Reno De Medici

RdM GROUP

Interim Report

for the period ended

31 December 2009

Reno De Medici S.p.A.

Registered office: Via Durini 16/18, Milan

Share capital: Euro 185,122,487.06 fully paid

Fiscal code and VAT no. 00883670150

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

COMPANY BODIES AND INDEPENDENT AUDITORS

Board of Directors

Christian Dubé	Chairman
Giuseppe Garofano	Deputy Chairman
Ignazio Capuano	Managing Director
Riccardo Ciardullo	Director
Robert Hall	Director
Sergio Garribba	Director
Laurent Lemaire	Director
Mirko Leo	Director
Vincenzo Nicastro	Director
Carlo Peretti	Director
Emanuele Rossini	Director

Board of Statutory Auditors

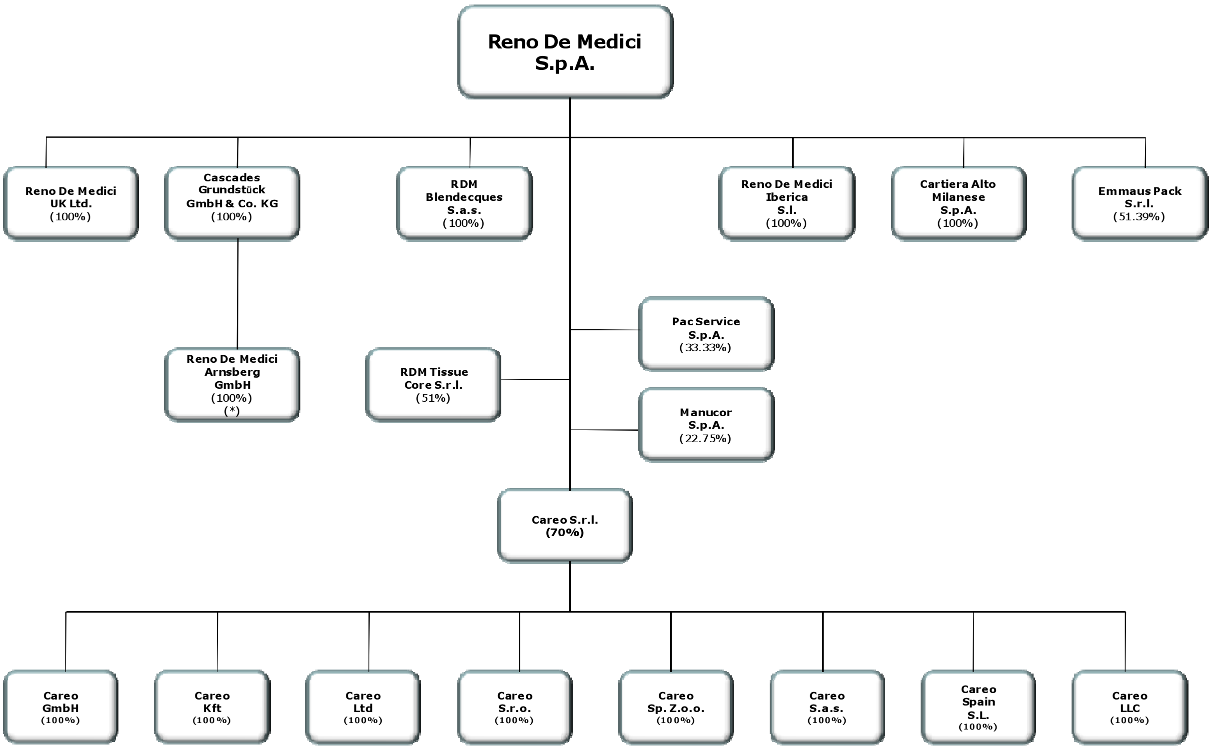
Sergio Pivato	Chairman
Giovanni Maria Conti	Standing auditor
Carlo Tavormina	Standing auditor
Domenico Maisano	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANIES OF THE GROUP AT 31 DECEMBER 2009

The following chart excludes non-operating companies and companies in liquidation of the Reno De Medici Group (the "RDM Group" or the "Group").



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

REPORT OF THE DIRECTORS ON OPERATIONS

In the fourth quarter of 2009, RdM Group continued its trend of improved operating results compared to the same period of 2008 (net of non-recurring income), confirming the progress made in previous quarters. This progress was achieved despite a 5% annual drop in demand for coated board from recycled fibre, but with a 5% recovery in the final quarter compared to the same period of 2008, when the crisis was at its height. The recovery derives from higher revenues recorded in fourth quarter of 2009 and from lower fixed costs (structural and contingent), since the fourth quarter of 2008 was penalised by shut-downs at year-end.

In 2009, the Group production amounted to 854 thousand tonnes compared with 863 thousand tonnes for the same period in 2008; the two figures though refer to non-homogeneous operational scenarios. First and foremost, production in 2008 does not include the volumes produced by the former Cascades companies in January and February 2008 due to the fact that they were consolidated for the first time in March 2008. Furthermore, as part of a commercial and industrial strategy aimed at safeguarding profitability the Group has concentrated its manufacturing activities on the more efficient factories and on reducing fixed costs, closing a production line in the Blendecques facility in France at the end of 2008 and suspending the production at Marzabotto facility in Italy for the whole of 2009; in addition, production was also brought to a temporary halt in certain other factories. There has therefore been a drop in volumes produced compared to the previous year, although the measures of both a structural and contingent nature taken to adjust production capacity to demand have enabled a considerable increase in production efficiency.
In terms of volumes sold, approximately 864 thousand tons were shipped in 2009, compared with 889 thousand tons in 2008.

With regard to costs, raw materials for pulp continued in the fourth quarter the gradual price increase begun in late summer, due to both a lower production of waste and an higher import level from Far Eastern countries (especially China).
In any case, there was a significant drop compared to the previous year.

With regard to energy prices, there was no significant change in the quarter. On the other hand, there was a significant drop on a year-to-year basis, especially with respect to natural gas and electricity, mostly in relation to the effects of indexing rules that govern the majority of industrial supply agreements and in a marked scenario by oversupply.

2009 closed positively, with considerably better results than in 2008 – even more remarkable in consideration of the market conditions.

EBITDA from ordinary operations registered a positive result amounting to Euro 31.0 million, compared to

Euro 18.8 million in 2008 (before badwill).

Profitability reflects the dissimilar progress of revenues and cost components. The drop in revenues is attributable to the reduction in volumes, to price pressure, and to stops (both permanent and temporary) of some production lines to achieve more efficient production. This impact was more than recovered thanks to more efficient production and to lower prices of raw materials for pulp and energy.

The Operating Result from ordinary operations was a positive Euro 4.0 million, compared to a loss of Euro 6.8 million (before badwill) in 2008.

Net Financial charges decreased, especially in relation to a positive rate trend.

Net Financial Standing was Euro 130.8 million, with very slight growth compared to Euro 128.5 million at 31 December 2008, even with absorption of the Euro 4.5 million cost for acquiring the interest in Manucor. The positive trend also derives from actions taken with regard to the reduction of working capital.

The geographical mix of the Group's revenues at 31 December 2009 does not showed significant changes compared to the previous year.

Revenues by geographical areas	31.12.2009	Inc. %	31.12.2008	Inc. %
(thousands of Euros)				
Italy	152,489	35.6%	159,882	35.45%
EU	222,421	51.9%	235,936	52.30%
Extra EU	53,325	12.5%	55,278	12.25%
Net revenues	**428,235**	**100%**	**451,096**	**100%**

Consolidated results

The following table sets out the highlights of the profit and loss accounts for 31 December 2009 and 2008. It should be recalled that there were significant items of a non-operational nature in the period ended 31 December 2008 which can affect the reading of the results from ordinary operations.

	31.12.2009	31.12.2008
(thousands of Euros)		
Revenues from sales	**428,235**	**451,096**
	-	
EBITDA before badwill *(1)*	**31,021**	**18,849**
Badwill	-	*21,178*
EBITDA *(2)*	**31,021**	**40,027**
EBIT before badwill *(3)*	**3,959**	**(6,802)**
Badwill	-	*21,178*
EBIT *(4)*	**3,959**	**14,376**
Result before taxes *(5)*	**(5,098)**	**2,685**
Current and deferred taxes	*(1,684)*	*(2,094)*
Result after taxes *(6)*	**(6,782)**	**591**
Discontinued operations	-	*(6,777)*
Profit (loss) for the year	**(6,782)**	**(6,186)**

(1) Cfr. Consolidated financial statement of RDM Group, "Gross Operating Profit" - "Badwill"
(2) Cfr. Consolidated financial statement of RDM Group, "Gross Operating Profit"
(3) Cfr. Consolidated financial statement of RDM Group, "Operating Profit " - " Badwill"
(4) Cfr. Consolidated financial statement of RDM Group, "Operating Profit "
(5) Cfr. Consolidated financial statement of RDM Group, "Profit (loss) for the year before discontinued operations" - "Taxation"
(6) Cfr. Consolidated financial statement of RDM Group, "Profit (loss) for the year before discontinued operations"

The RDM Group in the fourth quarter of 2009 achieved net revenues of Euro 428.2 million, compared to Euro 451.1 million in the corresponding period of the previous year.

Consolidated EBITDA in 2009 reached Euro 31.0 million compared to Euro 18.8 million from ordinary operations in the corresponding period in 2008.
Consolidated EBITDA, including items of a non-operational nature at 31 December 2008, amounted to Euro 40.0 million. Infact, it should be recalled that at 31 December 2008, EBITDA included a non-operational profit of approximately Euro 21.2 million.

The Operating Profit (EBIT) as at December 31, 2009 amounted to Euro 4.0 million, compared to Euro 14.4 million in the corresponding period in 2008 (including Euro 21.2 million of Badwill).

The Result of operating activities before taxes was negative in the amount do Euro 5.1 million, compared to a positive amount of Euro 2.7 million for the same period of 2008.

The Group at December 31, 2009 made capital expenditures of Euro 19.7 million (Euro 15.5 million at 31 December 2008).

The consolidated net financial indebtedness at December 31, 2009 amounted to Euro 130.8 million, compared to 128.5 million at December 31, 2008.

More specifically, the gross financial indebtedness at December 31, 2009, measured at amortized cost amounted to 131.0 (compared to Euro 133.6 million at December 2008) and consisted of the non-current portion of long-term loans for Euro 62.7 million, the current position of long term loans for about Euro 7.1 million and bank credit facilities and other financial liabilities of about Euro 61.2, consisting mainly of credit lines based trade accounts receivables.

On 9 October the negotiations with the Lending Banks for the rescheduling of the loans originally arranged in 2006 were formally concluded with the signing of a Modification Agreement.
The Modification Agreement confirms the terms and conditions of the Term Sheet signed on 3 August 2009.
Further details may be found in the following section 'Major operations'.

Derivatives instruments entered into in order to provide *cash flow hedge* have been noted on the balance sheet for a total negative amount of Euro 1.9 million.

As at December 31, 2009 liquidity and financial credits due within 12 months amount of Euro 2.0 million (compared with Euro 6.0 million in December 2008).

Major operations

As stated above the negotiations with IntesaSanpaolo and Unicredit for the rescheduling of the loans originally arranged in 2006 were formally concluded with the signature on 9 October of the Modification Agreement, which confirms the terms and conditions set out in the Term Sheet signed on 3 August 2009.

The two loans originally totalled Euro 74.7 million of which Euro 68.4 million has been disbursed: following repayments there was an outstanding balance of Euro 51.2 million at 31 December 2009.
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.

As at 25 November 2009, Reno De Medici S.p.A. acquired a minority interest in the share capital of Manucor S.p.A.. The company operates in the production of plastic flexible packaging, specifically BOPP. This acquisition, coming at integrating the product portfolio by extending it to flexible packagings to complement the range of products to customers, are substantially in conformity with the investment agreement undersigned on the past 30 July 2009.
RDM acquired a share of 22.75% of Manucor's capital by subscribing increase a capital with an investments of approximately 4.5 million Euros (including additional paid-in capital)
The acquisition pursues the implementation of a new five-years industrial plan of Manucor, also sustained by the rescheduling of the residual financial indebtedness, and is aimed to adequately increase the value of the company in terms of business volumes growth, profitability, global positioning and internationalization, also through the creation of commercial synergies with RDM, arising from potential cross-selling opportunities.
In this Report, the Manucor interest has temporarily been recorded at cost while awaiting final calculation of the fair value of assets, liabilities, and potential liabilities.

On 16 October 2009 shareholders meeting in ordinary general meeting approved two incentive plans for Group employees and for management based on financial instruments, pursuant to and to the effects of article 114-bis of Legislative Decree no. 58/98, as proposed by the Board of Directors on 1 September 2009.
The main features of these plans are described below.

Incentive Plan for employees of the RDM Group for the period 2010-2011

This Plan is intended for all the employees of the RDM Group (1,700 at 31 July 2009) with the exception of employees of the companies not directly controlled by RDM.

The Plan's objective is to further strengthen the sense of belonging of Group employees by providing them with the possibility of making an investment in the shares of Reno De Medici S.p.A. under conditions more favourable than those of the market, in compliance with the Plan Regulations.

Under the Plan, for every 2 RDM shares that an employee purchases the Company will make a direct transfer to the predetermined financial intermediary, in the employee's name, of the amount of money required to purchase 1 RDM share, and accordingly there is no direct, free of charge allocation of shares. The contribution for the purchase of shares which RDM will pay to each employee joining the Plan will not exceed Euro 1,000 for the whole the Plan term.

The Plan makes no distinction between the various beneficiaries involved. The Managing Director of RDM, Ignazio Capuano, and RDM Group management who are employees (who are already beneficiaries of the incentive plan described below) are not allowed to benefit from this Plan.

Incentive Plan for Management based on 'Performance-based Phantom Shares' for the period 2009-2010-2011

The beneficiaries of this Plan are the 13 members of management of the RDM Group, including the Chairman Christian Dubè, the Deputy Chairman, Giuseppe Garofano and the Managing Director, Ignazio Capuano. The aim of the Plan is to equip the Group with a tool directed at reaching strategic business objectives as well as one which is capable of increasing the loyalty of the beneficiaries even further .

Under the Plan a total of 8,090,000 performance phantom shares will be allocated in different ways to the beneficiaries, to which will be added a further 775,000 performance phantom shares to be allocated to possible new beneficiaries who will be identified in accordance with the Plan Regulations.

The Plan provides that the beneficiaries will receive cash compensation, the amount of which is linked to specific objectives relating to parameters such as return on capital and financial ratios, connected with the valuation of the price of RDM shares at the time of the realisation of the Plan.

The maximum amount which RDM can pay in total to the beneficiaries for the full term of the Plan may not exceed Euro 4 million, unless there is a change in control of the company (as provided by article 9 of the Regulations).

Outlook for operations

The market trend in early 2010 appears in line with that of 2009, with steady volumes even though the overall macroeconomic context remains uncertain, also due to the volatility caused by the continuing turbulence in financial markets.

At the European level, the entire industry is marked by structural overcapacity, which leads one to predict additional industrial rationalisation operations.

The Company has announced price increases, the effects of which should be fully effective starting in the spring.

On the other hand, prices of raw materials for pulp continue to rise. Energy prices do not show significant changes. Despite reductions recorded in 2009, current average prices could still be high in relation to the level of manufacturing activities for the main industrialized economies. Operators will tend to reduce inventories and, in the short term, this will expose the industry to the negative impact of possible sudden increases.

The outlook for the 2010 are affected by high volatility due to the general macroeconomic situation, the contraction on final consumption determined by reduction of household disposable income, and the price of cellulosic materials, both virgin and recycled.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

Consolidated profit and loss account	31.12.2009	31.12.2008
(thousands of Euros)		
Revenues from sales	428,235	451,096
Other revenues	20,428	10,821
Changes in stocks of finished goods	(5,187)	(12,607)
Cost of raw materials and services	(330,071)	(357,216)
Staff costs	(77,030)	(67,862)
Other operating costs	(5,354)	(5,383)
Badwill	-	21,178
Gross Operating Profit	**31,021**	**40,027**
Depreciation and amortisation	(26,464)	(23,919)
Recovery of value and write-downs of assets	(598)	(1,732)
Operating Profit	**3,959**	**14,376**
Financial expense	*(9,207)*	*(10,417)*
Exchange differences	*432*	*13*
Financial income	*54*	*449*
Financial income (expense), net	(8,721)	(9,955)
Income from investments	(336)	(1,736)
Taxation	(1,684)	(2,094)
Profit (loss) for the year before discontinued operations	**(6,782)**	**591**
Discontinued operations	-	(6,777)
Profit (loss) for the year	**(6,782)**	**(6,186)**
Attributable to:		
Profit (loss) for the year pertaining to the Group	(7,150)	(6,449)
Profit (loss) for the year pertaining to minority interests	368	263

Consolidated balance sheet	31.12.2009	31.12.2008
(thousands of Euros)		
ASSETS		
Non-current assets		
Tangible fixed assets	256,457	264,400
Goodwill	63	63
Other intangible assets	6,207	5,629
Investments and financial transactions currently	6,359	1,628
Deferred tax assets	1,481	1,488
Derivative financial instruments	-	11
Financial assets held for sale	192	309
Trade receivables	81	234
Other receivables	364	899
Total non-current assets	**271,204**	**274,661**
Current assets		
Stocks	74,327	82,073
Trade receivables	110,529	114,476
Financial assets held for sale	188	-
Other receivables	4,630	7,976
Liquid funds	1,707	4,314
Total current assets	**191,381**	**208,839**
TOTAL ASSETS	**462,585**	**483,500**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the Group	153,403	160,666
Minority interests	692	566
Shareholders' equity	**154,095**	**161,232**
Non-current liabilities		
Bank loans and other financial liabilities	62,672	19,935
Derivative financial instruments	846	916
Other payables	3,054	3,445
Deferred tax liabilities	28,173	29,921
Employees' leaving entitlement	24,500	23,455
Non-current provisions for contingencies and charges	3,282	4,678
Total non-current liabilities	**122,527**	**82,350**
Current liabilities		
Bank loans and other financial liabilities	64,901	113,658
Derivative financial instruments	1,069	68
Trade payables	102,682	108,827
Other payables	15,738	13,315
Current taxation	734	-
Current provisions for contingencies and charges	839	4,050
Total current liabilities	**185,963**	**239,918**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**462,585**	**483,500**

RDM GROUP	31.12.2009	30.09.2009	31.12.2008
(thousand of Euros)			
Cash and cash equivalents and short-term financial receivables	2,053	6,629	6,040
Short-term financial payables	(68,307)	(70,574)	(113,657)
Valuation of current portion of derivatives	(1,069)	(1,128)	(68)
Short-term financial position, net	**(67,323)**	**(65,073)**	**(107,685)**
Long-term financial payables	(62,672)	(66,271)	(19,935)
Valuation of current portion of derivatives	(846)	(1,175)	(905)
Financial position, net	**(130,841)**	**(132,519)**	**(128,525)**

NOTES

The interim report of the RDM Group at 31 December 2009 has been prepared on the basis of article 82, first paragraph, of the Regulations for Issuers adopted by Consob in resolution no. 11971 of 14 May 1999 and subsequent amendments and supplements.
As a consequence the requirements of article 154-ter of the Consolidated Finance Act (TUF) are satisfied.

This interim report has not been audited by the Independent Auditors.

Compared to the previous quarter, we report a change in the consolidation area following the acquisition of a minority interest of 22.75% in the share capital of Manucor Spa, a company subject to joint control, consolidated with the net equity method. The company produces plastic (especially bioriented polypropylene) packaging materials.

Accounting principles

The Group's financial position, results and cash flows have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure stated in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.
The recognition and measurement policies used in the preparation of the consolidated financial statements for the quarter ended 31 December 2009 are unchanged with respect to those used in the preparation of the consolidated financial statements for the year ended 31 December 2008, to which reference should be made for details.

RDM has used the same accounting policies in the preparation of this interim report as those used in the preparation of the interim report for the period ended 31 December 2008.

In the current area of consolidation, there is a company which prepares its accounts in a currency other than the Euro (Reno de Medici UK Ltd., accounts in GBP).
In order to translate the quarterly results for the company, Reno de Medici Uk Ltd., into a foreign currency, the Euro was identified as the functional currency, the same as the Group Parent Company, in consideration of the fact that the company carries out business operations which are heavily integrated with those of the Parent Company (IAS 21).

As at 31 December 2009, all the assets and liabilities were converted using the exchange rate applicable on the date of reference for the company's profit & loss situation (0.8881 GBP/EUR). Income and expenditures were converted using the average exchange rate for the reference period (0.8909 GBP/EUR).

The differences due to exchange rate conversion resulting from the application of this method were classified as an item under net assets up to the transfer of the shareholding.

The preparation of interim report in accordance with International Financial Reporting Standards requires the use of estimates and assumptions which affect the carrying values of the assets and liabilities in the consolidated balance sheet and the disclosures relating to contingent assets and liabilities at the balance sheet date. The actual results could differ from these estimates. Estimates are used in measuring the result contributed by discontinued operations, in making provisions for the collection risk for receivables and inventory obsolescence, in the calculation of depreciation, amortisation, impairment, employee benefits, restructuring provisions, taxation and other accruals and provisions and in the measurement of derivative instruments. Estimates and assumptions are reviewed periodically and the effects of any changes are recognised immediately in the profit and loss account, excluding the derivative instruments.

The Group’s financial situation, results and cash flows are presented in thousands of euro.

Workforce

The RDM Group had 1,710 employees at 31 December 2009 compared to 1,716 employees at 31 December 2008.

Statement of the Manager in charge of the preparation of the company's accounting records in accordance with the provisions of article 154-bis, paragraph 2, of Italian Legislative Decree no. 58/1998 (the Consolidated Finance Act - TUF)

The manager in charge of the preparation of the company's accounting records, Stefano Moccagatta, declares, in accordance with the provisions of the second paragraph of article 154-bis of Italian Legislative Decree no. 58/1998 (the Consolidated Finance Act - TUF), that the accounting information in this Interim Report of Reno De Medici S.p.A. at 31 December 2009 corresponds to the underlying documents, books and accounting entries.

Milan, 12 February 2010

Stefano Moccagatta
Manager in charge