Reno De Medici

RdM GROUP

Annual report and financial statements 2009

Reno De Medici

ANNUAL REPORT AND FINANCIAL STATEMENTS 2009

81° FISCAL YEARS RENO DE MEDICI

RENO DE MEDICI

Annual report and financial statements
ended 31 December 2009 ([1])

81° Fiscal Years

Ordinary shareholders' meeting
of 26 April 2010 first call
of 27 April 2010 second call

Reno De Medici S.p.A.
Milano, Via Durini 16/18
Share capital Euro 185,122,487.06
Fiscal code and VAT no. 00883670150

(1) 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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NOTICE OF ORDINARY SHAREHOLDERS' MEETING

The shareholders of Reno De Medici S.p.A. are called to an Ordinary General Meeting at 11.30 a.m. on 26 April 2010 at the company's registered office in Via Durini 16/18 - Milan, Italy in first call and, as required, at 11.30 a.m. on 27 April 2010 at Borsa Italiana, Piazza degli Affari 6, Milan, Italy in second call, to discuss and adopt resolutions on the following

AGENDA

1. **Annual financial statements for the year ended 31 December 2009:**
   1.1 Approval of the annual financial statements for the year ended 31 December 2009 and 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 2009.

2. **Appointment of one member to the Board of Directors:**
   2.1 Decisions regarding the number of members of the Board of Directors;

   2.2 Appointment of one member to the Board of Directors.

Addition to the Agenda

Pursuant to article 126-bis of Legislative Decree no. 58/98, shareholders representing at least one fortieth of share capital with voting powers, also jointly, may request additions to be made to the matters to be discussed within five days of this notice, providing an indication in their application of the additional matters being proposed. Additions are not permitted for matters on which, by law, the shareholders' meeting adopts resolutions on proposals made by the board of directors or on the basis of a project or report that the board has prepared. The list of matters to be discussed at the shareholders' meeting, with additions as applicable, will be published by the same means as this notice.

Attendance rights

Pursuant to article 2370 of the Italian civil code and article 8 of the company's bylaws, shareholders are entitled to attend if they hold ordinary

shares for which the company has received a notification of attendance from an authorised intermediary, which pursuant to prevailing provisions must be by the second working day prior to that of the shareholders’ meeting. Each shareholder may be represented by written proxy by another person, who does not necessarily have to be a shareholder, by the means and under the terms of the law. In this case on lodging their shares for attendance shareholders can obtain a proxy form from authorised intermediaries for delegating participation at the shareholders’ meeting.
Shareholders are requested to arrive before the time for which the meeting has been called to facilitate registration and to this end to present themselves with a copy of this notice.

The following is noted pursuant to article 84 of Consob Regulation no. 11971/99:

a) The company’s share capital is currently Euro 185,122,487.06 consisting of 377,800,994 shares divided into:
   1) 377,431,930 ordinary shares each of nominal value Euro 0.49;
   2) 369,064 convertible savings shares. Pursuant to article 6 of the company’s bylaws savings shares are not entitled to vote in either ordinary or extraordinary shareholders’ meetings;

b) each ordinary share provides the entitlement to one vote in a shareholders’ meeting;

c) the company holds no treasury shares.

Appointment of one member to the Board of Directors

Pursuant to paragraph 16b) of article 12 of the company’s bylaws, to which reference should be made, if any directors leave office during the year then provided the majority of the board continues to consist of directors appointed by the shareholders’ meeting measures must be taken pursuant to article 2386 of the Italian civil code, and the shareholders’ meeting must appoint the member(s) of the board of directors with the majorities required by law, without a list vote.
Pursuant to paragraph 17 of said article 12 of the company’s bylaws, the board of directors and the shareholders must arrange for the appointment in such a way as to ensure that there is the minimum number of independent directors required by the laws and regulations prevailing at that time. The shareholders’ meeting may, however, resolve to reduce the number of members of the board of directors to that of the directors in office, for the remaining period of their term.
The names of any persons wishing to stand may be lodged at the company’s registered office.

Documentation

It is hereby noted that the documentation relating to the matters on the agenda that is required by prevailing laws and regulations must be put at the public's disposal within the terms of law at the company's registered office at Via Durini 16/18, Milan, Italy and at Borsa Italiana S.p.A.; copies may be made of this.

This documentation may also be consulted on the website

www.renodemedici.it

Milan, 26 March 2010

On behalf of the Board of Directors
The Chairman
Christian Dubè

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.

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 2009 and for the year then ended, with comparative data for the prior year, are set out in the following.

RDM GROUP

(millions of Euros)	**2009**	**2008**
ECONOMIC DATA ([1])		
Revenues from sales	428	451
Gross operating profit (EBITDA) Ordinary operation ([1])	31	19
Gross operating profit (EBITDA)	31	40
Depreciation and amortisation and recovery of value and write-downs of assets	(27)	(26)
Operating Profit (EBIT)	4	14
Income (loss) from investments	–	(2)
Profit (loss) for the year before discontinued operations	(7)	1
Discontinued operations	–	(7)
Profit (loss) for the year	(7)	(6)
Profit (loss) for the year pertaining to the Group	(7)	(6)
BALANCE SHEET DATA		
– *Non-current assets* ([2])	271	274
– *Non-current liabilities, employee benefits and provision funds* ([3])	(57)	(61)
– *Current assets (liabilities)* ([4])	(10)	(11)
– *Working capital* ([5])	82	88
Net capital invested (NIC) ([6])	286	290
Net financial indebtedness ([7])	131	129
Shareholders'equity	155	161
RATIO		
EBITDA / Revenues from sales	7,2%	8,9%
EBIT / NIC	1,3%	5,0%
Debt ratio (Net financial indebtedness / NIC)	45,8%	44,6%

(1) See RDM Group consolidated financial statements. Gross operating profit (EBITDA) Ordinary operation at 31 December 2008 is the result of "Gross operating profit (EBITDA)" - "Badwill"
(2) See RDM Group consolidated financial statements - total of "Non-current assets" excluding the detail items "Derivative financial instruments" and "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" 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 "Group trade receivables" classified in "Current assets" and the detail items "Trade receivables" classified in "Non-current assets", excluding the detail item "Trade payables" and "Group 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 Group 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 Group payables", classified in "Current liabilities".

The key profit and loss and balance sheet items of the Parent Company for 2009 compared with 2008, are as follows:

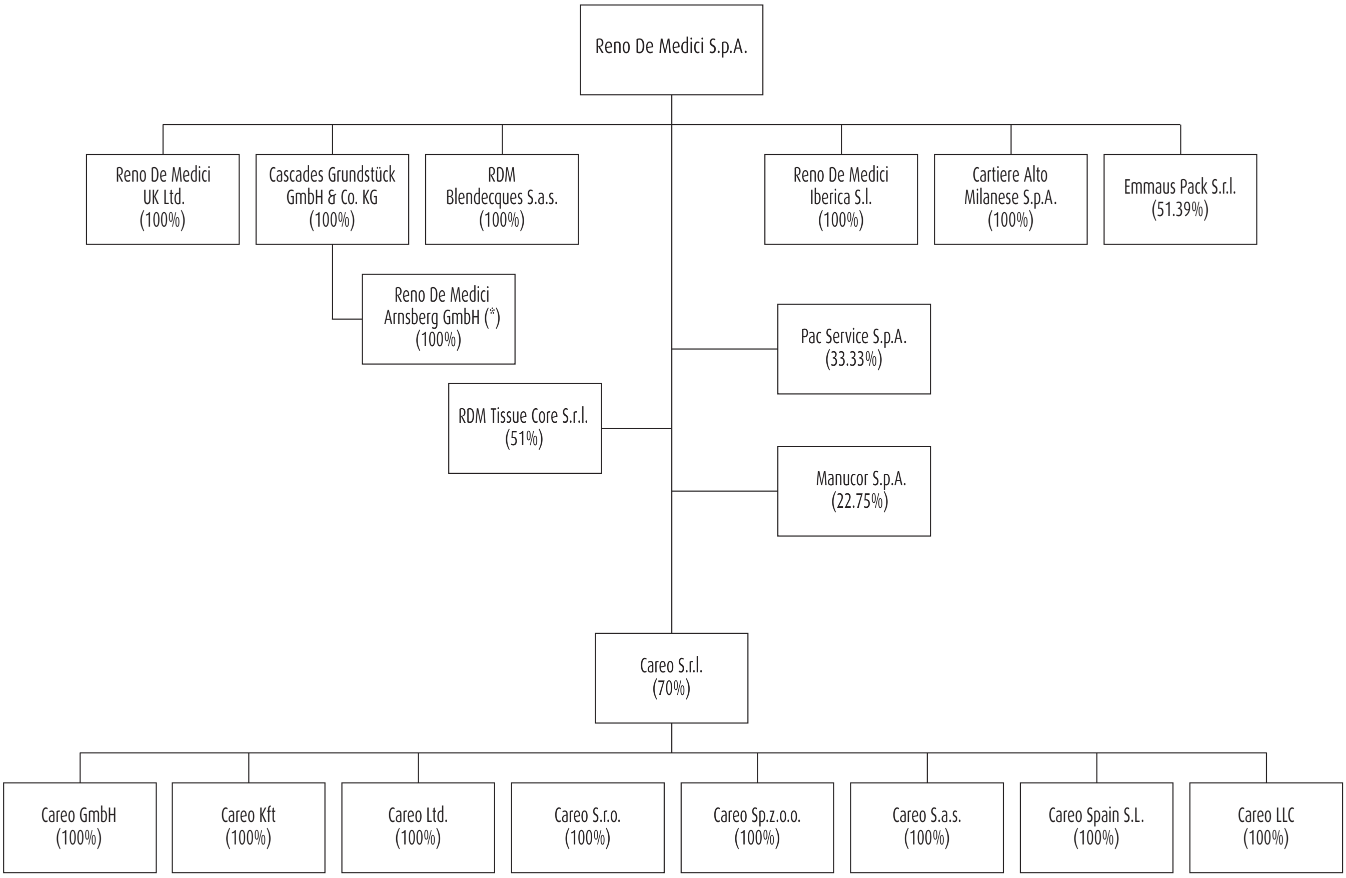
RDM

(millions of Euros)	**2009**	**2008**
ECONOMIC DATA (8)		
Revenues from sales	240	282
Gross Operating Profit (EBITDA)	20	7
Depreciation and amortisation and recovery of value and write-downs of assets	(17)	(18)
Operating Profit (EBIT)	3	(12)
Profit (loss) for the year	(5)	(20)
BALANCE SHEET DATA		
– *Non-current assets* (9)	279	277
– *Non-current liabilities, employee benefits and provision funds* (10)	(32)	(34)
– *Current assets (liabilities)* (11)	(6)	(4)
– *Working capital* (12)	59	50
Net capital invested (NIC) (13)	300	289
Net financial indebtedness (14)	155	140
Shareholders'equity	145	149
RATIO		
EBITDA / Revenues from sales	8,3%	2,3%
EBIT / NIC	1,1%	-4,1%
Debt ratio (Net financial indebtedness / NIC)	51,7%	48,5%

(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" and "Current taxation" 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 2009

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

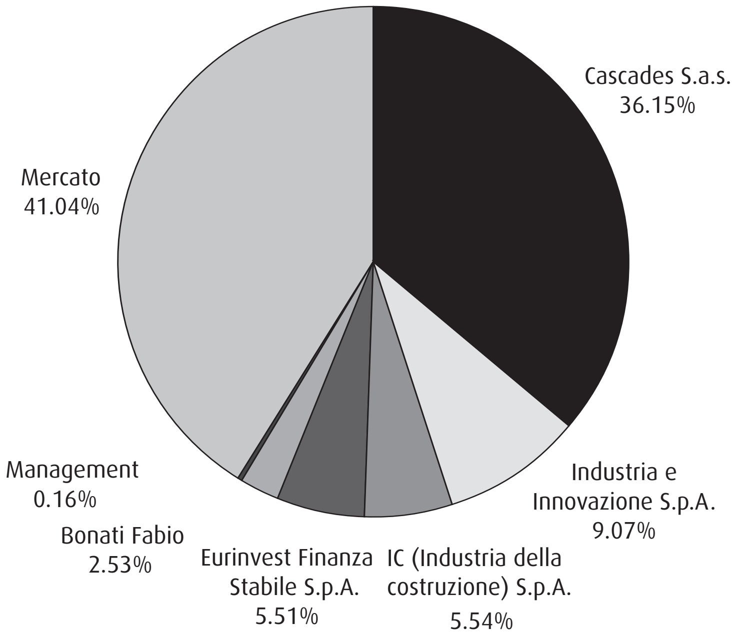


(*) Subsidiary company held by Reno De Medici S.p.A. at 94% and by Cascades Grundstück GmbH & Co. KG to 6%

SHAREHOLDERS

The shareholders of Reno De Medici S.p.A. at 26 March 2010 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.	377,431,930
Convertible saving shares	n.	369,064
Total shares	**n.**	**377,800,994**



REPORT OF THE BOARD OF DIRECTORS REFERENCE MARKET AND PERFORMANCE

The Company's business performance in 2009 was affected by the general macro-economic crisis. In a situation where the sector, in the year, has found difficulty in passing an increase in price levels onto selling prices, also due to excess capacity, the demand for coated cartonboard made from recycled fibre fell by 5 % over the previous year.
The negative effects of the crisis were, however, mitigated, in earnings terms, by the decreasing in prices for raw material mixture and energy. The price of raw material mixture hit historical lows in the first quarter of the year, slowly rising over the following quarters although remaining below the average quotations for 2008. Energy prices fell significantly in the fourth quarter of 2008 and the first quarter of 2009, thereafter remaining at low levels, despite a slight upwards tendency to the end of the year.
The paper sector in general has in any case suffered significantly from the drop in demand; 27 factories and 38 production lines have closed in Europe in 2009.

As part of this situation the Group's production reached a level of 854 thousand tonnes in 2009 compared to 863 thousand tonnes in 2008; these figures, though, relate to non-homogeneous operational scenarios. Above all due to the consolidation of the former Cascades companies that began in March production for 2008 does not include the quantities produced by those entities in January and February. In addition, as part of a commercial and industrial strategy aimed at safeguarding earnings, the Group has concentrated its production on the more efficient factories, as a result closing a production line at the French Blendecques factory at the end of 2008 and suspending activities at the Italian Marzabotto factory for the whole of 2009. There were also additional temporary shut-downs at other factories.
There has therefore been a fall in the quantities produced over the previous year although the measures taken, of both a structural and contingent nature, have enabled a considerable improvement in manufacturing efficiency to be achieved which, starting from the second quarter of 2009, has reached on optimal level of production efficiency.
In terms of the quantities sold, 864 thousand tonnes were shipped during the year compared to 889 tonnes in 2008.
As concerns the other earnings components the pressure on sales prices was more than offset by the favourable trend in the price of raw material mixture and energy.
As a consequence, operational EBITDA, which in 2009 amounted to Euro 31 million, shows a considerable improvement over the Euro 19 million achieved in the previous year (net of non-recurring income).

MAJOR OPERATIONS OF THE RENO DE MEDICI GROUP IN 2009

A new company, "RDM Tissue Core S.r.l.", was formed in January with a fully-paid in share capital of Euro 100 thousands, in which the parent Reno De Medici holds an interest of 51%. This company is dedicated to marketing a specific product line developed by the Group's Italian factories in Italy and Europe.

In October, with the signing of the Amending Agreement, the rescheduling of the loans originally arranged in 2006 with IntesaSanpaolo and Unicredit was formally completed.
It is recalled that the original two loans amounted in total to Euro 74.7 million, of which Euro 69.7 million had been drawn down; following repayments, the outstanding balance at 31 December 2009 totalled Euro 51.2 million.
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.

In October 2009 the ordinary general meeting of shareholders approved two incentive plans for Group employees and management based on financial instruments, prepared pursuant to 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 as follows.

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

This plan is addressed to all the employees of the RDM Group (which at 31 July 2009 had a workforce of 1,700 people), excluding employees of companies not directly controlled by RDM.

The objective of the plan is to strengthen a sense of belonging in the Group's employees, providing them with the possibility of holding an equity interest in Reno De Medici S.p.A. under better than market conditions, in compliance with the Plan Regulations.
Under the Plan, for every 2 RDM shares purchased by an employee the Company will provide the financial intermediary engaged for the purpose with the sum needed to purchase 1 RDM share directly in the name of the employee, thus without the direct and free of charge assignment of shares. In addition, the contribution for the purchase of shares that RDM will provide to each employee who becomes a member of the Plan will not exceed Euro 1,000 for the whole the Plan's term.
The Plan does not envisage a treatment that depends on who the beneficiaries are. The Managing Director of RDM, Ignazio Capuano, and the managers of RDM who are also employees (and already the beneficiaries of the incentive plan described below) may not benefit from this plan.

Incentive plan for management based on 'Performance Phantom Shares' for the period 2009-2010-2011

The beneficiaries of this Plan are 13 managers of the RDM Group including the Chairman, Christian Dubè, the Deputy Chairman, Giuseppe Garofano, and the Managing Director, Ignazio Capuano; the intention of the Plan is to provide the Group with a tool geared towards reaching strategic business objectives and to create an increased sense of loyalty in the beneficiaries.
The Plan envisages the allocation of a total of 8,090,000 performance phantom shares distributed in a diverse manner 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 on the basis of the Plan Regulations.
The Plan provides that the beneficiaries will receive a cash payment on reaching pre-determined objectives, such as a specific return on invested capital and pre-set financial ratios, connected with the increase in the value of the price of the RDM share in 2011 at the moment the plan is realised.
The maximum amount payable by RDM to all beneficiaries over the full term of the Plan may not exceed Euro 4 million, unless there is a change of control of the company (as provide by article 9 of the respective Regulations).

In November a minority interest was acquired in the share capital of Manucor S.p.A., a company which manufactures flexible packaging made of plastics and in particular bioriented polypropylene. This transaction, driven by the intention to complement the range of products offered to customers by extending this from rigid packaging to flexible packaging, was carried out in compliance with the terms and conditions of the Investment Agreement signed on 30 July 2009.

This investment, representing 22.75% of Manucor's capital, was acquired by subscribing to a capital increase carried out by the company, having a

value of Euro 4.5 million, including the share premium.
The company's other shareholders are the bank Intesa Sanpaolo S.p.A. and a group of companies owned by the Manuli family, the company's historical shareholders.
Following this operation the company's share capital was held as follows:

- 5 million class A shares (each having a nominal value of Euro 1 and a subscription price of Euro 2) of which:
  - 45.5% RdM;
  - 45.5% Intesa Sanpaolo;
  - 9% companies belonging to the Manuli family;
- 5 million class B shares (each having a nominal value of Euro 1 and a subscription price of Euro 4.4) having no corporate governance rights and having deferred asset rights, fully owned by Intesa Sanpaolo.

This transaction forms part of the realisation of a new five-year business plan for Manucor, accompanied by a rescheduling of its residual debt and aimed at obtaining value from the company's economic capital in terms of a growth in business volumes, margins, global presence and internationalisation, to be carried out amongst other things through the creation of commercial synergies with Reno De Medici arising from the cross-selling potential already discussed.
On 25 November 2009 the shareholders entered an agreement containing, among other things, certain rules regarding the corporate governance of the company that are aimed at regulating the reciprocal relationships.
The agreement has a five year term which may be extended twice for subsequent periods of 3 years each.
Set out below are the main features of this agreement, from which it may be inferred that the company is jointly controlled.
Under the corporate governance rules the Board of Directors consists of 5 members, of whom 2 are designated by Reno De Medici, 2 by Intesa Sanpaolo and 1 (having the role of managing director) designated jointly by Reno de Medici and Intesa Sanpaolo.
The vote in favour of at least 4 directors is required for a series of matters defined by the Parties as 'important'. Included amongst these are: the approval of business plans and budgets, changes to the bylaws and extraordinary operations, a listing on the stock exchange, the purchase and sale of businesses, obtaining loans and signing agreements for significant amounts.

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, IntesaSanpaolo 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;
- agreements relating to the process preceding any listing of the Company's shares on the stock market.

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

Risks connected with general economic conditions

In common with all manufacturers the Company and the Group are clearly exposed to the risks connected with the current economic crisis. On the one hand it is possible to note signs of a pick-up, which in any case remains to verify its consolidation; on the other, the tendency for the price of raw material mixture to increase, as has occurred from the start of this present year, could have an effect on earnings in the first semester of 2010, hoping, for the second semester 2010 to have completed the transfer incurred costs on sales prices.
In this scenario it can be envisaged that the current level of orders, and the planned revisions of the list prices, can lead to a positive profitability. It has still to be remembered that the outlook is characterised by a situation of high volatility. On economic side are in place all actions to maintain production capacity in line with demand and to adjust sales prices in line with the changes occurring in production factor costs.

Risks relating to the Group's results

There are no specific ricks linked to the nature and structure of the RDM Group.

Risks relating to funding requirements

The Group currently has funds sufficient to face the requirements it may reasonably be expected to have to satisfy in 2010; in particular, the rescheduling of its two main long-term loans in 2009 assures it of the financial stability required to carry out the extraordinary investments that need to be made to complete the rationalisation of its production plant.

Risks relating to interest rates

The risks in this area relate mainly to unhedged variable rate loans, meaning all short-term loans and a portion of long-term loans, which amount in total to approximately Euro 80 million at 31 December 2009.

However, in view of the general trend on the interest rates, that in the last months has recorded significant reduction, we believe that no significant negative linked to fluctuation of interest rates will occur in 2010.

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 acceding to diverse and diversified lines of credit.

As of December 31, 2009, the consolidated Net Financial Position is negative by Euro 130.8 million, with an increase of Euro 2.3 million compared to the Euro 128.5 million at December 31, 2008.

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 primary Insurance Companies.

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

Capital Risk

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

Conclusions

For a more detailed analysis, and for the comparison of the 2009 data with 2008, please refer to the chapters related to "Financial instruments and risk management" for the Group and for the Parent Company.

ECONOMIC AND FINANCIAL PERFORMANCE OF THE RENO DE MEDICI GROUP

The result 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)	**2009**	**%**	**2008**	**%**
Revenues from sales	428.120	100	451,096	100
Operating costs ([15])	(411,209)		(430,461)	
Other operating income (expenses) ([16])	14,122		(1,786)	
Badwill	–		21,178	
Gross Operating Profit (EBITDA)	**31,033**	**7.25**	**40,027**	**8.87**
Depreciation and amortisation and recovery of value and write-downs of assets	(27,253)		(25,651)	
Operating Profit (EBIT)	**3,780**	**0.88**	**14,376**	**3.19**
Net financial Income (expenses)	(9,070)		(9,955)	
Income (loss) from investments	(4)		(1,736)	
Taxation	(1,297)		(2,094)	
Profit (loss) for the year before discontinued operations	**(6,591)**	**(1.54)**	**591**	**0.13**
Discontinued operations	–		(6,777)	
Profit (loss) for the year	**(6,591)**	**(1.54)**	**(6,186)**	**(1.37)**
Profit (loss) for the year pertaining to the Group	**(6,945)**	**(1.62)**	**(6,449)**	**(1.43)**

RDM Group earned Revenues from sales of approximately Euro 428.1 million at 31 December 2009, compared with the Euro 451.1 million obtained in 2008.

The table below provides an analysis of net revenues by geographical area, showing as mentioned earlier an increased equilibrium compared to the analysis in 2008.

RDM GROUP (thousands of Euros)	**2009**	**%**	**2008**	**%**
Area				
Italy	152,449	36%	159,882	36%
European Union	222,361	52%	235,936	52%
Extra EU	53,310	12%	55,278	12%
Revenues from sales	**428,120**	**100%**	**451,096**	**100%**

The year 2009 ended positively with results showing a considerable improvement over 2008 that is even more worthy of appreciation given market conditions.

(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 coast" and "other operating costs".
(16) See RDM Group consolidated statements. The balance is the the total of the following profit and loss account items: "Other income", Changes in stocks of finished goods".

There was a good result for EBITDA from ordinary operations which rose to Euro 31.0 million compared to Euro 18.8 million in 2008 (antes badwill).
Profitability reflects the differing evolution of income and expense components.
The fall in revenues is due to a decrease in quantities, price pressure and the shut-downs of certain production lines, both permanent and temporary, carried out to the benefit of improved manufacturing efficiency. This effect was more than recovered thanks to an increase in operating efficiency and a drop in the prices of raw material mixture and energy.

Operating profit (EBIT) amounted to Euro 3.8 million compared to the Euro -6.8 million of the previous period of 2008, which also take advantage of non recurring income above-mentioned.

RDM GROUP (thousands of Euros)	**2009**	**2008**
Net financial Income (expenses)	(9,070)	(9,955)
Income (loss) from investments	(4)	(1,736)
Total	**(9,074)**	**(11,691)**

The decrease of Euro 0.9 million in net financial expense (Euro 9.1 million in 2009 compared to Euro 10.0 million in 2008) is mainly due to favourable trends in interest rates.

The decrease in losses from investments is primarily attributable to the combined effect of adjusting the investment in Careo S.r.l. to equity, by an amount of Euro 0.1 million, and badwill of Euro 0.1 million relating to Manucor, taken together with a non-recurring write-down of Euro 1 million of the interest in Termica Boffalora S.r.l. in 2008 prior to the sale of the investment in September of that year.

There was a charge for current taxation of Euro 4.1 million in 2009 compared to a charge of Euro 2.3 million in 2008. Deferred tax income amounted to Euro 2.4 million compared to income of Euro 0.2 million in the previous year.

There was a net loss of Euro 6.6 million in 2009 compared to a loss of Euro 6.2 million in 2008.

The result is negative for Euro 6.9 million, compared with profits of Euro 6.4 million in 2008.

Balance sheet

The following table sets out the principal balance sheet items.

RDM GROUP (thousands of Euros)	**2009**	**2008**
Trade receivables (17)	110,417	114,476
Stocks	74,313	82,073
Trade payables (18)	(102,683)	(108,827)
Working capital	**82,047**	**87,722**
Other current assets (19)	4,642	6,121
Other current liabilities (20)	(14,892)	(17,236)
Non-current assets (21)	271,338	274,650
Non-currente liabilities (22)	(29,279)	(33,367)
Invested capital	**313,856**	**317,890**
Employee benefits and provision funds (23)	(28,194)	(28,133)
Net invested capital	**285,662**	**289,757**
Net financial position (24)	130,841	128,525
Shareholders' equity	154,821	161,232
Total sources	**285,662**	**289,757**

Working capital amounted to Euro 82.0 million at the end of 2009, representing a decrease of Euro 5.7 million over the corresponding figure at 31 December 2008. More specifically, stocks fell by around Euro 8 million.

The decrease in “Other current liabilities” is mainly due to the utilisation of the personnel redundancy provision relating to the discontinued business line at the French factory of Blendecque in the amount of Euro 3 million.

The decrease in “Non-current assets” is primarily due to the combined effect of a decrease of Euro 8 million in the carrying amount of tangible fixed assets and an increase of Euro 5 million in the carrying amount of investments, arising mainly from the acquisition of the investment in Manucor S.p.A. in 2009.
The decrease in “Non-current liabilities” is principally 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.

(17) See RDM Group consolidated financial statements - total of the following detail items: "Trade receivables" and "Group trade receivables", classified as "Current assets".
(18) See RDM Group consolidated financial statements - total of the following detail items: "Trade payables" and "Group trade payables", classified as "Current assets".
(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" and "Current taxation", classified as "Current liabilities".
(21) See RDM Group consolidated financial statements - total of "Non-current assets" excluding the item "Derivative financial instruments".
(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 Group 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 Group payables", classified in "Current liabilities".

NET FINANCIAL POSITION

The net consolidated financial indebtedness at 31 December 2009 amounts to Euro 130.8 million, increasing of Euro 2.3 million respect to Euro 128.5 million at 31 December 2008.

The variations registered in 2009, compared to the previous fiscal year , are as follow:

RDM GROUP (thousand of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Cash and cash equivalents and short-term financial receivables ([25])	2,053	6,040	(3,987)
Short-term financial payables ([26])	(68,307)	(113,657)	45,350
Valuation of current portion of derivatives ([27])	(1,069)	(68)	(1,001)
Net short-term financial position	**(67,323)**	**(107,685)**	**40,362**
Long-term financial payables ([28])	(62,672)	(19,935)	(42,737)
Valuation of current portion of derivatives ([29])	(846)	(905)	59
Net financial position	**(130,841)**	**(128,525)**	**(2,316)**

In addition, due to a lack of compliance with certain financial parameters the comparative figures for 2008 include a reclassification to current liabilities of financial debt of Euro 45.9 million as required by IAS 1.

The gross financial indebtedness at 31 December 2009, calculated under the amortized cost principle, was Euro 131.0 million (compared to Euro 133.6 million for 31 December 2008) and includes non-current shares of medium to long-term financings of Euro 62.7 million, current portion of medium to long-term loans of Euro 7.1 million and bank credit facilities of Euro 61.2 million, consisting mostly of advances on invoices issued to customers.

It is recalled that in October, with the signing of the Amending Agreement, the rescheduling of the loans originally arranged in 2006 with IntesaSanpaolo and Unicredit was formally completed.
This Amending Agreement confirms the terms in accordance with the Term Sheet signed on August 3, 2009.
For more information see the previous section “Major operations of the Reno De Medici Group in 2009”

(25) See RDM Group consolidated financial statements - Total of "Liquid funds" and "Other Group receivables" classified as "Current Assets"
(26) See RDM Group consolidated financial statements - Total of "Bank loans and other financial liabilities" and "Other Group 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"

Research and development activities

The Group carried out research and development activities on a continuous basis throughout 2009, with the aim of constantly renewing its manufacturing processes from a technological standpoint and continuing its search for an improved use of the materials deployed in those processes, in order to enhance the quality of its products and processes as a whole.

Capital expenditure

The RDM Group made capital expenditure of Euro 19.7 million in 2009 (Euro 15.5 million in 2008).

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

Plant and machinery relates to specific and general manufacturing plant and machinery. The investments made at the Villa Santa Lucia facility related mainly to improvement and/or modernisation and other investments related to purification treatment plant to improve the recovery of cellulose fibres.
Included among the investments made at the Santa Giustina facility were the installation of a new press, obtaining an improvement in the quality of the product through a reduced use of raw material mixture, and the objective of energy efficient.
Investments at the factory of the German subsidiary Arnsberg regarded the installation of a new drying system having the aim of optimising energy consumption.
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 the 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 2009 totaled 1,618.

The number of employees is lower by 98 over the previous year (1.716 at 31 December 2008)

At 31 December 2009 the Group’s workforce consisted of 36 executives, 407 white-collar employees and 1.175 blue-collar employees.

ECONOMIC AND FINANCIAL PERFORMANCE OF 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 2009, with comparative figures provided for the prior year:

RDM (thousands of Euros)	**2009**	**2008**
Revenues from sales	240,496	281,967
Operating costs ([30])	(235,355)	(271,424)
Other operating income (expenses) ([31])	14,814	(4,031)
Gross Operating Profit (EBITDA)	**19,955**	**6,512**
Depreciation and amortisation and recovery of value and write-downs of assets	(16,680)	(18,242)
Operating Profit (EBIT)	**3,275**	**(11,730)**
Financial income (expense), net	(8,807)	(9,732)
Income (loss) from investments	536	2,153
Taxation	327	(428)
Profit (loss) for the year	**(4,669)**	**(19,737)**

RDM earned revenues from sales were approximately Euro 240.5 million as compared to the Euro 282.0 million total earned in 2008 representing a decrease of 14.7%, mainly attributable to a fall in sales volumes, consistent with a macro-economic scenario in Europe that in 2009 was characterised by a drop in demand.

Compared to 2008 there was a decrease of 7.6% in terms of tonnes sold, more specifically despatched volumes in 2009 reached 527 thousand tonnes compared to 570 thousand tonnes in 2008.

The produced tonnes fell by 3% compared to 2008.

(30) See RDM financial statements. The balance is the 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 the total of the following profit and loss account items: “Other revenues“ and "Changes in stocks of finished goods".

The following table provides an analysis of revenues from sales by geographical area; this shows a decrease in the turnover achieved with countries in the European Union (-34.9%), Italy (-4.8%), and non European Union countries (-11.7%), traditionally outlet markets with lower margins.

RDM (thousands of Euros)	**2009**	**%**	**2008**	**%**
Area				
Italy	150,261	62%	157,890	56%
European Union	54,305	23%	83,397	30%
Extra UE	35,930	15%	40,680	14%
Revenues from sales	**240,496**	**100%**	**281,967**	**100%**

Operating costs” also fell but by a lesser extent than the fall in turnover (-13.3%) as far as the percentage of fixed costs is concerned.
Variable costs benefited from the favourable trend in the prices of raw material mixture and energy. As already stated and discussed in connection with the consolidated results, the price of raw material mixture hit historical lows in the first quarter of the year, slowly rising over the following quarters although remaining well below the average quotations for 2008.

As regards energy prices the significant fall in natural gas compared to 2008 is due above all to the excess of supply at a European level, as a result of start-ups of new infrastructure during the year and as a consequence of the indexing rules governing the majority of industrial supply contracts. There was also a significant drop in the price of electricity, due mainly to the contractual indexing mechanisms linking this to oil prices.

Staff costs also fell, by 4% compared to 31 December 2008.

As a result of the above changes gross operating profit closed at Euro 20.0 million, a contraction compared to the profit of Euro 6.5 million achieved in 2008.

There was a loss of Euro 4.7 million, after depreciation and amortisation of Euro 16.7 million, financial expense of Euro 8.8 million, income from investments of Euro 0.5 million and taxation of Euro 0.3 million.

The financial charges decreased in 2009 by 9.51%, this is due to a significant extent to the downwards trend in interest rates that occurred in 2009 and, as a consequence, to the decrease in interest payable to banks for the Company’s variable rate medium- and long-term loans no-hedged by derivative instruments.

See comment in the paragraph “Net Financial Position”.

Income (loss) from investments includes dividends of Euro 6.9 million resolved and distributed by subsidiaries and associates, partially offset by the write-down by Euro 6 million of the French investment Blendecques.

Balance sheet

The following table sets out the key balance sheet items

RDM (thousands of Euros)	**2009**	**2008**
Trade receivables ([32])	80,825	71,320
Stocks	45,468	49,078
Trade payables ([33])	(67,274)	(70,587)
Working capital	**59,019**	**49,811**
Other current assets ([34])	2,086	2,890
Other current liabilities ([35])	(7,747)	(6,270)
Non-current assets ([36])	278,710	277,303
Non-currente liabilities ([37])	(8,913)	(9,557)
Invested capital	**323,155**	**314,177**
Employee benefits and provision funds ([38])	(22,876)	(24,403)
Net invested capital	**300,279**	**289,774**
Net financial position ([39])	155,275	140,418
Shareholders' equity	145,004	149,356
Total sources	**300,279**	**289,774**

The Parent Company's balance sheet shows a rise in working capital, which is mainly due to new relations with Group companies, in particular with the former Cascades companies; these relations were not yet fully operational or in any case integrated at the end of 2008 following the business combination that took place during that year.

Net invested capital at 31 December 2009 was funded as to 51.7% by interest-bearing debt and 48,3% by shareholders' equity (31 December 2008 48.5% and 51.5% respectively).

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

Net financial position

The Parent Company's net financial debt amounted to Euro 155.3 million at 31 December 2009, compared to Euro 140.4 million at 31 December 2008.

RDM (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Cash and cash equivalents (40)	1,071	3,554	(2,483)
Short-term financial payables (41)	(86,276)	(121,704)	35,428
Valuation of current portion of derivatives (42)	(918)	(68)	(850)
Net short-term financial position	**(86,123)**	**(118,218)**	**32,095**
Long-term financial payables (43)	(68,306)	(21,284)	(47,022)
Valuation of current portion of derivatives (44)	(846)	(916)	70
Net financial position	**(155,275)**	**(140,418)**	**(14,857)**

The financial position of Reno De Medici S.p.A. has deteriorated by Euro 15 million. The main components of this change are specifically: the Manucor transaction, the financial effect of the increase in investing activities in 2009, the capital flows with the French and German subsidiaries and naturally the effect of changes in working capital.

It is recalled that in October, with the signing of the Amending Agreement, the rescheduling of the loans originally arranged in 2006 with IntesaSanpaolo and Unicredit was formally completed.
This Amending Agreement confirms the terms in accordance with the Term Sheet signed on August 3, 2009.
For more information see the previous section "Major operations of the Reno De Medici Group in 2009".

Research and development activities

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

Capital expenditure

The RDM Group made capital expenditure of Euro 13.1 million in 2009 (Euro 9.4 million in 2008).

(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".

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

Plant and machinery relates to specific and general manufacturing plant and machinery. The investments made at the Villa Santa Lucia facility related mainly to improvement and/or modernisation and other investments related to purification treatment plant to improve the recovery of cellulose fibres.
Included among the investments made at the Santa Giustina facility were the installation of a new press, obtaining an improvement in the quality of the product through a reduced use of raw material mixture, and the objective of energy efficient.
Investments at the remaining facilities consisted of the improvement and/or modernisation of plant and machinery.

Human resources

RDM's workforce at 31 December 2009 totalled 934. The number of employees is lower by 27 over the previous year end principally as the result of long-term labor mobility process commenced during the year at the Italian facility.

At 31 December 2009 the Group's workforce consisted of 15 executives, 238 white-collar employees and 681 blue-collar employees.
Training activities are commented in the corresponding paragraph of "Human Resources " of the Group in this document.

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

(Thousands of Euros)	**Shareholders' equity 31.12.2009**	**Result for the year 31.12.2009**
Reno De Medici S.p.A.	**145,004**	**(4,669)**
Differences between the carrying value of subsidiary companies and the corresponding share of thier shareholder's funds	12,558	4,620
Dividends received from subsidiary companies	–	(6.907)
Reversal of gains from sales to Group companies	(1,574)	–
Reversal of allocation fo merger difference	(3,452)	(172)
Other consolidated adjustment	1,608	183
Consolidated financial statements	**154,144**	**(6,945)**

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

(thousands of Euros)	**Net financial position 31.12.2009**	**Net financial position 31.12.2008**
Net Financial Position - Reno De Medici S.p.A.	**(155,275)**	**(140,418)**
Cash and cash equivalents and short-term financial receivables of subsidiary companies	636	760
Short-term financial payables of subsidiary companies	(2,545)	(2,749)
Long-term financial payables of subsidiary companies	(3,572)	(4,286)
Eliminations of short-term financial payables due to subsidiary companies	36,142	28,285
Eliminations of long-term financial payables due to subsidiary companies	9,206	5,634
Eliminations of short-term financial receivables from subsidiary companies	(15,433)	(15,751)
Net Financial Position - RDM Group	**(130,841)**	**(128,525)**

OTHER INFORMATION

RISKS AND DISPUTE IN COURSE

There follows a list of the main and most significant judicial and arbitration proceedings in course or settled during 2009.

INTRODUCTION

FY 2009 was characterized by the conclusion of the more important ongoing court cases, such as those regarding transport, in the Company's favour.

Before proceeding to examine the cases currently in progress, it is considered appropriate to focus on the proceeding regarding the seizure of the water purification plant at the Villa Santa Lucia factory in 2007. It is noted in this regard that in its ruling dated 26 August 2009 the Public Prosecutor's Office in Cassino ordered the release of the water purification plant at the Villa Santa Lucia factory. This ruling brought a final and favourable conclusion to the proceeding started in July 2007. It is also stated that in the judgment issued on 28 October 2009 by the Single-Judge Court of Cassino, Justice De Sanctis ruled for complete acquittal, 'because the law does not consider such facts to amount to a crime', of the charge made against the Company, which had been brought on the presumption that environmental offences were included amongst the crimes punishable under Legislative Decree no. 231/01.

– RDM/Atradius Credit Insurance N.V. (hereinafter, 'Atradius')

This action has been brought against Atradius before the Ordinary Court of Milan by Reno De Medici S.p.A., in order to have Atradius declared in breach of the obligations it assumed under the insurance contract executed with Reno De Medici S.p.A. and, accordingly, ordered (i) to pay Euro 479,102.54 (corresponding to the outstanding indemnity payments) plus statutory interest and compensation for monetary revaluation and (ii) to pay damages – to be quantified during the course of the proceeding – for contractual liability.

The first hearing was yet to be held at the date of this Report.

Conclusions

As it can be gathered, 2009 was characterized by a drastic reduction in litigation involving RDM, resulting in a significant reduction of the connected risk.

PROGRAMME SAFETY DOCUMENT

In 2009 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 subject of minimum security measures as attached to Legislative Decree no. 196 of 27 June 2003, known as the "Personal Data Protection Code", the Company has begun an analysis and updating of its Programme Safety Document in connection with the processing of personal data. This document will be adopted on 31 March 2010 in compliance with the requirements of laws and regulations.

ENVIRONMENT AND SAFETY

Over the year, RDM's commitment to attaining and maintaining adequate environmental, safety and quality standards, consistent with the guiding principles it pursues, was embodied through significant actions, including:

- the strengthening of an increasingly greater degree of integration between company quality, environment and safety management systems by enhancing the synergies between the various areas of competence;
- the constant updating of the Assessment of Risks deriving from Operational Interferences documents;
- the periodic training of staff on health and safety in the workplace and raising staff awareness of how to protect and safeguard the environment during the performance of their various jobs.

At present, no final judgments appear to have been handed down against the Company in relation to environmental offences.
At present, no final judgments appear to have been handed down against Reno De Medici S.p.A. in relation to any injuries (whether simple, serious or very serious) or deaths resulting from accidents in the workplace.
The Company has maintained its ISO 14000 Certification.

TREASURY SHARES

As at 31 December 2009, 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 December 2008	Number of shares purchased	Number of shares sold	Number of shares at 31 December 2009
Christian Dubé	Reno De Medici S.p.A.	–	100,000	–	100,000
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 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 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 and RDM Tissue Core S.r.l. (Tissue);
- the provision of general services to Careo, Emmaus, CAM, Tissue, 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 CAM, Tissue, RDM Iberica, 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.;
- the fiscal consolidation agreement under which Reno De Medici S.p.A. is the consolidating company vis-à-vis CAM, Emmaus and Careo.

Reference should be made to the Notes to the Accounts contained in this Report for a quantitative analysis of the arrangements in place between RDM and its subsidiaries and associated companies during 2009, 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 between the subsidiary Emmaus Pack S.r.l. and Immobiliare ANSTE S.r.l. and ANSTE Autotrasporti S.r.l., both referable to the Oldani family which owns 49% of Emmaus Pack S.r.l., which concern rentals of Euro 223 thousand and transportation and ancillary services of Euro 514 thousand, respectively. The balance of trade receivables at 31 December 2009 was Euro 67 thousand due from Immobiliare ANSTE S.r.l. and Euro 163 thousand due from ANSTE Autotrasporti S.r.l. During 2009 payments to Immobiliare ANSTE S.r.l. totalled Euro 268 thousand and to ANSTE Autotrasporti S.r.l. totalled Euro 609 thousand;
- business relationships with Durini 18 S.r.l. (a company wholly owned by Alerion Industries S.p.A., RDM's shareholder until 3 December 2008) in connection with the sublease of premises in Milan, Via Durini no. 18;
- business relationships with Pac Service S.p.A., a company of which RDM owns 33%, in connection with sales of cardboard. Sales made in 2009 totalled Euro 1,851 thousand, receipts in the same year totalled Euro 2,001 thousand, while trade receivables at 31 December 2009 amounted to Euro 913 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 million. The consideration also consists of a variable portion which at 31 December 2009 amounted to Euro 152,000.

SUBSEQUENT EVENTS

No significant events.

OUTLOOK FOR OPERATIONS

Given its historical relationship with the rise in GDP, we can expect to see slight growth in the demand for coated cartonboard made from recovered fibre.

The increase in the price of fibrous raw materials since the start of the year could, if protracted over time, temporarily reduce earnings to the extent that it is not possible to make a corresponding immediate adjustment to sales prices. On the other hand this situation could also lay the grounds for further consolidations in the sector through the closure of less efficient manufacturing plants, speeding up the process of reducing excess manufacturing capacity that has been in progress for the past few years.

The outlook for 2010 remains characterised by a prudence in a market context that offers both risks and opportunities, amongst which is the opportunity to benefit from cross-selling synergies with Manucor.

It is more difficult to assess what the short-term practical impact will be of certain trends that can already be noted, such as the process to replace cartonboard made from recycled fibre with cartonboard made from virgin fibre in same food product packaging sector and, on the other hand, the rise in the demand for packaging with cartonboard made from recycled fibre by manufacturers of expensive goods who have traditionally been geared towards virgin fibre packaging.

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 2009

**Approved by the Board of Directors of Reno De Medici S.p.A.
at its meeting of 26 March 2010**

www.renodemedici.it

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.
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 2009

1. 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:

1.1 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;
- hat 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.

1.2 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.

2. INFORMATION ON THE OWNERSHIP STRUCTURE AT 26 MARCH 2010 (AS PER ARTICLE 123-BIS, PARAGRAPH 1 OF THE TUF).

2.1 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

- 377,431,930 ordinary shares each of nominal value Euro 0.49;
- 369,064 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	377,431,930	99.9%	Listed on the Star Electronic Stock Exchange (MTA)	le azioni sono nominative e liberamente trasferibili, Conferiscono diritto di partecipazione e di voto nelle assemblee ordinarie e straordinarie. diritto al dividendo e al rimborso del capitale in caso di liqui dazione
Savings shares	369,064	0.1%	Not-Listed	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.

2.2 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).

2.3 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 voting capital
Cascades Inc.	Cascades S.a.s.	36.15
Industria e Innovazione S.p.A.	Industria e Innovazione S.p.A.	9.07
Siano Dante	IC (Industria della Costruzione) S.p.A.	5.54
Eurinvest Finanza Stabile S.p.A.	Eurinvest Finanza Stabile S.p.A.	5.51
Bonati Fabio	Bonati Fabio	2.53

2.4 SECURITIES GRANTING SPECIAL RIGHTS

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

2.5 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.

2.6 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.

2.7 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. 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 36,916,000.00 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 3, 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 211,908,368 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.
Following the amendments regarding exclusively the number of financial instruments attributed in total to the Shareholders' Agreement that occurred during the half year running from July-December 2009, the participants in Shareholders' Agreement and the number of ordinary shares in Reno de Medici S.p.A. committed to the Shareholders' Agreement were the following at December 31, 2009:

Party	***No. of shares Syndicated***	***% Of shares Sindacate***	***Percentage of shares having voting rights***
Cascades	*136,417,004*	*64.37%*	*36.15%*
Industria e Innovazione S.p.A.	*34,241,364*	*16.16%*	*9.07%*
Eurinvest Finanza Stabile S.p.A.	*20,800,000*	*9.82%*	*5.51%*
IC (Industria della Costruzione)	*20,450,000*	*9.65%*	*5.42%*
Total	***211,908,368***	***100.00%***	***56.15%***

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, 2007 shall be considered terminated.

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

2.8 *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.

2.9 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 information required by article 123-bis, paragraph 1 i) of the TUF is provided in the section of this report dedicated to directors' compensation.

2.10 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.

2.11 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.

2.12 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.

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

3.1 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. borsaitaliana.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.

3.2 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.
- The procedure containing the criteria for identifying and regulating large transactions and 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.

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

4.1 BOARD OF DIRECTORS

4.1.1 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.

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.

4.1.2 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 Lemaire, Mirko Leo, Vincenzo Nicastro, Carlo Peretti, Emanuele Rossini and Robert Hall (co-opted onto the Board following the resignation of Mr. Bernard Lemaire).

On 8 May 2009, following the resignation of Mr. Bernard Lemaire as both a member of the Board and Deputy Chairman, the Board: 1) appointed Christian Dubé as Chairman of the Board of Directors; 2) appointed Mr.

Giuseppe Garofano as Deputy Chairman; 3) co-opted Mr. Robert Hall onto the Board. Following this, on 5 November 2009 Mr. Robert Hall was newly co-opted.

The present Board of Directors, which remains in office until the ordinary shareholders' meeting called to approve the financial statements for financial year 2010, accordingly consists of 11 members: 3 executive directors (as per the definition in the Code) and 8 non-executive directors, 3 of whom are independent.

Nominativo	**Carica**
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
Mirko Leo	Non-executive
Vincenzo Nicastro	Non-executive -Independent
Carlo Peretti	Non-executive -Independent
Emanuele Rossini	Non-executive

On 8 May 2009 the Board of Directors checked that the pre-requisites for independence held by the directors Sergio Garribba, Vincenzo Nicastro and Carlo Peretti still held.
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.

Information regarding the personal and professional characteristics of the individual members of the Board of Directors is contained in short resume below mentioned.

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.

Mirko Leo
Born in Lecce on 8 May 1975, he was awarded a degree in Business Economics by the Bocconi University of Milan in 2001. Since April 2005 he has held the position of CFO in Industria della Costruzione S.p.A. (a financial holding company with interests in the manufacturing sector and in real estate). In addition, he is the sole director of Immobiliare San Camillo S.r.l. and a member of the board of directors of Adda Real Estate S.r.l. and Odefin BV (Holland).

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 Universtìity 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..

4.1.3 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 2010, the Company issued a timetable which schedules the dates for five meetings of the Board of Directors in 2010. At the date of this report one meeting (namely that of 12 February 2010 regarding the approval of the interim report on operations at 31 December 2009) 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 2009, 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 12 February 2010, 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 (Annex B).

4.1.4 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.

– 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.
Chairman's powers are in compliance with the provision of Shareholders' Agreement in force (cfr. paragraph no. 2.7).

– 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.

– 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.

4.1.5 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 eight members of the Board are all non-executive.

4.1.6 INDEPENDENT DIRECTORS

As a means of implementing the provisions of the Code, at its meeting of 5 May 2009 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 only one occasion in 2009, noting that there were no matters to be brought to the attention of the Corporate Bodies.

4.1.7 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.

4.1.8 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.

5. 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.

5.1 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.

This procedure was updated in 2009 to take account of the interpretations provided by Consob on the matter and in order to keep it constantly in line with the Company's needs.

5.2 *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.

6. 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.

The Company didn’t constituted a Committee in place of two or several Committees.

7. COMPENSATION COMMITTEE

7.1 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 three occasions in 2009, 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 minuted.

7.2 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..

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 the following in 2009:

a) on 3 August 2009 and 1 September 2009 it reviewed, assessed and arrived at a favourable opinion on the two incentive plans based on financial instruments as per article 114-bis of the TUF adopted by the Company by means of a resolution passed by shareholders in general meeting on 16 October 2009;
b) on 5 November 2009 it assessed a proposed increase in the fees due to the members of the Supervisory Body established pursuant to Legislative Decree no. 231/01 and made a proposal to the Board of Directors in this respect.

At the date of this report t the Compensation Committee had not yet met.

8. DIRECTORS' COMPENSATION

8.1 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.

On 3 August 2009, on the proposal of the Compensation Committee and with the favourable opinion of the Board of Statutory Auditors and also pursuant to article 2389 of the Italian civil code, the Board of Directors assigned an annual fee of Euro 100,000.00 to the Chairman, Mr. Christian Dubé, and an annual fee of Euro 75,000.00 to the Deputy Chairman, Mr. Giuseppe Garofano.

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 2009 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.

8.2 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.

9 INTERNAL CONTROL COMMITTEE

9.1 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 minuted.

9.2 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. In particular, the Committee was called upon during 2009 to review and check the engagement to be assigned to the advisor Jaako Poyry as part of the procedure to amend existing loan agreements.

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 2009 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 2009 and the date of this report the Internal Control Committee reported to the Board on 24 March 2009 and 3 August 2009.
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.

10. INTERNAL CONTROL SYSTEM

10.1 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 2010 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.

10.2 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.

10.3 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.

Risk identification and assessment

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.

Assessing the adequacy of control activities

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.

10.4 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.

10.5 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.

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

In October 2009 the Managing Director adopted the new Organisational and Administrative Model, approved and ratified by the Board of Directors at its meeting of 5 October 2009.
The changes made related to the following:

a) General Section: in particular (i) the main features and objectives of the model were reformulated; (ii) the qualifications required by the members of the Supervisory Body were extended to require that at least one of the Body's members has specific skills in relation to Legislative Decree no. 231/2001 matters; (iii) the requirement was introduced whereby there must be an adequate system of information flow between the Supervisory Body and the individual Supervisory Bodies established in the Italian companies belonging to the RDM Group;
b) Specific Sections: two new specific sections were introduced (specific sections 7 and 8) in order to update the Organisational Model for the new offences introduced during 2009 that relate to Legislative Decree no. 231/2001. More specifically, specific section 7 governs situations of the administrative responsibility of the Company with respect to offences regarding cross-border organised crime (introduced by Law no. 94 of 15 July 2009), while specific section 8 governs situations regarding disturbance to industrial and commercial freedom (introduced by Law no. 99 of 23 July 2009);

c) Attachments to the Model: two attachments have been added. The first contains the standard clause to be included in all contracts and/or orders and/or proposals drawn up by RDM, relating to the requirement for the contracting third party to comply with the Organisational and Administrative Model and Code of Ethics of the RDM Group. The second attachment contains the protocols adopted to support the individual specific sections that supplement the Legislative Decree no. 231/2001 procedures which the Company already has.

The Model has been distributed to all employees and is also published on the Company's website.

In respect of article 6 of the Decree the Board has approved the setting up of a Supervisory Body, choosing for such a collegiate composition. 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 2009 with the consistent attendance of all of its members.

The average duration of the meetings of the Supervisory Body was two 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.

10.7 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). During 2009, and more precisely by means of a resolution adopted on 28 April 2009, shareholders in general meeting approved additions to the engagement and the consequent changes to the fees charged by PricewaterhouseCoopers S.p.A. for the audit of the statutory and consolidated financial statements made following the combination with the Cascades Group on 1 March 2008. The opinion of the Board of Statutory Auditors was also obtained on this proposal pursuant to the first paragraph of article 2409-quarter of the Italian civil code.

10.8 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.

11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

On 24 January 2006 the Company's Board of Directors formally approved a procedure for "large transactions and those with related parties".

This document contains the guidelines and criteria for identifying large transactions and transactions with related parties, together with an indication of the specific principles of conduct designed to govern the main substantial and procedural aspects relating to the management of the transactions in question, which also apply to those transactions that are not part of the exclusive competence of the Board of Directors.

Pursuant to such procedures, "large transactions" are: **transactions of greater economic and financial importance**. The following transactions are considered to fall into this category if they are of an amount exceeding Euro 10,000,000 , in addition to those explicitly referred to by article 2381 of the Italian civil code:

- entering contracts for the purchase or sale of corporate properties and contracts for the leasing of properties for periods exceeding nine years (taking the annual lease instalment for valuation purposes);
- pledging sureties and/or guarantees of any nature, in the name of the Company, in favour of third parties, excluding sureties and/or guarantees pledged to third parties in the interests of subsidiaries;
- taking out mortgages on the Company's properties;
- making capital investments in setting up new companies and capital increases in existing equity interests and purchasing and selling equity interests in general;
- entering long-term loan agreements with banks (whose term exceeds five years).

Regardless of the above limits, the Board of Directors is always kept informed with reasonable advance notice of the analyses performed in terms of strategic consistency and technical, economic and financial feasibility and normally provides prior approval in the following cases:

- mergers and demergers (also within the Group), associations in participation, joint ventures and financial instrument transactions in general (those issued by RDM and/or its subsidiaries);
- transactions of importance with respect to the organisational, manufacturing and commercial organisation of the Company and the Group, or those that in any case affect their strategic direction;
- abnormal or unusual transactions, by subject or nature, outside the Company's normal business or those that have critical elements and/or elements of risk, such as - for example - regarding their structure, the determination of price or values, counterparties or timing.

It has been considered unnecessary to identify a specific and different level of significance for related party transactions as part of large transactions, as the criteria adopted for identifying transactions reserved for the exclusive

competence of the Board of Directors are considered sufficiently prudent.
Related party transactions are managed with regard given to specific criteria of substantial and procedural correctness. For the definition of "related party" reference is made to related parties as defined by the international accounting standard dealing with the disclosures required to be given in connection with related party transactions, adopted in accordance with the procedure contained in article 6 of Regulation (EC) no. 1606/2002 (IAS 24).
More specifically:

related party transactions are all those transactions, of whatever nature or size, carried out by the Company with related parties, namely:

a) parties which control, are controlled by or are under common control with the issuer (RDM);
b) direct or indirect parties to shareholders' agreements whose object is the exercising of voting rights, if such agreements confer a total controlling interest;
c) associates of the issuer and parties having a considerable influence over the issuer;
d) parties to whom power and responsibilities have been assigned regarding the exercising of functions connected with the administration, management and control of the issuer;
e) close family members of the natural persons included in paragraphs a., b., c. and d.;
f) parties controlled by the natural persons included in paragraphs a., b., c., d. and e. or over whom the natural persons included in paragraphs a., b., c., d. and e. have a significant influence;
g) parties which have the majority of directors in common with the issuer.

On the basis of the directives contained in the above-mentioned procedure, the Company's Board of Directors approves (in the case of transactions of the Company's competence) or assesses (in the case of transactions of the competence of companies directly and/or indirectly controlled by the Company) large related party transactions such as:

(i) abnormal or unusual transactions;
(ii) normal or ordinary transactions having a value exceeding Euro 10 million;
(iii) transactions in which one or more directors hold an interest on their own behalf or on behalf of third parties, including potential or indirect interests.

The Board of Directors receives adequate information about all the important elements of the transaction for each related party transaction submitted for approval or assessment and the resolutions adopted in this respect adequately motivate the reasons for the transaction and the convenience of this for the Company and the Group. The RDM's Subsidiaries must to request the approval to the Mather Company about their main and strategic operations.

In order to avoid a related party transaction being concluded under terms and conditions which differ from those which would most likely have been negotiated between unrelated parties, the Board of Directors has the faculty to make recourse - with regard to the nature, the value, or any of the other features of the transaction - to one or more independent experts for their assistance, chosen as people of known professionalism and skill.
Related party transactions other than the types set out above, meaning those which are not otherwise submitted for the approval of the Board of Directors, are reported to the Board of Directors as part of the periodic information provided on the exercising of its delegated powers, as well as to the Board of Statutory Auditors - pursuant to article 150, paragraph 1 of Legislative Decree no. 58/1998 - in connection with transactions of a more significant economic or financial importance carried out by the Company or its subsidiaries.
As part of their periodic reporting on such transactions the Managing Director describes the nature of the relation, the means by which the transaction was carried out, the timescale and economic conditions for its realisation, the assessment process followed, the underlying reasons for the transaction and any risks for the Company.

12. 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".

13 STATUTORY AUDITORS

13.1 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 2.7).
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

Information of the personal and professional characteristics of the individual members of the Board of Statutory Auditors is reported in short resume below mentioned.

BOARD OF STATUTORY AUDITORS

Sergio Pivato

Born in Milan on 13 November 1945, he is Ordinary Professor of Economics and Business Management at the Bocconi University of Milan. Since 1990 he is also the Director of Centro SPACE, the European Centre for Business Protection Studies at the Bocconi University of Milan. A qualified accountant (Dottore Commercialista) and auditor (Revisore Contabile), he works as a consultant to large and medium-sized businesses and is also a court appraiser. In addition to being the chairman of the Board of Statutory Auditors of Reno De Medici S.p.A. he holds positions in UBI Banca and Brembo S.p.A..

Carlo Tavormina

Born in Rome on 24 October 1964, he was awarded a degree in Economics and Business Management by Turin University in 1989. A qualified accountant (Dottore Commercialista) and auditor (Revisore Contabile), since 2001 he has been an advisor to the Milan Court on "Business Valuations". He is currently chairman of the Board of Statutory Auditors of Realty Vailog S.p.A., ASKAR Investor SGR S.p.A., Eurinvest Finanza Stabile S.p.A. and Omina SIM S.p.A., and is a standing auditor in RCR Cristalleria Italiana, NEM Due SGR S.p.A. (Gruppo BPVI) and Telelombardia S.r.l..

Giovanni Maria Conti

Born in Milan on 4 October 1964, he was awarded a degree in Business Economics by the Bocconi University of Milan in 1992. A qualified accountant (Dottore Commercialista) and auditor (Revisore Contabile), he concentrates his consulting activities on matters of a financial corporate and fiscal nature, including those connected with extraordinary operations. He is currently chairman of the board of directors of Bresciano S.p.A., chairman of the management committee of Progetti Industriali S.p.A., a member of the board of directors, the internal control committee and the compensation committee of Biancamano S.p.A., a member of the board of directors of RSC & Partners and a standing auditor in Callari S.r.l., Fomas Finanziaria S.p.A., Mylan S.p.A. and Staff Italia S.r.l..

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

The Board held 8 meetings in 2009.
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 2009.

Member	Attendance at meetings of the Board of Statutory Auditors	Attendance at meetings of the Board of Directors
Sergio Pivato	8/8	4/6
Giovanni Maria Conti	8/8	6/6
Carlo Tavormina	8/8	5/6

All absences were duly justified.

13.3 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 8 May 2009, 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.

14. 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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15. 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, the provisions of law and the articles apply to the proper constitution of ordinary and extraordinary shareholders' meetings and to the validity of the resolutions adopted therein.
As provided by article 8 of the Company's articles of association, general shareholders' meetings are called by the publication of a notice in one of the following daily newspapers: "Il Sole 24 Ore", "Milano Finanza" or "Finanza & Mercati", within the terms and by the means of the law.
Pursuant to article 8 of the Company's articles of association, the provisions of law and of the articles hold for attendance at shareholders' meetings. In addition, shareholders must lodge their shares or an appropriate certificate issued by the engaged intermediary at least two working days prior to the date scheduled for the meeting.
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.
Two ordinary shareholders' meetings were held in 2009.
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

16. 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.

TABLE 1: BOARD OF DIRECTORS

Director	Position	Executive	Non-executive	Indepe-ndent	Attendance/ Meetings (*)	Number of other positions
Christian Dubè	Chairman	X			6/6	
Giuseppe Garofano	Deputy Chairman	X			6/6	
Ignazio Capuano	Managing Director	X			6/6	
Riccardo Ciardullo	Director		X		4/6	1
Robert Hall(**)	Director		X		3/3	1
Sergio Garribba	Director		X	X	3/6	1
Laurent Lemaire	Director		X		6/6	
Mirko Leo	Director		X		5/6	
Vincenzo Nicastro	Director		X	X	5/6	3
Carlo Peretti	Director		X	X	6/6	3
Emanuele Rossini	Director		X		6/6	

(*) All absences from the meetings of the Board of Directors have been properly justified.
(**) Director co-opted as from 8 May 2009.

TABLE 2: INTERNAL CONTROL COMMITTEE

Director	Position	Independent	Attendance/ Meetings
Carlo Peretti	Chairman	X	4/4
Vincenzo Nicastro		X	4/4
Sergio Garribba		X	2/4

TABLE 3: COMPENSATION COMMITTEE

Director	Position	Indipendente	Attendance/ Meetings
Riccardo Ciardullo	Chairman		3/3
Vincenzo Nicastro		X	3/3
Carlo Peretti		X	3/3
Robert Hall (*)			

(*) Member appointed on 5 November 2009.

Table 4: Supervisory Body

Director	Position	Indipendente	Attendance/ Meetings
Carlo Peretti	Chairman	X	3/3
Vincenzo Nicastro		X	3/3
Giuseppe Ruscio (*)			2/2
Veronica Arciuolo (**)			1/1

(*) Member no longer in office from August 2009.
(**) Appointed member of the Supervisory Body by the Board of Directors on 5 November2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(thousands of Euros)	Note	31.12.2009	31.12.2008
Revenues from sales	1	428,120	451,096
– *of which related parties*	*35*	*6,968*	*6,309*
Other revenues	2	19,324	10,821
– *of which non recurring*		*–*	*304*
– *of which related parties*	*35*	*1,712*	*1,475*
Changes in stocks of finished goods	3	(5,202)	(12,607)
Cost of raw materials and services	4	(328,428)	(357,216)
– *of which related parties*	*35*	*(17,061)*	*(10,419)*
Staff costs	5	(76,940)	(67,862)
Other operating costs	6	(5,841)	(5,383)
Badwill	7	–	21,178
Gross Operating Profit		**31,033**	**40,027**
Depreciation and amortisation	8	(26,655)	(23,919)
Recovery of value and write-downs of assets	9	(598)	(1,732)
Operating Profit		**3,780**	**14,376**
Financial expense		*(9,721)*	*(10,417)*
Exchange rate differences		*432*	*13*
Financial income		*219*	*449*
Financial income (expenses), net	10	(9,070)	(9,955)
Income (loss) from investments	11	(4)	(1,736)
– *of which non recurring*		*148*	*(994)*
Taxation	12	(1,297)	(2,094)
Profit (loss) for the year before discontinued operations		**(6,591)**	**591**
Discontinued operations	13	–	(6,777)
Profit (loss) for the year		**(6,591)**	**(6,186)**
Attributable to:			
Profit (loss) for the year pertaining to the Group		(6,945)	(6,449)
Profit (loss) for the year pertaining to minority interests		354	263
Profit (loss) per share (Euros)		(0,020)	(0,018)
Profit (loss) per ordinary share diluted (Euros)		(0,019)	(0,018)
Profit (loss) per share before discontinued operations (Euros)		–	0,001
Profit (loss) per share before discontinued operations diluted (Euros)		–	0,001

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euros)	Note	31.12.2009	31.12.2008
Profit (loss) for the year		**(6,591)**	**(6,186)**
Cash Flow Hedge	*25*	*(81)*	*(1,274)*
Fair value gains on available-for-sale financial assets	*25*	*398*	*(140)*
Current translation differences	*25*	*106*	*(353)*
Total comprehensive profit (loss)		**(6,168)**	**(7,953)**
Total comprehensive profit (loss) attributable to:			
– Owners of the company		(6,522)	(8,216)
– Minority interest		354	263

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(thousands of Euros)	Note	31.12.2009	31.12.2008
Non-current assets			
Tangible fixed assets	14	256,231	264,400
Goodwill	15	63	63
Other intangible assets	16	6,243	5.629
Investments	17	6,690	1,628
Deferred tax assets	18	1,473	1,488
Derivative financial instruments	19	-	11
Financial assets held for sale	20	193	309
Trade receivables	21	81	234
Other receivables	22	364	899
Total non-current assets		**271,338**	**274,661**
Current assets			
Stocks	23	74,313	82.073
Trade receivables	21	106,835	113,212
- of which related parties	*35*	*1,384*	*405*
Group trade receivables	21	3,582	1,264
Other receivables	22	4,454	6,121
Other Group receivables	22	346	1,855
Financial assets held for sale	20	188	-
Liquid funds	24	1,707	4,314
Total current assets		**191,425**	**208,839**
TOTAL ASSETS		**462.763**	**483,500**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY

(thousands of Euros)	Note	31.12.2009	31.12.2008
Shareholders' equity			
Share capital		185,122	185,122
Share premium		-	-
Other reserves		112	(311)
Retained earnings (losses) brought forwards		(24,145)	(17,696)
Profit (loss) for the year		(6,945)	(6,449)
Shareholders' equity attributable to the Group		**154,144**	**160,666**
Minority interests		677	566
Total shareholders' equity	**25**	**154,821**	**161,232**
Non-current liabilities			
Bank loans and other financial liabilities	24	62,672	19,935
Derivative financial instruments	19	846	916
Other payables	26	1,872	3,445
- of which related parties	*35*	*1,204*	*1,153*
Deferred tax liabilities	27	27,407	29,921
Employee benefits	28	24,632	23,455
Non-current provisions for contingencies and charges	29	3,562	4,678
Total non-current liabilities		**120,991**	**82,350**
Current liabilities			
Bank loans and other financial liabilities	24	64,901	113,658
Derivative financial instruments	19	1,069	68
Trade payables	30	100,739	106,132
- of which related parties	35	2,397	2,967
Group trade payables	30	1,944	2,695
Other payables	26	12,713	13,186
Other Group payables	26	3,406	129
Current taxation	31	1,340	-
Current provisions for contingencies and charges	32	839	4,050
Total current liabilities		**186,951**	**239,918**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**462,763**	**483,500**

CONSOLIDATED CASH FLOW STATEMENT

(thousands of Euros)	**Note**	**31.12.2009**	**31.12.2008**
Profit (loss) for the year before taxation		(5,294)	2,685
Badwill	7	-	(21,178)
Depreciation and amortisation	8-9	27,253	25,651
Losses (gains) from investments	11	4	1,736
Financial (income) expense	10	9,070	9,955
Change in the employees' leaving entitlement, other provision fund including provision for bad and doubtful debts		(3,466)	(2,793)
Change in stocks	23	7,760	10,719
Change in trade receivables		9,284	22,104
- of which related parties		*(2,920)*	*546*
Change in trade payables		(8,513)	(29,344)
- of which related parties		*(1,267)*	*2,845*
Change in total working capital		8,531	3,479
Gross cash flows		**36,098**	**19,535**
Interests paid in the year		(8,021)	(12,431)
- of which related parties		*(656)*	*(1,211)*
Interests received in the year		2,151	3,713
- of which related parties		*527*	*415*
Taxes paid in the year		(4,194)	(5,518)
Cash flows from operating activities		**26,034**	**5,299**
Sale (purchase) of financial assets held for sale		12	-
Investments and disinvestments in non current assets		(19,700)	(16,938)
Disinvestment	17	-	6,500
Business combination		(119)	(2,947)
Investments in joint venture		(4,660)	(271)
Dividends received	17	150	1,430
Cash flows from discontinued operations	32	(3,211)	(2,247)
Cash flows from investing activities		**(27,528)**	**(14,473)**
Dividends paid		(243)	(243)
Change in financial assets and liabilities and short-term bank borrowings		1,249	9,539
- of which related parties		*4,785*	*(1,725)*
Change in long-term bank borrowings		(2,225)	(3,695)
Cash flows from financing activities		**(1,219)**	**5,601**
Exchange difference from convertion	**25**	**106**	**(353)**
Change in restricted liquid funds		**-**	**(5,000)**
Change in unrestricted liquid funds	**24**	**(2,607)**	**1,074**
Unrestricted liquid funds at beginning of the year	**24**	**4,314**	**3,240**
Unrestricted liquid funds at end of year		**1,707**	**4,314**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(thousands of Euros)	Share Capital	Legal reserve	Reserve from own shares	Other reserves	Retained earnings (losses) brought forwards	Profit (loss) for the year	Fair value reserve	Hedging reserve	Own shares	Shareholders' equity attributable to Group	Minority interest	Total Shareholders equity
Shareholders' equity at 31.12.2007	**132.160**	**–**	**4.872**	**–**	**(18.267)**	**576**	**(258)**	**559**	**(4.872)**	**114.770**	**546**	**115.316**
Increase in share capital	52.962	–	(4.872)	1.150	–	–	–	–	4.872	54.112	–	54.112
Distribution of dividends	–	–	–	–	–	–	–	–	–	–	(243)	(243)
Appropriation of Profit (loss) 2007	–	5	–	–	571	(576)	–	–	–	–	–	–
Profit (losses) for the year	–	–	–	–	–	(6.449)	–	–	–	(6.449)	263	(6.186)
Components of comprehensive profit (loss)	–	–	–	(353)	–	–	(140)	(1.274)	–	(1.767)	–	(1.767)
Total comprehensive profit (loss)	–	–	–	(353)	–	(6.449)	(140)	(1.274)	–	(8.216)	263	(7.953)
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 (losses) for the year	–	–	–	–	–	(6.945)	–	–	–	(6.945)	354	(6.591)
Components of comprehensive profit (loss)	–	–	–	106	–	–	398	(81)	–	423	–	423
Total 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**

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 26 March 2010 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 2009 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 2009 was preparated by applying the same accounting standards adopted for the Consolidated Financial Statement at 31 December 2008, with the exception of the following:

- starting in financial year 2009, the Group has applied IFRS 8 “Operating Segments,” which replaces IAS 14 “Segment Reporting.” The new standard requires reporting of sector information based on the elements used by management to make its operating decisions, with reference to the definition of operating segments and with reference to balance sheet items examined. The adoption of this Standard has produced no effect with regard to the presentation of data and to the valuation of items allocated to the various sectors;

- starting in financial year 2009, the Group has applied the revised version of IAS 1 “Presentation of Financial Statements”. The new version of the IAS 1 "Presentation of Financial Statements" requires, amongst other things, that variations of net assets generated with non-partners be represented in a single statement or, alternatively, in two separate statements, providing evidence of such variations also in the statement of variations of net assets. The Reno De Medici Group has applied this revised version of the IAS 1, highlighting the variations generated by transactions with non-partners in two separate statements: "Consolidated Statement of Income" and "Consolidated Statement of Comprehensive Income". The Group has consequently modified the presentation form of the statement of variations in the accounts of the consolidated net assets;
- starting in financial year 2009 the Group has applied the revised version of the standard IAS 23, which removes the option previously available of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale (qualifying assets). As part of its 2008 annual improvements project the IASB also published an amendment to IAS 23 (Revised) in order to revise the definition of the borrowing costs to be capitalised. No significant accounting effects arose in 2009 from adopting the revised standard.

The following amendments, improvements and interpretations, effective from 1 January 2009, specify the accounting for circumstances and events that are not be found in the Group at the date of these financial statements but which could have accounting effects on future transactions or agreements:

- Amendment to IFRS 2 – Vesting Conditions and Cancellations;
- Amendments to IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation;
- IFRIC 13 – Customer Loyalty Programmes;
- IFRIC 15 – Agreements for the Construction of Real Estate;
- IFRIC 16 – Hedges of a Net Investment in a Foreign Company;
- Improvement to IAS 39 – Financial Instruments: Recognition and Measurement;
- Improvement to IAS 29 – Financial Reporting in Hyperinflationary Economies;
- Improvement to IAS 36 - Impairment of Assets;
- Improvement to IAS 40 – Property Investment.

In addition, on 12 March 2009 the IASB issued amendments to IFRIC 9 - Reassessment of Embedded Derivatives and IAS 39 - Financial Instruments: Recognition and Measurement that allow entities to reclassify particular financial instruments out of the ‘at fair value through profit or loss’ category in specific circumstances. These amendments clarify that on reclassification of a financial asset out of the ‘at fair value through profit or loss’ category all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements. The amendments are applicable prospectively from 31 December 2009 but their adoption has had no accounting effect on the Group’s financial statements.

It has to be pointed out that the Reno De Medici Group 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 financial statements are also prepared on a going concern basis. In this respect the Group has made an assessment that there are no material uncertainties - as defined in paragraph 25 of IAS 1 - as to the Group’s ability to continue as a going concern; this is due amongst other things to the measures taken by the Group, either already completed or currently being arranged, to respond to changes in demand and to ensure that the necessary funds are available.

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, noncurrent 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 (€/1000)	Shareholding 31.12.2009 Direct	Shareholding 31.12.2009 Indirect	Shareholding 31.12.2008 Direct	Shareholding 31.12.2008 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 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 (€/1000)	Shareholding 31.12.2009 Direct	Shareholding 31.12.2009 Indirect	Shareholding 31.12.2008 Direct	Shareholding 31.12.2008 Indirect
Associated Companies							
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%	–	100.00%	–
RDM Tissue core S.r.l.	Milan (I)	Manufacturing	100	51.00%	–	–	–
Manucor S.p.A.	Milan (I)	Manufacturing	10,000	22.75%	–	–	–

A new company "RDM Tissue Core S.r.l." was established in January with a fully-paid in capital of Euro 100 thousand, in which the parent Reno De Medici holds an interest of 51%, which is defined as joint ventures on the basis of the terms of corporate governance included in bylaws, and it is consolidated with the net equity method. This company is engaged to the marketing a specific product line developed by the Group's Italian factories in Italy and Europe.

In November a minority interest was acquired in the share capital of Manucor S.p.A, for a share of 22.75%, which is defined as joint ventures on the basis of its stake of voting right and the terms of corporate governance included in bylaws.

The company manufactures flexible packaging made of plastics and in particular bioriented polypropylene. This transaction, driven by the intention to complement the range of products offered to customers by extending this to flexible packaging, was carried out in compliance with the terms and conditions of the Investment Agreement signed on 30 July 2009.
The company Careo S.r.l., included in the area of consolidation in 2008, is defined as joint venture on the basis of the terms of corporate governance included in bylaws.

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 balance sheet and profit and loss account, 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;
- The acquisition of subsidiaries is accounted for using the purchase method as required by IFRS 3 (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;
- the share of the investee's equity held by minorities is determined on the basis of the current values of assets and liabilities at the date on which control is obtained, excluding any related goodwill;
- 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 separate financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates (the functional currency). For the purposes of preparing the consolidated financial statements, the financial statements of each foreign entity are expressed in euros, the Group's functional currency and the currency in which the consolidated financial statements are presented.

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 as a separate component of equity 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 2009	End-exchange rate 31.12.2009
Sterlina G.Bretagna	0.9525	0.8909	0.8881

Investments accounted for under the equity method

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 using the "purchase method", in accordance with IFRS 3 Business Combinations. This standard requires the cost of a business combination to be allocated to the identifiable assets, liabilities and contingent liabilities of the purchased entity measured at their respective fair values. Any difference arising in this way between the cost of a business combination and the acquiring entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is accounted for as goodwill if positive and classified as a non-current asset, while if the difference is negative (badwill) it is immediately recognised in profit or loss. The cost of a business combination consists of the total sum of the fair values, at the acquisition date, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the acquiring entity in exchange for the control of the entity acquired, and in addition any costs directly attributable to the business combination.

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	2.5 - 3%
	Small constructions	5%
Plant and machinery	General plant and machinery	4% - 20%
	Specific plant and machinery	4% - 20%
Industrial and commercial equipments	Sundry equipment	20% - 25%
Other assets	Furniture and ordinary office machinery	8% - 12%
	Electronic office machinery	16.67% - 20%
	Internal vehicles	20%
	Motor vehicles	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.

Other intangible assets

Other 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.

Other 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 rights	Software licences	20%
Other intangible assets	Market share	20%
	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". 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 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. 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 of 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.

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 equity 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.

Own shares

Own shares are measured at cost and shown as a reduction in equity.
Profits or losses arising from the negotiations of own shares, if any, are recorded in a specific net equity reserve.

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.

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 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, net of returns, discounts, allowances and premiums.

Taxation

Current income taxes are determined on the basis of an estimate of taxable income for the period. Income tax liabilities are recognised in “Current taxation” in the balance sheet, net of the corresponding amounts paid on account and withholding taxes.
Current tax assets and liabilities are determined using tax rates and tax laws and regulations in force at the balance sheet date.

Deferred tax assets and liabilities reflect the effect of temporary differences between the accounting value and tax basis 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.

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.

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

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.

Discontinued operations

The item Discontinued operations also includes the economic result (in terms of net operating margin) of certain discontinued production units which are part of the Group. In order to determine the amounts of certain types of costs which relate to those discontinued units, the Group has employed management data and assumptions resulting from the cost accounting system, which utilises specific methodologies of separating and allocating costs on the basis of production and size variables.

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 24 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 24 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 2010 to 2015.

For discounting cash flows the Group has used the same rate, 7.0%, for all cash-generating units, a rate which reflects current market assessments and also takes into account the specific risks of the sector. Pursuant to IAS 36, the relative pre-tax discount rate has been identified for each CGU, in line with the fiscal impact on each CGU.

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

No need arose to write up or write down assets except at the Magenta and Marzabotto mills and at the subsidiary Blendecques, whose carrying amounts are lower as stated than their fair value less costs to sell determined by means of appraisals performed 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.

The need to recognise impairment losses on the basis of the revised plans did not arise except at the Magenta, Marzabotto and Blendecques factories where, in order to calculate the recoverable amount of these production units, it was necessary to use the fair value less costs to sell method (current market value) rather than the value in use method, based on appraisals performed by an independent valuer; the results obtained did not lead to the need to recognise impairment losses for these production units.
In this respect, however, it cannot be excluded that if the crisis continues or deteriorates the present valuations may need to be revised.

Notes

Revenues from services, classified on the financial statement at 31 December 2008 as Revenues from sales, have been reclassified as “Other revenues” in order to specify proceeds from the Group’s core business among proceeds from sales.

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 centres.
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. More specifically, in 2008 the amount of Euro 21.2 million is attributable to "Badwill", which represents the excess of the fair value of the assets less liabilities and contingent liabilities identified at 31 December 2008 over the cost of the combination with the Cascades Group.
The following table provides profit and loss data by geographical segment for the years ended 31 December 2009 and 2008:

Profit and Loss 31 december 2009 (thousands of Euros)	**Italy**	**Spain**	**Germany**	**France**	**Uk**	**Unallocated items & adjustments**	**Consolidated**
Revenue from sales	**275,622**	**35,948**	**101,724**	**47,160**	**7,190**	**(39,525)**	**428,120**
Revenues from transactions with other segments	(37,850)	–	(1,111)	(564)	–	39,525	–
Revenues from external customers	**237,772**	**35,948**	**100,613**	**46,596**	**7,190**	**–**	**428,120**
Gross operating profit	**18,484**	**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	**(6,913)**	**796**	**4,266**	**(3,750)**	**(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**

Profit and Loss 31 december 2008 (thousands of Euros)	**Italy**	**Spain**	**Germany**	**France**	**Uk**	**Unallocated items & adjustments**	**Consolidated**
Revenue from sales	**319,632**	**37,462**	**90,795**	**41,798**	**7,743**	**(46,334)**	**451,096**
Revenues from transactions with other segments	(43,787)	–	(1,353)	(1,194)	–	46,334	–
Revenues from external customers	**275,845**	**37,462**	**89,442**	**40,604**	**7,743**	**–**	**451,096**
Gross operating profit	**8,589**	**1,086**	**9,755**	**(192)**	**(389)**	**21,178**	**40,027**
Depreciation and amortization	(16,573)	(1,092)	(7,355)	(43)	(53)	1,197	(23,919)
Recovery of value and write-down of assets	(1,732)	–	–	–	–	–	(1,732)
Operating profit	**(9,717)**	**(6)**	**2,400**	**(236)**	**(441)**	**22,375**	**14,376**
Financial income (expense), net	(9,855)	1,090	(252)	(902)	6	(42)	(9,955)
Income (loss) from investments	2,153	–	–	–	–	(3,889)	(1,736)
Taxation	(1,021)	–	(655)	(21)	–	(398)	(2,094)
Profit (loss) for the period before discontinued operations	**(18,440)**	**1,084**	**1,494**	**(1,158)**	**(435)**	**18,046**	**591**
Discontinued operations	–	–	–	–	–	**(6,777)**	**(6,777)**
Profit (loss) for the period	**(18,440)**	**1,084**	**1,494**	**(1,158)**	**(435)**	**11,269**	**(6,186)**
Interest in profit (loss) of joint-ventures and associtès accounted for by equity method	186	–	–	–	–		
Total Assets	**428,667**	**49,929**	**134,260**	**24,245**	**4,716**	**(158,317)**	**483,500**

In 2009 and 2008, no single external customer of the Group accounted for 10 percent or more of consolidated revenues.

Disclosure on merger and acquisitions

In November a minority interest was acquired in the share capital of Manucor S.p.A., which manufactures flexible packaging made from plastics and in particular bioriented polypropylene. This transaction, driven by the aim of complementing the range of products offered to customers by extending this to flexible packaging, was carried out in compliance with the terms and conditions of the Investment Agreement signed on 30 July 2009.

This investment, representing 22.75% of Manucor's capital, was acquired by subscribing to a capital increase carried out by the company amounting to Euro 4.5 million, including share premium, plus costs of Euro 0.3 million directly attributable to the operation.

The company's other shareholders are the bank Intesa Sanpaolo S.p.A. and a group of companies owned by the Manuli family, the company's historical shareholders.

The following table provides a summary of this operation at 31 December 2009 following the purchase price allocation:

Manucor (thousands of Euros)	
Price of acquisition	4,500
Costs directly pertaining the acquisition	301
Total cost of operation (*)	**4,801**
Net asset fair value at the acquisition date	21,754
22,75%	4,949
Badwill	**148**

(*) of which paid Euro 4,609 thousand in 2009

The badwill of Euro 148 thousand, calculated by comparing the total cost of operation with the fair value of the assets and liabilities acquired at the date of acquisition, 25 November 2009, has been recognised in the profit and loss account under the item "Income (loss) from investments" (non-recurring income).
The difference between the fair value of the net assets of Manucor SpA and the net carrying value of such assets on the date of acquisition is attributable mainly to tangible assets.

1 Revenues from sales

Revenues from sales arise essentially from sales of cartonboard

(thousands of Euros)	31.12.2009	31.12.2008	Variations
Revenues from sales	428,120	451,096	(22,976)
Total revenues	**428,120**	**451,096**	**(22,976)**

The following table provides a geographical analysis of sales revenues:

(thousands of Euros)	31.12.2009	31.12.2008	Variations	%
Italy	152,449	159,882	(7,433)	–4.6%
EU	222,361	235,936	(13,575)	–5.8%
Extra EU	53,310	55,278	(1,968)	–3.6%
Revenues from sales	**428,120**	**451,096**	**(22,976)**	**–5.1%**

There was an decrease in sales of 5,1% in 2009, compared to 2008. This decrease is due to a decrease in quantities, price pressure and the shut-downs of a production lines in an Italian mill, carried out to the benefit of improved manufacturing efficiency. This decreasing is partially mitigated due to the consolidation of the former Cascades that began in March 2008.

2 Other revenues

Other revenues from sales may be analysed as follows:

(thousands of Euros)	31.12.2009	31.12.2008	Variations
Grants	650	758	(108)
Indemnities	2,812	414	2.398
Recharge of costs	129	145	(16)
Revenues from sales of energy	9,834	4.896	4.938
Other revenues	5,899	4,608	1,291
Total	**19,324**	**10,821**	**8,503**

Revenues from services, classified on the financial statement at 31 December 2008 as revenues from sales, have been reclassified as "Other revenues" for an amount of about Euro 3.9 million, in order to specify proceeds from the Group's core business among proceeds from sales.

"Indemnities" consist from 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 2009.

"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 from Group companies for a total amount of Euro 1.3 million.

3 Changes in stocks of finished goods

Changes in stocks (Euro -5.2 million) relate mainly to the effect of the suspension of a production line at the French Blendecques facility during 2008 and to a general reduction in unit stock costs, as consequence of positive trend in the decreasing in prices for raw material mixture and energy during the 2009.

4 Cost of raw materials and services

(thousands of Euros)	31.12.2009	31.12.2008	Variations
Cost of raw material	**169,391**	**181,712**	**(12,321)**
Purchase of raw material	166,833	183,193	(16,360)
Change in stocks of raw materials	2,559	(1,481)	4,040
Services regarding sales	**48,954**	**50,352**	**(1,398)**
Transports	37,319	39,157	(1,838)
Commissions and agents' costs	11,635	11,195	440
Services regarding manufacturing	**93,559**	**108,045**	**(14,486)**
Energy	60,559	77,419	(16,860)
Maintanance	13,138	13,034	104
Waste disposal	10,484	8,565	1,919
Other manufacturing services	9,378	9,027	351
General services	**13,040**	**13,610**	**(570)**
Insurance	3,033	2,817	216
Legal, notarial, administrative and external collaboration	3,892	3,493	399
Board of directors	1,110	1,000	110
Statutory auditors	214	146	68
Postal and telephone	741	732	9
Other	4,050	5,422	(1,372)
Use of third party assets	**3,484**	**3,497**	**(13)**
Rental and leasing	3,484	3,497	(13)
Total	**328,428**	**357,216**	**(28,788)**

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 price trends in 2009, these costs fell during the year from 41.4% of the value of production (“Revenues from sales” plus “Changes in stocks of finished goods”) in 2008 to 40.1% in 2009.

Service costs fell in total by 9.6% over the previous year (Euro 155.5 million for the year ended 31 December 2009 against Euro 172.0 million for the year ended 31 December 2008), amounting to 36.8% of value of production (39.2% for the year ended 31 December 2008).

This trend is to a large extent the result of a decrease in costs for "Services regards manufacturing" arising from the significant fall in energy costs (natural gas and electricity), which show a reduction of 21.8% in costs of this nature compared to the previous year.
As regards energy prices the significant fall in natural gas compared to 2008 is due above all to the excess of supply at a European level, as a result of start-ups of new infrastructure during the year and as a consequence of the indexing rules governing the majority of industrial supply contracts. There was also a significant drop in the price of electricity, due mainly to the contractual indexing mechanisms linking this to oil prices.

The costs for the "Use of third-parties assets" at 31 December 2009 are in line with the figures at 31 December 2008.

5 Staff costs

(thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variations**
Salaries and wages	56,207	48,366	7,841
Social security contributions	16,990	16,558	432
Indemnity for defined contribution plans	2,385	2,152	233
Indemnity for defined benefits plans	213	402	(189)
Incentive plans	504	–	504
Other costs	641	384	257
Total	**76,940**	**67,862**	**9,078**

The increase of staff costs compared the previous year for about Euro 9.1 million is mainly attributed to the change of the scope of consolidation.

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

Employees by category	**31.12.2009**	**31.12.2008**	**Variations**
Executives and managers	36	37	(1)
White-collar	407	439	(32)
Blue-collar	1,175	1,240	(65)
Total	**1,618**	**1,716**	**(98)**

Weight employees by category	31.12.2009	31.12.2008	Variations
Executives and managers	38	34	4
White-collar	404	422	(18)
Blue-collar	1,110	1,185	(75)
Total	**1,552**	**1,641**	**(89)**
Temporany lay-off in CIGS	82	–	82
Permanent manpower	1,634	1,641	(7)

6 Other operating costs

(thousands of Euros)	31.12.2009	31.12.2008	Variation
Accruals to provisions	45	591	(546)
Write-down of working capital receivables	2,091	1,307	784
Other operating costs	3,705	3,485	220
Total	**5,841**	**5,383**	**458**

More specifically, there has been an increase in the provisions made against trade receivables and a decrease in those made against other risks.
"Other operating costs" at 31 December 2009 are in line with the figures at 31 December 2008. These costs mainly consist in other taxes incurred by Group companies, co-operative contributions for industrial associations and other contingent liabilities.

7 Badwill

Badwill of Euro 21.2 million in 2008 was related as the difference between the cost of the business combination and the acquirer's interest in the net fair value of the assets, resulting from the business combination with Cascades Group.

8 Depreciation and amortisation

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

(thousands of Euros)	31.12.2009	31.12.2008	Variation
Amortisation of intangible assets	458	1,260	(802)
Depreciation of tangible assets	26,197	22,659	3,538
Total	**26,655**	**23,919**	**2,737**

"Depreciation and amortisation" rose of about Euros 3.5 million, increasing from Euro 22.7 million at 31 December 2008 to Euro 26.2 million at 31 December 2009, mainly due to the change of the scope of consolidation and to capital expenditures occurred during the year.

9 Recovery of value and write-downs of assets

(thousands of Euros)	31.12.2009	31.12.2008	Variation
Write-down	598	1,732	(1,134)
Total	**598**	**1,732**	**(1,134)**

The value at 31 December 2009 included the write-down of the MC1 deriving from alignment of its value based on actual re-utilisation 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 Italian plants.
In addition, on December 31, 2008 the write-down related to the alignment of the value in line with the actual re-use of the machine following the decision to re-use some of the parts of the MC1 board machine from the Magenta plant in 2008, which had previously been classified as part of non-current assets held for sale.

10 Financial income (expenses), net

(thousands of Euros)	31.12.2009	31.12.2008	Variations
Financial income	**219**	**449**	**(230)**
Interest and other financial income	138	322	(184)
Financial income from derivative instruments	81	–	81
Effect of discounting the receivable from Grupo Torras	–	127	(127)
Financial expense	**(9,721)**	**(10,417)**	**696**
Bank interest	(6,083)	(8,901)	2,818
Financial charge from derivative instruments	(1,034)	327	(1,361)
Financial charge on defined benefits plans	(1,986)	(1,243)	(743)
Expenses, commissions and other financial charges	(618)	(600)	(18)
Exchange differences	**432**	**13**	**419**
Exchange gains	2,013	3,264	(1,251)
Exchange losses	(1,581)	(3,251)	1,670
Total	**(9,070)**	**(9,955)**	**885**

There has been a reduction of Euro 0.9 million in net financial expense. This is due to a significant extent to the downwards trend in interest rates that occurred in 2009 and, as a consequence, to the decrease in interest payable to banks for the Company’s variable rate medium- and long-term loans.

11 Income (loss) from investments

Losses from investments of Euro 0.4 million relates mainly to the following:

- expense of Euro 0.3 million arising from a reclassification of the equity reserve relating to the fair value of the investment held in Realty Vailog

S.p.A. following the RDM Group's decision to dispose of that equity interest. For more information see Note 20 "Financial assets held for sale";

- expense of Euro 0.1 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 investments in the associates Pac Service S.p.A;
- badwill, non.recurring arose as the difference between the total cost of acquisition and fair value of the net assets on acquisition data of Manucor of Euro 0.1 million. For more information see the "Report of the Board of Director".

12 Taxation

(thousands of Euros)	31.12.2009	31.12.2008	Variation
Dererred taxation	2,699	236	2,463
Current taxation	(3,996)	(2,330)	(1,666)
Total	**(1,297)**	**(2,094)**	**796**

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

The current taxes, with the exception of IRAP for which the reconciliation between the theoretical and actual tax burden is reported here after, are mainly related to the controlled subsidiary Reno De Medici Arnsberg Gmbh, as the other companies of the Group show a tax loss.
The following table only reports the reconciliation between the theoretical and actual tax burden of the controlled subsidiary Reno De Medici Arnsberg Gmbh, as the company shows a taxable, wilst the tax losses – both carried-forward taxes and the tax losses of the current fiscal year of the other companies of the Group, and in particular of the Parent Company, of Reno De Medici Iberica S.L. and of RDM Blendecques S.a.s., are such not to give a clear picture of the actual tax burden.
For further details see Note 27 – Deferred taxation.

(thousand of Euros)	31.12.2009		
Profit (loss) before taxation	3,171		
Theoretical tax charge		**30.57%**	**969**
Reversal of prior year temporary differences	6,230		
Permanent differences which will not reverse in future years	65		
Total difference	6,295		
Effective tax charge	**9,466**	**30.36%**	**2,874**

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:

(thousand of Euros)		31.12.2009	
Difference between value and cost of production (excluding B9, B10 c), d) e B12 e B13)	50,052		
Costs for insurance and tax wedge deduction	(13,039)		
Total	**37,013**		
Theoretical tax charge		**3.90%**	**1,444**
Permanent differences for major regional taxation	2,330		
Reversal of prior year temporary differences	845		
Permanent differences which will not reverse in future years	1,648		
Total difference	**4,823**		
Effective tax charge	**41,836**	**3.90%**	**1,632**
Current taxation		**4.41%**	

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.

13 Discontinued operations

On 31 December 2008 the item consisted of the restructuring costs relating to the excess in personnel resulting from the discontinuation of activities at one of the two production lines at the French Blendecques facility.

14 Tangible fixed assets

As regards the movements of tangible assets related the year 2008 and 2009, 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	22,647	72,170	426,654	1,979	11,787	4,343	539,580
Accumulated depreciation/ Write-down	–	(31,583)	(320,101)	(1,860)	(11,334)	–	(364,878)
Net book value at 31.12.07	**22,647**	**40,587**	**106,553**	**119**	**453**	**4,343**	**174,702**
Variations of the period:							
Change in consolidation scope (cost)	4,144	18,204	148,629	11,734	2,835	325	185,872
Change in consolidation scope (acc. Dep.)	–	(9,187)	(75,224)	(6,139)	(1,877)	–	(92,428)
Increases	725	622	12,433	107	113	1,478	15,478
Decreases	–	–	(1,894)	–	(81)	–	(1,975)
Reclassification of cost	–	63	4,695	–	–	(4,758)	–
Recovery of value and write down	–	–	–	–	–	–	–
Depreciations for the period	–	(3,152)	(18,765)	(513)	(229)	–	(22,659)
Write-down	–	–	(1,732)	–	–	–	(1,732)
Other changes (cost)	–	–	22,519	–	4	–	22,523
Other changes (acc. Dep.)	–	–	(17,319)	–	1	–	17,320
Utilisation of accumulated depreciation	–	–	1,888	–	51	–	1,938
Reclassification of accumulated depreciation	–	–	–	–	–	–	–
Value at 31.12.2008							
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 at 31.12.08	**27,516**	**47,093**	**181,827**	**5,307**	**1,268**	**1,388**	**264,400**

Tangible fixed assets (thousands of Euros)	**Land**	**Buildings**	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**Assets 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 at 31.12.08	**27,516**	**47,093**	**181,827**	**5,307**	**1,268**	**1,388**	**264,400**
Variations of the period:							
Change in consolidation scope (cost)	–	–	–	–	–	–	–
Change in consolidation scope (acc. Dep.)	–	–	–	–	–	–	–
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)
	–	–	–	–	–	–	–
Depreciations for the period	–	(3,514)	(21,752)	(598)	(333)	–	(26,197)
Write-down	–	–	1,065			–	1,065
Other changes (cost)			612				612
Other changes (acc. Dep.)							–
Utilisation of accumulated depreciation	–		410		260	–	670
Reclassification of accumulated depreciation	–	–		–	–	–	–
Value at 31.12.2009							
Cost	27,642	92,061	626,633	13,960	14,693	4,321	779,110
Accumulated depreciation/ Write-down	–	(47,435)	(452,351)	(9,111)	(13,982)	–	(522,879)
Net book value at 31.12.09	**27,642**	**44,626**	**174,282**	**4,849**	**621**	**4,321**	**256,231**

"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 investments made at the Villa Santa Lucia facility related mainly to improvement and/or modernisation and other investments related to purification treatment plant to improve the recovery of cellulose fibres.
Included among the investments made at the Santa Giustina facility were the installation of a new press, obtaining an improvement in the quality of the product through a reduced use of raw material mixture, and the objective of energy efficient.

Investments at the factory of the German subsidiary Arnsberg regarded the installation of a new drying system having the aim of optimising energy consumption.
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 442 million on owned property and plant and machinery, pledged in favour of banks as security on loans, whose outstanding balance at 31 December 2009 amounted to Euro 69,6 million.

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

15 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.

16 Other intangible assets

As regards the movements of intangible assets related the year 2008 and 2009, are the following:

(thousand of Euros)	Concessions, licences, trade marks and similar right	Intangibles assets with indefinite useful life	Other	Total
Net book value at 31.12.07	**326**	**–**	**1,062**	**1,388**
Change in consolidation scope		3,973	44	4,017
Increases	396	–	1,088	1,484
Amortisation for the year	(350)	–	(910)	(1,260)
Net book value at 31.12.08	**372**	**3,973**	**1,284**	**5,629**

(thousands of Euros)	Concessions, licences, trade marks and similar rights	Intangibles assets with 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**

"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.

17 Investments

(thousands of Euros)	Carry calue at 31.12.2008	Investments	Elimitation of dividends from associates	Write-down/ revaluations	Carry calue at 31.12.2009
Associated companies					
Careo S.r.l.	199	–	–	(112)	87
Manucor S.p.A.	–	4,801	–	230	5,031
Pac Service S.p.A.	1,429	–	(150)	274	1,553
RDM Tissue core S.r.l.	–	51	–	(32)	19
Total	**1,628**	**4,852**	**(150)**	**360**	**6,690**

It should be noted, the acquisition in 2009 of two new investment in Manucor S.p.A. and RDM Tissue Core S.r.l..

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

18 Deferred tax assets

"Deferred tax assets", classified as non-current assets, arise from deductible temporary differences and carry forward tax losses in the subsidiaries Cartiera Alto Milanese S.p.A., Emmaus Pack S.r.l. and 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.

19 Derivative financial instruments

(thousands of Euros)	31.12.2009	31.12.2008	Variation
Non-current assets	**–**	**11**	**(11)**
Derivative financial instruments (Hedge accounting)	–	–	–
Derivative financial instruments (No hedge accounting)	–	11	(11)
Non-current liabilities	**846**	**916**	**(70)**
Derivative financial instruments (Hedge accounting)	746	916	(170)
Derivative financial instruments (No hedge accounting)	100	–	100
Current liabilities	**1,069**	**68**	**1,001**
Derivative financial instruments (Hedge accounting)	812	68	744
Derivative financial instruments (No hedge accounting)	257	–	257

There was a negative fair value of Euro 1.915 thousand at 31 December 2009 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 2009:

Company	Counterparty	Currency	Maturity	Nominal value (Euro/000)	Interest	Payement of interest	Fair value of the derivative (Euro/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	06,04,2016	19,500	4.11% fixed Euribor 6m	Six monthly	(1,038)
Reno De Medici S.p.A.	Unicredit Banca d'Impresa S.p.A.	Eur	06,04,2016	9,750	4.11% fixed Euribor 6m	Six monthly	(519)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	15,05,2016	4,030	4.15% fixed Euribor 6m	Six monthly	(207)
Reno De Medici Arnsberg GmbH	Dresdner Bank AG	Eur	31,12,2015	4,286	3.59% fixed Euribor 6m	Six monthly	(151)
				37,566			**(1,915)**

20 Financial assets held for sale

(thousands of Euros)	31.12.2009	31.12.2008	Variations
Financial assets held for sale	193	309	(116)
Non-current	**193**	**309**	**(116)**
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, include only the investment in Realty Vailog S.p.A..
In November the Parent Company Reno De Medici S.pA. formally subscribed for the portion it held (75,134 shares) to the all-share voluntary public tender offer made by Industria e Innovazione S.p.A. for the ordinary shares of Realty Vailog S.p.A. at a price of Euro 2.5 per share, for a total amounting to Euro 188 thousand. This transaction additionally led to the reclassification of Euro 0.4 million from the specific equity reserve to the profit and loss account.

21 Trade receivables and Group trade receivables

The following table presents an analysis of trade receivables between current and non-current balances, whose total amounted to Euro 110.5 million.

(thousands of Euros)	31.12.2009	31.12.2008	Variation
Trade receivables	81	234	(153)
Non-current trade receivables	**81**	**234**	**(153)**
Trade receivables	106,835	113,212	(6,377)
Group Trade receivables	3,582	1,264	2,318
Current trade receivables	**110,417**	**114,476**	**(4,059)**

The decrease of "Trade receivables", compared the previous year, derives from actions taken with regard to the reduction of working capital.

The current portion of "Trade receivables" is stated net of a provision for bad and doubtful debts of Euro 5.2 million. The following table sets out the changes for the year in that provision:

(thousands of Euros)	31.12.2008	Charge	Utilization	31.12.2009
Provision for bad and doubtful debts	7,563	2,091	(4,458)	5,196
Total	**7,563**	**2,091**	**(4,458)**	**5,196**

"Utilization" relates to the writing off of trade receivables for the subsidiaries in Spain and Germany.
The item includes trade receivables from related parties for an amount of Euro 1.4 million (compared to Euro 0.4 million at 31 December 2008). For more details, see Note 35.

"Group trade receivables" include both the relations that the Parent company maintains with Careo S.r.l. related to the services provided, and the relations that the Parent company maintains with Pac Service S.p.a. and RDM Tissue Core S.r.l. related to trade relations.

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

(thousands of Euros)	**31.12.2009**	**31.12.2008**
Italy	65,090	60,485
UE	33,787	44,194
Rest of the World	11,540	9,797
Total	**110,417**	**114,476**

22 Other receivables and Group trade receivables

Other non current receivables (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Tax credits	229	724	(495)
Guarantee deposits	92	88	4
Other receivables	43	87	(44)
Total	**364**	**899**	**(535)**

"Tax credits", non-current portion, relates mainly to applications for IRPEG refunds relating to prior years: the variation represents the collection received by the Company in 2009.

Other current receivables (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Tax receivables	1,457	4,007	(2,550)
Prepayements and accrued income	302	168	134
Miscellaneous receivables	2,695	1,946	749
Total	**4,454**	**6,121**	**(1,667)**
Other Group receivables	346	1,855	(1,509)
Total	**4,800**	**7,976**	**(3,176)**

There has been a decrease in "Tax receivables" of Euro 2.5 million during the year, compared the 2008.

"Miscellaneous receivables" consist mainly of balances due from social security authorities and amounts due as insurance compensation.

"Other Group receivables", at 31 December 2009, arise mainly from relations of financial nature with Reno Logistica in liquidation. On 31 December 2008 the item included relations of financial nature with Careo S.r.l. (cash pooling) and RDM Gmbh.

23 Stocks

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

(thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Raw material and consumables	40,605	43,301	(2,696)
Provision for obsolescence	(3,056)	(3,193)	137
Finished goods and goods for resale	36,932	42,315	(5,383)
Provision for obsolescence	(168)	(350)	182
Total	**74,313**	**82,073**	**(7,760)**

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

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

24 Net financial position

(thousands of Euros)	**31.12.2009**	**31.12.2008 (*)**	**Variazione**
Cash	104	57	47
Funds available at banks	1,603	4,257	(2,654)
A. Cash and cash equivalent	**1,707**	**4,314**	**(2,607)**
Other Group receivables (**)	346	1,725	(1,379)
B. Current financial receivables	**346**	**1,725**	**(1,379)**
1. Bank overdraft	*57,815*	*56,635*	*1,180*
2, Current portion of medium and long term loans	*6,652*	*56,325*	*(49,673)*
3. Other current financial liabilities	*434*	*696*	*(262)*
Bank loans and other financial liabilities (*1+2+3*)	64,901	113,656	(48,755)
Other Group payables	3,406	–	3,406
Derivatives - current financial liabilities	1,069	68	1,001
C. Current financial debt	**69,376**	**113,724**	**(44,348)**
D. Current financial debt, net (C – A – B)	**67,323**	**107,685**	**(40,362)**
Derivatives - non current financial assets	–	11	(11)
E. Non-current financial receivables	**–**	**11**	**(11)**
Bank loans and other financial liabilities	62,672	19,935	42,737
Derivatives - non-current financial liabilities	846	916	(70)
F. Non-current financial payables	**63,518**	**20,851**	**42,667**
G. Non current financial debt (F - E)	**63,518**	**20,840**	**42,678**
H. Financial debt, net (D +G)	**130,841**	**128,525**	**2,316**

(*) Comparative figures, according to IAS1, include the reclassification of Euro 45.9 million in current financial liabilities
(**) At 31 December 2008, the item did not include the figure of Euro 0.1 million related to "Other Group payables"

In addition, as described in detail in the "Annual Financial Report for 2008", due to a lack of compliance with certain financial parameters the comparative figures for 2008 include a reclassification to current liabilities of financial debt of Euro 45.9 million as required by IAS 1.

The Gross Financial Indebtedness as of 31 December 2009, determined according to the amortized cost method, amounts to Euro 131.0 million (compared to Euro 133.6 million as of 31 December 2008) and includes non-current portions of medium-long term loans for an amount of Euro 62.7 million, current portions of medium-long term loans for Euro 7.1 million, and trade financings for Euro 61.2 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 one year**	**Due after more than one year**	**Due after more than five years**	**total**
M.I.C.A. - due 13 February 2016	132	581	324	1,037
M.I.C.A. - due 16 October 2013	145	454	–	599
San Paolo Imi - due 15 June 2011	2,238	1,164	–	3,402
San Paolo Imi - due 15 December 2011	3,234	3,387	–	6,621
San Paolo Imi - due 6 April 2016	–	9,730	–	9,730
San Paolo Imi fin.pool - tranche A - due 6 April 2016	–	22,050	9,450	31,500
San Paolo Imi fin.pool - tranche B - due 6 April 2016	–	10,000	–	10,000
Banca Pop.Emilia Romagna - due 15 May 2016	620	2,480	930	4,030
DRESDNER BANK - due Dicembre 2015	714	2,857	714	4,285
Total payables at nominal value	**7,084**	**52,702**	**11,418**	**71,204**
Effect of amortized cost	**(432)**	**(1,327)**	**(121)**	**(1,880)**
Total payables valued with amortized cost	**6,652**	**51,375**	**11,297**	**69,324**

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 51.2 million at 31 December 2009.

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 22.4 million as at 31 December 2009.
The subsidiary Reno De Medici Arnsberg Gmbh subscribed last year 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 2009 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 2009. For a more thorough information on the derivative instruments in portfolio as of 31 December 2009, see Note 19.

25 Shareholders' equity

I movimenti del patrimonio netto nel corso dell'esercizio 2009 sono i seguenti:

Description (thousands of Euros)	**Shareholders' equity at l 31.12.2008**	**Change in the year**					**Shareholders' equity at 31.12.2009**
		Loss cover 2008	**Current translation difference**	**Fair value asset available for sale**	**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
– Other reserves	(353)	–	106	–	–		(247)
Hedging reserve	(715)	–	–	–	(81)	–	(796)
Fair value reserve	(398)	–	–	398	–	–	–
Profit (loss) brought forward	(17,696)	(6,449)	–	–	–	–	(24,145)
Profit (loss) for the year	(6,449)	6,449	–	–	–	(6,945)	(6,945)
Own shares	–	–	–	–	–	–	–
Total	**160,666**	**–**	**106**	**398**	**(81)**	**(6,839)**	**154,144**

The shareholders' meeting of 28 April 2009 adopted a resolution to carry forward the Parent Company's loss of Euro 19,737,531 for 2008.

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 2009, 40,380 savings shares were converted to ordinary shares.

As the result of this the Company's share capital at 31 December 2009, fully subscribed and fully paid, was made up as follows:

	Quantity	Par value	Total
Ordinary shares	377,400,692	Euro0.49	184,926,339.08
Savings shares	400,302	Euro0.49	196,147.98
Total	**377,800,994**		**185,122,487.06**

Following the detail of the number of outstanding shares at 31 December 2009 and at 31 December 2008:

	31.12.2009	31.12.2008	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 2008 and 2009.

Minority interests of Euro 0.7 million (Euro 0.6 million at 31 December 2008) 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:

(thousands of Euros)	31.12.2009			31.12.2008		
	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
Cash Flow Hedge	(99)	18	(81)	(1,757)	483	(1,274)
Fair value gains on available-for-sale financial assets	398	–	398	(140)	–	(140)
Current translation differences	106	–	106	(353)	–	(353)

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.

26 Other payables and other Group payables

The following table provides a detail of other payables:

(thousands of Euros)	31.12.2009	31.12.2008	Variation
Deferred income	443	494	(51)
Miscellaneous payables	1,429	2,951	(1,522)
Other non-current payables	**1,872**	**3,445**	**(1,573)**
Personnel	5,243	4,042	1,201
Payable to social security authorities	3,531	3,691	(160)
Payable to tax authorities	2,249	2,590	(341)
Miscellaneous payables	522	1,796	(1,274)
Company bodies	1,076	942	134
Accrued and deferred income	92	125	(33)
Other current payables	**12,713**	**13,186**	**(473)**
Other Group payables	3,406	129	3,277
Total other payables	**16,119**	**13,315**	**2,804**

"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, as described in the note "Other receivables". 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.

"Personnel" consists mainly of amounts for deferred compensation and indemnities.

"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 2010, 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 Group 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 3.1 million, and relations of financial nature between Reno De Medici Arnsberg GmbH and Careo Gmbh for an amount of Euro 0.3 million.

27 Deferred taxation

The followwing table provides a summary of the determination of deferred tas assets and deferred tax liabilitis from temporary differences at 31 December 2009:

(thousand of Euros)	2009			2008		
	Temporary differences	Average tax rate %	Tax effect	Temporary differences	Average tax rate %	Tax effect
Recognised deferred tax assets	**20,302**		**5,021**	**20,485**		**4,847**
Book depreciation exceeding tax depreciation	998	30.57%	305	933	30.57%	285
Tax losses to carry forward	10,368	28.46%	2,950	11,189	28.38%	3,175
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	894	3.90%	35	1,811	3.90%	71
Other temporary differences	2,442	27.50%	672	1,757	27.83%	490
Other temporary differences IRAP	182	3.90%	7	167	3.90%	7
Employee benefits actualized	2,022	30.57%	618	1,488	30.57%	455
Valuation of derivatives with hedge accounting	1,097	27.50%	302	998	27.50%	281
Unrecognised deferred tax assets consolidation booking	157	30.57%	48	–	31.40%	–
Recognised deferred tax liabilities	**100,358**		**30,955**	**108,006**		**33,280**
Book depreciation exceeding tax depreciation	27,245	31.40%	8,555	29,030	31.40%	9,115
Other temporary differences	2,645	30.26%	800	1,187	30.26%	355
Remeasurement TFR IFRS	3,723	27.50%	1,024	4,642	27.50%	1,277
Unrecognised deferred tax liabilities consolidation booking	66,745	30.83%	20,576	73,147	30.80%	22,533
Recognised deferred tax (assets) liabilities, net			**25,934**			**28,433**
– *of which deferred tax liabilities*			*27,407*			*29,921*
– *(of which deferred tax assets)*			*(1,473)*			*(1,488)*
Unrecognised deferred tax assets	**182,912**		**53,699**	**210,991**		**61,726**
Write-downs for permanent losses in value	2,117	27.50%	582	8,812	32.13%	2,831
Stock provision	322	27.50%	89	2,041	32.41%	661
Bad and doubtful debts	1,822	28.50%	519	1,447	27.50%	398
Provision for future charges	6,223	30.42%	1,893	5,610	29.20%	1,638
Financial interest deductible	9,360	27.50%	2,574	8,337	27.50%	2,293
Other differences temporacy	1,642	27.50%	452	–	0.00%	–
Tax losses to carry forward	154,614	29.31%	45,319	169,167	29.00%	49,058
Tax loss for the year (1)	6,812	33.33%	2,270	15,577	31.11%	4,846
Unrecognised deferred tax assets			**53,699**			**61,726**

(1) Estimated tax loss

We report here after the tax losses of the Group, for a total amount of Euro 171.8 million, broken-down based on the years in which they can be recovered.

(thousands of Euros)	2010	2011	2012	2013	2014
Reno De Medici S.p.A.	59,484	42,003	16,379	5,919	–
RDM Iberica S.L.	86,256	86,256	86,256	86,256	86,256
RDM Blendecques S.A.S.	18,952	18,952	18,952	18,952	18,952
Reno De Medici UK Limited	7,102	7,102	7,102	7,102	7,102
Total tax losses to carry forward	**171,794**	**154,313**	**128,689**	**118,229**	**112,310**

28 Employee benefits

(thousands of Euros)	31.12.2009	31.12.2008	Variation
Employee benefits	11,067	10,182	885
TFR Pension Fund	13,061	13,273	(212)
Incentive plans	504	–	504
Total	**24,632**	**23,455**	**1,177**

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	4.45%	5.10%	5.25%
Annual inflation rate	2.00%	2.25%	2.00%
Annual increase in overall salaries and wages	3.00%	1.75%	2.25%

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

(thousands of Euros)	TFR Pensione Fund	Incentive Plans	Total
Actuarial value at 31.12.2008	**23,455**	–	**23,455**
Service cost	213	–	213
Interest cost	1,986	–	1,986
Services rendered	(2,073)	–	(2,073)
Other movements	548	–	548
Incentive plans	–	504	504
Actuarial value at 31.12.2009	**24,128**	**504**	**24,632**

The "Other movements" are related essentially to profit and loss actuarial earnings in 2009.

"Employee benefits" also include a liability of Euro 0.5 million relating to the incentive plans discussed below.
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 of 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 2009 and the relative Euro interest rate curve at 31 December 2009, calculated by starting from the rates for deposits, futures and swaps.

It should be note that the evaluation of "Incentive Scheme open to RDM Group employees in 2010-2011", has been estimated a liability at 31 December 2009 based on hypothetical adhesion of 10%. For more details, see the section "Report of the Board of Directors"

The main features of these plans are described below, or a more thorough information see "Report of the Board Directors

Incentive Scheme for Management based on 'Performance Phantom Shares' in 2009-2010-2011

By resolution dated 16 October 2009 the Shareholders' Meeting approved an Incentive Scheme based on financial instruments, as per section 114-bis of the Consolidated Finance Act (TUF), open to the Company's Management, the beneficiaries of which 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' for the Group.
The Scheme consists in the allocation to Beneficiaries (as defined and identified in the relating Advisory Document), free of charge, of non-transferable Phantom Shares that shall entitle their holders to the payment of a cash Bonus in 2011, provided that certain company-wide performance levels are attained by the end of year 2010.

For more details see the Attachment D – "Compensation plans based on financial instruments".

Incentive Scheme open to RDM Group employees in 2010-2011

This Scheme is to be open to all RDM Group employees (numbering 1,700 on 31 July 2009), except for those in companies not controlled directly by RDM.
The purpose of the Scheme is to further reinforce employees' sense of belonging to the Group by offering them the opportunity to hold shares in Reno De Medici S.p.A. at more favourable terms than those offered on the market, in compliance with the Regulations of the Scheme itself.
Under the Scheme, whenever an employee purchases two (2) RDM shares, the Company shall provide the assigned broker with the sum needed to purchase one (1) RDM share directly in that employee's name, thus without any direct and gratuitous allocation of shares. Furthermore, the contribution towards the purchase of shares that RDM shall pay to each employee adhering to the Scheme shall not exceed EUR 1,000.00 over the entire duration of the Scheme.
The Scheme does not provide for different terms and conditions applicable to different categories of beneficiary. RDM's Managing Director, Ignazio Capuano, as well as the other managers employed by the RDM Group (who are beneficiaries of the Incentive Scheme described above) cannot benefit from this Scheme as well.

29 Non-current provisions for contingencies and charges

The balance at 31 December 2009 is as follow:

(thousands of Euros)	31.12.2008	Charge	Utilisation	31.12.2009
Agents' termination indemnity	226	14	(54)	186
Provision for future charges	4,294	426	(1,518)	3,202
Taxation	29	–	(29)	–
Provision for losses on investments	129	45	–	174
Total	**4,678**	**485**	**(1,601)**	**3,562**

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 1.5 million and the closing of disputes with former employees.

The charge for the year relates mainly to the adjustment to the lay-off provision (fondo mobilità).

The increase in the “Provision for losses on investments” relates to the write-down of the investments in the subsidiaries Reno Logistica in liquidation.

30 Trade payables and Group trade payables

The balance at 31 December 2009 is made up as follows:

(thousands of Euros)	31.12.2009	31.12.2008	Variation
Trade payables	100,739	106,132	(5,393)
Group Trade payables	1,944	2,695	(751)
Total	**102,683**	**108,827**	**(6,144)**

“Trade payables” amount to Euro 102.7 million at 31 December 2009 (Euro 108.8 million at 31 December 2008) 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 decrease of trade payables, compared the previous year, derives from actions taken with regard to the reduction of working capital.
“Group trade payables” amounting to Euro 1.9 million (Euro 2.7 million at 31 December 2008) relate to balances of a trading nature with Careo S.r.l. and Careo S.a.s..

31 Current taxation

At 31 December 2009 this item consists of the amount payable to the inland revenue for current taxation for the year then ended.

32 Current provisions for contingencies and charges

This item relates to the residual liability due to personnel who were made redundant in connection with the discontinuation of the business line at the French factory at Blendecques and to outstanding litigation with former employees at this factory.

33 Non-recurring transactions

Non-recurring event and significant transactions

The effects of any non-recurring transactions in 2009, 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.
With the exception of the matters described in that note the RDM Group 's financial position and results have not been affected by any non –recurring events or significant transactions. Non-recurring significant transactions are transactions or events that do not occur frequently as part of 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 2008 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.

34 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;
- sureties of Euro 110 thousand provided in favour of the Lombardy Region;
- a surety 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 2010 and a put option to be exercised in 2011, 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, IntesaSanpaolo 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;

35 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 paragraph “Related parties transactions” to the present financial statements and also the Report of the Board of Directors in the section relevant to the “Related party Disclosures”.

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 2009, as compared to the figures at 31 December 2008, 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.
In addition, as described in detail in the “Annual Financial Report for 2008”, due to a lack of compliance with certain financial parameters the comparative figures for 2008 include a reclassification to current liabilities of financial debt of Euro 45.9 million as required by IAS 1.

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.

(thousands of Euros)	31.12.2009		31.12.2008	
	Book value	**Fair value**	**Book value**	**Fair value**
Available-for-sale financial assets	381	381	309	309
Liquid funds	1,707	1,707	4,314	4,314
Receivables	110,763	110,763	116,331	116,331
Hedging derivative financial instruments	(1,558)	(1,558)	(973)	(973)
– Assets	–	–	*11*	*11*
– Liabilities	*(1,558)*	*(1,558)*	*(984)*	*(984)*
Non-hedging derivative financial instruments Secured long and medium-term bank loans	(357)	(357)	–	–
Unsecured long and medium-term bank loans	(24,078)	(30,767)	(27,399)	(27,720)
Secured long and medium-term bank loans at amortised cost	(1,672)	(1,706)	(2,166)	(2,061)
Loans from subsidiary company	(43,974)	(50,958)	(47,373)	(49,571)
Short-term bank loans as use of commercial facilities	(57,850)	(57,850)	(56,655)	(56,655)
Payables	(106,089)	(106,089)	(108,956)	(108,956)
Other	–	–	–	–
	(122,728)	**(136,435)**	**(122,568)**	**(124,982)**
Unrecognised gain (loss)	**(13,707)**	–	**(2,414)**	–

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 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 at 31 December 2009. Exposure to currency risk arised from two forward GBP/EUR foreign exchange contracts outstanding at 31 December 2008. The fair value of these derivative contracts has been determined using no-arbitrage cash and carry theory. Under this theory the value of a forward foreign exchange contract is equal to the present value of the profit (or loss) which could be obtained under market conditions by holding the instrument to maturity. An estimate has been made of forward foreign exchange rates to quantify the profit (or loss) which it would be possible to obtain, using for this market rates at 31 December 2008.

The RDM Group did not hold any derivative instrument index-linked to commodity prices at 31 December 2009.

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 2009 and 31 December 2008.

Future flows were discounted on the basis of the euro yield curve at 31 December 2009 and 31 December 2008.

Financial assets

The following table sets out details of financial assets.

(thousands of Euros)	31.12.2009	31.12.2008
Non current Financial Assets		
Non derivative Financial Assets	***193***	***309***
Available-for-sale financial assets	193	309
Hedging derivative financial instruments	–	***11***
Total	**193**	**320**
Current Financial Assets		
Non derivative Financial Assets	***1,895***	***4,314***
Available-for-sale financial assets	188	–
Liquid funds	1,707	4,314
Hedging derivative financial instruments	–	–
Total	**1,895**	**4,314**

Financial liabilities

The following table sets out details of financial liabilities.

(thousands of Euros)	31.12.2009	31.12.2008
Non current Libilities		
Non derivative liabilities	***(62,672)***	***(19,935)***
Secured long and medium-term bank loans	(17,852)	(14,309)
Unsecured long and medium-term bank loans	(1,358)	(1,635)
Secured long and medium-term bank loans at amortised cost	(43,462)	(3,991)
Hedging derivative financial instruments	***(746)***	***(916)***
Non-hedging derivative financial instruments	***(100)***	–
Total	**(63,518)**	**(20,851)**
Current Libilities		
Non derivative liabilities	***(64,901)***	***(113,658)***
Secured long and medium-term bank loans - current portion	(6,225)	(13,090)
Unsecured long and medium-term bank loans - current portion	(314)	(531)
Secured long and medium-term bank loans at amortised cost- current portion	(512)	(43,382)
Short-term bank loans as use of commercial facilities	(57,850)	(56,655)
Hedging derivative financial instruments	***(812)***	***(68)***
Non-hedging derivative financial instruments	***(257)***	–
Total	**(65,971)**	**(113,726)**

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 31.12.2009	Book value	Nominal value 31.12.2008	Book value
Secured long and medium-term bank loans at amortised cost				**45,530**	**43,650**	**48,400**	**46,776**
Intesa SanPaolo loan in pool (tranche A)	Euro	Eur6m+ spread	2016	31,500	29,948	33,750	32,410
Intesa SanPaolo loan in pool (tranche B)	Euro	Eur6m+ spread	2016	10,000	9,711	10,000	9,768
Banca Popolare Emilia Romagna	Euro	mEur6m+ spread	2016	4,030	3,991	4,650	4,598
Secured bank loans				**24,039**	**24,039**	**27,361**	**27,361**
Intesa SanPaolo funds BEI	Euro	5.86%	2011	3,402	3,402	5,530	5,530
Intesa SanPaolo funds BEI	Euro	5.39%	2011	6,621	6,621	9,709	9,709
Intesa SanPaolo	Euro	Eur6m+ spread	2016	9,730	9,730	7,122	7,122
Dresdner Bank	Euro	Eur6m+ spread	2015	4,286	4,286	5,000	5,000
Unsecured bank loans				**1,636**	**1,636**	**2,122**	**2,122**
MinIndustria 10686	Euro	2.11%	2013	599	599	741	741
Minindustria 11172	Euro	3.72%	2016	1,037	1,037	1,164	1,164
Unicredit Torino	Euro	Eur3m+ spread	2009	–	–	67	67
Unicredit Torino	Euro	Eur6m+ spread	2009	–	–	150	150
Total long and medium-term bank loans	**Euro**			**71,205**	**69,325**	**77,883**	**76,259**
Short-term bank loans as use of commercial facilities in GBP				**278**	**278**	**1,475**	**1,475**
Intesa SanPaolo GBP equivalent in Euro	GBP	Libor2m+ spread	n/a	278	278	152	152
Used in USD equivalent in Euro	USD		n/a	–	–	1,323	1,323
Short-term bank loans as use of commercial facilities				**57,537**	**57,537**	**55,160**	**55,160**
Used Portfolio	Euro	mEur1m+ spread	n/a	18,744	18,744	20,218	20,218
Advance Inovices	Euro	mEur1m	n/a	12,452	12,452	9,878	9,878
Loans exportt	Euro	Euribor+ spread	n/a	22,833	22,833	19,110	19,110
Loans import	Euro	Euribor+ spread	n/a	3,508	3,508	5,954	5,954
Total short-term bank loans	**Euro**			**57,815**	**57,815**	**56,635**	**56,635**
Total onerous libilities	**Euro**			**129,020**	**127,140**	**134,518**	**132,894**

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 December 2008	**(715)**
"Loss of effectiveness"	*99*
Hedge accounting	*392*
Fair value	*(572)*
Reserve at 31 December 2009	**(796)**

The figure for “loss of effectiveness” relates to the agreement with Banca Intesa San Paolo for Euro 4,340 thousand, which although entered for hedging purposes failed to maintain the IFRS hedge accounting effectiveness requirements during 2009 and accordingly its fair value, net of the tax effect, has been recognised in profit and loss. 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)	**31.12.2009**	**31.12.2008**
Gross trade receivables	115,613	122,039
– provision for bad and doubtful debts	(5,196)	(7,563)
Total	**110,417**	**114,476**

Overdue or impaired financial assets

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

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**

31 December 2008 (thousands of Euros)	**Amount due receivables**			**Receivables not due**	**Total**
	over 60 days	**from 31 to 60**	**from 0 to 30**		
Italy	1,303	982	7,445	50,755	60,485
UE	694	910	7,252	35,338	44,194
Rest of the world	326	691	1,784	6,996	9,797
Total	**2,323**	**2,583**	**16,481**	**93,089**	**114,476**

A total of 11.5% of the receivables portfolio of the RDM Group at 31 December 2009 was overdue, while at 31 December 2008 the corresponding figure was 18.7%. This change is attributable to the measures undertaken to reduce working capital.

How Credit risk is managed

As a general approach, the risk management policy for trade receivables envisages insurance cover with companies specialising in foreign customers, whereas any uninsured or partially insured positions are subject to the specific authorisation of RDM management, depending on the amount. Specific procedures are followed in granting credit limits to Italian customers which require the approval of various levels of RDM management, again depending on the amount. RDM's credit management policies require receivables from domestic and foreign customers to be closely monitored and call for suitable collection procedures to be promptly implemented in the case of the customer's failure to pay.

In assessing creditworthiness, which is necessary before business relations may commence, internal procedures require qualitative and quantitative information to be obtained and analysed. Compared to last year and given the importance of the matter, RDM is still adjusting and adapting its structure to the new Group situation to achieve an improvement in information flows and, as a consequence, to allow 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 2009 and 31 December 2008.

Exchange BCE (for each euro)	**31.12.2009**	**31.12.2008**
USD	1.4406	1.3917
GBP	0.8881	0.9525
CHF	1.4836	1.4850
AUD	1.6008	2.0274
CAD	1.5218	1.6998

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.

(thousands of Euros)	31.12.2009				31.12.2008			
	USD	**GBP**	**CHF**	**CAD**	**USD**	**GBP**	**CHF**	**AUD**
Trade Receivables	6,964	2,533	60	–	4,565	3,637	46	51
Short-term loans as use of commercial facilities	–	(279)	–	–	(1,323)	(152)	–	–
Trade payables	(2,367)	(26)	–	(10)	(2,156)	(1,697)	(5)	–
Liquid Funds	914	66	90	1	2,340	503	4	–
Exposure	**5,511**	**2,294**	**150**	**(9)**	**3,426**	**2,291**	**45**	**51**
Hedging derivative financial instruments	–	–	–	–	–	(614)	–	–
Net exposure	**5,511**	**2,294**	**150**	**(9)**	**3,426**	**1,677**	**45**	**51**

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 2009, assumptions were made (at 31 December 2009 and 31 December 2008) 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 2009 and 31 December 2008 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% Euro		**Depreciation of 10% Euro**	
(thousands of Euros)	**Profit and loss**	(thousands of Euros)	**Profit and loss**
31 December 2009		**31 December 2009**	
USD	(501)	USD	612
GBP	(209)	GBP	255
CHF	(14)	CHF	17
CAD	1	CAD	(1)
Total	**(723)**	**Total**	**883**
31 December 2008		**31 December 2008**	
USD	(337)	USD	412
GBP	(208)	GBP	255
CHF	(4)	CHF	5
AUD	(5)	AUD	6
Total	**(554)**	**Total**	**678**

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.

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)	**31.12.2009**	**%**	**31.12.2008**	**%**
Floating rate long and medium-term loans	(21,980)	17.0%	(4,286)	3.2%
Floating rate long and medium-term loans hedged by IRS	(36,231)	28.1%	(4,030)	3.0%
Fixed rate long and medium-term loans	(5,909)	4.6%	(11,659)	8.6%
Total non current liabilities	**(64,120)**	**49.7%**	**(19,975)**	**14.8%**
Floating rate long and medium-term loans	–	0.0%	(17,121)	12.8%
Floating rate long and medium-term loans hedged by IRS	(1,334)	1.0%	(35,084)	26.1%
Fixed rate long and medium-term loans	(5,750)	4.5%	(5,703)	4.2%
Floating rate short-term bank loans as use of commercial facilities	(57,815)	44.8%	(56,635)	42.1%
Total current liabilities	**(64,899)**	**50.3%**	**(114,543)**	**85.2%**
Total floating rate	*(79,795)*	*61.8%*	*(78,042)*	*58.0%*
Total fixed rate or floating rate hedged by IRS	*(49,224)*	*38.2%*	*(56,476)*	*42.0%*
Total	**(129,019)**	**100.0%**	**(134,518)**	**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)		Shareholder's Equity	
	Increase of 50 bps	**Decrease of 50 bps**	**Increase of 50 bps**	**Decrease of 50 bps**
31 December 2009				
Fiscal year cash flow	**(316)**	**312**	**–**	**–**
– Derivaties Cash Flow	*230*	*(234)*	*–*	*–*
– Floating rate loans	*(546)*	*546*	*–*	*–*
Effectiveness of hedges	–	–	473	(485)
Sensitivity of net financial flow	**(316)**	**312**	**473**	**(485)**
31 December 2008				
Fiscal year cash flow	**(277)**	**272**	**–**	**–**
– Derivaties Cash Flow	*271*	*(276)*	*–*	*–*
– Floating rate loans	*(548)*	*548*	*–*	*–*
Effectiveness of hedges	–	–	604	(621)
Sensitivity of net financial flow	**(277)**	**272**	**604**	**(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

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.
Since 2008 the Group has entered electricity and natural gas supply contracts at a price indexed to specific energy market index quotations. Outstanding contracts which continued into 2009 benefited from an agreement operating from March to September 2009 for the partial hedging of the commodity risk. There were no outstanding derivative hedging instruments at 31 December 2009.
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 2009 and 31 December 2008.

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 2009 (thousands of Euros)	**Book Value**	**Contractual financial flow**	**6 months or less**	**6-12 months**	**1-2 years**	**3-5 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)

31 December 2008 (thousands of Euros)	**Book Value**	**Contractual financial flow**	**6 months or less**	**6-12 months**	**1-2 years**	**3-5 years**	**Over 5 years**
Long and medium-term bank loans	**(76,935)**	**(93,214)**	(6,853)	(6,279)	(11,890)	(43,788)	(24,404)
Short-term bank loans as use of commercial facilities	**(56,655)**	**(56,655)**	(56,655)	–	–	–	–
Other current financial liabilities	**(129)**	**(129)**	(129)	–	–	–	–
Hedging derivative financial instruments	**(984)**	**(1,071)**	88	(197)	(503)	(439)	(20)
Trade payables	**(108,827)**	**(108,827)**	(108,827)	–	–	–	–
Total	**(243,530)**	**(259,896)**	(172,376)	(6,476)	(12,393)	(44,228)	(24,424)

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 2009 (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%

RDM 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%

Other sectors

Realty Vailog S.p.A.
Milan – Italy
Direct ownership 0,327%

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

RELATED PARTIES TRANSACTIONS

For further information on the relations with related parties see the Report of the Board of Directors in the section relevant to the "Other information".

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 2009:

(thousand of Euros)	Current assets			Current liabilities			Non-current liabilities
	Trade receivables	Group trade receivables	Other Group Trade receivables	Trade payables	Group trade receivables	Other Group Trade receivables	Other payables
Anste Autotrasporti S.r.l.	–	–	–	163	–	–	–
Careo Gmbh	–	–	–	–	–	340	–
Careo Ltd,	–	22	–	–	–	–	–
Careo S.r.l.	–	285	–	–	567	–	–
Careo Spain S.L.	–	221	–	–	–	–	–
Careo S.r.l.	–	1,684	–	–	1,377	3,066	–
Cascades Asia Ltd	1,103	–	–	–	–	–	–
Cascades Canada Inc,	–	–	–	5	–	–	–
Cascades Djupafors A.B.	135	–	–	598	–	–	–
Cascades Inc.	–	–	–	5	–	–	–
Cascades S.A.S.	108	–	–	1,559	–	–	1,204
Immobiliare Anste S.r.l.	–	–	–	67	–	–	–
Norempac Avot Valee	8	–	–	–	–	–	–
Pac Service S.p.A.	–	913	–	–	–	–	–
RDM Tissue core S.r.l.	–	457	–	–	–	–	–
Red. Imm. S.r.l.	30	–	–	–	–	–	–
Renologistica S.r.l.	–	–	346	–	–	–	–
Total	**1,384**	**3,582**	**346**	**2,397**	**1,944**	**3,406**	**1,204**
Incidence on the total of the item	**1.3%**	**100.0%**	**100.0%**	**2.4%**	**100.0%**	**100.0%**	**47.2%**

Revenues and costs deriving from related party transactions

Following the revenues and costs obtained with related parties during 2009:

(thousand of Euros)	Revenues from sales	Other income	Financial income	Income from domestic tax consolidation
Careo GmbH	–	15	32	
Careo Ltd	–	135	–	
Careo S.a.s.	9	67		
Careo Spain S.L.	–	153	–	
Careo S.r.l.	–	575	55	377
Cascades Asia Ltd	4,594		16	
Cascades Djupafors A.B.	–	353	–	
Cascades Groupe Produits	–		1	
Cascades S.r.l.	–	373	–	
Norampac Avot Vallee		22	–	
Pac Service S.p.A	1,851		–	
RDM Tissue Core S.r.l.	514	19		
Total	**6,968**	**1,712**	**104**	**377**
Incidence on the total	**1.6%**	**8.9%**	**47.6%**	

(thousand of Euros)	Raw material and services costs	Financial charges
Anste Autotrasporti S.r.l.	514	–
Careo S.a.s.	20	–
Careo S.r.l.	11,094	–
Cascades Asia Ltd	–	66
Cascades Canada Inc.	25	–
Cascades Djupafors A.B.	1,299	–
Cascades Groupe Produits	58	1
Cascades Inc.	20	–
Cascades S.A.S.	3,813	–
Immobiliare Anste S.r.l.	223	–
RDM Deutschland GmbH	–	1
Red, Imm, S.r.l.	(5)	
Total	**17,061**	**68**
Incidence on the total	**5.2%**	**0.7%**

Cash flow from related parties

(thousands of Euros)	**31.12.2009**
Revenues and income	8,680
Cost and charge	(17,061)
Financial income	104
Financial expenses	(68)
Income from domestic tax consolidation	377
Change in trade receivables	(2,920)
Change in trade payables	(1,267)
Change in total working capital	(4,187)
Cash flows from operating activities	**(12,155)**
Investments and disinvestment in non current assets	(195)
Cash flows from investing activities	**(195)**
Change in other financial assets and liabilities, and short term borrowings	4,785
Change in long and medium-term bank borrowings	(2,225)
Cash flows from financing activities	**2,560**
Cash flows for the year	**(9,790)**

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 2009.

ATTESTATION

OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009, 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 2009:
   - 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, 26 March 2010

Ignazio Capuano	Stefano Moccagatta
Managing Director	Manager responsible for the preparation of company accounting documents
Signed	Signed
Ignazio Capuano	Stefano Moccagatta

REPORT OF THE INDIPENDENT AUDITORS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N 58 DATED 24 FEBRUARY 1998 (NOW ARTICLE 14 OF LEGISLATIVE DECREE N° 39 DATED 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 2009, which comprise the statement of consolidated financial position, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated cash flow statement and related illustrative 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 n° 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the 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 audit opinion.

The audit of the consolidated financial statements as of 31 December 2009 has been conducted in accordance with the Law in force during that period.

Regarding the amounts of the financial statements of the prior year presented for comparative purposes, reclassified to take into account the amendments introduced by IAS 1 to the financial statements presentation, reference should be made to our report dated 9 April 2009.

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** 40122 Via delle Lame 111 Tel. 051526611 – **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 30 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** 38100 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

PRICEWATERHOUSECOOPERS

3 In our opinion, the consolidated financial statements of Reno De Medici SpA as of 31 December 2009 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 n° 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of Reno De Medici Group for the period then ended.

4 The directors of Reno De Medici SpA are responsible for the preparation of the Report of the Board of Directors in accordance 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 related to the Corporate Governance and ownership structures, limited to the information provided for in accordance with the article 123-bis, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of the Legislative Decree n° 58/98, with the financial statements, as required by the Law. For this purpose, we have performed the procedures required under Auditing Standard n° 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report of the Board of Directors and the information, provided for in accordance with the article 123-bis, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of the Legislative Decree n° 58/98 presented in the specific section of the same report, are consistent with the consolidated financial statements of Reno De Medici SpA as of 31 December 2009.

Milan, 9 April 2010

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.

(2)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

INCOME STATEMENT

	Note	31.12.2009	31.12.2008
Revenues from sales	1	240,496,468	281,966,612
– of which related parties	*35*	*43,057,660*	*48,679,579*
Other revenues	2	15,886,573	5,881,459
– of which related parties	*35*	*5,376,639*	*658,003*
Changes in stocks of finished goods	3	(1,072,915)	(9,912,564)
Cost of raw materials and services	4	(189,823,243)	(227,231,909)
– of which related parties	*35*	*(6,366,347)*	*(4,686,254)*
Staff costs	5	(42,413,765)	(40,754,097)
Other operating costs	6	(3,117,990)	(3,437,655)
Gross Operating Margin		**19,955,128**	**6,511,846**
Depreciation and amortisation	7	(16,081,925)	(16,510,123)
Recovery of value and write-downs of assets	8	(598,321)	(1,732,136)
Operating Profit		**3,274,882**	**(11,730,413)**
Financial expense		*(9,151,112)*	*(10,633,973)*
Exchange rate differences		*(311,163)*	*238,304*
Financial income		*655,688*	*663,377*
Financial income (expenses), net	9	(8,806,587)	(9,732,292)
Income (loss) from investments	10	535,837	2,152,754
– of which non recurring		–	*(855,628)*
Taxation	11	326,778	(427,580)
Profit (loss) for the year		**(4,669,090)**	**(19,737,531)**

STATEMENT OF COMPREHENSIVE INCOME

	Note	31.12.2009	31.12.2008
Profit (loss) for the year		**(4,669,090)**	**(19,737,531)**
Cash Flow Hedge	*23*	*(81,266)*	*(1,274,024)*
Fair value gains on available-for-sale financial assets	*23*	*397,460*	*(139,599)*
Total comprehensive profit (loss)		**(4,352,896)**	**(21,151,154)**

STATEMENT OF FINANCIAL POSITION

	Note	31.12.2009	31.12.2008
ASSETS			
Non-current assets			
Tangible fixed assets	12	166,460,074	169,672,795
Other intangible assets	13	1,984,850	1,408,028
Investments in subsidiary companies	14	104,104,578	104,099,578
Investments in associated companies	15	5,625,541	773,176
Financial assets held for sale	16	192,579	309,180
Other receivables	17	342,275	1,041,824
Total non-current assets		**278,709,897**	**277,304,581**
Current assets			
Stocks	18	45,468,423	49,078,522
Trade receivables	19	60,935,309	58,339,637
Group trade receivables	20	19,889,458	12,980,185
Other receivables	17	1,898,287	2,889,704
Other Group receivable	21	15,778,362	17,112,850
Financial assets held for sale	16	187,835	–
Liquid funds	22	1,071,062	3,553,797
Total current assets		**145,228,736**	**143,954,695**
TOTAL ASSETS		**423,938,633**	**421,259,276**

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	31.12.2009	31.12.2008
Shareholders' equity			
Share capital		185,122,487	185,122,487
Share premium		–	–
Other reserves		359,821	42,842
Retained earnings (losses) brought forwards		(35,809,203)	(16,071,672)
Profit (loss) for the year		(4,669,090)	(19,737,531)
Total shareholders' equity	23	**145,004,015**	**149,356,126**
Non-current liabilities			
Bank loans and other financial liabilities	22	59,100,791	15,649,732
Other Group payables	31	9,205,360	5,633,932
Derivative financial instruments	24	845,849	915,895
Other payables	25	1,646,909	1,646,406
– of which related parties	*35*	*1,204,033*	*1,152,957*
Deferred tax liabilities	26	7,266,261	7,911,351
Employee benefits	27	13,408,679	13,130,969
Non-current provisions for contingencies and charges	28	9,467,656	11,272,100
Total non-current liabilities		**100,941,505**	**56,160,385**
Current liabilities			
Bank loans and other financial liabilities	22	62,731,414	110,906,140
Derivative financial instruments	24	917,669	68,457
Trade payables	29	66,192,837	67,588,786
Group trade payables	30	1,081,114	2,998,668
Other payables	25	7,098,732	6,270,202
Other Group payables	31	39,323,609	27,910,512
Current taxation	32	647,738	–
Total current liabilities		**177,993,113**	**215,742,765**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**423,938,633**	**421,259,276**

CASH FLOW STATEMENT

(thousands of Euros)	Note	31.12.2009	31.12.2008
Profit (loss) for the year before taxation		(4,996)	(19,310)
Depreciation and amortisation	7-8	16,680	18,242
Losses (gains) from investments	10	(536)	(2,153)
Financial expense (income)	9	8,807	9,732
Change in the employees' leaving entitlement, other provision fund including provision for bad and doubtful debts		(1,874)	3,589
Change in stocks	18	3,610	8,977
Change in trade receivables		(6,747)	8,359
– of which related parties		*(6,288)*	*(99)*
Change in trade payables		(4,059)	(21,034)
– of which related parties		*(1,690)*	*(168)*
Change in total working capital		(7,196)	(3,698)
Gross cash flows		**10,885**	**6,402**
Interest paid in the year		(7,907)	(11,990)
– of which related parties		*(656)*	*(1,211)*
Interest received in the year		1,607	3,048
– of which related parties		*527*	*415*
Taxes paid in the year		–	(2,313)
Cash flows from operating activities		**4,585**	**(4,853)**
Sale (purchase) of financial assets held for sale		12	–
Investments and disinvestment in non current assets		(14,045)	(10,578)
Disinvestment		–	6,500
Operation on equity		(7,000)	–
Business combination		(119)	(3,714)
Investment in joint venture		(4,660)	(183)
Dividends received		6,907	28,453
Cash flows from discontinued operations		–	1,248
Cash flows from investing activities		**(18,905)**	**21,726**
Change in other financial assets and liabilities, and short term bank borrowings		9,778	(33,415)
– of which related parties		*12,748*	*5,943*
Change in long term bank borrowings		2,059	18,641
– of which related parties		*3,571*	*26,366*
Cash flows from financing activities		**11,837**	**(14,774)**
Change in unrestricted liquid funds		**(2,483)**	**2,099**
Unrestricted liquid funds at beginning of the year	22	**3,553**	**1,454**
Unrestricted liquid funds at end of the year		**1,070**	**3,553**

CHANGES IN SHAREHOLDERS' EQUITY

Statement of changes in Shareholders' Equity (thousands of Euros)	Share capital	Legal reserve	Reserve for own shares	Extraordinary reserve	Retained earnings (losses) brought forwards	Profit (loss) for the year	Fair value reserve	Hedging reserve	Own shares	Total shareholders' equity
Shareholders' equity at 31.12.2007	**132,160**	**–**	**4,872**	**–**	**(16,174)**	**108**	**(258)**	**559**	**(4,872)**	**116,395**
Increase in share capital	52,962	–	(4,872)	1,150	–	–	–	–	4,872	54,112
Appropriation of net income 2007 (1)	–	5	–		103	(108)	–	–	–	–
Profit (loss) for the year	–	–	–		–	(19,738)	–	–	–	(19,738)
Components of the comprehensive profit (loss)	–	–	–		–	–	(140)	(1,274)	–	(1,413)
Total comprehensive profit (loss	–	–	–		–	(19,738)	(140)	(1,274)	–	(21,151)
Shareholders' equity at 31.12.2008	**185,122**	**5**	**–**	**1,150**	**(16,071)**	**(19,738)**	**(398)**	**(714)**	**–**	**(149,356)**
Increase in share capital	–	–	–	–	–	–	–	–	–	–
Appropriation fo net income 2008 (2)	–	–	–		(19,738)	19,738	–		–	–
Profit (loss) for the year	–	–	–		–	(4,669)	–	–	–	(4,669)
Components of the 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)**	**(398)**	**(795)**	**–**	**145,004**

(1) On 13 May 2008 shareholders in general meeting resolved to appropriation of net income.
(2) On 28 April 2009 shareholders in general meeting resolved to retained losses brought forwards

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.

The separate financial statements of the RDM were approved by the Board of Directors of RDM on 26 March 2010 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 2009.

The separate financial statements for 2009 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 2009 was prepared by applying the same accounting standards adopted for the Separate Financial Statement at 31 December 2008, with the exception of the following:

- starting in financial year 2009, the Parent Company has applied IFRS 8 "Operating Segments," which replaces IAS 14 "Segment Reporting." The new standard requires reporting of sector information based on the elements used by management to make its operating decisions, with reference to the definition of operating segments and with reference to balance sheet items examined. The adoption of this Standard has produced no effect with regard to the presentation of data and to the valuation of items allocated to the various sectors;
- starting in financial year 2009, the Group has applied the revised version of IAS 1 "Presentation of Financial Statements". The new version of the IAS 1 "Presentation of Financial Statements" requires, amongst other things, that variations of net assets generated with non-

partners be represented in a single statement or, alternatively, in two separate statements, providing evidence of such variations also in the statement of variations of net assets. RDM has applied this revised version of the IAS 1, highlighting the variations generated by transactions with non-partners in two separate statements: "Statement of Income" and "Statement of Comprehensive Income". The Parent Company has consequently modified the presentation form of the statement of variations in the accounts of the net assets.

- starting in financial year 2009 the Parent Company has applied the revised version of the standard IAS 23, which removes the option previously available of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale (qualifying assets). As part of its 2008 annual improvements project the IASB also published an amendment to IAS 23 (Revised) in order to revise the definition of the borrowing costs to be capitalised. No significant accounting effects arose in 2009 from adopting the revised standard.
- starting in financial year 2009, the Parent Company has applied the IFRS 1 - First Time Adoption of International Financial Reporting Standards and IAS 27 - Consolidated and Separate Financial Statements requires that all dividends received from subsidiaries, joint ventures and associates be recognised in the parent company’s income statement when the right to receive those dividends is established regardless of whether they relate to profit arising before or after the date the interest was acquired. Revisions to IAS 36 - Impairment of Assets require that, when evaluating whether impairment exists, if an investee company has distributed a dividend, the following must be considered: whether the carrying amount of the investment in the separate financial statements exceeds the book value of that company’s equity (including any associated goodwill) as recognised in the consolidated financial statements; whether the dividend exceeds the comprehensive income of the investee for the period to which the dividend relates. The Company adopted the amendment to IAS 27 prospectively from 1 January 2009. Its application led to dividends recognized in income statement for 2009 paid by German subsidiary for the share arising from pre-acquisition profit. In accordance with the amendment to IAS 36, new indicators of impairment were also taken into consideration for the purposes of identifying any loss in value of investments held.

The following amendments, improvements and interpretations, effective from 1 January 2009, specify the accounting for circumstances and events that are not be found in the Company at the date of these financial statements but which could have accounting effects on future transactions or agreements:

- Amendment to IFRS 2 – Vesting Conditions and Cancellations.
- Amendments to IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation.

- IFRIC 13 – Customer Loyalty Programmes.
- IFRIC 15 – Agreements for the Construction of Real Estate.
- IFRIC 16 – Hedges of a Net Investment in a Foreign Company.
- Improvement to IAS 39 – Financial Instruments: Recognition and Measurement
- Improvement to IAS 29 – Financial Reporting in Hyperinflationary Economies.
- Improvement to IAS 36 - Impairment of Assets.
- Improvement to IAS 40 – Property Investment.

In addition, on 12 March 2009 the IASB issued amendments to IFRIC 9 - Reassessment of Embedded Derivatives and IAS 39 - Financial Instruments: Recognition and Measurement that allow entities to reclassify particular financial instruments out of the 'at fair value through profit or loss' category in specific circumstances. These amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements. The amendments are applicable prospectively from 31 December 2009 but their adoption has had no accounting effect on the Company's financial statements.

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 financial statements are also prepared on a going concern basis. In this respect the Parent Company has made an assessment that there are no material uncertainties - as defined in paragraph 25 of IAS 1 - as to the Parent Company's ability to continue as a going concern; this is due amongst other things to the measures taken by the Parent Company, either already completed or currently being arranged, to respond to changes in demand and to ensure that the necessary funds are available.

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%
	Electronic 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.

Other intangible assets

Other 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.

Other 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	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 to assess whether there is any indication that these assets may be impaired (the impairment test). If any such indication exists, the Company makes an estimate of the recoverable amount of such assets to determine any impairment loss. 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 net selling price 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.

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 there is no longer any reason for an impairment loss to be recognised the carrying amount of an investment is increased to a new carrying amount which may not exceed the net carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised in the profit and loss account.

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 equity 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.

Own shares

Own shares are measured at cost and shown as a reduction in equity.
Profits or losses arising from the negotiations of own shares, if any, are recorded in a specific net equity reserve.

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 from third parties, subsidiary companies and associates 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.

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 to third parties, sudsidiary companies and associates 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, net of returns, discounts, allowances and premiums.

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 24 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 24 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.

CWith 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 2010 to 2015.

For discounting cash flows the Parent Company has used the same rate, 7.0%, for all cash-generating units, a rate which reflects current market assessments and also takes into account the specific risks of the sector. In line with IAS 36, for each CGU was identified a pre-tax discount-rate, according to the tax impact attributable to each CGU.

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

No need arose to write up or write down assets except at the Magenta and Marzabotto mills, whose carrying amounts are lower as stated than their fair value less costs to sell determined by means of appraisals performed 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.

The need to recognise impairment losses on the basis of the revised plans did not arise except at the Magenta and Marzabotto factories where, in order to calculate the recoverable amount of these production units, it was necessary to use the fair value less costs to sell method (current market value) rather than the value in use method, based on appraisals performed by an independent valuer; the results obtained did not lead to the need to recognise impairment losses for these production units.
In this respect, however, it cannot be excluded that if the crisis continues or deteriorates the present valuations may need to be revised.

NOTES

Revenues from services, classified on the financial statement at 31 December 2008 as Revenues from sales, have been reclassified as “Other revenues” in order to specify proceeds from the Parent Company’s core business among proceeds from sales.

1. Revenues from sales

Revenues from sales arise essentially from sales of cartonboard

Revenues from sales (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variations**
Revenues for sales	240,496	281,967	(41,471)
Revenues from sales	**240,496**	**281,967**	**(41,471)**

The following table provides a geographical analysis of sales revenues:

Revenues by geographical areas (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**	**%**
Italy	150,261	157,890	(7,629)	−4.8%
EU	54,305	83,397	(29,092)	−34.9%
Extra EU	35,930	40,680	(4,750)	−11.7%
Revenues from sales	**240,496**	**281,967**	**(41,471)**	**−14.7%**

There was an decrease in sales of 14.7%% in 2009, compared to 2008. This decrease is mainly attributed to the reduction of volumes and to price pressures in line with the European macro-economic scenario for the 2009 was characterized by a falling demand.

2. Other revenues

Other revenues may be analysed as follows:

Other revenues (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variations**
Grants	650	758	(108)
Indemnities	2,806	414	2,392
Appreciation	98	47	51
Recharge of costs	129	145	(16)
Increase in fixed assets	56	419	(363)
Rental income	10	8	2
Revenues for services	5,361	660	4,701
Revenues from sales of energy	5,260	2,093	3,167
Other revenues	1,517	1,337	180
Total	**15,887**	**5,881**	**10,006**

It should be note that, revenues from services, classified on the financial statement at 31 December 2008 as Revenues from sales, have been reclassified as “Other revenues” in order to specify proceeds from the Group’s core business among proceeds from sales.
“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” consist 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 the previous year.

“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 2009.

“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 and the release to income of provisions accrued in prior years which exceeded the amount finally settled.

3. Changes in stocks of finished goods

Changes in stocks (Euro -1.1 million) relate mainly to the effect of the temporary suspension of activities at one of the Company’s factories and to a general reduction in unit stock costs, as consequence of positive trend in the decreasing in prices for raw material mixture and energy during the 2009.

4. Cost of raw materials and services

Cost of raw material and services (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variations**
Cost of raw material	**96,174**	**111,249**	**(15,075)**
Purchase of raw material	93,637	112,185	(18,548)
Changes in stocks of raw materials	2,537	(936)	3,473
Services regarding sales	**27,292**	**32,552**	**(5,260)**
Transport	21,506	26,531	(5,025)
Commissions and agents' costs	5,786	6,021	(235)
Services regarding manufacturing	**56,362**	**73,919**	**(17,557)**
Energy	36,473	55,506	(19,033)
Maintanance	5,030	5,249	(219)
Waste disposal	6,481	4,691	1,790
Other manufacturing services	8,378	8,473	(95)
General services	**9,015**	**8,640**	**375**
Insurance	1,682	1,742	(60)
Legal, notarial, administrative and external collaboration	2,805	2,810	(5)
Board of directors	597	440	157
Statutory auditors	186	118	68
Postal and telephone	541	438	103
Other	3,204	3,092	112
Use of third party assets	**980**	**872**	**108**
Rental and leasing	980	872	108
Total	**189,823**	**227,232**	**(37,409)**

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 2009, see the “Report of the Board of Directors”, these costs fell during the year from 40.9% of the value of production (“Revenues from sales” plus “Changes in stocks of finished goods”) in 2008 to 40.2% in 2009.

“Service costs” fell in total by 19.5% over the previous year (Euro 92.7 million for the year ended 31 December 2009 against Euro 115.1 million for the year ended 31 December 2008), amounting to 38.7% of value of production (42.3% for the year ended 31 December 2008).

The trend is attributed to the decrease of "Services regards manufacturing", due to a drop of energy costs (natural gas and electricity) mostly in relation to the effects of indexing rules that govern the industrial supply agreements and in a marked scenario by oversupply. These costs in 2009, compared the previous year, fell to 34.3%.

The costs for the "Use of third-parties assets" at 31 December 2009 increase to 12.4% compared to the figures at 31 December 2008.

5. Staff costs

Staff costs (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Salaries and wages	29,668	28,521	1,147
Social security contributions	10,187	10,190	(3)
Indemnity for defined contributions plans	2,249	2,021	228
Other costs	310	22	288
Total	**42,414**	**40,754**	**1,660**

The increase of Euro 1.7 million in staff costs compared to the previous year (in percentage terms 4.1%) is primarily due to the accruals made for costs relating to 2009 regarding the incentive plan for the Company's employees and the performance phantom shares plan for top management, the adjustment made to the lay-off provision (fondo mobilità) and the renewal of the national collective bargaining agreement (CCNL).

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, analysed by category:

Employees by category	**31.12.2009**	**31.12.2008**	**Variations**
Executives and managers	15	12	3
White-collar	238	248	(10)
Blue-collar	681	701	(20)
Total	**934**	**961**	**(27)**

Weight employees by category	**31,12,2009**	**31,12,2008**	**Variations**
Executives and managers	15	12	3
White-collar	240	250	(10)
Blue-collar	686	706	(20)
Total	**941**	**968**	**(27)**
Temporary lay-off in CIGS	**82**	**–**	**82**
Permanent manpower	**859**	**968**	**(109)**

6. Other operating costs

Other operating cost (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Accruals to provisions	35	591	(556)
Write-down of working capital receivables	579	235	344
Other operating cost	2,504	2,612	(108)
Total	**3,118**	**3,438**	**(320)**

The item decreased by 9.3% over the previous year. More specifically, there has been an increase in the provisions made against trade receivables and a decrease in those made against other risks.
Other operating costs for 2009 are in line 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 amortisation

The following table sets out the amortisation charge for intangible assets and the depreciation charge for tangible fixed assets:

Depreciation and amortisation (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Amortisation of intangible assets	360	536	(176)
Depreciation of tangible assets	15,722	15,974	(252)
Total	**16,082**	**16,510**	**(428)**

"Depreciation and amortisation" fell by 2.6%, decreasing from Euro 16.5 million at 31 December 2008 to Euro 16.1 million at 31 December 2009, due principally to the fact that certain of the Company's assets have become fully depreciated.

8. Recovery of value and write-downs of assets

Recovery of value and write-downs of assets (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Write-down	598	1,732	(1,134)
Total	**598**	**1,732**	**(1,134)**

The value at 31 December 2009 included 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 Italian plants.

In addition, on December 31, 2008 the write-down related to the alignment of the value in line with the actual re-use of the machine following the decision to re-use some of the parts of the MC1 board machine from the Magenta plant in 2008, which had previously been classified as part of non-current assets held for sale.

9. Financial income (expenses), net

Financial income (expense) (thousands of Euros)	31.12.2009	31.12.2008	Variations
Financial income	**655**	**663**	**(8)**
Interest from subsidiary and affiliated companies	527	415	112
Gain on derivative financial instruments	81	122	(41)
Other income	47	126	(79)
Financial expenses	**(9,151)**	**(10,634)**	**1,483**
Interest due to subsidiary and affiliated companies	(656)	(1,211)	555
Interest due to bank	(5,824)	(8,680)	2,856
Loss on derivative financial instruments	(1,034)	329	(1,363)
Interest on financing the employees' leaving entitlement	(1,441)	(790)	(651)
Expenses, commissions and other financial charges	(196)	(282)	86
Exchange differences	**(311)**	**238**	**(549)**
Realised foreign exchange gains (losses):			
Realised gains	1,163	2,288	(1,125)
Realised losses	(1,559)	(2,163)	604
Unrealised foreign exchange gains (losses):			
Unrealised gains	215	220	(5)
Unrealised losses	(130)	(107)	(23)
Total	**(8,807)**	**(9,733)**	**926**

There has been a reduction of Euro 0.9 million in net financial expense. This is due to a significant extent to the downwards trend in interest rates that occurred in 2009 and, as a consequence, to the 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 loans.

The item “Interest on financing the employees’ leaving entitlement” 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

Income (loss) from investments (thousands of Euros)	31.12.2009	31.12.2008	Variation
Income from equity investments in subsidiary companiese	**6,757**	**658**	**6,099**
Dividends from Reno De Medici Arnsberg Gmbh	6,000	–	6,000
Dividends from Emmaus Pack S.r.l.	257	258	(1)
Dividends from Cartiera Alto Milanese S.p.A.	500	400	100
Income from equity investments in associates	**150**	**1,430**	**(1,280)**
Dividends from Termica Boffalora S.r.l.	–	1,200	(1,200)
Dividends from Pac Service S.p.A.	150	230	(80)
Devaluation from financial assets held for sale	**(314)**	**–**	**(314)**
Devaluation Realty Vailog S.p.A.	(314)	–	(314)
Write-down and losses from investments in subsidiary companies	**(6,057)**	**(152)**	**(5,905)**
Write-down Reno Logistica S.r.l.	(46)	(152)	106
Write-down RDM Blendecques S.a.s.	(6,011)	–	(6,011)
Gain from asset contribution	**–**	**1,073**	**(1,073)**
RDM France S.a.r.l.		796	(796)
RDM Deutschland Gmbh		277	(277)
Other depreciations	**–**	**(856)**	**856**
Disinvestment of Termica Boffalora S.r.l.	–	(856)	856
Total	**536**	**2,153**	**(1,617)**

Income (loss) from investments amounting to Euro 0.5 million compared to Euro 2.2 million for the previous year.

“Devaluation from financial assets held for sale” of Euro 0.3 million regards 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.

The investment in Reno Logistica S.r.l. in liquidation has been written down by a further Euro 46 thousand to adjust its carrying amount to equity at 31 December 2009. In addition, the provision for the investment in the subsidiary RDM Blendecques S.a.s. had to be adjusted by Euro 6.011 million, to cover the loss accrued during the year for which, according to local regulations, there is a legal obbligation.

In 2008, “Gain from asset contribution” is the gain arising from the contribution to Careo S.r.l. of the investments in RDM France S.a.r.l. and RDM Deutschland Gmbh, effective as from April 1st, 2008.

In 2008, “Other depreciations” in associates relate to the non-recurring loss arising from the sale of the investment in the associate Termica Boffalora S.r.l. during the year 2008 at a price of Euro 6.5 million.

11. Taxation

Taxation current and deferred (thousands of Euros)	31.12.2009	31.12.2008	Variations
Current taxation	**(300)**	**(421)**	**121**
IRAP of the year	(1,517)	(881)	(636)
Tax receivables (L. 296/06)	147	134	13
IRAP of years	12	39	(27)
Income from tax consolidation (IRES)	1,058	287	771
Deferred taxation	**627**	**(7)**	**634**
IRES	593	14	579
IRAP	34	(21)	55
Total	**327**	**(428)**	**755**

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

Reconciliation between the theoretical and actual tax charge (IRES)

The reconciliation between the theoretical and actual tax burden relevant to the IRES tax has not been reported as the 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, as shown in Note 26. A reconciliation of this nature would therefore not be representative of the actual tax charge.

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)	46,901		
Financial statement reclassifications	–		
Costs for apprentices, desabled persons and compulsory insurance	(12,870)		
Total	34,031		
Theoretical tax charge		**3.90%**	**1,327**
Permanent differences for more regional taxation	2,314		
Reversal of prior year temporary differences	845		
Permanent differences which will not reverse in future years	1,707		
Total difference	4,866		
Effective tax charge	38,897	**3.90%**	**1,517**
Current taxation		**4.46%**	

"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

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	73,237	425,356	1,962	9,368	4,229	536,408
Accumulated depreciation / Write-down	–	(31,618)	(321,089)	(1,848)	(9,068)	–	(363,623)
Net book value at 31.12.2007	**22,256**	**41,619**	**104,267**	**114**	**300**	**4,229**	**172,785**
Variations of the period:							
Increases	–	557	7,930	27	55	863	9,432
Decreases	–	–	(1,893)	–	(74)		(1,967)
Reclassification of cost	–	63	4,033	–	–	(4,096)	–
Other changes (1)	–	–	22,519	–	–		22,519
Depreciations for the period	–	(2,243)	(13,561)	(53)	(118)	–	(15,974)
Write-down	–	–	(1,732)	–	–	–	(1,732)
Utilisation of accumulated depreciation	–	–	1,886	–	44	–	1,930
Other changes (1)	–	–	(17,319)	–	–	–	(17,319)
Value at 31.12.2008							–
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**

(1) Other charges are related to the riclassification of MC1 line as "Non-current assets held for sale"

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**

"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 13.1 million in 2009 (Euro 9.4 million in 2008).

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

The investments made at the Villa Santa Lucia facility related mainly to improvement and/or modernisation and other investments related to purification treatment plant to improve the recovery of cellulose fibres.
Included among the investments made at the Santa Giustina facility were the installation of a new press, obtaining an improvement in the quality of the product through a reduced use of raw material mixture, and the objective of energy efficient.

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.

“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 437 million on owned property and plant and machinery, pledged in favour of banks as security on loans, whose outstanding balance at 31 December 2009 amounted to Euro 65,3 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 Other intangibile assets

Other intangible assets (thousands of Euros)	**Concessions, licences, trade marks and similar rights**	**Other**	**Assets in course of construction**	**Total**
Net book value at 31.12.07	**217**	**398**	**146**	**761**
Increases	381	92	709	1,182
Decreases	–	–		–
Reclassification of cost	41	–	(41)	–
Recovery of value and write down	–	–	–	–
Amortisation for the year	(126)	(409)	–	(535)
Utilisation of accumulated amortisation	–	–	–	–
Reclassification of amortisation	–	–	–	–
Net book value at 31.12.08	**513**	**81**	**814**	**1,408**

Other intangible assets (thousands of Euros)	**Concessions, licences, trade marks and similar rights**	**Other**	**Financial asset in progress**	**Total**
Net book value at 31.12.08	**513**	**81**	**814**	**1,408**
Increases	831	8	98	937
Decreases	–	–	–	–
Reclassification of cost	805	–	(805)	–
Recovery of value and write down	–	–	–	–
Amortisation for the year	(320)	(40)	–	(360)
Utilisation of accumulated amortisation	–	–	–	–
Reclassification of amortisation	–	–	–	–
Net book value at 31.12.09	**1,829**	**49**	**107**	**1,985**

"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

Investments in subsidiary companies (thousands of Euros)	**Historical cost 31.12.2008**	**Provision against cost 31.12.2008**	**Net book value 31.12.2008**	**Increases (Decreases) of investments**	**Cost 31.12.2009**	**Provision against cost 31.12.2009**	**Net book value 31.12.2009**
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 Grundstück Gmbh & Co,KG	3,454	–	3,454	5	3,459	–	3,459
Emmaus Pack S.r.l.	108	–	108	–	108	–	108
RDM Blendecques S.a.s.	–	–	–	–	–	–	–
Reno De Medici Iberica S.L.	111,918	(69,708)	42,210	–	111,918	(69,708)	42,210
Reno Logistica S.r.l. in liquidation	493	(493)	–	–	493	(493)	–
Total	**174,667**	**(70,567)**	**104,100**	**5**	**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 2009. 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:

Company name (thousand of Euros)	**Registered office**	**Shareholding**	**Share capital at 31.12.2009**	**Shareholders' equity at 31.12.2009(1)**	**Result for 2009**
Reno De Medici Iberica S.L.	Prat de Llobregatt (E)	100.00%	39,061	42,766	378
Reno De Medici UK Limited	Wednesbury (GB)	100.00%	10,713	1,200	(393)
Reno De Medici Arnsberg GmbH	Arnsberg (D)	94.00%	5,113	75,797	2,184
RDM Blendecques S.a.s.	Blendecques (F)	100.00%	1,037	(12,301)	(4,690)
Cartiera Alto Milanese S.p.A.	Milan (I)	100.00%	200	1,479	338
Emmaus Pack S.r.l.	Milan (I)	51.39%	200	1,396	737
Cascades Grundstück GmbH & Co, KG	Arnsberg (D)	100.00%	5	307	(8)
Reno Logistica S.r.l. in liquidation	Milano (I)	100.00%	25	189	(46)

(1) Shareholders' equity includes the result for 2009.

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:

Investments in associated companies (thousands of Euros)	**Registered office**	**Shareholding**	**Carry value at 31.12.2009**	**Increase (decrease)**	**Carry value at 31.12.2009**
Careo S.r.l.	Milano (MI) - Italia	70.00%	386	–	386
Manucor S.p.A.	Milano (MI) - Italia	22.75%	–	4,801	4,801
Pac Service S.p.A.	Vigonza (PD) - Italia	33.33%	387	–	387
R.D.M. Tissue core S.r.l.	Milano (MI) - Italia	51.00%	–	51	51
Total			**773**	**4,852**	**5,625**

The item has been affected by two new acquisitions:

- In January, 2009 RDM Tissue Core S.r.l. was incorporated, with a capital share of Euro 100 thousand, totally paid, which Reno De Medici S.p.A. owns a stake of 51%. The Company will commercialize in Italy and in Europe a specific line of products that will be produced by the Italian mills.

- In November a minority interest was acquired in the share capital of Manucor S.p.A., a company which manufactures flexible packaging made of plastics and in particular bioriented polypropylene. This transaction, driven by the intention to complement the range of products offered to customers by extending this from rigid packaging to flexible packaging, was carried out in compliance with the terms and conditions of the Investment Agreement signed on 30 July 2009.

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 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.	R.D.M. Tissue Core S.r.l.
Total assets	9,362	149,659	11,664	552
Shareholders' Equity	261	22,092	5,713	36
Other liabilities	9,101	127,567	5,951	516
Value of production	15,009	7,676	15,075	618
Profit (loss) for the year	73	338	827	(64)

16. Financial assets held for sale

The item includes investments in other companies and other financial investments, classified in current and non-current portion, detailed below:

Investments (thousands of Euros)	**Registered office**	**Shareholding**	**Carrying value at 31.12.2008**	**Increase (decrease)**	**Carrying value at 31.12.2009**
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	48	(5)	43
Conai	Milan - Italy	Consortium share	23	-	23
Consorzio Filiera Carta	Isola del Liri (Fr) - Italy	Consortium share	2	1	3
Energymont S.p.A.	Tolmezzo - Italy	2.020%	8	(8)	-
Gas Intensive 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%	104	(104)	-
Non-current assets			**309**	**(116)**	**193**
Realty Vailog S.p.A.	Milan - Italy	0.327%	–	188	188
Current assets			**–**	**188**	**188**
Total investments			**309**	**72**	**381**

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.

"Financial assets held for sales", current portion, include only the investment in Realty Vailog S.p.A.
In November the Parent Company Reno De Medici S.p.A. formally subscribed for the portion it held (75,134 shares) to the all-share

voluntary public tender offer made by Industria e Innovazione S.p.A. for the ordinary shares of Realty Vailog S.p.A. at a price of Euro 2.5 per share, for a total amounting to Euro 188 thousand. This transaction additionally led to the reclassification of Euro 0.3 million from the specific equity reserve to the profit and loss account.

17 Other receivables – current and non-current

The following table presents an analysis of trade receivables between current and non-current balances:

Other receivables (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Tax receivables	230	724	(494)
Guarantee deposits	83	81	2
Receivables from related parties	-	153	(153)
Other receivables	29	84	(55)
Non-current other receivables	**342**	**1,042**	**(700)**
Tax receivables	432	1,856	(1,424)
Miscellaneous receivables	1,224	930	294
Pre-paid expenses	243	104	139
Current other receivables	**1,899**	**2,890**	**(991)**
Total	**2,241**	**3,932**	**(1,691)**

"Tax receivables", non-current portion, relates mainly to applications for IRPEG refunds relating to prior years: the variation represents the collection received by the Company in 2009.

"Receivables from related parties", non-current portion, included an amount regarding the variable portion of the price agreed with Cascades S.a.s. for the sale of the Company's virgin fibre customer list as defined in the Combination Agreement subscribed with Cascades Group in 2008: the same amount together with the consideration of Euro 1 million is included in non-current liabilities. The above receivable was write-off, since the Company has received by Cascades S.a.s the above amount during the 2009.

"Miscellaneous receivables", non-current portion, are those due from companies in liquidation, an amount on Euro 55 thousands was refunded following the write off of one of these companies

Current "Tax receivables" relate to a VAT receivable.

"Miscellaneous receivables", corrent portion, consist mainly of receivables of Euro 0.2 million due from social security authorities for advances made as part of cassa integrazione employee lay-off procedures and advance from energy supplies for costs related to 2010 for Euro 0.8 million.

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

18 Stocks

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

Stocks (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Raw material and consumables	19,346	21,884	(2,538)
Provision for obsolescence	(322)	(322)	–
Finished goods and goods for resale	26,444	27,517	(1,073)
Total	**45,468**	**49,079**	**(3,611)**

Reference should be made to note 3 for comments on changes in finished goods.

19 Trade receivables

The following table sets out the changes in trade receivables due from third parties, which amount in total to Euro 60.9 million:

Trade receivables (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Trade receivables	60,935	58,340	2,595
Current trade receivables	**60,935**	**58,340**	**2,595**

The increase in receivables compared to the previous year is due to normal working capital conditions, including the fact that there was a different macro-economic situation in the fourth quarter of the year in 2009 compared to 2008.

The current portion of trade receivables from third parties is stated net of a provision for bad and doubtful debts of euro 2.4 million. The following table sets out the changes for the year in that provision:

Provision for bad and doubtful debts (thousands of Euros)	**31.12.2008**	**Charge**	**Utilization**	**31.12.2009**
Provision for bad and doubtful debts	2,210	579	(429)	2,360
Total	**2,210**	**579**	**(429)**	**2,360**

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

Geographical areas (thousands of Euros)	**Current assets**		**Variation**
	31.12.2009	**31.12.2008**	
Italy	45,753	41,693	4,060
EU	5,971	9,114	(3,143)
Rest of the World	9,211	7,533	1,678
Total	**60,935**	**58,340**	**2,595**

20 Group trade receivables

"Group trade receivables" of euro 19.9 million may be analysed as follows:

Group trade receivables (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Receivables from subsiduary companies	16,835	11,717	5,118
Total receivables from subsiduary companies	**16,835**	**11,717**	**5,118**
Receivables from associated companies	3,054	1,263	1,791
Total receivables from associated companies	**3,054**	**1,263**	**1,791**
Total Group receivables	**19,889**	**12,980**	**6,909**

"Receivables from subsidiary companies" of Euro 16.8 million may be analysed as follows:
The amounts above include the receivables for the provision of services relating to the new reality of the Group as result of business combination finalized in 2008.

Receivables from subsidiary companies (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Cartiera Alto Milanese S.p.A.	5,184	4,580	604
Emmaus Pack S.r.l.	5,596	5,231	365
Reno De Medici Iberica S.L.	2,171	1,906	265
Reno De Medici Arnsberg Gmbh	2,443	–	2,443
RDM Blendecques S.a.s.	1,259	–	1,259
Reno De Medici UK Ltd	182	–	182
Total	**16,835**	**11,717**	**5,118**

The amount receivables from subsidiary companies includes a balance of Euro 393 thousand resulting from the tax consolidation agreement with Cartiera Alto Milanese S.p.A for Euro 109 thousand and with Emmaus Pack S.r.l. for Euro 284 thousand.

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

Receivables from associated companies (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Careo S.r.l.	1,684	501	1,183
Pac Service S.p.A.	913	758	155
R.D.M. Tissue Core S.r.l.	457	–	457
RDM France S.a.r.l. ([1])	–	2	(2)
RenoDeMedici Deutschland GmbH ([2])	–	2	(2)
Total	**3,054**	**1,263**	**1,791**

(1) RDM France S.a.r.l. has been incorporated in 2008 in Careo S.a.s.
(2) RenoDeMedici Deutschland GmbH has been incorporated in 2009 in careo GmbH.

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 377 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:

Other Group receivables (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Careo S.r.l.	–	1,330	(1,330)
Reno De Medici UK Ltd	270	433	(163)
Reno Logistica S.r.l. in liquidazione	346	–	346
Emmaus Pack S.r.l.	1,013	2,000	(987)
RDM Blendecques S.a.s.	14,149	13,350	799
Total	**15,778**	**17,113**	**(1,335)**

22 Net financial position

The following table provide the net financial position at 31 December 2009 and 2008:

Net financial position (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Cash	15	25	(10)
Funds available at banks	1.056	3.529	(2.473)
A. Cash and cash equivalent	**1.071**	**3.554**	**(2.483)**
Other Group receivables	15.778	17.113	(1.335)
B. Current financial receivables	**15.778**	**17.113**	**(1.335)**
1. Bank overdraft and short term loans	*56.793*	*55.514*	*1.279*
2. Current portion of medium and long term loans	*5.938*	*55.392*	*(49.454)*
Bank loans and other financial liabilities (1+2)	62.731	110.906	(48.175)
Other Group payables	39.324	27.911	11.413
Derivatives - current financial liabilities	918	68	850
C. Current financial debt	**102.973**	**138.885**	**(35.912)**
D. Current financial debt, net (C - A - B)	**86.124**	**118.218**	**(32.094)**
Derivatives - non current financial assets	-	-	-
E. Non-current financial receivables	**-**	**-**	**-**
Bank loans and other financial liabilities	59.101	15.650	43.451
Other Group payables	9.205	5.634	3.571
Derivatives - non-current financial liabilities	846	916	(70)
F. Non-current financial payables	**69.152**	**22.200**	**46.952**
G. Non current financial debt (F - E)	**69.152**	**22.200**	**46.952**
H. Financial debt, net (D +G)	**155.276**	**140.418**	**14.858**

The company had net financial debt at 31 December 2009 of Euro 155.3 million, compared to Euro 140.4 million at 31 December 2008.
Bank overdrafts and short-term loans of Euro 56.8 million consist of commercial facilities made up mainly of advances on trade receivables.

Other Group receivables and payables consist of balances of a financial nature arising from cash pooling transactions carried out as part of the Group's centralised fund management.

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

Loans (thousands of Euros)	**Due within one year**	**Due after more than one year**	**Due after more than five years**	**Total**
M.I.C.A. - due 13 February 2016	132	581	324	1,037
M.I.C.A. - due 16 October 2013	145	454	–	599
San Paolo Imi - due 15 June 2011	2,238	1,164	–	3,402
San Paolo Imi - due 15 December 2011	3,234	3,387	–	6,621
San Paolo Imi - due 6 April 2016	–	9,730	–	9,730
San Paolo Imi fin.pool - tranche A - due 6 April 2016	–	22,050	9,450	31,500
San Paolo Imi fin.pool - tranche B - due 6 April 2016	–	10,000	–	10,000
Banca Pop.Emilia Romagna - due 15 May 2016	620	2,480	930	4,030
Total payables at nominal value	**6,369**	**49,846**	**10,704**	**66,919**
Effect of amortized cost	**(432)**	**(1,327)**	**(121)**	**(1,880)**
Total payables valued with amortized cost	**5,937**	**48,519**	**10,583**	**65,039**

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.
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. 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.

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 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.

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.

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 22.3 million as at 31 December 2009.

It should be note that, Parent company respect at 31 December 2009 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 2009. For a more thorough information on the derivative instruments in portfolio as of 31 December 2009, see Note 24.

23 Shareholders' equity

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

Description (thousands of Euros)	**Shareholders equity at 31.12.2008**	**Movimenti dell'esercizio**					**Shareholders' equity at 31.12.2009**
		Loss cover 2008	**Increase in share capital**	***Fair value* assets available for sale**	**Hedge accounting**	**Profit (loss) for the year**	
Share capital	185,122	–	–	–	–	–	185,122
Share premium reserve	–	–	–	–	–	–	–
Legal reserve	5	–	–	–	–	–	5
Reserve for own shares	–	–	–	–	–	–	–
Other reserves:							
– Reserve for the purchase of own shares	–	–	–	–	–	–	–
– Extraordinary reserve	1,150	–	–	–	–	–	1,150
Hedging reserve	(714)	–	–	–	(81)	–	(795)
Fair value reserve	(398)	–	–	398	–	–	–
Profit (loss) brought forward	(16,071)	(19,738)	–	–	–	–	(35,809)
Profit (loss) for the year	(19,738)	19,738	–	–	–	(4,669)	(4,669)
Total	**149,356**	**–**	**–**	**398**	**(81)**	**(4,669)**	**145,004**

The shareholders' meeting of 28 April 2009 adopted a resolution to carry forward the Parent Company's loss of Euro 19,737,531 for 2008.
Following the detail of the number of outstanding shares at 31 December 2009 and at 31 December 2008:

	31.12.2009	**31.12.2008**	**Delta**
Share issued	377,800,994	377,800,994	–
Total issue 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 2009, 40,380 savings shares were converted to ordinary shares. As the result of this the Company's share capital at 31 December 2009, fully subscribed and fully paid, was made up as follows:

	Quantity	**Par value**	**Total**
Ordinary shares	377,400,692	€0.49	€ 184,926,339.08
Savings shares	400,302	€0.49	€ 196,147.98
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 2008 and 2009.

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 31.12.2009**	**Utilisation possibilities (1)**	**Available portion**	**Summary of utilisation in the years 2009-2008-2007**	
				For loss cover	**For other purposes**
Share capital	185,122	–	–	–	–
Share premium reserve	–	–	–	–	–
Legal reserve	5	B	5	–	–
Reserve for own shares	–	–	–	–	–
Other reserves:					
– Reserve for the purchase of own shares	–	–	–	–	–
– Extraordinary reserve	1,150	A.B.C	1,150	424	–
– Reserve from contribution	–	–	–	–	–
– Merger surplus reserve and share exchange reserve	–	–	–	–	–
– Reserve as per article 67 of the consolidated tax law	–	–	–	–	–
– Dividend fluctuation reserve	–	–	–	–	–
Reserve for the rounding of nominal value	–	–	–	900	–
Hedging reserve	(795)	–	–	–	–
Fair value reserve	–	–	–	–	–
IFRS Reserve	–	–	–	13,050	–
Own shares	–	–	–	–	–
Profit (loss) brought forward	(35,809)	–	–	–	–
Profit (loss) for the year	(4,669)	–	–	–	–
Total	**145,004**	**–**	**1,155**	**–**	
Non-distributable portion	–	–	(1,155)	–	–
(1) Distributable portion remaining					

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)	**31.12.2009**			**31.12.2008**		
	Gross value	**Tax (charge) benefit**	**Net value**	**Gross value**	**Tax (charge) benefit**	**Net value**
Cash Flow Hedge	(99)	18	(81)	(1.757)	483	(1.274)
Fair value gains on available-for-sale financial asset	398	–	398	(140)	–	(140)

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

Derivative financial instruments (thousands of Euros)	31.12.2009	31.12.2008	Variation
Derivative financial instruments (Hedge accounting)	746	916	(170)
Derivative financial instruments (No hedge accounting)	100	–	100
Non-current liabilities	**846**	**916**	**(70)**
Derivative financial instruments (Hedge accounting)	812	68	744
Derivative financial instruments (No hedge accounting)	106	–	106
Current liabilities	**918**	**68**	**850**
Total derivative financial instrumets	**1,764**	**984**	**780**

There was a favorable fair value of Euro 1.764 thousand at 31 December 209 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 2009:

Company	Counterparty	Currency	Maturity	Nominal value (Euro/000)	Interest	Payement of interest	Fair value of the derivative (Euro/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	06.04.2016	19.500	4,11% fixed Euribor 6m	Six monthly	(1,038)
Reno De Medici S.p.A.	Unicredit Banca d'Impresa S.p.A.	Eur	06,04,2016	9,750	4.11% fixed Euribor 6m	Six monthly	(519)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	15,05,2016	4,030	4.15% fixed Euribor 6m	Six monthly	(207)
Total				**33,280**			**(1,764)**

25 Other payables

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

Other payables (thousands of Euros)	31.12.2009	31.12.2008	Variation
Deferred income	443	493	(50)
Miscellaneous payables	1,204	1,153	51
Other non-current payables	**1,647**	**1,646**	**1**
Payable to personnel	2,557	1,064	1,493
Payable to social security authorities	2,678	2,904	(226)
Payable to tax authorities	1,132	947	185
Miscellaneous payables	146	930	(784)
Company bodies	534	366	168
Accrued payables	52	59	(7)
Other current payables	**7,099**	**6,270**	**829**
Total other payables	**8,746**	**7,916**	**830**

"Other non-current payables" at 31 December 2009 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, includes Euro 1.2 million regard the price agreed with Cascades S.a.s. for the sale of the Company’s virgin fibre customer list, as discussed in the note “Other receivables”; 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 SAS 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 2010, 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 2009 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.

26 Deferred tax liabilities

Change in deferred tax liabilities were as follow:

Deferred taxation (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Non current liabilities	7,266	7,911	(645)
Total Deferred taxation	**7,266**	**7,911**	**(645)**

The following table provides a summary of the determination of deferred tax assets and deferred tax liabilities from temporary differences at 31 December 2009:

Deferred taxation	31.12.2009			31.12.2008		
	Temporary differences	Average tax rate %	Tax effect	Temporary differences	Average tax rate %	Tax effect
Recognised deferred tax assets	**11,350**		**2,386**	**12,757**		**2,555**
Tax losses to carry forward	6,401	27.50%	1,759	7,139	27.50%	1,963
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	1,811	3.90%	71
Other temporary differences IRAP	77	3.90%	3	115	3.90%	4
Other temporary differences IRES	739	27.50%	203	552	27.50%	152
Valuation of derivatives with hedge accounting	1,097	27.50%	302	998	27.50%	281
Recognised deferred tax liabilities	**31,233**		**9,652**	**33,941**		**10,466**
Book depreciation exceeding tax depreciation	27,245	31.40%	8,555	29,030	31.40%	9,115
Other temporary differences IRAP	–	3.90%	–	–	3.90%	–
Other temporary differences IRES	265	27.50%	73	269	27.50%	74
Remeasurement TFR IFRS	3,723	27.50%	1,024	4,642	27.50%	1,277
Recognised deferred tax (assets) liabilities, net			**7,266**			**7,911**
Unrecognised deferred tax assets	**71,143**		**19,564**	**87,056**		**23,942**
Write-downs for permanent losses in value	2,117	27.50%	582	1,820	27.50%	501
Stock provision	322	27.50%	89	322	27.50%	89
Bad and doubtful debts	1,510	27.50%	415	1,447	27.50%	398
Provision for future charges (IRES)	3,109	27.50%	855	3,971	27.50%	1,092
Financial charges deductible in future years	9,360	27.50%	2,574	8,337	27.50%	2,293
Differences deductible in future years	1,642	27.50%	452	–	0.00%	–
Tax losses to carry forward	53,083	27.50%	14,598	65,240	27.50%	17,941
Tax loss for the year	–	27.50%	–	5,919	27.50%	1,628
Unrecognised deferred tax assets			**19,564**			**23,942**

Deferred tax assets and liabilities at 31 December 2009 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 59.5 million at 31 December 2009:

Accumulated tax losses (thousand of Euros)	**2010**	**2011**	**2012**	**2013**	**2014**
Reno De Medici S.p.A.	59,484	42,003	16,379	5,919	–
Total tax losses to carry forward	**59,484**	**42,003**	**16,379**	**5,919**	**–**

27 Employees benefits

The following table provides a comparison between the balances at 31 December 2008 and 31 December 2009.

Employee benefits (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Incentive plans	504	–	504
TFR Pension Fund	12,905	13,131	(226)
Total	**13,409**	**13,131**	**278**

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 2009 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:

Economic and financial assumptions	**Italy**
Annual discount rate	4.45%
Annual inflation rate	2.00%
Annual increase in overall salaries and wages	3.00%

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

Movements in the actuarial value of the liability (thousands of Euros)	**TFR Pensione Fund**	**Incentive Plans**	**Total**
Actuarial value at 31.12.2008	**13,131**	**–**	**13,131**
Service cost	–	–	–
Interest cost	744	–	744
Services rendered	(1,667)	–	(1,667)
Actuarial gains/ losses	697	–	697
Incentive plans		504	504
Actuarial value at 31.12.2009	**12,905**	**504**	**13,409**

The “Other movements” are related essentially to profit and loss actuarial earnings in 2009.
“Incentive plans” explains the liability of Euro 0.5 million relating to the incentive plans discussed below.
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 of 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 2009 and the relative Euro interest rate curve at 31 December 2009, calculated by starting from the rates for deposits, futures and swaps.
It should be note that the evaluation of “Incentive Scheme open to RDM Group employees in 2010-2011”, has been estimated a liability at 31 December 2009 based on hypothetical adhesion of 10%. For more details, see the section “Report of the Board of Directors”
The main features of these plans are described below, or a more thorough information see “Report of the Board Directors”.

Incentive Scheme for Management based on ‘Performance Phantom Shares’ in 2009-2010-2011

By resolution dated 16 October 2009 the Shareholders’ Meeting approved an Incentive Scheme based on financial instruments, as per section 114-bis of the Consolidated Finance Act (TUF), open to the Company’s Management, the beneficiaries of which include the Chairman, the Deputy Chairman and the Managing Director.
The Scheme consists in the allocation to Beneficiaries (as defined and identified in the relating Advisory Document), free of charge, of non-transferable Phantom Shares that shall entitle their holders to the payment of a cash Bonus in 2011, provided that certain company-wide performance levels are attained by the end of year 2010.

Incentive Scheme open to RDM Group employees in 2010-2011

This Scheme is to be open to all RDM Group employees (numbering 1,700 on 31 July 2009), except for those in companies not controlled directly by RDM.
The purpose of the Scheme is to further reinforce employees’ sense of belonging to the Group by offering them the opportunity to hold shares

in Reno De Medici S.p.A. at more favourable terms than those offered on the market, in compliance with the Regulations of the Scheme itself.
Under the Scheme, whenever an employee purchases two (2) RDM shares, the Company shall provide the assigned broker with the sum needed to purchase one (1) RDM share directly in that employee's name, thus without any direct and gratuitous allocation of shares. Furthermore, the contribution towards the purchase of shares that RDM shall pay to each employee adhering to the Scheme shall not exceed EUR 1,000.00 over the entire duration of the Scheme.
The Scheme does not provide for different terms and conditions applicable to different categories of beneficiary. RDM's Managing Director, Ignazio Capuano, as well as the other managers employed by the RDM Group (who are beneficiaries of the Incentive Scheme described above) cannot benefit from this Scheme as well.

28 Non-current provisions for contingencies and charge

The balance at 31 December 2009 is as follow:

Provisions for contingencies and charge (thousands of Euros)	**31.12.2008**	**Change**	**Utilisation**	**31.12.2009**
Agents' termination indemnity	77	–	–	77
Provision for future charges	3,971	359	(1,220)	3,110
Provision for losses on investments	7,224	6,057	(7,000)	6,281
Total	**11,272**	**6,416**	**(8,220)**	**9,468**

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 1.2 million and the closing of disputes with former employees for Euro 0.3 million.
The charge for the year relates mainly to the adjustment of Euro 0.3 million to the lay-off provision.
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. as discussed in note 10. The utilisation of Euro 7 million of the provision relates to the need to cover the losses of the above French subsidiary.

29 Trade payables

"Trade payables" amount to Euro 66.2 million (Euro 67.6 million at 31 December 2008) due within 12 months. Payables are stated net of trade discounts and are adjusted for any returns or rebates agreed with the seller.

Trade payables (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Trade payables	66,193	67,589	(1,396)
Current trade payables	**66,193**	**67,589**	**(1,396)**

The decrease of trade payables, compared the previous year, derives from actions taken with regard to the reduction of working capital.

30. Group trade payables

Group trade payable related to trade relations with Group Company and are regulated with the normal market condition.

Group trade payables (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Trade payables to subsidary companies	75	304	(229)
Total trade payables to subsidiary companies	**75**	**304**	**(229)**
Group trade payables to associated companies	1,006	2,695	(1,689)
Total trade payables to associated companies	**1,006**	**2,695**	**(1,689)**
Total Group trade payables	**1,081**	**2,999**	**(1,918)**

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

Payables to subsidiary companies (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Cartiera Alto Milanese S.p.A.	–	1	(1)
Reno De Medici Arnsberg Gmbh	–	1	(1)
Emmaus Pack S.r.l.	38	103	(65)
RDM Blendecques S.a.s.	–	4	(4)
Reno De Medici Iberica S.L.	37	38	(1)
Reno Logistica S.r.l. in liquidazione	–	157	(157)
Total	**75**	**304**	**(229)**

The amount payable to Emmaus Pack S.r.l. includes a balance of Euro 75 thousand arising from the tax consolidation agreement.

On 31 December 2009 the main “Payables to associate company” is represented by Careo Group, as shown the table below:

Payables to associate companies (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Careo S.a.s.	549	353	196
Careo S.r.l.	457	2,342	(1,885)
Total	**1,006**	**2,695**	**(1,689)**

31 Other Group trade payables

The item “Other Group payables”, classified as current liabilities, represents the cash pooling liability due to Group companies, in the same way as other receivables, 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 5.6 million, and a loan made by Reno De Medici Arnsberg GmbH, amounting to Euro 3.6 million.

The other group financial payables are details below:

Other Group payables (Thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Reno De Medici Iberica S.L.	5,634	5,634	–
Reno De Medici Arnsberg Gmbh	3,571	–	3,571
Total other non-current payables	**9,205**	**5,634**	**3,571**
Careo S.r.l.	3,066	–	3,066
Cartiera Alto Milanese S.p.A.	1,330	1,021	309
Reno De Medici Arnsberg Gmbh	13,872	8,971	4,901
RDM Blendecques S.a.s.	1	26	(25)
Reno De Medici Iberica S.L.	21,055	17,761	3,294
RenoDeMedici Deutschland GmbH (1)	–	131	(131)
Total other current payables	**39,324**	**27,910**	**11,414**
Total	**48,529**	**33,544**	**14,985**

(1) RenoDeMedici Deutscheland GmbH has been incorporated in 2009 in Careo Gmbh

32 Current taxation

At 31 December 2009 this item represented the amount due to the Inland Revenue Office for IRAP relating to the year then ended. At 31 December 2008 there was a receivable balance of Euro 1.1 million for IRAP which is included in other current receivables.

Current taxation (thousands of Euros)	**31.12.2009**	**31.12.2008**	**Variation**
Irap of the year	648	–	648
Current taxation	**648**	**–**	**648**

33 Non-recurring transactions

Non-recurring event and significant transactions

The effects of any non-recurring transactions in 2009, 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.
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 non –recurring events or significant transactions. Non-recurring significant transactions are transactions or events that do not occur frequently as part of operations.

Balances and transactions deriving from abnormal and/or unusual transactions

The Company did not carry out any abnormal or unusual transactions in 2009 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.

34 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;
- sureties of Euro 110 thousand provided in favour of the Lombardy Region;
- a surety 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 2010 and a put option to be exercised in 2011, 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.
In October, with the signing of the Amending Agreement, the rescheduling of the loans originally arranged with pool funding was formally completed, and the terms above have been postponed, respectively, from 2010 to 2012 for the call options from 2011 to 2013 for the put options

35. 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 2009", 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 2009, as compared to the figures at 31 December 2008, 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.

In addition, as described in detail in the "Annual Financial Report for 2008", due to a lack of compliance with certain financial parameters the comparative figures for 2008 include a reclassification to current liabilities of financial debt of Euro 45.9 million as required by IAS 1.

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.

(thousands of Euros)	31.12.2009		31.12.2008	
	Book value	**Fair value**	**Book value**	**Fair value**
Available-for-sale financial assets	381	381	309	309
Liquid funds	1,071	1,071	3,554	3,554
Receivables	96,603	96,603	88,433	88,433
Hedging derivative financial instruments	(1,558)	(1,558)	(984)	(984)
– Assets	–	–	–	–
– Liabilities	*(1,558)*	*(1,558)*	*(984)*	*(984)*
Non-hedging derivative financial instruments	(206)	(206)	–	–
Secured long and medium-term bank loans	(19,792)	(26,321)	(22,399)	(22,813)
Unsecured long and medium-term bank loans	(1,672)	(1,706)	(1,946)	(1,845)
Secured long and medium-term bank loans at amortised cost	(43,974)	(50,958)	(47,371)	(49,571)
Loans from subsidiary company	(10,035)	(10,707)	(5,749)	(5,983)
Short-term bank loans as use of commercial facilities	(56,395)	(56,395)	(54,859)	(54,859)
Payables	(106,598)	(106,598)	(98,498)	(98,498)
Other	–	–	–	–
	(142,175)	**(156,394)**	**(139,510)**	**(142,257)**
Unrecognised gain (loss)	**(14,219)**	–	**(2,747)**	–

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 at 31 December 2009. Exposure to currency risk arised from one forward GBP/EUR foreign exchange contract outstanding at 31 December 2008. The fair value of these derivative contracts has been determined using no-arbitrage cash and carry theory. Under this theory the value of a forward foreign exchange contract is equal to the present value of the profit (or loss) which could be obtained under market conditions by holding the instrument to maturity. An estimate has been made of forward foreign exchange rates to quantify the profit (or loss) which it would be possible to obtain, using for this market rates at 31 December 2008.

The Parent Company did not hold any derivative instrument index-linked to commodity prices at 31 December 2009.

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 2009 and 31 December 2008.

Future flows were discounted on the basis of the euro yield curve at 31 December 2009 and 31 December 2008.

Financial assets

The following table sets out details of financial assets.

(thousands of Euros)	**31.12.2009**	**31.12.2008**
Non current Financial Assets		
Non derivative Financial Assets	***193***	***309***
Available-for-sale financial assets	193	309
Total	**193**	**309**
Current Financial Assets		
Non derivative Financial Assets	**1,259**	**3,554**
Available-for-sale financial assets	188	–
Liquid funds	1,071	3,554
Total	**1,259**	**3,554**

Financial liabilities

The following table sets out details of financial liabilities.

(thousands of Euros)	**31.12.2009**	**31.12.2008**
Non current Libilities		
Non derivative liabilities	***(68,306)***	***(21,283)***
Secured long and medium-term bank loans	(14,281)	(10,023)
Unsecured long and medium-term bank loans	(1,358)	(1,635)
Secured long and medium-term bank loans at amortised cost	(43,462)	(3,991)
Long and medium-term loans from subsidiary company	(9,205)	(5,634)
Hedging derivative financial instruments	***(746)***	***(916)***
Non-hedging derivative financial instruments	***(100)***	–
Total	**(69,152)**	**(22,199)**
Current Libilities		
Non derivative liabilities	***(63,561)***	***(111,041)***
Secured long and medium-term bank loans - current portion	(5,511)	(12,376)
Unsecured long and medium-term bank loans - current portion	(314)	(311)
Secured long and medium-term bank loans at amortised cost- current portion	(512)	(43,380)
Short-term bank loans as use of commercial facilities	(56,395)	(54,859)
Loans from subsidiary company - Current portion	(829)	(115)
Hedging derivative financial instruments	***(812)***	***(68)***
Non-hedging derivative financial instruments	***(106)***	–
Total	**(64,479)**	**(111,109)**

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 31.12.2009	Book value	Nominal Value 31.12.2008	Book value
Secured long and medium-term bank loans at amortised cost				**45,530**	**43,650**	**48,400**	**46,776**
Intesa SanPaolo loan in pool (tranche A)	Euro	Eur6m+ spread	2016	31,500	29,948	33,750	32,410
Intesa SanPaolo loan in pool (tranche B)	Euro	Eur6m+ spread	2016	10,000	9,711	10,000	9,768
Banca Popolare Emilia Romagna	Euro	mEur6m+ spread	2016	4,030	3,991	4,650	4,598
Secured bank loans				**19,753**	**19,753**	**22,361**	**22,361**
Intesa SanPaolo funds BEI	Euro	5.86%	2011	3,402	3,402	5,530	5,530
Intesa SanPaolo funds BEI	Euro	5.39%	2011	6,621	6,621	9,709	9,709
Intesa SanPaolo	Euro	Eur6m+ spread	2016	9,730	9,730	7,122	7,122
Non secured bank loans				**1,636**	**1,636**	**1,905**	**1,905**
MinIndustria 10686	Euro	2.11%	2013	599	599	741	741
Minindustria 11172	Euro	3.72%	2016	1,037	1,037	1,164	1,164
Total long and medium-term bank loans	**Euro**			**66,919**	**65,039**	**72,666**	**71,042**
Short-term bank loans as use of commercial facilities in GBP				**278**	**278**	**1,475**	**1,475**
Intesa SanPaolo GBP equivalent in Euro	GBP	Libor2m+ spread	n/a	278	278	152	152
Used in USD equivalent in Euro	USD		n/a	–	–	1,323	1,323
Short-term bank loans as use of commercial facilities				**56,082**	**56,082**	**53,344**	**53,344**
Used Portfolio	Euro	mEur1m+ spread	n/a	17,289	17,289	18,402	18,402
Advance Inovices	Euro	mEur1m	n/a	12,452	12,452	9,878	9,878
Loans export	Euro	Euribor+ spread	n/a	22,833	22,833	19,110	19,110
Loans import	Euro	Euribor+ spread	n/a	3,508	3,508	5,954	5,954
Total short-term bank loans	**Euro**			**56,360**	**56,360**	**54,819**	**54,819**
Total onerous lilibities	**Euro**			**123,279**	**121,399**	**127,485**	**125,861**

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 December 2008	**(715)**
"Loss of effectivenes"	*99*
Hedge accounting	*392*
Fair value	*(572)*
Reserves at 31 December 2009	**(796)**

The figure for "loss of effectiveness" relates to the agreement with Banca Intesa San Paolo for Euro 4,340 thousand, which although entered for hedging purposes failed to maintain the IFRS hedge accounting effectiveness requirements during 2009 and accordingly its fair value, net of the tax effect, has been recognised in profit and loss. 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)	31.12.2009	31.12.2008
Gross trade receivables	83,185	73,530
– provision for bad and doubtful debts	(2,360)	(2,210)
Total	**80,825**	**71,320**

Overdue or impaired financial assets

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

31 December 2009 (thousands of Euros)	**Amount due receivables**			**Receivables not due**	**Total**
	Over 60	**from 31 to 60**	**from 0 to 30**		
Italy	163	136	5,507	53,760	59,566
UE	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**

31 December 2008 (thousands of Euros)	**Amount due receivables**			**Receivables not due**	**Total**
	Over 60	**from 31 to 60**	**from 0 to 30**		
Italy	527	513	6,722	45,046	52,808
UE	47	211	3,066	7,655	10,979
Rest of the world	84	415	1,393	5,641	7,533
Total	**658**	**1,139**	**11,181**	**58,342**	**71,320**

A total of 14.4% of the receivables portfolio of the Parent Company at 31 December 2009 was overdue, while at 31 December 2008 the corresponding figure was 18.2%. This change is attributable to the measures undertaken to reduce working capital.

How Credit risk is managed

As a general approach, the risk management policy for trade receivables envisages insurance cover with companies specialising in foreign customers, whereas any uninsured or partially insured positions are subject to the specific authorisation of RDM management, depending on the amount. Specific procedures are followed in granting credit limits to Italian customers which require the approval of various levels of RDM management, again depending on the amount. RDM's credit management policies require receivables from domestic and foreign customers to be closely monitored and call for suitable collection procedures to be promptly implemented in the case of the customer's failure to pay.

In assessing creditworthiness, which is necessary before business relations may commence, internal procedures require qualitative and quantitative information to be obtained and analysed. Compared to last year and given the importance of the matter, RDM is still adjusting and adapting its structure to the new Group situation to achieve an improvement in information flows and, as a consequence, to allow 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 2009 and 31 December 2008.

Exchange BCE (for each euro)	**31.12.2009**	**31.12.2008**
USD	1.4406	1.3917
GBP	0.8881	0.9525
CHF	1.4836	1.4850
AUD	1.6008	2.0274
CAD	1.5218	1.6998

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.

(thousands of Euros)	31.12.2009				31.12.2008			
	USD	**GBP**	**CHF**	**CAD**	**USD**	**GBP**	**CHF**	**AUD**
Trade Receivables	5,581	776	60	–	3,011	1,042	65	45
Short-term loans as use of commercial facilities	–	(279)	–	–	(1,323)	(152)	–	–
Trade payables	(2,362)	–	–	(10)	(1,397)	(4)	(3)	–
Liquid Funds	879	63	90	1	2,302	464	4	–
Exposure	**4,098**	**560**	**150**	**(9)**	**2,593**	**1,350**	**66**	**45**

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 2009, assumptions were made (at 31 December 2009 and 31 December 2008) 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 2009 and 31 December 2008 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% Euro		**Depreciation of 10% Euro**	
(thousands of Euros)	**Profit and loss**	(thousands of Euros)	**Profit and loss**
31 December 2009		**31 December 2009**	
USD	(373)	USD	455
GBP	(51)	GBP	62
CHF	(14)	CHF	17
CAD	1	CAD	(1)
Total	**(437)**	**Total**	**533**
31 December 2008		**31 December 2008**	
USD	(236)	USD	288
GBP	(123)	GBP	150
CHF	(6)	CHF	7
AUD	(4)	AUD	5
Total	**(369)**	**Total**	**450**

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.

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)	31.12.2009	%	31.12.2008	%
Floating rate long and medium-term loans	(21,980)	16.1%	–	0.0%
Floating rate long and medium-term loans hedged by IRS	(32,660)	24.0%	(4,030)	3.0%
Fixed rate long and medium-term loans	(5,909)	4.3%	(11,659)	8.8%
Fixed rate long and medium-term loans to subsidiary companies	(9,206)	6.8%	(5,634)	4.2%
Total non current liabilities	**(69,755)**	**51.2%**	**(21,323)**	**16.0%**
Floating rate long and medium-term loans	–	0.0%	(17,121)	12.9%
Floating rate long and medium-term loans hedged by IRS	(620)	0.5%	(34,370)	25.8%
Fixed rate long and medium-term loans	(5,749)	4.2%	(5,486)	4.1%
Floating rate short-term bank loans as use of commercial facilities	(56,360)	41.3%	(54,817)	41.2%
Fixed rate loans from subsidiary companies	(714)	0.5%	–	0.0%
Floating rate short-term bank loans as use of commercial facilities hedged by IRS	(3,066)	2.3%	–	0.0%
Total current liabilities	**(66,509)**	**48.8%**	**(111,794)**	**84.0%**
Total floating rate	*(81,406)*	*59.7%*	*(71,938)*	*54.0%*
Total fixed rate or floating rate hedged by IRS	*(54,858)*	*40.3%*	*(61,179)*	*46.0%*
Total	**(136,264)**	**100.0%**	**(133,117)**	**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)		Shareholder's Equity	
	Increase of 50 bps	**Decrease of 50 bps**	**Increase of 50 bps**	**Decrease of 50 bps**
31 December 2009				
Fiscal year cash flow	**(545)**	**544**	**–**	**–**
– Derivaties Cash Flow	*154*	*(155)*	–	–
– c/c Intercompany	*(197)*	*197*	–	–
– Floating rate loans	*(502)*	*502*	–	–
Effectiveness of hedges	–	–	473	(485)
Sensitivity of net financial flow	**(545)**	**544**	**473**	**(485)**
31 December 2008				
Fiscal year cash flow	**(495)**	**492**	**–**	**–**
– Derivaties Cash Flow	*187*	*(190)*	–	–
– c/c Intercompany	*(140)*	*140*	–	–
– Floating rate loans	*(542)*	*542*	–	–
Effectiveness of hedges	–	–	604	(621)
Sensitivity of net financial flow	**(495)**	**492**	**604**	**(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.
Since 2008 the Parent Company has entered electricity and natural gas supply contracts at a price indexed to specific energy market index quotations. Outstanding contracts which continued into 2009 benefited from an agreement operating from March to September 2009 for the partial hedging of the commodity risk. There were no outstanding derivative hedging instruments at 31 December 2009.
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 2009 and 31 December 2008.

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 2009 (thousands of Euros)	**Book Value**	**Contractual financial flow**	**6 months or less**	**6-12 months**	**1-2 years**	**3-5 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 of commercial facilities	**(56,395)**	**(56,395)**	(56,395)	–	–	–	–
Other Group liabilities	**(39,324)**	**(39,324)**	(39,324)	–	–	–	–
Non-current Group financial liabilities	**(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)

31 December 2008 (thousands of Euros)	**Book Value**	**Contractual financial flow**	**6 months or less**	**6-12 months**	**1-2 years**	**3-5 years**	**over 5 years**
Long and medium-term bank loans	**(71,716)**	**(87,162)**	(6,243)	(5,757)	(11,015)	(41,265)	(22,882)
Short-term bank loans as use of commercial facilities	**(54,859)**	**(54,859)**	(54,859)	–	–	–	–
Other Group liabilities	**(27,911)**	**(27,911)**	(27,911)	–	–	–	–
Non-current Group financial liabilities	**(5,634)**	**(7,462)**	(228)	–	(228)	(686)	(6,320)
Hedging derivative financial instruments	**(984)**	**(1,071)**	88	(197)	(503)	(439)	(20)
Trade payables	**(70,587)**	**(70,587)**	(70,587)	–	–	–	–
Total	**(231,691)**	**(249,052)**	(159,740)	(5,954)	(11,746)	(42,390)	(29,222)

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 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.

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 2009

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 A – Details of transactions with related parties and group companies as at and for the year ended 31 december 2009

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 2009 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

Intercompany balances (thousands of Euros)	**Current assets**			**Non current liabilities**	**Current liabilities**			
	Receivables from subsidiary		**Receivables from associated**	**Payables from subsidiary**	**Payables from subsidiary**		**Payables from associated**	
	trade (1)	**financial (2)**	**trade (1)**	**financial (3)**	**trade (4)**	**financial (5)**	**trade (4)**	**financial (5)**
Careo S.a.s.	–	–	–	–	–	–	549	–
Careo S.r.l.	–	–	1,684	–	–	–	457	3,066
Cartiera Alto Milanese S.p.A.	5.184	–	–	–	–	1,330	–	–
Reno De Medici Arnsberg Gmbh	2.443	–	–	3,571	–	13,872	–	–
Reno De Medici UK Ltd	182	270	–	–	–	–	–	–
Emmaus Pack S.r.l.	5.596	1,013	–	–	38	–	–	–
Pac Service S.p.A.	–	–	913	–	–	–	–	–
RDM Blendecques S.a.s.	1.259	14,149	–	–	–	1	–	–
Reno De Medici Iberica S.L.	2.171	–	–	5,634	37	21,055	–	–
Reno Logistica S.r.l. in liquidazione	–	346	–	–	–	–	–	–
R.D.M. Tissue Core S.r.l.	–	–	457	–	–	–	–	–
Total	**16,835**	**15,778**	**3,054**	**9,205**	**75**	**36,258**	**1,006**	**3,066**

(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

Intercompany revenues (thousands of Euros)	**Revenues from sales** (1)	**Other income** (2)	**Financial income**	**Income from domestic tax consolidation**
Careo S.r.l.	–	575	55	377
Cartiera Alto Milanese S.p.A.	14,919	91	3	109
Reno De Medici Arnsberg Gmbh	–	2,442	1	–
Emmaus Pack S.r.l.	10,859	125	31	572
Pac Service S.p.A.	1,851	–	–	–
RDM Blendecques S.a.s.	7	1,259	427	–
Reno De Medici Iberica S.L.	12,008	626	–	–
R,D,M, Tissue Core S.r.l.	515	19	–	–
Reno De Medici UK Ltd	–	182	9	–
Total	**40,159**	**5,319**	**526**	**1,058**

(1) See RDM income statement - "Revenues from sales - of which related parties" includes "Revenues from sales" intercompany and to other related parties

(2) See RDM income statement - "Other revenues - of which related parties" includes "Other income" intercompany and to other related parties

Intercompany costs and expenses

Intercompany costs (thousands of Euros)	**Cost of raw materials and services** (1)		**Financial**
	raw material	**services**	**expenses**
Careo S.r.l.	–	5,742	–
Cartiera Alto Milanese S.p.A.	–	–	16
Reno De Medici Arnsberg Gmbh	–	–	281
Emmaus Pack S.r.l.	58	–	–
RDM Blendecques S.a.s.	–	–	1
Reno De Medici Deutschland Gmbh	–	–	1
Reno De Medici Iberica S.L.	–	–	357
Total	**58**	**5,742**	**656**

(1) See RDM financial statements -"Cost of raw materials and services - of which related parties" includes "Raw material and services costs" intercompany and to 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 2009 with related parties for the years then ended:

Receivables and payables due to other related parties (thousand of Euros)	Current assets	Non-current Assets	Current liabilities	Non-current liabilities
	Receivables from third parties	Non current receivables	Payables to third parties	Non current Payables (1)
Cascades Asia Ltd	535	–	–	–
Cascades Canada Inc.	–	–	5	–
Cascades Djupafors A.B.	15	–	–	–
Cascades Inc.	–	–	5	–
Cascades S.A.S.	25	–	168	1,204
Red. Im. S.r.l.	30	–	–	–
Total	**605**	**–**	**178**	**1,204**
Incidence on the total of the item	**1.0%**	**–**	**0.3%**	**73.1%**

(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 2009:

Revenues from related parties (thousand of Euros)	Revenues of sales (1)	Other revenues (2)	Financial income
Cascades Asia Ltd	2,900	16	–
Cascades Djupafors A.B.	–	15	–
Cascades Groupe Produits	–	–	1
Cascades S.A.S.	–	25	–
Total	**2,900**	**56**	**1**
Incidence on the total of the item	**1.2%**		

(2) See RDM income statement - "Revenues from sales - of which related parties" includes "Revenues of sales" intercompany and to other related parties

(1) See RDM income statement - "Other revenues - of which related parties" includes "other revenues" intercompany and to other related parties

Cost to related parties (thousand of Euros)	Raw material and services costs (1)	Financial expenses
Cascades Asia Ltd	–	66
Cascades Canada Inc.	25	–
Cascades Groupe Produits	58	1
Cascades Inc.	17	–
Cascades S.A.S.	472	–
Red. Im. S.r.l.	(5)	–
Total	**567**	**67**
Incidence on the total of the item	**0.3%**	

(1) See RDM income statement -"Cost of raw materials and services - of which related parties" includes "Raw material and services costs" intercompany and to other related parties

Cash flow with related parties

Cash flow with related parties (thousands of Euros)	**31.12.2009**
Revenues and income	48,434
Cost and charge	(6,367)
Financial income	527
Financial expenses	(723)
Income from domestic tax consolidation	1,058
Change in trade receivables	(6,288)
Change in trade payables	(1,690)
Change in total working capital	(7,978)
Cash flows from operating activities	**34,951**
Investments and disinvestment in intangible assets	(195)
Cash flows from investing activities	**(195)**
Change in other financial assets and liabilities, and short term borrowings	12,748
Change in long term borrowings	3,571
Cash flows from financing activities	**16,319**
Cash flows for the year	**51,075**

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 in which office held**	**Expiry of office**
Dubé Christian (1)	Chairman	01.01 - 31.12.2009	31.12.2010
Garofano Giuseppe (1)	Deputy chairman	01.01 - 31.12.2009	31.12.2010
Capuano Ignazio	Managing director	01.01 - 31.12.2009	31.12.2010
Ciardullo Riccardo	Director	01.01 - 31.12.2009	31.12.2010
Garriba Sergio	Director	01.01 - 31.12.2009	31.12.2010
Hall Robert (2)	Director	01.05 - 31.12.2009	Next Meeting
Lemaire Bernard (2)	Director	01.01 - 30.04.2009	31.12.2010
Lemaire Laurent	Director	01.01 - 31.12.2009	31.12.2010
Leo Mirko	Director	01.01 - 31.12.2009	31.12.2010
Nicastro Vincenzo	Director	01.01 - 31.12.2009	31.12.2010
Peretti Carlo	Director	01.01 - 31.12.2009	31.12.2010
Rossini Emanuele	Director	01.01 - 31.12.2009	31.12.2010
Pivato Sergio	Chairman	01.01 - 31.12.2009	31.12.2011
Conti Giovanni Maria	Standing auditor	01.01 - 31.12.2009	31.12.2011
Tavormina Carlo	Standing auditor	01.01 - 31.12.2009	31.12.2011

(1) On 8 May 2009 the Board of Director appointed Mr. Christian Dubè Chairman and Mr. Giuseppe Garofano Deputy Chairman.

(2) On 8 May 2009 Mr. Bernard Lemaire was resigned and Mr. Robert Hall was appointed by co-option. On 8 November 2009 Mr. Robert Hall was appointed by co-option until the first useful shareholders' meeting.

Family name/first name	**Fees**			
	Emoluments for office	**Non-monetary benefits**	**Bonuses and other incentives**	**Other remuneration**
Dubé Christian (1)	76,667	–	–	50,000
Garofano Giuseppe	60,000	–	–	–
Capuano Ignazio (2)	214,000	–	–	221,000
Ciardullo Riccardo	40,000	–	–	–
Garriba Sergio	30,000	–	–	–
Hall Robert	10,000	–	–	–
Lemaire Bernard	3,333	–	–	–
Lemaire Laurent	10,000	–	–	–
Leo Mirko	10,000	–	–	–
Nicastro Vincenzo	61,667	–	–	–
Peretti Carlo	71,667	–	–	–
Rossini Emanuele	10,000	–	–	–
Pivato Sergio	80,599	–	–	–
Conti Giovanni Maria	52,148	–	–	–
Tavormina Carlo	52,812	–	–	5,949

(1) Emolument relates to employment contract for the integration of information system with the subsidiary and parent companies, particularly with regard to foreign companies.

(2) The above table does not include the portion of variable fees, included in this financial report, since final amount will be defined after the approval of financial statement at 2009. See the "Report of the Board of Directors" in the Paragraph "8.1. Compensation for the members fo the board of directors".

Attachment C – List of investments in subsidiary companies and associates

Investments at 31 December 2009 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%

RDM Tissue core S.r.l.
Milan - Italy
Direct ownership 51%

Service sector

Reno Logistica S.r.l in liquidation
Milan - 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 (1)	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

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

REPORT OF THE BOARD OF STATUTORY TO THE SHAREHOLDERS PURSUANT TO ART. 153 OF LEGISLATIVE DECREE 58/98 AND ART. 2429 OF THE ITALIAN CIVIL CODE

To the Shareholders' Meeting of Reno De Medici S.p.A.

During the year ended on 31 December 2009, we carried out the supervisory activity as prescribed by Legislative Decree no. 58 of 24 February 1998, according to the standards of conduct for the Board of Statutory Auditors recommended by the Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili [the National Boards of Chartered Accountants and Auditors].
In particular, and also in compliance with the indications provided by CONSOB, we report the following.
We oversaw the observance of the law and the memorandum of association.
At least on a quarterly basis, the Directors provided full information to us on the activities performed and on the most important economic and financial operations implemented by the Company and its subsidiaries, as well as on the general operations and the events that most significantly affected the results for the year.
We ascertained that the actions decided upon and implemented were in compliance with the law and the by-laws and were not explicitly imprudent, hazardous, and marked by a conflict of interest, and that they did not jeopardize the integrity of the company assets.
As part of our work, we ascertained the adequacy of the company's organizational structure, its compliance with the principles of corporate governance and the adequacy of the provisions laid out by the company and its subsidiaries, pursuant to art. 114. par. 2 of Legislative Decree 58/98, through the collection of information from the managers of the departments and meetings with the auditing firm PriceWaterhouseCoopers S.p.A., including for the sharing of significant information and data and, in this regard, we have no particular comments to make.
We evaluated and ascertained the adequacy of the internal control system and the administrative and accounting system, as well as the reliability of the latter insofar as the correct representation of operating events, by obtaining information from the managers of the respective departments, examining the corporate documents, and analyzing the results of the work carried out by the auditors, ascertaining the work of the manager in charge of internal control and participating in the meetings of the Committee for Internal Control. We have no particular comments to make in this regard.
As required by articles 165 and 155 of Legislative Decree no. 58, the auditing firm exclusively examined:

- the regularity of the accounting and correct recognition of operating events in the accounting records;

- correspondence of the financial statements with the accounting records and compliance with the laws that govern the preparation of the financial statements.

We had periodic meetings with the executives of the auditing firm pursuant to art. 150, par. 3 of Legislative Decree 58/98 and no significant data or information emerged which should be mentioned in this report.

We have verified compliance with the laws concerning the preparation and layout of the financial statements and consolidated financial statements for the period ended on 31 December 2009, which were prepared according to the IAS and IFRS, and the Directors' Report on Operations, directly and through information acquired from the auditing firm.

In regard to the ascertainment of any impairment of assets (through impairment testing) pursuant to IAS 36, as is expressly indicated in the document no. 4 of 3 March 2010 which was jointly issued by the Bank of Italy, Consob and Isvap, prior to approving the financial statements for the period ended on 31 December 2009, the Directors approved the results of the impairment test and ascertained that these results were in compliance with the instructions contained in IAS 36.

We ascertained that the corporate governance system as provided by the Code of Conduct adopted by the company, in line with the recommendations of Borsa Italiana S.p.A., was correctly implemented. We therefore:

- checked that the criteria adopted by the Board of Directors for the assessment of the independence of its members were correctly applied;

- ascertained the independence of the Auditors.

In their report which was updated with the information required by Legislative Decree 32/2007, the Directors provide complete information in regard to operations and the events that characterized the year, illustrating the activities carried out in the various geographic areas in which the company operates.

The Directors furthermore listed and appropriately described the transactions carried out between companies belonging to the Group and other related parties, highlighting the ordinary nature of these transactions or in any case their functionality in regard to the company plans and requirements, the features of the transactions and the amounts involved. These transactions took place at arm's length and do not contravene the interests of the company.

Attachment A to the Notes and the comments to the financial statements of the parent company contains tables summarizing the nature and economic and financial effects of the transactions with related parties, including infra-group transactions.

We hereby bring to your attention the information provided by the Directors in regard to:

- the stipulation in October 2009 of the Amending Agreement relating to the re-negotiation with Intesa Sanpaolo and Unicredit of the loans originally taken out in 2006;
- the approval in October 2009 of the incentive plans for Reno Group employees and management;

- the acquisition in November 2009 of the minority shareholding in Manucor S.p.A. which manufactures flexible plastic packaging, an activity that is complementary to the activities of the Group.

On 9 April 2010 the auditing firm issued its own reports with a favorable opinion on the consolidated and separate financial statements for the period ended 31 December 2009, without comments or requests for additional information. The auditing firm has also ascertained coherence between the Report on Operations and the specific section on corporate governance and the ownership structure, exclusively insofar as the information under par.1, c), d), f), l), m) and par. 2 b) of art. 123-bis of Legislative Decree 58/98 and the financial statements for the period ended 31 December 2009.

During the year:

- Based on the valuations expressed by the board of directors, on 8 May 2009, the Board of Statutory Auditors checked the correct application of the criteria and the assessment procedures adopted by the Board of Directors for ascertaining the independence of its members;
- 6 meetings of the Board of Directors, 4 meetings of the Committee for Internal Control, 3 meetings of the Remuneration Committee and 8 meetings of the Board of Statutory Auditors were held.

As shown in the information provided in Attachment D to the notes to the financial statements, in addition to the auditing of the financial statements for the year, the consolidated financial statements, the bi-annual financial statements and the ascertainments concerning the regular keeping of the corporate accounting records, the company did not entrusted PriceWaterhouseCoopers S.p.A. and entities that are connected on a continuous basis to PriceWaterhouseCoopers S.p.A. with other tasks. Therefore, the Subsidiaries of Reno De Medici entrusted to PriceWaterhouseCoopers S.p.A. or entities that are connected on a continuous basis to PriceWaterhouseCoopers S.p.A and that are part of the latter’s international network to carry out the following tasks:

- auditing of subsidiaries by PriceWaterhouseCoopers for a fee amounting to EUR 30 thousand;
- auditing of subsidiaries by the PriceWaterhouseCoopers network for a fee amounting to EUR 170 thousand;
- taxation and other services provided to subsidiaries by PriceWaterhouseCoopers for a fee amounting to EUR 47 thousand.

Due to the certification of independence issued by PriceWaterhouseCoopers and the tasks assigned to it and the companies belonging to its networks by the company and the companies belonging to the Group, we do not consider that there are any critical aspects in relation to the independence of the auditing firm PriceWaterhouseCoopers.

During the supervisory activity and on the basis of information received from the auditing firm, there were no omissions and/or wrongdoing and/or irregularities or facts of such significance as to require notification to the supervisory organs or mention in this report.

The supervisory activity described above was carried out in board meetings (including also individual interventions) and participating in the meetings of the Board of Directors and the Committee for Internal Control and the Supervisory Body pursuant to Legislative Decree 231/2001. In regard to these organs, we note:

- the establishment of an internal audit department headed by Ms. Serena Monteverdi;
- the modification of the composition of the area under assessment pursuant to Legislative Decree 231/2001, with the addition of Ms. Veronica Arciuolo, attorney at law, as the Director of Legal and Corporate Affairs.

Insofar as the segment on Corporate Governance, the Directors' Report on Operations does not contain any issues to bring to your attention.
No claims were received pursuant to article 2408 of the Civil Code, nor were any made by third parties.
Both the consolidated financial statements and the separate financial statements of the parent company contain the ascertainments required pursuant to art. 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 as it was amended.
Based on the above and insofar as its areas of responsibility, the Board of Auditors did not discover any reasons not to approve the financial statements for the period ended 31 December 2009 or the proposal made by the Directors to bring forward the loss for the year.

Milan, 9 April 2010

THE BOARD OF STATUTORY AUDITORS

Signed Prof. Sergio PIVATO
(Chairman)

Signed Mr. Giovanni Maria CONTI

Signed Mr. Carlo TAVORMINA

* * *

Pursuant to art. 144-quinquiesdecies of the Issuers' Regulation, the Board of Auditors hereby attached the list of duties covered by its members within the company as per Tome V, Section V, Chapters V, VI and VII of the Civil Code as at the date this report was issued. The list was drawn up in accordance with the instructions contained in Attachment 5 - bis, Model 4 of the aforementioned Regulation.

LIST OF THE MANAGEMENT AND CONTROL OFFICES HELD BY EACH MEMBER OF BOARD OF STATUTORY AUDITORS UPDATE TO APRIL 9, 2010, 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 2010
	Number of offices held in issuers:	**3**	
	Overall number of office held:	**5**	

Dott. GIANMARIA CONTI			
			Approval of Financial Statement
1	Biancamano Spa	Director	31/12/2011
2	Reno De Medici Spa	Effective Auditor	31/12/2011
3	Fomas Finanziaria Spa	Effective Auditor	31/12/2010
4	Mylan Spa con socio unico	Effective Auditor	31/12/2011
5	Borbonese Spa	Director	31/12/2009
6	Callari Srl	Effective Auditor	31/12/2009
7	Eolo Srl	Effective Auditor	31/12/2011
8	Gewa Med Srl	Director	up to revocation
9	Immobiliare 1750 Spa	Chairman of the Committee for the Control	31/12/2009
10	RSC & Partners Consulting Srl	Chairman of Board of Directors.	up to revocation
	Number of offices held in issuers:	**2**	
	Overall number of office held:	**10**	

Dott. CARLO TAVORMINA			
			Approval of Financial Statement
1	Realty Vailog SpA	Chairman of Auditors	31/12/2011
2	Reno de Medici SpA	Effective Auditor	31/12/2011
3	Askar Investors SGR SpA	Chairman of Auditors	31/12/2009
4	Emmaus Pack Srl	Chairman of Auditors	31/12/2009
5	Omnia Sim SpA	Chairman of Auditors	31/12/2011
6	Alma Ceres Srl	Effective Auditor	31/12/2011
7	Brianza Salumi Srl	Effective Auditor	31/12/2011
8	Industria e Innovazione SpA	Effective Auditor	31/12/2010
9	Manucor SpA	Effective Auditor	31/12/2011
10	Mediapason SpA	Effective Auditor	31/12/2010
11	Nem Due SGR SpA	Effective Auditor	31/12/2011
12	RCR Cristalleria Italiana SpA	Effective Auditor	31/12/2009
13	Telelombardia Srl	Effective Auditor	31/12/2010
14	Videogruppo Televisione SpA	Effective Auditor	31/12/2011
15	Nelke Srl	Director	31/12/2009
	Number of offices held in issuers:	**2**	
	Overall number of office held:	**15**	

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 2009 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	**Auditor**	**Company**	**Audit Fees 2009** (thousand of Euros)
Financial Statement Audit	PricewaterhouseCoopers S.p.A,	Parent Company Reno De Medici Spa	195
	PricewaterhouseCoopers S.p.A.	Subsidiary Companies	30
	Network PricewaterhouseCoopers	Subsidiary Companies	170
Other Services	Network PricewaterhouseCoopers	Subsidiary Companies (*)	47
Total			**442**

(*) Other audit services

REPORT OF THE INDIPENDENT AUDITORS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N 58 DATED 24 FEBRUARY 1998 (NOW ARTICLE 14 OF LEGISLATIVE DECREE N° 39 DATED 27 JANUARY 2010)

To the shareholders of
Reno De Medici SpA

1 We have audited the financial statements of Reno De Medici SpA as of 31 December 2009, which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and related illustrative 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 n° 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the 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 audit opinion.

The audit of the financial statements as of 31 December 2009 has been conducted in accordance with the Law in force during that period.

Regarding the amounts of the financial statements of the prior year presented for comparative purposes, reclassified to take into account the amendments introduced by IAS 1 to the financial statements presentation, reference should be made to our report dated 9 April 2009.

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** 40122 Via delle Lame 111 Tel. 051526611 – **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 30 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** 38100 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

PRICEWATERHOUSECOOPERS

3 In our opinion, the financial statements of Reno De Medici SpA as of 31 December 2009 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 n° 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results 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 accordance 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 related to the Corporate Governance and ownership structures, limited to the information provided for in accordance with the article 123-bis, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of the Legislative Decree n° 58/98, with the financial statements, as required by the Law. For this purpose, we have performed the procedures required under Auditing Standard n° 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report of the Board of Directors and the information, provided for in accordance with the article 123-bis, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of the Legislative Decree n° 58/98 presented in the specific section of the same report, are consistent with the financial statements of Reno De Medici SpA as of 31 December 2009.

Milan, 9 April 2010

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.

(2)

ATTESTATION OF STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2009, 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 2009:
   - 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, 26 March 2010

Managing Director	Manager responsible for the preparation of company accounting documents
Signed	Signed
Ignazio Capuano	Stefano Moccagatta

PROPOSAL TO THE SHAREHOLDERS' MEETING

Dear Shareholders,
The financial statements, which we submit for your approval, close with a loss of Euro 4.699.090 and it is our proposal to you to carry this forward.
If you agree with this proposal, we invite you to approve the following resolution:
"The ordinary meeting of the shareholders of Reno De Medici S.p.A.:

- *having looked through the Report of the Board of Directors and all the documents attached thereto;*
- *having examined the Report of the Board of Statutory Auditors;*
- *having cheked the financial statements for the year ended 31 December 2009;*
- *having acknowledged the Report of PricewaterhouseCoopers S.p.A.*

resolves

- *to approve the Report of the Board of Directors, the Report on Operations, inclusive of all other documents and reports, and the statutory financial statements for the year ended 31 December 2009;*
- *to approve the proposal made by the Board of Directors to carry forward the loss of Euro 4.699.090 for the year 2009;*
- *to instruct the Chairman of the Board of Directors or the Managing Director, separately, to take all such action necessary to publish and file the financial statements for the year ended 31 December 2009".*

Milan, 26 March 2010

On behalf of the Board of Directors

The Chairman
Signed
Christian Dubé

SUMMARY OF THE PRINCIPAL FIGURES FROM THE MOST RECENT FINANCIAL STATEMENTS OF THE SUBSIDIARY COMPANIES, ASSOCIATES AND JOINT VENTURE OF THE RENO DE MEDICI GROUP

Selected financial date of subsidiary companies and associates of the Reno De Medici Group as at and for the year ended 31 December 2009 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.
- RDM Tissue core S.r.l.

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

Cartiera Alto Milanese S.p.A.
Registered office in Milan – Via Durini, 16/18
Share capital Euro 200,000

(thousand of Euros)

Balance Sheet

Assets	**31.12.2009**	**31.12.2008**
Fixed assets	26	34
Working capital	8,393	8,612
TOTAL ASSETS	**8,419**	**8,646**

Liabilities and shareholders' equity	**31.12.2009**	**31.12.2008**
Shareholders' equity	1,479	1,641
Previsions for contingencies and charges	120	109
Employees' leaving entitlement	–	–
Payables	6,820	6,896
Totale liabilities and shareholders' equity	**8,419**	**8,646**

Profit and loss account

	31.12.2009	**31.12.2008**
Value of production	16,145	19,109
Cost of production	(15,613)	(18,313)
Operating profit	**532**	**796**
Financial income and (expense)	(30)	(42)
Profit (loss) before taxtation	**502**	**754**
Income taxes	(164)	(247)
Profit (loss) for the year	**338**	**507**

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

(thousand of Euros)

Balance Sheet

Assets	**31.12.2009**	**31.12.2008**
Fixed assets	307	312
Working capital	4	–
TOTAL ASSETS	**311**	**312**

Liabilities and shareholders' equity	**31.12.2009**	**31.12.2008**
Shareholders' equity	309	311
Previsions for contingencies and charges	–	–
Employees' leaving entitlement	–	–
Payables	2	1
Totale liabilities and shareholders' equity	**311**	**312**

Profit and loss account

	31.12.2009	**31.12.2008**
Value of production	–	–
Cost of production	(8)	(1)
Operating profit	**(8)**	**(1)**
Financial income and (expense)	–	–
Profit (loss) before taxtation	**(8)**	**(1)**
Income taxes	–	–
Profit (loss) for the year	**(8)**	**(1)**

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

(thousand of Euros)

Balance Sheet

Assets	**31.12.2009**	**31.12.2008**
Fixed assets	174	123
Working capital	10,235	10,173
TOTAL ASSETS	**10,409**	**10,296**

Liabilities and shareholders' equity	**31.12.2009**	**31.12.2008**
Shareholders' equity	1,396	1,159
Previsions for contingencies and charges	64	91
Employees' leaving entitlement	144	137
Payables	8,805	8,909
Totale liabilities and shareholders' equity	**10,409**	**10,296**

Profit and loss account

	31.12.2009	**31.12.2008**
Value of production	17,867	18,337
Cost of production	(16,621)	(17,351)
Operating profit	**1,246**	**986**
Financial income and (expense)	(41)	(81)
Profit (loss) before taxtation	**1,205**	**905**
Income taxes	(468)	(345)
Profit (loss) for the year	**737**	**560**

RDM Blendecques S.a.s

Registered office in Blendecques – Rue de L'Hermitage B.P. 53006
Share capital Euro 1,037,000

(thousand of Euros)

Balance Sheet

Assets	31.12.2009	31.12.2008
Fixed assets	3,899	1,842
Working capital	14,305	22,403
TOTAL ASSETS	**18,204**	**24,245**

Liabilities and shareholders' equity	31.12.2009	31.12.2008
Shareholders' equity	(12,301)	(14,610)
Previsions for contingencies and charges	121	351
Employees' leaving entitlement	1,871	1,805
Payables	28,513	36,699
Totale liabilities and shareholders' equity	**18,204**	**24,245**

Profit and loss account

	31.12.2009	31.12.2008
Value of production	50,775	42,379
Cost of production	(55,109)	(42,615)
Operating profit	**(4,334)**	**(236)**
Financial income and (expense)	(350)	(902)
Profit (loss) before taxtation	**(4,684)**	**(1,138)**
Income taxes	(6)	(20)
Attività operative cessate	–	(6,417)
Profit (loss) for the year	**(4,690)**	**(7,575)**

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

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

(thousand of Euros)

Balance Sheet

Assets	**31.12.2009**	**31.12.2008**
Fixed assets	90,619	92,552
Working capital	43,089	41,709
TOTAL ASSETS	**133,708**	**134,261**

Liabilities and shareholders' equity	**31.12.2009**	**31.12.2008**
Shareholders' equity	75,797	79,613
Employees' leaving entitlement	9,174	7,725
Payables	48,737	46,923
Totale liabilities and shareholders' equity	**133,708**	**134,261**

Profit and loss account

	31.12.2009	**31.12.2008**
Value of production	102,554	92,153
Cost of production	(99,380)	(89,752)
Operating profit	**3,174**	**2,401**
Financial income and (expense)	(1)	(252)
Profit (loss) before taxtation	**3,173**	**2,149**
Income taxes	(989)	(655)
Profit (loss) for the year	**2,184**	**1,494**

Reno De Medici Iberica S.L.
Registered office in Prat De Llobregatt (Barcelona) calle Selva, 2
Share capital Euro 39,060,843

(thousand of Euros)

Balance Sheet

Assets	**31.12.2009**	**31.12.2008**
Fixed assets	14,743	9,438
Working capital	35,561	40,489
TOTAL ASSETS	**50,304**	**49,927**

Liabilities and shareholders' equity	**31.12.2009**	**31.12.2008**
Shareholders' equity	42,766	42,388
Previsions for contingencies and charges	–	–
Employees' leaving entitlement	–	–
Payables	7,538	7,539
Totale liabilities and shareholders' equity	**50,304**	**49,927**

Profit and loss account

	31.12.2009	**31.12.2008**
Value of production	35,522	36,845
Cost of production	(35,337)	(36,993)
Operating profit	**185**	**(148)**
Financial income and (expense)	180	246
Profit (loss) before taxation	**365**	**98**
Income taxes	13	–
Profit (loss) for the year	**378**	**98**

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

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

(thousand of Euros)

Balance Sheet

Assets	**31.12.2009**	**31.12.2008**
Fixed assets	541	558
Working capital	3,524	4,158
TOTAL ASSETS	**4,065**	**4,716**

Liabilities and shareholders' equity	**31.12.2009**	**31.12.2008**
Shareholders' equity	1,200	1,486
Previsions for contingencies and charges	–	–
Employees' leaving entitlement	23	23
Payables	2,842	3,207
Totale liabilities and shareholders' equity	**4,065**	**4,716**

Profit and loss account

	31.12.2009	**31.12.2008**
Value of production	8,450	8,438
Cost of production	(8,830)	(8,895)
Operating profit	**(380)**	**(457)**
Financial income and (expense)	(13)	6
Profit (loss) before taxation	**(393)**	**(451)**
Income taxes	–	–
Profit (loss) for the year	**(393)**	**(451)**

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

Reno Logistica S.r.l in liquidation
Registered office in Milan – Via dei Bossi, 4
Share capital Euro 25,000

(thousand of Euros)

Balance Sheet

Assets	**31.12.2009**	**31.12.2008**
Fixed assets	–	–
Working capital	181	281
TOTAL ASSETS	**181**	**281**

Liabilities and shareholders' equity	**31.12.2009**	**31.12.2008**
Shareholders' equity	(189)	(141)
Previsions for contingencies and charges	–	391
Employees' leaving entitlement	–	–
Payables	370	31
Totale liabilities and shareholders' equity	**181**	**281**

Profit and loss account

	31.12.2009	**31.12.2008**
Value of production	–	–
Cost of production	(46)	(158)
Operating profit	**(46)**	**(158)**
Financial income and (expense)	–	–
Profit (loss) before taxtation	**(46)**	**(158)**
Income taxes	–	–
Profit (loss) for the year	**(46)**	**(158)**

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

(thousand of Euros)

Balance Sheet

Assets	31.12.2009	31.12.2008
Fixed assets	1,677	1,675
Working capital	7,685	6,458
TOTAL ASSETS	**9,362**	**8,133**

Liabilities and shareholders' equity	31.12.2009	31.12.2008
Shareholders' equity	261	189
Previsions for contingencies and charges	1,953	1,203
Employees' leaving entitlement	383	382
Payables	6,765	6,359
Totale liabilities and shareholders' equity	**9,362**	**8,133**

Profit and loss account

	31.12.2009	31.12.2008
Value of production	15,009	11,202
Cost of production	(14,202)	(11,888)
Operating profit	**807**	**(686)**
Financial income and (expense)	(453)	74
Profit (loss) before taxtation	**354**	**(612)**
Income taxes	(283)	203
Profit (loss) for the year	**71**	**(409)**

Manucor S.p.a
Registered office in Milan – Via Durini, 16/18
Share capital Euro 10,000,000

(thousand of Euros)

Balance Sheet

Assets	**31.12.2009**
Fixed assets	96,564
Working capital	53,095
TOTAL ASSETS	**149,659**

Liabilities and shareholders' equity	**31.12.2009**
Shareholders' equity	22,092
Employees' leaving entitlement	1,950
Payables	125,617
Totale liabilities and shareholders' equity	**149,659**

Profit and loss account

	31.12.2009
Value of production	7,677
Cost of production	(7,894)
Operating profit	**(217)**
Financial income and (expense)	(95)
Altri Proventi (oneri)	212
Profit (loss) before taxtation	**(100)**
Income taxes	437
Profit (loss) for the year	**338**

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

(thousand of Euros)

Balance Sheet

Assets	**31.12.2009**	**31.12.2008**
Fixed assets	2,837	3,008
Working capital	8,827	7,526
TOTAL ASSETS	**11,664**	**10,534**

Liabilities and shareholders' equity	**31.12.2009**	**31.12.2008**
Shareholders' equity	5,713	5,336
Previsions for contingencies and charges	107	152
Employees' leaving entitlement	386	372
Payables	5,458	4,675
Totale liabilities and shareholders' equity	**11,664**	**10,534**

Profit and loss account

	31.12.2009	**31.12.2008**
Value of production	15,075	14,678
Cost of production	(13,828)	(13,845)
Operating profit	**1,247**	**833**
Financial income and (expense)	8	(22)
Profit (loss) before taxtation	**1,255**	**811**
Income taxes	(428)	(217)
Profit (loss) for the year	**827**	**594**

RDM Tissue core S.r.l.
Registered office in Milan
Share capital Euro 100,000

(thousand of Euros)

Balance Sheet

Assets	**31.12.2009**
Fixed assets	7
Working capital	545
TOTAL ASSETS	**552**

Liabilities and shareholders' equity	**31.12.2009**
Shareholders' equity	36
Employees' leaving entitlement	–
Payables	516
Totale liabilities and shareholders' equity	**552**

Profit and loss account

	31.12.2009
Value of production	618
Cost of production	(682)
Operating profit	**(64)**
Financial income and (expense)	–
Profit (loss) before taxtation	**(64)**
Income taxes	–
Profit (loss) for the year	**(64)**

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