Reno De Medici

RDM GROUP

Quarterly report

31 March 2009

Reno De Medici S.p.A.

Registered office: Milano, Via Durini 16/18

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

Board of Directors

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

Board of Statutory Auditors

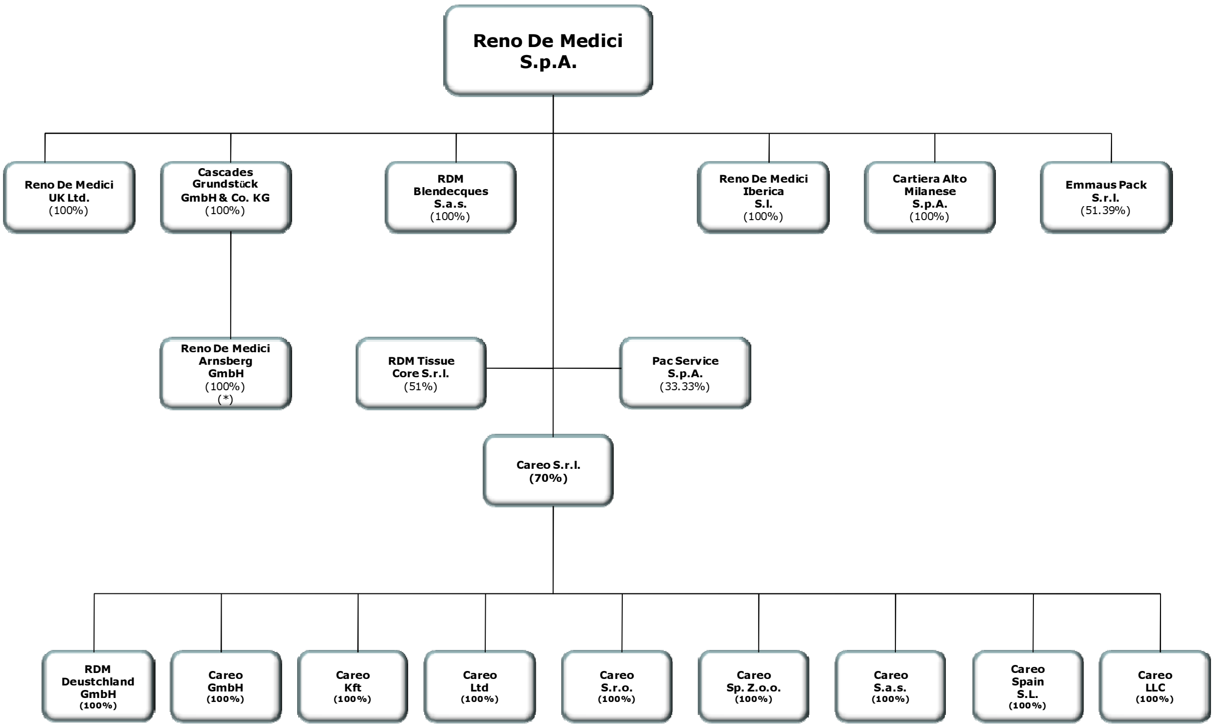
Sergio Pivato	Chairman
Giovanni Maria Conti	Standing auditor
Carlo Tavormina	Standing auditor
Myrta de' Mozzi	Substitute auditor
Domenico Maisano	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANIES OF THE RENO DE MEDICI GROUP AT 31 MARCH 2009

The following figure does not include companies that have been put into 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 terms of market and demand performance the first quarter of 2009 saw a moderate pick-up in demand following the sharp slowdown in orders which began in November 2008. This recovery is partly due to the needs of final customers to replace stocks. The fall compared to the corresponding quarter of 2008 is close to 9% at European level.
On the cost side the reduction of the prices of raw materials and energy contributed to recovery of the margins.

The production of the Group in the quarter amounted to 201 thousand tons, compared to 202 thousand tons of the same period of 2008 (it is recalled that the consolidation of the former Cascades operations was effective starting from March 2008). The steps taken of both a structural and contingent nature to adjust manufacturing capacity to demand, and in particular the closure of one of the two production lines at the Blendecques facility in France, enabled a more efficient production of the mills.
Volumes shipped in the quarter totaled 209 thousand tons compared to 193 tons in the same period of 2008.

There was a considerable improvement in economic performance in the first quarter of 2009 compared to the fourth quarter of 2008, both as regards sales revenues and profitability. EBITDA reached Euro 8.6 million compared to Euro 723 thousand in the preceding quarter (relating to ordinary operations only) and Euro 8.3 million in the same period of 2008 (again relating to ordinary operations only).
This result is the consequence of the measures taken to improve manufacturing efficiency, to which should also be added the favourable trend in the cost of paste used as a raw material and energy. The result achieved is even more worthy of note considering the fact that the earnings for the quarter had to pay the price for the adverse effects of the extraordinary shutdowns in January at all of the Group's factories, without which the quarter would have closed with a better result (net profit).

The geographical spread of the Group's revenues is basically unaltered compared to the first quarter of 2008, despite the lack of homogeneity between the periods (the former Cascades affiliates were not consolidated in January and February 2008 as the combination had effect from 1 March of that year), and the variations that took place, the most important of which was the closure of one of the production lines at the Blendecques facility in France. The fall in sales in the non-European markets, characterised by below average prices, should also be highlighted; this is a direct consequence of the optimisation of manufacturing activities, that reduces the need to make recourse to sales to distant markets with a reduced profitablity, mainly due to the high transportation costs.

Net revenues by geographical area may be analysed as follows:

Revenues by geographical areas	31.03.2009	Inc. %	31.03.2008	Inc. %
(thousands of Euros)				
Italy	35,318	32.59%	32,317	31.22%
UE	62,462	57.64%	59,553	57.53%
Extra UE	10,594	9.77%	11,654	11.25%
Net Revenues	**108,374**	**100%**	**103,524**	**100%**

Consolidated results

The following table sets out the highlights of the profit and loss accounts for 31 March 2009 and 2008. It should be recalled that there were significant items of a non-operational nature in the period ended 31 March 2008 which can affect the reading of the results from ordinary operations. To that regard, it has to be highlighted the need to compare the results by making reference to the EBITDA relevant to the ordinary operations, before the non-recurring items relevant to the business combination with Cascades.

Consolidated profit and loss account	31 March 2009	31 March 2008 (*)
(thousands of Euros)		
Revenues from sales	**108,374**	**103,524**
EBITDA before badwill and non-recurring income (expenses) *(1)*	**8,642**	**8,346**
Badwill and non-recurring income (expenses)	*-*	*8,445*
EBITDA *(2)*	**8,642**	**16,791**
EBIT before badwill and non-recurring income (expenses) *(3)*	**2,281**	**4,488**
Badwill and non-recurring income (expenses)	*-*	*8,445*
EBIT *(4)*	**2,281**	**12,933**
Result of operating activities before taxes *(5)*	**(214)**	**10,159**
Current and deferred taxes	*(812)*	*(1,339)*
Result of operating activities after taxes	**(1,026)**	**8,820**

(1) Cfr. Consolidated Financial Statement of RDM Group, "Gross Operating Profit" - "Badwill and non-recurring income (expenses)"
(2) Cfr. Consolidated Financial Statement of RDM Group, "Gross Operating Profit"
(3) Cfr. Consolidated Financial Statement of RDM Group, "Operating Profit " - " Badwill and non recurring income (expenses)
(4) Cfr. Consolidated Financial Statement of RDM Group, "Operating Profit "
(5) Cfr. Consolidated Financial Statement of RDM Group, "Profit (loss) for the period" - "Taxation"
(*) Comparative figures have been "rendered pro-forma" to take account of the final figures used in accounting for the business combination

The RDM Group obtained, in the first quarter of 2009, net revenues of Euro 108.4 million, compared to the Euro 103.5 million figure registered for the same period in the previous financial year, amount that included only one month (the month of March 2008) of the former Cascades mills.

Consolidated EBITDA for the quarter ended 31 March 2009, stated before badwill and non-recurring income (expenses), amounted to Euro 8.7 million compared to Euro 8.3 million in the corresponding period of 2008. The total EBIDTA of the first quarter of 2008 included Euro 8.4 million referring to badwill and non-recurring expense; the amount stated as badwill has been "rendered pro-forma" and is recognised at Euro 21.2 million euros to take into account the final accounting for the business combination at 31 December 2008; this compares with the balance of Euro 15.3 million provisionally recognised for the business combination at 31 March 2008.

The Operating Result (EBIT) as of 31 March 2009 amounted to Euro 2.3 million, compared to Euro 12.9 million for the same period in the prior fiscal year, which due to the *pro-forma* reclassification was also affected by the above mentioned non-recurring income for an amount of Euro 8.4 million.

The current taxes reported in the period amounted to Euro 1.3 million, compared to Euro 1.1 as at 31 March 2008. Pre-paid taxes amounted to Euro 0.5 million, compared to deferred taxes for an amount of Euro 0.3 million reported in the same period of 2008.

The net result at 31 March 2009 was negative in the amount of Euro 1 million, compared to the mainly non-recurring profit Euro 8.8 million reported for the same period in 2008.

In the first quarter of 2009 the RDM Group has made capital investments of Euro 4.1 million (Euro 2 million in the same period of 2008).

Net consolidated financial indebtedness, as at 31 March 2009, was Euro 130.2 million, compared to Euro 128.5 million as at 31 December 2008.

Gross financial indebtedness, at 31 March 2009, calculated using the amortized cost rule, was Euro 132.8 million (compared to Euro 133.6 million in December 2008) and includes a non-current portion of medium/long-term financings for Euro 65.1 million, a current portion of medium/long-term financings of Euro 11.1 million, and drawdowns on commercial lines of credit for Euro 56.6 million, that consisted primarily of credit lines supported by trade receivables.

The reclassification of an amount of Euro 45.2 million as short term debt has been maintained also at 31 March 2009, corresponding to the residual non-current portion of two loans subscribed in 2006 with a pool of banks for an initial amount of Euro 74.7 million, of which Euro

67.1 million has been drawn-down. This balance was reduced to Euro 50.9 million by 31 December 2008 following the repayments that have been carried out, an amount which includes a non-current portion of Euro 45.2 million.
This reclassification was already made in the annual financial statements for the year ended 31 December 2008, due to the fact that certain financial covenants and other contractual restrictions included in the above-mentioned loan agreements had not been satisfied. It is recalled that the Group first requested the banks to temporarily suspend the application of such financial covenants on 31 December 2008. The banks formally accepted the request on 12 February 2009. As the banks' formal resolution was received after the closing of the fiscal year, according to IAS 1, the non-current portion of the loans, for an amount of Euro 45.2 million, has been reclassified as a short-term loan.
Subsequently, during the month of March 2009 a complete and articulated proposal has been submitted to the Banks, with the goals to finance RDM's additional capital expenditures of the period 2009-2011 that exceed the normal capital expenditures, and to maintain the correct balance between short-term and long-term financings.
Specifically, the proposal also envisages the waiver to the application of the financial covenants on June 30, 2009, and the modification of the covenants for the period 2009-2011, based on new parameters.
The proposal is currently being discussed with the banks and the directors are confident that there is a concrete possibility for a positive conclusion.
The classification referred to above has been maintained also in this quarterly report while RDM awaits the formal suspension of the requirement to satisfy the contractual covenants for the first half of 2009.

For a more detailed please refer to the Report of the Board Directors in the Annual Report 2008.

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 1.8 million.

As at 31 March 2009, liquidity and financial credits due within 12 months amount Euro 4.6 million (compared with Euro 6.0 million in December 2008).

Major corporate operations

A new company was incorporated on 26 January 2009 with a fully paid share capital of Euro 100 thousand, in which the Reno De Medici has a 51% stake. The activities of this company will consist of the sale in Italy and Europe of a specific product line to be developed by one of the Group's Italian factories. As this company is currently in a start-up phase, its results to date are still marginal.

Outlook for operations

The market outlook for the second quarter of the year appears to be basically in line with the quarter just ended, but the perspective scenario remains highly uncertain, especially as far as volumes are concerned.

The same considerations can be made for the entire 2009, even if the expectations are moderately positive, owing to the steps taken to optimise manufacturing activities and reduce fixed costs; to this should be added the savings expected on the direct costs, and in particular on energy costs, where the prices of the raw materials show some sign of increase.

Consolidated financial statements of the Group at 31 March 2009

Consolidated profit and loss account	31.03.2009	31.03.2008 (*)
(thousands of Euros)		
Revenues from sales	108,374	103,524
Other revenues	4,230	1,376
Changes in stocks of finished goods	(4,218)	2,789
Cost of raw materials and services	(80,071)	(82,300)
Staff costs	(18,432)	(16,054)
Other operating costs	(1,241)	(989)
Badwill and non-recurring income (expenses)	-	8,445
Gross Operating Profit	**8,642**	**16,791**
Depreciation and amortisation	(6,361)	(3,858)
Operating Profit	**2,281**	**12,933**
Financial expense	*(2,836)*	*(2,651)*
Exchange differences	*169*	*(267)*
Financial income	*172*	*144*
Financial income (expense), net	(2,495)	(2,774)
Taxation	(812)	(1,339)
Profit (loss) for the period	**(1,026)**	**8,820**
Attributable to:		
Profit (loss) for the period pertaining to the Group	(1,112)	8,740
Profit (loss) for the period pertaining to minority interests	86	80

(*) Comparative figures have been "rendered pro-forma" to take account of the final figures used in accounting for the business combination.

Consolidated balance sheet	31.03.2009	31.12.2008
(thousands of Euros)		
ASSETS		
Non-current assets		
Tangible fixed assets	261,946	264,400
Goodwill	63	63
Other intangible assets	5,527	5,629
Investments and financial transactions currently	1,679	1,628
Deferred tax assets	995	1,488
Derivative financial instruments	5	11
Financial assets held for sale	328	309
Trade receivables	234	234
Other receivables	1,092	899
Total non-current assets	**271,869**	**274,661**
Current assets		
Stocks	73,735	82,073
Trade receivables	107,561	114,476
Other receivables	7,538	7,976
Liquid funds	2,745	4,314
Total current assets	**191,579**	**208,839**
TOTAL ASSETS	**463,448**	**483,500**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the group	159,184	160,666
Minority interests	653	566
Shareholders' equity	**159,837**	**161,232**
Non-current liabilities		
Bank loans and other financial liabilities	19,806	19,935
Derivative financial instruments	1,493	916
Other payables	4,067	3,445
Deferred tax liabilities	29,276	29,921
Employees' leaving entitlement	23,879	23,455
Non-current provisions for contingencies and charges	4,252	4,678
Total non-current liabilities	**82,773**	**82,350**
Current liabilities		
Bank loans and other financial liabilities	112,990	113,658
Derivative financial instruments	516	68
Trade payables	90,388	108,827
Other payables	13,637	13,315
Current taxation	302	-
Current provisions for contingencies and charges	3,005	4,050
Total current liabilities	**220,838**	**239,918**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**463,448**	**483,500**

RDM GROUP	31.03.2009	31.12.2008	Variation
(thousand of Euros)			
Cash and cash equivalents and short-term financial receivables	4,618	6,040	(1,422)
Short-term financial payables	(112,991)	(113,657)	666
Valuation of current portion of derivatives	(516)	(68)	(448)
Short-term financial position, net	**(108,889)**	**(107,685)**	**(1,204)**
Long-term financial payables	(19,806)	(19,935)	129
Valuation of current portion of derivatives	(1,493)	(905)	(588)
Financial position, net	**(130,188)**	**(128,525)**	**(1,663)**

NOTES

The quarterly report of the RDM Group at 31 March 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 quarterly report has not been audited by the Independent Auditors.

The changes in the scope of consolidation in 2009 regard the entry of RDM Tissue Core S.r.l., a company in which the Group has a 51% holding; on the basis of the corporate governance regulations defined in its bylaws this company is considered to be a joint venture and is accounted for using the equity method. The company's operations consist of the sale in Italy and Europe of a specific product line developed by one of the Group's Italian factories.

Accounting principles

The Group's financial position, results and cash flows have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure stated in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.
The recognition and measurement policies used in the preparation of the consolidated financial statements for the quarter ended 31 March 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 quarterly report as those used in the preparation of the quarterly 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 (Cascades Cartonboard UK Ltd, accounts in GBP).
In order to translate the quarterly results for the company, Cascades Cartonboard UK, into a foreign currency, the Euro was identified as the functional currency, the same as the Group

Parent Company, in consideration of the fact that the company carries out business operations which are heavily integrated with those of the Parent Company (IAS 21).
As at 31 March 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 (0.9308 GBP/EUR). Income and expenditures were converted using the average exchange rate for the reference period (0.9088 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 financial statements 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.

As permitted by IFRS 3 the initial accounting for the business combination with the Cascades Group was determined only provisionally by the RDM Group when preparing its quarterly report for the period ended 31 March 2008. Further information became available at a later stage which enabled the Group to refine its estimate of the fair value of assets and liabilities, leading to the recognition of certain adjustments in the financial statements at 31 December 2008 and a corresponding adjustment to badwill. As a consequence of these changes the comparative figures presented in the profit and loss account schedules for the quarter ended 31 March 2009 have been "rendered pro-forma".

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

Workforce

The RDM Group had 1,796 employees at 31 March 2009 compared to 1,809 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 Quarterly Report of Reno De Medici S.p.A. at 31 March 2009 corresponds to the underlying documents, books and accounting entries.

Milan, 8 May 2009

Stefano Moccagatta
Manager in charge