euros)	31.12.2010	Charge	Charge	Utilisation	31.12.2011
Agents' termination indemnity	42				42
Provision for future charges	4,620		810	(1,039)	4,391
Provision for losses on investments	3,829		2,923	(3,618)	3,134
Total	**8,491**		**3,733**	**(4,657)**	**7,567**

The calculation of the provision for the "Agents' termination indemnity" is based on actuarial techniques.

The utilisation of the "Provision for future charges" equal to Euro 1.0 million during the year is mainly due to the fund for the covering of the Santa Giustina mill's landfill site, lay-off provision and settlement of outstanding litigation.

The charge for the year (Euro 0.8 million) relates mainly to the estimation of the cost related to the future covering of the new lot of the landfill site in Santa Giustina mill and of the cost referring to the lay-offs funds.

The increase in the "Provision for losses on investments" relates to the write-down of the investments in the subsidiaries Reno Logistica in liquidation and RDM Blendecques S.A.S. and also in R.D.M. Tissue Core S.r.l. in liquidation, as discussed in note 10. The utilisation of Euro 3.6 million of the provision relates to the need to cover the losses of the above French subsidiary.

30. Trade payables

"Trade payables" amount to Euro 79.4 million (Euro 81.7 million at 31 December 2010) due within 12 months. Payables are stated net of trade discounts and are adjusted for any returns or rebates agreed with the seller.

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Trade payables	79,405	81,736	(2,331)
Total trade payables	**79,405**	**81,736**	**(2,331)**

Despite the business reduction, it hase been recorded a much restrained decrease of trade payables, compared the previous year, derives from the common increase of the production costs and of the investments timing.

31. Group trade payables

Group trade payable related to trade relations with Group Company and are regulated with the normal market condition.

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Trade payables to subsidiary companies	1,769	117	1,652
Total trade payables to subsidiary companies	**1,769**	**117**	**1,652**
Trade payables to associated companies and joint ventures	4,702	2,851	1,851
Total trade payables to associated companies and joint ventures	**4,702**	**2,851**	**1,851**
Total Group trade payables	**6,471**	**2,968**	**3,503**

Details of amounts payable to subsidiaries classified as current liabilities are set out as follows:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Cartiera Alto Milanese S.p.A.	13		13
Emmaus Pack S.r.l.	133	80	53
Reno De Medici Iberica S.L.	38	37	1
Reno Logistica S.r.l. in liquidation	2		2
Reno De Medici Arnsberg Gmbh	1,583		1,583
Total trade payables to subsidiary companies	**1,769**	**117**	**1,652**

The debt to the Germany subsidiary Reno De Medici Arnsberg GmbH is relevant to the payment of witheld taxes on the payment of dividend to Parent Company, of which the reimboursement was pending.

It has been noticed that the amount payable to Reno Logistica S.r.l. in liquidation results from the tax consolidation agreement.

On 31 December 2011 the main "Payables to associate companyand joint ventures" is represented by Careo Group and in smaller measure by the customer bonus due to Pac Service S.p.A, as shown the table below:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Pac Service S.p.A.	106		106
Total trade payables to associated companies	**106**		**106**
Careo S.A.S.	162		162
Careo S.r.l.	4,434	2,851	1,583
Total trade payables to joint ventures	**4,596**	**2,851**	**1,745**
Total trade payables to associated companies and joint ventures	**4,702**	**2,851**	**1,851**

32. Other Group trade payables

The item "Other Group payables", classified as current liabilities, represents the cash pooling liability due to Group companies, together with the portion of the loan made by Reno De Medici Arnsberg GmbH that is due within 12 months (Euro 714 thousand). The non-current portion relates to the residual portion of a loan granted by RDM Iberica S.L., amounting to Euro 4.2 million, and a loan made by Reno De Medici Arnsberg GmbH, amounting to Euro 2.1 million.

The other group financial payables are details below:

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Reno De Medici Iberica S.L.	4,227	4,227	
Reno De Medici Arnsberg GmbH	2,143	2,858	(715)
Total other non-current payables	**6,370**	**7,085**	**(715)**
Careo S.r.l.		737	(737)
Cartiera Alto Milanese S.p.A.	245	1,622	(1,377)
Reno De Medici Arnsberg GmbH	7,057	13,246	(6,189)
RDM Blendecques S.A.S.		109	(109)
Emmaus Pack S.r.l.		680	(680)
Reno De Medici Iberica S.L.	25,122	22,034	3,088
Reno De Medici UK Ltd	4	869	(865)
Total other current payables	**32,428**	**39,297**	**(6,869)**
Total other Group trade payables	**38,798**	**46,382**	**(7,584)**

33. Current taxation

At 31 December 2011 this item representes the amount due to the Inland Revenue Office for IRAP relating to the year then ended. The decrease is due to the higher advance payments paid during the 2011.

(thousands of Euros)	31.12.2011	31.12.2010	Variations
Irap of the year	225	355	(130)
Total current taxation	**225**	**355**	**(130)**

34. Non-recurring transactions

Non-recurring event and significant transactions

The effects of any non-recurring transactions in 2010, as the term is defined in Consob communication no. DEM/6064293, are provided in the statement of income statement and in the notes to which reference should be made.

"Other revenues and income" for the year ended 31 December, 2010 related to a gain of Euro 1.0 million arising from the sale of a building and a piece of land not for production scope.

On the same date the non-recurring cost, for an amount of approximately Euro 1.1 million, represented the estimation of the cost related to the personnel as a consequence of the discontinuation of the activities of the Italian mill of Marzabotto.

With the exception of the matters described in that note the Reno De Medici S.p.A.'s financial position and results have not been affected by any other non–recurring events or significant transactions. Non-recurring significant transactions are transactions or events that do not occur frequently as part of the normal operations.

Balances and transactions deriving from abnormal and/or unusual transactions

The Company did not carry out any abnormal or unusual transactions in 2011 as these terms are defined by the above-mentioned Consob communication no. DEM/6064293. Abnormal and/or unusual transactions are transactions which for their size, theirs importance, the nature of counterparties, the subject of the transaction, the means of determing the price or the timing of the event may give rise to doubt over:

– the completeness and accuracy of the information provided in the financial statements;

- the conflicts of interest;
- the safeguarding of business assets;
- the protection of minority shareholders.

35. Contingent liabilities and commitments and other guarantees given to third parties

Reference should be made to the section "Other information" in the Report of the Board of Directors for a discussion of the principal disputes in which the Company is involved.

Commitments and guarantees to third parties include the following:
- sureties of Euro 1.6 million provided in favour of the Province of Belluno regarding the landfill located at the Santa Giustina (BL) facility;
- a surety of Euro 421 thousand provided in favour of the Lazio Region regarding the landfill located at the Villa Santa Lucia (FR) facility;
- sureties of Euro 1.4 million provided to the Comieco consortium;
- sureties of Euro 69 thousand provided in favour of the customs authorities;
- a surety of Euro 90 thousand provided in favour of the Lombardy Region;
- a surety of Euro 108 thousand given in connection with the leasing of property.
- a surety of Euro 750 thousand provided to Valli S.p.A.;
- a surety of Euro 120 thousand provided to Stogit S.p.A.;
- sureties of Euro 1.8 million provided to Terna S.p.A.;
- a surety of Euro 124 thousand provided in favour of "Agenzia delle Entrate" to RDM Tissue Core S.r.l. in liquidazione.

Furthermore, within the combination agreement Reno De Medici S.p.A. and Cascades S.A.S. had retained, respectively, a call option to be exercised in 2012 and a put option to be exercised in 2013, on the European operations of Cascades S.A.S. in the virgin fiber carton board sector, presently located in the mills of la Rochette in France, and of Djupafors in Sweden. The value of such option is based on a specific non-financial variable relevant to the above mentioned operations.

Furthermore, with reference to the acquisition of investment in Manucor, relations between the shareholders are also governed by as series of agreements which amongst other things envisage:
- a term ending 31 May 2013 during which shares may not be transferred (the "lock-up" period);
- the requirement to co-sell shares, following the acceptance by the shareholders (also during the lock-up period) of an offer made by a third party for the purchase on 100% of the company's capital;
- at the end of the lock-up period , the right for the shareholders to co-sell shares if at least one of such displays an intention to sell his investment in the company to third parties;
- after the elapse of three (3) years from the date of execution of the Agreement, at its own initiative IntesaSanPaolo shall be entitled to set in motion a contractually established procedure for the transfer of its holding to Reno de Medici and, in such case, the other Shareholders may also express their intent to transfer their holdings to Reno De Medici. Reno de Medici shall not be under any obligation to purchase such holdings. Should the parties fail to reach agreement, Intesa Sanpaolo shall be entitled to seek offers to purchase its and the other Shareholders' shares on the open market, at terms and conditions that should protect the investments made, and in such case all the Shareholders shall be obliged to sell their shares;
- the possibility for Reno de Medici to purchase all the investments held by the other shareholders (the "call option"), once 4 years have passed from the date of signing the agreement, at their market value at the exercise date.

36. Related party transactions

For further information on the relations with related parties, according to the provisions of IAS 24 and of the CONSOB communication Nr. 6064293 of July 28th, 2006, see the Attachment A to the present financial statements "Details of transactions and balances with related parties and Group companies as at 31 December 2011" and the Report of the Board of Directors in the section relevant to the "Related parties transactions".

FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The analyses and disclosures required by IFRS 7 Financial Instruments: Disclosures are provided below.

This analysis has been carried out for the situation in the financial statements at 31 December 2011, as compared to the figures at 31 December 2010, and for the separate financial statements of the Parent Company.

All figures are stated in thousands of Euros.

The following section provides information about the relevance of financial instruments to the balance sheet and income statement.

Relevance of financial instruments to the balance sheet and financial position

The following table sets out the carrying amount of each type of financial asset and liability in the balance sheets of the separate financial statements.

	31.12.2011		31.12.2010	
(thousands of Euros)	Book value	Fair value	Book value	Fair value
Liquid funds	**2,199**	**2,199**	**1,817**	**1,817**
Loans and trade	**76,906**	**76,906**	**101,977**	**101,977**
Trade receivables	64,228	64,228	90,010	90,010
Other Group receivables	10,013	10,013	10,654	10,654
Other receivables	2,665	2,665	1,313	1,313
Available-for-sale financial assets	**195**	**195**	**191**	**191**
Financial liabilities at amortised cost	**(216,257)**	**(221,725)**	**(241,511)**	**(253,276)**
Unsecured long and medium-term bank loans	(1,099)	(1,138)	(1,389)	(1,430)
Secured long-term bank loans at amortised cost	(54,080)	(58,708)	(60,804)	(69,572)
Short-term bank loans as use of commercial facilities	(27,503)	(27,503)	(38,037)	(38,037)
Trade payables	(85,876)	(85,876)	(84,704)	(84,704)
Other Group payables	(38,798)	(39,599)	(46,382)	(49,339)
Other payables	(8,901)	(8,901)	(10,195)	(10,195)
Derivative financial instruments	**(185)**	**(185)**	**(196)**	**(196)**
Financial liabilities at fair value throught profit and loss	**(1,301)**	**(1,301)**	**(1,478)**	**(1,478)**
	(138,443)	**(143,911)**	**(139,200)**	**(150,966)**
Unrecognised gain (loss)	**(5,468)**		**(11,766)**	

Following this, after a discussion of the criteria and financial models used to estimate the fair values of the above-mentioned financial instruments further details are provided on the individual items themselves.

Following this, after a discussion of the criteria and financial models used to estimate the fair values of the above-mentioned financial instruments further details are provided on the individual items themselves.

Derivative instruments

In general the fair value of derivatives is calculated using mathematical moddels that use directly observable input data (such as for example the interest rate curve); so these instruments belong to the fair value second level.

The only derivative instruments indexed to interest rates acquired by Parent Company companies are interest rate swaps. A discounted cash flow model is used to measure these instruments, in which the fair value of a derivative is given by the sum of the present values of future cash flows estimated on the basis of the interest rate, futures and swap risk-less curve conditions at the balance sheet date.

The Parent Company did not hold any foreign exchange derivative instruments and any derivative instrument index-linked to commodity prices at 31 December 2011.

Loans

The total in question consists of all the outstanding long-term loans. These were measured by calculating the net present value of the future flows generated by the financial instrument, taking into account the repayment plans defined in the loan agreements.

In the case of indexed loans, future interest rates were estimated by calculating the forward rates implicit in the quoted euro *risk-less* curve of the interest rate, futures and swap at 31 December 2011 and 31 December 2010.

Future flows were discounted on the basis of the euro yield curve at 31 December 2011 and 31 December 2010.

Financial assets

The following table sets out details of financial assets.

(thousands of Euros)	31.12.2011	31.12.2010
Non current financial assets		
Non derivative financial assets	*195*	*191*
Available-for-sale financial assets	195	191
Hedging derivative financial instruments		
Total	**195**	**191**
Current financial assets		
Non derivative financial assets	2,199	1,817
Cash pooling c/c	10,013	10,654
Total	**12,212**	**12,471**

Financial liabilities

The following table sets out details of financial liabilities.

(thousands of Euros)	31.12.2011	31.12.2010
Non current liabilities		
Non derivative liabilities	*(49,146)*	*(59,759)*
Unsecured long and medium-term bank loans at amortised cost	(779)	(1,072)
Secured long and medium-term bank loans at amortised cost	(41,997)	(51,602)
Long and medium-term loans from subsidiaries	(6,370)	(7,085)
Hedging derivative financial instruments	*(871)*	*(862)*
Non-hedging derivative financial instruments	*(151)*	*(149)*
Total	(50,168)	(60,770)
Current liabilities		
Non derivative liabilities	*(73,135)*	*(87,654)*
Unsecured long and medium-term bank loans at amotised cost - Current portion	(320)	(317)
Secured long and medium-term bank loans at amortised cost - Current portion	(12,083)	(9,202)
Short-term bank loans as use of commercial facilities	(27,503)	(38,037)
Loans from subsidiary companies - Current portion	(801)	(801)
Cash pooling c/c	(32,428)	(39,297)
Hedging derivative financial instruments	*(430)*	*(616)*
Non-hedging derivative financial instruments	*(34)*	*(47)*
Total	(73,599)	(88,317)

Terms and conditions and repayment plans of loans

The terms and conditions of loans are summarised in the following table.

(thousands of Euros)	Currency	Nominal interest rate	Maturity	Nominal value 31.12.2011	Book value	Nominal value 31.12.2010	Book volue
Secured long and medium-term bank loans at amortised cost				**54,793**	**53,792**	**61,927**	**60,477**
Intesa SanPaolo loan in pool (tranche A)	Euro	Eur6m+ spread	2016	28,262	27,434	31,500	30,300
Intesa SanPaolo loan in pool (tranche B)	Euro	Eur6m+ spread	2016	9,000	8,846	10,000	9,778
Banca Popolare Emilia Romagna	Euro	mEur6m+ spread	2016	2,790	2,771	3,410	3,382
Intesa SanPaolo funds BEI	Euro	5.86%	2011			1,164	1,164
Intesa SanPaolo funds BEI	Euro	5.39%	2011			3,387	3,387
Intesa SanPaolo	Euro	Eur6m+ spread	2016	14,741	14,741	12,466	12,466
Unsercured bank loans at amortised cost				**1,072**	**1,072**	**1,358**	**1,358**
MinIndustria 10686	Euro	Fix	2013	305	305	454	454
Minindustria 11172	Euro	Fix	2016	767	767	904	904
Total long and medium-term bank loans	**Euro**			**55,865**	**54,864**	**63,285**	**61,835**
Short-term bank loans as use of commericial facilities foreign currency						**655**	**655**
Intesa SanPaolo GBP equivalent in Euro	Euro	Libor2m+ spread	n/a			655	655
Short-term bank loans as use of commericial facilities				**27,489**	**27,489**	**37,375**	**37,375**
Used portfolio	Euro	Euribor+ spread	n/a	10,010	10,010	17,011	17,011
Advance invoices	Euro	Euribor+ spread	n/a	1,785	1,785	3,038	3,038
Loans export	Euro	Euribor+ spread	n/a	13,495	13,495	13,000	13,000
Loans import	Euro	Euribor+ spread	n/a	2,199	2,199	4,326	4,326
Total short-term bank loans	**Euro**			**27,489**	**27,489**	**38,030**	**38,030**
Total onerous liabilities	**Euro**			**83,354**	**82,353**	**101,315**	**99,865**

Other financial instruments

The fair value of receivables from customers, payables to suppliers and financial liabilities falling due contractually within twelve months of the balance sheet date has not been calculated as this approximates the carrying amount of the financial instrument.

Other Information

The following table provides details of the changes in the equity hedging reserve.

(thousands of Euros)	
Reserve 31.12.2010	**(804)**
Hedge accounting	*419*
Fair value	*(319)*
Reserve 31.12.2011	**(704)**

The figure for hedge accounting represents the release of the reserve when the cash flows for outstanding loans occurred, while the figure for fair value is the accrual to reserves due to the changes of fair value.

Credit Risk

This section provides details in both quantitative and qualitative terms of the exposure to crediti risk and the way in which this is managed.

Risk exposure

The exposure to credit risk at the balance sheet date, related to the operating management, may be summarized as follows.

(thousands of Euros)	31.12.2011	31.12.2010
Gross trade receivables	66,820	92,600
- provision for bad and doubtful debt	(2,592)	(2,590)
Total	**64,228**	**90,010**

Overdue or impaired financial assets

The following table provides details of the ageing of trade receivables stated net of specific write-downs:

31 December 2011	Amount due			Receivables not due	Total
(thousands of Euros)	over 60 days	from 31 to 60	from 0 to 30		
Italy	891	749	3,585	40,739	45,964
UE	211	54	1,182	9,977	11,424
Rest of the world	313	17	334	6,176	6,840
Total	**1,415**	**820**	**5,101**	**56,892**	**64,228**

31 December 2010 (thousands of Euros)	Amount due			Receivables not due	Total
	over 60 days	from 31 to 60	from 0 to 30		
Italy	102	509	3,910	57,861	62,382
UE	161	(18)	1,464	17,647	19,254
Rest of the world	15	31	902	7,426	8,374
Total	**278**	**522**	**6,276**	**82,934**	**90,010**

A total of 11.4% of the receivables portfolio of the Parent Company at 31 December 2011 was overdue, while at 31 December 2010 the corresponding figure was 7.9%. This figure, in line with the overdue receivables, is decreased due to the increase of factoring, for an amount of Euro 7.2 million. The overdue reveivables over 60 days is strongly affected by the 2011 crisis.

How Credit risk is managed

In general commercial risk management policy provides assurance by requiring all foreign customer receivables, to be insured with prime insurance companies. Any uninsured or partially insured balances call for the specific authorisation of RDM management, depending on the amount. Specific credit control procedures requiring the authorisation of various levels of RDM management are in place for customers on the Italian market. The Group's operational policies envisage a constant monitoring of receivables due from Italian and non-Italian customers and the prompt initiation of suitable recovery procedures in the event of default.

The procedures for carrying out an internal creditworthiness assessment, needed in order to start doing business with a potential customer, call for the collection and analysis of qualitative and quantitative information. In comparison with the previous year and given the importance of the matter, RDM has established procedures suitable for its own structure and the Group's new situation in order to enable an improvement in information flow to be achieved and, as a result, to permit risk to be monitored and contained.

Market risk

Market risk is defined as the risk that the fair value or the cash flows associated with that a financial instrument will fluctuate because of changes in the values of market variables such as foreign exchange rates, interest rates, the prices of raw materials and stock exchange quotations.

The market risks to which the Parent Company was exposed during the year ended may be classified as follows:

- exchange risk;
- interest rate risk;
- commodity risk.

The following paragraphs provide a description of the relevance of each of these risks and the way in which it is managed.

Exchange risk

Exposure to currency risk derives from the following:

- trade receivables/payables are denominated in currencies other than functional currency ("Euro");
- liquidity is held in foreign currency current accounts;
- financial debt is denominated in foreign currency.

The main currencies in which the Parent Company carries out its commercial activities are the United States dollar and the British pound. A marginal portion of trading is nonetheless also carried out in a series of other currencies.

In respect of the exposure to currency risk, the Parent Company managed the marginal imbalance between investments and funds in the same currency by using a natural hedging approach and by carefully and constantly monitoring market conditions; as a result, it was considered unnecessary to enter hedging derivative agreements.

The following table, expressed in euros, provides details of the exposure of the Parent Company and is based on the official ECB exchange rates at 31 December 2011 and 31 December 2010.

Cambi BCE *(per ogni euro)*	31.12.2011	31.12.2010
USD	1.2939	1.3362
GBP	0.8353	0.8608
CHF	1.2156	1.2504
CAD	1.3215	1.3322

The following table provides details of the exposure to currency risk which is presented on the basis of the notional amount of the exposure, expressed in thousands of Euros.

	31.12.2011				31.12.2010			
(thousands of Euros)	USD	GBP	CHF	CAD	USD	GBP	CHF	AUD
Trade receivables	3,040	757	69		5,496	1,593	67	
Short-term loans as use of commercial facilities						(655)		
Trade payables	(3,373)			(56)	(3,035)	(34)		(70)
Liquid funds	1,807	333	13	1	1,189	337	4	1
Exposure, net	**1,474**	**1,090**	**82**	**(55)**	**3,650**	**1,241**	**71**	**(69)**

Sensitivity analysis of exchange risk

In order to measure the effect on the balance sheet or profit and loss account of any changes to foreign exchange rates at 31 December 2011, assumptions were made (at 31 December 2011 and 31 December 2010) as to variations in the value of the euro compared to the foreign currencies applicable in the circumstances.

More specifically two scenarios were envisaged: an appreciation and a depreciation of 10% in the euro compared to the other currencies. For each of the two situations the gain or loss arising from outstanding transactions at 31 December 2011 and 31 December 2010 was then calculated. In this way it was possible to determine what the effect on results and equity would have been if exchange rates had varied as assumed.

The following tables provide a summary of the results of this analysis, indicating the additional effect to that actually recognised at the balance sheet date. It should be noted that the theoretical adjustments arising from changes in the exchange rate only give rise an effect on the result for the year and therefore on the profit and loss account.

Appreciation of 10% Euros		Depreciation of 10% Euros	
(thousands of Euros)	Profit and loss	*(thousands of Euros)*	Profit and loss
31 December 2011		31 December 2011	
USD	(134)	USD	164
GBP	(99)	GBP	121
CHF	(7)	CHF	9
CAD	5	CAD	(6)
Total	**(235)**	**Total**	**288**
31 December 2010		31 December 2010	
USD	(332)	USD	406
GBP	(113)	GBP	138
CHF	(6)	CHF	8
CAD	6	CAD	(8)
Total	**(445)**	**Total**	**544**

How currency risk is managed

Parent Company's risk management policy, with specific reference to exposure to currency risk, has as its main objective that of limiting the exposure to foreign currency arising from exporting finished goods and importing raw materials to and from foreign markets. The following guidelines are used in pursuing this policy:

- first of all, inflows and outflows in the same currency are offset (natural hedging);
- secondly, recourse is made to export financing in the same currency or the currency of forward sales. These transactions are arranged by using a notional amount and date which correspond to those of the forecast cash flows (if the amount is significant), so that any changes in the cash flows arising from the forward transactions, as the result of the appreciation or depreciation of the Euro against other currencies, are substantially offset by a corresponding change in the forecast cash flows of the underlying positions.
- finally, forward sales are hedged. There were no outstanding transactions of this type at the balance sheet date.

As a general rule, the currency risk management policy recommends the use of the natural hedging effect to a maximum and, in any case, excludes any possibility of making recourse to transactions in complex derivatives, such as for example those having barriers.

The Administration and Finance Department of RDM has the responsibility of monitoring currency risk and sets out currency risk hedging strategies to contain exposure within the limits set by the policy.

Interest rate risk

Financial liabilities exposing the Parent Company to interest rate risk are for the most part long-term floating rate indexed loans.

The following table sets out the positions subject to interest rate risk, separating fixed rate from variable rate exposures in terms of the notional value of the financial instruments.

The exposure to interest rate risk arising from loans is however partially mitigated by entering interest rate swap agreements designed to hedge the volatility of future cash flows indexed to market rates.

(thousands of Euros)	31.12.2011	%	31.12.2010	%
Floating rate long and medium-term loans	(24,697)	20.1 %	(27,316)	19.2 %
Floating rate long and medium-term loans hedged by IRS	(17,920)	14.6 %	(23,040)	16.2 %
Fixed rate long and medium-term loans	(780)	0.6 %	(1,072)	0.8 %
Fixed rate long and medium-term loans to subsidiary companies	(6,370)	5.2 %	(7,085)	5.0 %
Total non current liabilities	***(49,767)***	***40.5 %***	***(58,513)***	***41.2 %***
Floating rate long and medium-term loans	(7,056)	5.7 %	(1,900)	1.3 %
Floating rate long and medium-term loans hedged by IRS	(5,120)	4.2 %	(5,120)	3.6 %
Fixed rate long and medium-term loans	(293)	0.2 %	(4,836)	3.4 %
Floating rate short-term bank loans as use of commercial facilities	(27,489)	22.4 %	(38,030)	26.8 %
Fixed rate long and medium-term loans to subsidiary companies	(714)	0.6 %	(714)	0.5 %
Floating rate cash pooling with subsidiaries and joint ventures	(32,428)	26.4 %	(32.927)	23.2 %
Total current liabilities	***(73.100)***	***59.5 %***	***(83.527)***	***58.8 %***
Total floating rate	(91.670)	74.6 %	(100.173)	70.5 %
Total fixed rate or floating rate hedged by IRS	(31,197)	25.4 %	(41,867)	29.5 %
Total	(122.867)	100.0 %	(142.040)	100.0 %

Sensitivity analysis of interest rate risk

A sensitivity analysis of the financial instruments exposed to interest rate risk was performed at the date of the preparation of the financial statements. The following assumptions were used in the model:

- for bank current account exposures and the spreads paid by interest rate swaps, financial income/expense was recalculated by applying a variation of +/-50 bps to the interest payable rate, multiplied by the amounts stated in the financial statements and considering a time period of one year;
- for loans with a repayment plan, the variation in financial expense was calculated by applying the variation of +/-50 bps to the loan interest payable rate at each refixing date, multiplied by the outstanding principal during the year;
- the change in the fair value of interest rate swaps at the balance sheet date was calculated by applying the variation of +/-50 bps to the Euro riskless rate curve for deposits, futures and swaps at the date of the preparation of the financial statements.

(thousands of Euros)	Profit (loss)		Shareholders' equity	
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
31 December 2011				
Fiscal year cash flow	(476)	465		
Derivates Cash Flow	*99*	*(100)*		
c/c intercompany	*(162)*	*162*		
Floating rate loans	*(413)*	*413*		
Effectiveness of hedges			242	(246)
Sensitivity of net financial flow	**(476)**	**475**	**242**	**(246)**
31 December 2010				
Fiscal year cash flow	*(529)*	*527*		
Derivates Cash Flow	*124*	*(126)*		
c/c intercompany	*(196)*	*196*		
Floating rate loans	*(457)*	*457*		
Effectiveness of hedges			*349*	*(357)*
Sensitivity of net financial flow	**(529)**	**527**	**349**	**(357)**

An analysis of these scenarios demonstrated that the profit and loss account and equity have low reactivity to changes in interest rates. The reactivity of financial expense recognised in the profit and loss account is considerably limited by cash flow hedges.

How interest rate risk is managed

Parent company makes recourse to a mixture of debt instruments which depends on the nature of its financial requirements. More specifically: short-term debt to fund working capital needs and forms of medium-term financing to back investments linked to the core business.

The following are the technical forms used most prevalently:

- advances for the short-term need;
- loans for the medium- to long-term need. These instruments, which are arranged with prime lending banks, are to a large extent indexed at floating rates which are subject to revision every three or six months.

Parent Company's current risk management policy is designed to reduce the variability of the financial expense incurred on its debt and the related effect on results. The objectives in terms of risk management therefore consist in practical terms of stabilising the cash flows linked to servicing debt consistent with budget forecasts.

From an operating standpoint Parent Company's aim is to reach that objective by entering agreements for derivatives represented by interest rate swaps (IRS).

Consistent with the features of the transactions carried out and its risk management objectives, Parent Company has decided to structure its hedging relations using a cash flow hedge approach.

More specifically, hedging relations envisage converting payments indexed at a floating rate, generated by the loan, to those based on a fixed rate. This is carried out by using interest rate swaps, under which Parent Company receives a flow of payments from the counterparty bank at a floating rate corresponding to that on its debt, netting the spread. Corresponding to these receipts Parent Company generates payment flows based on fixed rates. The net position (debt + IRS) on separate financial statement is therefore equivalent overall to a liability bearing interest at a fixed rate.

The present hedging policy excludes the recourse to transactions in complex derivatives.

At the end of the years in question the risk of variability in cash flows linked to floating rate debt was hedged by derivative financial instruments.

Commodity Risk

In terms of the business carried out by RDM, commodity risk is the risk that the profit for the year will be reduced as the consequence of having to incur higher costs to purchase raw materials. This risk forms part of the general categories of price risk and market risk if the cost of the raw materials is dependent on changes in a quoted index.

At the end of September 2011 Parent Company had entered contracts for the supply of natural gas at prices indexed to the quotation of specific energy market indices. In order to limit commodity risk, these supply contracts contain mobile averages with time lags of up to 12 months so that the effect on the supply price arising from the change in the index in any month may be dampened down to the greatest extent possible.

At the end of October 2011 Parent Company had entered contracts for the supply of electricity at prices indexed to the quotation of specific energy market indices, decreased of a spread, fixed in order to reduce the "commodity risk".

There were no outstanding derivative hedging instruments at 31 December 2011.

A sensitivity analysis was not performed on this category of risk as it was not considered material at the date of preparation of the financial statements in terms of its impact on the profit and loss account and on business margins.

How commodity risk is managed

The nature of RDM's business leads to an exposure to fluctuations in the price of electricity, natural gas and certain chemicals derived from petroleum (such as latexes) and fibrous raw materials.

The contracts for the supply of natural gas are indexed to a basket of fuels and are concluded at the end of the year with reference to the supply for the following year. Electricity is purchased at a price indexed to the reference value of the electricity market as published by the "Energy Market Manager".

In order to put competitive pressure on suppliers of raw materials such as chemicals and fibrous materials and to monitor contractual conditions on a constant basis, the Parent Company aims at diversifying both supply markets and the suppliers themselves.

The Parent Company's present policy does not permit the use of derivative instruments from the complex payoff given the difficulties inherent in managing them. It is however possible for it to enter technical forms of hedging with prime counterparty banks.

Liquidity risk

Liquidity risk can arise if there is difficulty in obtaining the funds required to satisfy scheduled contractual commitments at market economic conditions.

This may result from an inadequacy of the resources available to meet financial obligations under the agreed terms and conditions and at the pre-determined due dates, or from the circumstance that the business may be required to settle its financial liabilities earlier than the natural due date.

The analysis performed was designed to measure at each contractual due date the cash flows deriving from the various types of financial liability held at 31 December 2011 and 31 December 2010.

Financial liabilities were separated on the basis of their nature into non-derivative and derivative financial liabilities. In the latter case, given the different accounting treatment, a further separation was made on the basis as to whether the derivative had been formally designated as a hedge and turned out to be effective or whether it was accounted for without following hedge accounting rules.

The main assumptions relating to the Parent Company's financial requirements that were used to carry out the analyses below were as follows:

- cash flows are not discounted;
- cash flows are allocated to their respective time-bands on the basis of the first possible payment date envisaged by the contractual terms and conditions (the worst case scenario);
- all instruments held at the balance sheet date for which payments have been contractually designated are included; planned future commitments which have not yet been recognised in the financial statements are not included;
- If the amount payable is not fixed (eg. future interest payments), financial liabilities are measured at market terms and conditions at the balance sheet date;
- cash flows also include the interest that the Parent Company will pay up to the repayment date of a liability, measured at the balance sheet date and calculated on the basis of market forward interest rates.

31 December 2011 *(thousands of Euros)*	Book value	Contractual financial	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Long and medium-term bank loans	(54,080)	(61,878)	(7,499)	(7,458)	(13,966)	(32,955)	
Short-term bank loans as use fo commercial facilities	(27,503)	(27,503)	(27,503)				
Other Group payables	(32,428)	(32,428)	(32,428)				
Financial liabilities from subsidiary companies	(6,370)	(9,953)	(657)	(419)	(1,040)	(7,837)	
Hedging derivative financial instruments	(1,301)	(1,333)	(233)	(201)	(477)	(422)	
Non-hedging derivative financial instruments	(185)	(187)	(32)	(26)	(73)	(56)	
Trade payables	(85,876)	(85,876)	(85,876)				
Total	(207,743)	(219,158)	(154,228)	(8,104)	(15,556)	(41,270)	

31 December 2010 *(thousands of Euros)*	Book value	Contractual financial	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Long and medium-term bank loans	(62,193)	(75,382)	(4,605)	(7,693)	(14,782)	(41,871)	(6,431)
Short-term bank loans as use fo commercial facilities	(38,037)	(38,037)	(38,037)				
Other Group payables	(39,297)	(39,297)	(39,297)				
Financial liabilities from subsidiary companies	(7,085)	(11,066)	(674)	(437)	(1,077)	(3,015)	(5,863)
Hedging derivative financial instruments	(1,478)	(1,515)	(346)	(274)	(493)	(401)	(1)
Non-hedging derivative financial instruments	(196)	(200)	(47)	(38)	(68)	(47)	
Trade payables	(84,704)	(84,704)	(84,704)				
Total	(232,990)	(250,201)	(167,710)	(8,442)	(16,420)	(45,334)	(12,295)

In the first section of the tables the book value of the liabilities is compared with the total value of cash flows that – given the present market conditions – are expected to be received or paid to counterparts. In the second section of the table the detailed temporal profile of the total cash flow is analyzed. Cash flows are recorded as "contractual financial flows".

The line "Hedging derivatives" in the tables consists of the future cash flows of all the derivatives for which hedge accounting is used.

How liquidity risk is managed

The Group's financial activity is virtually all centered on Reno de Medici S.p.A. which, on the basis of a consolidated practice inspired by prudence and stakeholder protection, negotiates credit facilities with the banking system and constantly monitors the cash flows of the individual Group companies.

The RDM Group's management policies provide for the continuous monitoring of liquidity risk. RDM's objective is to mitigate that risk by maintaining sufficient liquidity and/or short-term deposits with prime counterparties and by having access to short- term credit facilities backed mainly by receivables from domestic and foreign customers.

ATTACHMENTS

The following information, which forms part of these notes, is attached

Attachment A: *Details of transactions with related parties and Group companies as at and for the year ended 31 December 2011*

Attachment B: *List of investments in subsidiary and associated companies*

Attachment C: *Compensation plans based on financial instruments*

ATTACHMENT A - DETAILS OF TRANSACTIONS WITH RELATED PARTIES AND GROUP COMPANIES AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011

This supplementary information regarding related party transactions required by Consob communication no. 6064293 of 28 July 2006 is set out below:

RECEIVABLES, PAYABLES, REVENUES AND COST WITH GROUP COMPANIES

The following tables provide details of transactions carried out in the year ended 31 December 2011 with direct and indirect subsidiary companies and with associates. Transactions between Reno De Medici S.p.A. and other Group companies of a manufacturing or financial nature and those regarding the provision of services are all carried out on an arm's length basis taking into consideration the quality of the good services supplied.

Intercompany receivables and payables

	Current assets				Non current liabilities	Current liabilities		
	Receivables from subsidiaries		Receivables from associated		Payables from susidiaries	Payables from subsidiaries		Payables from associated
(thousands of Euros)	trade (1)	financial (2)	trade (1)	financial (2)	financial (3)	trade (4)	financial (5)	trade (4)
Careo S.A.S.								162
Careo S.r.l.			706	869				4,434
Cartiera Alto Milanese S.p.A.	4,698					13	245	
Reno De Medici Arnsberg Gmbh	808				2,143	1,583	7,057	
Reno De Medici UK Ltd	657						4	
Emmaus Pack S.r.l.	6,501	897				133		
Pac Service S.p.A.								106
RDM Blendecques S.A.S.	3,385	7,925						
Reno de Medici Iberica S.L.	1,688				4,227	38	25,122	
Reno Logistica S.r.l. in liquidation				322				
R.D.M. Tissue Core S.r.l. in liquidation			365			2		
Total	**17,737**	**8,822**	**1,071**	**1,191**	**6,370**	**1,769**	**32,428**	**4,702**

(1) See statement of financial position – total of item "Group trade receivables" classified in "Current assets"
(2) See statement of financial position – total of item "Other Group receivables" classified in "Current assets"
(3) See statement of financial position – total of item "Other Group payables" classified in "Non-current liabilities"
(4) See statement of financial position – total of item "Group trade payables" classified in "Current liabilities"
(5) See statement of financial position – total of item "Other Group payables" classified in "Current liabilities"

Intercompany revenues and income

(thousands of Euros)	Revenues from sales (1)	Other income (2)	Financial income
Careo S.r.l.		647	53
Cartiera Alto Milanese S.p.A.	17,412	90	10
Reno De Medici Arnsberg Gmbh		2,895	2
Emmaus Pack S.r.l.	15,480	117	10
Pac Service S.p.A.	2,658		
RDM Blendecques S.A.S.		1,521	346
Reno De Medici Iberica S.L.	12,196	640	
R.D.M. Tissue Core S.r.l. in liquidation	808	12	
Reno De Medici UK Ltd	74	181	
Total	**48,628**	**6,103**	**421**

(1) See RDM income statement – "Revenues from sales – of which related parties" include "Revenues from sales" intercompany and other related parties
(2) See RDM income statement – "Other revenues and income – of which related parties" includes "Other revenues" intercompany and other related parties

Intercompany costs and expenses

	Cost of raw materials and services (1)		Financial
(thousands of Euros)	raw materials	Services	expenses
Careo S.r.l.		6,979	2
Cartiera Alto Milanese S.p.A.			8
Reno De Medici Arnsberg Gmbh	6		299
Emmaus Pack S.r.l.	194	50	16
Reno De Medici Iberica S.L.			567
Reno De Medici UK ltd			3
Total	**200**	**7,029**	**895**

(1) See RDM income statement – "Cost of raw material – of which related parties" includes "Raw material and service costs" intercompany and other related parties

RECEIVABLES, PAYABLES, REVENUES AND COST WITH OTHER RELATED PARTIES

Receivables and payables with other related parties

The following tables provide details of receivables and payables due from and due to related parties at 31 December 2011 with related parties for the years then ended:

	Current assets	Current liabilities	Non-current liabitiesv
(thousands of Euros)	Receivables from third parties	Payables from third parties	Non-current payables (1)
Cascades Asia Ltd	410		
Cascades Canada ULC		48	
Cascades Djupafors A.B.	37		
Cascades Inc.		4	
Cascades S.A.S.	74	175	1,204
Cascades Groupe Produits Spec.		1	
Total	**521**	**228**	**1,204**
Incidence on the total of the item	**1.1 %**	**0.3 %**	**78.0 %**

(1) See statement of financial position – total of item "Other payables" classified in "Non current liabilities"

Revenues and costs deriving from related party transactions

The following tables provide details of revenues and costs with related parties during the year 2011:

(thousands of Euros)	Revenues from sales (1)	Other revenues (2)
Cascades Asia Ltd	3,402	
Cascades Djupafors A.B.		11
Cascades S.A.S.	67	27
Total	**3,470**	**38**
Incidence on the total of the item	**1.2 %**	**0.3 %**

(1) See RDM income statement – "Revenues from sales – of which related parties" includes "Revenues from sales" intercompany and other related parties
(2) See RDM income statement – "Other revenues and income – of which related parties" includes "Other revenues" intercompany and other related parties

(thousands of Euros)	Cost of raw materials and services (1)
Cascades Canada ULC	189
Cascades Inc.	10
Cascades S.A.S.	304
Red. Im. S.r.l.	20
Total	**523**
Incidence on the total of the item	**0.2 %**

(1) See RDM income statement – "Cost of raw material – of which related parties" includes "Raw material and service costs" intercompany and other related parties

CASH FLOW WITH RELATED PARTIES

(thousands of Euros)	31.12.2011
Revenues and income	58,239
Cost and charge	(7,752)
Financial income	421
Financial expenses	(895)
Change in trade receivables	8,114
Change in trade payables	3,196
Change in total working capital	11,310
Cash flow from operating activity	**61,323**
Change in other financial assets and liabilities, and short-term borrowings	(6,531)
Change in long term borrowings	(714)
Cash flows from financing activity	**(7,245)**
Cash flow for the year	**54,078**

ATTACHMENT B – LIST OF INVESTMENTS IN SUBSIDIARY, ASSOCIATES COMPANIES AND JOINT VENTURES

Investments at 31 December 2011 in unlisted share capital companies or companies with limited liabilities and exceeding 10% of capital are as follows (pursuant to article 126 of Consob Regulation no. 11971 of 14 May 1999 and subsequent supplements and amendments).

Cartonboard sector
Cartiera Alto Milanese S.p.A.
Milan – Italy
Direct ownership 100%

Emmaus Pack S.r.l.
Milan - Italy
Direct ownership 51,39%

RDM Blendecques S.A.S.
Blendecques – France
Direct ownership 100%

Reno De Medici Arnsberg GmbH
Arnsberg – Germany
Direct ownership 94%
Indirect ownership 6% (through Cascades Grundstück Gmbh & Co.KG).

Reno De Medici Iberica S.L.
Prat de Llobregat - Barcelona - Spain
Direct ownership 100%

Reno De Medici UK Limited
Wednesbury – UK
Direct ownership 100%

Service sector

Cascades Grundstück Gmbh & Co.KG
Arnsberg – Germany
Direct ownership 100%

Cartonboard sector
Manucor S.p.A.
Milan - Italy
Direct ownership 22,75%

Pac Service S.p.A.
Vigonza - Padova - Italy
Direct ownership 33,33%

R.D.M. Tissue core S.r.l. in liquidation
Milan - Italy
Direct ownership 51%

ZAR S.r.l.
Silea - Italy
Direct ownership 33.33%

Service sector
Reno Logistica S.r.l in liquidation
Milano - Italy
Direct ownership 100%

Careo S.r.l.
Milan – Italy
Direct ownership 70%

Careo Gmbh
Krefeld – Germany
Indirect ownership 70% (through Careo S.r.l.)

Careo S.A.S.
La Fayette – France
Indirect ownership 70% (through Careo S.r.l.)

Careo Spain S.L.
Prat de Llobregat – Barcelona – Spain
Indirect ownership 70% (through Careo S.r.l.)

Careo Ltd
Wednesbury – UK
Indirect ownership 70% (through Careo S.r.l.)

Careo S.r.o.
Praga – Czech Republic
Indirect ownership 70% (through Careo S.r.l.)

Careo KFT
Budapest - Hungary
Indirect ownership 70% (through Careo S.r.l.)
Careo SP z.o.o.
Warsaw - Poland
Indirect ownership 70% (through Careo S.r.l.)

Careo LLC
Russia
Indirect ownership 70% (through Careo S.r.l.)

ATTACHMENT C- COMPENSATION PLANS BASED ON FINANCIAL INSTRUMENTS

Chart n. 1, Schedule 7, Annex 3A of Consob Regulation n. 11971/1991

Name	Title	TABLE 1						
		Financial instruments different form option						
		Section 2 New issued financial instruments based on the proposal of the Board of Directors to be submitted to the Shareholders' Meeting						
		Date Shareholders' Meeting approval	Description of instrument	Number of financial instrument assignment to each beneficiary by Board	Assignment date by Remuneration Committee (cpr) and Board (cda)	Possible share purchase price	Shares market price at the assignment date [1]	Final term of restriction for instrument sale
Christian Dubé	Chairman	27/04/2011	Phantom Shares	1,400,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Giuseppe Garofano	Deputy Chairman	27/04/2011	Phantom Shares	1,000,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Ignazio Capuano	CEO Delegato	27/04/2011	Phantom Shares	1,800,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Stèphane Thiollier	Marketing and Sales Manager	27/04/2011	Phantom Shares	540,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Stefano Moccagatta	CFO	27/04/2011	Phantom Shares	330,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Manfred Draxler	C.O.O.	27/04/2011	Phantom Shares	470,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Minoleo Marucci	Coordinator Italy	27/04/2011	Phantom Shares	275,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Silvano Giorgis	Plant Manager	27/04/2011	Phantom Shares	250,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Alessandro Magnoni	Plant Manager	27/04/2011	Phantom Shares	250,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Francesco Canal	Plant Manager	27/04/2011	Phantom Shares	250,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Guido Giuseppe Vigorelli	Head of Procurement & Logistics	27/04/2011	Phantom Shares	250,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Jose Antonio Raso	Plant Manager	27/04/2011	Phantom Shares	250,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Veronica Arciuolo	Legal and Corporate Manager	27/04/2011	Phantom Shares	200,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable

(1) Timely price at 21 March 2011 when the Board of Directors approved to submit the Plan to the Shareholders' Meeting

Name	Title	TABLE 1 Financial instruments different form option Section 2 New issued financial instruments based on the proposal of the Board of Directors to be submitted to the Shareholders' Meeting						
		Date Shareholders' Meeting approval	Description of instrument	Number of financial instrument assignment to each beneficiary by Board	Assignment date by Remuneration Committee (cpr) and Board (cda)	Possible share purchase price	Shares market price at the assignment date (1)	Final term of restriction for instrument sale
Daniele Gatti	IT Manager	27/04/2011	Phantom Shares	200,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Fabio Invernizzi	Energy Manager	27/04/2011	Phantom Shares	200,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Isabelle Lefebre	Administrative Manager of RDM Blendecques S.A.S..	27/04/2011	Phantom Shares	200,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Marita Lovera	HR Manager	27/04/2011	Phantom Shares	200,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable
Benoit Rimbault	Operation Manager of RDM Blendecques S.A.S..	27/04/2011	Phantom Shares	200,000	21/03/2011 (cpr) 21/03/2011 (cda)	Not applicable	0.23	Not applicable

Note: starting from 17th November 2011, Mr. Rosati is not a Beneficiary

(1) Timely price at 21 March 2011 when the Board of Directors approved to submit the Plan to the Shareholders' Meeting

ATTACHMENT D - INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB REGULATIONS FOR ISSUERS

The following table prepared pursuant to article 149-duodecies of the Consob Regualtions for Issuer sets out the fees relating to 2011 for auditing services and services other than audit provided by the auditing company PricewaterhouseCoopers S.p.A.and members of its network ("Network PricewaterhouseCoopers").

Description *(thousands of Euros)*	Auditor	Company	Audit Fees 2011
Legal Audit	*PricewaterhouseCoopers*	*Reno De Medici Spa*	*186*
	PricewaterhouseCoopers	*Subsidiary Companies*	*31*
	Network PricewaterhouseCoopers	*Subsidiary Companies*	*180*
Other Audit Services	*PricewaterhouseCoopers*	*Reno De Medici Spa*	*13*
	Network PricewaterhouseCoopers	*Subsidiary Companies*	*15*
Other fiscal Services	*Network PricewaterhouseCoopers*	*Subsidiary Companies*	*30*
Total			*455*

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE GENERAL MEETING OF SHAREHOLDERS CALLED TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98 AND ARTICLE 2429 OF THE ITALIAN CIVIL CODE

To the General Meeting of Shareholders of Reno De Medici S.p.A.

During the year ended 31 December 2011 we have performed supervisory activities on the basis of the provisions of the Italian civil code, those of articles 148 et seq. of Legislative Decree no. 58 of 24 February 1998 and in our capacity as Internal Control and Audit Committee those of Legislative Decree no. 39/10, also taking into account the recommendations contained in Consob communications, and in accordance with the code of conduct for the Board of Statutory Auditors recommended by the Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili (the Italian accounting profession).

We have supervised that the law and the deed of incorporation have been complied with.

The directors have provided us with extensive information, at a minimum on a quarterly basis, concerning the activities carried out by the Company and its subsidiaries and their most significant economic and financial operations, and have supplied us with general details of the operating performance of these companies and the events that have had the greatest influence in determining their results for the year.

On our part, we have constantly verified that any resolutions taken and put into effect comply with the law and the Company's bylaws and were not manifestly imprudent, of a risky nature, in conflict of interest or in contrast with resolutions taken by shareholders in general meeting, or of such a nature to jeopardise the integrity of the Company's assets.

We have not noted the existence of any abnormal and/or unusual transactions with Group companies, with third parties or with related parties, finding confirmation of this in the indications of the Board of Directors, the Auditing Company PricewaterhouseCoopers S.p.A. and the internal control officer.

As part of our procedures we have supervised that the Company's organisational structure is adequate, that the principles of proper administration were observed and that the instructions transmitted by the Company to its subsidiaries pursuant to article 114, paragraph 2, of Legislative Decree no. 58/98 were appropriate by obtaining information from the heads of the organisational functions and by holding meetings with the Auditing Company PricewaterhouseCoopers S.p.A. having the purpose amongst other things of mutually exchanging any important data or information; we have no particular observations to report in this respect.

In particular, as far as the process regarding the adoption of resolutions by the Board of Directors is concerned, we have ascertained, including by means of attendance at board meetings, that the decisions taken by the directors comply with the law and the Company's bylaws and have verified that the respective resolutions were supported by analyses and valuations - produced internally or, if necessary, by external professionals - regarding above all the economic reasonableness of the transactions carried out and whether they correspond to the interests of the Company. The periodic operational results and all the aspects regarding the most significant transactions were carefully reviewed at the meetings of the Board of Directors and were the subject of detailed discussion.

We have assessed and supervised the adequacy of the system of internal control and the administrative and accounting system, as well as the reliability of this latter system to correctly represent operations, by obtaining information from the heads of the respective functions, examining the Company's records and analysing the results of the work performed by the Auditing Company, supervising the activities of the internal control officer and attending meetings of the Internal Control Committee set up within the Board of Directors pursuant to the Corporate Governance Code.

As part of supervising the financial disclosure process, we examined the results of the auditing activities performed by the internal control officer concerning the adequacy and the practical application of the internal control system adopted by the Company to ensure the reliability of financial disclosures.

We have no particular observations to report in this respect.

As specified by article 16 of Legislative Decree no. 39 of 27 January 2010, the Auditing Company has performed the following procedures on an exclusive basis:

- it has verified that the Company's accounting records are properly maintained and that operations are correctly recognised in these records;
- it has verified that the financial statements correspond to the accounting records and that they comply with the laws and regulations which govern financial statements.

We have held regular meetings with members of the Auditing Company pursuant to article 150, paragraph 3, of Legislative Decree no. 58/98; no significant data or information emerged from these discussions which need to be reported here.

As part of supervisory activities on the legal audit of the annual financial statements and consolidated financial statements (i) we reviewed the Group audit programme for the year ended 31 December 2011 prepared by the Auditing Company - in which the significant risks identified for the main areas of the financial statements are identified - considering it suitable for the Group's characteristics and size and (ii) we supervised the effectiveness of the legal audit process, noting that it was carried out in compliance with the audit plan and in accordance with International Standards on Auditing (ISA). We have no particular observations to report in this respect.

The Auditing Company has not yet issued its report on any basic questions arising during the legal audit and on any significant weaknesses identified in the internal control system with regard to the financial information process, pursuant to article 19, paragraph 3 of Legislative Decree no. 39/2010. No specific issues were however reported to the Board of Statutory Auditors during the year which need mention in this report.

We have supervised the means by which the system of corporate governance required by the Corporate Governance Code adopted by the Company, in compliance with that recommended by Borsa Italiana S.p.A., has been put into practice.

In this context, noting the assessments made by the Board of Directors, the Board of Statutory Auditors has verified (i) that the criteria and checking procedures adopted by the board to assess the independence of its members have been properly applied and (ii) that each individual member of the Board of Statutory Auditors satisfies the independence criteria.

We verified that the laws regarding the preparation of the annual and consolidated financial statements for the year ended 31 December 2011 - drawn up in accordance with IAS/IFRS international accounting standards - and the preparation of the Report of the Board of Directors have been complied with by carrying out direct procedures and by obtaining information from the Auditing Company.

Regarding the testing for any loss in the value of assets ("impairment testing") as per accounting standard IAS 36 and as explicitly stated in the Bank of Italy/Consob/Isvap joint Document no. 4 of 3 March 2010, prior to the approval of the draft financial statements for the year ended 31 December 2011 the directors approved the results of the impairment testing and ensured that these correspond to the requirements of IAS 36.

In their report, which includes the information required by Legislative Decree no. 32/2007, the directors provide extensive disclosures on performance and the events that have characterised the year, describing the activities performed in the various geographical areas in which the Company operates.

In addition, the directors list and adequately discuss the transactions which have taken place with Group companies and other related parties, noting the ordinary nature of these transactions or in any case the fact that they are functional to the Company's programmes and needs, their features and the amounts involved. These transactions are connected with and relate to fulfilling the corporate purpose, respond to principles of reasonableness and do not appear to be contrary to the interests of the Company.

Moreover, suitable summary tables are provided in the notes to the consolidated financial statements and the separate financial statements in which the nature and economic and financial effects of related party transactions are summarised, including those carried out with Group companies.

On our part we bring to your attention the information provided by the directors in connection with:

- the general negative economic situation in which the Company and the Group found themselves having to operate in the second half of the year and the resulting repercussions on operational margins;
- the incentive plan for management, based on financial instruments, approved by shareholders at their general meeting held in April 2011;
- the recognition of deferred taxation in the separate financial statements and the Group's consolidated financial statements for the year ended 31 December 2011. In particular the directors state that deferred tax assets have been recognised to the extent that it is probable that the Company will have future taxable profits against which deductible temporary differences and tax losses brought forward can be utilised, also taking into account of the changes introduced by Decree Law no. 98 of 6 July 2011 (the "2011 Budget"). The Report of the Board of Directors contains a specific section on corporate governance and ownership structures, prepared pursuant to article 123-bis of Legislative Decree no. 58/98 and article 89-bis of the Issuers' Regulations. In this respect the directors do not identify any issues to be brought to your attention.

As a result of the changes introduced by Consob Resolution no. 18049 of 23 December 2011, the directors have additionally prepared a Report on Remuneration pursuant to article 123-ter of Legislative Decree no. 58/98, approved by the Compensation Committee on 21 March 2012. In this report the directors set out the principles used in determining the remuneration of executive directors with specific duties, the general manager and key management personnel and managers of the Company and the Group. The report also contains a table setting out the remuneration paid to members of the management and control bodies, general managers and other key management personnel, together with a table containing disclosures of any investments held by these persons in the Company's capital.

The consolidated financial statements and the separate financial statements both contain the attestations of the manager responsible for the preparation of company accounting documents, made pursuant to article 81-ter of Consob Regulation no. 11971/1999 and subsequent amendments.

On April 4, 2012 the Auditing Company issued its reports containing unqualified opinions on the consolidated and separate financial statements for the year ended 31 December 2011, which in addition do not include any emphases of matter. Further, the Auditing Company has given its opinion as to the consistency of the report on operations and the specific section on corporate governance and ownership structures with the financial statements for the year ended 31 December 2011, restricted to the information included at paragraphs 1 c), d), f), l) and m) and paragraph 2 b) of article 123-bis of Legislative Decree no. 58/98.

As required by article 19 of Legislative Decree no. 39/2010, we have supervised the independence of the Auditing Company appointed for the legal audit, in particular as far as the provision of non-audit services is concerned.

Pursuant to the requirements of article 17, paragraph 9 a) of Legislative Decree no. 39/2010 we have received a confirmation from the Auditing Company that - in the period between 1 April 2011 to the date of the notification (March 30 2012) - it is has not identified any situations which may jeopardise its independence or identified any of the causes for incompatibility stated in articles 10 and 17 of Legislative Decree no. 39/2010 and the related implementation instruments.

As may be seen from the information provided pursuant to article 149-duodecies of the Consob Issuers' Regulations and reported in the notes to the financial statements, subsidiaries have additionally engaged PricewaterhouseCoopers S.p.A., or entities linked to PricewaterhouseCoopers S.p.A. by continuous relations which are also members of the international network to which it belongs, to perform the following:

- the audit of subsidiaries performed by PricewaterhouseCoopers for a total of Euro 31 thousand ;
- the audit and other services of subsidiaries performed by the PricewaterhouseCoopers network for a total of Euro 195 thousand ;
- tax advisory services for subsidiaries provided by the PricewaterhouseCoopers network for a total of Euro 30 thousand .

We note in addition that as a consequence of the additional time required to examine specific problems, mostly regarding the incentive plans based on financial instruments approved by the Company, the Auditing Company made a request for an increase of Euro 13,000.00 (corresponding to approximately 140 hours) in its fees for the audit of the annual financial statements for the year ended 31 December 2011. We have no particular observations to report in this respect.

Taking also into consideration the communication issued by PricewaterhouseCoopers and the engagements assigned to that company and companies belonging to its network by the Company and Group companies, on the basis of the supervisory work performed pursuant to article 19 of Legislative Decree no. 39/2010 no critical matters emerged concerning the independence of the auditing company PricewaterhouseCoopers.

During the course of performing our supervisory activities and on the basis of the information received from the Auditing Company we have not identified any omissions, and/or illegal acts and/or irregularities, or in any case any events of such significance as to require reporting to the Company's control bodies or mention in this report.

The supervisory activity referred to above was carried out during board meetings (including individual interventions) and by attending the meetings of the Board of Directors, the Internal Control Committee and the Supervisory Body as per Legislative Decree no. 231/2001. In particular, we note the following:

- the Internal Control Committee established pursuant to the Corporate Governance Code has confirmed (i) the adequacy of the procedures adopted and more generally of the internal control system adopted by the Company, including in the light of the approval by the Board of Directors of suitable business procedures concerning related party transactions, confidential information, internal dealing and the obligations of disclosure to the management and control bodies as per article 150 of Legislative Decree no. 58/98 and (ii) the adequacy of the general organisational, administrative and accounting system, also pursuant to article 123-bis, paragraph 2 b) of the Consolidated Finance Law (TUF);
- the Supervisory Body appointed pursuant to and by the effects of Legislative Decree no. 231/01 has confirmed the absence of any illegal acts or violations of the organisational model adopted by the Company, as well as of any act or conduct which may be considered critical with respect to Legislative Decree no. 231/01 of which the Supervisory Body has become aware.

We have not received any denouncements pursuant to article 2408 of the Italian civil code nor any petitions from third parties.

During the year the Board of Directors held 6 meetings, the Internal Control Committee held 3 meetings, the Compensation Committee held 2 meetings and the Board of Statutory Auditors held 8 meetings.

On the basis of the preceding, the Board of Statutory Auditors, within its sphere of competence, has not identified any matters which might act as an impediment to the approval of the financial statements for the year ended 31 December 2011 or concerning the proposal made by the directors for the allocation of the profit for the year.

* * *

In conclusion, the Board of Statutory Auditors reminds shareholders that the term in office of the whole Board expires on the approval of the financial statements for the year ended 31 December 2011 and accordingly the Board kindly invites you to attend to this matter.

Milan, 4 April 2012

THE BOARD OF STATUTORY AUDITORS

Signed by:

Sergio PIVATO (Chairman)

Giovanni Maria CONTI

Carlo TAVORMINA

ATTESTATION

of statutory financial statements at 31 December 2011, in compliance with article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented

1. The undersigned Ignazio Capuano, in his capacity as CEO, and Stefano Moccagatta, in his capacity as Manager responsible for the preparation of company accounting documents, of Reno De Medici S.p.A., hereby attest, also taking account of the provisions of section 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - are proportionate to the characteristics of the enterprise and
   - have been effectively implemented.

   that the administrative and accounting procedures pertaining to the preparation of the year-end financial statements and followed during the period running from 1 January until 31 December 2011
2. No significant issues have emerged in such regard.
3. It is further attested that

3.1. the statutory financial statements:

   a) were prepared according to the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) are consistent with the figures reported in the relevant accounting books and records;

   c) are able to provide a true and honest picture of the financial position and economic situation of the Company;

3.2. the Directors' Report comprises a reliable analysis of the performance levels and results achieved during the year, as well as of the situation of the issuer and of the entire group of companies included in the consolidation of accounts, together with a description of the major risks and uncertainties to which they are exposed.

Milan, 21 March 2012

Ignazio Capuano Managing Director	Stefano Moccagatta Manager responsible for the preparation of company accounting documents
/s/ Ignazio Capuano	/s/ Stefano Moccagatta

REPORT OF AUDITORS

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Reno De Medici SpA

1 We have audited the separate financial statements of Reno De Medici SpA as of 31 December 2011 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flows statement and related notes. The directors of Reno De Medici SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 4 April 2011.

3 In our opinion, the separate financial statements of Reno De Medici SpA as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Reno De Medici SpA for the period then ended.

4 The directors of Reno De Medici SpA are responsible for the preparation of the Report of the Board of Directors in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report of the Board of Directors and of the specific section on corporate governance and ownership structure, solely with reference to the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n°001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Catania** 95129 Corso Italia 302 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10122 Corso Palestro 10 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37135 Via Francia 21/C Tel.0458263001

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Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the Report of the Board of Directors and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the specific section of the aforementioned report are consistent with the separate financial statements of Reno De Medici SpA as of 31 December 2011.

Milan, 4 April 2012

PricewaterhouseCoopers SpA

Signed by

Andrea Brivio
(Partner)

This report has been translated into the English language from the original which was issued in Italian, solely for the convenience of international readers.
We have not examined the translation of the financial statements referred to in this report.

PROPOSAL TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

The annual financial statements for 2011, which we submit for your approval, close with a profit of Euro 4.003.891,49.

If you agree with this proposal, we invite you to approve the following resolution:

"The ordinary meeting of the shareholders of Reno De Medici S.p.A.:
- having looked through the Report of the Board of Directors and all the documents attached thereto;
- having examined the Report of the Board of Statutory Auditors;
- having checked the financial statements for the year ended 31 December 2011;
- having acknowledged the Report of PricewaterhouseCoopers S.p.A.

resolves

- *to approve the Report of the Board of Directors, the Report on Operations, inclusive of all other Documents and Reports, and the statutory financial statements for the year ended 31 December 2011;*
- *to approve the proposal made by the Board of Directors to carry forward the profit of Euro 4,003,891.49 for the year 2011 as follows:*
    - *a) Euro 200,194.57 to the legal reserve pursuant to article 2430 of the Italian civil code;*
    - *b) The balance fo Euro 3,803,696.92 to absorb losses.*
- *to instruct the Chairman of the Board of Directors and the Managing Director, separately, to take all such action necessary to publish and file the financial statements for the year ended 31 December 2011".*

Milan, 21 March 2012

On behalf of the Board of Directors
The Chairman
Christian Dubè

SUMMARY OF THE PRINCIPAL FIGURES FROM THE MOST RECENT FINANCIAL STATEMENTS OF THE SUBSIDIARY COMPANIES, ASSOCIATES AND JOINT VENTURE OF THE RENO DE MEDICI GROUP

Selected financial date of subsidiary companies and associates of the Reno De Medici Group as at and for the year ended 31 December 2011 are set up bellow in accordance with the third and fourth paragraphs of artiche 2429 of the Italian civil code.

Subsidiary companies

Included in the scope of consolidation

Cartiera Alto Milanese S.p.A.
Cascades Grundstück Gmbh & Co.KG
Emmaus Pack S.r.l.
RDM Blendecques S.A.S..
Reno De Medici Arnsberg Gmbh
Reno De Medici Iberica S.L.
Reno De Medici UK Limited

Excluded from the scope of consolidation

Reno Logistica S.r.l. in liquidation

Associates companies

Pac Service S.p.A.
Zar S.r.l.

Joint ventures and joint controlled companies

Careo S.r.l.
Manucor S.p.A.
RDM Tissue core S.r.l. in liquidation

Cartiera Alto Milanese S.p.A.
Registered office in Milan – Via Durini, 16/18
Share capital Euro 200,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2011	31.12.2010
Fixed assets	105	80
Working capital	7,320	9,750
TOTAL ASSETS	7,425	9,830

Liabilities and shareholders' equity	31.12.2011	31.12.2010
Shareholders' equity	1,189	1,456
Provisions for contingencies and charges	141	134
Employees' leaving entitlement		
Payables	6,095	8,240
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,425	9,830

Profit and loss account

(thousands of Euros)	31.12.2011	31.12.2010
Value of production	18,614	19,352
Cost of production	(18,334)	(18,756)
Operating profit	280	596
Financial income and (expense)	(41)	(34)
Profit (loss) before taxation	239	562
Income taxes	(106)	(184)
Profit (loss) for the year	133	378

Cascades Grundstück Gmbh & Co.KG
Registered office in Arnsberg – Hellefelder Street, 51
Share capital Euro 5,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2011	31.12.2010
Fixed assets	307	307
Working capital	2	3
TOTAL ASSETS	309	310

Liabilities and shareholders' equity	31.12.2011	31.12.2010
Shareholders' equity	307	306
Provisions for contingencies and charges		
Employees' leaving entitlement		
Payables	2	4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	309	310

Profit and loss account

(thousands of Euros)	31.12.2011	31.12.2010
Value of production		
Cost of production	(9)	(6)
Operating profit	(9)	(6)
Financial income and (expense)		
Profit (loss) before taxation	(9)	(6)
Income taxes		
Profit (loss) for the year	(9)	(6)

Emmaus Pack S.r.l.
Registered office in Milan – Via Durini, 16/18
Share capital Euro 200,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2011	31.12.2010
Fixed assets	483	654
Working capital	10,848	12,321
TOTAL ASSETS	11,331	12,975

Liabilities and shareholders' equity	31.12.2011	31.12.2010
Shareholders' equity	1,471	2,076
Provisions for contingencies and charges	76	70
Employees' leaving entitlement	187	161
Payables	9,597	10,668
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,331	12,975

Profit and loss account

(thousands of Euros)	31.12.2011	31.12.2010
Value of production	21,648	23,128
Cost of production	(20,631)	(20,971)
Operating profit	1,017	2,157
Financial income and (expense)	(28)	(25)
Profit (loss) before taxation	989	2,132
Income taxes	(394)	(751)
Profit (loss) for the year	595	1,381

RDM Blendecques S.A.S.
Registered office in Blendecques – Rue de L'Hermitage B.P. 53006
Share capital Euro 1,037,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2011	31.12.2010
Fixed assets	6,227	5,361
Working capital	15,447	17,900
TOTAL ASSETS	21,674	23,261

Liabilities and shareholders' equity	31.12.2011	31.12.2010
Shareholders' equity	(7,317)	(8,817)
Provisions for contingencies and charges	1,379	883
Employees' leaving entitlement	2,305	2,166
Payables	25,307	29,029
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	21,674	23,261

Profit and loss account

(thousands of Euros)	31.12.2011	31.12.2010
Value of production	63,328	57,660
Cost of production	(64,574)	(59,655)
Operating profit	(1,246)	(1,995)
Financial income and (expense)	(345)	(540)
Profit (loss) before taxation	(1,591)	(2,535)
Income taxes	8	(86)
Discontinued operation	(536)	
Profit (loss) for the year	(2,119)	(2,622)

Reno De Medici Arnsberg Gmbh
Registered office in Arnsberg - Hellefelder Street, 51
Share capital Euro 5,112,919

Balance Sheet

Assets *(thousands of Euros)*	31.12.2011	31.12.2010
Fixed assets	80,488	83,863
Working capital	41,128	49,718
TOTAL ASSETS	121,616	133,581

Liabilities and shareholders' equity	31.12.2011	31.12.2010
Shareholders' equity	64,914	72,252
Employees' leaving entitlement	10,640	9,676
Payables	46,062	51,653
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	121,616	133,581

Profit and loss account

(thousands of Euros)	31.12.2011	31.12.2010
Value of production	123,865	116,123
Cost of production	(124,578)	(111,879)
Operating profit	(713)	4,244
Financial income and (expense)	(911)	(383)
Profit (loss) before taxation	(1,624)	3,861
Income taxes	314	(1,433)
Profit (loss) for the year	(1,310)	2,428

Reno De Medici Iberica S.L.
Registered office in Prat De Llobregatt (Barcelona) calle Selva, 2
Share capital Euro 39,060,843

Balance Sheet

Assets *(thousands of Euros)*	31.12.2011	31.12.2010
Fixed assets	11,711	12,857
Working capital	37,833	37,406
TOTAL ASSETS	49,544	50,263

Liabilities and shareholders' equity	31.12.2011	31.12.2010
Shareholders' equity	40,250	41,309
Provisions for contingencies and charges	-	-
Employees' leaving entitlement	-	-
Payables	9,294	8,954
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	49,544	50,263

Profit and loss account

(thousands of Euros)	31.12.2011	31.12.2010
Value of production	38,716	39,515
Cost of production	(38,942)	(39,462)
Operating profit	**(226)**	**53**
Financial income and (expense)	251	2
Profit (loss) before taxation	**25**	**55**
Income taxes	(827)	(106)
Profit (loss) for the year	**(802)**	**(51)**

Reno De Medici UK Limited
Registered office in Wednesbury – Pacific Avenue, Parkway
Share capital Euro 12,433,461

Balance Sheet

Assets *(thousands of Euros)*	31.12.2011	31.12.2010
Fixed assets	454	499
Working capital	4,315	6,774
TOTAL ASSETS	4,769	7,273

Liabilities and shareholders' equity	31.12.2011	31.12.2010
Shareholders' equity	2,134	2,256
Provisions for contingencies and charges	239	232
Employees' leaving entitlement	26	25
Payables	2,370	4,760
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,769	7,273

Profit and loss account

(thousands of Euros)	31.12.2011	31.12.2010
Value of production	8,041	13,451
Cost of production	(8,225)	(12,419)
Operating profit	**(184)**	**1,032**
Financial income and (expense)	1	(10)
Profit (loss) before taxation	**(183)**	**1,022**
Income taxes		
Profit (loss) for the year	**(183)**	**1,022**

Reno Logistica S.r.l in liquidation
Registered office in Milan – Via Durini, 16/18
Share capital Euro 25,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2011	31.12.2010
Fixed assets		
Working capital	114	187
TOTAL ASSETS	114	187

Liabilities and shareholders' equity	31.12.2011	31.12.2010
Shareholders' equity	(210)	(203)
Provisions for contingencies and charges		
Employees' leaving entitlement		
Payables	324	390
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	114	187

Profit and loss account

(thousands of Euros)	31.12.2011	31.12.2010
Value of production		
Cost of production	(8)	(13)
Operating profit	(8)	(13)
Financial income and (expense)		
Profit (loss) before taxation	(8)	(13)
Income taxes	2	
Profit (loss) for the year	(6)	(13)

Careo S.r.l. (*)
Registered office in Milan – Via Durini, 16/18
Share capital Euro 100,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2011	31.12.2010
Non-current assets	997	710
Current assets	13,388	7,580
TOTAL ASSETS	14,385	8,290

Liabilities and shareholders' equity	31.12.2011	31.12.2010
Shareholders' equity	810	503
Non-current liabilities	2,902	2,265
Current liabilities	10,673	5,522
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,385	8,290

Profit and loss account

(thousands of Euros)	31.12.2011	31.12.2010
Value of production	15,533	14,538
Cost of production	(14,662)	(13,781)
Operating profit	871	757
Financial income and (expense)	(96)	(87)
Profit (loss) before taxation	775	670
Income taxes	(423)	(323)
Profit (loss) for the year	352	347

(*) Figures are related to the information used in the Consolidated Financial Statement to the evalution under equity method of investment.

Manucor S.p.A.
Registered office in Milan – Via Durini, 16/18
Share capital Euro 10,000,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2011	31.12.2010
Non-current assets	86.234	91.221
Current assets	53.374	59.292
TOTAL ASSETS	139.608	150.513

Liabilities and shareholders' equity	31.12.2011	31.12.2010
Shareholders' equity	16.440	21.067
Non-current liabilities	29,532	1.648
Current liabilities	93,636	127.798
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	139.608	150.513

Profit and loss account

(thousands of Euros)	31.12.2011	31.12.2010
Value of production	160.127	143.479
Cost of production	(164.338)	(142.970)
Operating profit	**(4.211)**	**509**
Financial income and (expense)	(1.163)	(1.313)
Other income (expense)	-	(142)
Profit (loss) before taxation	**(5.373)**	**(946)**
Income taxes	747	80
Profit (loss) for the year	**(4.627)**	**(866)**

PAC Service S.p.A.
Registered office in Vigonza – Via Julia, 47
Share capital Euro 1,000,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2011	31.12.2010
Fixed assets	2.728	2.835
Working capital	7.724	9.648
TOTAL ASSETS	10.454	12.483

Liabilities and shareholders' equity	31.12.2011	31.12.2010
Shareholders' equity	5.467	5.811
Provisions for contingencies and charges	115	107
Employees' leaving entitlement	472	422
Payables	4.400	6.143
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10.454	12.483

Profit and loss account

(thousands of Euros)	31.12.2011	31.12.2010
Value of production	16.761	17.052
Cost of production	(15.954)	(15.736)
Operating profit	**807**	**1.316**
Financial income and (expense)	18	(2)
Profit (loss) before taxation	**825**	**1.314**
Income taxes	(299)	(438)
Profit (loss) for the year	**526**	**876**

RDM Tissue core S.r.l. in liquidation
Registered office in Milan - Via Durini, 16/18
Share capital Euro 100,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2011	31.12.2010
Fixed assets	4	6
Working capital	317	641
TOTAL ASSETS	321	647

Liabilities and shareholders' equity	31.12.2011	31.12.2010
Shareholders' equity	(45)	(3)
Employees' leaving entitlement		
Payables	366	650
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	321	647

Profit and loss account

(thousands of Euros)	31.12.2011	31.12.2010
Value of production	960	1,408
Cost of production	(1,000)	(1,444)
Operating profit	(40)	(36)
Financial income and (expense)	(2)	(2)
Profit (loss) before taxation	(42)	(38)
Income taxes		
PROFIT (LOSS) FOR THE YEAR	(42)	(38)

Redpoint

Redpoint