Reno De Medici

Interim Report

for the period ended

30 September 2009

Third Quarter

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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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 Financial Act – TUF)

[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

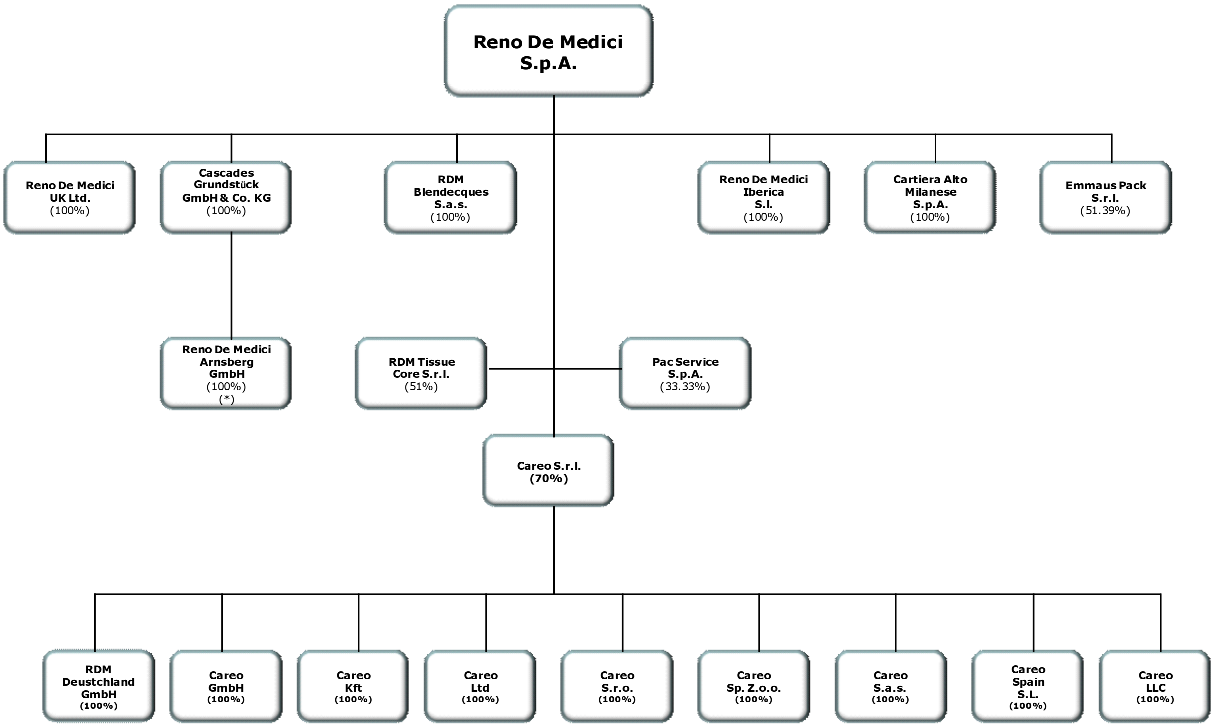
Sergio Pivato	Chairman
Giovanni Maria Conti	Standing auditor
Carlo Tavormina	Standing auditor
Domenico Maisano	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANIES OF THE GROUP AT 30 SEPTEMBER 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 terms of tonnes sold the trends in the demand for coated cartonboard based on recycled fibre at European level was during the third quarter of 2009 more favourable than in the previous first two quarters. There still remains however a considerable reduction of approximatively 8% over the corresponding period of the previous year.

Concerning costs, the prices of pulp raw materials and energy both showed an upwards tendency, limited in the case of energy by a further weakening of the dollar. The fall over the previous year nevertheless remains significant.

The Group's production for the nine months amounted to 628 thousand tonnes compared with 673 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 the suspension of 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 to be achieved.

In terms of volumes sold, approximately 637 thousand tons were shipped in the first nine months of 2009, compared with 675 thousand tons in the first nine months of 2008.

Performance for 2009 should therefore be considered as positive overall, especially in relation to the present general macro-economic situation.

In a situation where the market is going through a critical stage EBITDA shows an improvement over the same period in 2008 (before badwill), rising from Euro 18.2 million to Euro 24.5 million. This is an objective rise, although it has been amplified by some distortive factors.

From an operational standpoint the variation in earnings compared to the previous year is a reflection of the way in which its various components have evolved. The fall in revenues is attributable to reduction of volumes, pressure on prices and the temporary and permanent halting of certain production lines, to the advantage of better manufacturing efficiency. This effect, though, is more than recuperated by the increase in operating efficiency achieved and the falls in raw material and energy prices.

The Group incurred a net loss of Euro 3.4 million for the nine months, of which Euro 2.6 million arose in the third quarter; this has been caused amongst other things by the lower earnings contribution resulting from the normal suspension of production at many factories in August, when annual maintenance procedures are carried out, and halts in production at certain factories as the consequence of the Group's decision to adjust production capacity to demand on a continuous basis.

The change in Net Financial Position, which rose from Euro 128.5 million at 31 December 2008 to Euro

132.5 million at 30 September 2009 (+ Euro 4 million), reflects the Group's economic performance, investments for Euro 12.3 million and the favourable dynamics of working capital.

The geographical mix of the Group's revenues compared to the nine months ended 30 September 2008 reflects the changes occurring in the various countries, with a small decrease in the Italian component and the increase of the European component; this trend is moreover due to the distortion resulting from the fact that the former Cascades companies were only consolidated for 7 months in 2008, from 1 March (the data that the business combination took place).

Revenues by geographical areas	30 September 2009	Inc. %	30 September 2008	Inc. %
(thousands of Euros)				
Italy	109,672	34.43%	130,843	36.44%
UE	171,151	53.72%	182,605	50.86%
Extra UE	37,748	11.85%	45,581	12.70%
Total revenues from sales	**318,571**	**100%**	**359,029**	**100%**

Consolidated results

The following table sets out the highlights of the profit and loss accounts for 30 September 2009 and 2008. It should be recalled that there were significant items of a non-operational nature in the period ended 30 September 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.

	30 September 2009	30 September 2008 (*)
(thousands of Euros)		
Revenues from sales	**318,571**	**359,029**
EBITDA before badwill *(1)*	**24,525**	**18,188**
Badwill	-	*21,178*
EBITDA *(2)*	**24,525**	**39,366**
EBIT before badwill *(3)*	**4,129**	**1,936**
Badwill	-	*21,178*
EBIT *(4)*	**4,129**	**23,114**
Result of operating activities before taxes *(5)*	**(2,298)**	**13,226**
Current and deferred taxes	*(1,102)*	*(3,296)*
Profit (loss) for the period	**(3,400)**	**9,930**

(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 period" - "Taxation"

(*) Comparative figures have been "revised" to take account of the final figures used in accounting for the business combination

The RDM Group in the third quarter of 2009 achieved net revenues of Euro 318.6 million, compared to Euro 359.0 million in the corresponding period of the previous year.

Consolidated EBITDA in the third quarter of 2009 reached Euro 24.5 million compared to Euro 39.4 million in the corresponding period in 2008.
It should be recalled that at 30 September 2008, EBITDA included a non-operational profit of approximately Euro 21.2 million. The amount, stated as badwill, has been "revised" to take into account the final accounting for the business combination at 31 December 2008.

The Operating Profit (EBIT) as at September 30, 2009 amounted to Euro 4.1 million, compared to Euro 23,1 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 2.3 million, compared to Euro 13.2 million for the same period of 2008.

The Group during the nine months ended September 30, 2009 made capital expenditure of Euro 12.3 million (Euro 8.7 million at 30 September 2008).

The consolidated net financial indebtedness at September 30, 2009 amounted to Euro 132.5 million, compared to 128.5 million at December 31, 2008.

More specifically, the gross financial indebtedness at September 30, 2009, measured at amortized cost amounted to 136.7 (compared to Euro 133.6 million at December 2008) and consisted of the non-current portion of long-term loans for Euro 65.5 million, the current position of long term loans for about Euro 6.6 million and bank credit facilities and other financial liabilities of about Euro 64.6, consisting mainly of credit lines based trade accounts receivables.

On 9 October discussions taking place with the Lending Banks for the rescheduling of the loans originally arranged in 2006 were formally concluded with the signing of a Modifying Agreement.
The Modifying Agreement confirms the terms and conditions of the Term Sheet signed on 3 August 2009 and as a consequence any need to reclassify the residual non-current portion of those loans as current as required by IAS 1, starting from the annual financial report for 2008 and continuing with subsequent reports, no longer applies.
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 2.1 million.

As at September 30, 2009 liquidity and financial credits due within 12 months amount of Euro 6.6 million (compared with Euro 6.0 million in December 2008).

Major operations

As stated above the discussions that had been taking place 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 Modifying 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 49.9 million at 30 September 2009, which as the result of the rescheduling was entirely non-current at that date.

The new terms provide, inter alia, the following:

a) the waiver by the Lending Banks to the mandatory advance payments relevant to the Extraordinary Financial Transactions carried out by the RDM Group up to and including 31 December 2008 and to the assumption of a loan by a Subsidiary, guaranteed by the Company;
b) 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 (see just below), that will be subsequently reimbursed on a straight line basis, maintaining the original maturity date (2016);
c) the suspension of the verification of the contractual financial covenants at 30 June 2009 and modification of the covenants for the subsequent periods based on new parameters;
d) the postponement for two years, and the modification of the exercise procedures, 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 produce cartonboard based on virgin fibre. It has to be specified that Item has been the object of a specific agreement that modifies the original Combination Agreement subscribed by Reno De Medici, Cascades S.A.S. and Cascades International Paperboard, Inc..

Such terms are particularly important for the Group's strategic positioning and revenue prospects, as it enables 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 30 July 2009, Reno De Medici S.p.A. subscribed an investment agreement finalized to the acquisition of a minority share of 22.75% in the capital of Manucor S.p.A., for an amount of Euro 4.5 million. The company operates in the production of plastic packaging, specifically BOPP. The acquisition is part of a broader restructuring and re-launching plan of Manucor S.p.A., that provides for a recapitalization of the company.

On 16 September 2009 an agreement was signed with the trades unions before the Ministry of Employment, Health and Social Policies in connection with the suspension of production at Marzabotto factory and the resulting commencement of the procedure to obtain authorisation for the recourse to the special *cassa integrazione* lay-off scheme for 103 of the factory's employees for a period of 24 months.
In this connection the company is assessing a project for the industrial redeployment of the area and of part of the existing plant and machinery as a means of mitigating the effect on the site's industrial situation and employment levels.
The suspension of production of the factory became necessary as the result of the production overcapacity which is a feature of the whole sector.

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

Market performance continues to be uncertain for the remaining months of 2009 and the first few months of 2010 although certain signs exist which enable us to make one or two forecasts about possible future trends.

Structural production overcapacity remains a feature of the whole sector at a European level and this indicates that we will be seeing further industrial rationalisations taking place.

In terms of trends in the short term both raw materials and energy costs are being driven upwards.

In the case of raw materials costs the phenomenon is clear to see, albeit in an overall picture of extremely persistent volatility.

Similar trends can be expected, mutatis mutandis, for energy costs, where the trend in an upwards direction could end up being mitigated by the weakness of the dollar, which moreover might undergo significant fluctuations.

In this context future revenues and earnings are also connected with the extent to which volumes are able to hold up, and this appears more uncertain now than in previous quarters. As a consequence the Company will adjust its sales prices for increases in costs to protect earnings, while still placing the necessary emphasis on production and sales volumes.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2009

	30 September 2009	30 September 2008 (*)
(thousands of Euros)		
Revenues from sales	318,571	359,029
Other revenues	14,349	4,221
Changes in stocks of finished goods	(5,638)	(13)
Cost of raw materials and services	(242,449)	(286,866)
Staff costs	(56,328)	(55,489)
Other operating costs	(3,980)	(2,694)
Badwill	-	21,178
Gross Operating Profit	**24,525**	**39,366**
Depreciation and amortisation	(19,914)	(14,524)
Recovery of value and write-downs of assets	(482)	(1,728)
Operating Profit	**4,129**	**23,114**
Financial expense	*(6,648)*	*(8,561)*
Exchange differences	*145*	*347*
Financial income	*80*	*466*
Financial income (expense), net	(6,423)	(7,748)
Income from investments	(4)	(2,140)
Taxation	(1,102)	(3,296)
Profit (loss) for the period	**(3,400)**	**9,930**
Attributable to:		
Profit (loss) for the period pertaining to the Group	(3,646)	9,781
Profit (loss) for the period pertaining to minority interests	246	149

(*) Comparative figures have been "revised" to take account of the final figures used in accounting for the business combination

	30 September 2009	31 December 2008
(thousands of Euros)		
ASSETS		
Non-current assets		
Tangible fixed assets	256,640	264,400
Goodwill	63	63
Other intangible assets	5,569	5,629
Investments and financial transactions currently	1,569	1,628
Deferred tax assets	1,604	1,488
Derivative financial instruments	-	11
Financial assets held for sale	376	309
Trade receivables	81	234
Other receivables	519	899
Total non-current assets	**266,421**	**274,661**
Current assets		
Stocks	73,172	82,073
Trade receivables	116,931	114,476
Other receivables	12,288	7,976
Liquid funds	2,306	4,314
Total current assets	**204,697**	**208,839**
TOTAL ASSETS	**471,118**	**483,500**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the group	156,682	160,666
Minority interests	569	566
Shareholders' equity	**157,251**	**161,232**
Non-current liabilities		
Bank loans and other financial liabilities	66,271	19,935
Derivative financial instruments	1,175	916
Other payables	2,505	3,445
Deferred tax liabilities	28,037	29,921
Employees' leaving entitlement	24,267	23,455
Non-current provisions for contingencies and charges	3,513	4,678
Total non-current liabilities	**125,768**	**82,350**
Current liabilities		
Bank loans and other financial liabilities	70,574	113,658
Derivative financial instruments	1,128	68
Trade payables	102,145	108,827
Other payables	12,065	13,315
Current taxation	1,111	-
Current provisions for contingencies and charges	1,076	4,050
Total current liabilities	**188,099**	**239,918**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**471,118**	**483,500**

RDM GROUP	30 September 2009	30 June 2009	31 December 2008
(thousand of Euros)			
Cash and cash equivalents and short-term financial receivables	6,629	3,448	6,040
Short-term financial payables	(70,574)	(120,705)	(113,657)
Valuation of current portion of derivatives	(1,128)	(1,011)	(68)
Short-term financial position, net	**(65,073)**	**(118,268)**	**(107,685)**
Long-term financial payables	(66,271)	(16,438)	(19,935)
Valuation of current portion of derivatives	(1,175)	(938)	(905)
Financial position, net	**(132,519)**	**(135,644)**	**(128,525)**

NOTES

The interim report of the RDM Group at 30 September 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.

There are not changes in the scope of consolidation occurred in this third quarter 2009.

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 30 September 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 30 September 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 (0.9093 GBP/EUR). Income and expenditures were converted using the average exchange rate for the reference period (0.8862 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.

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 30 September 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 of the interim report ended 30 September 2009 have been "revised".

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

Workforce

The RDM Group had 1,635 employees at 30 September 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 30 September 2009 corresponds to the underlying documents, books and accounting entries.

Milan, 5 November 2009

Stefano Moccagatta
Manager in charge