Annual Financial Statements at 31 December 2010

Annual financial statements
ended 31 December 2010 (1) 82° Fiscal Years

Extraordinary and ordinary shareholders' meeting
of 26 April 2011 first call
of 27 April 2011 second call

Reno De Medici

Milano. 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 2010

PROPOSAL TO THE SHARE HOLDERS'S MEETING

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

As a consequence of the resolutions adopted by Board of Directors at 21st March 2010, the notice of Shareholders' Meeting is modified as follows.

* * *

The holders of right voting of Reno De Medici S.p.A. (hereafter also RDM and/or the Company) are called to an Extraordinary and Ordinary General Meeting at 11.00 a.m. on 26 April 2011 at the Company's registered office in Via Durini 16/18, Milan in first call and, if necessary, at 11.00 a.m. on 27 April 2011 at Borsa Italiana in Piazza degli Affari 6, Milan in second call to discuss and adopt resolutions on the following

Agenda

Extraordinary part:

Amendments to Article 15 of the Company's By-laws: Related resolutions.

Ordinary Part:

1, **Annual financial statements for the year ended 31 December 2010:**
   - 1.1. Approval of the annual financial statements for the year ended 31 December 2010. 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 2010.

2. **Appointment of the Board of Directors:**
   - 2.1. Appointment of the Board of Directors after establishing the number of its members and their term of office.
   - 2.2. Determination of the annual compensation of members of the Board of Directors.

3. **Approval of a Compensations Plan based on financial instruments pursuant to art. 114-bis D. Lgs. 58/98 for Reno De Medici Group's Managements for the years 2011-2012-2013.**

Additions to the Agenda

Pursuant to article 126-bis of Legislative Decree no. 58/98 shareholders who, also jointly, represent at least one fortieth of share capital with voting rights may within ten days of the publication of this notice request that additions be made to the matters on the agenda, indicating in their request the additional matters they are proposing. Requests must be made in writing by sending a registered letter to the Company's registered office or by writing to the following email address: **rdm.presidenza@rdmgroup.com**. Additions are not permitted for matters on which shareholders vote by law on proposals made by the directors or on the basis of a plan or report prepared by them. The shareholders requesting additions to the agenda must draw up a report on the matters on which they propose a discussion be held. This report must be delivered to the Board of Directors within ten days of the publication of this notice. The management body will make the report available to the public, at the same time as the notice of additions to the agenda is published, by the means established by article125-ter, paragraph 1, accompanied as applicable by any opinions of the board.

Any updated list of matters to be discussed at the Shareholders' Meeting, accompanied by the report prepared by the proposing shareholders and any opinions of the Company's Board of Directors, will be published by the same means as those used to publicise this notice.

Entitlement to attend and means of attending

Pursuant to article 2370 of the Italian civil code and article 9 of the Company's bylaws persons having voting rights are entitled to attend the Shareholders' Meeting.

The entitlement to attend the meeting and to exercise a voting right is attested by means of a communication addressed to the Company and made by the Intermediary, in accordance with the evidence held by the Intermediary with respect to the end of the accounting day of the seventh open market day preceding the date established for the meeting in first call (namely at 13 April 2011). Anybody who only holds the Company's shares after that date will not be entitled to attend or vote at the Shareholders' Meeting. The communication of the Intermediary referred to above must be received by the Company by the end of the third open market day preceding the date established for the Shareholders' Meeting in first call (namely by 19 April 2011). This shall not however alter any entitlement to attend and vote if the communications are received by the Company beyond that date, provided this occurs before the start of the proceedings of the meeting of the individual call notice.

Holders of Voting Rights may be represented through a written proxy by another person, including non-shareholders, under the means and terms of the law, by signing the proxy form issued on the request of the entitled person by authorised Intermediaries or that which may be found on the website **www.renodemedici.it**.

The Company should be notified of attendance by proxy at the Shareholders' Meeting by despatching a registered letter to the Company's registered office or by despatching the form to the following email address: **rdm.presidenza@rdmgroup.com**.

Holders of Voting Rights are hereby informed that the Representative designated by Reno De Medici S.p.A. is Mr. Andrea Bettinelli (hereafter: the Designated Representative).

Holders of Voting Rights may assign the Designated Representative as proxy with instructions to vote on all or some of the matters on the agenda by the end of the second open market day preceding the date established for the Shareholders' Meeting in first call (namely by 20 April 2011), using the form that can be found on the following website **www.renodemedici.it**. The form is modified with other items in agenda.

It should also be noted that:

i) the proxy granted to the Designated Representative is only effective for the proposals in respect of which voting instructions have been given;

ii) there is no cost to the shareholder for granting a proxy;

iii) the proxy may also be notified to the Designated Representative by despatching the form to the following email address: **rdm.presidenza@rdmgroup.com**;

iv) the proxy and the voting instructions may be withdrawn at any time up to the end of the second open market day preceding the date established for the Shareholders' Meeting in first call (namely by 20 April 2011).

Those entitled to attend are requested to arrive earlier than the time for which the meeting has been called in order to facilitate registration proceedings. For this purpose people are strongly recommended to present themselves with a copy of the communication made by the Intermediary.

The following matters are noted in particular:

a) The Company's share capital is currently Euro 185,122,487.06 made up of 377,800,994 shares divided into:
   1) 377,471,413 ordinary shares each of nominal value Euro 0.49;
   2) 329,581 convertible savings 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.

Holders of Voting Rights are informed that questions may be raised on matters on the agenda by sending them to the Company's registered office by registered letter or to the following email address: **rdm.presidenza@rdmgroup.com** up to the day preceding the date established for the Shareholders' Meeting in first call. Replies to the questions will be given during the Shareholders' Meeting.

Appointment of the Board of Directors

The Board of Directors is appointed pursuant to article 12 of the Company's bylaws, to which reference should be made.

It is recalled that pursuant to article 12 the Company is managed by a Board of Directors consisting of between 7 and 15 members. Before proceeding to appoint the members of the board the Shareholders' Meeting is required to establish the term of office and number of members of the board.

The Board of Directors 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 2.5% of share capital with voting rights in an ordinary Shareholders' Meeting are entitled to present lists.

The following must be lodged together with each list by the respective deadlines indicated above: (i) statements in which the individual candidates accept the nomination, affirm under their own responsibility that there are no reasons why they may be considered ineligible for or incompatible with the position and confirm that they possess the requisites for the respective positions; (ii) 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.

In addition, within the term provided by the applicable discipline for the publication of lists by the Company, shareholders must lodge suitable certificates issued by an intermediary authorised by law demonstrating that they are the owners at the date of the lodging of the lists with the Company of the number of shares required for the presentation of the list.

Any lists presented without observing the above requirements shall be considered as not having been presented.

The following procedure will apply for the election of the Board of Directors:

a) all the directors to be elected except one are taken from the list that has obtained the highest number of votes, in the order in which they are listed;

b) the remaining director is taken from the minority list which has obtained the second highest number of votes, which must in no way be connected, not even indirectly, with the list referred to in a) above or with those persons who have presented or voted in favour of the list referred to in a) above.

For this purpose lists that have not obtained a number of votes equal to at least one half of those requested for the presentation of lists, as referred to above, will not be taken into consideration.

If with the candidates elected under the above procedure the number of directors appointed holding the independence requirements for statutory auditors established by article 148, paragraph 3 of Legislative Decree no. 58/1998, equal to the minimum established by the law in relation to the total number of directors, is not assured, the non-independent candidate elected last in sequential order in the list obtaining the highest number of votes, as per point a) of the preceding paragraph, will be replaced by the first unelected independent candidate of the same list in sequential order or, failing that, by the first independent candidate in sequential order of the other lists, on the basis of the number of votes obtained by each. This replacement process continues until the Board of Directors consists of a number of members having the requirements of article 148, paragraph 3 of Legislative Decree no. 58/1998, being equal to at least the minimum required by law.

If, finally, this procedure fails to obtain the desired result, replacements will be found by means of a resolution adopted by the Shareholders' Meeting by a relative majority, subject to the prior presentation of candidates holding the requirements referred to.

If a single list is presented or if no list is presented, the Shareholders' Meeting will adopt resolutions with the majorities required by law, without following the above procedure.

None of the above shall in any case have any effect on any different or additional provisions required by binding laws or regulations.

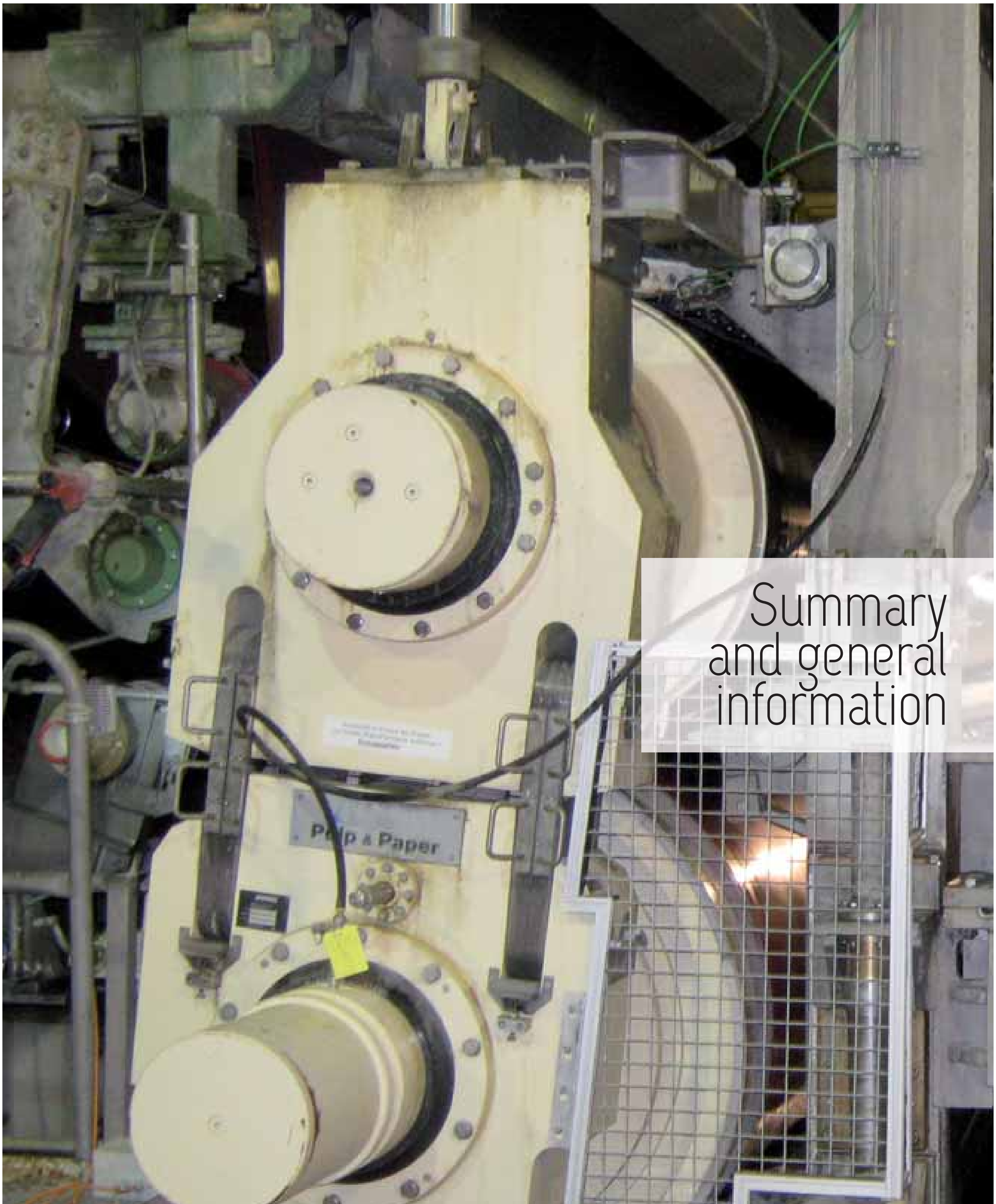
Documentation

It is hereby noted that at the same time as this modified notice was published the Report of the Board of Directors on the matters included in the agenda as well as the Documentations about the item number 1 of Extraordinary Part and the item number 3 of Ordinary Part were 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, 21 March 2011

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
Riccardo Ciardullo	Director
Robert Hall	Director
Sergio Garribba	Director
Laurent Lemaire	Director
Vincenzo Nicastro	Director
Carlo Peretti	Director
Emanuele Rossini	Director

Board of Statutory Auditors

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

Independent Auditors

PricewaterhouseCoopers S.p.A.

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 2010 and for the year then ended, with comparative data for the prior year, are set out in the following.

RDM GROUP *(millions of Euros)*	2010	2009 (*)
ECONOMIC DATA (1)		
Revenues from sales	504	428
Gross operating profit (EBITDA)	40	32
Depreciation and amortisation and recovery of value and write-down of assets	(28)	(27)
Operating Profit (EBIT)	12	5
Operating Profit (EBIT) adjusted (1)	14	5
Profit (loss) for the year	2	(7)
Profit (loss) for the year pertaining to the Group	1	(7)
BALANCE SHEET DATA		
- Non-current assets (2)	259	271
- Non-current assets held for sale	1	
- Non-current liabilities, employee benefits and provision funds (3)	(57)	(57)
- Current assets (liabilities) (4)	(16)	(10)
- Working capital (5)	76	82
Net capital invested (NIC) (6)	263	286
Net financial indebtedness (7)	106	131
Shareholders' equity	157	155
RATIO		
EBITDA / Revenues from sales	7.9%	7.2%
EBIT adjusted / NIC	5.3%	1.7%
Debt ratio (Net Financial indebtedness /NIC)	40.3%	45.8%

(*) Comparative figures as December 31, 2009 have been "revised" in accordance with IAS 8, following the reclassification of actuarial profits/losses deriving from the calculation of employee benefits made by the Group during the year.
(1) See RDM Group consolidated financial statements. "Operating Profit (EBIT) adjusted" for the year ended 31 December 2010 consists of "Operating Profit (EBIT)" - "Non-recurring income and expense".
(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 items "Other receivables" and "Financial assets held for sale", classified in "Current assets", excluding the detail items: "Other payables", "Current taxation", "Employee benefits" and "Current provisions for contingences and changes", 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".

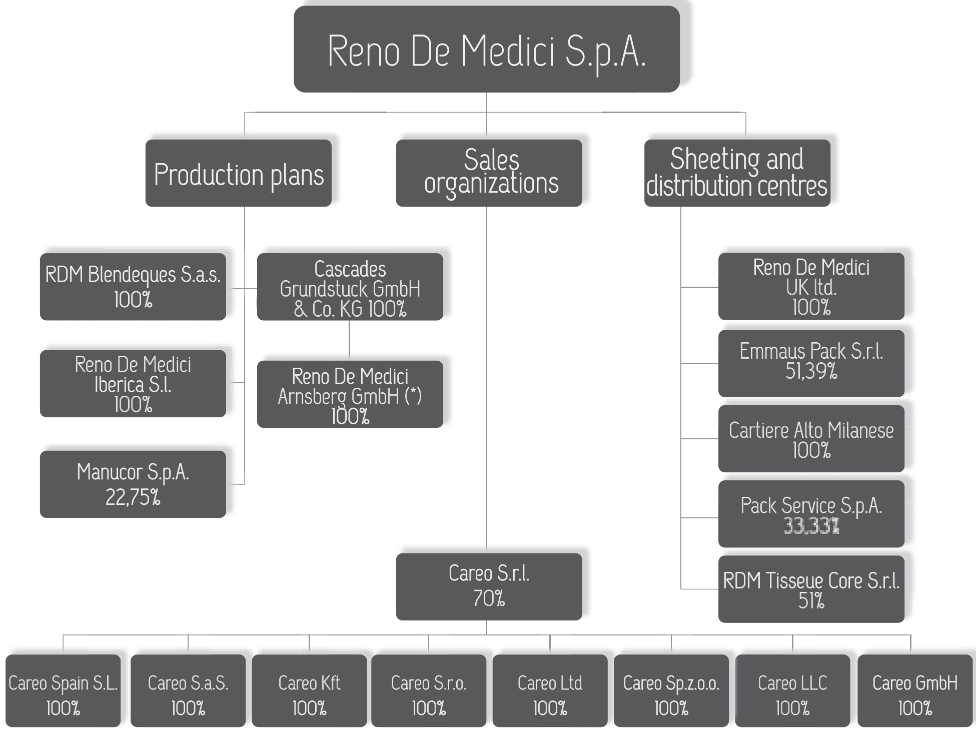
The key profit and loss and balance sheet items of the Parent Company at 31 December 2010, compared to the figures of the previous year, are as follows:

RDM *(millions of Euros)*	2010	2009
ECONOMIC DATA [8]		
Revenues from sales	295	240
Gross Operating Profit (EBITDA)	23	20
Depreciation and amortisation and recovery of value and write-downs of assets	(18)	(17)
Operating Profit (EBIT)	5	3
Profit (loss) for the year	4	(5)
BALANCE SHEET DATA		
- Non-current assets [9]	271	279
- Non-current assets held for sale	1	
- Non-current liabilities, employee benefits and provision funds [10]	(29)	(32)
- Current assets (liabilities) [11]	(11)	(6)
- Working capital [12]	53	59
Net capital invested (NIC) [13]	285	300
Net financial indebtedness [14]	136	155
Shareholders' equity	149	145
RATIO		
EBITDA / Revenues from sales	7.8 %	8.3 %
EBIT / NIC	1.8 %	1.1 %
Debt ratio (Net financial indebtedness / NIC)	47.7 %	51.7 %

(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" and "Financial assets held for sale" 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 2010

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

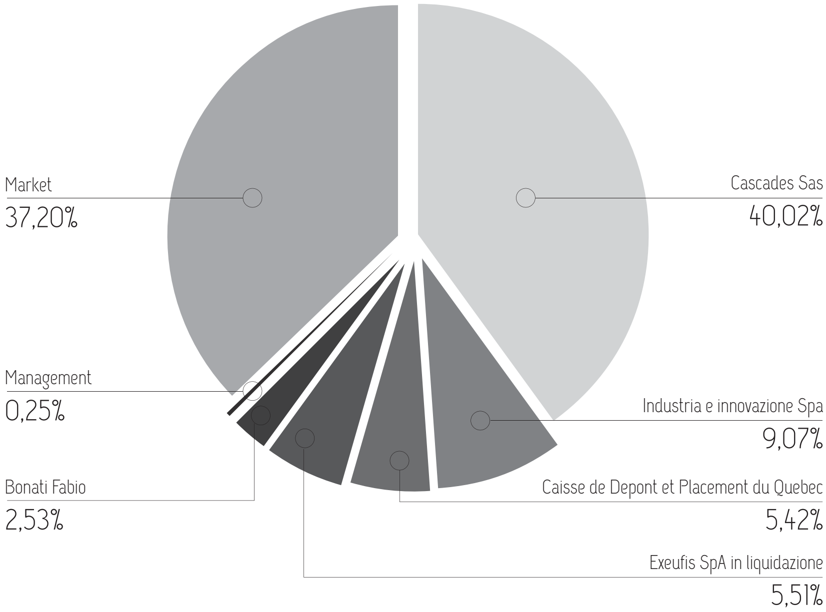


(*) Subsidiary company held by Reno De Medici S.p.A. at 94% and by Cascades Grundstück GmbH & Co.KG. at 6%.

SHAREHOLDERS

The shareholders of Reno De Medici S.p.A. at 21 March 2011 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.	377.471.413
Convertible saving shares	n.	329,581
Total shares	**n.**	**377,800,994**



Report of the board of directors

REFERENCE MARKET AND PERFORMANCE

Reno De Medici Group closed 2010 with a net profit of approximately Euro 2.0 million, compared to a loss of Euro 6.6 million recorded last year.

The improvement derives from a significant growth of EBITDA, which reached Euro 40.0 million, compared with Euro 32.2 million in 2009.

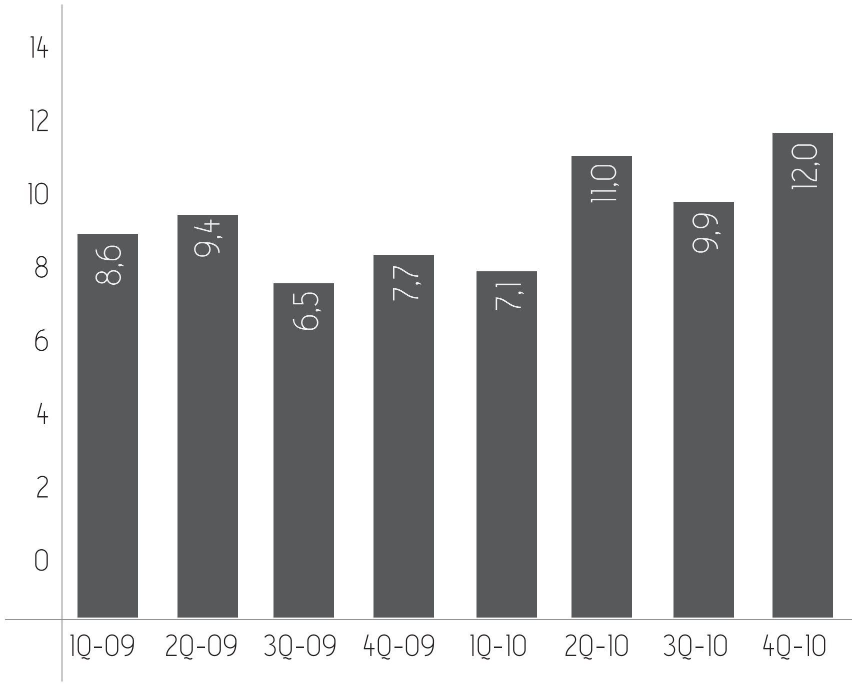


Fig 1.:"EBITDA 2010-2009 Quarterly Trend"

This positive result was achieved in a very challenging year, characterized by a still-volatile macroeconomic situation, by significant increases in the costs of energy and raw materials, whilst it has been possible to increase the prices of carton board, with some delay, only during the second quarter. Tons sold on the European market increased by 6.5% compared to the previous year, marking a return to 2008 levels. This increase, recorded in all major countries (although in different degrees from country to country), is attributable to a modest increase in consumption and to restocking, especially in the central months of the year. Order volume exceeded forecasts. In addition, the economic recovery under way in the major Far Eastern countries promoted exports at more profitable conditions than in the past.

In the last part of the year the market seemed to have regained stability, even if the general upward trend of the recycled fibers continued, driven by many factors in the different industries, including continuous reduction in the production of waste paper by the graphics industry, higher demand deriving from new production capacity for corrugated board in Europe, and trading activities focused on exports to the Far East. This upward trend in industrial costs caused an additional increase in selling prices, applied to products for deliveries on or after October 15th, 2010.

The constantly upwards trend in the price of energy (gas/electricity/coal) in 2010 anticipated the effects of a pick-up in global demand, and especially during the final part of the year was also affected by the price of oil. Increases over average values of the previous year ranged from 15% to 30%.

In 2010, Group production was 930 thousand tons, compared to 854 thousand in 2009. In terms of volumes sold, about 946 thousand tons were shipped in 2010, compared to 864 thousand in 2009.

The remarkable order backlog throughout the year allowed the highly efficient planning of production activities.

In 2010 the Reno De Medici Group initiated a series of important initiatives, aimed at developing new areas of business and creating new products, by setting up a structure dedicated to this purpose which will also be able to count on the support of the research and development structure of Cascades Inc.. The goal of the these initiatives is to seize the new challenges and opportunities which the market proposes, based on the following main courses:

- new products to respond effectively and rapidly to the specific needs of large customers and end users and which are developed together with them. The main goal is to evolve from being a supplier of raw materials to become a partner and a supplier of packaging solutions;
- opportunities provided by technological innovation, in order to use recycled materials in new applications, thereby extending the product offer to new market categories, also by realizing new products based on secondary materials with a lower content of mineral oils;
- new products designed for the B2C market and also suitable for sale through e-commerce. At the end of 2010 a first significant test was carried out, by marketing at European level Christmas trees based on special cartonboard produced by the Ovaro mill. The test confirmed that it is possible and convenient to create a line of ecologically sustainable products that help to spread and promote the recycling culture, and the positive values for the environment which have always distinguished the paper industry;
- improvements of the main indicators of environmental impact, through dedicated initiatives which, while preserving natural resources, are also able to create value along the whole production chain, involving the end user in a genuine "virtuous circle".

A significant development in these initiatives, set up and launched in 2010 is expected in 2011.

As regards affiliated companies, Manucor S.p.A. ended its first year of operations following the restructuring that was completed in November 2009, with revenues from sales in excess of Euro 140 million, with an increase of approximately 30% over the previous year. Operations benefited from a better balance between supply and demand, resulting from the reduction in European production capacity and from the lower volumes imported from producers in the dollar area. Compared to 2009 sales were oriented towards 'special' products rather than 'commodities', and geographically towards the more qualified European markets. Average sales prices increased, also as a result of the rise in raw materials prices.

EBITDA amounted to Euro 11.5 million (IFRS amount), substantially in line with the Strategic Plan, despite the loss in contribution margin caused by the fire on one of the production lines.

MAJOR OPERATIONS OF THE RENO DE MEDICI GROUP IN 2010

Further to what has been described in the preceding paragraph "Reference Market and performance", no other significant facts and/or transactions have occurred in 2010.

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

Risks connected with general economic conditions

The Company and the Group, like all other industrial operators, are obviously exposed to the risks connected with the evolution of the current economic crisis. Although some clear signs of a recovery can be seen, the outlook beyond the first quarter remains characterised by a high level of uncertainty.

In this scenario the major risk factors appear to be connected with account receivables, as the increase of sales prices, combined with the difficulty in reducing payment terms has increased the overall exposure toward debtors. Nevertheless, the amount of bad debt losses incurred to date, and the critical situations which have emerged do not indicate any specific deterioration in the receivables situation so far.

The political and social crisis that currently involves the North African countries is not generating any specifically critical situation for the Group at the moment: the Group's sales are limited to certain countries, Egypt, Algeria and to a lesser extent Tunisia, and as a rule are only carried out within the ambit of insurance cover, with limited and justified exceptions.

In any case the situation is being constantly and carefully monitored by corporate functions. There remains the risk connected with the possible future developments, as the prolongation and deterioration of the crisis might lead to the need to reduce business volumes, although they do not represent a significant portion of the Group's revenues

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 has sufficient funds to face the requirements that can reasonably be expected in 2011, also considering that the Net Financial Position has significantly improved compared the previous year. The rescheduling of the major main long-term loans in 2009 grants the financial stability required to carry out the extraordinary capital expenditures that need to be made to complete the rationalization of its mills.

Risks relating to interest rates

The Group's exposure to interest rate risks relates to the un-hedged portion of its long-term credit facilities, amounting to Euro 29.2 million, and to its short-term credit facilities for an outstanding amount at 31 December 2010 of Euro 40.2 million.

In this scenario, taking into account the expected general trend of interest rates, it is believed that no material adverse events arising from fluctuations in interest rates will occur during 2011.

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, 2010, the consolidated Net Financial Position is negative by Euro 106.5 million, lower by Euro 24.4 million compared to the Euro 130.8 million at December 31, 2009.

Credit Risk

The Credit Risk is basically linked to the exposure of the Company and of the RDM Group to the possible insolvency of its customers. RDM manages the risk by insuring a substantial portion of the receivables of the Group with a primary Insurance Company. Moreover, in 2010 the Parent Company activated a without recourse factoring program, whereby the account receivables expiring after December 31, 2010 that have been sold amounted to Euro 7.2 million.

The non-insured and/or non-insurable positions are constantly monitored by the competent Corporate Offices.

In this context only the potential risks connected with the crisis in some North African countries are noteworthy, as described in the "Outlook for Operations" section.

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 2010 data with 2009, 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)*	2010	%	2009 (*)	%
Revenues from sales	503,599	100.00%	428,120	100.00%
Operating costs (15)	(482,911)		(410,034)	
Other operating income (expenses) (16)	19,335		14,122	
Gross Operating Profit (EBITDA)	**40,023**	**7.95%**	**32,208**	**7.52%**
Depreciation and amortisation and recovery of value and write-downs of assets	(27,992)		(27,253)	
Operating Profit (EBIT)	**12,031**	**2.39%**	**4,955**	**1.16%**
Net financial income (expenses)	(7,061)		(10,245)	
Income (loss) from investments	224		(4)	
Taxation	(3,155)		(1,297)	
Profit (loss) for the year	**2,039**	**0.40%**	**(6,591)**	**(1.54%)**
Profit (loss) for the year pertaining to the Group	**1,367**	**0.27%**	**(6,945)**	**(1.62%)**

RDM Group recorded at 31 December 2010 Revenues from sales of Euro 503.6 million, compared with Euro 428.1 million obtained in 2009.

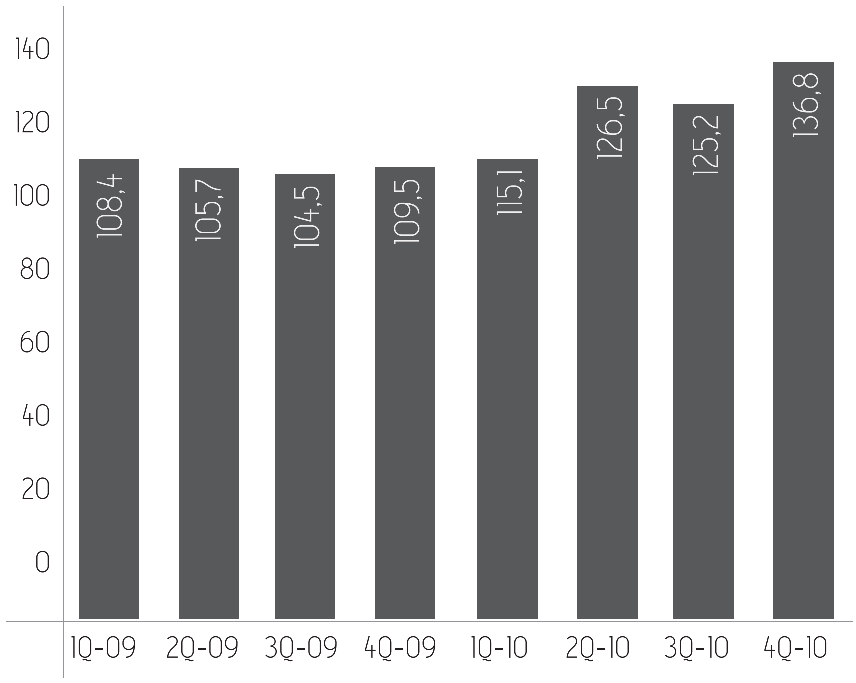


Fig 2.:"Revenues 2010-2009 Quarterly Trend"

(*) Comparative figures as December 31, 2009 have been "revised" in accordance with IAS 8, following the reclassification of actuarial profits/losses deriving from the calculation of employee benefits made by the Group during the year.

(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)	2010	%	2009	%
Area				
Italy	178,980	36%	152,449	36%
European Union	249,477	49%	222,361	52%
Extra UE	75,142	15%	53,310	12%
Revenues from sales	**503,599**	**100%**	**428,120**	**100%**

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

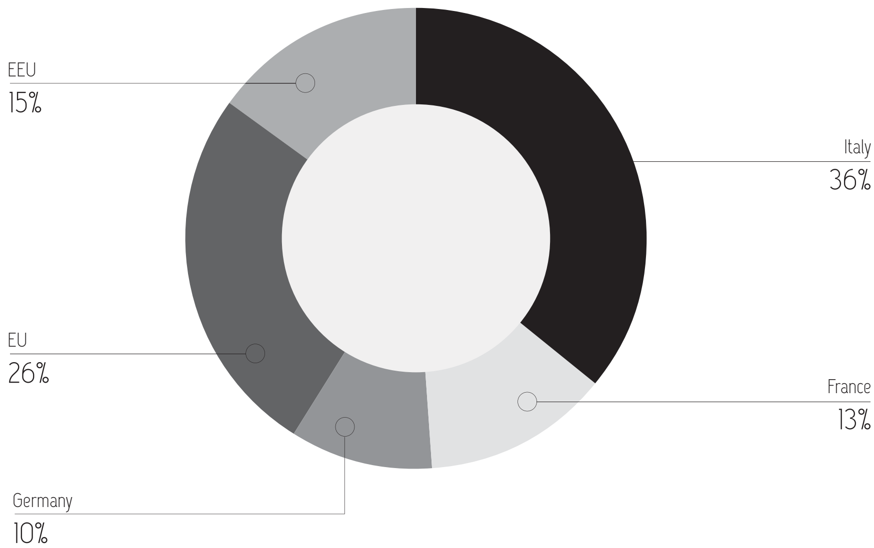


Fig 3.:" Geographic mix revenues"

Consolidated sales revenues amounted to Euro 503.6 million (up 18% compared to 2009) thanks to higher sales volumes and per-unit revenues.

With regard to cost items (other than energy and recycled fibers), a slight increase in Euro terms of labor costs compared to the previous year was recorded, due to contractual increases, higher number of worked hours, and the provisions for the employees incentive plan approved in the fourth quarter of 2009. On the other hand, the per-unit cost of labor slightly decreased.

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

Operating Profit is positive for Euro 12.0 million, compared to Euro 5.0 million in 2009

RDM GROUP (thousands of Euros)	2010	2009
Net Financial income (expenses)	(7,061)	(10,245)
Income (loss) from investments	224	(4)
Total	**(6,837)**	**(10,249)**

The decrease of Euro 3.2 million in net financial expense is mainly due to the favourable trends of interest rates.

It should be noted that the comparative figures as of December 31, 2009 have been "revised" in accordance with IAS 8, following the reclassification of actuarial profits/losses deriving from the calculation of employees benefits made by the Group during the year.

"Income (loss) from investments" at December 31, 2010, 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. and RDM Tissue Core S.r.l., accounted under the equity method as well.

The charge for current taxation amounted of Euro 4.9 million in 2010, compared to a charge of Euro 4.0 million in 2009. Deferred tax income amounted to Euro 1.8 million, compared to Euro 2.7 million in the previous year.

The net profit amounted in 2010 to Euro 2.0 million, compared to a loss of Euro 6.6 million in 2009.

The result pertaining the Group is positive by Euro 1.4 million, compared to a loss of Euro 6.9 million in 2009.

Balance sheet

The following table sets out the principal balance sheet items.

RDM GROUP *(thousands of Euros)*	2010	2009
Trade receivables (17)	121,016	110,417
Stock	81,925	74,313
Trade payables (18)	(127,227)	(102,683)
Working capital	**75,714**	**82,047**
Other current assets (19)	3,856	4,642
Other current liabilities (20)	(19,427)	(14,892)
Non-current assets (21)	258,995	271,338
Non-current assets held for sale	1,290	
Non-current liabilities (22)	(27,132)	(29,279)
Invested capital	**293,296**	**313,856**
Employee benefits and provision funds (23)	(30,263)	(28,194)
Net invested capital	**263,033**	**285,662**
Net financial position (24)	106,458	130,841
Shareholders' equity	156,575	154,821
Total sources	**263,033**	**285,662**

(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".

Working capital at the end of 2010 overall amounted to Euro 75.7 million, with a decrease of Euro 6.3 million over the corresponding figure at 31 December 2009. The increase in inventories derives from their higher per-unit value, affected by higher production costs in general and by higher costs of recycled fibres in particular, although the physical quantities of stocks are decreasing. The increase in trade receivables and payables is attributable to the general rise of per-unit prices and revenues, as well as to a number of other effects, such as the reduction of receivables achieved thanks to the non-recourse factoring program launched in the year, as well as the different revenue mix, whereby the sales on Overseas markets increased, characterized by more favourable collection terms. Trade payables are influenced by temporal effects linked especially to capital expenditures.

"Non-current assets held for sale" consists of plant and machinery of the Marzabotto mill. During the second half of 2010 the preliminary steps were initiated for the disposal of these assets, and as a consequence their carrying amount is recoverable through a sale rather than through continuing use.

These assets held for sale are stated at the lower of their carrying amount and their fair value less costs to sell.

The increase in "Other current liabilities" at 31 December 2010 is mainly due to both the reclassification of Euro 2.7 million relevant to the management incentive plans, as well as to the increase of "Other payables" for an amount of Euro 2.4 million.

The decrease in "Non-current assets" is primarily due to the decrease by Euro 11 million of the carrying amount of tangible fixed assets.

The decrease in "Non-current liabilities" is mainly 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 2010 amounts to Euro 106.5 million, decreasing by Euro 24.4 million compared to Euro 130.8 million at 31 December 2009.

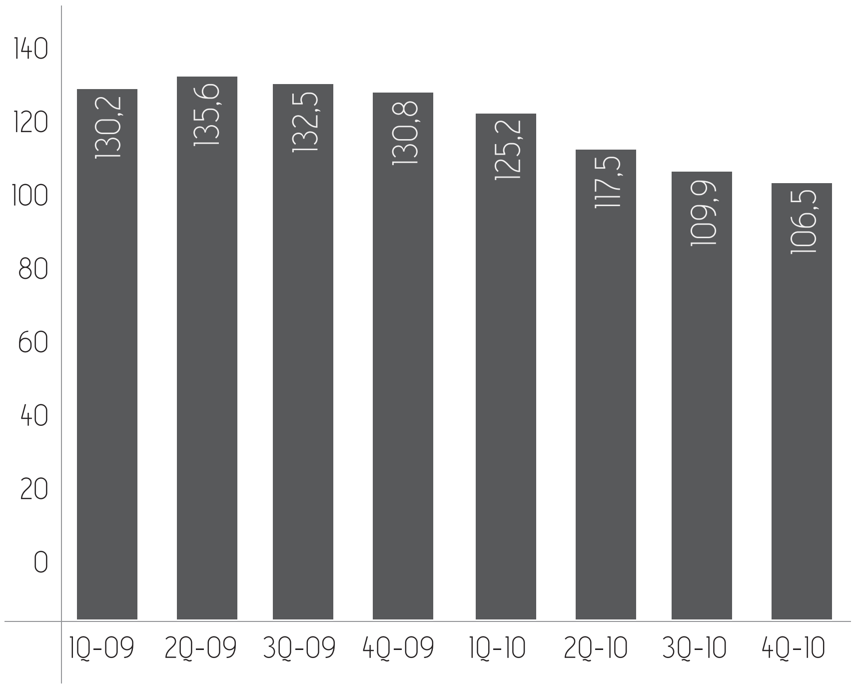


Fig 4.:"Net financial position 2010-2009 Quarterly Trend"

The variations recorded in 2010, compared to the previous fiscal year, are as follow:

GROUP RDM *(thousands of Euros)*	2010	2009	Variazioni
Cash and cash equivalents and short-term financial receivables (25)	2,601	2,053	548
Short-term financial payables (26)	(51,723)	(68,307)	16,584
Valuation of current portion of derivatives (27)	(794)	(1,069)	275
Net short-term financial position	**(49,916)**	**(67,323)**	**17,407**
Long-term financial payables 28)	(55,531)	(62,672)	7,141
Valuation of non-current portion of derivatives (29)	(1,011)	(846)	(165)
Net financial position	**(106,458)**	**(130,841)**	**24,383**

The gross financial indebtedness at 31 December 2010, calculated according to the "amortized cost" method, was Euro 107.2 million (compared to Euro 131.0 million for 31 December 2009), and includes the non-current portion of the medium to long-term financings for an amount of Euro 55.5 million, the current portion of the medium to long-term loans for an amount of Euro 10.2 million, and short-term credit facilities for an amount of Euro 41.5 million, that consists mostly of advances on invoices issued to customers.

The improvement in the net financial position of Euro 24.4 million is above all due to the positive economic performance, to which have to be summed a decreasing of working capital for about Euro 6 million.

At the net of the factoring program, the working capital remains substantially in line compared the previous year, despites the increase of business, volume, price and factor productions.

Research and development activities

The Group carried out research and development activities on a continuous basis throughout 2010, 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

The RDM Group in 2010 made capital expenditures for an amount of Euro 16.9 million (Euro 19.7 million in 2009).

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

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.

(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".

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 factory of the German subsidiary of Arnsberg regarded the installation of a new "shoe press".

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

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 2010 totaled 1,595 units.

The number of employees is lower by 23 units compared to the previous year (1.618 units at 31 December 2009).

At 31 December 2010 the Group's workforce consisted of 44 executives, 393 white-collar employees and 1.158 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 2010, with comparative figures provided for the prior year:

RDM *(thousands of Euros)*	2010	2009
Revenues from sales	294,724	240,496
Operating costs (30)	(284,445)	(235,355)
Other operating income (expenses) (31)	13,010	14,814
Gross Operating Profit (EBITDA)	**23,289**	**19,955**
Depreciation and amortisation and recovery of value and write-downs of assets	(17,747)	(16,680)
Operating Profit (EBIT)	**5,542**	**3,275**
Financial income (expenses), net	(6,061)	(8,807)
Income (loss) from investments	4,722	536
Taxation	(138)	327
Profit (loss) for the year	**4,065**	**(4,669)**

RDM recorded revenues from sales for an amount of Euro 294.7 million, compared to the Euro 240.5 million totaled in 2009, thus showing a decrease of 22.5%, mainly attributable to higher sales volumes and increased per-ton revenues.

Tons sold increased by 12.9% compared to 2009; dispatched volumes in 2010 reached 595 thousand tons, compared to 527 thousand tons in 2009.

Produced tons fell by 10.4% compared to 2009.

The following table provides the break-down of revenues from sales by geographical area; this shows an increase in the turnover achieved in Italy (+15%), European Union (+34%), and non European Union countries (+32%).

RDM *(thousands of Euros)*	2010	%	2009	%
Area				
Italy	166,727	57%	144,636	60%
UE	78,111	26%	58,200	24%
Extra UE	49,886	17%	37,660	16%
Total revenues from sales	**294,724**	**100%**	**240,496**	**100%**

Energy prices showed a continuous upward trend, as already commented.

(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".

Staff costs also rose by 10% compared to 31 December 2009 due to contractual increases, the higher number of hours worked, and allocations for the employees incentive plans approved in the fourth quarter of 2009.

As a result of the above, gross operating profit amounted to Euro 23.3 million, compared to the Euro 20.0 million recorded in 2009.

The net result is positive by Euro 4.1 million, after depreciation and amortisation of Euro 15.8 million, write-downs of assets of Euro 1.9 million, net financial expenses of Euro 6.1 million, income from investments of Euro 4.7 million, and taxation of Euro 0.1 million.

The net financial expense decreased in 2010 by 31%, mainly due to the downwards trend in interest rates and, as a consequence, to the decrease in the interest payable to banks on the Company's non-hedged portion of the medium- and long-term loans.

Also see comment in the paragraph "Net Financial Position".

Income (loss) from investments includes dividends of Euro 8.4 million resolved and distributed by subsidiaries and associated companies, partially offset by the write-down of the French investment in Blendecques, for Euro 3.6 million.

Balance sheet

The following table sets out the key balance sheet items.

RDM *(thousands of Euros)*	2010	2009
Trade receivables (32)	90,010	80,825
Stocks	47,245	45,468
Trade payables (33)	(84,704)	(67,274)
Working capital	**52,551**	**59,019**
Other current assets (34)	978	2,086
Other current liabilities (35)	(11,660)	(7,747)
Non-current assets (36)	270,432	278,710
Non-current assets held for sale	1,290	
Non-current liabilities (37)	(8,089)	(8,913)
Invested capital	**305,502**	**323,155**
Employee benefits and provision funds (38)	(20,627)	(22,876)
Net invested capital	**284,875**	**300,279**
Net financial position (39)	135,814	155,275
Shareholders' equity	149,061	145,004
Total sources	**284,875**	**300,279**

(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".
(35) See RDM financial statements - total of "Non-current assets".
(36) 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".

The Parent Company's working capital decreased by Euro 6.5 million, mainly due to the launch of a program for the without recourse sale of receivables, that contributed to the reduction with Euro 7.2 million. As a consequence, in a scenario where increases in sales prices, costs of raw materials and energy led to a corresponding general increase in both receivable and payable balances, as a result of the factoring program trade receivables have risen by only Euro 9.2 million compared to the increase by Euro 17.4 million of the payables to suppliers.

Net invested capital at 31 December 2010 was funded by interest-bearing debt as to 47.7%, and by own funds as to 52.3% (51.7% and 48.3% respectively at 31 December 2009).

Net financial position

The Parent Company's net financial debt amounted to Euro 135.8 million at 31 December 2010, compared to Euro 155.3 million at 31 December 2009.

RDM *(thousands of Euros)*	2010	2009	Variazioni
Cash and cash equivalents (40)	1,817	1,071	746
Short-term financial payables (41)	(76,198)	(86,276)	10,078
Valuation of current portion of derivatives (42)	(663)	(918)	255
Net short-term financial position	**(75,044)**	**(86,123)**	**11,079**
Long-term financial payables (43)	(59,759)	(68,306)	8,547
Valuation of non-current portion of derivatives (44)	(1,011)	(846)	(165)
Net financial position	**(135,814)**	**(155,275)**	**19,461**

There was an improvement in the net financial position of Reno De Medici S.p.A. by Euro 19.5 million at 31 December 2010, mainly due to the positive economic performance, to which have to be summed a decreasing of working capital for about Euro 6.5 million.

At the net of the factoring program, the working capital remains substantially in line compared the previous year, despites the increase of business, volume, price and factor productions.

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 10.9 million in 2010 (Euro 13.1 million in 2009).

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

(40) 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".

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 2010 totaled 918 units. The number of employees is lower by 16 over the previous year, mainly as a result of the 'staff mobility' plans activated in the year at some Italian mills.

At 31 December 2010 the Group's workforce consisted of 15 executives, 232 white-collar employees and 671 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)	Patrimonio netto 2010	Risultato 2010
Reno de Medici S.p.a.	149,061	4,065
Differences between the carrying value of subsidiary, associated companies, and Joint ventures and the corresponding share of their shareholder's funds	10,567	5,785
Dividends received from subsidiary companies		(8,426)
Reversal of gains from sales to Group companies	(1,574)	
Reversal of allocation of merger difference	(2,985)	467
Other consolidated adjustment	496	(524)
Consolidated financial statements attributable to the Group	**155,565**	**1,367**

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

(migliaia di Euro)	Net Financial Position 12.31.2010	Net Financial Position 12.31.2009
Net Financial Position - Reno De Medici S.p.A.	(135,814)	(155,275)
Cash and cash equivalents and short-term financial receivables of subsidiary companies	393	636
Short-term financial payables of subsidiary companies	(3,474)	(2,545)
Long-term financial payables of subsidiary companies	(2,857)	(3,572)
Eliminations of short-term financial payables due to subsidiary companies	38,365	36,142
Eliminations of long-term financial payables due to subsidiary companies	7,084	9,206
Eliminations of short-term financial receivables from subsidiary companies	(10,155)	(15,433)
Net Financial Position - RDM Group	(106,458)	(130,841)

OTHER INFORMATION

Risks and dispute in course

Litigation and disputes were further reduced during 2010. No significant litigation was begun during the year, with consequent absence of related risks.

On 31 May 2010, RDM and Atradius Credit Insurance N.V. (hereafter Atradius) signed a settlement agreement to close off their litigation.

This matter regards an action begun by Reno De Medici S.p.A. against Atradius that is being heard before the Ordinary Court of Milan, with the objective of having the court declare that the defendant has failed to respect the commitments it undertook in its insurance contract.

Tax audit

Following the tax audit initiated by the "Guardia di Finanza" (the Italian Finance Police) on 20 September 2010, having as an object the fiscal years from 2005 to the present date, and mainly focused on the transactions with parties resident or located in low tax-rate countries. At the date of the preparation of the present report, the Agenzia delle Entrate (the Italian Tax Revenue Office) is still reviewing the documentation provided by the Company.

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. The updated document will be adopted on 31 March 2011 in compliance with the requirements of laws and regulations.

Environment and safety

During the year, RDM achieved and maintained its commitment to adequate environmental, safety, and quality standards, in line with principles pursued, by means of important projects such as:

- increased integration of corporate systems for quality, environment, and safety management by enhancing synergies among the various departments;
- updating of Risk Assessment Documents;
- constant updating of DUVRI (Risk Assessment Report for a Multiple-Employer Workplace);
- examination and assessment of subcontractor respectability by means of request of documents attesting to absence of convictions for crimes;
- periodic instruction of personnel regarding health and safety at the workplace and increased concern for environmental protection while working.

At the present time, Reno De Medici S.p.A. has not sentenced in final judgement for injury (minor, serious and/or very serious) and/or death following an accident at work.

The Company has maintained ISO 14000 Certification and has begun the procedure for obtaining certification of its safety system.

Treasury shares

As at 31 December 2010, 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 dicembre 2009	Number of shares purchased	Number of shares sold	Number of shares 31 dicembre 2010
Christian Dubé	Reno De Medici S,p,A,	100,000	25.000		125.000
Giuseppe Garofano	Reno De Medici S,p,A,	275,000			275,000
Ignazio Capuano	Reno De Medici S,p,A,	230,000			230,000

Information on arrangements with subsidiaries and associated companies

The transactions of Parent Company in place with subsidiaries and associated companies 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 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 and associated companies during 2010, 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 2010 totalled Euro 2,505 thousand, receipts in the same year totalled Euro 1,774 thousand, while trade receivables at 31 December 2010 amounted to Euro 116 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., a company of which RDM owns 51%, defined joint ventures, in connection with sales of cardboard. Sales made in 2010 totalled Euro 1,144 thousand, receipts in the same year totalled Euro 1,104 thousand, while trade receivables at 31 December 2010 amounted to Euro 593 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.

SUBSEQUENT EVENTS

No significant events.

OUTLOOK FOR OPERATIONS

In terms of order volumes and selling prices, the opening months of 2011 are substantially in line with the closing months of 2010. At the economic level, the costs of production factors such as recycled fibres and energy further increased. Energy costs also increased due to the political instability in North Africa and Middle East.

As a consequence, on 23 February 2011 the Group announced the increase of sales prices for the goods delivered on or after April 1st, 2011.

In summary, while the European macroeconomic scenario shows some signs of recovery (the entity of which varies from country to country), the persisting volatility makes it difficult to assess reliably the evolution of the economy and the market.

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 2010

Approved by the Board of Directors of Reno De Medici S.p.A.

at its meeting of 21 March 2011

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.
Year	The financial year ended 31 December 2010

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.

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.

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.

3. INFORMATION ON THE OWNERSHIP STRUCTURE AT 21 MARCH 2011 (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

- 377.471.413 ordinary shares each of nominal value Euro 0.49;
- 329.581 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	377,471,413		Listed on the Electronic Stock Star 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	329,581			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 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.

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,	40.021	40.021
Industria e Innovazione S.p.A.	Industria e Innovazione S.p.A.	9.072	9.072
Caisse de depot et placement du Québec	Caisse de depot et placement du Québec	5.418	5.418
Exeufis S.p.A. in liquidazione	Exeufis S.p.A. in liquidazione	5.512	5.512
Bonati Fabio	Bonati Fabio	2.530	2.530

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.

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

On 13 September 2007, Alerion Industries S.p.A., Eurinvest Finanza Stabile S.r.l., IC (Industria della Costruzione) S.p.A., Cascades S.A. and Cascades Paperboard International Inc. entered a shareholders' agreement pursuant to article 122 of the TUF. Subsequently, on 13 December 2008, Alerion Industries S.p.A. sold its entire holding in RDM to Società Industria Innovazione S.p.A., which as a consequence became a party to the agreement.

After the undersigning there are the following changes:

a) On December 13, 2008 Alerion sold the all owned shares to Industria e Innovazione S.p.A.;
b) on 4 August 2010 IC (Industria della Costruzione) S.p.A. sold the all owned share sto Caisse de dépot et placamento du Québec.

Both above mentioned companies adhered to the Shareholders' Agreement.

An excerpt of the Shareholders' Agreement currently in force is given below:

"Whereas

It is divulged that between:

(i) Alerion Industries S.p.A., with offices in Milan, at Via Durini no. 16/18, Shareholders' Capital Euro 148,041,689.75 fully paid up, entered in Milan Company Registry with the Italian Tax Identification Number 02996890584 (hereinafter called "Alerion");

(ii) Eurinvest Finanza Stabile S.p.A., with offices in Milan, at Via San Damiano, no. 4, Shareholders' Capital Euro 24,248,784.56 fully paid up, entered in Milan Company Registry with the Italian Tax Identification Number 00739960151 (hereinafter called "Eurinvest");

(iii) IC (Industria della Costruzione) S.p.A., with offices in Cernusco sul Naviglio (MI), at Strada Statale 11 Padana Superiore 2/b, Shareholders' Capital Euro 15.000.000,00 fully paid up entered in the Milan Company Registry with Italian Tax Identification No.03754580961 (hereinafter called "IC");

(hereinafter Alerion, Eurinvest and IC are together called the "Current Shareholders"

(iv) Cascades S.A.S., with offices in La Rochette (France), at Aveneue Maurice Franck, Shareholders' Capital 36,916,00.00 fully paid, entered in the Trade and Company's Registry (Registre du Commerci et des Societes) with number 333512440, together with Cascades Paperboard International Inc., with offices in Montreal (Quebec) at 772 Sherbroke St. West (herein called together with Cascades S.A., "Cascades");

(the Current Shareholders and Cascades are hereinafter called the "Parties" together and "Party" individually

on September 13, 2007, following the approval on said date of the merger of Cascades Italia S.r.l. by incorporation into Reno de Medici S.p.A. by the respective Boards of Directors (hereinafter "the Merger"), signed a Shareholder's Agreement (hereinafter called, the "Shareholder's Agreement") relative to the ordinary shares in Reno De Medici S.p.A., attributing in the form of a syndicate (hereinafter the "Syndicate") –in the amount specified below – the ordinary shares that the Parties shall hold as a result of the Merger.

The Shareholders' Agreement was subsequently amended in part by the Parties on January 10, 2008 to allow Alerion, Eurinvest and IC in the light of particularly advantageous market conditions to invest in further Reno De Medici S.p.A. shares.

On December 13, 2008 Alerion sold Industria e Innovazione S.p.A. (with registered office in Milan, at Galleria del Corso 1, Shareholders' Capital totalling Euro 570,000.00 fully paid up – VAT registration no. and Italian Tax Identification no. 06233810966). On the same date, Industria e Innovazione S.p.A. adhered to the Shareholders' Agreement and attributed to the same the abovementioned 34,157,528 ordinary shares.

A summary of the content of the Shareholders' Agreement is reproduced below.

1. Companies' whose financial instruments are subject to the Syndicate

Reno De Medici S.p.A., with offices in Milan, at Via Durini 16/18, subscribed and paid-up Shareholders' Capital totalling Euro 185,122,487.06, subdivided into 377,800,994 shares with a par value of Euro 0.49 each 377,400,692 ordinary shares and 400,302 saving shares (hereinafter called the "Company"); the Company is listed on the Mercato Telematico Azionario (Telematic Share Market) organised and managed by Borsa Italiana S.p.A..

2. Shares transferred into the Syndicate

The Shareholders' Agreement, signed pursuant to article 122 of the Italian Consolidated Financial Services Act paragraph 1 and paragraph 5, a) and b) concerns a total of 225,193,757 shares in the Company equal to 56.15% of the ordinary shares including those deriving from the Merger.

2-b. Subjects belonging to the Syndicate and holdings conferred.

The following table indicates the number of shares conferred in the Syndicate by each of the Parties and the percentage represented thereby with regards to (i) the total number of the abovementioned shares and (ii) the total number of the ordinary shares in the Company.

In addition to the changes taking place in the second half of 2010 and more specifically until 8 October 2010, in respect of which the publication formalities required by the TUF and by the Regulation have already been satisfied, further changes occurred between 9 October 2010 and 31 December 2010 relating solely to the number and percentages of the financial instruments taken into the Shareholders' Agreement as a whole. As a result of these changes, the parties to the Shareholders' Agreement, the number of the Company's ordinary shares restricted by the Shareholders' Agreement and the respective percentages are the following at 31 December 2010:

Parties	no. of shares syndicated	% of shares syndicated	percentage of shares having voting rights
Cascades s.a.s.	149,702,393	66.48	39.66
Industria e innovazione S.p.A.	34,241,364	15.20	9.07
Exeufis S.p.A. in liquidation	20,800,000	9.24	5.51
Caisse de depot et placement du Quebec	20,450,000	9.08	5.42
Total	**225.193.757**	**100**	**59,66**

Following the signing of the Shareholders' Agreement and due to the Merger, none of the parties still hold the controlling interest in the Company. Pursuant to article 3 of the Shareholders' Agreement, each party has undertaken to attribute to the Syndicate all the further shares that should in any way derive from purchases, emissions free of charge, conversions or increases in Shareholder's Capital (hereinafter called "Shares Syndicated") without affecting the commitment of the Parties pursuant to article 4.3 of the Shareholders' Agreement not to buy new shares in the Company for any reason until the actual merger date.

3. Exceptions to the Shareholders' Agreement

On January 10 2008, the Parties made a partial exception to the commitments specified in Article 4.3 of the Agreement thereby allowing Alerion, Eurinvest and IC to acquire further Reno De Medici S.p.A. ordinary shares in such a way that the total investments held by said Parties in all cases remain below the 30% threshold of the ordinary Shareholders' Capital of Reno De Medici S.p.A. The purchase of the ordinary Reno De Medici S.p.A shares would only be allowed proportionally to the investments held by each of them, i.e.

- *Alerion, for a maximum of 1,575,000 shares;*
- *Eurinvest, for a maximum of 962,500 shares;*
- *IC, for a maximum of 962,500 shares;*

And so on for a maximum total of 3,500,000 Reno De Medici S.p.A. shares.

As exception to article 3 of the Shareholders' Agreement it is also agreed that any new shares purchased will not be conferred to the syndicate.

4. Main agreements of the Shareholders' Agreement

4.1. Commitments before the date the merger became effective and conditions of resolutions

4.1.1. Extraordinary Shareholders' Meeting. The Current Shareholders and Cascades undertake to vote in favour of the merger resolution at the extraordinary shareholders' meeting of the Company and Cascades Italia, respectively.

4.1.2. Ordinary Shareholders' Meeting of the Company. If an ordinary shareholders' meeting of the company is convened on a date between the date the merger deed is stipulated and the date the same becomes effective for taking resolutions on the appointment of the new Company bodies, the current shareholders undertake to take part in the vote at said assembly so that the new Board of Directors and/or the new Board of Statutory Auditors are appointed in compliance with the provisions of points 4.2.1 and 4.2.2 below.

4.1.3. Conditions of resolutions. The commitments undertaken by the parties in compliance with paragraphs 4.1.1 and 4.1.2 above as well as all the provisions of the Shareholders' Agreement are conditioned in terms of resolutions by the occurrence between the date of the signing of the Shareholders' Agreement and the date of the meeting of the Company and Cascades Italia called to take resolutions about the merger project in any of the following circumstances:

i. Consob (The Italian Stock Exchange Supervisory Body) has communicated negative opinions or anyway objections or doubts to the Parties regarding the application of the exemption from the public purchase offer obligation for the shares of the Company, as specified in art. 49 first paragraph f) of Regulations 11971/1999, to the merger and/or the Shareholders' Agreement; or

ii. the Comisión Nacional del Mercado de Valores has communicated to the Company that the merger and/or the stipulation of the Shareholders' Agreement causes the obligation of a public purchase offer of the shares in the Company in the Spanish market to arise; or

iii. a significant and exceptional change for the worse regarding the conditions (financial or otherwise), the assets, the liabilities, how the business is conducted, the profits, the outlooks or the company complex of Cascades Italia or the Company has occurred after the reference date of the respective balance sheets pursuant to article 2501 quater of the Italian Civil Code.

4.2 Company bodies

4.2.1. Board of Directors. The Company shall be administered by a Board of Directors with eleven members. For this purpose, the parties undertake to present jointly and vote a single list of eleven candidates consisting, in the order shown here, as follows:

i. 1 candidate that shall be appointed managing director, he or she will be designated by common agreement among the Parties;

ii. 4 candidates including one with the requisites of independence, shall be designated by Cascades;

iii. 4 candidates shall be designated by the Current Shareholders and, in particular;:

2 candidates shall be designated by Alerion;

1 candidate shall be designated by Eurinvest;

1 candidate shall be designated by IC

iv. 2 candidates in possession of the independence requisites shall be designated by common agreement among the parties, without prejudice to the fact that if third party shareholders present a list that has the right to appoint a member of the board of directors of the company, said member will be elected in the place of one of the two candidates referred to in this point (iv).

Giuseppe Garofano will maintain the present office of Chairman of the Board of Directors for the first year of the Agreement, after which the chairmanship will be held, for the remaining term of the agreement, by a member designated by Cascades. The Deputy Chairman for the first year shall be appointed from among the members designated by Cascades after which this office will be held by the outgoing Chairman.

4.2.1.1. Significant matters. The resolutions concerning the matters listed below must be adopted by a vote in favour of 7 (seven) directors;

A. any proposal to be submitted to the extraordinary shareholders' meeting that has as its subject or its effect the increase of the Company's Shareholders' Capital with the exception of proposals of reduction and simultaneous increase of the Shareholder's Capital pursuant to art. 2446 or 2447 of the Italian Civil Code;

B. any transaction involving the purchase, sale or hiring of companies, Company branches, assets including property or investments (including the purchase or the sale of treasury shares or the redemption of shares) constituting fixed assets the value of which for every single transaction or for a series of connected transactions (in other words functional for the implementation of the said transaction) is higher than Euro 10,000,000.00 (ten million);

C. any proposal to be submitted to the shareholders meeting concerning the distribution of dividends and/or reserves, in any form, and/or transactions for the voluntary reduction of shareholders' capital or any resolution to distribute advances on the dividends.

D. the taking on of loans, financing and other financial debts of any type with a due date longer than eighteen months, the value of which for the individual transaction or for a set of connected transactions (i.e. functional for the implementation of the said transaction) is over Euro 10,000,000.00 (ten million);

E. appointment and revocation of the managing director and the administration and finance director as well as the allocation, modification and revocation of the powers conferred on parties holding said positions that at the time of the first appointment of the Managing Director shall conform with those in force on the date the Shareholder's Agreement was signed.

F. remuneration of any type to the managing director of the Company and remuneration policies for the top management;

G. approval of the strategic plans, annual and long-term budgets and variations of strategic importance to these plans and/or budget.

For the entire term of the agreement the Parties undertake not to contribute to amending article 15 of the company by-laws as they exist after the Merger, appended to the Merger project, that reflects the provisions of this point 4.2.1.1.

4.2.1.2. Consulting Committees. For the entire term of the Shareholders' Agreement, the remuneration committee and the internal auditing committee shall be appointed in such a way as to ensure the Current Shareholders and Cascades equal representation within said bodies.

4.2.2. Board of Statutory Auditors. For the purpose of appointing the members of the Board of Auditors, the Parties undertake to present together and vote on a single list of three candidates for the office of acting statutory auditor and two candidates for the office of substitute statutory auditor consisting, in the order shown here, of the following:

(i) First acting statutory auditor with the function of the chairman designated jointly by Cascades and the Present Shareholders without prejudice to the fact that if third party shareholders present a list that has the right to appoint a member of the board of auditors of the RdM, with the function of chairman said member will be elected in place of the acting statutory auditor referred to in this point (i);

(ii) 2nd and 3rd acting statutory auditor designated respectively by Cascades and by the Current Shareholders;

(iii) 1st substitute statutory auditor designated by Cascades;

(iv) 2nd substitute statutory auditor designated by the Current Shareholders.

4.3. Prior consultation and vote in the extraordinary shareholders' meeting of the Company

For purpose of ensuring uniformity of intent and orientation in the management of the Company for the entire life of the Shareholders' Agreement, the Parties undertake, to consult with each other in good time before each ordinary and extraordinary shareholders' meeting of the Company to discuss and agree a common line of conduct in consideration of the aims of the Agreement, in good faith .

The Parties undertake to vote in common agreement in favour of any proposal submitted to the Company's extraordinary shareholders' meeting.

4.4. Lock up and transfers allowed

4.4.1. Unless otherwise provided for by the Shareholders' Agreement, for a period of eighteen months from said Agreement coming into force (hereinafter the "Lock up Period"), each party has undertaken (i) not to transfer to others, even in part (a) the syndicated shares (b) securities that can be transferred into Company shares or, in the case of an increase in the Shareholders' Capital of the Company through payment (c) the relative option rights on the *new issue shares and convertible securities (the shares, securities and rights referred to in letters from (a) to (c) above, hereinafter the Relevant Securities); and (ii) with regard to the Relevant Securities not to initiate contracts for the transfer thereof even of a forward nature.*

4.4.2. By way of partial exception to the provisions of point 4.4.1 above, each Party may transfer the Relevant Securities due to it to subsidiaries, parent companies or companies of common control entirely or in part, on the condition that the acquiring Company first of all adheres to the Shareholders' Agreement and without affecting the fact that the transferring party shall anyway continue to be obligated jointly for all the obligations deriving from the said Agreement.

4.4.3. By way of partial exception to what has been provided for in point 4.4.1 above, Alerion, Eurinvest and IC will be able to freely transfer the Relevant Securities due to them amongst themselves.

4.4.4. The parties shall be able to constitute rights of lien on the Syndicated Shares provided advance notice is given thereof to the other parties and providing the relative voting rights continue to be held by the party constituting the lien.

4.5. Pre-emption and co-sales rights

After the lock up period expires and for the residual period of the Shareholders' Agreement, the transfers of the Relevant Securities held by Cascades and the Present Shareholders are permitted only for the entire investment held thereby and in compliance with the pre-emption rights (hereinafter the "Pre-emption Rights") and, only for the Syndicated Shares, with the right of co-sale to a third party purchaser (hereinafter the "Right to Co-Sale") governed by the following paragraphs.

For the purposes of this paragraph 4.5, the Present Shareholders constitute a single party except where established differently.

4.5.1. If one party (hereinafter the "Transferring Party") intends to transfer the Relevant Securities on the market and/or to third parties, he shall communicate said intention (hereinafter the "Offer") to the other party (hereinafter the "Offeree")

4.5.2. Within sixty days of the day the Offeree receives communication of the Offer (hereinafter "Term for Acceptance") the Offeree shall be able to either exercise the pre-emption right or the co-sale right (hereinafter the "Acceptance").

4.5.3. In the case of an offer by Cascades, the Pre-emption Right can be exercised also by just a few of the Present Shareholders without affecting the fact that the Acceptance must concern all the Relevant Securities offered for pre-emption. In the case of transfer onto the telematic market, the price of exercising the Pre-emption Right shall be the same as the arithmetical average of the official stock-exchange closing price for the ten working days before the receipt of the Offer.

4.5.4. In the case of an Offer by Cascades, the Co-sale right can be exercised by the Current Shareholders individually or otherwise providing it is exercised for the entire amount each of them holds.

5. Obligation of public purchase offer

Each party undertakes not to make purchases of ordinary shares in the Company in an amount that is such as to determine the obligation to promote a public purchase offer pursuant to articles 105 et. seq. of Italian Legislative decree 58/1998.

6. Term

With the exception of the provisions of points 4.1.1 and 4.1.2 above that become effective from the date the Shareholder's Agreement is signed, said agreement shall be effective from March 1, 2008 (date the Merger becomes effective) and shall have a term of three years running from that date.

Starting from the date the Merger becomes effective the Shareholders' Agreement stipulated among the Present Shareholders on March 27, 2009 shall be considered terminated.

7. Registration

The text of the Shareholders' Agreement is registered in compliance with legal requirements at the Milan Company Registry.'

At the date to approval of the Corporate Governance, the Shareholders' Agreement is expired.

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 on 19 October 2009 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. 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.

3.10. 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.

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.

3.11. 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.

3.12. 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.

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).

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 17633 dated 26 January 2011 of Consob confirmed the percentage of 2.5% 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 4 April 2008 determined in eleven the number of members of the Board of Directors currently in office, consisting of the following directors: Messrs. Giuseppe Garofano, Ignazio Capuano, Riccardo Ciardullo, Christian Dubé, Sergio Garribba, Laurent Lamaire, Mirko Leo, Vincenzo Nicastro, Carlo Peretti, Emanuele Rossini and Robert Hall (co-opted onto the Board following the resignation of Mr. Bernard Lamaire).

On 8 August 2010, Mr. Mirko Leo resigned as a member of the Board.

On 8 November 2010, the Board of Director has noticed the absence of candidature and decided to submit the appointment to next Ordinary Shareholders Meeting already called to 26th April 2011, in first call, and 27th April 2011 in second call.

The present Board of Directors is composed to 10 members and they remain in office until the ordinary shareholders' meeting called to approve the financial statements for financial year 2010. The Directors are shared in: 3 executive directors (as per the definition in the Code) and 8 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
Riccardo Ciardullo	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
Emanuele Rossini	Non-executive

On 6 May 2010 the Board of Directors checked that the pre-requisites for independence held by the directors Sergio Garribba, Vincenzo Nicastro and Carlo Peretti still held.

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..

Giuseppe Garofano

Born in Nereto in 1944, he was awarded a degree in Chemical Engineering by the Milan Polytechnic in 1968. A member of the board of directors of numerous companies (including RAS and Mediobanca, and Previdente Assicurazioni of which he is the chairman), he started work in Montedison S.p.A. in 1980, becoming its chairman in 1990. He has been deputy chairman of Alerion Industries S.p.A. since 2002, a company operating in a variety of sectors including that of renewable energy. He is also chairman of the board of directors of Realty Vailog S.p.A. (a company listed with Borsa Italiana S.p.A.) and RCR Cristalleria Italiana S.p.A. and a member of the board of directors of Efibanca S.p.A. and Autostrada Torino – Milano 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. He has been managing director of RDM since 2004 and chairman of Manucor S.p.A. (formerly Manuli Film S.p.A.) since 2007, a company producing packaging film.

Riccardo Ciardullo

Born in Polistena (RC) in 1966, he concentrates his activities in financial operations. Since December 2003 he has held the position, amongst others, of deputy chairman and managing director of Eurinvest Finanza Stabile, a financial holding company, and sole director of Cibik Broker House Leasing Veneto S.r.l..

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.

Vincenzo Nicastro

Born in Rome on 22 February 1947, he was awarded a degree in Law in 1970. A member of the board of directors and board of statutory auditors of several companies (including Realty Vailog S.p.A., Darwin Airlines S.A., Unicredito Italiano S.p.A. and Sitech S.p.A.), he currently provides consultancy to both public and private entities in the financial restructuring and corporate recovery fields. Since March 2006 he has been collaborating as counsel with the legal firm Agnoli-Bernardi e Associati.

Carlo Peretti

Born in Florence in 1930, he was awarded a degree in Electronic Engineering by the Turin Polytechnic. He began his working life in 1953 in Fatme Ericssons, a company working in the telecommunication sector. Following experience abroad, he began working for Olivetti in 1957, becoming its CFO in 1970 and chairman in 1985. He is currently chairman of Vodafone Omnitel N.V. and BTS S.p.A., and is also a member of the board of directors of Gancla S.p.A., ISPI S.p.A., Equinox Fondo Investimenti, Realty Vailog S.p.A. and others.

Emanuele Rossini

Born in San Marino on 5 June 1965, he was awarded a degree in Business and Economics by Urbino University in 1991. CFO of Cartiera Ciacci S.A. and San Marino Strade S.A. since 1991, he has been collaborating with IBI S.p.A., a company working in the Corporate Finance and Investment Banking sector, since 1996. At the present date he is managing director of Demas S.A., IBS Fiduciaria S.p.A. and Istituto Bancario Sammarinese S.p.A..

At the date of this report, regards the particular skills of its Directors, RDM considered it unnecessary to select or define criteria regarding the maximum number of management and control positions in other companies that members of the Board of Directors may hold. The Company considered that the Directors are able to decide and evaluate all by themselves the correct number of taken offices and relative necessary care.

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.

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.

Resolutions relating to any of the matters listed below are of the sole competence of the Board of Directors and must be adopted by a vote of seven directors in favour:

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. The criteria used to identify large transactions and transactions with related parties are contained in the procedure on these matters adopted by the Board in 2006 (reference should be made to chapter 11 of this report in this respect).

The Board of Directors of RDM met on six occasions during 2009 with each meeting lasting an average of three hours.

On 21 January 2011, the Company issued a timetable which schedules the dates for five meetings of the Board of Directors in 2011. At the date of this report one meeting (namely that of 11 February 2011 regarding the approval of the interim report on operations at 31 December 2010) 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 2010, such as Mr. Guido Vigorelli in his capacity as Investor Relator; 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 11 February 2011, 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 December 2009, considering them to be adequate for the characteristics of the Company.

At the same meeting, the Board of Directors came to the conclusion that the composition of the Board is adequate for the needs and size of the Company. To this end the specific skills of the executive directors in their respective product sectors were reviewed, together with the fact that all Board members, and in particular the independent directors, stand out for their high level of professional skill in the various sectors, as is shown by their curricula vitae.

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 5 May 2009 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.

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 5 May 2009 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 all information to Board and Statutory Auditors in case of exercise of their powers.

Managing Director

At its meeting of 4 April 2008 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 2009 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.

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 7 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 6 May 2010 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 2010, noting that there were no matters to be brought to the attention of the Corporate Bodies.

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.

5.8. DOCUMENTATION AND INFORMATION FOR THE BOARD OF DIRECTORS

The Chairman of the Board of Directors ensures that the directors are provided with adequate and timely information so as to enable the Board to express its opinion with the appropriate knowledge on the matters being submitted for its assessment.

To this purpose, although an explicit procedure does not exist, it is customary for RDM to send the supporting documentation for Board meetings to each director and statutory auditor at least three days prior to the date for which the meeting has been called. In cases of urgency, and only these, the documentation is made available as soon as possible. When the Chairman considers it appropriate with regard to the matter to be discussed and the related resolution, the documents containing the information may by provided directly during the meeting, with prior notice of this being given to the directors and the statutory auditors. Considering that some Directors are Canadians, all documentations is provided also in English language.

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.

6.1 Procedure for the external communication of privileged information

The Board has approved a 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 2010 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 and a 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.

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 four non-executive directors, two of whom are independent.

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

In order to avoid tied votes as the consequence of increasing the size of the committee to 4 members, the Board of Directors resolved at its meeting of 3 August 2009 that in cases of this nature the Chairman has the casting vote.

The Committee met on one occasion in 2010, with all of its members attending. The average duration of the meetings was one hour. The Directors cannot participate to the Remuneration Committee's meeting.

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

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.

In accordance with its assigned duties, the Compensation Committee carried out Mr. Dube's contract in 2010.

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 4 April 2008 shareholders in general meeting adopted a resolution to pay total gross annual compensation of Euro 110,000.

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.

Through a resolution adopted on 16 October 2009, 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 2011 if a specified level of business performance is achieved at the end of 2010.

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.

Following the approval of the above-mentioned plan and the consequent granting of the phantom performance shares, the annual variable compensation linked to reaching certain specific business objectives and assigned to the Managing Director in a resolution passed by the Board of Directors on 13 May 2008 has been amended to Euro 250,000.00 (compared to the previous figure of Euro 500,000.00) on the proposal of the Compensation Committee dated 1 September 2009 and approved by the Board at the same date. In addition, by means of a resolution adopted on 13 May 2008, again on the proposal of the Compensation Committee, the Board mandated its Chairman and the Chairman of the Board of Statutory Auditors to select and determine annual objectives and verify whether these have been achieved.

Details of the amount of the compensation received by the members of the Board of Directors in 2010 are provided in the notes to the annual financial statements pursuant to article 78 of the Issuers' Regulations.

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 4 April 2008 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.

Reference should be made to the specific table included in the notes to the financial statements, that are available on the Company's website www.renodemedici.it/investorreletions/bilancieresocontiintermedi, for detailed information regarding the compensation paid, in any capacity and form, including that paid by subsidiaries, to the individual members of the Board of Directors.

9.2. INDEMNITIES DUE TO DIRECTORS IN THE EVENT OF RESIGNATION, DISMISSAL OR TERMINATION OF THE RELATIONSHIP FOLLOWING A PUBLIC TENDER OFFER

At the date of this report no agreements have been stipulated between RDM and the directors that provide for an indemnity in the event of resignation, dismissal/revocation without just cause or the termination of the employment relationship following a public tender offer.

10 INTERNAL CONTROL COMMITTEE

10.1. COMPOSITION OF THE COMMITTEE

On 11 May 2007 the Board set up an Internal Control Committee within its structure.

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, appointed by a resolution of the Board of Directors adopted on 4 April 2008, consists of: Mr. Carlo Peretti - Chairman, Mr. Vincenzo Nicastro and Prof. Sergio Garribba.

The Internal Control Committee met on four occasions in 2009. The average duration of the meetings was two hours.

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.

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 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 1 January 2010 and the date of this report the Internal Control Committee reported to the Board on 26 March 2010, 3 August 2010 and 8 November 2010.

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.

On the matter of Legislative Decree n. 39/2010, during the meeting of 3 August 2010, the Board analyzed the proposal of Internal Committee about the specific areas for which the Internal Control Committee established within the Board of Directors is responsible and those for which the Board of Statutory Auditors is responsible in its new role as the Internal Control and Audit Committee. In particular, the Board of Directors of Reno De Medici S.p.A. decided that there are not incompatibility between the internal control Committee and Statutory Auditors considering that the committee allows the board to benefit from support of a preliminary nature on certain matters and in substance it ends up in having a consultative and propositional function, while the role of the board of statutory auditors is characterised by being a check after the event. Moreover, considering the relationship of mutual collaboration that exists between the Internal Control Committee and the Board of Statutory Auditors, given that the various professional skills of which these bodies are composed can only turn out to be beneficial for Reno De Medici and without altering the fact that any changes to the system of allocation may be reviewed in the light of any guidelines and/or indications of best practice that may be issued on the matter, the Board of Directors approved that the existing allocations should be left unaltered, given the various objectives, duties and scopes of responsibility assigned to the two bodies.

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

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.

An internal control system is a set of rules, procedures and organisational structures designed to permit a business to carry out its activities in a manner which is sound, proper and consistent with predetermined objectives and to prepare suitable, accurate and reliable corporate accounting documents through an adequate process of identifying, measuring, managing and monitoring its principal risks.

Such an internal control system, in the separate parts of which it is composed, provides 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 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.

At its meeting of 12 February 2011 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 new accounting and administrative procedures prepared and adopted by the manager in charge during December 2009, considering them to be adequate for the characteristics of the Company.

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.

At a Group level it should be noted that a Manual was distributed to all Group companies in December 2009, in view of the upcoming preparation of the annual financial statements, 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.

In further detail the existing administrative and accounting procedures were updated in 2009 and two new protocols were introduced.

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 4 April 2008 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. The director in charge of supervising the working of the internal control system focused his work during the year on the following:

a) identifying the main business risks, taking into account the characteristics of the Company's activities;

b) promoting and checking the adequacy of the internal control system;

c) updating the Organisational and Administrative Model as per Legislative Decree no. 231/01 and relative protocols.

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 and on 5th November 2009, also considering the result of legislative developments, during the year 2009, regarding the Legislative Decree no.231/2001 (L.99/2009 and L.116/2009) 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 8 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. 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 met three times in 2010 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 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.

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) 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 € 25,000.00 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) 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 the Responsible Officer pursuant to Art. 154.bis TUF, 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) 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. (a party to the shareholders' agreement discussed in paragraph 3.7).

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

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

The Board held 10 meetings in 2010.

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 2010.

Member	Attendance at meetings of the Board of Statutory Auditors	Attendance at meetings of the Board of Directors
Sergio Pivato	10/10	4/5
Giovanni Maria Conti	10/10	5/5
Carlo Tavormina	10/10	5/5

All absences were duly justified.

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 6 May 2010, 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.

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. Guido Giuseppe Vigorelli, who 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

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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 and the date of this report with exception of the Shareholders' Agreement (§ 3.7.).

TABLE 1: BOARD OF DIRECTORS

Director	Position	Executive	Non-executive	Indepen-dent	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		5/5	1
Robert Hall	Director		X		3/5	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		4/5	

(*) All absences from the meetings of the Board of Directors have been properly justified.

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		1/1
Vincenzo Nicastro		X	1/1
Carlo Peretti		X	1/1
Robert Hall			1/1

TABLE 4 : SUPERVISORY BODY

Director	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 2010

CONSOLIDATED INCOME STATEMENT

(thousands of Euros)	Note	31.12.2010	31.12.2009 (*)
Revenues from sales	1	503,599	428,120
- of which related parties	*34*	*10,529*	*6,968*
Other revenues and income	2	14,890	19,324
- of which non recurring	*32*	*959*	
- of which related parties	*34*	*1,684*	*1,712*
Change in stock of finished goods	3	4,445	(5,202)
Cost of raw materials and services	4	(397,455)	(328,428)
- of which related parties	*34*	*(21,111)*	*(17,061)*
Staff costs	5	(81,060)	(75,765)
- of which non recurring	*32*	*(1,118)*	
Other operating costs	6	(4,396)	(5,841)
Gross Operating Profit		**40,023**	**32,208**
Depreciation and amortisation	7	(26,076)	(26,655)
Recovery of value and write-down of assets	8	(1,916)	(598)
- of which non recurring	*32*	*(1,867)*	
Operating Profit		**12,031**	**4,955**
Financial expense		*(7,765)*	*(10,896)*
Exchange rate differences		*613*	*432*
Financial income		*91*	*219*
Financial income (expenses), net	9	(7,061)	(10,245)
Income (loss) from investments	10	224	(4)
- of which non recurring	*32*		*148*
Taxation	11	(3,155)	(1,297)
Profit (loss) for the year		**2,039**	**(6,591)**
Total profit (loss) attributable to:			
- Owners of the company		1,367	(6,945)
- Minority interest		672	354
Profit (loss) per share (Euros)		0.004	(0.020)
Profit (loss) per ordinary share diluted (Euros)		0.004	(0.019)

(*) Comparative figures as December 31, 2009 have been "revised" in accordance with IAS 8, following the reclassification of actuarial profits/losses deriving from the calculation of employee benefits made by the Group during the year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euros)	Note	31.12.2010	31.12.2009
Profit (loss) for the year		2,039	(6,591)
Other components of comprehensive profit (loss)			
Cash Flow Hedge	*23*	*(8)*	*(81)*
Available for Sale			*398*
Current translation differences	*23*	*62*	*106*
Total other components of comprehensive profit (loss)		54	423
Total comprehensive profit (loss)		2,093	(6,168)
Total comprehensive profit (loss) attributable to:			
- Owners of the company		1,421	(6,522)
- Minority interest		672	354

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(thousands of Euros)	Note	31.12.2010	31.12.2009
Non-current assets			
Tangible fixed assets	12	244,241	256,231
Goodwill	13	63	63
Intangible assets	14	5,990	6,243
Investments	15	6,689	6,690
Deferred tax assets	16	1,369	1,473
Financial assets held for sale	17	191	193
Trade receivables	18	81	81
Other receivables	19	370	364
Total non-current assets		258,994	271,338
Current assets			
Stock	20	81,925	74,313
Trade receivables	18	119,181	106,835
- of which related parties	*34*	*586*	*1,384*
Associated companies and joint ventures trade receivables	18	1,835	3,582
Other receivables	19	3,856	4,454
Other associated companies and joint ventures receivables	19	391	346
Financial assets held for sale	17		188
Liquid funds	21	2,210	1,707
Total current assets		209,398	191,425
Non-current assets held for sale	22	1,290	
TOTAL ASSETS		469,682	462,763

LIABILITIES AND SHAREHOLDERS' EQUITY

(thousands of Euros)	Note	31.12.2010	31.12.2009
Shareholders' equity			
Share capital		185,122	185,122
Share premium			
Other reserves		166	112
Retained earnings (losses) brought forwards		(31,090)	(24,145)
Profit (loss) for the year		1,367	(6,945)
Shareholders' equity attributable to the Group		**155,565**	**154,144**
Minority interests		1,010	677
Total Shareholders' equity	23	**156,575**	**154,821**
Non-current liabilities			
Bank loans and other financial liabilities	21	55,531	62,672
Derivative financial instruments	24	1,011	846
Other payables	25	1,596	1,872
- of which related parties	34	1,204	1,204
Deferred tax liabilities	26	25,536	27,407
Employee benefits	27	24,175	24,632
Non-current provisions for contingencies and charges	28	6,087	3,562
Total non-current liabilities		**113,936**	**120,991**
Current liabilities			
Bank loans and other financial liabilities	21	50,416	64,901
Derivative financial instruments	24	794	1,069
Trade payables	29	123,054	100,739
- of which related parties	34	3,257	2,397
Associated companies and joint ventures trade payables	29	4,173	1,944
Other payables	25	15,091	12,713
Other associated companies and joint ventures payables	25	1,307	3,406
Current taxation	30	1,630	1,340
Employee benefits	27	2,706	
Current provisions for contingencies and charges	31		839
Total current liabilities		**199,171**	**186,951**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		469,682	462,763

CONSOLIDATED CASH FLOW STATEMENT

(thousands of Euros)	Note	31.12.2010	31.12.2009
Profit (loss) for the year before taxation		5,194	(5,294)
Depreciation and amortisation	7 - 8	27,992	27,253
Loss (income) from investments	10	(224)	4
Financial (income) expense	9	7,061	9,070
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		2,637	(3,466)
Change in stocks	20	(7,822)	7,760
Change in trade receivables		(10,231)	9,284
- of which related parties		2,684	(2,920)
Change in trade payables		26,798	(8,513)
- of which related parties		3,090	(1,267)
Change in total working capital		8,745	8,531
Gross cash flow		**50,146**	**36,098**
Interests paid in the year		(7,477)	(8,021)
- of which related parties		(10)	(68)
Interests received in the year		3,045	2,151
- of which related parties		14	104
Taxes paid in the year		(4,289)	(4,194)
Cash flow from operating activities		**41,425**	**26,034**
Sale (purchase) of financial assets held for sale		190	12
Investments and disinvestments in non current assets	12-14	(15,782)	(19,700)
Business combination			(119)
Investments in joint venture		(192)	(4,660)
Dividends received	15	260	150
Cash flow from discontinued operations			(3,211)
Cash flow from investing activities		**(15,524)**	**(27,528)**
Dividends paid		(339)	(243)
Change in financial assets and liabilities and short-term bank borrowings		(17,536)	1,249
- of which related parties		(2,144)	4,785
Change in long-term bank borrowings		(7,585)	(2,225)
Cash flow from financial activities		**(25,460)**	**(1,219)**
Exchange difference from convertion	23	**62**	**106**
Change in unrestricted liquid funds	21	**503**	**(2,607)**
Unrestricted liquid funds at beginning of the year	21	**1,707**	**4,314**
Unrestricted liquid funds at end of the year	21	**2,210**	**1,707**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(thousands of Euros)	Share Capital	Legal reserve	Other reserves	Retained earnings (losses) brought forwards	Profit (loss) for the year	Fair value reserve	Hedging reserve	Share-holders' equity attributable to Group	Minority interest	Total Share-holders' equity
Shareholders' equity at 31.12.2008	**185,122**	**5**	**797**	**(17,696)**	**(6,449)**	**(398)**	**(715)**	**160,666**	**566**	**161,232**
Distribution of dividends									(243)	(243)
Appropriation of profit (loss) 2008				(6,449)	6,449					
Profit (loss) for the year					(6,945)			(6,945)	354	(6,591)
Other components of comprehensive profit (loss)			106			398	(81)	423		423
Total components of comprehensive profit (loss)			106		(6,945)	398	(81)	(6,522)	354	(6,168)
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) 2009				(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**

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 2011 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 2010 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 consolidated financial statements for 2010 have been prepared by applying the same accounting standards adopted for the Consolidated Financial Statement at 31 December 2009, with the exception of the classification of actuarial gains/losses arising from the employee benefits calculation which are now classified in "Financial income (expenses), net", mainly related to assumption of financial nature.

In accordance with IAS 8, figures as December 31, 2009 have been "revised" for an amount of about Euro 1.2 million.

The following amendments, improvements and interpretations have also been issued and are effective from 1 January 2010; these relate to matters that have not had impact to the Group at the date of these financial statements but which may affect the accounting for future transactions or arrangements:

- Improvement 2008 to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations;
- Amendments to IAS 28 – Investments in Associates and to IAS 31 – Interests in Joint Ventures consequential to the amendment to IAS 27;
- Improvements to IAS/IFRS (2009);
- Amendments to IFRS 2 – Share based Payment: Group Cash-settled Share-based Payment Transactions;
- IFRIC 17 – Distributions of Non-cash Assets to Owners;
- IFRIC 18 – Transfers of Assets from Customers;
- Amendment to IAS 39 – Financial Instruments: Recognition and Measurement: Eligible Hedged items.

The Reno De Medici Group has not early adopted any accounting standards, amendments or interpretations which have been endorsed by the European Union but are not yet effective.

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 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 statement of consolidated 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 statement of consolidated comprehensive income is presented separately from consolidated income statement and each figures are exposed net of fiscal effect;
- the consolidated cash flow statement is presented using the indirect method;
- the statement of changes in consolidated shareholders' 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 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			
				31.12.2010		31.12.2009	
				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			
				31.12.2010		31.12.2009	
				Direct	Indirect	Direct	Indirect
Pac Service S.p.A.	Vigonza (I)	Manufacturing	1,000	33.33%		33.33%	
Jointly-controlled companies (Joint Venture)							
Careo S.r.l.	Milan (I)	Sales	100	70.00%		70.00%	
R.D.M. Tissue core S.r.l.	Milan (I)	Manufacturing	100	51.00%		51.00%	
Manucor S.p.A.	Milan (I)	Manufacturing	10,000	22.75%		22.75%	

There are not changes in the scope of consolidation occurred at December 31, 2010 compared the previous year.

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. 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 statement of consolidated 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	Weight-exchange	End-exchange rate 31.12.2010
UK pound	0.8881	0.8578	0.8607

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. Land is not depreciated, even if acquired together with buildings.

The annual depreciation rates used are as follows:

Category		Rate%
Buildings	Factory buildings Small constructions	2,5% - 3%
Plant and machinery	General plant and machinery Specific plant and machinery	4% - 20% 4% - 20%
Industrial and commercial equipments	Sundry equipment	20% - 25%
Other assets	Furniture and ordinary office machinery Eletronic office machinery Internal vehicles Motor vehicles	8% - 12% 16,67% - 20% 20% 16,67% - 25%

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, 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		Rate%
Concessions, licences, trade marks and similar right	Software licences	20%
Other intangible assets	Market share Sundry deferred charges	20% 8% - 20%

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

Financial fixed assets held 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 impaired, 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, 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."

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. e Cartiera Alto Milanese S.p.A.) 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.

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 2011 to 2015.

For discounting cash flows the Group has used the same rate, 7.25%, 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

As a result of the change at 31 December 2010 concerning the classification of actuarial gains/losses arising from the calculation of employee benefits due to assumption of financial nature , the component of Euro 1.2 million at 31 December 2009 was reclassified from "Staff costs" to "Financial income (expenses), net", in accordance with IAS 8.

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 2010 and 2009:

Profit and loss 31.12.2010 (thousands of Euros)	Italy	Spain	Germany	France	Uk	Unallocated items & adjustments	Consolidated
Recenues 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	277						
Total Assets	445,231	50,263	133,581	23,261	7,273	(189,927)	469,682

Profit and loss 31.12.2009 (thousands of Euros)	Italy	Spain	Germany	France	Uk	Unallocated items & adjustments	Consolidated
Recenues from sales	275,622	35,948	101,724	47,160	7,190	(39,524)	428,120
Revenues from transactions with other segments	(37,849)		(1,111)	(564)		39,524	
Revenues from external customers	237,773	35,948	100,613	46,596	7,190		428,120
Gross operating profit	18,483	1,544	14,362	(3,166)	(190)		31,033
Depreciation and amortization	(16,150)	(941)	(9,106)	(227)	(57)	(174)	(26,655)
Recovery of value and write-down of assets	(598)						(598)
Operating profit	1,735	603	5,256	(3,393)	(247)	(174)	3,780
Financial income (expense), net	(8,877)	180	(1)	(350)	(13)	(9)	(9,070)
Income (loss) from investments	536					(540)	(4)
Taxation	(308)	13	(989)	(6)		(7)	(1,297)
Profit (loss) for the year	(6,914)	796	4,266	(3,749)	(260)	(730)	(6,591)
Interest in profit/(loss) of joint venture and associates accounted for by equity method	(81)						
Total Assets	442,767	50,304	133,708	18,204	4,065	(186,285)	462,763

In 2010 and 2009, 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)	31.12.2010	31.12.2009	Variations
Revenues from sales	503,599	428,120	75,479
Total revenues from sales	**503,599**	**428,120**	**75,479**

The following table provides a geographical analysis of sales revenues:

(thousands of Euros)	31.12.2010	31.12.2009	Variations	%
Italy	178,980	152,449	26,531	17.4%
EU	249,477	222,361	27,116	12.2%
Extra EU	75,142	53,310	21,832	40.9%
Total revenues from sales	**503,599**	**428,120**	**75,479**	**17.6%**

There was an increase in sales of 17.6% in 2010, compared to 2009. This increase is due to higher sales volumes and increased unit revenues.

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

2. Other revenues and income

Other revenues from sales may be analysed as follows:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Grants	725	650	75
Indemnities	271	2,812	(2,541)
Recharge of costs	3	129	(126)
Revenues from sales of energy	7,529	9,834	(2,305)
Other revenues	6,362	5,899	463
Total	**14,890**	**19,324**	**(4,434)**

In 2009 "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 2010.

"Other revenues" consist receipts from creditors' arrangement procedures, VAT recoveries following the closure of insolvency proceedings, revenues from services provided to related parties for an amount of about Euro 1.7 million and income from the sales of CO2 certificates made, in particular, from French company for a total amount of Euro 1 million.

See comment in the Note 32 concerning the item non recurring.

3. Change in stocks of finished goods

Change in stocks (Euro +4.4 million) relate mainly to the increasing in prices for raw material mixture during the 2010.

4. Cost of raw materials and services

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Cost of raw material	**230,481**	**169,391**	**61,089**
Purchase of raw material	233,647	166,833	66,814
Change in stocks of raw materials	(3,166)	2,559	(5,725)
Commericial services	**54,280**	**48,954**	**5,326**
Trasports	41,384	37,319	4,065
Commissions and agents' costs	12,896	11,635	1,261
Manufacturing services	**95,435**	**93,559**	**1,876**
Energy	59,393	60,559	(1,166)
Maintanance	13,803	13,138	665
Waste disposal	12,344	10,484	1,860
Other manufacturing services	9,895	9,378	517
General services	**13,795**	**13,040**	**755**
Insurance	2,810	3,033	(223)
Legal, notarial, administrative and external collaboration	4,015	3,892	123
Board of directors	1,407	1,110	297
Statutory auditors	203	214	(11)
Postal and telephone	758	741	17
Other	4,602	4,050	552
Use of third party assets	**3,464**	**3,484**	**(19)**
Rental and leasing	3,464	3,484	(19)
Total	**397,455**	**328,428**	**69,027**

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 result of the trend above descript these costs rise from 40.1% of the value of production ("Revenues from sales" plus "Change in stocks of finished goods") in 2009 to 45.1% in 2010.

The constantly upwards trend in the price of energy (gas/electricity/coal) in 2010 anticipated the effects of a pick-up in global demand, and especially during the final part of the year was also affected by the price of oil. Price increases over average values of the previous year ranged from 15% to 30%; in terms of cost for the Company such increases have been mitigated by the benefits granted by same contracts for the purchase of energy in international market.

Service costs rise in total by 5.1% over the previous year (Euro 163.5 million for the year ended 31 December 2010 against Euro 155.6 million for the year ended 31 December 2009), amounting to 32.3% of value of production (36.3% for the year ended 31 December 2009).

This trend is to a large extent the result of an increase in costs for "Transports" arising from the significant rise of sales, amounting to 8.1% of value of production (8.8% for the ended 31 December 2009).

The costs for the "Use of third-parties assets" at 31 December 2010 are in line with the figures at 31 December 2009.

5. Staff costs

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Salaries and wages	56,694	56,207	487
Social security contributions	17,482	16,990	492
Indemnity for defined contribution plans	2,027	1,210	817
Indemnity for defined benefits plans	234	213	21
Incentive plans	2,539	504	2,035
Other costs	2,084	641	1,443
Total	81,060	75,765	5,295

The increase in staff costs of Euro 5.3 million over the previous year is due to an accrual of Euro 2.5 million made for the performance-based management incentive plan for the period 2009-2010-2011 and the RDM Group employees' incentive plan for the period 2010-2011, and to a slight rise, in absolute terms, in the cost of labour compared to the previous year as a result of contractual increases and the increased number of hours worked; on the other hand, the per-unit cost of labor slightly decreased.

As regarding "Other costs" of non recurring nature, see note 32.

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	31.12.2010	31.12.2009	Variations
Executives and managers	44	36	8
White-collar	393	407	(14)
Blue-collar	1,158	1,175	(17)
Total	1,595	1,618	(23)

Weight employees by category	31.12.2010	31.12.2009	Variations
Executives and managers	44	38	6
White-collar	383	404	(21)
Blue-collar	1,092	1,110	(18)
Total	1,519	1,552	(33)
Temporany lay-off in CIGS	64	82	(18)
Permanent manpower	1,583	1,634	(51)

6. Other operating costs

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Accruals to provisions	132	45	87
Write-down of working capital receivables	668	2,091	(1,423)
Other operating costs	3,596	3,705	(109)
Total	4,396	5,841	(1,445)

More specifically, there has been a decrease in the provisions made against trade receivables and an increase in those made against other risks compared the previous year.

"Other operating costs" at 31 December 2010 are in line with the figures at 31 December 2009. 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)	31.12.2010	31.12.2009	Variations
Amortisation of intangible assets	599	458	141
Depreciation of tangible assets	25,477	26,197	(720)
Total	26,076	26,655	(579)

"Depreciation and amortisation" at 31 December 2010 are in line with the figures at 31 December 2009.

8. Recovery of value and write-downs of assets

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Write down	1,916	598	1,318
Total	1,916	598	1,318

On December 31, 2010 assets held for sale related to Marzabotto mill has been aligned between the carrying amount and the fair value, by taking a devaluation for an amount of Euro 1.9 million.

In addition, on December 31, 2009 the write-down of the MC1 deriving from alignment of its value based on actual re-utilization of the asset on the basis of currently estimable, and the write-down related a calculation of the value of assets being disinvested following an accident in one of the mill.

9. Financial income (expenses), net

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Financial income	**91**	**219**	**(128)**
Interest and other financial income	91	138	(47)
Financial income from derivative instruments		81	(81)
Financial expense	**(7,765)**	**(10,896)**	**3,131**
Bank interest	(4,765)	(6,083)	1,318
Financial charge from derivative instruments	(895)	(1,034)	139
Financial charge on defined benefits plans	(1,399)	(3,161)	1,762
Expenses, commissions and other financial charges	(706)	(618)	(88)
Exchange differences	**613**	**432**	**181**
Exchange gains	2,953	2,013	940
Exchange losses	(2,340)	(1,581)	(759)
Total	**(7,061)**	**(10,245)**	**3,184**

There has been an improvement of Euro 3.2 million in net financial expense.

This is to a large extent due to a considerable decrease in the bank interest payable on floating rate medium and long term loans and the reduced use of short term financing in 2010. There was also a decrease in the actuarial gains/losses arising from the calculation of employee benefits made by the Group.

10. Income (loss) from investments

Income (losses) from investments relates mainly to the following:

- income of Euro 0.2 million arising from accounting for the investment in the associate Careo S.r.l. by using the equity method;
- income of Euro 0.3 million arising from accounting for the investment in the associate Pac Service S.p.A. by using the equity method;
- expenses of Euro 0.2 million arising from accounting for the investment in the associate Manucor S.p.A. by using the equity method;
- expenses of Euro 0.1 million arising from accounting for the investment in the associate R.D.M. Tissue Core S.r.l. by using the equity method.

11. Taxation

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Deferred taxation	1,767	2,699	(932)
Current taxation	(4,922)	(3,996)	(926)
Total	**(3,155)**	**(1,297)**	**(1,858)**

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 26 – Deferred taxation.

(thousands of Euros)	Imponibile	% IRES	31.12.2010
Profit (loss) before taxation	10,757		
Theoretical tax charge		**27.50%**	**2,958**
Reversal of prior year temporary differences	(2,606)		
Temporary differences which will reverse in future years	12,672		
Permanent differences which will not reverse in future years	(1,231)		
Total difference	8,835		
Use tax losses of previous years	(7,218)		
Effective tax charge	**12,374**	**24.16%**	**2,989**

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)			31.12.2010
Difference between value and cost of production	57,397		
Costs for insurance and tax wedge reduction	(15,659)		
Total	**41,738**		
Theoretical tax charge		**3.90%**	**1,628**
Permanent differences for major regional taxation	2,518		
Reversal of prior year temporary differences	1,657		
Permanent differences which will not reverse in future years	3,647		
Total difference	**7,822**		
Effective tax charge	**49,560**	**3.90%**	**1,933**
Current taxation		**4.63%**	

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. Tangible fixed assets

As regards the movements of tangible assets related the year 2009 and 2010, are the following:

(thousands of Euros)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Asset in course of construction	Total
Cost	27,516	91,014	613,081	13,820	14,657	1,388	761,477
Accumulated depreciation/ Write-down		(43,921)	(431,254)	(8,513)	(13,389)		(497,077)
Net Book value 31.12.08	**27,516**	**47,093**	**181,827**	**5,307**	**1,268**	**1,388**	**264,400**
Increases	126	881	14,321	140	198	4,097	19,763
Decreases			(518)		(558)		(777)
Reclassification of cost		166	801		197	(1,164)	
Recovery of value and write down			(1,663)				(1,663)
Depreciation of the year		(3,514)	(21,752)	(598)	(333)		(26,197)
Write down			1,065				1,065
Other changes (cost)			612				612
Other changes (acc. Depr.)							
Utilization of the acc. Depr.			410		260		670
Value at 31.12.2009							
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**

(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		115	3,674			(3,789)	
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 (cost)		(97)	(56,241)	7	14	(224)	(56,541)
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	738,261
Accumulated depreciation/ Write-down		(50,050)	(420,533)	(9,703)	(13,733)		(494,020)
Net Book value 31.12.10	**27,614**	**42,250**	**159,327**	**4,419**	**968**	**9,664**	**244,241**

"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 former Cascades company 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 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 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 factory of the German subsidiary of Arnsberg regarded the installation of a new "shoe press".

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 441 million on owned property and plant and machinery, pledged in favour of banks as security on loans, whose outstanding balance at 31 December 2010 amounted to Euro 65,5 million.

"Other changes (cost)" and "Other changes (acc. Depr.)" are related to plant and machinery of Marzabotto mills. See Note 22 for more details.

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

13. 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.

14. Intangible assets

As regards the movements of intangible assets related the year 2010 and 2009, are the following:

(thousands of Euros)	Concessions, licences, trade marks and similar rights	Intagible assets with an indefinite useful life	Other	Financial assets in progress	Total
Net book value at 31.12.08	**372**	**3,973**	**429**	**855**	**5,629**
Increases	930		43	99	1,072
Reclassification of cost	847			(847)	
Amortisation for the year	(320)		(138)		(458)
Net book value at 31.12.09	**1,829**	**3,973**	**334**	**107**	**6,243**

(thousands of Euros)	Concessions, licences, trade marks and similar rights	Intagible assets with an indefinite useful life	Other	Financial assets in progress	Total
Net book value at 31.12.2009	**1,829**	**3,973**	**334**	**107**	**6,243**
Increases	218			96	314
Decreases			(49)		(49)
Reclassification of cost	93				93
Amortisation for the year	(468)		(143)		(611)
Net book value at 31.12.2010	**1,672**	**3,973**	**142**	**203**	**5,990**

"Intangible assets with an indefinite useful life" consists of the valuation at fair value made within the business combination 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. There have not detected impairment loss.

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

There have been no revaluations or write-downs of intangible assets during the year.

15. Investments

(thousands of Euros)	Carry value at 31.12.2009	Elimination of dividens from associates	Write-down / Revaluations	Carry value at 31.12.2010
Associated companies				
Careo S.r.l.	87		242	329
Manucor S.p.A.	5,031		(239)	4,792
Pac Service S.p.A.	1,553	(260)	275	1,568
R.D.M. Tissue core S.r.l.	19		(19)	
Total	**6,690**	**(260)**	**259**	**6,689**

Write-downs and revaluations relate to the adjustment to the carrying amount of the investments in Manucor S.p.A., Careo S.r.l. and R.D.M. Tissue core 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.

The impairment test of interests conducted at year-end did not reveal any impairments; therefore, the assets evaluated were not depreciated.

For more information see the section "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".

16. 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 and carry forward tax losses in RDM Iberica S.L.. Such taxes are recorded to the extent that the company is likely to achieve future taxable income in an amount sufficient to recover the recorded prepaid taxes.

17. Financial assets held for sale

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Financial assets held for sale	191	193	(2)
Non-current	**191**	**193**	**(2)**
Financial assets held for sale		188	(188)
Current		**188**	**(188)**

"Financial assets held 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.

"Financial assets held for sale", current portion, included at December 31, 2009 the investment in Realty Vailog S.p.A..

18. 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 121.1 million.

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Trade receivables	81	81	
Non-current trade receivables	**81**	**81**	
Trade receivables	119,181	106,835	12,346
Associated companies and joint ventures trade receivables	1,835	3,582	(1,747)
Current trade receivables	**121,016**	**110,417**	**10,599**

The increase of "Trade receivables" of Euro10.6 million is mainly attributable to the increasing of turnover, partially offset by the effect of factoring program launched in the year (the account receivables expiring after December 31, 2010 that have been sold amounted to Euro 7.2 million).

The current portion of "Trade receivables" is stated net of a provision for bad and doubtful debts of Euro 5.6 million. The following table sets out the changes for the year in that provision:

(thousands of Euros)	31.12.2009	Charge	Utilization	31.12.2010
Provision for bad and doubtful debts	5,196	668	(304)	5,560
Total	**5,196**	**668**	**(304)**	**5,560**

The item includes trade receivables from related parties for an amount of Euro 0.6 million (compared to Euro 1.4 million at 31 December 2009). For more details, see Note 34.

"Associated companies and joint ventures trade receivables" include 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. and Pac Service S.p.A., 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)	31.12.2010	31.12.2009
Italy	66,716	65,090
EU	41,792	33,787
Rest of the world	12,508	11,540
Total	**121,016**	**110,417**

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

Other non-current receivables *(thousands of Euros)*	31.12.2010	31.12.2009	Variations
Tax credits	229	229	
Guarantee deposits	91	92	(1)
Other receivables	50	43	7
Total	**370**	**364**	**6**

"Tax credits", non-current portion, relates mainly to applications for IRPEG refunds relating to prior years, no changes compared the previous year.

Other current receivables *(thousands of Euros)*	31.12.2010	31.12.2009	Variations
Tax receivables	1,486	1,457	29
Prepayments and accrued income	194	302	(108)
Miscellaneous	2,176	2,695	(519)
Total	**3,856**	**4,454**	**(598)**
Other associated companies and joint ventures receivables	391	346	45
Total	**4,247**	**4,800**	**(553)**

The balance of "Tax receivables" is in line with that of the previous year.

The decrease in "Miscellaneous" is mainly due to a reduction in advances to suppliers.

"Other associated companies and joint ventures receivables", at 31 December 2010, arise mainly from relations of financial nature with Reno Logistica S.r.l. in liquidation.

20. Stocks

The following table provides an analysis of stocks at 31 December 2010 and 31 December 2009:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Raw material and consumables	43,698	40,605	3,093
Provision for obsolescence	(2,982)	(3,056)	74
Finished goods and goods for resale	41,241	36,932	4,309
Provision for obsolescence	(32)	(168)	136
Total	**81,925**	**74,313**	**7,612**

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.

21. Net financial position

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Cash	36	104	(68)
Funds available at banks	2,174	1,603	571
A. Cash and cash equivalent	**2,210**	**1,707**	**503**
Other associated companies and joint ventures receivables	391	346	45
B. Current financial receivables	**391**	**346**	**45**
1. Bank overdraft	*40,176*	*57,815*	*(17,639)*
2. Current portion of medium and long term loans	*9,875*	*6,652*	*3,223*
3. Other current financial liabilities	*365*	*434*	*(69)*
Bank loans and other financial liabilities (1+2+3)	50,416	64,901	(14,485)
Other associated companies and joint ventures payables	1,307	3,406	(2,099)
Derivatives - current financial liabilities	794	1,069	(275)
C. Current financial debt	**52,517**	**69,376**	**(16,859)**
D. Current financial debt, net (C - A - B)	**49,916**	**67,323**	**(17,407)**
Bank loans and other financial liabilities	55,531	62,672	(7,141)
Derivatives - non-current financial liabilities	1,011	846	165
E. Non-current financial debt	**56,542**	**63,518**	**(6,976)**
F. Financial debt, net (D+E)	**106,458**	**130,841**	**(24,383)**

The Gross Financial Indebtedness as of 31 December 2010, determined according to the amortized cost method, amounts to Euro 107.2 million (compared to Euro 131.0 million as of 31 December 2009) and includes non-current portions of medium-long term loans for an amount of Euro 55.5 million, current portions of medium-long term loans for Euro 10.2 million, and trade financings for Euro 41.5 million, mainly consisting of lines for the discount of trade account receivables.

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 than one year	Due after more than five years	Total
M.I.C.A. - due on February 13, 2016	137	602	165	904
M.I.C.A. - due on October 16, 2013	148	305		453
San Paolo Imi - due on June 15, 2011	1,164			1,164
San Paolo Imi - due on December 15, 2011	3,387			3,387
San Paolo Imi - due on April 6, 2016		12,466		12,466
San Paolo Imi fin.pool - tranche A - due on April 6, 2016	3,150	25,200	3,150	31,500
San Paolo Imi fin.pool - tranche B - due on April 6, 2016	1,000	8,000	1,000	10,000
Banca Pop.Emilia Romagna - due on May 15, 2016	620	2,480	310	3,410
DRESDNER BANK - due on December 2015	714	2,857		3,571
Total payables at nominal value	**10,320**	**51,910**	**4,625**	**66,855**
Effect of amortized cost	**(445)**	**(983)**	**(21)**	**(1,449)**
Total payables valued with amortized cost	**9,875**	**50,927**	**4,604**	**65,406**

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.

In terms of guarantees the agreement requires RDM to provide first mortgages on the Ovaro and Marzabotto factories and second mortgages on those at Magenta, Santa Giustina and Villa Santa Lucia, for an overall total of euro 120 million. This guarantees are related to the pool funding.

Special first-degree liens on the Ovaro and Marzabotto's plant and machinery, and second-degree liens on the Magenta, Santa Giustina and Santa Lucia's plant and machinery are granted as guarantees, for a total amount of Euro 120 Million.

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 of which Euro 69.7 million has been disbursed; following repayments there was an outstanding balance of Euro 53.9 million at 31 December 2010.

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.

These terms will enable RDM to satisfy the financial commitments it has in respect of its plan for investments exceeding routine levels in 2009-2011 (amounting to a total of approximately Euro 15 million) which are required to further enhance manufacturing activities.

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.

It should also be remembered that on 13 April 2006 a loan of Euro 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. Under that agreement, the plants located in Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia were mortgaged for a total of Euro 11.2 million as at 31 December 2010.

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 2010 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 2010. For a more thorough information on the derivative instruments in portfolio as of 31 December 2010, see Note 24.

22. Non-current assets held for sale

As regards the movements of non-current assets held for sale are the following:

(thousands of Euros)	31.12.2009 Riclassification	Write-down	31.12.2010
Plant and machinery	3,156	(1,866)	1,290
Total	3,156	(1,866)	1,290

"Non-current assets held for sale" consist of plant and machinery relating to the Marzabotto factory. During the second half of 2010 preliminary steps were initiated for the disposal of these assets, with the resulting recovery of their carrying amount through a sale 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. The Management considers that the disposal seems probable within the end of 2011.

Further details may be found in the Note 8 of this document.

23. Shareholders' equity

Changes in shareholders' equity for the year are set out in the following table:

Description *(thousands of Euros)*	Share-holders's equity at 31.12.2009	Changes in the year				Share-holders's equity at 31.12.2010
		Loss cover 2009	Current traslation differences	Hedge accounting	Profit (loss) for the year	
Share capital	185,122					185,122
Legal reserve	5					5
Other reserves:						
- Extraordinary reserve	1,150					1,150
- Exchange difference from convertion	(247)		62			(185)
Hedging reserve	(796)			(8)		(804)
Profit (loss) brought forward	(24,145)	(6,945)				(31,090)
Profit (loss) for the year	(6,945)	6,945			1,367	1,367
Total	**154,144**		**62**	**(8)**	**1,367**	**155,565**

The shareholders' meeting of 27 April 2010 adopted a resolution to carry forward the Parent Company's loss of Euro 4,669,090 for 2009.

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 2010, 31,238 savings shares were converted to ordinary shares. As the result of this the Company's share capital at 31 December 2010, fully subscribed and fully paid, was made up as follows:

	Quantity	Par value	Total
Ordinary shares	377,456,132	€0,49	184,953,504.68
Savings share	344,862	€0,49	168,982.38
Total	**377,800,994**		**185,122,487.06**

Following the detail of the number of outstanding shares at 31 December 2010 and at 31 December 2009:

	31.12.2010	31.12.2009	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 2009 and 2010.

Minority interests of Euro 1 million (Euro 0.7 million at 31 December 2009) 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:

	31.12.2010			31.12.2009		
(thousands of Euros)	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
Cash Flow Hedge	(11)	3	(8)	(99)	18	(81)
Fair value gains on available-for-sale financial assets				398		398
Current traslation differences	62		62	106		106

It should be note that the theoretical tax charge on temporary differences arising from the evaluation at fair value of financial assets held for sale has not been detected in the financial statement since there is no recovery for the related deferred tax assets.

24. Derivative financial instruments

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Non-current liabilities	**1,011**	**846**	**165**
Derivative financial instruments (Hedge accounting)	862	746	116
Derivative financial instruments (No Hedge accounting)	149	100	49
Current liabilities	**794**	**1,069**	**(275)**
Derivative financial instruments (Hedge accounting)	617	812	(195)
Derivative financial instruments (No Hedge accounting)	177	257	(80)

There was a negative fair value of Euro 1.805 thousand at 31 December 2010 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 2010:

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	16.500	4,11% fixed Euribor 6m	Six monthly	(986)
Reno De Medici S.p.A	Unicredit Banca d'Impresa S.p.A.	Eur	06.04.2016	8.250	4,11% fixed Euribor 6m	Six monthly	(493)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	15.05.2016	3.410	4,15% fixed Euribor 6m	Six monthly	(196)
Reno De Medici Arnsberg GmbH	Dresner Bank AG	Eur	31.12.2015	3.571	3,59% fixed Euribors 6m	Six monthly	(130)
				31.731			(1.805)

25. Other payables and other associated companies and joint ventures payables

The following table provides a detail of other payables:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Deferred income	392	443	(51)
Miscellaneous payables	1,204	1,429	(225)
Other non-current payables	**1,596**	**1,872**	**(276)**
Payables to personnel	5,646	5,243	403
Payables to social security authorities	4,248	3,531	717
Payables to tax authorities	2,905	2,249	656
Miscellaneous payables	969	522	447
Company body	1,209	1,076	133
Accrual and deferred income	114	92	22
Other current payables	**15,091**	**12,713**	**2,378**
Other associated companies and joint ventures payables	1,307	3,406	(2,099)
Total other payables	**16,398**	**16,119**	**279**

"Deferred income" relate for Euro 0.4 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 0.3 million.

"Miscellaneous payables", non-current portion, include 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 call option for the acquisition of the companies owned by Cascades SA that operate in the virgin-fiber carton board sector.

"Payables to personnel" consists mainly of amounts for deferred compensation and indemnities, in line with the figures at 31 December 2009.

"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 2011, and to accruals for social security contributions due on deferred compensation (employee leave, additional months' salaries and overtime).

"Payable to tax authorities" consists of withholding taxes on wages and salaries paid to employees in December, VAT payables and miscellaneous tax payables.

"Other associated companies and joint ventures liabilites" arise 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.

26. 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 2010:

(thousands of Euros)	2010			2009		
	Temporary differences	Average tax rate%	Tax effect	Temporary differences	Average tax rate%	Tax effect
Recognised deferred tax assets	**18,783**		**4,555**	**20,302**		**5,021**
Booking depreciation exceeding tax depreciation	126	30.57%	39	998	30.57%	305
Tax losses to carry forward	4,963	28.87%	1,433	10,368	28.38%	2,950
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)	894	3.90%	35	894	3.90%	35
Provision for future charges (IRES)	335	27.50%	92			
Other temporary differences	6,882	27.53%	1,895	2,442	27.83%	672
Other temporary differences IRAP	152	3.90%	6	182	3.90%	7
Employee benefits actualised	2,050	30.57%	627	2,022	30.57%	618
Valutation of derivatives with hedge accounting	1,108	27.50%	305	1,097	27.50%	302
Deferred tax liabilities consolidation booking	131	30.57%	40	157	31.40%	48
Recognised deferred tax liabilities	**93,038**		**28,721**	**100,358**		**30,955**
Booking depreciation exceeding tax depreciation	25,607	31.40%	8,041	27,245	31.40%	8,555
Other temporary differences	2,843	30.59%	870	2,645	30.26%	800
Remeasuting TFR IFRS	3,408	27.50%	937	3,723	27.50%	1,024
Deferred tax liabilities consolidation booking	61,180	30.85%	18,874	66,745	30.80%	20,557
Recognised deferred tax (assets) liabilities, net			**24,167**			**25,934**
- of which deferred tax liabilities			25,536			27,407
- (of which deferred tax assets)			(1,369)			(1,473)
Unrecognised deferred tax assets	**174,919**		**51,803**	**182,912**		**53,699**
Write-down for permanent losses in value	6,977	30.34%	2,117	2,117	27.50%	582
Write-down stock	322	27.50%	89	322	27.50%	89
Bad and doubtful debts	1,658	28.37%	470	1,822	28.50%	519
Provision for future charges	4,341	27.62%	1,199	6,223	30.42%	1,893
Financial interest deductible	7,678	27.50%	2,111	9,360	27.50%	2,574
Other temporary differences				1,642	27.50%	452
Tax losses to carry forward	110,831	30.47%	33,767	154,614	29.31%	45,319
Tax loss for the year (1)	43,112	27.95%	12,049	6,812	33.33%	2,270
Unrecognised deferred tax assets			**51,803**			**53,699**

Deferred tax assets and liabilities at 31 December 2010 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.

Unrecognised deferred tax assets arise principally from unused tax losses. These assets have not been recognised for reasons of prudence, given the present situation in the sales markets and the overall economic situation.

We report here after the tax losses of the Group, for a total amount of Euro 156.9 million, broken-down based on the years in which they can be recovered.

(thousands of Euros)	2011	2012	2013	2014	2015
Reno De Medici S.p.A.	42,003	16,379	5,919		
RDM Iberica S.L.	86,209	86,209	86,209	86,209	86,209
RDM Blendecques S.A.S.	22,268	22,268	22,268	22,268	22,268
Reno De Medici UK Limited	6,427	6,427	6,427	6,427	6,427
Total tax losses to carry forward	156,907	131,283	120,823	114,904	114,904

27. Employee benefits

The following table present details of Employee benefits, current and non-current balances:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Employee benefits	11,867	11,067	800
TFR pension fund	12,163	13,061	(898)
Incentive plans	145	504	(359)
Non-current employee benefits	**24,175**	**24,632**	**(457)**
Incentive plans	2,706		2,706
Current employee benefits	2,706		2,706
Total	**26,881**	**24,632**	**2,249**

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 economic and financial assumptions used were as follows:

	Italy	Germany	France
Annual discount rate	4,55%	4,9%	4,75%
Annual inflation rate	2%	2,25%	2,25%
Annual increase in overall salaries and wages	3%	1,75%	2%

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 31.12.2009	**24,128**	**504**	**24,632**
Service cost	252		252
Interest cost	1,426		1,426
Services rendered	(1,776)		(1,776)
Other movements		(359)	(359)
Actuarial value at 31.12.2010	**24,030**	**145**	**24,175**

"Interest cost" includes actuarial gains/losses for an amount of Euro 0.2 million.

Concerning to the evaluation of "Incentive Scheme open to RDM Group employees in 2010-2011", the estimated hypothetical adhesion of 10% used at 31 December 2009 has not been changed.

Current "Employee benefits" include the liability relating to the incentive plans amounting to a total of Euro 2.7 million, which is due to the beneficiaries as the specific plan targets (observance of financial covenants and return on invested capital) were achieved at 31 December 2010.

In determining the fair value of the management incentive plan based on Performance Phantom Shares the calculator available in FinCadXL software was used to measure the Asian options by means a Monte Carlo simulation. The input data used for the valuation were the one year historical volatility rate and price of the Reno De Medici share at 31 December 2010 and the relative Euro interest rate curve at 31 December 2010, calculated by starting from the rates for deposits, futures and swaps.

28. Non-current provisions for contingencies and charges

The balance at 31 December 2010 is as follow:

(thousands of Euros)	31.12.2009	Other movements	Charge	Utilizations	31.12.2010
Agents' termination indemnity	186	(35)	48	(27)	172
Provision for future charges	3,202	760	2,295	(549)	5,708
Provision for losses on investments	174		33		207
Total	**3,562**	**725**	**2,376**	**(576)**	**6,087**

The calculation of the provision for the "Agents' termination indemnity" is based on actuarial techniques.

The utilisation of the "Provision for future charges" during the year is mainly due to the settlement of outstanding litigation for Euro 0.5 million and the closing of disputes with former employees.

The charge for the year relates to the estimation of the cost related to the personnel that will be incurred as a consequence of the discontinuation of the activities of the Italian mill of Marzabotto and outstanding litigation.

Other movements regard the reclassification at 31 December 2010 of the liability relating to the French factory of Blendecques. Further details of this may be found in Note 31.

The increase in the "Provision for losses on investments" relates to the write-down of the investments in the subsidiaries Reno Logistica S.r.l. in liquidation.

29. Trade payables and Associated companies and joint ventures trade payables

The balance at 31 December 2010 is made up as follows:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Trade payables	123,054	100,739	22,315
Associated companies and joint ventures trade payables	4,173	1,944	2,229
Total	**127,227**	**102,683**	**24,544**

"Trade payables" amount to Euro 123.1 million at 31 December 2010 (Euro 100.7 million at 31 December 2009) 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.

The increase of Euro 22.3 million is mainly due to the general increase in prices and unit costs. Further details of this matter may be found in the comments on working capital included in the "Report of the Board of Directors".

"Associated companies and joint ventures trade payables" amounting to Euro 4.2 million (Euro 1.9 million at 31 December 2009) relate to balances of a trading nature with Careo S.r.l..

30. Current taxation

At 31 December 2010 this item consists of the amount payable to the inland revenue for current taxation for the year then ended.

31. Current provisions for contingencies and charges

At 31 December 2009 this item consisted mainly of the residual liability relating to excess personnel connected with the discontinued line of business at the French factory of Blendecques and outstanding litigation with former employees arising at the same factory. This was reclassified to "Non-current provisions for contingencies and charges" in 2010.

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.

"Other revenues and income" for the year ended 31 December 2010 relate to a gain of Euro 0.9 million arising from the sale of a building and piece of land not for production scope owned by the Parent.

The non-recurring costs, for an amount of approximately Euro 1.1 million, represent the estimation of the cost related to the personnel that will be incurred as a consequence of the discontinuation of the activities of the Italian mill of Marzabotto.

As regarding the write-down may be found in Note 8.

With the exception of the matters referred to above 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 2010 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 2.3 million provided in favour of the Veneto Region and the Province of Belluno regarding the landfill located at the Santa Giustina (BL) facility;
- a surety of Euro 432 thousand provided to the Comieco consortium;
- sureties of Euro 100 thousand provided in favour of the customs authorities;
- a surety of Euro 110 thousand provided in favour of the Lombardy Region;
- a sureties of Euro 110 thousand given in connection with the leasing of property.

Furthermore, within the combination agreement Reno De Medici S.p.A. and Cascades SA 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 SA in the virgin fiber carton board sector, presently located in the mills of la Rochette in France, and of Djupafors in Sweden.

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 and associated companies

The transactions in place with subsidiaries and associated companies 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 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 2010 totalled Euro 2,505 thousand, receipts in the same year totalled Euro 1,774 thousand, while trade receivables at 31 December 2010 amounted to Euro 116 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., a company of which RDM owns 51%, in connection with sales of cardboard. Sales made in 2010 totalled Euro 1,144 thousand, receipts in the same year totalled Euro 1,104 thousand, while trade receivables at 31 December 2010 amounted to Euro 593 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.

RELATED PARTIES TRANSACTIONS

At 31 december 2010 the fees of the year to other related parties disclosured in chapter 12 - point 1) (d) of Report on Corporate Governance amounted to approximately Euro 2.489 thousands.

Following the integrated information requested by CONSOB communication Nr. 6064293 of 28th July 2006, related to related party transactions.

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 2010:

	Current assets			Current liabilities			Non-current liabilities
(thousands of Euros)	Trade receivables	Associated companies and joint ventures trade receivables	Other associated companies and joint ventures trade receivables	Trade payables	Associated companies and joint ventures trade payables	Other associated companies and joint ventures trade payables	Other payables
Careo Gmbh						570	
Careo Ltd.		38					
Careo S.a.s		105			48		
Careo Spain S.L.		441					
Careo S.r.l.		542			4,125	737	
Cascades Asia Ltd	363						
Cascades Canada Inc.				60			
Cascades Djupafors A.B.	93			614			
Cascades Groupe Produits				1			
Cascades Inc.				3			
Cascades Rollpack Chatemois	19						
Cascades S.A.S.	96			2,579			1,204
Pac Service S.p.A.		116					
R.D.M. Tissue core S.r.l.		593					
Red. imm. S.r.l.	15						
Renologistica S.r.l.			391				
Total	586	1,835	391	3,257	4,173	1,307	1,204
Incidence on the total of the item	0.5%	100%	100%	2.6%	100%	100%	75.5%

Revenues and costs deriving from related party transactions

Following the revenues and costs obtained with related parties during 2010:

(thousands of Euros)	Revenues from sales	Other revenues	Financial income
Careo GmbH		15	9
Careo Ltd		177	
Careo S.a.s.	781	57	
Careo Spain S.L.		158	
Careo S.r.l.		647	3
Cascades Asia Ltd	6,052		
Cascades Canada Inc.			2
Cascades Djupafors A.B.		354	
Cascades Rollpack Chatemois	47		
Cascades S.A.S.		256	
Norampac Avor Vallée		2	
Pac Service S.p.A.	2,505		
R.D.M. Tissue Core S.r.l.	1,144	18	
Total	**10,529**	**1,684**	**14**
Incidence on the total	**2.1%**	**11.3%**	**15.4%**

(thousands of Euros)	Raw material and services costs	Financial charges
Careo GmbH		4
Careo S.a.s.	40	
Careo S.r.l.	12,215	2
Cascades Canada Inc.	134	2
Cascades Djupafors A.B.	1,605	
Cascades Groupe Produits	22	1
Cascades Inc.	15	1
Cascades S.A.S.	7,104	
Norampac Avot Vallee	6	
Red. Imm. S.r.l.	(30)	
Total	**21,111**	**10**
Incidence on the total	**5.3%**	**0.1%**

Cash flow from related parties

(thousands of Euros)	31.12.2010
Revenues and income	12,214
Cost and charge	(21,111)
Financial income	14
Financial expenses	(10)
Income from domestic tax consolidation	142
Change in trade receivables	2,684
Change in trade payables	3,090
Change in total working capital	5,774
Cash flow from operating activities	**(3,119)**
Change in other financial assets and liabilities, and short term borrowings	(2,144)
Cash flow from financing activities	**(2,144)**
Cash flow for the year	**(5,263)**

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 2010, as compared to the figures at 31 December 2009, 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.

	31.12.2010		31.12.2009	
(thousands of Euros)	Book value	Fair value	Book value	Fair value
Available-for-sale financial assets	191	191	381	381
Liquid funds	2,210	2,210	1,707	1,707
Receivables	121,407	121,407	110,763	110,763
Hedging derivative financial instruments	(1,479)	(1,479)	(1,558)	(1,558)
Liabilities	(1,479)	(1,479)	(1,558)	(1,558)
Non-hedging derivative financial instruments	(326)	(326)	(357)	(357)
Secured long and medium-term bank loans	(20,619)	(24,080)	(24,078)	(30,767)
Unsecured long and medium-term bank loans	(1,389)	(1,430)	(1,672)	(1,706)
Secured long and medium-term bank loans at amortised cost	(43,756)	(49,177)	(43,974)	(50,958)
Short-term bank loans as use of commercial facilities	(40,183)	(40,183)	(57,850)	(57,850)
Payables	(128,534)	(128,535)	(106,089)	(106,089)
	(112,478)	**(121,402)**	**(122,727)**	**(136,434)**
Unrecognised gain (loss)	**(8,924)**		**(13,707)**	

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).

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 risk-less 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 2010.

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 2010 and 31 December 2009.

Future flows were discounted on the basis of the euro yield curve at 31 December 2010 and 31 December 2009.

Financial assets

The following table sets out details of financial assets.

(thousands of Euros)	31.12.2010	31.12.2009
Non current financial assets		
Non derivative financial assets	**191**	**193**
Available-for-sale financial assets	191	193
Total	**191**	**193**
Current financial assets		
Non derivative financial assets	**2,210**	**1,895**
Available-for-sale financial assets		188
Liquid funds	2,210	1,707
Total	**2,210**	**1,895**

Financial liabilities

The following table sets out details of financial liabilities.

(thousands of Euros)	31.12.2010	31.12.2009
Non current liabilities		
Non derivative liabilities	*(55,531)*	*(62,672)*
Secured long and medium-term bank loans	(15,323)	(17,852)
Unsecured long and medium-term bank loans	(1,072)	(1,358)
Secured long and medium-term bank loans at amortised cost	(39,136)	(43,462)
Hedging derivative financial instruments	*(862)*	*(746)*
Non-hedging derivative financial instruments	*(149)*	*(100)*
Total	(56,542)	(63,518)
Current liabilities		
Non derivative liabilities	*(50,416)*	*(64,901)*
Secured long and medium-term bank loans - current portion	(5,296)	(6,225)
Unsecured long and medium-term bank loans - current portion	(317)	(314)
Secured long and medium-term bank loans at amortised cost - current portion	(4,620)	(512)
Short-term bank loans as use of commercial facilities	(40,183)	(57,850)
Hedging derivative financial instruments	*(617)*	*(812)*
Non-hedging derivative financial instruments	*(177)*	*(257)*
Total	(51,210)	(65,970)

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 31.12.2010	Book value	Nominal value 31.12.2009	Book value
Secured long and medium-term bank loans at amortised cost				**44,910**	**43,460**	**45,530**	**43,650**
Intesa SanPaolo loan in pool (tranche A)	Euro	Eur6m+ spread	2016	31,500	30,300	31,500	29,948
Intesa SanPaolo loan in pool (tranche B)	Euro	Eur6m+ spread	2016	10,000	9,778	10,000	9,711
Banca Popolare Emilia Romagna	Euro	mEur6m+ spread	2016	3,410	3,382	4,030	3,991
Secured bank loans				**20,588**	**20,588**	**24,039**	**24,039**
Intesa SanPaolo funds BEI	Euro	5,86%	2011	1,164	1,164	3,402	3,402
Intesa SanPaolo funds BEI	Euro	5,39%	2011	3,387	3,387	6,621	6,621
Intesa SanPaolo	Euro	Eur6m+ spread	2016	12,466	12,466	9,730	9,730
Dresdner Bank	Euro	Eur6m+ spread	2015	3,571	3,571	4,286	4,286
Unsecured bank loans				**1,358**	**1,358**	**1,636**	**1,636**
MinIndustria 10686	Euro	2,11%	2013	454	454	599	599
Minindustria 11172	Euro	3,72%	2016	904	904	1,037	1,037
Total long and medium-term bank loans	**Euro**			**66,856**	**65,406**	**71,205**	**69,325**
Short-term bank loans as use of commercial facilities in foreign currency				**655**	**655**	**278**	**278**
Intesa SanPaolo GBP equivalent in Euro	Euro	Libor2m+ spread	n/a	655	655	278	278
Short-term bank loans as use of commercial facilities				**39,521**	**39,521**	**57,537**	**57,537**
Used portfolio	Euro	mEur1m+ spread	n/a	19,082	19,082	18,744	18,744
Advance Invoices	Euro	Euribor+ spread	n/a	3,038	3,038	12,452	12,452
Loans export	Euro	Euribor+ spread	n/a	13,000	13,000	22,833	22,833
Loans import	Euro	Euribor+ spread	n/a	4,401	4,401	3,508	3,508
Total short-term bank loans	**Euro**			**40,176**	**40,176**	**57,815**	**57,815**
Total onerous liabilities	**Euro**			**107,032**	**105,582**	**129,020**	**127,140**

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 at 31.12.2009	**(796)**
Hedge accounting	*568*
Fair value	*(576)*
Reserve 31.12.2010	**(804)**

The figure for hedge accounting represents the release of the related reserve when the cash flows for outstanding loans occurred, while the figure for fair value is the accrual to reserves.

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)	31.12.2010	31.12.2009
Gross trade receivables	126,576	115,613
- provisions for bad and doubtful debts	(5,560)	(5,196)
Total	121,016	110,417

Overdue or impaired financial assets

The following table provides details of the ageing of trade receivables stated net of specific write-downs:

31 December 2010	Amount due receivables			Receivables not due	Total
(thousands of Euros)	over 60 days	from 31 to 60	from 0 to 30		
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**

31 December 2009 (thousands of Euros)	Amount due receivables			Receivables not due	Total
	over 60 days	from 31 to 60	from 0 to 30		
Italy	1,198	557	4,560	58,775	65,090
UE	529	285	4,430	28,543	33,787
Rest of the world	30	21	1,067	10,422	11,540
Total	**1,757**	**863**	**10,057**	**97,740**	**110,417**

A total of 14.3% of the receivables portfolio of the RDM Group at 31 December 2009 was overdue, while at 31 December 2009 the corresponding figure was 11.5%. This change reflects the global performance of the market.

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 2010 and 31 December 2009.

Exchange ECB *(for each euro)*	31.12.2010	31.12.2009
USD	1.3362	1.4406
GBP	0.8608	0.8881
CHF	1.2504	1.4836
AUD	1.3136	1.6008
CAD	1.3322	1.5218

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.

	31.12.2010				31.12.2009			
(thousands of Euros)	USD	GBP	CHF	CAD	USD	GBP	CHF	AUD
Trade receivables	7.530	4.686	52		6.964	2.533	60	
Short-term loans as use of commercial facilities		(655)				(279)		
Trade payables	(4.123)	(68)		(70)	(2.367)	(26)		
Liquid Funds	1.189	337	4	1	914	66	90	(10)
Net exposure	4.596	4.300	56	(69)	5.511	2.294	150	(10)

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 2010, assumptions were made (at 31 December 2010 and 31 December 2009) 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 2010 and 31 December 2009 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 2010		31 December 2010	
USD	(418)	USD	511
GBP	(391)	GBP	478
CHF	(5)	CHF	6
CAD	6	CAD	(8)
Total	**(808)**	**Total**	**987**
31 December 2009		31 December 2009	
USD	(501)	USD	612
GBP	(209)	GBP	255
CHF	(14)	CHF	17
AUD	1	AUD	(1)
Total	**(723)**	**Total**	**883**

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)	31.12.2010	%	31.12.2009	%
Floating rate long and medium-term loans	(27,316)	25.5%	(21,980)	17.0%
Floating rate long and medium-term loans hedged by IRS	(28,148)	26.3%	(36,231)	28.1%
Fixed rate long and medium-term loans	(1,072)	1.0%	(5,909)	4.6%
Total non current liabilities	***(56,536)***	***52.8%***	***(64,120)***	***49.7%***
Floating rate long and medium-term loans	(1,900)	1.8%		
Floating rate long and medium-term loans hedged by IRS	(3,584)	3.3%	(1,334)	1.0%
Fixed rate long and medium-term loans	(4,836)	4.5%	(5,750)	4.5%
Floating rate short-term bank loans as use of commercial facilities	(40,176)	37.5%	(57,815)	44.8%
Total current liabilities	***(50,496)***	***47.2%***	***(64,899)***	***50.3%***
Total floating rate	*(69,392)*	*64.8%*	*(79,795)*	*61.8%*
Total fixed rate or floating rate hedged by IRS	*(37,640)*	*35.2%*	*(49,224)*	*38.2%*
Total	(107,032)	100.0%	(129,019)	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 of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
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)**
31 December 2009				
Fiscal year cash flow	(316)	312		
Derivative Cash Flow	*230*	*(234)*		
Floating rate loans	*(546)*	*546*		
Effectiveness of hedges			476	(485)
Sensitivity of net financial flow	**(316)**	**312**	**476**	**(485)**

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.

RDM Group's policy is to keep its level of medium- to long-term fixed interest rate debt between a minimum of 50% and a maximum of 75%, and to have short-term fixed interest rate debt at a maximum of 50%, depending on the forecast of market trends.

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 2009 the Group had entered contracts for the supply of electricity and 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.

There were no outstanding derivative hedging instruments at 31 December 2010.

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.

Natural gas and electricity supply contracts are index-linked to a basket of combustibles and are entered into at the beginning of the year.

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 2010 and 31 December 2009.

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 2010 (thousands of Euros)	Book value	Contractual financial flow	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)

31 December 2009 (thousands of Euros)	Book value	Contractual financial flow	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Long and medium-term bank loans	(69,724)	(91,207)	(4,930)	(5,060)	(13,638)	(46,966)	(20,613)
Short-term bank loans as use of commercial facilities	(57,850)	(57,850)	(57,850)				
Other current financial liabilities	(3,406)	(3,406)	(3,406)				
Hedging derivative financial instruments	(1,558)	(2,055)	(448)	(362)	(413)	(842)	10
Non-hedging derivative financial instruments	(357)	(295)	(90)	(70)	(72)	(67)	4
Trade payables	(102,683)	(102,683)	(102,683)				
Total	(235,578)	(257,496)	(169,407)	(5,492)	(14,123)	(47,875)	(20,599)

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 2010 (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.
Milan - Italy
Direct ownership 51%

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 2010.

ATTESTATION

of consolidated financial statements at 31 December 2010, 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, 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 2010:
    - are proportionate to the characteristics of the enterprise and
    - have been effectively implemented.
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 2011

Managing Director

Signed
Ignazio Capuano

Manager responsible for the preparation of company accounting documents
Signed
Stefano Moccagatta

REPORT OF THE INDEPENDENT AUDITORS

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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 2010 which comprises the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' 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 comparative purposes the consolidated financial statements present the corresponding data of the prior year. As illustrated in the notes to the consolidated financial statements, the Directors have reclassified comparative data related to the financial statements of the prior year, on which we have issued our auditors' report on 9 April 2010. The methods used for the reclassification of the corresponding data of the prior year and the information presented in the notes to the consolidated financial statements have been examined by us for the purpose of expressing our opinion on the consolidated financial statements as of 31 December 2010.

3 In our opinion, the consolidated financial statements of the Reno De Medici Group as of 31 December 2010 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.

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 – **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** 10129 Corso Montevecchio 37 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** 37122 Corso Porta Nuova 125 Tel.0458002561

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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 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 SpA as of 31 December 2010.

Milan, 4 April 2011

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.**

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Reno de Medici S.p.A. financial statements at 31 december 2010

INCOME STATEMENT

	Nota	31.12.2010	31.12.20009
Revenues from sales	1	294,723,631	240,496,468
- of which related parties	*36*	*55,837,183*	*43,057,660*
Other revenues and income	2	14,300,535	15,886,573
- of which non-recurring	*34*	*959,049*	
- of which related parties	*36*	*5,848,330*	*5,376,639*
Change in stocks of finished goods	3	(1,289,687)	(1,072,915)
Cost of raw materials and services	4	(234,935,944)	(189,823,243)
- of which related parties	*36*	*(8,399,004)*	*(6,366,347)*
Staff costs	5	(46,695,016)	(42,413,765)
- of which non-recurring	*34*	*(1,117,690)*	
Other operating costs	6	(2,814,197)	(3,117,990)
Gross Operating Margin		23,289,322	19,955,128
Depreciation and amortisation	7	(15,831,209)	(16,081,925)
Recovery of value and write-down of assets	8	(1,915,515)	(598,321)
- of which non-recurring	*34*	*(1,866,831)*	
Operating Profit		5,542,598	3,274,882
Financial expenses		*(6,788,371)*	*(9,151,112)*
Exchange rate differences		*290,618*	*(311,163)*
Financial income		*436,308*	*655,688*
Financial income (expenses), net	9	(6,061,445)	(8,806,587)
Income (loss) from investments	10	4,721,561	535,837
Taxation	11	(137,657)	326,778
Profit (loss) for the year		4,065,057	(4,669,090)

STATEMENT OF COMPREHENSIVE INCOME

	Nota	31.12.2010	31.12.2009
Profit (loss) for the year		4,065,057	(4,669,090)
Other components of comprehensive profit (loss)			
Cash Flow Hedge	*24*	*(8,011)*	*(81,266)*
Fair value gains on available-for-sale financial assets	*24*		*397,460*
Total other components of comprehensive profit (loss)		(8,011)	316,194
Total comprehensive profit (loss)		4,057,046	(4,352,896)

STATEMENT OF FINANCIAL POSITION

ASSETS

	Nota	31.12.2010	31.12.2009
Non-current assets			
Tangible fixed assets	12	158,530,991	166,460,074
Intangible assets	13	1,686,227	1,984,850
Investments in subsidiary companies	14	104,104,578	104,104,578
Investments in associated companies	15	5,575,041	5,625,541
Financial assets held for sale	16	190,597	192,579
Other receivables	17	344,357	342,275
Total non-current assets		**270,431,791**	**278,709,897**
Current assets			
Stocks	18	47,245,063	45,468,423
Trade receivables	19	63,433,023	60,935,309
Group trade receivables	20	26,576,846	19,889,458
Other receivables	17	978,213	1,898,287
Other Group receivables	21	10,653,905	15,778,362
Financial assets held for sales	16		187,835
Liquid funds	22	1,817,027	1,071,062
Total current assets		**150,704,077**	**145,228,736**
Non-current assets held for sale	23	**1,289,556**	
TOTAL ASSETS		422,425,424	423,938,633

LIABILITIES AND SHAREHOLDERS' EQUITY

	Nota	31.12.2010	31.12.2009
Shareholders' equity			
Share capital		185,122,487	185,122,487
Share premium			
Other reserves		351,810	359,821
Retained earnings (losses) brought forwards		(40,478,293)	(35,809,203)
Profit (loss) for the year		4,065,057	(4,669,090)
Total shareholders' equity	24	**149,061,061**	**145,004,015**
Non-current liabilities			
Bank loans and other financial liabilites	22	52,673,979	59,100,791
Other Group payables	32	7,084,578	9,205,360
Derivative financial instruments	25	1,010,767	845,849
Other payables	26	1,594,806	1,646,909
- of which related parties	36	1,204,033	1,204,033
Deferred tax liabilities	27	6,493,734	7,266,261
Employee Benefits	28	12,136,592	13,408,679
Non-current provisions for contingencies and charges	29	8,490,878	9,467,656
Total non-current liabilities		**89,485,334**	**100,941,505**
Current liabilities			
Bank loans and other financial liabilites	22	47,555,457	62,731,414
Derivative financial instruments	25	663,055	917,669
Trade payables	30	81,736,031	66,192,837
Group trade payables	31	2,967,777	1,081,114
Other payables	26	8,599,640	7,098,732
Other Group payables	32	39,296,652	39,323,609
Current taxation	33	354,881	647,738
Employee Benefits	28	2,705,536	
Total current liabilities		**183,879,029**	**177,993,113**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		422,425,424	423,938,633

CASH FLOW STATEMENT

(thousands of Euros)	Nota	31.12.2010	31.12.2009
Profit (loss) for the year before taxation		4,203	(4,996)
Depreciation and amortisation	7 – 8	17,747	16,680
Loss (income) from investments	10	(4,722)	(536)
Financial (income) expense	9	6,061	8,807
Losses (gains) on disposal of non-current assets		(959)	
Change in the employees' leaving entitlement, other provision fund including provision for bad and doubtful debts		2,559	(1,874)
Change in stocks	18	(1,909)	3,610
Change in trade receivables		(7,510)	(6,747)
- of which related parties		*(5,410)*	*(6,288)*
Change in trade payables		18,853	(4,059)
- of which related parties		*2,242*	*(1,690)*
Change in total working capital		9,434	(7,196)
Gross cash flow		**34,323**	**10,885**
Interests paid in the year		(6,672)	(7,907)
- of which related parties		*(523)*	*(656)*
Interests received in the year		2,302	1,607
- of which related parties		*363*	*527*
Taxes paid in the year		(1,914)	
Cash flow from operating activities		**28,039**	**4,585**
Sale (purchase) of financial assets held for sale		190	12
Investments and disinvestments in non current assets	12-13	(9,849)	(14,045)
Operation on equity	29	(6,106)	(7,000)
Investments in subsidiary's companies			(119)
Investments in joint venture			(4,660)
Dividends received	10	8,426	6,907
Cash flow from investing activities		**(7,339)**	**(18,905)**
Change in financial assets and liabilities and short-term bank borrowings		(10,963)	9,778
- of which related parties		*5,127*	*12,748*
Change in long-term bank borrowings		(8,991)	2,059
- of which related parties		*(2,121)*	*3,571*
Cash flows from financial activities		**(19,954)**	**11,837**
Change in unrestricted liquid funds	22	**746**	**(2,483)**
Unrestricted liquid funds at beginning of the year	22	**1,070**	**3,553**
Unrestricted liquid funds at end of the year	22	**1,816**	**1,070**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands of Euros)	Share capital	Legal reserve	Extra-ordinary reserve	Retained earnings (losses) brought forwards	Profit (loss) for the year	Fair value reserve	Hedging reserve	Total share-holders' equity
Shareholders' equity at 31.12.2008	185,122	5	1,150	(16,071)	(19,738)	(398)	(714)	149,356
Appropriation of profit (loss) 2008				(19,738)	19,738			
Profit (loss) for the year					(4,669)			(4,669)
Other components of comprehensive profit (loss)						398	(81)	317
Total comprehensive profit (loss)					(4,669)	398	(81)	(4,352)
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

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 2011 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 2010.

The separate financial statements for 2010 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 2010 was prepared by applying the same accounting standards adopted for the Separate Financial Statement at 31 December 2009.

The following amendments, improvements and interpretations have also been issued and are effective from 1 January 2010; these relate to matters that have not had impact to the Group at the date of these financial statements but which may affect the accounting for future transactions or arrangements:

- Improvement 2008 to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations;
- Amendments to IAS 28 – Investments in Associates and to IAS 31 – Interests in Joint Ventures consequential to the amendment to IAS 27;
- Improvements to IAS/IFRS (2009);
- Amendments to IFRS 2 – Share based Payment: Group Cash-settled Share-based Payment Transactions;
- IFRIC 17 – Distributions of Non-cash Assets to Owners;
- IFRIC 18 – Transfers of Assets from Customers;
- Amendment to IAS 39 – Financial Instruments: Recognition and Measurement: Eligible Hedged items.

It has to be pointed out that the Reno De Medici has not adopted in advance the accounting principles, amendments and interpretations already validated by the European Union, but that are not yet effective.

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 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, noncurrent 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 shareholders' 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		Rate%
Buildings	Factory buildings	3%
	Small constructions	5%
Plant and machinery	General plant and machinery	5% - 20%
	Specific plant and machinery	5% - 20%
Industrial and commercial equipments	Sundry equipment	20%
Other assets	Furniture and ordinary office machinery	12%
	Eletronic office machinery	20%
	Internal vehicles	20%
	Motor vehicles	25%

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		Rate%
Concessions, licences, trade marks and similar rights	Software licences	20%
Other intangible assets	Market shares Sundry deferred charges	8% - 20%

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

Financial fixed assets held 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 impaired, 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.

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. e Cartiera Alto Milanese S.p.A.) 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. The profits or losses of these activities in prior years are reclassified in this way for comparative purposes.

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 2011 to 2015.

For discounting cash flows the Parent Company has used the same rate, 7.25%, 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.

NOTES

1. Revenues from sales

Revenues from sales arise essentially from sales of cartonboard

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Revenues from sales	294,724	240,496	54,228
Total revenues from sales	**294,724**	**240,496**	**54,228**

During the 2010 the revenues from sales has been increased of 22.6% compared to 2009, due to the higher sales volumes (+12,9%) and the increased of the prices of cartonboard.

The following table provides a geographical analysis of sales revenues showed an increased of sales in Italy (+11%), European Union (+43,8%) and at last Extra European Countries (+38.8%):

(thousands of Euros)	31.12.2010	31.12.2009	Variations	%
Italy	166,727	150,261	16,466	11.0%
EU	78,111	54,305	23,806	43.8%
Extra EU	49,886	35,930	13,956	38.8%
Total revenues from sales	**294,724**	**240,496**	**54,228**	**22.5%**

2. Other revenues and income

Other revenues may be analyzed as follows:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Grants	725	650	75
Indemnities	270	2,806	(2,536)
Gains on disposal	991	98	893
Recharge of costs	3	129	(126)
Increase in fixed assets		56	(56)
Rental income	9	10	(1)
Revenues for services	5,848	5,361	487
Revenues from sales of energy	5,166	5,260	(94)
Other revenues	1,289	1,517	(228)
Total	**14,301**	**15,887**	**(1,586)**

"Grants" consist principally of ordinary grants received from Comieco that relate to the use of waste paper deriving from urban waste differentiation schemes, and the portion of capital grants relating to the year.

"Indemnities" consisted in 2009 from an insurance recovery relevant to an accident occurred in an Italian mill.

"Revenues for services", relating to transactions with related parties, provided relate to new directions have interested the Group following the business combination that took place in 2008.

"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 during 2010.

"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. In 2009 included also the release to income of provisions accrued in prior years which exceeded the amount finally settled.

3. Change in stocks of finished goods

Change in stocks (Euro -1.3 million) relates mainly to the higher tons sold that the tons produced.

4. Cost of raw materials and services

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Cost of raw material	**132,891**	**96,174**	**36,717**
Purchase of raw material	135,957	93,637	42,320
Change in stocks of raw materials	(3,066)	2,537	(5,603)
Commericial services	**31,240**	**27,292**	**3,948**
Transport	24,574	21,506	3,068
Commissions and agents' costs	6,666	5,786	880
Manufacturing services	**60,355**	**56,362**	**3,993**
Energy	37,900	36,473	1,427
Maintenance	5,614	5,030	584
Waste disposal	8,019	6,481	1,538
Other manufacturing services	8,822	8,378	444
General services	**9,404**	**9,015**	**389**
Insurance	1,457	1,682	(225)
Legal, notarial, administrative and external collaboration	3,021	2,805	216
Board of directors	762	597	165
Statutory auditors	166	186	(20)
Postal and telephone	564	541	23
Other	3,434	3,204	230
Use of third party assets	**1,046**	**980**	**66**
Rental and leasing	1,046	980	66
Total	**234,936**	**189,823**	**45,113**

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 2010, see the "Report of the Board of Directors", these costs increase during the year from 40.2% of the value of production ("Revenues from sales" plus "Change in stocks of finished goods") in 2009 to 45.3% in 2010.

"Service costs" increase in total by 9.1% over the previous year (Euro 101.0 million for the year ended 31 December 2010 against Euro 92.7 million for the year ended 31 December 2009), while their incidence of value of production fells to 34.4% (38.7% for the year ended 31 December 2009).

The trend is attributed to the increase of transport (+3.1 million of Euro) and of the "Manufacturing services", due to the growth of energy costs (+1.4 million of Euro) and of waste disposal (+1.5 million of Euro)

Moreover "general services" increases (+0.4 million of Euro) mainly due to the growth of legal, notarial, administrative and external collaboration and other general services in part compensated for a decrease of the insurance.

It should be remember that the constantly upwards trend in the price of energy (gas, electricity and coal) in 2010 anticipated the effects of a pick-up in global demand, and especially during the final part of the year was also affected by the prices of oil. Increases over average values of the previous year ranged from 15% to 30%, in terms of cost for the Company such increases have been mitigated by the benefits granted by same contracts for the purchase of energy in international market.

The costs for the "Use of third-parties assets" at 31 December 2010 increase to 6.7% compared to the figures at 31 December 2009.

5. Staff costs

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Salaries and wages	30,263	29,668	595
Social security contributions	10,770	10,187	583
Indemnity for defined contributions plans	1,965	1,768	197
Incentive plans	2,384	481	1,903
Other costs	1,313	310	1,003
Total	**46,695**	**42,414**	**4,281**

The increase of Euro 4.3 million in staff costs compared to the previous year (in percentage terms 10.1%) is primarily due to the contractual increase, increase of the number of hours worked, the accruals made for costs relating to 2010 regarding the performance phantom shares plan for top management.

It should be note that increase of "Other costs" relates mainly to the estimation of the that will be incurred as a consequence of the discontinuation of the activities of Marzabotto's mill.

As regarding "Other costs" of non recurring nature, see note 34.

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	31.12.2010	31.12.2009	Variations
Executives and managers	15	15	
White-collar	232	238	(6)
Blue-collar	671	681	(10)
Total	**918**	**934**	**(16)**

Weight employees by category	31.12.2010	31.12.2009	Variations
Executives and managers	15	15	
White-collar	229	240	(11)
Blue-collar	662	686	(24)
Total	**906**	**941**	**(35)**
Temporary lay-off in CIGS	64	82	(18)
Permanent manpower	842	859	(17)

6. Other operating costs

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Accruals to provisions	306	35	271
Whrite-down of working capital receivables	305	579	(274)
Other operating cost	2,203	2,504	(301)
Total	**2,814**	**3,118**	**(304)**

The item decreased by 9.8% over the previous year. More specifically, there has been a decrease in the provisions made against trade receivables and an increase in those made against other risks.

Moreover other operating costs for 2010 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)	31.12.2010	31.12.2009	Variations
Amortization of intangible assets	468	360	108
Depreciation of tangible assets	15,363	15,722	(359)
Total	**15,831**	**16,082**	**(251)**

"Depreciation and amortization" fell by 1.7%, decreasing from Euro 16.1 million at 31 December 2009 to Euro 15.8 million at 31 December 2010.

8. Recovery of value and write-down of assets

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Write-down	1,916	598	1,318
Total	**1,916**	**598**	**1,318**

On December 31st, 2010 assets held for sale related to Marzabotto mill has been aligned between the carrying amount and the fair value for an amount of Euro 1.9 million.

It should be note that on December 31, 2009 the write-down of the MC1 deriving from alignment of its value based on actual re-utilization of the asset on the basis of currently estimable, and the write-down related a calculation of the value of assets being disinvested following an accident in one of the mill.

9. Financial income (expenses), net

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Financial income (expenses)	**436**	**655**	**(219)**
Interest from subsidiary and affiliated companies	361	527	(166)
Gains on derivative financial instruments		81	(81)
Other income	75	47	28
Financial expenses	**(6,788)**	**(9,151)**	**2,363**
Interest due to subsidiary and affiliated companies	(519)	(656)	137
Interest due to banks	(4,686)	(5,824)	1,138
Losses on derivative financial instruments	(895)	(1,034)	139
Interest on financing employees' leaving entitlement	(464)	(1,441)	977
Expenses, commissions and other financial charges	(224)	(196)	(28)
Exchange differences	**291**	**(311)**	**602**
Realised foreing exchange gains (losses):			
Realised gains	1,808	1,163	645
Realised losses	(1,508)	(1,559)	51
Unrealised foreing exchange gains (losses):			
Unrealised gains	58	215	(157)
Unrealised losses	(67)	(130)	63
Total	**(6,061)**	**(8,807)**	**2,746**

There has been a clear reduction of Euro 2.7 million in net financial expense.

This is due to a significant decrease in interest payable to banks for the Company's variable rate medium- and long-term loans for the portion not hedged by financial derivative instruments, and to short-term loan caused by the downwards trend in interest rates that occurred in 2010 and the reduced use of short term financing.

The item "Interest on financing the employees' leaving entitlement" decreases 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.

10. Income (loss) from investments

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Income from equity investments in subsidiary companies	**8,166**	**6,757**	**1,409**
Dividends from Reno De Medici Arnsberg Gmbh	6,000	6,000	
Dividends from Emmaus Pack S.r.l.	360	257	103
Dividends from Cartiera Alto Milanese S.p.A.	400	500	(100)
Dividends from Reno De Medici Iberica S.L.	1,406		1,406
Income from equity investments in associates	**260**	**150**	**110**
Dividends from Pac Service S.p.A.	260	150	110
Devaluation of financial assets held for sale		**(314)**	**314**
Devalutation Realty Vailog S.p.A.		(314)	314
Write-down and losses of investments in subsidiary and associates companies	(3,704)	(6,057)	2,353
Write-down Reno Logistica S.r.l.	(28)	(46)	18
Write-down RDM Blendecques S.a.s.	(3,620)	(6,011)	2,391
Write-down R.D.M. Tissue Core S.r.l.	(56)		(56)
Total	**4,722**	**536**	**4,186**

Income (loss) from investments amounting to Euro 4.7 million compared to Euro 0.5 million for the previous year. The increase is mainly due to the increase of dividends paid from the subsidiary companies and the decrease of the write down of the investment in French subsidiary company RDM Blendecques S.a.s..

The investment in Reno Logistica S.r.l. in liquidation has been written down by a further Euro 28 thousand to adjust its carrying amount to equity at 31 December 2010. In addition, the provision for the investment in the subsidiary RDM Blendecques S.a.s. had to be adjusted by Euro 3,6 million, to cover the loss accrued during the year for which, according to local regulations, there is a legal obbligation.

At last the investment in R.D.M. Tissue Core S.r.l. has been written down by Euro 56 thousand due to the losses recorded by the company.

In 2009 the "Devaluation of financial assets held for sale" of Euro 0.3 million regarded the reclassification of the equity reserve relating to the measurement at fair value of the investment in Realty Vailog S.p.A. following the Company's decision to dispose of its holding in that company.

11. Taxation

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Current taxation	**(907)**	**(300)**	**(607)**
IRAP of the year	(1,758)	(1,517)	(241)
Tax receivables L.296/06		147	(147)
Correction taxation of previous years	(137)	12	(149)
Income from tax consolidation (IRES)	988	1,058	(70)
Deferred taxation	**769**	**627**	**142**
IRES	705	593	112
IRAP	64	34	30
Total	**(138)**	**327**	**(465)**

The increase in the IRAP charge for the 2009 is the result of higher 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.

Parent Company, although reporting a taxable income for the current fiscal year, does not have any actual tax burden due to the tax-losses carried forward.

IRES *(thousands of Euros)*	Taxable income	% IRES	31.12.2009
Profit (loss) before taxation	4,203		
Theoretical tax charge		**27.50%**	**1,156**
Temporary differences	(1,975)		
Permanent differences which will reverse in future years	6,345		
Permanent differences which will not reverse in future years	(1,355)		
Total difference	3,015		
Use of tax losses	(7,218)		
Effective tax charge		**27.50%**	

Reconciliation between the theoretical and actual tax charge (IRAP)

IRAP *(thousands of Euros)*	Taxable income	% IRAP	31.12.2009
Difference between value and cost of production (excluding B9, B10 c), d) and B12 e B13)	54,291		
Financial statement reclassifications	-		
Costs for apprentices, desabled persons and compulsory insurance	(15,458)		
Total	38,833		
Theoretical tax charge		**3.90%**	**1,514**
Permanent differences for more regional taxation	2,518		
Temporary differences	1,638		
Permanent differences which will not reverse in future years	2,096		
Total difference	6,252		
Effective tax charge	**45,085**	**3.90%**	**1,758**
Current taxation		**4.53%**	

"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 2009 and 2010, are the following:

Tangible fixed assets *(thousands of Euros)*	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction	Total
Cost	22,256	73,857	457,945	1,989	9,349	996	566,392
Accumulated depreciation / Write-down	-	(33,861)	(351,815)	(1,901)	(9,142)	-	(396,719)
Net book value at 31.12.08	**22,256**	**39,996**	**106,130**	**88**	**207**	**996**	**169,673**
Variations for the year - cost:							
Increases	-	602	8,856	4	40	3,615	13,117
Decreases	-	-	(404)	-	(258)	-	(662)
Write-down	-	-	(1,663)	-	-	-	(1,663)
Reclassification of cost	-	166	606	-	-	(772)	-
Variations for the year - accumulated depreciation:							
Depreciations for the year	-	(2,463)	(13,135)	(40)	(84)	-	(15,722)
Write-down	-	-	1,065	-	-	-	1,065
Utilisation of accumulated depreciation	-	-	400	-	254	-	654
Reclassification of accumulated depreciation	-	-	-	-	-	-	-
Value at 31.12.2009							
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**

Tangible fixed assets (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**

"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 10.8 million in 2010 (Euro 13.1 million in 2009).

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

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

Investments made at the Santa Giustina facility related to improvement and/or modernisation in particular for the rebuild of wet end board machine.

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

"Reclassification of cost" relates to the entry into operation of "Assets in course of construction" at the end of previous year.

"Other changes (cost)" and "Other changes (acc. Depr.)" are related to plant and machinery of Marzabotto mills. See Note 23 for more details.

"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 441 million on owned property and plant and machinery, pledged in favour of banks as security on loans, whose outstanding balance at 31 December 2010 amounted to Euro 65,5 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 detailed information on the impairment tests conducted, see the paragraph "Impairment test" in Note 14 to the consolidated financial statement.

13. Intangible assets

As regards the movements of tangible assets related the year 2009 and 2010, are the following:

Intangible assets *(thousands of Euros)*	Concessions, licences, trade marks and similar rights	Other	Financial assets in progress	Total
Net book value at 31.12.08	**513**	**81**	**814**	**1.408**
Increases	831	8	98	937
Reclassification of cost	805	-	(805)	-
Amortisation for the year	(320)	(40)	-	(360)
Net book value at 31.12.09	**1.829**	**49**	**107**	**1.985**

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**

"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 31.12.2009	Provision against cost 31.12.2009	Net book value 31.12.2009	Cost 31.12.2010	Provision against cost 31.12.2010	Net book value 31.12.2010
Cartiera Alto Milanese S.p.A.	2,864	(366)	2,498	2,864	(366)	2,498
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	3,459		3,459
Emmaus Pack S.r.l.	108		108	108		108
Reno De Medici Iberica S.L.	111,918	(69,708)	42,210	111,918	(69,708)	42,210
Reno Logistica S.r.l. in liquidation	493	(493)		493	(493)	
Total	**174,672**	**(70,567)**	**104,105**	**174,672**	**(70,567)**	**104,105**

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 2010. 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 office	Shareholding	Share capital at 31.12.2010	Shareholders' equity at 31.12.2010	Result for the year 2010
Cartiera Alto Milanese S.p.A.	Milan (I)	100%	200	1,456	377
Reno De Medici Arnsberg GmbH	Arnsberg (D)	94%	5,113	72,252	2,427
Reno De Medici UK Ltd	Wednesbury (GB)	100%	11,053	2,269	1,304
Cascades Grundstuck GmbH	Arnsberg (D)	100%	5	307	(9)
Emmaus Pack S.r.l.	Milan (I)	51.39%	200	2,076	1,381
RDM Blendecques S.a.s.	Blendecques (F)	100%	1,037	(8,836)	(2,641)
Reno De Medici Iberica S.L.	Prat de Llobregatt (E)	100%	39,061	41,309	(51)
Reno Logistica S.r.l. in liquidation	Milan (I)	100%	25	(204)	(15)

Reno De Medici Arnsberg GmbH is directly held as to 94% with the remaining 6% indirectly held through Cascades Grundstück GmbH & Co. KG.

The impairment test of interests conducted at year-end did not reveal any impairments; therefore, the assets evaluated were not depreciated.

15. Investments in associated companies

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 31.12.2010
Careo S.r.l.	Milan (I)	70%	386		386
Manucor S.p.A.	Milan (I)	22.75%	4,802		4,802
Pac Service S.p.A.	Vigonza (I)	33.33%	387		387
R.D.M. Tissue Core S.r.l.	Milan (I)	51%	51	(51)	
Total			5,626	(51)	5,575

At the end of the year it was necessary write down the investment in R.D.M. Tissue Core S.r.l. due to the losses recorded by the company in its second period of activity. The Company commercializes in Italy and in Europe a specific line of products that was produced by the Italian mills.

A brief summary of the key figures of the balance sheets and profit and loss accounts of Pac Service S.p.A., Careo S.r.l., R.D.M. Tissue Core S.r.l. and Manucor S.p.A. prepared in accordance with Italian accounting principles at 31 December, 2010 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.
Total assets	8,371	128,444	480	647
Shareholders' Equity	332	16,047	5,815	(3)
Other liabilities	8,039	112,397	6,665	650
Value of production	15,272	142,281	17,120	1,408
Profit (loss) for the year	71	381	880	(39)

16. Financial assets held 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 31.12.2009	Increase (decrease)	Carry value 31.12.2010
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	Milan - Italy	Consortium share	43	(3)	40
Conai	Milan - Italy	Consortium share	23		23
Consorzio Filiera Carta	Isola del Liri (Fr) - Italy	Consortium share	3	1	4
Energymont S.p.A.	Tolmezzo - Italy	2,020%			
Gas Internsive S.c.r.l.	Milan - Italy	Consortium share	1		1
Idroenergia S.c.r.l.	Aosta - Italy	Consortium share	1		1
Realty Vailog S.p.A.	Milan - Italy	0,327%			
Non-current assets			193	(2)	191
Total financial assets			193	(2)	191

Non-current "Financial assets held 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)	31.12.2010	31.12.2009	Variations
Tax receivables	230	230	
Guarantee deposits	83	83	
Other receivables	31	29	2
Non-current other receivables	**344**	**342**	**2**
Tax receivables	229	432	(203)
Miscellaneous receivables	615	1,224	(609)
Pre-paid expenses	134	242	(108)
Current other receivables	**978**	**1,898**	**(920)**
Total	**1,322**	**2,240**	**(918)**

"Tax receivables", non-current portion, relates mainly to applications for IRPEG refunds relating to prior years.

"Miscellaneous receivables", non-current portion, are those due from companies in liquidation.

Current "Tax receivables" relate to a tax and VAT receivables.

"Miscellaneous receivables", current portion, consist mainly of receivables due from social security authorities for advances made as part of employee lay-off procedures (Euro 0,4 million) and an insurance refund (Euro 0.1 million).

"Prepaid expenses" mainly regard various maintenance costs, insurance and rent.

18. Stocks

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

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Raw material and consumables	22,545	19,346	3,199
Provision for absolescence	(454)	(322)	(132)
Finished goods and goods for resale	25,154	26,444	(1,290)
Total	**47,245**	**45,468**	**1,777**

As already commented in note 3, the decrease of finished goods stocks it was caused by the increase of volumes sold.

In contrast the increase in raw material and consumable inventories derives from their higher unit value, affected by higher production costs in general and by higher costs of raw materials for pulp in particular, although physical quantities of stocks are decreasing.

19. Trade receivables

The following table sets out the changes in trade receivables due from third parties, which amount in total to Euro 63.4 million:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Trade receivables	63,433	60,935	2,498
Current trade receivables	63,433	60,935	2,498

The increase in receivables compared to the previous year was lower that the increase of revenues. The reduction of receivables achieved thanks to the non-recourse factoring program launched in the year (the account receivables expiring after December 31, 2010 that have been sold amounted to Euro 7.2 million), as well as the different revenue mix, whereby the sales on Overseas markets increased, characterized by more favourable collection terms.

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)	31.12.2009	Charge	Utilization	31.12.2010
Provision for bad and doubtful debts	2,360	305	(75)	2,590
Total	**2,360**	**305**	**(75)**	**2,590**

The following table provides an analysis of trade receivables from third parties by geographical area:

(thousands of Euros)	31.12.2010	31.12.2009
Italy	46,761	45,753
EU	8,487	5,971
Rest of the World	8,185	9,211
Total	**63,433**	**60,935**

20. Group trade receivables

"Group trade receivables" of euro 26.6 million may be analysed as follows:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Receivables from subsidiary companies	25,325	16,835	8,490
Total receivables from subsidiary companies	**25,325**	**16,835**	**8,490**
Receivables from associated companies	1,252	3,054	(1,802)
Total receivables from associated companies	**1,252**	**3,054**	**(1,802)**
Total Group receivables	**26,577**	**19,889**	**6,688**

"Receivables from subsidiary companies" of Euro 25.3 million may be analysed as follows:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Cartiera Alto Milanese S.p.A.	6,235	5,184	1,051
Emmaus Pack S.r.l.	8,134	5,596	2,538
Reno De Medici Iberica S.L.	3,084	2,171	913
Reno De Medici Arnsberg Gmbh	4,541	2,443	2,098
RDM Blendecques S.a.s.	2,180	1,259	921
Reno De Medici UK Ltd	1,151	182	969
Total	**25,325**	**16,835**	**8,490**

The amount receivables from subsidiary companies includes a balance of Euro 846 thousand resulting from the tax consolidation agreement with Cartiera Alto Milanese S.p.A for Euro 160 thousand and with Emmaus Pack S.r.l. for Euro 686 thousand.

"Receivables from associated companies" may be analyzed as follows:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Careo S.r.l.	542	1,684	(1,142)
Pac Service S.p.A.	116	913	(797)
R.D.M. Tissue Core S.r.l.	593	457	136
Careo S.a.s.	1		1
Total	**1,252**	**3,054**	**(1,802)**

Receivables derive from relations of service provided to subsidiary associated companies and are regulated with the normal market condition.

The amount receivables from associated companies includes a balance of Euro 140 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)	31.12.2010	31.12.2009	Variations
Reno De Medici UK Ltd		270	(270)
Reno Logistica S.r.l. in liquidation	391	346	45
Emmaus Pack S.r.l.		1,013	(1,013)
RDM Blendecques S.a.s.	10,263	14,149	(3,886)
Total	**10,654**	**15,778**	**(5,124)**

22. Net financial position

The following table provide the net financial position at 31 December 2010 and 2009:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Cash	13	15	(2)
Funds available at banks	1,804	1,056	748
A. Cash and cash equivalent	**1,817**	**1,071**	**746**
Other Group receivables	10,654	15,778	(5,124)
B. Current financial receivables	**10,654**	**15,778**	**(5,124)**
1. Bank overdraft and short term loans	*38,036*	*56,793*	*(18,757)*
2. Current portion of medium and long term loans	*9,519*	*5,938*	*3,581*
Bank loans and other financial liabilities (1+2)	47,555	62,731	(15,176)
Other Group payables	39,297	39,324	(27)
Derivatives - current financial liabilities	663	918	(255)
C. Current financial debt	**87,515**	**102,973**	**(15,458)**
D. Current financial debt, net (C - A - B)	**75,044**	**86,124**	**(11,080)**
Bank loans and other financial liabilities	52,674	59,101	(6,427)
Other Group payables	7,085	9,205	(2,120)
Derivatives - non current financial liabilities	1,011	846	165
E. Non current financial debt	**60,770**	**69,152**	**(8,382)**
F. Financial debt, net (D+E)	**135,814**	**155,276**	**(19,462)**

The company had net financial debt at 31 December 2010 of Euro 135.8 million (compared to Euro 155.3 million at 31 December 2009). The improvement of Euro 19.5 million in the net financial position is above first of all due to the positive earnings performance and also to the the reduction in working capital of Euro 6.5 million, of which Euro 7.2 million is due to the factoring programme initiated during the year.

Bank overdrafts and short-term loans of Euro 38.4 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	137	602	165	904
M.I.C.A. - due 16 October 2013	148	305		453
San Paolo Imi - due15 June 2011	1,164			1,164
San Paolo Imi - due 15 December 2011	3,387			3,387
San Paolo Imi - due 6 April 2016		12,466		12,466
San Paolo Imi fin.pool - tranche A - due 6/4/2016	3,150	25,200	3,150	31,500
San Paolo Imi fin.pool - tranche B - due 6/4/2016	1,000	8,000	1,000	10,000
Banca Pop.Emilia Romagna - due 15/5/2016	620	2,480	310	3,410
Total payables at nominal value	**9,606**	**49,053**	**4,625**	**63,284**
Effect of amortized cost	**(445)**	**(983)**	**(21)**	**(1,449)**
Total payables valued with amortized cost	**9,161**	**48,070**	**4,604**	**61,835**

RDM 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 will enable 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 will allow to balance the allocation of RDM's financial debt between short-term and medium/long-term sources.

Modification Agreement provides 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.

It should be note that Parent company respected at 31 December 2010 the financial parameters above described.

In terms of guarantees the agreement requires RDM to provide first mortgages on the Ovaro and Marzabotto factories and second mortgages on those at Magenta, Santa Giustina and Villa Santa Lucia, for an overall total of euro 120 million. The amount relates only to the pool funding.

Special first-degree liens on the Ovaro and Marzabotto's plant and machinery, and second-degree liens on the Magenta, Santa Giustina and 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. Under that agreement, the plants located in Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia were mortgaged for a total of EUR 11.2 million as at 31 December 2010.

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 2010. For a more thorough information on the derivative instruments in portfolio as of 31 December 2010, see Note 25.

23. Non-current assets held for sale

As regards the movements of non-current assets held for sale are the following:

(thousands of Euros)	31.12.2009	Riclassification	Write-down	31.12.2010
Plant and machinery		3,156	(1,866)	1,290
Total		**3,156**	**(1,866)**	**1,290**

"Non-current assets held for sale" consist of plant and machinery relating to the Marzabotto mill. During the second half of 2010 preliminary steps were initiated for the disposal of these assets, with the resulting recovery of their carrying amount through a sale rather than through continuing use.

The Management considers that the disposal seems probable within the end of 2011.

Assets held for sale are stated at the lower of their carrying amount and their fair value less costs to sell.

Further details may be found in the Note 8 of this document.

24. Shareholders' equity

Changes in shareholders' equity for the year 2010 are set out in the following table:

Description *(thousands of Euros)*	Shareholders' equity at 31.12.2009	Changes in the year Loss cover 2009	Changes in the year Hedge accounting	Changes in the year Profit (loss) for the year	Shareholders' equity at 31.12.2010
Share capital	185,122				185,122
Legal reserve	5				5
Other reserves:					
- Extraordinary reserve	1,150				1,150
Hedging reserve	(795)		(8)		(803)
Profit (loss) brought forward	(35,809)	(4,669)			(40,478)
Profit (loss) for the year	(4,669)	4,669		4,065	4,065
Total	**145,004**		**(8)**	**4,065**	**149,061**

The shareholders' meeting on 27 April 2010 adopted a resolution to carry forward the Parent Company's loss of Euro 4,669,090 for 2009.

Following the detail of the number of outstanding shares at 31 December 2010 and at 31 December 2009:

	31.12.2010	31.12.2009	Variations
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 2010, 55,440 savings shares were converted to ordinary shares. As the result of this the Company's share capital at 31 December 2010, fully subscribed and fully paid, was made up as follows:

	Quantity	Par value	Total
Ordinary shares	377,456,132	€0,49	184,953,504.68
Saving shares	344,862	€0,49	168,982.38
Total	**377,800,994**		**185,122,487.06**

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 2009 and 2010.

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 31.12.2010	Utilisation possibilities (1)	Available portion	Summary of utilisation in the years 2010 - 2009 - 2008	
				For loss cover	For other purposes
Share capital	185,122	-	-	-	-
Legal reserve	5	B	5	-	-
Other reserves:					
- Extraordinary reserve	1,150	A,B,C	1,150	-	-
Hedging reserve	(803)	-	-	-	-
Profit (loss) brought forward	(40,478)	-	-	-	-
Profit (loss) for the year	4,065	-	-	-	-
Total	**149,061**	**-**	**1,155**	**-**	**-**
Non-distributable portion	-	-		-	-

Distributable portion remaining

(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)	31.12.2010			31.12.2009		
	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
Cash Flow Hedge	(11)	3	(8)	(99)	18	(81)
Fair value gains on available-for-sale financial asset				398		398

It should be note that the theoretical tax charge on temporary differences arising from the evaluation at fair value of financial assets held for sale has not been detected in the financial statement since there is no recovery for the related deferred tax assets.

25. Derivative financial instruments

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Derivative financial instruments (Hedge accounting)	862	746	116
Derivative financial instruments (No hedge accounting)	149	100	49
Non-current financial instruments	**1,011**	**846**	**165**
Derivative financial instruments (Hedge accounting)	616	812	(196)
Derivative financial instruments (No hedge accounting)	47	106	(59)
Current financial instruments	663	918	(255)
Total	1,674	1,764	(90)

There was a negative fair value of Euro 1.674 thousand at 31 December 2010 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 2010:

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	16.500	4,11% fixed	Six monthly	(986)
					Euribor 6m		
Reno De Medici S.p.A	Unicredit Banca d'Impresa S.p.A.	Eur	06.04.2016	8.250	4,11% fixed	Six monthly	(493)
					Euribor 6m		
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	15.05.2016	3.410	4,15% fixed	Six monthly	(195)
					Euribor 6m		
				28.160			(1.674)

26. Other payables

The following table provides details of current and non-current other payables:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Deferred income	391	443	(52)
Miscelaneous payables	1,204	1,204	
Other non-current payables	**1,595**	**1,647**	**(52)**
Payable to personnel	3,056	2,557	499
Payable to social security authorities	3,335	2,678	657
Payable to tax authorities	1,359	1,132	227
Miscelaneous payables	270	146	124
Company bodies	528	534	(6)
Accrued payables	52	52	
Other current payables	**8,600**	**7,099**	**1,501**
Total other payables	**10,195**	**8,746**	**1,449**

"Other non-current payables" at 31 December 2010 amounting to Euro 1.6 million and are in line to prior year.

"Deferred income", non-current portion, for Euro 0.4 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 0.3 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 call option 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.

"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 2011, and to accruals for social security contributions due on deferred remuneration (employee leave, additional months' salaries and overtime).

"Payable to tax authorities" consists of withholding taxes on wages and salaries paid to employees in December and miscellaneous tax payables.

"Miscellaneous payables" is fell mainly as a result of the payment in the early months of 2010 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)	31.12.2010	31.12.2009	Variations
Non current liabilities	6,494	7,266	(772)
Total deferred taxation	**6,494**	**7,266**	**(772)**

The following table provides a summary of the determination of deferred tax assets and deferred tax liabilities from temporary differences at 31 December 2010:

(thousands of Euros)	2010			2009		
	Temporary differences	Average tax rate%	Tax effect	Temporary differences	Average tax rate%	Tax effect
Recognised deferred tax assets	**11,706**		**2,479**	**11,350**		**2,386**
Tax losses to carry forward	2,231	27.50%	611	6,401	27.50%	1,759
Write-downs for permanent losses in value	1,820	3.90%	71	1,820	3.90%	71
Stock provision	322	3.90%	13	322	3.90%	13
Provision for future charges (IRAP)	894	3.90%	35	894	3.90%	35
Provision for future charges (IRES)	335	27.50%	92			
Other temporary differences IRAP	92	3.90%	4	77	3.90%	3
Other temporary differences IRES	4,904	27.50%	1,348	739	27.50%	203
Valuation of derivatives with hedge accounting	1,108	27.50%	305	1,097	27.50%	302
Recognised deferred tax liabilities	**28,997**		**8,973**	**31,233**		**9,652**
Book depreciation exceeding tax depreciation	25,607	31.40%	8,041	27,245	31.40%	8,555
Other temporary differences IRES	(18)	27.50%	(5)	265	27.50%	73
Remeasurement TFR IFRS	3,408	27.50%	937	3,723	27.50%	1,024
Recognised deferred tax (assets) liabilities, net			6,494			7,266
Unrecognised deferred tax assets	**56,055**		**15,416**	**71,142**		**19,564**
Write-downs for permanent losses in value	3,582	27.50%	985	2,117	27.50%	582
Stock provision	322	27.50%	89	322	27.50%	89
Bad and doubtful debts	1,410	27.50%	388	1,510	27.50%	415
Provision for future charges (IRES)	3,395	27.50%	934	3,109	27.50%	855
Financial charges deductible in future years	7,574	27.50%	2,083	9,360	27.50%	2,574
Differences deductible in future years	-	27.50%	-	1,641	27.50%	451
Tax losses to carry forward	39,772	27.50%	10,937	53,083	27.50%	14,598
Tax loss for the year	-	27.50%	-	-	27.50%	-
Unrecognised deferred tax assets			**15,416**			**19,564**

Deferred tax assets and liabilities at 31 December 2010 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 profit in the future against which the temporary differences and unused tax losses can be utilised.

Unrecognised deferred tax assets arise principally from unused tax losses. These assets have not been recognised for reasons of prudence, given the present situation in the sales markets and the overall economic situation.

The following table provides details of the accumulated tax losses for Euro 42 million at 31 December 2010:

(thousands of Euros)	2011	2012	2013	2014	2015
Reno De Medici S.p.A.	42,003	16,379	5,919		
Total tax losses to carry forward	**42,003**	**16,379**	**5,919**		

28. Employees benefits

The following table provides a comparison between the balances at 31 December 2009 and 31 December 2010.

(thousands of Euros)	31.12.2010	31.12.2009	Variations
TFR Pension Fund	11,991	12,905	(914)
Incentive plans	146	504	(358)
Non-current employee benefits	**12,137**	**13,409**	**(1,272)**
Incentive plans	2,706		2,706
Current employee benefits	**2,706**		**2,706**
Total	**14,842**	**13,409**	**1,433**

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 2010 in accordance with IAS 19 was made by an independent actuary on the basis of information provided by RDM.

The following demographic assumptions were used by the actuary:

- mortality rates: RG48 table used for forecasts the mortality rates;
- 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:

	Italy
Annual discount rate	4,55%
Annual inflation rate	2%
Annual increase in overall salaries and wages	3%

Movements in the actuarial value of the liability for the year were as follows:

(thousands of Euros)	TFR Pension Fund	Incentive plans	Total
Actuarial value at 31.12.2009	**12,905**	**504**	**13,409**
Service cost		2,360	2,360
Interest cost	464		464
Services rendered	(1,378)	(13)	(1,391)
Actuarial value at 31.12.2010	**11,991**	**2,851**	**14,842**

"Interest cost" include an actuarial gain for an amount of Euro 79 thousand.

"Incentive plans" represent the liability relating to the incentive plans and include the liability relating to the incentive plans amounting to a total of Euro 2.7 million, which is due to the beneficiaries as the specific plan targets (observance of financial covenants and return on invested capital) were achieved at 31 December 2010.

In determining the fair value of the management incentive plan based on Performance Phantom Shares the calculator available in FinCadXL software was used to measure the Asian options by means a Monte Carlo simulation. The input data used for the valuation were the one year historical volatility rate and price of the Reno De Medici share at 31 December 2010 and the relative Euro interest rate curve at 31 December 2010, calculated by starting from the rates for deposits, futures and swaps.

It should be note that relating to the evaluation of "Incentive Scheme open to RDM Group employees in 2010-2011", the hypothetical adhesion of 10% results still valid.

29. Non-current provisions for contingencies and charge

The balance at 31 December 2010 is as follow:

(thousands of Euros)	31.12.2009	Other movement	Charge	Utilization	31.12.2010
Agents' termination indemnity	77	(35)			42
Provision for future charges	3,110	35	2,024	(549)	4,620
Provision for losses on investments	6,281		3,654	(6,106)	3,829
Total	**9,468**		**5,678**	**(6,655)**	**8,491**

The calculation of the provision for the "Agents' termination indemnity" is based on actuarial techniques. The other movements relates to the reclassification of the indemnity due to a previous agent to the provision for future charges because there is a case with this previous agent.

The utilisation of the "Provision for future charges" equal to Euro 0.5 during the year is mainly due to the settlement of outstanding litigation, disputes with former employees and the utilization for lay-off provision.

The charge for the year (Euro 2.0 million) relates mainly to the estimation of the cost related to the personnel that will be incurred as a consequence of the discontinuation of the activities of the Italian mill of Marzabotto and outstanding litigation. 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., as discussed in note 10. The utilisation of Euro 6.1 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 81.7 million (Euro 66.2 million at 31 December 2009) 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)	31.12.2010	31.12.2009	Variations
Trade payables	81,736	66,193	15,543
Total trade payables	**81,736**	**66,193**	**15,543**

The increase of trade payables, compared the previous year, derives from the common increase of the raw material 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)	31.12.2010	31.12.2009	Variations
Trade payables to subsidiary companies	117	75	42
Total trade payables to subsidiary companies	**117**	**75**	**42**
Trade payables to associated companies	2,851	1,006	1,845
Total trade payables to associated companies	**2,851**	**1,006**	**1,845**
Total Group trade payables	**2,968**	**1,081**	**1,887**

Details of amounts payable to subsidiaries classified as current liabilities are set out as follows:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Cartiera Alto Milanese S.p.A.		37	(37)
Emmaus Pack S.r.l.	80	38	42
Reno De Medici Iberica S.L.	37		37
Total	**117**	**75**	**42**

On 31 December 2010 the main "Payables to associate company" is represented by Careo Group, as shown the table below:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Careo S.r.l.	2,851	549	2,302
Careo S.a.s.		457	(457)
Total	**2,851**	**1,006**	**1,845**

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 2.9 million.

The other group financial payables are details below:

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Reno De Medici Iberica S.L.	4,227	5,634	(1,407)
Reno De Medici Arnsberg GmbH	2,858	3,571	(713)
Total other non-current payables	7,085	9,205	(2,120)
Careo S.r.l.	737	3,066	(2,329)
Cartiera Alto Milanese S.p.A.	1,622	1,330	292
Reno De Medici Arnsberg GmbH	13,246	13,872	(626)
RDM Blendecques S.a.s.	109	1	108
Emmaus Pack S.r.l.	680		680
Reno De Medici Iberica S.L.	22,034	21,055	979
Reno De Medici UK Ltd	869		869
Total other current payables	**39,297**	**39,324**	**(27)**
Total	**46,382**	**48,529**	**(2,147)**

33. Current taxation

At 31 December 2010 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 2010 that during the 2009.

(thousands of Euros)	31.12.2010	31.12.2009	Variations
Irap of the year	355	648	(293)
Total current taxation	**355**	**648**	**(293)**

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 relate to a gain of Euro 0.9 million arising from the sale of a building and a piece of land not for production scope.

The non-recurring cost, for an amount of approximately Euro 1.1 million, represents the estimation of the cost related to the personnel that will be incurred as a consequence of the discontinuation of the activities of the Italian mill of Marzabotto.

Further details regarding the write down for an amount of approximately of Euro 1.9 million maybe found in Note 8.

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 2010 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 2.3 million provided in favour of the Veneto Region and the Province of Belluno regarding the landfill located at the Santa Giustina (BL) facility;
- a surety of Euro 432 thousand provided to the Comieco consortium;
- sureties of Euro 100 thousand provided in favour of the customs authorities;
- suretiy of Euro 110 thousand provided in favour of the Lombardy Region;
- a sureties of Euro 110 thousand given in connection with the leasing of property.

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.

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 2010" and the Attachment B "Remuneration of members of the Board of Directors, members of the Board of Statutory Auditors and General Managers" and the , and also 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 2010, as compared to the figures at 31 December 2009, 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.

	31.12.2010		31.12.2009	
(thousands of Euros)	Book value	Fair value	Book value	Fair value
Available-for-sale financial assets	191	191	381	381
Liquid funds	1,817	1,817	1,071	1,071
Receivables	100,664	100,664	96,603	96,603
Hedging derivative financial instruments	(1,478)	(1,478)	(1,558)	(1,558)
Liabilities	(1,478)	(1,478)	(1,558)	(1,558)
Non-hedging derivative financial instruments	(196)	(196)	(206)	(206)
Secured long and medium-term bank loans	(17,048)	(20,395)	(19,792)	(26,321)
Unsecured long and medium-term bank loans	(1,389)	(1,430)	(1,672)	(1,706)
Secured long and medium-term bank loans at amortised cost	(43,756)	(49,177)	(43,974)	(50,958)
Loans from subsidiary companies	(7,886)	(10,042)	(10,035)	(10,707)
Short-term bank loans as use of commercial facilities	(38,037)	(38,037)	(56,395)	(56,395)
Payables	(124,000)	(124,000)	(106,598)	(106,598)
	(131,118)	**(142,083)**	**(142,175)**	**(156,394)**
Unrecognised gain (loss)	**(10,965)**		**(14,219)**	

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).

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 2010.

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 2010 and 31 December 2009.

Future flows were discounted on the basis of the euro yield curve at 31 December 2010 and 31 December 2009.

Financial assets

The following table sets out details of financial assets.

(thousands of Euros)	31.12.2010	31.12.2009
Non current financial assets		
Non derivative financial assets	**191**	**193**
Available-for-sale financial assets	191	193
Total	**191**	**193**
Current financial assets		
Non derivative financial assets	***1,817***	***1,259***
Available-for-sale financial assets		188
Liquid funds	1,817	1,071
Total	**1,817**	**1,259**

Financial liabilities

The following table sets out details of financial liabilities.

(thousands of Euros)	31.12.2010	31.12.2009
Non current liabilities		
Non derivative liabilities	(59,759)	(68,306)
Secured long and medium-term bank loans	(12,466)	(14,281)
Unsecured long and medium-term bank loans	(1,072)	(1,358)
Secured long and medium-term bank loans at amortised cost	(39,136)	(43,462)
Long and medium-term loans from subsidiaries	(7,085)	(9,205)
Hedging derivative financial instruments	*(862)*	*(746)*
Non-hedging derivative financial instruments	*(149)*	*(100)*
Total	(60,770)	(69,152)
Current liabilities		
Non derivative liabilities	(48,357)	(63,561)
Secured long and medium-term bank loans - Current portion	(4,582)	(5,511)
Unsecured long and medium-term bank loans - Current portion	(317)	(314)
Secured long and medium-term bank loans at amortised cost - Current portion	(4,620)	(512)
Short-term bank loans as use of commercial facilities	(38,037)	(56,395)
Loans from subsidiary companies - Current portion	(801)	(829)
Hedging derivative financial instruments	*(616)*	*(812)*
Non-hedging derivative financial instruments	*(47)*	*(106)*
Total	(49,020)	(64,479)

Terms and conditions and repayment plans of loans

(thousands of Euros)	Currency	Nominal interest rate	Maturity	Nominal value 31.12.2010	Book value	Nominal value 31.12.2009	Book value
Secured long and medium-term bank loans at amortised cost				**44,910**	**43,460**	**45,530**	**43,650**
Intesa SanPaolo loan in pool (tranche A)	Euro	Eur6m+ spread	2016	31,500	30,300	31,500	29,948
Intesa SanPaolo loan in pool (tranche B)	Euro	Eur6m+ spread	2016	10,000	9,778	10,000	9,711
Banca Popolare Emilia Romagna	Euro	mEur6m+ spread	2016	3,410	3,382	4,030	3,991
Secured bank loans				**17,017**	**17,017**	**19,753**	**19,753**
Intesa SanPaolo funds BEI	Euro	5.86%	2011	1,164	1,164	3,402	3,402
Intesa SanPaolo funds BEI	Euro	5.39%	2011	3,387	3,387	6,621	6,621
Intesa SanPaolo	Euro	Eur6m+ spread	2016	12,466	12,466	9,730	9,730
Unsercured bank loans				**1,358**	**1,358**	**1,636**	**1,636**
MinIndustria 10686	Euro	2.11%	2013	454	454	599	599
Minindustria 11172	Euro	3.72%	2016	904	904	1,037	1,037
Total long and medium-term bank loans	**Euro**			**63,285**	**61,835**	**66,919**	**65,039**
Short-term bank loans as use of commericial facilities f oreign currency				**655**	**655**	**278**	**278**
Intesa SanPaolo GBP equivalent in Euro	Euro	Libor2m+ spread	n/a	655	655	278	278
Short-term bank loans as use of commericial facilities				**37,375**	**37,375**	**56,082**	**56,082**
Used portfolio	Euro	mEur1m+ spread	n/a	17,011	17,011	17,289	17,289
Advance invoices	Euro	Euribor+ spread	n/a	3,038	3,038	12,452	12,452
Loans export	Euro	Euribor+ spread	n/a	13,000	13,000	22,833	22,833
Loans import	Euro	Euribor+ spread	n/a	4,326	4,326	3,508	3,508
Total short-term bank loans	**Euro**			**38,030**	**38,030**	**56,360**	**56,360**
Total onerous liabilities	**Euro**			**101,315**	**99,865**	**123,279**	**121,399**

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 31.12.2009	**(796)**
Hedge accounting	568
Fair value	(576)
Reserve 31.12.2010	**(804)**

The figure for hedge accounting represents the release of the related reserve when the cash flows for outstanding loans occurred, while the figure for fair value is the accrual to reserves.

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)	31.12.2010	31.12.2009
Gross trade receivables	92,600	83,185
- provision for bad and doubtful debt	(2,590)	(2,360)
Total	**90,010**	**80,825**

Overdue or impaired financial assets

The following table provides details of the ageing of trade receivables stated net of specific write-downs:

31 December 2010	Amount due receivables			Receivables not due	Total
(thousands of Euros)	over 60 days	from 31 to 60	from 0 to 30		
Italy	102	509	3,910	57,861	62,382
EU	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**

31 December 2009 (thousands of Euros)	Amount due receivables			Receivables not due	Total
	over 60 days	from 31 to 60	from 0 to 30		
Italy	163	136	5,507	53,760	59,566
EU	15	5	4,936	7,091	12,047
Rest of the world	20	21	867	8,304	9,212
Total	**198**	**162**	**11,310**	**69,155**	**80,825**

A total of 7.9% of the receivables portfolio of the Parent Company at 31 December 2010 was overdue, while at 31 December 2009 the corresponding figure was 14.4%. This variation is due to the new procedure adopted by Parent company, suitable to the Group's new situation, to permit risk to be monitored and contained, and the commencement of a factoring programme.

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 2010 and 31 December 2009.

Exchange ECB *(for each Euro)*	31.12.2010	31.12.2009
USD	1.3362	1.4406
GBP	0.8608	0.8881
CHF	1.2504	1.4836
AUD	1.3136	1.6008
CAD	1.3322	1.5218

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.

	31.12.2010				31.12.2009			
(thousands of Euros)	USD	GBP	CHF	CAD	USD	GBP	CHF	AUD
Trade receivables	5,496	1,593	67		5,581	776	60	
Short-term loans as use of commercial facilities		(655)				(279)		
Trade payables	(3,035)	(34)		(70)	(2,362)			(10)
Liquid funds	1,189	337	4	1	879	63	90	1
Exposure, net	**3,650**	**1,241**	**71**	**(69)**	**4,098**	**560**	**150**	**(9)**

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 2010, assumptions were made (at 31 December 2010 and 31 December 2009) 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 2010 and 31 December 2009 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%		Depreciation of 10%	
(thousands of Euros)	Profit and loss	*(thousands of Euros)*	Profit and loss
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**
31 December 2009		31 December 2009	
USD	(373)	USD	455
GBP	(51)	GBP	62
CHF	(14)	CHF	17
AUD	1	AUD	(1)
Total	**(437)**	**Total**	**533**

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)	31.12.2010	%	31.12.2009	%
Floating rate long and medium-term loans	(27,316)	24.9 %	(21,980)	16.1 %
Floating rate long and medium-term loans hedged by IRS	(25,290)	23.0 %	(32,660)	24.0 %
Fixed rate long and medium-term loans	(1,072)	1.0 %	(5,909)	4.3 %
Fixed rate long and medium-term loans to subsidiary companies	(7,085)	6.4 %	(9,206)	6.8 %
Total non current liabilities	**(60,763)**	**55.3 %**	**(69,755)**	**51.2 %**
Floating rate long and medium-term loans	(1,900)	1.7 %		
Floating rate long and medium-term loans hedged by IRS	(2,870)	2.6 %	(620)	0.5 %
Fixed rate long and medium-term loans	(4,836)	4.4 %	(5,749)	4.2 %
Floating rate short-term bank loans as use of commercial facilities	(38,030)	34.6 %	(56,360)	41.4 %
Fixed rate long and medium-term loans to subsidiary companies	(714)	0.6 %	(714)	0.5 %
Floating rate long and medium-term loans to associated companies	(737)	0.7 %	(3,066)	2.3 %
Total current liabilities	**(49,087)**	**44.7 %**	**(66,509)**	**48.8 %**
Total floating rate	(67,983)	61.9 %	(81,406)	59.7 %
Total fixed rate or floating rate hedged by IRS	(41,867)	38.1 %	(54,858)	40.3 %
Total	**(109,850)**	**100.0 %**	**(136,264)**	**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) Increase of 50 bps	Profit (loss) Decrease of 50 bps	Shareholders' Equity Increase of 50 bps	Shareholders' Equity Decrease of 50 bps
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)**
31 December 2009				
Fiscal year cash flow	(495)	492		
Derivates Cash Flow	187	(190)		
c/c intercompany	(140)	140		
Floating rate loans	(542)	542		
Effectiveness of hedges			640	(621)
Sensitivity of net financial flow	**(495)**	**492**	**640**	**(621)**

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.

RDM Group's policy is to keep its level of medium- to long-term fixed interest rate debt between a minimum of 50% and a maximum of 75%, and to have short-term fixed interest rate debt at a maximum of 50%, depending on the forecast of market trends.

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 2009 the Parent company had entered contracts for the supply of electricity and 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.

There were no outstanding derivative hedging instruments at 31 December 2010.

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.

Natural gas and electricity supply contracts are index-linked to a basket of combustibles and are entered into at the beginning of the year. 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 2010 and 31 December 2009.

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 2010 (thousands of Euros)	Book value	Contractual financial flow	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)

31 December 2009 (thousands of Euros)	Book value	Contractual financial flow	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Long and medium-term bank loans	(65,438)	(86,396)	(4,525)	(4,649)	(12,798)	(44,555)	(19,869)
Short-term bank loans as use fo commercial facilities	(56,395)	(56,395)	(56,395)				
Other Group payables	(39,324)	(39,324)	(39,324)				
Financial liabilities from subsidiary companies	(9,205)	(12,212)	(691)	(455)	(1,111)	(3,122)	(6,833)
Hedging derivative financial instruments	(1,558)	(2,055)	(448)	(362)	(413)	(842)	10
Non-hedging derivative financial instruments	(206)	(208)	(60)	(47)	(53)	(49)	1
Trade payables	(67,274)	(67,274)	(67,274)				
Total	(239,400)	(263,864)	(168,717)	(5,513)	(14,375)	(48,568)	(26,691)

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 2010*
Attachment B:	*Remuneration of members of the Board of Directors, members of the Board of Statutory Auditors and General Managers*
Attachment C:	*List of investments in subsidiary and associated companies*
Attachment D:	*Compensation plans based on financial instruments*
Attachment E:	*Information pursuant to article 149-duodecies of the consob regulations for issuers*

ATTACHMENT A – DETAILS OF TRANSACTIONS WITH RELATED PARTIES AND GROUP COMPANIES AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010 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)	financial (5)
Careo S.a.s.			1						
Careo S.r.l.			542					2,851	737
Cartiera Alto Milanese S.p.A.	6,235						1,622		
Reno De Medici Arnsberg Gmbh	4,541				2,858		13,246		
Reno De Medici UK Ltd	1,151						869		
Emmaus Pack S.r.l.	8,134					80	680		
Pac Service S.p.A.			116						
RDM Blendecques S.a.s.	2,180	10,263					109		
Reno de Medici Iberica S.L.	3,084				4,227	37	22,034		
Reno Logistica S.r.l. in liquidation				391					
R.D.M. Tissue Core S.r.l.			593						
Total	25,325	10,263	1,252	391	7,085	117	38,560	2,851	737

(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	3
Cartiera Alto Milanese S.p.A.	18,009	89	5
Reno De Medici Arnsberg Gmbh		2,649	
Emmaus Pack S.r.l.	15,206	117	10
Pac Service S.p.A.	2,505		
RDM Blendecques S.a.s.		1,387	342
Reno De Medici Iberica S.L.	13,776	609	
R.D.M. Tissue Core S.r.l.	1,144	18	
Reno De Medici UK Ltd	1,034	294	1
Total	**51,674**	**5,810**	**361**

(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

(thousands of Euros)	Cost of raw materials and services [1]		Financial expenses
	raw materials	Services	
Careo S.a.s.	4		
Careo S.r.l.		6,592	2
Cartiera Alto Milanese S.p.A.			4
Reno De Medici Arnsberg Gmbh	7		249
Emmaus Pack S.r.l.	173		2
RDM Blendecques S.a.s			
Reno De Medici Iberica S.L.			260
Reno De Medici UK Ltd			2
Total	**184**	**6,592**	**519**

(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 2010 with related parties for the years then ended:

	Current assets	Current liabilities	Non-current liabities
(thousands of Euros)	Receivables from third parties	Payables from third parties	Non-current payables (1)
Cascades Asia Ltd	241		
Cascades Canada Inc.		60	
Cascades Djupafors A.B.	26		
Cascades Inc.		3	
Cascades S.A.S	14	469	1,204
Cascades Rollpack Chatemois	19		
Cascades Groupe Produits		1	
Red. Imm. S.r.l.	15		
Total	**315**	**533**	**1,204**
Incidence on the total of the item	**0.5 %**	**0.7 %**	**75.5 %**

(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 2010:

(thousands of Euros)	Revenues from sales (1)	Other revenues (2)	Financial income
Cascades Asia Ltd	4,116		
Cascades Djupafors A.B.		11	
Cascades Groupe Produits			
Cascades S.A.S		27	
Cascades Rollpack Chatemois	47		
Cascades Canada Inc.			2
Total	**4,163**	**38**	**2**
Incidence on the total of the item	**1.4 %**	**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)]	Financial expenses
Cascades Asia Ltd		
Cascades Canada Inc.	134	2
Cascades Groupe Produits	22	1
Cascades Inc.	15	1
Cascades S.A.S	1,482	
Red. Im. S.r.l.	(30)	
Total	**1,623**	**4**
Incidence on the total of the item	**0.7 %**	

(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. 2010
Revenues and income	61,685
Cost and charge	(8,399)
Financial income	363
Financial expenses	(523)
Change in trade receivables	(5,410)
Change in trade payables	2,242
Change in total working capital	(3,168)
Cash flow from operating activity	**49,958**
Change in other financial assets and liabilities, and short-term borrowings	5,127
Change in long term borrowings	(2,121)
Cash flows from financing activity	**3,006**
Cash flows for the year	**52,964**

ATTACHMENT B – REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS, MEMBER OF THE BOARD OF STATUTORY AUDITORS AND GENERAL MANAGERS

The following tables provide details of the remunerations of the members of the Board of Directors and members of the Board of Statutory Auditors of the Company Regulation no. 11971 of 14 May 1999 and subsequent supplements and amendments:

Family name/first name	Description of office in Reno De Medici S.p.A.		
	Office held	Period of the year	Expiry of office in which office held
Dubé Christian	Chairman	01.01 - 31.12.2010	31.12.2010
Garofano Giuseppe	Deputy chairman	01.01 - 31.12.2010	31.12.2010
Capuano Ignazio	Managing director	01.01 - 31.12.2010	31.12.2010
Ciardullo Riccardo	Director	01.01 - 31.12.2010	31.12.2010
Garriba Sergio	Director	01.01 - 31.12.2010	31.12.2010
Hall Robert	Director	01.01 - 31.12.2010	31.12.2010
Lemaire Laurent	Director	01.01 - 31.12.2010	31.12.2010
Leo Mirko (1)	Director	01.01 - 31.12.2010	31.12.2010
Nicastro Vincenzo	Director	01.01 - 31.12.2010	31.12.2010
Peretti Carlo	Director	01.01 - 31.12.2010	31.12.2010
Rossini Emanuele	Director	01.01 - 31.12.2010	31.12.2010
Pivato Sergio	Chairman	01.01 - 31.12.2010	31.12.2011
Conti Giovanni Maria	Standing auditor	01.01 - 31.12.2010	31.12.2011
Tavormina Carlo	Standing auditor	01.01 - 31.12.2010	31.12.2011

(1) On August 4th, 2010 Mr. Leo Mirko resigned for personal reason as non executive member of the Board of Directors.

Family name/first name	Fees			
	Emoluments for office	Non-monetary benefits	Bonuses and other incentives	Other remuneration
Dubé Christian	110,000	-	(*)	30,000
Garofano Giuseppe	85,000	-	(*)	-
Capuano Ignazio	214,000	-	(*) (**)	221,000
Ciardullo Riccardo	40,000	-	-	-
Garriba Sergio	30,000	-	-	-
Hall Robert	30,000	-	-	-
Lemaire Laurent	10,000	-	-	-
Leo Mirko	5,833	-	-	-
Nicastro Vincenzo	70,000	-	-	-
Peretti Carlo	80,000	-	-	-
Rossini Emanuele	10,000	-	-	-
Pivato Sergio	72,800	-	-	-
Conti Giovanni Maria	46,800	-	-	-
Tavormina Carlo	46,819	-	-	8,424

(*) Beneficiary of a bonus bases on financial instruments ("Performance Phantom Shares", see "Attachment D"), the monetary value of which will be determined in april 2011 by applying the formula provided by the relevant Information Document, as per art. 114 TUF, that calculates the weighted average of the quotations of RDM's shares during the month of April, 2011. As a consequence, the total amount will be known after the date of the Shareholders' Meeting that will approve the 2010 Annual Report and Financial Statements.

(**) This table does not include the variable compensation for the achievement of specific goals, accounted in the present financial statements for an amount of Euro 250 thousand, as its amount, if any, can be considered to be definitive only after the approval of the 2010 Annual Report and Financial Statements, and after the President of the Board of Directors and the President of the Board of Statutory Auditors will have confirmed the total or partial achievements of the assigned goals.

Remuneration not yet paid amout to 640 thousand Euro

ATTACHMENT C – LIST OF INVESTMENTS IN SUBSIDIARY, ASSOCIATES COMPANIES AND JOINT VENTURES

Investments at 31 December 2010 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.
Milan - Italy
Direct ownership 51%

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 D- 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	Final term of restriction for instrument sale
Christian Dubé	Chairman	16/10/2009	Phantom Shares	1.640.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicabile
Giuseppe Garofano	Deputy Chairman	16/10/2009	Phantom Shares	1.230.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicable
Ignazio Capuano	CEO	16/10/2009	Phantom Shares	2.080.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicable
Stèphane Thiollier	Marketing and Sales Manager	16/10/2009	Phantom Shares	540.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicable
Stefano Moccagatta	CFO	16/10/2009	Phantom Shares	330.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicable
Manfred Draxler	C.O.O.	16/10/2009	Phantom Shares	470.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicable
Manfred Stemmer	Technology	16/10/2009	Phantom Shares	275.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicable
Minoleo Marucci	Coordinator Italy	16/10/2009	Phantom Shares	275.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicable
Silvano Giorgis	Plant Manager	16/10/2009	Phantom Shares	250.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicable
Alessandro Magnoni	Plant Manager	16/10/2009	Phantom Shares	250.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicable
Francesco Canal	Plant Manager	16/10/2009	Phantom Shares	250.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicable
Enzo Pelle	Plant Manager	16/10/2009	Phantom Shares	250.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicable
Jose Antonio Raso	Plant Manager	16/10/2009	Phantom Shares	250.000	03/08/2009 (cpr) 01/09/2009 (cda)	Not applicable	0,2063	Not applicable

(1) Timely price at 1 September 2009 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	Final term of restriction for instrument sale
Veronica Arciuolo	Legal and Corporate Manager	16/10/2009	Phantom Shares	155.000	06/05/2010 (cpr) 06/05/2010 (cda)	Not applicable	0,1705	Not applicable
Daniele Gatti	IT Manager	16/10/2009	Phantom Shares	155.000	06/05/2010 (cpr) 06/05/2010 (cda)	Not applicable	0,1705	Not applicable
Fabio Invernizzi	Energy Manager	16/10/2009	Phantom Shares	155.000	06/05/2010 (cpr) 06/05/2010 (cda)	Not applicable	0,1705	Not applicable
Marita Lovera	HR Manager	16/10/2009	Phantom Shares	155.000	06/05/2010 (cpr) 06/05/2010 (cda)	Not applicable	0,1705	Not applicable
Guido Vigorelli	Head of Procurement & Logistics	16/10/2009	Phantom Shares	155.000	06/05/2010 (cpr) 06/05/2010 (cda)	Not applicable	0,1705	Not applicable

Note: any modifications and integrations will be issued in compliance to the terms and manners provided by law.

(1) Timely price at 1 September 2009 when the Board of Directors approved to submit the Plan to the Shareholders' Meeting

ATTACHMENT E: 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 2010 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 2010**
Legal Audit	PricewaterhouseCoopers	Reno De Medici Spa	185
	PricewaterhouseCoopers	Subsidiary Companies	30
	Network PricewaterhouseCoopers	Subsidiary Companies	172
Other Services	PricewaterhouseCoopers	Reno De Medici Spa	19
Other fiscal Services	Network PricewaterhouseCoopers	Subsidiary Companies	31
Total			**437**

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE GENERAL MEETING OF SHAREHOLDERS 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.

We should initially like to inform you that Legislative Decree no. 39 of 27 January 2010 introduced into Italian legislation a revision of the general discipline of the audit of the annual and consolidated financial statements, together with a special discipline for a new category of legal subjects called "public interest entities".

Pursuant to article 16 of Legislative Decree no. 39/10, public interest entities include amongst others companies issuing securities admitted to trading on Italian and EU regulated markets.

Article 19 of Legislative Decree no. 39/10 introduces the "Internal Control and Audit Committee" for public interest entities, requiring this Committee - for companies having the traditional form of corporate governance - to be identified with the Board of Statutory Auditors.

Article 19 also establishes that the Internal Control and Audit Committee should supervise:

a) the financial disclosure process;
b) the effectiveness of the internal control, internal audit and risk management systems;
c) the legal audit of the annual and consolidated financial statements;
d) the independence of the legal auditor or legal audit company, in particular as far as the provision of non-audit services to the entity subject to the legal audit is concerned.

As a consequence, in this report the Board of Statutory Auditors also reports to you on the results of the control and supervisory activities it has performed in its capacity as the Internal Control and Audit Committee.

* * *

During the year ended 31 December 2010 we have performed supervisory activities on the basis of the provisions of the Italian civil code, articles 148 et seq. of Legislative Decree no. 58 of 24 February 1998 and the above-mentioned 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 carried out supervisory activities to ensure that the law and the deed of incorporation have been observed. We note that on 8 November 2010 the Board of Directors adopted a resolution regarding the modification of the Company's bylaws for the "compulsory" legislative provisions introduced by Legislative Decree no. 27 of 27 January 2010.

The Directors have provided us with extensive information, at a minimum on a quarterly basis, on 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 performance of these companies and of the events that have had the greatest influence in determining their results for the year.

We have constantly verified that any resolutions taken and put into effect complied 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 a nature such as to compromise the integrity of the Company's equity.

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 adequate 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.

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.

More specifically, as part of supervising the financial disclosure process, we periodically examined the results of the auditing activities performed by the internal control officer concerning the proper 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 provided by article 16 of Legislative Decree no. 39 of 27 January 2010, the Auditing Company has performed the following 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 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 we have reviewed the Group audit programme for the year ended 31 December 2010 prepared by the Auditing Company, in which the significant risks identified for the main areas of the financial statements are identified. 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 of Legislative Decree no. 39/2010. No specific problems 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, acknowledging the assessments made by the Board of Directors, the Board of Statutory Auditors has verified that the criteria and checking procedures adopted by the board to assess the independence of its members have been properly applied.

We have verified that the laws regarding the preparation of the annual and consolidated financial statements for the year ended 31 December 2010 - drawn up in accordance with IAS/IFRS international accounting standards - and the preparation of the Report of the Board of Directors have been observed, by carrying out direct checks and by obtaining information from the Auditing Company.

Regarding the testing for any loss in the value of assets ("impairment testing") in accordance with accounting standard IAS 36, as explicitly stated in the Bank of Italy/Isvap joint Document no. 4 of 3 March 2010, prior to the approval of the draft financial statements for the year ended 31 December 2010 the directors approved the results of the impairment testing and checked 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, highlighting 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 operations respond to principles of reasonableness and do not appear to be contrary to the interests of the Company.

Appropriate tables are provided in annex A to the notes to the financial statements of the Parent Company 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 initiatives undertaken in 2010 to develop new business areas and create new products;
- the positive performance of the investee Manucor S.p.A.;
- the implementation of the incentive plan for the management of the Reno de Medici Group for 2009-2010.

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. On our part we note the following:

- on 8 November 2010 the Company adopted the new Procedure for Related Party Transactions, in compliance with the requirements of the regulation on the subject adopted by CONSOB in Resolution no. 17221 of 12 March 2010;
- on 28 February 2011 the shareholders' agreement having as its object 59.6% of the Company's share capital ceased to be effective.

The consolidated financial statements and the parent's 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 4 April 2011 the external auditors issued a favorable opinion on the separate and consolidated financial statements for the year ended 31 December 2010, with no findings reported. The external auditors also certified that the directors' report and the section on corporate governance and ownership structure are consistent with the 2010 financial statements, limited to the information relevant for the purposes of paragraph 1 (c), (d), (f), (l) and (m) and paragraph 2 (b) of Art. 123-bis of Legislative Decree 58/98.

Pursuant to Art. 19 of Legislative Decree 39/10, we have monitored the independence of the external auditors, in particular with regard to their non-auditing services.

We have received confirmation from the external auditors, in accordance with Art. 17 (9) (a) of Legislative Decree 39/2010, that from 1 January 2010 until the date of their report (31 March 2011) there were no circumstances that might compromise their independence or disqualify them as laid down in Arts. 10 and 17 of Legislative Decree 39/2010 and its implementation provisions. We have also received a list of other services provided to the Company by the firm in charge of compulsory accounts auditing and by other entities in its network.

As also mentioned in Annex E to the financial statements (Information pursuant to Art. 149-duodecies of the Consob Listing Rules), the Company has hired PricewaterhouseCoopers S.p.A. not only to audit its separate financial statements, consolidated financial statements, half-year report and accounting ledgers, but also for the following engagements, for total fees of €19K:

- agreed-upon procedures for the management accounts (profit & loss);
- inspections for the purpose of issuing specific statements as to the accurate extraction of accounting data.

In addition, subsidiaries of the Company have engaged PricewaterhouseCoopers S.p.A., or firms with ongoing ties to PricewaterhouseCoopers S.p.A. that are part of its international network, for the following:

- auditing of the subsidiaries' accounts by PricewaterhouseCoopers, for a total of €30K;
- auditing of the subsidiaries' accounts by the PricewaterhouseCoopers network, for a total of €172K;
- tax advisory services provided to subsidiaries by the PricewaterhouseCoopers network, for a total of €31K.

We note additionally that as a consequence of the additional time required to examine specific problems regarding the incentives plans based on financial instruments approved by the Company and the recognition and measurement of derivative financial instruments using hedge accounting, the Auditing Company made a request for an increase in its fees for the audit of the annual financial statements for the year ended 31 December 2010 of Euro 18,000.00 (corresponding to approximately 200 hours). We have no particular observations to report in this respect.

Taking also into consideration the statement of independence issued by PricewaterhouseCoopers and the engagements given to that company and companies belonging to its network by the Company and Group companies, we do not believe that there are any critical matters 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, any illegal or improper acts or any 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. More specifically we note the following:

- the Internal Control Committee established pursuant to the Corporate Governance Code has confirmed the adequacy of the procedures adopted and of the internal control system in general, as well as 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 or improper 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 5 meetings, the Internal Control Committee held 3 meetings, the Compensation Committee held 1 meeting and the Board of Statutory Auditors held 10 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 2010 or the proposal made by the directors regarding the allocation of the profit for the year.

* * *

In addition the Board of Directors has called you to attend ordinary and extraordinary general meetings to discuss and adopt resolutions regarding:

- changes to article 15 of the Company's bylaws (point 1 on the agenda of the extraordinary meeting);
- the approval of the 2011-2012-2013 compensation plan for the management of Reno De Medici S.p.A. based on financial instruments pursuant to article 114-bis of Legislative Decree no. 58/1998 (point 3 on the agenda of the ordinary meeting).

In referring to the respective Illustrative Reports and to the Information Document prepared by the directors as per article 114-bis of Legislative Decree no. 58/1998 and article 84-bis, paragraph 1 of the Issuers' Regulations 11971/1999, within the scope of its competence the Board of Statutory Auditors has not identified any matters which might act as an impediment to the approval of the related draft resolutions.

Milan, 4 April 2011

THE BOARD OF STATUTORY AUDITORS

Signed by:

Sergio PIVATO (Chairman)

Giovanni Maria CONTI

Carlo TAVORMINA

LIST OF THE MANAGEMENT AND CONTROL OFFICES HELD BY EACH MEMBER OF BOARD OF STATUTORY AUDITORS UPDATE TO MARCH 21, 2011, DATE OF STATUTORY AUDITORS' REPORT (IN COMPLIANCE WITH THE ANNEX PURSUANT TO ART. 144 QUINQUESDECIES OF REGULATION IMPLEMENTING ITALIAN LEGISLATIVE DECREE NO.58 OF 24 FEBRUARY 1998, CONCERNING THE DISCIPLINE OF ISSUERS.

Company registered name		Type of the office	Termination of the office
Prof. Sergio Pivato			
1	Auchan Spa	Effective Auditor	Shareholders' Meeting 2012
2	Freni Brembo Spa	Chairman of Auditors	Shareholders' Meeting 2011
3	Reno de Medici SpA	Chairman of Auditors	Shareholders' Meeting 2012
4	SMA SpA	Chairman of Auditors	Shareholders' Meeting 2012
5	Unione di Banche Italiane S.C.P.A.	Member of the Committee for the Control	Shareholders' Meeting 2013
6	Società Editoriale Vita SpA	Chairman of Auditors	Shareholders' Meeting 2013
	Number of offices held in issuers:	3	
	Overall number of office held:	6	
Dott. GIANMARIA CONTI			
			Approval of Financial Statement
1	Biancamano Spa	Director	Shareholders' Meeting 2011
2	Reno De Medici Spa	Effective Auditor	Shareholders' Meeting 2011
3	Fomas Finanziaria Spa	Effective Auditor	Shareholders' Meeting 2010
4	Cofinvest Srl	Director	Permanente temporary
5	Mylan Spa con socio unico	Effective Auditor	Shareholders' Meeting 2011
6	Borbonese Spa	Director	Shareholders' Meeting 2010
7	Callari Srl	Chairman of Auditors	Shareholders' Meeting 2012
8	Eolo Srl	Effective Auditor	Shareholders' Meeting 2011
9	Gewa Med Srl	Director	up to revocation
10	Immobiliare 1750 Spa	Chairman of the Committee for the Control	Shareholders' Meeting 2012
11	RSC & Partners Consulting Srl	Chairman of Board of Directors.	up to revocation
12	Alerion Energie Rinnovabili Srl	Chairman of Auditors	Shareholders' Meeting 2012
13	Careo Srl	Chairman of Auditors	Shareholders' Meeting 2012
14	Sunpower Italia Srl	Effective Auditor	Shareholders' Meeting 2012
15	Us. Fin. Srl	Effective Auditor	Shareholders' Meeting 2012
	Number of offices held in issuers:	2	
	Overall number of office held:	15	

	Company registered name	Type of the office	Termination of the office
Dott. CARLO TAVORMINA			
			Approval of Financial Statement
1	Autocaravans Rimor SpA	Chairman of Auditors	31/08/2012
2	Reno de Medici SpA	Effective Auditor	31/12/2011
3	Rimor Holding SpA	Chairman of Auditors	31/08/2012
4	Emmaus Pack Srl	Chairman of Auditors	31/12/2012
5	Alma Ceres Srl	Effective Auditor	31/12/2011
6	Brianza Salumi Srl	Effective Auditor	31/12/2011
7	Industria e Innovazione SpA	Chairman of Auditors	31/12/2011
8	Manucor SpA	Effective Auditor	31/12/2011
9	Mediapason SpA	Effective Auditor	31/12/2010
10	Nem Due SGR SpA	Effective Auditor	31/12/2011
11	RCR Cristalleria Italiana SpA	Effective Auditor	31/12/2012
12	Telelombardia Srl	Effective Auditor	31/12/2010
13	Videogruppo Televisione SpA	Effective Auditor	31/12/2011
14	Nelke Srl	Director	31/12/2012
	Number of offices held in issuers:	2	
	Overall number of office held:	14	

ATTESTATION

OF STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2010, 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, 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 2010:
   - are proportionate to the characteristics of the enterprise and
   - have been effectively implemented.
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 2011

Managing Director

Signed
Ignazio Capuano

Manager responsible for the preparation
of company accounting documents
Signed
Stefano Moccagatta

REPORT OF AUDITORS

pwc

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 2010 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' 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 9 April 2010.

3 In our opinion, the separate financial statements of Reno De Medici SpA as of 31 December 2010 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

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 – **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** 10129 Corso Montevecchio 37 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** 37122 Corso Porta Nuova 125 Tel.0458002561

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law. For this purpose, we have performed the procedures required under Italian Auditing Standard 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 separate financial statements of Reno De Medici SpA as of 31 December 2010.

Milan, 4 April 2011

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 SHAREHOLDERS

Shareholders,

The annual financial statements for 2010 which we submit for your approval close with a profit of Euro 4,065,057,which we propose to allocate as follows:

a) Euro 203,253 to the legal reserve pursuant to article 2430 of Italian civil code;
b) the balance of Euro 3,861,804 to cover past losses.

If you agree with this proposal we recommend that you adopt the following resolution:

"The ordinary general meeting of the shareholders of Reno De Medici S.p.A.:

- *having seen the Report of the Board of Directors, accompanied by all other documents;*
- *having seen the Report of the Board of Statutory Auditors;*
- *having seen the financial statements for the year ended 31 December 2010;*
- *acknowledging the report of PricewaterhouseCoopers S.p.A.*

resolves

- *to approve the Report of the Board of Directors, the Report on Operations, including all other documents and reports, and the statutory accounts for the year ended 31 December 2010;*
- *to approve the proposal made by the Board of Directors to allocate the profit for the year of Euro 4,065,057 in the following manner:*
  - *a) Euro 203,253 to the legal reserve pursuant to article 2430 of the Italian civil code;*
  - *b) the balance of Euro 3,861,804 to absorb losses;*
- *to grant the Chairman of the Board of Directors and the Deputy Chairman, separately, all the suitable powers which may be needed for publishing and filing the financial statements for the year ended 31 December 2010".*

Milan, 21 March 2011

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, ASSOCIATED COMPANIES 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 2010 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.

Joint ventures and joint controlled companies

Careo S.r.l.

Manucor S.p.A.

R.D.M. Tissue core S.r.l.

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)*	31.12.2010	31.12.2009
Fixed assets	80	80
Working capital	9.750	8.338
TOTAL ASSETS	9.830	8.418

Liabilities and shareholders' equity	31.12.2010	31.12.2009
Shareholders' equity	1.456	1.478
Provisions for contingencies and charges	134	120
Employees' leaving entitlement		
Payables	8.240	6.820
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9.830	8.418

Profit and loss account

(thousands of Euros)	31.12.2010	31.12.2009
Value of production	19.352	16.145
Cost of production	(18.756)	(15.613)
Operating profit	596	532
Financial income and (expense)	(34)	(30)
Profit (loss) before taxation	562	502
Income taxes	(184)	(165)
Profit (loss) for the year	378	337

Cascades Grundstück Gmbh & Co.KG
Registered office in Arnsberg – Hellefelder Street, 51
Share capital Euro 5,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2010	31.12.2009
Fixed assets	307	307
Working capital	3	4
TOTAL ASSETS	310	311

Liabilities and shareholders' equity	31.12.2010	31.12.2009
Shareholders' equity	306	309
Provisions for contingencies and charges		
Employees' leaving entitlement		
Payables	4	2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	310	311

Profit and loss account

(thousands of Euros)	31.12.2010	31.12.2009
Value of production		
Cost of production	(6)	(8)
Operating profit	(6)	(8)
Financial income and (expense)		
Profit (loss) before taxation	(6)	(8)
Income taxes		
Profit (loss) for the year	(6)	(8)

Emmaus Pack S.r.l.
Registered office in Milan – Via Durini, 16/18
Share capital Euro 200,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2010	31.12.2009
Fixed assets	654	591
Working capital	12.321	9.818
TOTAL ASSETS	12.975	10.409

Liabilities and shareholders' equity	31.12.2010	31.12.2009
Shareholders' equity	2.076	1.396
Provisions for contingencies and charges	70	64
Employees' leaving entitlement	161	144
Payables	10.668	8.805
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12.975	10.409

Profit and loss account

(thousands of Euros)	31.12.2010	31.12.2009
Value of production	23.128	17.868
Cost of production	(20.971)	(16.621)
Operating profit	**2.157**	**1.247**
Financial income and (expense)	(25)	(41)
Profit (loss) before taxation	**2.132**	**1.206**
Income taxes	(751)	(469)
Profit (loss) for the year	**1.381**	**737**

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)*	31.12.2010	31.12.2009
Fixed assets	5.361	3.899
Working capital	17.900	14.305
TOTAL ASSETS	23.261	18.204

Liabilities and shareholders' equity	31.12.2010	31.12.2009
Shareholders' equity	(8.817)	(12.301)
Provisions for contingencies and charges	883	960
Employees' leaving entitlement	2.166	1.871
Payables	29.029	27.674
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	23.261	18.204

Profit and loss account

(thousands of Euros)	31.12.2010	31.12.2009
Value of production	57.660	50.774
Cost of production	(59.655)	(55.109)
Operating profit	(1.995)	(4.335)
Financial income and (expense)	(540)	(350)
Profit (loss) before taxation	(2.535)	(4.685)
Income taxes	(86)	(6)
Profit (loss) for the year	(2.622)	(4.691)

Reno De Medici Arnsberg Gmbh
Registered office in Arnsberg - Hellefelder Street, 51
Share capital Euro 5,112,919

Balance Sheet

Assets *(thousands of Euros)*	31.12.2010	31.12.2009
Fixed assets	83.863	90.619
Working capital	49.718	43.089
TOTAL ASSETS	133.581	133.708

Liabilities and shareholders' equity	31.12.2010	31.12.2009
Shareholders' equity	72.252	75.797
Employees' leaving entitlement	9.676	9.174
Payables	51.653	48.737
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	133.581	133.708

Profit and loss account

(thousands of Euros)	31.12.2010	31.12.2009
Value of production	116.123	102.554
Cost of production	(111.879)	(99.380)
Operating profit	4.244	3.174)
Financial income and (expense)	(383)	(1)
Profit (loss) before taxation	3.861	3.173
Income taxes	(1.433)	(989)
Profit (loss) for the year	2.428	2.184

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)*	31.12.2010	31.12.2009
Fixed assets	12.857	14.743
Working capital	37.406	35.561
TOTAL ASSETS	50.263	50.304

Liabilities and shareholders' equity	31.12.2010	31.12.2009
Shareholders' equity	41.309	42.766
Provisions for contingencies and charges		
Employees' leaving entitlement		
Payables	8.954	7.538
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	50.263	50.304

Profit and loss account

(thousands of Euros)	31.12.2010	31.12.2009
Value of production	39.515	35.522
Cost of production	(39.462)	(35.337)
Operating profit	53	185
Financial income and (expense)	2	180
Profit (loss) before taxation	55	365
Income taxes	(106)	13
Profit (loss) for the year	(51)	378

Reno De Medici UK limited
Registered office in Wednesbury – Pacific Avenue, Parkway
Share capital Euro 12,433,461

Balance Sheet

Assets *(thousands of Euros)*	31.12.2010	31.12.2009
Fixed assets	499	541
Working capital	6.774	3.524
TOTAL ASSETS	7.273	4.065

Liabilities and shareholders' equity	31.12.2010	31.12.2009
Shareholders' equity	2.256	1.200
Provisions for contingencies and charges	232	225
Employees' leaving entitlement	25	23
Payables	4.760	2.617
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7.273	4.065

Profit and loss account

(thousands of Euros)	31.12.2010	31.12.2009
Value of production	13.451	8.451
Cost of production	(12.419)	(8.830)
Operating profit	1.032	(379)
Financial income and (expense)	(10)	(13)
Profit (loss) before taxation	1.022	(392)
Income taxes		
Profit (loss) for the year	1.022	(392)

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)*	31.12.2010	31.12.2009
Fixed assets		
Working capital	187	181
TOTAL ASSETS	187	181

Liabilities and shareholders' equity	31.12.2010	31.12.2009
Shareholders' equity	(203)	(189)
Provisions for contingencies and charges		
Employees' leaving entitlement		
Payables	390	370
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	187	181

Profit and loss account

(thousands of Euros)	31.12.2010	31.12.2009
Value of production		
Cost of production	(13)	(46)
Operating profit	(13)	(46)
Financial income and (expense)		
Profit (loss) before taxation	(13)	(46)
Income taxes		
Profit (loss) for the year	(13)	(46)

Careo S.r.l. (*)
Registered office in Milan – Via Durini, 16/18
Share capital Euro 100,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2010	31.12.2009
Fixed assets	710	596
Working capital	7.666	7.882
TOTAL ASSETS	8.376	8.478

Liabilities and shareholders' equity	31.12.2010	31.12.2009
Shareholders' equity	502	147
Provisions for contingencies and charges	1.690	1.323
Employees' leaving entitlement	482	521
Payables	5.702	6.488
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8.376	8.478

Profit and loss account

(thousands of Euros)	31.12.2010	31.12.2009
Value of production	14.538	14.271
Cost of production	(13.781)	(13.840)
Operating profit	**757**	**431**
Financial income and (expense)	(87)	(162)
Profit (loss) before taxation	**670**	**269**
Income taxes	(323)	(424)
Profit (loss) for the year	**347**	**(155)**

(*) 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)*	31.12.2010	31.12.2009
Fixed assets	91.221	96.564
Working capital	59.292	53.095
TOTAL ASSETS	150.513	149.659

Liabilities and shareholders' equity	31.12.2010	31.12.2009
Shareholders' equity	21.067	22.092
Employees' leaving entitlement	1.648	1.950
Payables	127.798	125.617
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	150.513	149.659

Profit and loss account

(thousands of Euros)	31.12.2010	31.12.2009
Value of production	143.479	7.677
Cost of production	(142.970)	(7.894)
Operating profit	**509**	**(217)**
Financial income and (expense)	(1.313)	(95)
Financial income and (expense)		
Other income (expense)	(142)	212
Profit (loss) before taxation	**(946)**	**(100)**
Income taxes	80	437
Profit (loss) for the year	**(866)**	**338**

(*) Figures are related to the information used in the Consolidated Financial Statement to the evalution under equity method of investment

PAC Service S.p.a.
Registered office in Vigonza – Via Julia, 47
Share capital Euro 1,000,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2010	31.12.2009
Fixed assets	2.835	2.837
Working capital	10.012	8.827
TOTAL ASSETS	12.847	11.664

Liabilities and shareholders' equity	31.12.2010	31.12.2009
Shareholders' equity	5.799	5.713
Provisions for contingencies and charges	107	107
Employees' leaving entitlement	426	386
Payables	6.515	5.458
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12.847	11.664

Profit and loss account

(thousands of Euros)	31.12.2010	31.12.2009
Value of production	17.120	15.075
Cost of production	(15.831)	(13.828)
Operating profit	1.289	1.247
Financial income and (expense)		8
Profit (loss) before taxation	1.289	1.255
Income taxes	(425)	(428)
Profit (loss) for the year	864	827

R.D.M. Tissue Core S.r.l.
Registered office in Milan – Via Durini, 16/18
Share capital Euro 100,000

Balance Sheet

Assets *(thousands of Euros)*	31.12.2010	31.12.2009
Fixed assets	6	7
Working capital	641	545
TOTAL ASSETS	647	552

Liabilities and shareholders' equity	31.12.2010	31.12.2009
Shareholders' equity	(3)	36
Employees' leaving entitlement		
Payables	650	516
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	647	552

Profit and loss account

(thousands of Euros)	31.12.2010	31.12.2009
Value of production	1.408	618
Cost of production	(1.442)	(682)
Operating profit	(36)	(64)
Financial income and (expense)	(2)	
Profit (loss) before taxation	(38)	(64)
Income taxes		
Profit (loss) for the year	(38)	(64)

SUMMARY OF THE PRINCIPAL FIGURES FROM THE MOST RECENT FINANCIAL STATEMENTS OF THE SUBSIDIARY COMPANIES,

Redpoint