Reno De Medici

RdM GROUP

Annual report and financial statements 2008

Reno De Medici

ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

80° FISCAL YEARS RENO DE MEDICI

RENO DE MEDICI

Report of the Board of Directors
and Financial Statements
for the 80th fiscal year
ended 31 December 2008 ([1])

Ordinary shareholders' meeting
of 28 April 2009 first call
of 30 April 2009 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.

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008

FINANCIAL STATEMENTS OF THE PARENT COMPANY AT 31 DECEMBER 2008

The shareholders of Reno De Medici S.p.A. are called to an Ordinary General Meeting to be held in first call at **3.30 p.m. on 28 April 2009** at Borsa Italiana S.p.a, in Milan, Piazza degli Affari 6 and, as may be necessary, in second call on 30 April 2009 at the same time and at the headquarter to discuss and adopt resolutions on the following:

AGENDA

1. **Annual financial statements for the year ended 31 December 2008:**
   - 1.1 Approval of the annual financial statements for the year ended 31 December 2008 and the Reports of the Board of Directors, the Board of Statutory Auditors and the Auditing Firm. Related and consequent resolutions.
   - 1.2 Presentation of the consolidated financial statements for the year ended 31 December 2008.

2. **Proposal for additions to the scope of the audit performed by PricewaterhouseCoopers S.p.A.:**

   Proposal for additions to the scope of the audit of the statutory and consolidated financial statements performed by PricewaterhouseCoopers S.p.A. and amendments to their fees. Related and consequent resolutions.

3. **Appointment of the Board of Statutory Auditors for the three-year period 2009-2010-2011:**
   - 3.1 Appointment of the Board of Statutory Auditors for the three-year period 2009-2010-2011;
   - 3.2 Appointment of the Chairman of the Board of Statutory Auditors;
   - 3.3 Determination of the annual fees of the members of the Board of Statutory Auditors.

Pursuant to article 126-bis of Legislative Decree no. 58/98, shareholders representing at least one fortieth of the Company's share capital having voting rights may make a request, within five days of the publication of this notice, for other matters to be discussed at the meeting, indicating in their request the additional matters they propose for discussion. Additional matters may not be included on subjects for which the shareholders' meeting adopts resolutions, in accordance with the law, on proposals made by the directors or on the basis of projects or reports prepared by the directors. The list of any additional matters to be discussed at the shareholders' meeting will be published using the same formalities followed in the publication of this present notice.

Entitlement to attend

Pursuant to article 2370 of the Italian civil code and article 8 of the Company's articles of association, shareholders on behalf of whom the

Company has received - up to two working days before the date arranged for the individual shareholders' meeting - notice from an authorized intermediary of their attendance at the meeting, are entitled to attend.

Shareholders are kindly requested to arrive before the time at which the meeting has been called to facilitate the registration procedure. For this purpose, shareholders are recommended to arrive with a copy of the above-mentioned notice.

Shareholders entitled to attend the shareholders' meeting may be represented pursuant to and by the means established by the law.

Appointment of the board of statutory auditors

The appointment of the Board of Statutory Auditors proceeds in the manner described in article 19 of the Company's articles of association, to which reference should be made.

Statutory Auditors are appointed by the shareholders' meeting on the basis of lists presented by shareholders. Shareholders who on their own or together with other shareholders hold a total number of shares that represent at least 2.5% of share capital are entitled to present lists. Shareholders who are members of a shareholders' pact pursuant to article 122 of Legislative Decree no. 58/98, the controlling entity, subsidiaries and entities under common control pursuant to article 93 of Legislative Decree no. 58/98 may not present or take part in the presentation of, neither directly nor through an intermediate third party or a trustee company, more than one single list, nor may they vote for different lists; no candidate may stand for more than one list, failing which he or she shall be declared 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 of candidates signed by the shareholder or shareholders presenting them, accompanied by the necessary documentation, must be lodged at the Company's registered office in Via Durini 16/18, Milan by and not beyond 14 April 2009.

For the purpose of providing evidence of the number of shares required to present the lists, shareholders must lodge at the Company's registered office together with the list of candidates an appropriate certificate demonstrating that they are the owners of the number of shares represented and that they are entitled to participate at the shareholders' meeting.

Shareholders may only present or take part in the presentation of one single list and may only vote for one single list.

The lists are divided into two sections: one with three names for the candidates standing for the position of standing auditor and one with two names for the candidates standing for the position of substitute auditor.

The following must be lodged with each list at the Company's registered office within the terms for lodging the lists: (a) summarized information regarding the presenting shareholders (including the total percentage of shares held); (b) a statement by the shareholders - other than those who hold, also 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 why he or she may be 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 which may be held by a candidate in other companies.

Candidates are requested to indicate any changes in the positions they hold up to the actual day of the shareholders' meeting. Persons holding a number of positions exceeding the cumulative limit provided by prevailing laws and regulations cannot be appointed statutory auditors.
If only one list has been lodged by 14 April 2009, or if only lists have been lodged which are presented by shareholders who are linked in the sense of article 144-quinquies of the Issuers' Regulations, lists may be presented up to the fifth day subsequent to that date, meaning by and not beyond 19 April 2009. In that case the threshold for the presentation of lists is reduced by one half and accordingly to 1.25% of share capital.

Documentation

Documentation relating to the matters on the agenda will be made available to the public within the terms of law at the Company's registered office and at Borsa Italiana S.p.A., with the possibility for copies to be obtained.

This documentation will also be available for consultation on the website www.renodemedici.it

Milan, 28 March 2009

On behalf of the Board of Directors
The Chairman
Giuseppe Garofano

COMPANY BODIES

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

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 2008 and for the year then ended, with comparative data for the prior year, are set out in the following.

RDM GROUP

(millions of Euros)	**2008**	**2007**
ECONOMIC DATA (1)		
Net revenues	455	342
Gross operating profit (EBITDA)	40	30
Depreciation and amortisation	(26)	(20)
Operating result (EBIT)	14	10
Income (losses) from investments	(2)	1
Result before discontinued operations	1	3
Discontinued operations	(7)	(2)
Net result for the year	(6)	1
Net result pertaining to the Group	(6)	1
BALANCE SHEET DATA		
– *Non-current assets* (2)	*274*	*197*
– *Non-current assets held for sale*	*–*	*6*
– *Non-current liabilities, employee benefits and provision funds* (3)	*(61)*	*(28)*
– *Current assets (liabilities)* (4)	*(11)*	*(15)*
– *Working capital* (5)	*88*	*69*
Net capital invested (NIC) (6)	290	229
Net financial indebtedness (7)	129	114
Shareholders'equity	161	115
RATIO		
EBITDA/Net revenues	8.8%	8.8%
EBIT/NIC	5.0%	4.4%
Debt ratio (Net financial indebtedness/NIC)	44.6%	49.8%

(1) See RDM Group consolidated financial statements.
(2) See RDM Group consolidated financial statements - total of "Non-current assets" excluding the detail items "Derivative instruments" and "Trade receivables".
(3) See RDM Group consolidated financial statements - total of the following detail items of "Non-current liabilities": "Other payables", "Deffered 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", 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" and in "Current assets", "Liquid funds" and "Other Group Trade 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 trade receivables", classified in "Current liabilities".

The key profit and loss and balance sheet items of the Parent Company compared with 2007, are as follows:

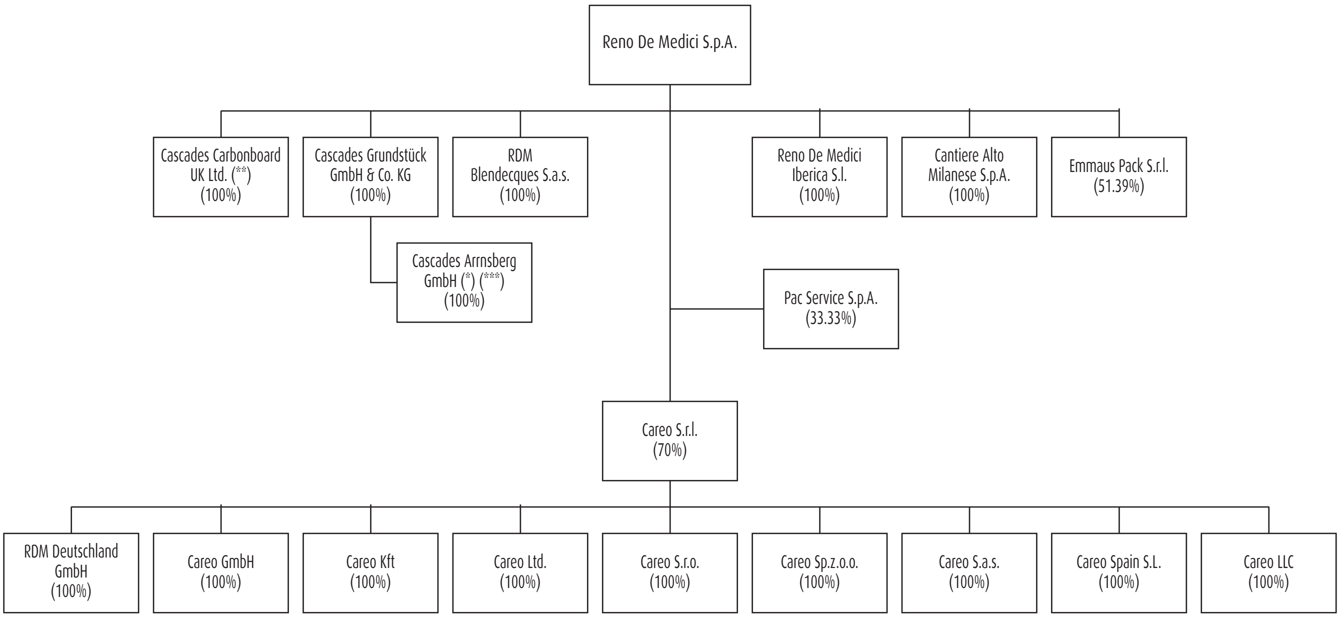
RDM

(millions of Euros)	**2008**	**2007**
ECONOMIC DATA ([8])		
Net revenues	283	312
Gross operating profit (EBITDA)	7	23
Depreciation and amortisation	(18)	(21)
Operating result (EBIT)	(12)	2
Result before discontinued operations	(20)	2
Discontinued operations	–	(2)
Net result for the year	(20)	–
BALANCE SHEET DATA		
– *Non-current assets* ([9])	*277*	*256*
– *Non-current assets held for sale*	*–*	*6*
– *Non-current liabilities, employee benefits and provision funds* ([10])	*(34)*	*(30)*
– *Current assets (liabilities)* ([11])	*(4)*	*(9)*
– *Working capital* ([12])	*50*	*49*
Net capital invested (NIC) ([13])	289	272
Net financial indebtedness ([14])	140	156
Shareholders'equity	149	116
RATIO		
EBITDA/Net revenues	2.3%	7.4%
EBIT/NIC	–4.1%	0.7%
Debt ratio (Net financial indebtedness/NIC)	48.5%	57.4%

(8) See RDM financial statements.
(9) See RDM financial statements - total of "Non-current assets" excluding the detail items "Derivative instruments".
(10) See RDM financial statements - total of the following detail items of "Non-current liabilities": "Other payables", "Deffered tax liabilities", "Employees' leaving entitlement" and "Non-current provision for contingencies and charges".
(11) See RDM financial statements - total of the detail items "Other receivables" 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 from third parties", "Group trade receivables" classified in "Current assets" and the detail items "Trade receivables" classified in "Current assets", excluding the detail item "Trade payables to third parties", "Group trade payables" classified in "Current liabilities".
(13) Total of the items above.
(14) See RDM financial statements - total of the detail items "Derivative financial instruments", classified in "Non-current assets" and in "Current assets", "Liquid funds" and Other Group receivalbes, 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 2008

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

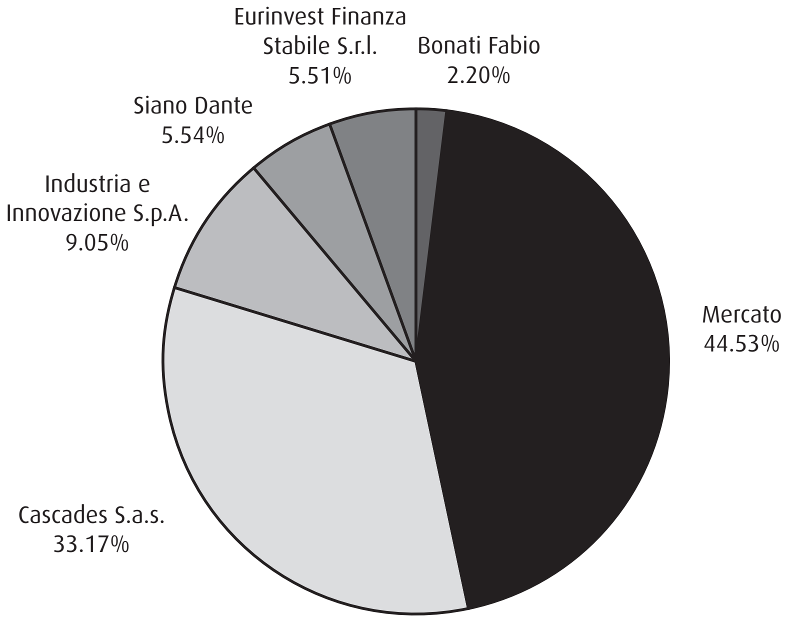


(*) Subsidiary company held by Reno De Medici S.p.A. at 94% and by Cascades Grundstück Gmbh & Co. KG to 6%
(**) At January 2009 "Reno De Medici UK Limited"
(***)At January 2009 "Reno De Medici Arnsberg GMBH"

SHAREHOLDERS

The shareholders of Reno De Medici S.p.A. at 24 March 2009 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.	377,360,312
Convertible saving shares	n.	440,682
Total shares	**n.**	**377,800,994**



INTRODUCTION

The Group's combination with the recycled cartonboard production sector of the Cascades Europe Group was finalised in February 2008. The deed for the merger between Reno De Medici S.p.A. and Cascades Italia S.r.l., the company wholly owning Cascades Arnsberg GmbH (formerly Reno De Medici Arnsberg GmbH), Cascades Blendecques S.a.s. (formerly R.D.M. Blendecques S.a.s.) and Cascades Cartonboard UK Ltd (formerly Reno De Medici UK Ltd), was signed on 26 February 2008, with effective date 1 March 2008.

Following the merger and at the effective date:

a) Reno De Medici S.p.A. increased its share capital from Euro 132,160,074.13 to Euro 185,122,487.06, by issuing 108,086,557 ordinary shares;
b) Cascades S.A. (currently Cascades S.a.s.) acquired a 30.6% holding in the share capital of Reno De Medici S.p.A..

In addition to this, Reno De Medici S.p.A. and Cascades S.A. hold respectively a call option exercisable in 2010 and a put option exercisable in 2011 on the European operations of Cascades S.A. in the virgin fibre cartonboard production sector, currently concentrated at the manufacturing facilities at La Rochette in France and Djupafors in Sweden.

As part of this operation, on 28 March 2008 Reno De Medici S.p.A. and its new shareholder Cascades S.A. contributed the selling divisions of their businesses to Careo S.r.l. (formerly Reno Cascades Sales S.r.l.), which in exchange for this contribution at the same time increased its capital from the original Euro 10 thousand to the present Euro 100 thousand, of which 70% is held by Reno De Medici S.p.A. and 30% by Cascades S.A..

Careo S.r.l. (which may be defined a joint venture in virtue of the system of corporate governance established by its articles of association), which began operating on 1 April 2008, provides selling and marketing services for the goods manufactured in the factories of the RDM Group (recycled fibre) and of Cascades S.A. (virgin fibre).

As a consequence, the consolidated figures relating to the period from 1 January to 31 December 2008 refer to the pre-business combination operation of the RDM Group for the first two months and to the RDM Group for the remainder of the period, as the result of the combination with the European operations of Cascades in the recycled cartonboard sector.

MAJOR OPERATIONS OF THE RENO DE MEDICI GROUP IN 2008

Having finalised the business combination above, steps were then taken towards achieving the combination with the former Cascades companies from an operational point of view, with particular reference to the selling, information systems and administrative structures.

In terms specifically of sales activities, the Careo joint venture put a substantial reorganisation of the entire selling structure into practice, integrating and rationalising the structures of the two groups. The complex finalising of antitrust procedures however caused a delay in the finalisation of the merger, originally planned to be completed by the beginning of 2008. This led to the resulting delay in drawing up a joint commercial policy for the year in course, with the resulting hold-up in implementing operational synergies.

The dispute with Grupo Torras S.A. was brought to a conclusion in May with the signing of a settlement agreement under which each party withdrew from the legal proceedings it had in course. An amount of Euro 5.5 million was received as the result of the settlement, which also enabled the balance of Euro 5 million lodged at the time by Reno De Medici Iberica S.L. as a guarantee in favour of the Madrid Court to be released. Concluding this transaction led to the recognition of income of Euro 0.6 million, net of directly related expenses.

Turning to discontinued operations, the dispute between Aticarta and the Milan Inland Revenue Office was brought to a conclusion in June through a court settlement. Aticarta recharged Reno De Medici with the costs connected with concluding the dispute as provided in the agreement for the sale of Aticarta. A provision had already been made in the consolidated and separate financial statements of Aticarta for this matter.

In September the investment in Termica Boffalora S.r.l., representing 30% of the Company’s quota capital, was sold at a price of Euro 6.5 million, leading to a non-recurring loss of Euro 1 million (Euro 0.9 million in the separate financial statements of Reno De Medici S.p.A).

As part of the rationalisation of production and also as the result of the loss of a specific line of business, operations at one of the two production lines at the French factory in Blendecques ceased in December, and accordingly the results of these activities are presented in the profit and loss account as “Discontinued operations”. The loss incurred in this respect amounted to Euro 6,777 thousand, inclusive of the restructuring costs relating to the incentive to the departure of 78 excess members of the workforce.

STATE OF THE MARKET AND PERFORMANCE

RDM, also following the aggregation with the Cascades Group, is the second European operator in the sector of white-lined chipboard based on recycled fibers, with a 23% market share and a production capacity of approximately 1 million ton per year.

The European plasticised cartonboard market is cyclical, with an annual demand of around 3.6 M/tonnes (the 2008 figure).

The year 2008 was characterised by a drop in demand at a European level. The fall in tonnes sold compared to 2007 was contained at around 1% for the first nine months of the year, but this then rose in the final quarter to exceed 14% as the general economic and financial crisis became more acute. The decrease over 2007 for the year as a whole, therefore, ended up at 4.2%. In reality there was actually a fall of 6.7% at a European core business level which was then tempered at a global market level thanks to sales on overseas markets. Actually in the fourth quarter, owed to the very uncertain outlook the customers reduced dramatically the order flow by resorting to their own inventory stock.

Sales prices remained essentially stable following the increases recorded during 2007, although in the last part of the year they began to suffer the pressure resulting from the worsening of the economic situation that, on the other hand, also determined the reduction of the production costs.

The main cost factors, raw materials prices and waste in general, were substantially stable until November, after which they underwent a significant fall, similarly attributable to the world downturn, which saw the lower absorption by the Asian markets being added to the European situation.

Energy costs on the other hand increased considerably, rises mostly connected with the increase in the cost of oil, which also indirectly caused the price rises which took place in all of the main energy products purchased: natural gas, electricity, coal and industrial steam. This upwards tendency was only interrupted in the last quarter, in connection with the adverse expectations for 2009.

The performance of the Group clearly followed the general performance of the market as summarised.

Volumes of 889 thousand tonnes were shipped in 2008 compared to 665 thousand tonnes in 2007, with a contribution of 287 thousand tonnes arriving from the new factories of the former Cascades Group.

On the price side, average sales prices per tonne shipped in 2008 rose during the year by 3.4%, fully absorbing the increases in list prices made during 2007 but also due to the effect of the different geographical mix triggered by the merger with the Cascades business. However, the price increase has not been sufficient to compensate the negative impact on profitability caused by the sharp increase of the energy costs.

The drastic fall of demand in the fourth quarter determined the need to stop the production, with the consequent important drop of the operating rate, from 91.3% in the first nine months of the year (including January and February of the ex- Cascades mills), down to 72.7% in the fourth quarter.

The variation in mix by geographical area is a reflection above all of the changes which have taken place as the result of the entry of the former Cascades business into the Group, which has led to greater balance in distribution by area. In addition, an increase in sales to non-EU markets, in both absolute and percentage terms, which are characterised by their lower than average prices, may be seen as a reaction to the drop in European demand.

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

Risks relating to general economic conditions

The Company and the Group ("RDM"), as all the industrial operators, are clearly exposed to the risks relating to the adverse economic situation, especially as regards sales volumes, in a scenario that remains very uncertain. In fact it is extremely difficult to make any forecasts going beyond the first half of 2009, also taking into account that the RDM's business is strictly driven by the demand for consumer goods.

However, we are confident to be able to successfully face the uncertainties of the period, by acting on different industrial factors, so that to expect for 2009 a substantial recovery in the profitability. This expectation is also based, on the one hand, on the actions taken at the end of 2008 to reduce the structural excess of capacity, as well as, on the other hand, on the reduction of the cost of raw materials and energy.

Risks relating to the Group's results

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

Risks relating to funding requirements

At the present time RDM has sufficient means of finance to deal with the requirements which it may reasonably be expected to have in 2009.

The risks on the financial exposure are essentially linked to the negotiations in progress with the Financing Banks, relevant to two medium term loans contracted in 2006.

In fact, at the end of 2008 RDM has not been able to meet certain financial parameters and contractual obligations provided by two loans signed above (at the time affected by a situation of financial tension arising from the commitment to repay a corporate bonus of Euro 150 million which was regularly settled in May 2006) for an initial total of Euro 74.7 million, of which Euro 67.1 million had been actually drawn-down; this balance had fallen to Euro 50.9 million by 31 December 2008 following a series of repayments, an amount which includes a non-current portion of Euro 45.9 million.
As of December 31, 2008, these loans cover approximately 40% of the Group's financial needs.

For a more detailed elucidation please refer to the paragraph "Net Financial Position".

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 74 million at 31 December 2008.

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 2009.

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, 2008, the consolidated Net Financial Position is negative by Euro 128.5 million, with an increase of Euro 14.4 million compared to the Euro 114.1 million at December 31, 2007.

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, also following the aggregation with Cascades, with reference to the relevant market and its own dimensions.

Conclusions

For a more detailed analysis, and for the comparison of the 2008 data with 2007, please refer to the chapter “Financial instruments and risk management”.

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)	**2008**	**%**	**2007**	**%**
Net revenues	455,026	100	342,474	100
Operating costs ([15])	(430,461)		(322,531)	
Other operating income (expenses) ([16])	(5,716)		9,673	
Badwill	21,178		–	
Gross Operating Profit (EBITDA)	**40,027**	**8.80**	**29,616**	**8.65**
Depreciation and amortisation	(25,651)		(19,697)	
Operating Profint (Loss) (EBIT)	**14,376**	**3.16**	**9,919**	**2.90**
Net financial Income (expenses)	(9,955)		(8,874)	
Income (losses) from investments	(1,736)		1,269	
Taxation	(2,094)		267	
Profit (loss) for the year before discontinued operations	**591**	**0.13**	**2,581**	**0.75**
Discontinued operations	(6,777)		(1,743)	
Profit (loss) for the year	**(6,186)**	**(1.36)**	**838**	**0.24**
Profit (loss) for the year attributable to the Group	**(6,449)**	**(1.42)**	**576**	**0.17**

RDM Group earned net revenues of approximately Euro 455.0 million at 31 December 2008, compared with the Euro 342.5 million obtained in 2007. The increase registered was attributable for Euro 141 million to the new facilities of the former Cascades Group.

The table below provides an analysis of net revenues by geographical area, showing as mentioned earlier an increased equilibrium compared to the analysis in 2007.

RDM GROUP (thousands of Euros)	**2008**	**%**	**2007**	**%**
Area				
Italy	169,969	37%	175,494	51%
European Union	230,452	51%	133,103	39%
Extra EU	54,605	12%	33,877	10%
Net revenues	**455,026**	**100%**	**342,474**	**100%**

The increase in operating costs which was noted in the 2008 financial year is in large part attributable to increases registered in raw material

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

mixture purchase costs (mainly for fibers) which caused, for the year considered, an increase in costs of about Euro 42 million, and for increased energy costs, for Euro 22.5 million, in addition naturally to the costs resulting from the entry of the former Cascades Group to the new facilities.

Consolidated EBITDA reached Euro 40 million in 2008 compared to Euro 29.6 million in 2007. This increase is mainly attributable to “Badwill” of Euro 21.2 million, emerging as the excess over cost of the aggregate of the fair values of the assets, liabilities and contingent liabilities identified on a provisional basis at 31 December 2008, respect to the cost of business combination with Cascades Group.

EBITDA from current operations alone reflects an overall negative performance for a year characterised by lower sales volumes and an increase in energy costs, and above all by the grave crisis being experienced by the market which became especially acute in the last quarter. This performance was mitigated by the positive contribution made by the new production units entering the Group as the result of the merger mentioned above which have been included in the consolidation from 1 March 2008.

Operating profit (EBIT) amounted to Euro 14.4 million compared to the Euro 9.9 million of the previous period of 2007, which also take advantage of non recurring income above-mentioned.

RDM GROUP (thousands of Euros)	**2008**	**2007**
Trade receivables gross	(9,955)	(8,874)
Provision for bad and doubtful debts	(1,736)	1,269
Total	**(11,691)**	**(7,605)**

The increase of net financial charges of Euro 1.1 million (Euro 9.9 million in 2008 compared to Euro 8.9 million in 2007) is mainly due to an increase in average total debt and interest rates.

The increase in expense from investments is mainly due to the adjustment of the investment in Termica Boffalora S.r.l. to equity, for an amount of Euro 0.7 million, and to the non-recurring depreciation of Euro 1 million in that investment as a preliminary to its sale in September.

Current taxes accounted for in the 2008 financial year are of Euros 2.3 million compared to Euro 2.1 million in 2007. Non-current taxes are positive for Euro 0.2 million compared to a positive amount of Euro 2.4 million in 2007.

RDM GROUP (thousands of Euros)	**2008**	**2007**
Results for the period	(6,777)	(1,743)
Discontinued Operations	**(6,777)**	**(1,743)**

There was a loss of Euro 6.8 million from discontinued operations due to the closing down of activities at one of the two production lines at the

French factory of Blendecques; the amount also includes the restructuring costs relating to excess personnel.

The net result at the end of 2008 was negative, amounting to Euro 6.2 million, as compared with profits of Euro 0.8 million registered at the end of 2007.

The result assignable to Group is negative for Euro 6,5 million, compared with profits of Euro 0.6 million in 2007.

Balance Sheet

The following table sets out the principal balance sheet items.

RDM GROUP (thousands of Euros)	**2008**	**2007**
Trade receivables ([17])	114,476	102,462
Stocks	82,073	64,624
Trade payables ([18])	(108,827)	(97,718)
Working capital	**87,722**	**69,368**
Other current assets ([19])	6,121	4,549
Other current liabilities ([20])	(17,236)	(19,052)
Non-current assets ([21])	274,650	196,854
Non-current assets held for sale	–	5,583
Non-currente liabilities ([22])	(33,367)	(6,938)
Invested capital	**317,890**	**250,364**
Employee' leaving entitlement and provision funds ([23])	(28,133)	(20,954)
Net invested capital	**289,757**	**229,410**
Net financial position ([24])	128,525	114,094
Shareholders' equity	161,232	115,316
Total sources	**289,757**	**229,410**

The increase in working capital is almost entirely due, for an amount of Euro 23 million, to the entry of the former Cascades companies into the consolidation scope.

The working capital of the RDM Group which form part of the traditional Reno De Medici Group actually fell by Euro 3.5 million, from Euro 69.4 million to Euro 65.9 million.

(17) See RDM Group consolidated financial statements - total of the following detail items: Trade receivables" and "Receivables from RDM Group companies", classified as "Current assets".
(18) See RDM Group consolidated financial statements - total of the following detail items: "Trade payables to third parties"and "Receivables from RDM Group companies", classified as "Current assets".
(19) See RDM Group consolidated financial statements - detail items: "Other receivable" 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 detail items "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": "Employees' leaving entitlement" 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" and in "Current assets", "Liquid funds" and "Other Group Trade 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 trade receivables", classified in "Current liabilities".,

The increase in “Non-current assets” is mainly the result of the change in consolidation scope as a consequent of aggregation.

The decrease in “Non-current assets held for sale” is due to the reclassification of the Magenta facility Board Machine 1 to “Non-current assets” following the decision to re-use its components to modernise other, already existing, production lines.

The increase in “Non-current liabilities” is mainly due to the deferred tax effect of the difference between the fair value measurement of non-current assets (mainly the tangible and intangible assets of Cascades Arnsberg GmbH) and their tax base. Net capital invested at the end of 2008 was funded by interest-bearing debt for 44.4% and by equity for 55.6 % (49.8% and 50.2% respectively at the end of 2007).

Net financial position

The net consolidated financial indebtedness at 31 December 2008 amounts to Euro 128.5 million, increasing of Euro 14.4 million respect to Euro 114.1 million at 31 December 2007.

The variations registered in 2008, compared to the previous fiscal year , are as follow:

RDM GROUP (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Cash and cash equivalents and short-term financial receivables (25)	6,040	8,401	(2,361)
Short-term financial payables (26)	(113,657)	(53,242)	(60,415)
Valuation of current portion of derivatives (27)	(68)	331	(399)
Net short-term financial position	**(107,685)**	**(44,510)**	**(63,175)**
Long-term financial payables	(19,935)	(70,002)	50,067
Valuation of current portion of derivatives (28)	(905)	418	(1,323)
Net financial position	**(128,525)**	**(114,094)**	**(14,431)**

The gross financial indebtedness at 31 December 2008, calculated under the amortized cost principle, was Euro 133.6 million (compared to Euro 123.2 million for December 2007) and includes non-current shares of medium to long-term financings of Euro 65.9 million, current portion of medium to long-term loans of Euro 11.1 million and bank credit facilities of Euro 56.6 million, consisting mostly of advances on invoices issued to customers.

However, at the end of 2008 the Group has not met certain financial parameters and contractual obligations provided by two loans subscribed in 2006 (before the Cascades operation) with a pool of banks for an initial

(25) See RDM Group consolidated financial statements - Total of “Liquid funds” and “Other Group trade receivables” classified as “Current Assets, excluding the detail item “Other Group trade payables” classified as “Current liabilities”.
(26) See RDM Group consolidated financial statements - item “Bank loans and other financial liabilities” 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 “Derivative financial instruments”, classified as “Non-current assets” excluding the detail item “Derivative financial instruments”, classified as “Non-current liabilities”

total amount of Euro 74.7 million, of which Euro 67.1 million had been drawn-down. This balance was reduced to Euro 50.9 million by 31 December 2008 following the repayments that have been carried out, an amount which includes a non-current portion of Euro 45.9 million.

Consequently, the Group first requested the banks to temporarily suspend the application of such financial covenants on 31 December 2008. The banks formally accepted the request on 12 February 2009, even though they had verbally anticipated their consent before the end of the fiscal year.

As the banks' formal resolution was received after the closing of the fiscal year, according to IAS 1, the non-current portion of the loans, for an amount of Euro 45.9 million, has been reclassified as a short-term loan (even if such amount proves to be still at medium term due to waiver that has been obtained).

However, in order to structurally overcome the rigidity of a contractual covenants frame that had been defined before the Cascades operation, and was heavily influenced in the first part of 2006 by the existence of a corporate bond for an amount of Euro 145 million, regularly reimbursed in May 2006, during the month of March 2009 a complete and articulated proposal has been submitted to the Banks, with the following goals, to be achieved within the present financial exposure:

- to finance RDM's additional capital expenditures, that exceed the normal capital expenditures, of the period 2009-2011, for a total amount of approximately Euro 15 million;
- to maintain the correct balance between short-term and long-term financings.

Specifically, the proposal envisages:

a) the waiver of the Banks to the anticipated mandatory reimbursements, relevant to the operations of extraordinary finance carried out by the Reno De Medici Group up to 31 December 2008, and the authorization for an RDM's subsidiary to contract a loan guaranteed by Reno De Medici S.p.A.;
b) the rescheduling of the reimbursements of the existing financial debt, in order to maintain the correct balance between short-term and long-term financings;
c) the waiver to the application of the financial covenants on June 30, 2009, and the modification of the covenants for the period 2009-2011, based on new parameters.
   In particular, as regards the verification of the financial parameters on June 30, 2009, RDM's proposal acknowledges that the expected financial results, as they will also include the period from July 1, 2008 up to December 31, 2008, will not be such to meet the current financial parameters (as it happened already on December 31, 2008).

The Directors are confident in the concrete possibility to came to a positive conclusion of the negotiations with the Banks of the above described proposal.

Research and development activities

The Group carried out research and development activities on a continuous basis throughout 2008, 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.

Technical investments

Capital investments of Euro 15.5 million were made in 2008 (2007 Euro 15.3 million).

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

The investments made at the Villa Santa Lucia facility relate mainly to replacing the gas turbine, strengthening the biological plant, extending the water collection baths and modernising the headbox cover; at the Santa Giustina facility investments were made which relate mainly to modernising the "chests" connected with the centre line and to certain presses; and at the Ovaro facility investments were made in extraordinary maintenance and for the first stage of carrying out modifications to the MC1 damp area. At the remaining facilities investments consisted of the extraordinary maintenance 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 2008 totaled 1,716.

The number of employees is higher by 599 over the previous year end principally as the result to variation of the scope of consolidation started from 1 March 2008.

At 31 December 2008 the Group's workforce consisted of 37 executives, 439 white-collar employees and 1240 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 2008, with comparative figures provided for the prior year:

RDM (thousands of Euros)	**2008**	**2007**
Net revenues	282,720	311,812
Operating costs ([29])	(271,424)	(294,724)
Other operating income (expenses) ([30])	(4,784)	5,721
Gross Operating Profit (EBITDA)	**6,512**	**22,809**
Depreciation and amortisation	(18,242)	(21,299)
Operating Profit (loss) (EBIT)	**(11,730)**	**1,510**
Net financial income (expenses)	(9,732)	(10,726)
Income (losses) from investments	2,153	9,465
Taxation	(428)	1,602
Profit (loss) for the year before discontinued operations	**(19,737)**	**1,851**
Discontinued operations	–	(1,743)
Profit (loss) for the year	**(19,737)**	**108**

RDM earned net revenues were approximately Euro 282.7 million as compared to the Euro 311.8 million total earned in 2007 representing a decrease of 9.3%, mainly attributable to a fall in sales volumes which was slightly offset by a small increase in unit sales prices, consistent with a macro-economic scenario in Europe that in 2008 was characterised by a drop in demand. Compared to 2007 there was a decrease of 10.2% in terms of tonnes sold, which reached 14% in the fourth quarter as the general economic and financial crisis became more acute. More specifically despatched volumes in 2008 reached 570 thousand tonnes compared to 635 thousand tonnes in 2007.

The number of tonnes produced was 14% lower than 2007: given the uncertain situation RDM scheduled a series of halts in production which were concentrated in the last four months of the year and had the aim of containing costs and maintaining price levels, with the consequent effect on earnings.

The following table provides an analysis of net revenues by geographical area. This shows a decrease in turnover in the countries of the European

(29) See RDM Group consolidated 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”.
(30) 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”.

Union (-22.9%) and Italy (-6.5%) that was partially offset by an increase in the countries outside the European Union (+20.1%), which are traditionally outlet markets where lower margins are earned.

RDM (thousands of Euros)	**2008**	**%**	**2007**	**%**
Area				
Italy	158,643	56%	169,757	54%
European Union	83,397	29%	108,181	35%
Extra EU	40,680	14%	33,874	11%
Net revenues	**282,720**	**100%**	**311,812**	**100%**

Operating costs also fell but to a lesser extent than the decrease in fixed costs as a percentage of turnover (-6.9%). On the variable cost front the pressure of energy costs needs highlighting; these continued to increase for the whole of 2008, driven by the rise in the price of oil on the financial markets. The prices of the other main cost factors, waste in particular, were substantially stable until November, after which they underwent a significant fall, similarly attributable to the world downturn, which saw the lower absorption by the Asian markets being added to the European situation.

Staff costs also fell, by 11.6%, although by a lower amount than the reduction in the number of days worked: reference should be made to the paragraph “human resources” for changes in the number of employees.

As a result of the above changes gross operating profit closed at Euro 6.5 million, a contraction compared to the profit of Euro 22.8 million achieved in 2007.

There was a loss of Euro 19.7 million, after depreciation and amortisation of Euro18.2 million, financial expense of Euro 9.7 million, income from investments of Euro 2.2 million and taxation of Euro 0.4 million.

The financial charges decreased in 2008 by 9.3%, due to the improvement of the Net Financial Position. Interest income from Group companies as part of the cash pooling relationship also increased and there was a net foreign exchange gain in 2008.

Income from investments includes dividends of Euro 2.1 million resolved and distributed by subsidiaries and associates and the gain arising from the contribution of certain investments to Careo S.r.l. at Euro 1.1 million, which were partially offset by the loss of Euro 0.9 million resulting from the sale of the 30% investment in Termica Boffalora in September 2008.

A further feature of the year was the receipt of a dividend of Euro 26.3 million from the Spanish subsidiary RDM Iberica S.L. which has been recognised as a deduction from the carrying amount of the investment.

There was no effect on profit or loss in the year ended 31 December 2008 arising from discontinued operations, as the Aticarta dispute was settled. The Magenta facility MC1 board machine has been reclassified to non-current assets on the basis of a decision taken to re-use its components to modernise certain production lines in other Group factories.

Balance sheet

The following table sets out the key balance sheet items

RDM (thousands of Euros)	**2008**	**2007**
Trade receivables ([31])	71,320	82,402
Stocks	49,078	58,055
Trade payables ([32])	(70,587)	(91,550)
Working capital	**49,811**	**48,907**
Other current asset ([33])	2,890	2,040
Other current liabilities ([34])	(6,270)	(10,869)
Non-current assets ([35])	277,303	256,356
Non-current assets held for sale	–	5,583
Non-currente liabilities ([36])	(9,557)	(8,945)
Invested capital	**314,177**	**293,072**
Employee' leaving entitlement and provision funds ([37])	(24,403)	(20,668)
Net invested capital	**289,774**	**272,404**
Net financial position ([38])	140,418	156,009
Shareholders' equity	149,356	116,395
Total sources	**289,774**	**272,404**

The above balance sheet of the Parent Company shows that there has been a significant drop in working capital and also shows the effects of the acquisition of the ex-Cascades shareholdings, that determined the increase of net equity and non-current assets. The latter has been reduced as a consequence of the reduction of the book value of the investment in RDM Iberica, due to the already commented receipt of dividends.

The decrease in "Non-current assets held for sale" is due to the reclassification of the Magenta board machine 1 as discussed above.

(31) See RDM financial statements - total of the following detail items: Trade receivables" classified as "Current assets".
(32) See RDM financial statements - total of the following detail items: "Trade payables to third parties"and "Receivables from RDM Group companies", classified as "Current assets".
(33) See RDM financial statements - total of the following detail items: "Other receivable" classified as "Current assets".
(34) See RDM financial statements - total of the following detail items: "Other payables" and "Current taxation", classified as "Current liabilities".
(35) See RDM financial statements - total of "Non-current assets" excluding the detail items "Derivative financial instruments".
(36) See RDM financial statements - total of the detail items of "Non-current liabilities": "Other payables" and "Deferred tax liabilities"
(37) See RDM financial statements - total of the detail items of "Non-current liabilities": "Employees' leaving entitlement" and "Non-current provisions for contingencies and charges".
(38) See RDM financial statements - total of the detail items "Derivative financial instruments", classified in "Non-current assets" and in "Current assets", "Liquid funds" and Other Group receivalbes, 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 invested capital at 31 December 2008 was funded as to 48.5% by interest-bearing debt and 51.5% by shareholders' equity (31 December 2007 57.3% and 42.7% respectively).

Net financial position

The Parent Company's net financial debt amounted to Euro 140.4 million at 31 December 2008, compared to Euro 156.0 million at 31 December 2007.

RDM (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Cash and cash equivalents ([39])	3,554	1,454	2,100
Short-term financial payables ([40])	(121,704)	(56,427)	(65,277)
Valuation of current portion of derivatives ([41])	(68)	331	(399)
Net short-term financial position	**(118,218)**	**(54,642)**	**(63,576)**
Long-term financial payables ([42])	(21,284)	(101,785)	80,501
Valuation of current portion of derivatives ([43])	(916)	418	(1,334)
Short-term financial position	**(140,418)**	**(156,009)**	**15,591**

The Net Financial Position benefits from the dividend distribution by the subsidiary RDM Iberica S.L.: for a better understanding of the flows generated by the operational and capital expenditure activity please refer the "Cash-Flow Statement".

As regards the reclassification of part of long-term debt to short-term, reference should be made to the details provided in the paragraph "Net Financial Position of the Group" of this report.

Research and development activities

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

Capital expenditure

Technical investments made in 2008 amounted to Euro 9.4 million (Euro 14.5 million in 2007).

The objective of making these investments was to reduce variable and fixed costs, to improve safety and mitigate environmental impact, to

(39) See RDM financial statements - item "Liquid funds".
(40) 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".
(41) See RDM financial statements - detail item "Derivative financial instruments", classified as "Current assets" excluding the detail item "Derivative financial instruments", classified as "Current liabilities".
(42) See RDM financial statements - total of the item "Bank loans and other financial liabilities" and "Other Group payables classified as "Non-current liabilities".
(43) 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".

improve product quality and to improve service. Specifically these investments related to the following:

- safety and environment: strengthening of the biological plant, extension of the water collection baths and replacement of the gas turbine;
- production increase: strengthening of the potential of the waste water treatment plant at the Villa Santa Lucia facility;
- production efficiency: modernising the “chests” connected with the centre line and to certain presses of the Santa Giustina facility and for the first stage of carrying out modifications to the MC1 damp area of Ovaro facility.

Human resorces

RDM’s workforce at 31 December 2008 totalled 961. The number of employees is lower by 22 over the previous year end principally as the result of long-term labor mobility process commenced during the year at the Magenta facility, and of the contribution of the Commercial Branch to Careo S.r.l..

At 31 December 2008 the Group’s workforce consisted of 12 executives, 248 white-collar employees and 701 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 31.12.2008**	**Profit and loss for the year 31.12.2008**
Reno De Medici S.p.A.	**149,356**	**(19,738)**
Differences between the carrying value of subsidiary companies and the corresponding share of their shareholder's funds (*)	15,242	10,105
Dividends received from subsidiary companies	–	(886)
Reversal of capital gains from sales to group companies	(1,574)	3,007
Reversal of allocation of merger difference	(3,280)	1,698
Other consolidation adjustments	923	(635)
Consolidated financial statements	**160,667**	**(6,449)**

(*) Include Euro 21.2 million of badwill

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 31.12.2008**	**Net financial position 31.12.2007**
Reno De Medici S.p.A.	(140,418)	(156,009)
Cash and cash equivalents and short-term financial receivables of subsidiary companies	760	6,793
Short-term financial payables of subsidiary companies	(2,749)	(1,516)
Long-term financial payables of subsidiary companies	(4,286)	(217)
Eliminations of short-term financial payables due to subsidiary companies	28,285	7,845
Eliminations of long-term financial payables due to subsidiary companies	5,634	32,000
Eliminations of short-term financial receivables from subsidiary companies	(15,751)	(2,990)
Net Financial Position - RDM Group	**(128,525)**	**(114,094)**

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 2008.

– Dispute with Gruppo Torras

On 22 May 2008 Reno De Medici S.p.A. and Reno De Medici Iberica S.L. signed a settlement agreement with Grupo Torras under which both sides mutually agreed to renounce the judicial proceedings they had in course at the time. Under this agreement the shares of Torrespapel S.A. held by Reno De Medici Iberica S.L. were transferred to Gruppo Torras S.A. for a consideration of Euro 5.5 million. Concluding these judicial proceedings enabled the amount of Euro 5 million originally deposited as a guarantee by Reno De Medici Iberica S.L. with the Court of Madrid to be released.

– Proceedings regarding transportation

RDM and Reno Logistica S.r.l. in liquidation were summonsed to appear in court following claims made by two separate road hauliers on the premise that the two companies did not respect the minimum transportation tariffs pursuant to Law no. 298/74.
During 2008 RDM and Reno Logistica S.r.l. in liquidation came to settlements on the legal action taken on the matter by the Detraco insolvency.
As a consequence the action taken by Impresa Vannini at the San Sepolcro Section of the Civil Court of Arezzo is still pending.
The RDM Group has made provision deemed suitable in respect of these disputes.

– RDM –Cassino Public Prosecutor

As is known, with a measure notified on 14 November 2007 the Cassino Public Prosecutor ordered the sequestration of the facility located at Villa Santa Lucia together with the sequestration of the press in a separate order. The sequestration of the facility was based on the unlawful discharge of water and the exceeding of the temperature limit of the water discharged into the Rio Fontanelle river; the sequestration of the press was based on the unlawful treatment of waste, considered to be so due to the lack of the necessary authorisation.
Following these measures the Company undertook numerous initiatives aimed at removing the main causes of the original notifications and in December 2007 the court subsequently allowed the facility to start working again, despite identifying steps needed to be taken in the short

and long term to remove the dangers. In that respect the court granted a period of one year (November 2008).
The main events taking place subsequent to this have been as follows:

i) AIA (Autorizzazione Integrata Ambientale) (environmental authorisation) no.508 was obtained on 14 November 2008 (despite having the broad range assigned to it by Legislative Decree no. 59/05, this authorisation is mainly based on the presentation of a project for a new water treatment plant);
ii) a further four months was granted to carry out the steps designed to resolve the problem of the temperature of the waste water. In this respect an agreement with Cosilam (the Consortium for the Industrial Development of South Lazio) is currently being finalised whose object is the conveyance and purification of the industrial waste water flowing into the sewerage system of the consortium municipalities served by the Cassino water purification plant. In this way the industrial waste water of the facility will no longer flow into the Rio Fontanelle river but instead into the conveyance service, with subsequent purification carried out by Cosilam, in this way eliminating the problem that the water temperature exceeds the allowed limit;
iii) with a measure dated 5 January 2009, notified on 19 January 2009, the court ordered the release of the press and the surrounding area.

Conclusions

As may be noted 2008 was characterised by a considerable decrease in the disputes seeing RDM as defendant, with the resulting reduction in the connected risks.

PROGRAMME SAFETY DOCUMENT

During 2008 RDM adopted the Code for the Protection of Personal Data in compliance with the requirements of prevailing laws and regulations. In addition, in accordance with the provisions of rule 26 of the Technical Discipline relating to minimum safety measures attached to Legislative Decree no. 196 of 27 June 2003, the “Personal Data Protection Code”, the Company has started an analysis and updating of the Programme Safety Document relating to the processing of personal data with the aid of electronic instruments. RDM adopted the Programme Safety Document at 31st March 2009, in compliance with the regulations in force. These activities will be concluded by 31 March 2009, consistent with the requirements of the laws and regulations in question.

ENVIRONMENT AND SAFETY

RDM’s commitment to continuing and maintaining adequate environmental, safety and quality standards, consistent with the principles it is pursuing, was achieved by carrying out significant measures such as:

– developing an increasing integration of business systems for managing quality, environmental matters and safety by adding value to the synergies amongst the various aspects;

– carrying out regular staff training on matters of health and safety in the workplace and making personnel aware of the need to protect and safeguard the environment when carrying out their various duties.

There are not definitive sentences against the company for enviroment offences.

In order to comply with the requirements of prevailing laws and regulations, and more especially to satisfy the requirements of Legislative Decree no. 81/08 of 19 December 2008, RDM has prepared and introduced the Programme Safety Document at each of its Italian facilities. In order to avoid any uncertainty over the date, these documents have been certified by a notary.

In addition, in January 2009 RDM introduced the Interference Risk Assessment Document into its relations with its service providers as required by article 26, paragraph 1b, of Legislative Decree no. 81 of 9 April 2008.

Definitive sentences against Reno De Medici S.p.A. for injuries (simple, severe and/or very severe) and/or death as a consequence of occupational accidents are not known.

The Companies maintains the ISO Certification 14000.

TREASURY SHARES

The Company held no treasury shares at 31 December 2008 nor were any proxies attributed for the purchase of such.
The 7,513,443 shares held by RDM at 1 January 2008 were assigned to Cascades S.A. following the merger with Cascades Italia S.r.l..

SHARES HELD BY DIRECTORS AND BOARD OF STATUTORY AUDITORS

In accordance with the provisions of Consob Regulation no. 11971 as modified and supplemented the following table presents information on shares held by the directors and board of statutory auditors (Collegio Sindacale) of RDM in the Company and its subsidiaries:

First and last name	Investee company	Number of shares at 31 December 2007	Number of shares purchased	Number of shares sold	Number of shares at 31 December 2008
Giuseppe Garofano	Reno De Medici S.p.A.		275,000		275,000
Ignazio Capuano	Reno De Medici S.p.A.		230,000		230,000
Giancarlo De Min (*)	Reno De Medici S.p.A.	12,000			12,000

(*) Member of Board of Directors until 4 April 2008

INFORMATION ON SUBSIDIARIES AND AFFILIATES

Transactions with subsidiaries and affiliates are conducted in the normal course of business, in the context of the typical activity of each party involved, and are regulated and concluded at market conditions.

The relations which RDM maintains with its subsidiaries relate mainly to:

- commercial, promotional and marketing relations with Careo S.r.l.;
- sales of cardboard to Cartiera Alto Milanese S.p.A. (CAM), to Emmaus Pack S.r.l. (Emmaus) and to RDM Iberica;
- services performed for Careo, Emmaus and CAM;
- purchases of scrap from Emmaus;
- interest income and/or expense arising from cash pooling arrangements with RDM Iberica, CAM RDM France (merged into Careo S.a.s. from1 July 2008), Reno De Medici Deutschland GmbH, Emmaus, RDM Iberica, Reno Logistica S.r.l in liquidazione, Cascades Cartonboard UK Ltd, Cascades Arnsberg GmbH and Blendecques S.a.s.;
- services provided by Careo S.a.s. to RDM in connection with the implementation of information services and the unification of the related procedures;
- sales of cardboard to Pac Service S.p.a.;
- the tax consolidation agreement to which Cam and Emmaus are party and for which Reno De Medici S.p.A. is the consolidating company.

Other transactions with associates include the purchase of steam from Termica Boffalora S.r.l. until 26 September 2008 (the date of the sale of the investment of 30% in this company to Cofathec Servizi S.p.A.).

Reference should be made to the notes to the financial statements for a quantitative analysis of the relations between RDM and its subsidiaries and associates in 2008.

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 Ansaldo 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 217. thousand and transportation and ancillary services of Euro 449 thousand, respectively. The balance of trade receivables at 31 December 2008 was Euro 66 thousand due from Immobiliare ANSTE S.r.l. and Euro 155 thousand due from ANSTE Autotrasporti S.r.l. During 2008 payments to Immobiliare ANSTE S.r.l.

totalled Euro 261 thousand and to ANSTE Autotrasporti S.r.l. totalled Euro 532 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 2008 totalled Euro 1,629 thousand, receipts in the same year totalled Euro 2,080 thousand, while trade receivables at 31 December 2008 amounted to Euro 758 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 2008 amounted to Euro 152,000.

SUBSEQUENT EVENTS

On January 26, 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 of the Group.
Notwithstanding RDM owns 51% of the capital share, owed to the governance statutory rules, the Company is defined as a joint-venture.

OUTLOOK FOR 2009

The evolution of the market in the first months of 2009 is in line with the previsions. The customers, that in the last quarter of 2008 had sustained the operations by resorting to their existing inventories, have shown the need to resume purchasing. However, the market conditions remains difficult and uncertain.

In such scenario, the RDM Group has taken actions aiming at the restoration of the profitability, that should allow the Group to effectively face the challenges of 2009, that still remains difficult and uncertain, in particular as regards the sales volumes in the forthcoming months.

In any case, the reduction in the costs of raw materials and energy, that has been evident in the first months of 2009, compared to the high cost levels that penalized 2008, has already allowed a recovery of the profitability that should continue in the rest of the year, even if it remains difficult to formulate a reliable forecast for the second part of the year.

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 2008, as compared to the figures at 31 December 2007, and for the consolidated financial statements of the RDM Group and, where the effects are significant, 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 separately.

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 and separate financial statements.

Consolidated financial statements (thousands of Euros)	**31.12.2008**		**31.12.2007**	
	Book value	**Fair value**	**Book value**	**Fair value**
Available-for-sale financial assets	309	309	482	482
Liquid funds	4,314	4,314	8,248	8,248
Receivables	116,331	116,331	102,462	102,462
Hedging derivative financial instruments	(974)	(974)	749	749
– Assets	*10*	*10*	*749*	*749*
– Liabilities	*(984)*	*(984)*	–	–
Secured long-term bank loans	(27,399)	(27,720)	(24,849)	(24,591)
Unsecured long-term bank loans	(2,166)	(2,061)	(2,721)	(2,520)
Secured long-term bank loans at amortised cost	(47,372)	(49,571)	(52,802)	(55,722)
Short-term bank loans as use of commercial facilities	(56,635)	(56,635)	(42,174)	(42,174)
Payables	(108,956)	(108,956)	(97,718)	(97,718)
Other	–	–	–	–
	(122,548)	**(124,963)**	**(108,323)**	**(110,784)**
Unrecognised gain (loss)	**(2,415)**	–	**(2,461)**	

Separate financial statements (thousands of Euros)	**31.12.2008**		**31.12.2007**	
	Book value	**Fair value**	**Book value**	**Fair value**
Available-for-sale financial assets	309	309	445	445
Liquid funds	3,554	3,554	1,454	1,454
Receivables	88,433	88,433	85,392	85,392
Hedging derivative financial instruments	(984)	(984)	749	749
– Assets	–	–	*749*	*749*
– Liabilities	*(984)*	*(984)*	–	–
Secured long-term bank loans	(22,399)	(22,813)	(24,849)	(24,591)
Unsecured long-term bank loans	(1,946)	(1,845)	(2,221)	(2,020)
Secured long-term bank loans at amortised cost	(47,371)	(49,571)	(52,802)	(55,722)
Bank loans to subsidiary company	(5,749)	(5,749)	(32,000)	(32,000)
Short-term bank loans as use of commercial facilities	(54,757)	(54,757)	(40,899)	(40,899)
Payables	(98,498)	(98,498)	(99,395)	(99,395)
Other	–	–	–	–
	(139,408)	**(141,921)**	**(164,126)**	**(166,587)**
Unrecognised gain (loss)	**(2,513)**	**–**	**(2,461)**	**–**

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 based on their market quotation if available. If this is not available or obtainable, estimates are made using standard financial algorithms.

Positions in interest rate derivatives has been subscribted of the Parent Company and consist of interest rate swaps, both in 2008 and 2007. 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 conditions at the balance sheet date.

Exposure to currency risk arises from two forward GBP/EUR foreign exchange contracts outstanding at 31 December 2008 (there were no foreign exchange derivatives outstanding at 31 December 2007), for which the risk is limited to the consolidated financial statements. 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 any derivative instrument index-linked to commodity prices at either 31 December 2008 or 31 December 2007.

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 curve at 31 December 2008 and 31 December 2007.

Future flows were discounted on the basis of the euro yield curve at 31December 2008 and 31 December 2007.

As market credit spreads for the Group were not available, all future flows were discounted by increasing the discount curve by a spread equal to the average spread paid on long-term loans outstanding at 31 December 2008 and 2007.

Financial assets

The following table sets out details of financial assets.

Consolidated financial statements (thousands of Euros)	**31.12.2008**	**31.12.2007**
Non current Financial Assets		
Non derivative Financial Assets	***309***	***482***
Available-for-sale financial assets	309	482
Hedging derivative financial instruments	–	***418***
Total	**309**	**900**
Current Financial Assets		
Non derivative Financial Assets	***4,314***	***8,248***
Liquid funds	4,314	8,248
Hedging derivative financial instruments	***10***	***331***
Total	**4,324**	**8,579**

Separate financial statements (thousands of Euros)	**31.12.2008**	**31.12.2007**
Non current Financial Assets		
Non derivative Financial Assets	***309***	***445***
Available-for-sale financial assets	309	445
Hedging derivative financial instruments	–	***418***
Total	**309**	**863**
Current Financial Assets		
Non derivative Financial Assets	**3,554**	**1,454**
Liquid funds	3,554	1,454
Hedging derivative financial instruments	–	**331**
Total	**3,554**	**1,785**

Financial liabilities

The following table sets out details of financial liabilities.

Consolidated financial statements (thousands of Euros)	**31.12.2008**	**31.12.2007**
Non current Libilities		
Non derivative liabilities	***(19,935)***	***(70,002)***
Secured long-term bank loans	(14,309)	(19,872)
Unsecured long-term bank loans	(1,635)	(2,122)
Secured long-term bank loans at amortised cost	(3,991)	(48,008)
Hedging derivative financial instruments	***(916)***	–
Total	**(20,851)**	**(70,002)**
Current Libilities		
Non derivative liabilities	***(113,658)***	***(52,544)***
Secured long-term bank loans - current portio	(13,090)	(4,977)
Unsecured long-term bank loans - current portion	(531)	(599)
Secured long-term bank loans at amortised cost- current portion	(43,381)	(4,794)
Short-term bank loans as use of commercial facilities	(56,665)	(42,174)
Hedging derivative financial instruments	***(68)***	–
Total	**(113,726)**	**(52,544)**

Non current Libilities (thousands of Euros)	**31.12.2008**	**31.12.2007**
Non current Libilities		
Non derivative liabilities	***(15,649)***	***(101,785)***
Secured long-term bank loans	(10,023)	(19,872)
Unsecured long-term bank loans	(1,635)	(1,905)
Secured long-term bank loans at amortised cost	(3,991)	(48,008)
Secured related party loans	–	(32,000)
Hedging derivative financial instruments	***(916)***	–
Total	**(16,565)**	**(101,785)**
Current Libilities		
Non derivative liabilities	***(116,573)***	***(50,986)***
Secured long-term bank loans - current portion	(12,376)	(4,977)
Unsecured long-term bank loans - current portion	(311)	(316)
Secured long-term bank loans at amortised cost- current portion	(43,380)	(4,794)
Secured related party loans - current portion	(54,757)	(40,899)
Short-term bank loans as use of commercial facilities	(5,749)	–
Hedging derivative financial instruments	***(68)***	–
Total	**(116,642)**	**(50,986)**

Terms and conditions and repayment plans of loans

The terms and conditions of loans are summarised in the following table.

Consolidated financial statements (thousands of Euros)	**Currency**	**Nominal interest rate**	**Maturity**	**Nominal value 31.12.08**	**Book value**	**Nominal value 31.12.07**	**Book value**
Secured long-term bank loans at amortised cost				**66,200**	**46,776**	**66,200**	**52,802**
Intesa SanPaolo loan in pool (tranche A)	Euro	Eur6m+ spread	2016	50,000	32,410	50,000	37,931
Intesa SanPaolo loan in pool (tranche B)	Euro	Eur6m+ spread	2011	10,000	9,768	10,000	9,667
Banca Popolare Emilia Romagna	Euro	Eur6m+ spread	2016	6,200	4,598	6,200	5,204
Secured bank loans				**27,813**	**27,361**	**40,962**	**24,849**
Intesa SanPaolo funds BEI	Euro	–	2011	5,647	5,530	15,500	7,555
Intesa SanPaolo funds BEI	Euro	–	2011	9,861	9,709	23,200	12,660
Intesa SanPaolo	Euro	Eur6m+ spread	2016	7,305	7,122	2,262	4,634
Dresdner Bank	Euro	Eur6m+ spread	2015	5,000	5,000	–	–
Unsecured bank loans				**4,514**	**2,121**	**5,046**	**2,773**
MinIndustria 10686	Euro	–	2013	1,408	741	1,408	880
Minindustria 11172	Euro	–	2016	1,406	1,164	1,406	1,287
Unicredit Torino	Euro	Eur3m+ spread	2009	800	67	800	200
Unicredit Torino	Euro	Eur6m+ spread	2009	900	150	900	300
Minindustria 2184	Euro	4.11%	2008	–	–	532	106
Total long-term bank loans	**Euro**			**98,527**	**76,259**	**112,208**	**80,424**
Short-term bank loans as use of commercial facilities in GBP				**1,475**	**1,475**	**1,814**	**1,814**
Intesa SanPaolo GBP equivalent in Euro al 31/12	GBP	Libor2m+ spread	n/a	152	152	1,814	1,814
Used in USD controvalore in Euro	USD		n/a	1,323	1,323	–	–
Short-term bank loans as use of commercial facilities				**55,160**	**55,160**	**40,360**	**40,360**
Used Portfolio	Euro	Eur1m+ spread	n/a	20,218	20,218	15,150	15,150
Advance Inovices	Euro	Eur1m	n/a	9,878	9,878	6,993	6,992
Loans export	Euro	Euribor+ spread	n/a	19,110	19,110	15,718	15,718
Loans import	Euro	Euribor+ spread	n/a	5,954	5,954	2,500	2,500
Total short-term bank loans	**Euro**			**56,635**	**56,635**	**42,174**	**42,174**
Total onerous libilities	**Euro**			**155,162**	**132,894**	**154,382**	**122,598**

Separate financial statements (thousands of Euros)	Currency	Nominal interest rate	Maturity	Nominal value 31.12.08	Book value	Nominal value 31.12.07	Book value
Secured long-term bank loans at amortised cost				**66,200**	**46,776**	**66,200**	**52,802**
Intesa SanPaolo loan in pool (tranche A)	Euro	Eur6m+ spread	2016	50,000	32,410	50,000	37,931
Intesa SanPaolo loan in pool (tranche B)	Euro	Eur6m+ spread	2011	10,000	9,768	10,000	9,667
Banca Popolare Emilia Romagna	Euro	mEur6m+ spread	2016	6,200	4,598	6,200	5,204
Secured bank loans				**40,962**	**22,361**	**40,962**	**24,849**
Intesa SanPaolo funds BEI	Euro	5.86%	2011	15,500	5,530	15,500	7,555
Intesa SanPaolo funds BEI	Euro	5.39%	2011	23,200	9,709	23,200	12,660
Intesa SanPaolo	Euro	Eur6m+ spread	2016	2,262	7,122	2,262	4,634
Finanziamento da banche non garantito				**2,814**	**1,905**	**3,346**	**2,221**
MinIndustria 10686	Euro	2.11%	2013	1,408	741	1,408	880
Minindustria 11172	Euro	3.72%	2016	1,406	1,164	1,406	1,287
Minindustria 2184	Euro	4.11%	2008	–	–	532	54
Total long-term bank loans	**Euro**			**109,976**	**71,042**	**110,508**	**79,872**
Short-term bank loans as use of commercial facilities in GBP				**1,475**	**1,475**	**1,814**	**1,814**
Intesa SanPaolo GBP equivalent in Euro al 31/12	GBP	Libor2m+ spread	n/a	152	152	1,814	1,814
Used in USD controvalore in Euro	USD		n/a	1,323	1,323	–	–
Short-term bank loans as use of commercial facilities				**53,342**	**53,342**	**39,086**	**39,085**
Used Portfolio	Euro	mEur1m+ spread	n/a	18,400	18,400	13,875	13,875
Advance Inovices	Euro	Eur1m	n/a	9,878	9,878	6,993	6,992
Loans export	Euro	mEuribor+ spread	n/a	19,110	19,110	15,718	15,718
Loans import	Euro	Euribor+ spread	n/a	5,954	5,954	2,500	2,500
Total short-term bank loans	**Euro**			**54,817**	**54,817**	**40,900**	**40,899**
Total onerous libilities	**Euro**			**164,793**	**125,859**	**151,408**	**120,771**

Other information

As required by IFRS 7, the RDM group provide additional information below on the following:

- the effect on the balance sheet and profit and loss account of the reclassification of financial instruments;
- instruments/assets pledged as collateral for actual or contingentliabilities.

Effect of financial instruments on the profit and loss account

The following tables set out the effect of financial instruments on the profit and loss account.

Consolidated financial statements (thousands of Euros)	31.12.2008	31.12.2007
Interest income from bank deposits	78	260
Interest income from others	28	582
Interest income from loans and receivables	46	13
Miscellaneous income	297	251
Foreign exchange gains	3,264	562
Total financial income	**3,713**	**1,668**

Separated financial statements (thousands of Euros)	31.12.2008	31.12.2007
Interest income from bank deposits	69	39
Interest income from others	21	26
Interest income from loans and receivables	36	13
Interest income to sudsidiary company	415	145
Foreign exchange gains	2,508	606
Total financial income	**3,049**	**829**

Consolidated financial statements (thousands of Euros)	31.12.2008	31.12.2007
Interest on financial liabilities at amortised cost	–	(3,724)
Long-term loan interest	(5,067)	(1,599)
Bank interest	(3,153)	(2,473)
Changes in the fair value of hedging derivatives (fair value hedges)	–	(60)
Discounting the employees' leaving entitlement (TFR)	(1,243)	(786)
Expenses and other financial charges	(600)	(1,091)
Foreign exchange losses	(3,251)	(809)
Financial expense	(354)	–
Financial expense	**(13,668)**	**(10,542)**

Separate financial statements (thousands of Euros)	31.12.2008	31.12.2007
Long-term loan interest	(5,049)	(5,323)
Bank interest	(3,141)	(2,473)
Interest payable to subsidiary company	(1,211)	(1,374)
Others interest payable	(36)	–
Changes in the fair value of hedging derivatives (fair value hedges)	–	(60)
Discounting the employees' leaving entitlement (TFR)	(790)	(786)
Expenses and other financial charges	(282)	(686)
Foreign exchange losses	(2,270)	(853)
Totale oneri finanziari	**(12,779)**	**(11,555)**

Credit risk

This section provides details in both quantitative and qualitative terms of the exposure to credit risk and the way in which this is managed.

Risk exposure

The exposure to credit risk at the balance sheet date may be summarized as follows.

Consolidated financial statements (thousands of Euros)	**31.12.2008**	**31.12.2007**
Trade receivables gross	122,038	108,732
– provision for bad and doubtful debts	(7,562)	(6,270)
Totale	**114,476**	**102,462**

Separate financial statements (thousands of Euros)	**31.12.2008**	**31.12.2007**
Trade receivables gross	73,526	87,587
– provision for bad and doubtful debts	(2,210)	(2,195)
Total	**71,316**	**85,392**

Overdue or impaired financial assets

The ageing of trade receivables at the balance sheet date was as follows:

Consolidated financial statements at 31 December 2008 (thousands of Euros)	**Amount due receivables**			**Receivables not due**	**Provision for bad and doubtful debts**	**Total**
	over 60	**from 31 to 60**	**from 0 to 30**			
Italy	3,173	982	7,445	50,755	(1,869)	60,485
UE	5,993	910	7,252	35,337	(5,299)	44,194
Rest of the world	719	691	1,784	6,996	(393)	9,797
Total	**9,885**	**2,583**	**16,481**	**93,089**	**(7,562)**	**114,476**
– provision for bad and doubtful debts	(7,562)					
Total	**2,323**	**2,583**	**16,481**	**93,089**		**114,476**

Consolidated financial statements at 31 December 2007 (thousands of Euros)	**Amount due receivables**			**Receivables not due**	**Provision for bad and doubtful debts**	**Total**
	over 60	**from 31 to 60**	**from 0 to 30**			
Italy	1,957	747	5,305	61,470	(1,911)	67,568
UE	5,526	608	4,889	20,736	(4,310)	27,448
Rest of the world	40	22	325	7,108	(49)	7,446
Total	**7,523**	**1,377**	**10,519**	**89,314**	**(6,270)**	**102,462**
– provision for bad and doubtful debts	(6,261)	(9)				
Total	**1,262**	**1,368**	**10,519**	**89,314**		**102,462**

Separate financial statements at 31 December 2008 (thousands of Euros)	**Amount due receivables**			**Receivables not due**	**Provision for bad and doubtful debts**	**Total**
	over 60	**from 31 to 60**	**from 0 to 30**			
Italy	1,849	513	6,717	45,046	(1,321)	52,804
UE	613	211	3,066	7,655	(566)	10,979
Rest of the world	406	415	1,393	5,641	(322)	7,533
Total	**2,868**	**1,139**	**11,177**	**58,342**	**(2,210)**	**71,316**
– provision for bad and doubtful debts	(2,210)					
Tota	**658**	**1,139**	**11,177**	**58,342**		**71,316**

Separate financial statements at 31 December 2007 (thousands of Euros)	**Amount due receivables**			**Receivables not due**	**Provision for bad and doubtful debts**	**Total**
	over 60	**from 31 to 60**	**from 0 to 30**			
Italy	1,651	315	5,786	56,772	(1,591)	62,933
UE	369	140	3,526	11,135	(555)	14,615
Rest of the world	27	22	736	7,108	(49)	7,844
Total	**2,047**	**477**	**10,048**	**75,015**	**(2,195)**	**85,392**
– provision for bad and doubtful debts	(2,047)	(148)				
Total	**–**	**329**	**10,048**	**75,015**		**85,392**

A total of 18.7% of the receivables portfolio of the RDM Group at 31 December 2008 was overdue, while at 31 December 2007 the corresponding figure was 12.8%, this increase is due amongst other things to the change in the scope of consolidation which occurred in March 2008.In RDM, 18.3% of receivables were overdue at 31 December 2008 compared to 12.1% at 31 December 2007.

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 aresubject 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. The Sales and Accounts Receivable Departments are responsible for obtaining and analysing this information, whose nature also depends on the geographifical area to which the customer belongs.

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:

- currency 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.

Currency risk

Exposure to currency risk derives from the following:

- certain trade receivables are denominated in currencies other than the Euro;
- a portion of liquidity is held in foreign currency current accounts;
- a portion of debt is denominated in foreign currency.

In comparison with the previous year two currency derivative contracts (forward foreign exchange contracts) are entered into and remained outstanding at 31 December 2008. Despite not qualifying for hedge accounting these contracts have the aim of limiting the risk of unfavourable movements in EURO/GBP exchange rates and are therefore hedging instruments.

Considering the exposure of Reno De Medici S.p.A. to currency risk there is only a marginal imbalance between investments and funds in the same currency (the natural hedging effect) and accordingly no agreements have been entered to acquire hedging instruments.

The main currencies in which the Group carries out its commercial activities are the United States dollar, the British pound and the Swiss franc. A marginal portion of trading is nonetheless also carried out in a series of other currencies.

The following table, expressed in euros, provides details of the exposure of the Group and that of Reno De Medici S.p.A. and is based on the official ECB exchange rates at 31 December 2008 and 31 December 2007.

Exchange BCE (for each euro)	**31.12.2008**	**31.12.2007**
USD	1.39170	1.47210
GBP	0.95250	0.73335
CHF	1.48500	1.65470
AUD	2.02740	1.67570

The following table provides details of the exposure to currency risk which is presented on the basis of the notional amount of the exposure. This risk exists to the same extent in both the consolidated financial statements and the Parent Company's separate financial statements.

Consolidated financial statements (thousands of Euros)	**31.12.2008**				**31.12.2007**			
	USD	**GBP**	**CHF**	**AUD**	**USD**	**GBP**	**CHF**	**AUD**
Trade Receivables	4,565	3,637	46	51	3,494	2,613	66	42
Short-term loans as use of commercial facilities	(1,323)	(152)	–	–	–	(1,814)	–	–
Trade payables	(2,156)	(1,697)	(5)	–	(4,003)	(46)	–	–
Liquid Funds	2,340	503	4	–	1,360	52	24	–
Exposure	**3,426**	**2,291**	**45**	**51**	**851**	**805**	**90**	**42**
Hedging derivative financial instruments	–	(614)	–	–	–	–	–	–
Net exposure	**3,426**	**1,676**	**45**	**51**	**851**	**805**	**90**	**42**

Separate financial statements (thousands of Euros)	**31.12.2008**				**31.12.2007**			
	USD	**GBP**	**CHF**	**AUD**	**USD**	**GBP**	**CHF**	**AUD**
Trade Receivables	3,011	1,042	65	45	3,494	2,613	66	42
Short-term loans as use of commercial facilities	(1,323)	(152)	–	–	–	(1,814)	–	–
Trade payables	(1,397)	(4)	(3)	–	(4,003)	(46)	–	–
Liquid Funds	2,302	464	4	–	1,360	52	24	–
Exposure	**2,593**	**1,349**	**65**	**45**	**851**	**805**	**90**	**42**
Hedging derivative financial instruments	–	–	–	–	–	–	–	–
Net exposure	**2,593**	**1,349**	**65**	**45**	**851**	**805**	**90**	**42**

Sensitivity analysis of currency 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 2008, assumptions were made (at 31 December 2008 and 31 December 2007) 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 2008 and 31 December 2007 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.

Increase of 10% Euro			Decrease of 10% Euro		
Consolidated financial statements (thousands of Euros)	**Shareholder's equity**	**Profit and loss**	**Consolidated financial statements** (thousands of Euros)	**Shareholder's equity**	**Profit and loss**
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**	**–**	**677**
31 December 2007			**31 December 2007**		
USD	–	(77)	USD	–	95
GBP	–	(73)	GBP	–	89
CHF	–	(8)	CHF	–	10
AUD	–	(4)	AUD	–	5
Total	**–**	**(163)**	**Total**	**–**	**199**

Increase of 10% Euro			Decrease of 10% Euro		
Separate financial statements (thousands of Euros)	**Shareholder's equity**	**Profit and loss**	**Separate financial statements** (thousands of Euros)	**Shareholder's equity**	**Profit and loss**
31 December 2008			**31 December 2008**		
USD	–	(236)	USD	–	288
GBP	–	(123)	GBP	–	150
CHF	–	(6)	CHF	–	7
AUD	–	(4)	AUD	–	5
Total	**–**	**(368)**	**Total**	**–**	**450**
31 December 2007			**31 December 2007**		
USD	–	(77)	USD	–	95
GBP	–	(73)	GBP	–	89
CHF	–	(8)	CHF	–	10
AUD	–	(4)	AUD	–	5
Total	**–**	**(163)**	**Total**	**–**	**199**

How currency risk is managed

RDM'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 has the responsibility of monitoring currency risk and sets out currency risk hedging strategies to contain exposure within the limits set by the policy.

There was no need for hedging derivatives to be employed for currency imbalances at either 31 December 2008 or 31 December 2007 as the average exposure to currency risk fell within tolerance thresholds, with the exception of the transaction discussed in the paragraph “Derivative instruments”.

Interest rate risk

Financial liablities 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 liable to interest rate risk, separating exposures to fixed rates from those to floating rates.

Consolidated financial statements (thousands of Euros)	**31.12.2008**	**%**	**31.12.2007**	**%**
Floating rate long-term loans	(4,286)	3.2%	(15,867)	12.9%
Floating rate long-term loans hedged by IRS	(3,991)	3.0%	(36,990)	30.2%
Fixed rate long-term loans	(11,658)	8.7%	(17,145)	14.0%
Total non current liabilities	**(19,935)**	**14.9%**	**(70,002)**	**57.1%**
Floating rate long-term loans	(17,841)	13.4%	(449)	0.4%
Floating rate long-term loans hedged by IRS	(33,595)	25.1%	(4,629)	3.8%
Fixed rate long-term loans	(5,565)	4.2%	(5,291)	4.3%
Floating rate short-term bank loans as use of commercial facilities	(56,655)	42.4%	(32,175)	26.3%
Floating rate short-term bank loans as use of commercial facilities hedged by IRS	–	0.0%	(10,000)	8.2%
Total current liabilities	**(113,656)**	**85.1%**	**(52,544)**	**42.9%**
Total floating rate	*(78,782)*	*59.0%*	*(48,491)*	*39.6%*
Total fixed rate or floating rate hedged by IRS	*(54,808)*	*41.0%*	*(74,055)*	*60.4%*
Total	**(133,591)**	**100.0%**	**(122,546)**	**100.0%**

Separate financial statements (thousands of Euros)	**31.12.2008**	**%**	**31.12.2007**	**%**
Floating rate long-term loans	–	0.0%	(15,650)	10.2%
Floating rate long-term loans hedged by IRS	(3,991)	3.0%	(36,990)	24.2%
Fixed rate long-term loans	(11,658)	8.9%	(17,145)	11.2%
Fixed rate long-term loans to subsidiary companies	–	0.0%	(32,000)	20.9%
Total non current liabilities	**(15,649)**	**11.9%**	**(101,785)**	**66.6%**
Floating rate long-term loans	(16,251)	12.4%	(66)	0.0%
Floating rate long-term loans hedged by IRS	(33,595)	25.5%	(4,729)	3.1%
Fixed rate long-term loans	(5,565)	4.2%	(5,292)	3.5%
Floating rate short-term bank loans as use of commercial facilities	(54,757)	41.6%	(30,899)	20.2%
Fixed rate loans to subsidiary companies	(5,749)	4.4%	–	0.0%
Floating rate short-term bank loans as use of commercial facilities hedged by IRS	–	0.0%	(10,000)	6.5%
Total current liabilities	**(115,917)**	**88.1%**	**(50,986)**	**33.4%**
Total floating rate	*(71,008)*	*54.0%*	*(46,615)*	*30.5%*
Total fixed rate or floating rate hedged by IRS	*(60,557)*	*46.0%*	*(106,156)*	*69.5%*
Total	**(131,565)**	**100.0%**	**(152,771)**	**100.0%**

Sensitivity analysis of interest rate risk

The following table provides an indication of the effect on the profit and loss account and equity of a parallel shift of +/– 50 basis points in the interest rate curve estimate at 31 December 2008 and 31 December 2007. This analysis was performed on the separate financial statements of RDM, as financial exposure is almost exclusively limited to that company.
The analysis was also carried out on the assumption that the other variables, in particular foreign exchange rates, remained constant.
For each curve scenario and limited to those derivatives qualifying for hedge accounting, the effectiveness test was performed ex post in order to measure the effect on equity (the effective portion) and on the profit and loss account (any ineffective portion).
In order to determine the effect on the profit and loss account of the year of assets and liabilities indexed to floating rates, a shock was applied to the actual cash outflows for the year. This consisted in identifying the additional financial income or expense which would have been recognised in the profit and loss account if interest rates had been higher or lower by 50 basis points than those that actually occurred.

Consolidated 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 2008				
Fiscal year cash flow	(323)	323	–	–
– Derivaties Cash Flow	*103*	*(103)*	–	–
– Floating rate loans	*(427)*	*427*	–	–
Effectiveness of hedges	530	(4)	609	(104)
Sensitivity of net financial flow	**206**	**320**	**609**	**(104)**
31 December 2007				
Fiscal year cash flow	19	(19)	–	–
– Floating rate loans	*(318)*	*318*	–	–
– Derivaties Cash Flow	*337*	*(337)*	–	–
Effectiveness of hedges	12	7	727	(644)
Sensitivity of net financial flow	**31**	**(12)**	**727**	**(644)**

Separate 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 2008				
Fiscal year cash flow	(728)	728	–	–
Effectiveness of hedges	*103*	*(103)*	–	–
c/c Intercompany	*(406)*	*406*	–	–
Floating rate loans	*(425)*	*425*	–	–
Effectiveness of hedges	530	(4)	609	(104)
Sensitivity of net financial flow	**(199)**	**725**	**609**	**(104)**
31 December 2007				
Fiscal year cash flow	22	(22)	–	–
– Floating rate loans	*(315)*	*315*	–	–
– Derivaties Cash Flow	*337*	*(337)*	–	–
Effectiveness of hedges	12	7	727	(644)
Sensitivity of net financial flow	**34**	**(15)**	**727**	**(644)**

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 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 segment;
- loans for the medium- to long-term segment. 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'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'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 has decided to structure its hedging relations using a cash flow hedge approach. The aim of these relations is to reduce the volatility of cash flows arising from the financial expense incurred on short- and long-term loans.

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 receives a flow of payments from the counterparty bank at a floating rate corresponding to that on its debt. Corresponding to these receipts RDM 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'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. These instruments had as their objective of long-term exposure. As required by accounting standards an effectiveness test was carried out for each hedging arrangement.

Commodity risk

In terms of the business carried out by Reno de Medici, 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.

Purchases of electricity and natural gas made in 2008 by Reno de Medici were index-linked, unlike in 2007 when energy and gas were supplied at a fixed price. Reno De Medici did not acquire any derivative financial instruments in 2008 to hedge against the exposure to the risk of changes in energy prices.

Supply contracts are linked to specific indices quoted on the energy market.

The following paragraphs describe separately for each type of underlying the sensitivity of the profit and loss account and the balance sheet to changes in the prices of commodities.

The figures included in the tables below refer to impacts (the difference between the effect of the instrument on the profit and loss account/balance sheet in a market condition situation and in the "altered" scenario) and do not provide the absolute values of the accounting entries that would be made in each scenario.

Sensitivity analysis of commodity risk for natural gas

While there was an exposure to changes in the price of natural gas in 2008, in 2007 purchases were made exclusively at contractually predetermined fixed prices.

Natural gas supply contracts are linked to an index consisting of a basket of energy commodities.

In order to perform scenario analyses it was assumed that there was an increase/decrease of 1% and 5% in the difference in price of the various indices. The effect on income was then calculated as the difference between the cost incurred for the commodity in the altered scenario and the cost incurred under normal market conditions.

As commodity purchases are made exclusively by Reno de Medici S.p.A., the following tables relate to the company's separate financial statements.

Separate Financial Stament (thousands of Euros)

Profit & Loss 2008		Balance sheet 2008	
Index +1%	**Index –1%**	**Index +1%**	**Index –1%**
(329)	329	–	–

Profit & Loss 2008		Balance sheet 2008	
Index +5%	**Index –5%**	**Index +5%**	**Index –5%**
(1,645)	1,645	–	–

Separate Financial Stament (thousands of Euros)

Profit & Loss 2007		Balance sheet 2007	
Index +1%	**Index –1%**	**Index +1%**	**Index –1%**
–	–	–	–

Profit & Loss 2007		Balance sheet 2007	
Index +0.5%	**Index –0.5%**	**Index +0.5%**	**Index –0.5%**
–	–	–	–

Sensitivity analysis of commodity risk for electricity

This paragraph sets out the results of the sensitivity analyses conducted with reference to positions connected with the fluctuation in the price of electricity.

The cost of purchasing energy is determined from an index containing the quoted prices of a series of energy commodities. In order to perform scenario analyses it was assumed that there was an increase/decrease of 1% and 5% in the difference in price of the index. For each scenario the effect on income was then calculated as the difference between the cost incurred for the commodity in the altered scenario and the cost incurred under normal market conditions.

The following table shows the possible effects there would be on the consolidated and separate financial statements for the year ended 31 December 2008 in terms of an increase/decrease in supply costs. The sensitivity data relate to purchases of electricity made in 2008 and concluded up to 31 December.

As commodity purchases are made exclusively by Reno de Medici S.p.A., the following tables relate to the company's separate financial statements.

Separate Financial Stament (thousands of Euros)			
Profit & Loss 2008		**Balance sheet 2008**	
Index +1%	**Index –1%**	**Index +1%**	**Index –1%**
(331)	331	–	–

Profit & Loss 2008		**Balance sheet 2008**	
Index +5%	**Index –5%**	**Index +5%**	**Index –5%**
(1,654)	1,654	–	–

Separate Financial Stament (thousands of Euros)			
Profit & Loss 2007		**Balance sheet 2007**	
Index +1%	**Index –1%**	**Index +1%**	**Index –1%**
–	–	–	–

Profit & Loss 2007		**Balance sheet 2007**	
Index +0.5%	**Index –0.5%**	**Index +0.5%**	**Index –0.5%**
–	–	–	–

There was no exposure to energy price variability at 31 December 2007, as all purchase agreements provided for a fixed supply price. It follows from this that the 2007 profit and loss account is not sensitive to changes in energy prices.

How commodity risk is managed

The nature of Reno de Medici'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. There were no outstanding derivative hedging instruments at 31 December 2008.

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 is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities.

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 2008 and 31 December 2007.

Financial liabilities were separated on the basis of their nature into nonderivative 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.

In terms of the cash flow due dates, given the nature of the RDM Group's monetary cycle, it was considered appropriate to group payments together into six-monthly time periods (buckets).

In the absence of derivatives with complex or optional payoffs, a valuation method was employed to measure the cash flows of floating rate derivative and non-derivative liabilities that was based on market forward interest rates.

We report here after the tables that summarize our analysis. In the first section of the tables the book value of the liabilities is compared with the cash inflows (plus sign) and the cash outflows (minus sign) 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" , based on the assumption that some of the loans subject ti financial covenants should be entirely reimbursed in the first quarter of 2009.

Consolidated financial statements at 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-term bank loans	**(76,935)**	**(80,941)**	(55,092)	(4,083)	(7,987)	(10,559)	(3,220)
Short-term bank loans as use of commercial facilities	**(56,655)**	**(56,655)**	(56,655)	–	–	–	–
Hedging derivative financial instruments	**(984)**	**(1,071)**	88	(197)	(503)	(439)	(20)
Non hedging derivative financial instruments	–	–	–	–	–	–	–
Payables	**(108,956)**	**(108,956)**	(108,956)	–	–	–	–
Total	**(243,530)**	**(247,624)**	(220,615)	(4,280)	(8,490)	(10,999)	(3,241)

Consolidated financial statements at 31 December 2007 (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-term bank loans	**(80,372)**	**(103,133)**	(7,912)	(7,935)	(15,248)	(46,094)	(25,944)
Short-term bank loans as use of commercial facilities	**(42,174)**	**(42,174)**	(42,174)	–	–	–	–
Hedging derivative financial instruments	**749**	**859**	167	129	55	292	216
Non hedging derivative financial instruments	–	–	–	–	–	–	–
Payables	**(97,718)**	**(97,718)**	(97,718)	–	–	–	–
Total	**(219,515)**	**(242,166)**	(147,637)	(7,806)	(15,193)	(45,802)	(25,728)

Separate financial statements at 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-term bank loans	**(71,716)**	**(74,889)**	(54,482)	(3,561)	(7,111)	(8,036)	(1,699)
Short-term bank loans as use of commercial facilities	**(54,757)**	**(54,757)**	(54,757)	–	–	–	–
Hedging derivative financial instruments	**(984)**	**(1,071)**	88	(197)	(503)	(439)	(20)
Non hedging derivative financial instruments	–	–	–	–	–	–	–
Payables	**(98,498)**	**(98,498)**	(98,498)	–	–	–	–
Total	**(225,955)**	**(229,215)**	(207,649)	(3,758)	(7,614)	(8,476)	(1,719)

Separate financial statements at 31 December 2007 (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-term bank loans	**(79,872)**	**(102,605)**	(7,758)	(7,784)	(15,024)	(46,094)	(25,945)
Short-term bank loans as use of commercial facilities	**(40,899)**	**(40,899)**	(40,899)	–	–	–	–
Hedging derivative financial instruments	**749**	**859**	167	129	55	292	216
Non hedging derivative financial instruments	–	–	–	–	–	–	–
Payables	**(99,385)**	**(99,385)**	(99,385)	–	–	–	–
Total	**(219,407)**	**(242,030)**	(147,875)	(7,655)	(14,969)	(45,802)	(25,729)

We report here after the detailed temporal profile of the total cash flows. Cash flows are recorded as "contractual financial flows" , based on the assumption that some of the loans subject to financial covenants should be entirely reimbursed in the first quarter of 2009, as described in Report of the Board of Directors.

Consolidated financial statements at 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-term bank loans	**(76,935)**	**(93,215)**	(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)	–	–	–	–
Hedging derivative financial instruments	**(984)**	**(1,071)**	88	(197)	(503)	(439)	(20)
Non hedging derivative financial instruments	–	–	–	–	–	–	–
Payables	**(108,956)**	**(108,956)**	(108,956)	–	–	–	–
Total	**(243,530)**	**(259,897)**	(172,376)	(6,476)	(12,393)	(44,228)	(24,424)

Separate financial statements at 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-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	**(54,757)**	**(54,757)**	(54,757)	–	–	–	–
Hedging derivative financial instruments	**(984)**	**(1,071)**	88	(197)	(503)	(439)	(20)
Non hedging derivative financial instruments	–	–	–	–	–	–	–
Payables	**(98,498)**	**(98,498)**	(98,498)	–	–	–	–
Total	**(225,955)**	**(241,488)**	(159,410)	(5,954)	(11,518)	(41,704)	(22,902)

The line "Hedging derivatives" in the tables consists of the future cash flows of all the derivatives for which hedge accounting is used, regardless of whether they represent assets (that is have a positive fair value) or liabilities (that is have a negative fair value). In addition, the periods in which the derivatives contracts have their financial effect - shown in the preceding table - coincide with the periods in which they are expected to have an effect on the profit and loss account.

How liquidity risk is managed

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.

REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE AND ON ADHERENCE TO THE CORPORATE GOVERNANCE CODE APPLICABLE TO ITALIAN LISTED COMPANIES

(prepared pursuant to article 124-*bis* of the Consolidated Finance Law, article 89-*bis* of the Issuers' Regulations and article I.A.2.6 of the Instructions to the Stock Exchange Rules)

FINANCIAL YEAR 2008

Approved by the Board of Directors of Reno De Medici S.p.A. at its meeting of 24 March 2009

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	Reno De Medici S.p.A. ("RDM")
Consolidated Finance Law	Legislative Decree no.58 of 24 February 1998, as subsequently amended and supplemented
Group	Reno De Medici S.p.A. and the companies controlled by that company pursuant to article 93 of the Consolidated Finance Law and article .....
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 issued by Consob with resolution no. 11971 of 14 May 1999 relating to issuers, as subsequently amended and supplemented
Report	This corporate governance report prepared pursuant to articles 123-*bis* and 124-*bis* of the Consolidated Finance Law, article 89-*bis* of the Issuers' Regulations and article IA.2.6. of the Instructions to the Stock Exchange Rules
Stock Exchange Rules	The rules for the markets organised and managed by Borsa Italiana S.p.A.
Year	The financial year ended 31 December 2008

1. PROFILE OF THE ISSUER

The organisation of RDM, which is based on the traditional model, complies with the requirements of laws and regulations on the subject of listed issuers and is structured in the following manner:

1.1. COMPANY ORGANISATION

• SHAREHOLDERS' GENERAL MEETING

This body has the competence 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 action as may be appropriate for reaching the corporate objects, excluding that reserved - by the law or by the articles of association - to the shareholders' meeting. It may therefore take all the action it believes suitable, including disposition, for achieving the corporate objects.

• 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 respected as well as the principle of proper management;
- that the Company's organisational structure, its system of internal control and its administrative and accounting system are adequate; this includes ensuring that the latter system is reliable for representing operations correctly;
- the means by which the corporate governance rules provided by codes of conduct prepared by companies managing regulated markets or by trade associations, which in public statements the Company declares it follows, are implemented in practice;
- the adequacy of the instructions given to subsidiaries in respect of the information to be provided to satisfy communications obligations.

• AUDITING COMPANY

Auditing activities are 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.

1.2. BUSINESS OBJECTIVES AND MISSION

The RDM Group is Italy's largest and Europe's second largest manufacturer of cardboard produced using recycled raw materials. 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 aimed at 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 as it pursues its objective of responding to the requirements of both production and product usage, in this way becoming the ideal partner of final convertors and 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 strong point for the sustainability of the Group's operations.

RDM pursues its mission strictly within the aim of creating value for its shareholders.

2. INFORMATION ON THE OWNERSHIP STRUCTURE AT 24 MARCH 2009

2.1. SHARE CAPITAL STRUCTURE

AMOUNT IN EUROS OF SUBSCRIBED AND PAID-UP SHARE CAPITAL:

Euro 185,122,487.06 fully paid

CLASSES OF SHARES MAKING UP SHARE CAPITAL

- 377,360,312 ordinary shares each of par value Euro 0.49;
- 440,682 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	377,395,006		Listed on the Star MTA	Shares are registered and freely transferable. They grant attendance and voting rights at ordinary and extraordinary shareholders' meetings, dividend rights and the right to the refund of capital in the event of the winding up of the Company.
Savings shares	405,988			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 nor 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 there were no restrictions on any type of transfer of RDM securities.

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 also into consideration any communications pursuant to article 120 of the Consolidated Finance Law and other information received, the following parties own shares in the Company, directly or indirectly, equal to or exceeding 2% of share capital:

Declarer	Direct shareholder	% of ordinary capital	% of voting capital
Bonati Fabio	Bonati Fabio	2,199	2,199
Santander Investment Services SA	Santander Investment Services SA	5,106	5,106
Siano Dante	Siano Dante	0.117	0.117
Siano Dante	IC (Industria della Costruzione) S.p.A.	5,420	5,420
Eurinvest Finanza Stabile S.p.A.	Eurinvest Finanza Stabile S.p.A.	5,512	5,512
Industria e Innovazione S.p.A.	Industria e Innovazione S.p.A.	9,051	9,051
Cascades Inc	Cascades S.A.	33.17	33.17

RDM is not subject to management or coordination.

2.4. SECURITIES GRANTING SPECIAL RIGHTS

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

2.5. EMPLOYEE SHAREHOLDINGS: MEANS BY WHICH VOTES ARE EXERCISED

At the date of this report RDM had not issued any employee stock grant plans.

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 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' pact pursuant to article 122 of the Consolidated Finance Law. 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 party to the shareholders' pact.

The extract from the shareholders' pact of 13 September 2007 and subsequent amendments is mentioned below:

"RENO DE MEDICI S.P.A.

Introduction

It is hereby stated that on 13 September 2007:

*(i) Alerion Industries S.p.A., having registered office at Via Durini no. 16/18, Milan and fully paid up share capital of Euro 148,041,689.75, enrolled in the Milan register of companies with tax code 02996890584 (hereafter "**Alerion**");*

*(ii) Eurinvest Finanza Stabile S.p.A., having registered office at Via San Damiano, no. 4, Milan and fully paid up share capital of Euro 24,248,784.56, enrolled in the Milan register of companies with tax code 00739960151 (hereafter "**Eurinvest**");*

*(iii) IC (Industria della Costruzione) S.p.A., having registered office at Strada Statale 11 Padana Superiore 2/b, Cernusco sul Naviglio (MI) and fully paid up share capital of Euro 15,000,000.00, enrolled in the Milan register of companies with tax code 03754580961 (hereafter "**IC**");*

*(Alerion, Eurinvest and IC are referred to collectively hereafter as the "**Current Shareholders**"); and*

*(iv) Cascades S.A., having registered office at Avenue Maurice Franck, La Rochette (France) and fully paid up share capital of Euro 36,916,000.00, enrolled in the trade and companies register (Registre du Commerce et des Sociétés) with number 333512440, together with Cascades Paperboard International Inc., having registered office at 772 Sherbroke St. West, Montreal (Quebec) (hereafter referred to together with Cascades S.A. as "**Cascades**");*

*on 30 September 2007 (the Current Shareholders and Cascades are referred to collectively hereafter as the "**Parties**" and individually as a "**Party**"),*

*following the approval of the respective Boards of Directors on that date of the project to merge Cascades Italia S.r.l. into Reno de Medici S.p.A. (hereafter the "**Merger**"), have entered a shareholders' pact (hereafter the "**Shareholders' Pact**") concerning the ordinary shares of Reno De Medici S.p.A., taking into the pact (hereafter the "**Pact**") - in the amount specified in the following – the ordinary shares which the Parties will hold after the Merger has taken place.*

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

On 3 December 2008 Alerion sold to Industria e Innovazione S.p.A. (having registered office at Galleria del Corso 1, Milan and fully paid up share capital of Euro 570,000.00 – tax code and VAT no. 06233810966) its entire holding of 34,157,528 ordinary shares in the Company. On that date Industria e Innovazione S.p.A. became a member of the Shareholders' Pact, taking in the 34,157,528 ordinary shares.

The contents of the Shareholders' Pact are reproduced in summary form as follows.

1. Companies whose financial instruments are the object of the Pact

*Reno De Medici S.p.A., having registered office at Via Durini 16/18, Milan and fully subscribed and paid up share capital of Euro 185,122,487.06, consisting of 377,800,994 shares each of par value Euro 0.49 of which 377,360,312 ordinary shares and 440,682 savings shares (hereafter the "**Company**"); the Company is listed on the Electronic Stock Market ("Mercato Telematico Azionario") organised and managed by Borsa Italiana S.p.A..*

2. Shares contributed to the Pact

The Shareholders' Pact, agreed and signed pursuant to paragraphs 1, 5a) and 5b) of article 122 of the Consolidated Finance Law, regards a total of 200,135,126 of the Company's shares, equal to 53.03% of its ordinary shares including those arising from the Merger.

2-bis. Members of the Pact and investments contributed

The following table sets out the number of shares contributed to the Pact by each of the Parties and the percentage which these represent of (i) the total number of shares in the Pact and (ii) the total number of the Company's ordinary shares.

Following changes taking place during the half year from July to December 2008 which regard solely the total number of financial instruments taken into the Shareholders' Pact, the members of the Shareholders' Pact and the number of ordinary shares of Reno de Medici S.p.A. bound to the Shareholders' Pact at 31 December 2008 were as follows:

Party	No. of shares in the Pact	As a percentage of shares in the Pact	As a percentage of shares having voting rights
Cascades	125,179,028	62.55%	33.17%
Industria e Innovazione	34,157,528	17.07%	9.05%
Eurinvest	20,798,570	10.39%	5.51%
IC	20,000,000	9.99%	5.30%
Total	**200,135,126**	**100.00%**	**53.03%**

*Following the signing of the Shareholders' Pact and as a consequence of the Merger none of the Parties holds control of the Company. In accordance with article 3 of the Shareholders' Pact, each Party has undertaken to contribute to the Pact any additional shares which may arise from purchases, bonus issues, conversions or capital increases (hereafter the "**Shares in the Pact**"), without altering the undertaking of the Parties, pursuant to article 4.3 of the Shareholders' Pact, not to acquire on any basis whatsoever any new shares of the Company up to the effective date of the Merger.*

3. Exceptions to the Shareholders' Pact

On10 January 2008 the Parties made a partial exception to their undertaking as per article 4.3 of the Pact, allowing Alerion, Eurinvest and

IC to make additional purchases of the ordinary shares of Reno De Medici S.p.A. in such a way that the total investment held by the Parties in any case remained below the threshold of 30% of the ordinary share capital of Reno De Medici S.p.A. .
Under this exception, purchases of the ordinary shares of Reno De Medici S.p.A. were allowed in the same proportion as the investments currently held, namely:

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

in this way up to a maximum of 3,500,000 shares of Reno De Medici S.p.A. .
As an exception to article 3 of the Shareholders' Pact, it was additionally agreed that any new shares which may be bought would not be contributed to the Pact.

4. Principle matters agreed in the Shareholders' Pact
4.1. Commitments preceding the effective date of the Merger and resolutory conditions
4.1.1. Extraordinary shareholders' meetings
The Current Shareholders and Cascades undertake to vote in favour of the resolutions to approve the Merger in the extraordinary shareholders' meetings of the Company and Cascades Italia respectively.

4.1.2. Ordinary shareholders' meetings
If an ordinary Shareholders' Meeting of the Company is called for a date falling in the period between the drawing up of the Merger deed and the effective date of the Merger, in order to adopt resolutions on the appointment of new corporate bodies, the Current Shareholders undertake to attend such meeting and cast their votes in order that the new Board of Directors or Board of Statutory Auditors is appointed in accordance with the requirements of paragraphs 4.2.1 and 4.2.2 below.

4.1.3. Resolutory conditions
The commitments undertaken by the Parties pursuant to paragraphs 4.1.1 and 4.1.2 and all the provisions of the Shareholders' Pact are subject to the non-occurrence of any one of the following resolutory conditions between the date on which the Shareholders' Pact is signed and the date on which the shareholders of the Company and Cascades Italia are called to adopt resolutions on the Merger project:

(i) that Consob notifies the Parties that it has reached a negative opinion, or in any event has objections or doubts, as to whether the exemption from the requirement to make a public tender offer for the purchase of the Company's shares envisaged by paragraph 1 f) of article 49 of Consob Regulation no. 11971/1999 is applicable to the Merger and/or Shareholders' Agreement: or

(ii) that the Comisión Nacional del Mercado de Valores notifies the Company that the Merger and/or drawing up of the Shareholders' Pact requires a public tender offer to be made for the Company's shares on the regulated Spanish market; or

(iii) that there has been a significant and exceptional change in a negative sense concerning financial or other conditions, assets, liabilities, the way in which operations are carried out, profits, the outlook or the overall business of Cascades or the Company, subsequent to the date of the respective balance sheets as per article 2501-quater of the Italian civil code.

4.2 Corporate bodies

4.2.1. Board of directors

The Company shall be managed by a board of directors consisting of 11 members. To that purpose the Parties undertake to present jointly, and vote in favour of, a single list of 11 candidates set out in the following order:

(i) 1 candidate to be appointed as managing director and designated by agreement between the Parties;
(ii) 4 candidates, of whom one holding the independence requirements, to be designated by Cascades;
(iii) 4 candidates to be designated by the Current Shareholders and more specifically:
  2 candidates to be designated by Alerion;
  1 candidate to be designated by Eurinvest;
  1 candidate to be designated by IC;
(iv) 2 candidates holding the independence requirements to be designated by agreement between the parties, without altering the fact that if third party shareholders should present a list which is entitled to the appointment of one member of the company's board of directors, said member shall be elected in place of one of the two candidates as per this point (iv).

Giuseppe Garofano shall keep his position as chairman of the board of directors for the first year of the Pact's term, after which the chairman for the remaining term of the Pact shall be a director designated by Cascades. The deputy chairman for the first year shall be appointed from among the directors designated by Cascades; subsequent to this the position shall be held by the outgoing chairman.

4.2.1.1. Important matters

Resolutions relating to the following matters shall be adopted by the vote of 7 (seven) directors in favour:

A. any motion to be submitted to shareholders in extraordinary meeting whose subject or effect is to increase the Company's share capital, excluding motions to reduce and simultaneously increase capital pursuant to article 2446 or article 2447 of the Italian civil code;
B. any transaction for the purchase, sale or rent of businesses, parts of businesses or assets, including property or investments considered as fixed assets, whose amount for each transaction or set of linked transactions (meaning functional to the realisation of the same operation) exceeds Euro 10,000,000.00 (ten million);
C. any motion to be submitted to shareholders relating to the distribution of dividends and/or reserves, in whatever form, and/or transactions to reduce capital on a voluntary basis, or any motion for distributing interim dividends;

D. the entering of agreements for loans, mortgage loans or other financial payables of whatever nature whose term exceeds eighteen months and whose amount, per individual transaction or set of linked transactions (meaning functional to the realisation of the same operation), exceeds Euro 10,000,000.00 (ten million);
E. the appointment or revocation of the managing director and administration and finance manager and any change in, or revocation of, the powers granted to persons holding such positions, which, on the first appointment of the managing director, shall be in accordance with those in force at the date on which the Shareholders' Agreement is signed;
F. the compensation, in whatever way it may be called, of the Company's managing director and the compensation policies for top management;
G. the approval of strategic plans, annual and multi-year budgets and changes of a strategic nature to such plans and/or budgets.

The Parties undertake for the entire term of the Pact not to amend or take part in amending article 15 of the Company's post-Merger articles of association, attached to the Merger project, which reflect the provisions of this paragraph 4.2.1.1.

4.2.1.2. Consulting committees

The compensation committee and the internal control committee shall be appointed for the entire term of the Shareholders' Agreement in such a way as to ensure that the Current Shareholders and Cascades have equal representation in those bodies.

4.2.2. Board of statutory auditors

For the purposes of appointing the members of the board of statutory auditors, the Parties undertake to present and vote jointly in favour of a single list of three candidates for the position of standing auditor and two candidates for the position of substitute auditor, set out in the following order:
(i) a first standing auditor, holding the position as chairman, designated jointly by Cascades and the Current Shareholders, without altering the fact that should third party shareholders present a list which is entitled to the appointment of one member of RDM's board of statutory auditors, holding the position of chairman, then such member shall be elected in place of the standing auditor as per this point (i);
(ii) second and third standing auditors designated respectively by Cascades and the Current Shareholders;
(iii) a first substitute auditor designated by Cascades;
(iv) a second substitute auditor designated by the Current Shareholders.

4.3. Prior consultation and voting in the Company's extraordinary shareholders' meetings

For the entire term of the Shareholders' Pact the Parties undertake, with the aim of ensuring uniformity of intention and direction in managing the Company, that they will consult together on a timely basis prior to each ordinary and extraordinary shareholders' meeting of the Company in order to discuss and come to agreement in good faith on a common line of conduct to be taken considering the Pact's objectives.

The Parties undertake to vote in the same manner as jointly agreed in respect of any proposal submitted to the Company's extraordinary shareholders' meeting.

4.4. Block and permitted transfers

4.4.1.

*Unless provided otherwise by the Shareholders' Pact, for the eighteen month period from the date on which the Pact becomes effective (hereafter the Lock-up Period), each Party undertakes (i) not to transfer to third parties, not even partially, (a) the Shares in the Pact, (b) the Company's securities convertible to shares, or, in the event of a capital increase by the Company for consideration, (c) the respective option rights on the newly issued shares and convertible securities (the shares, securities and option rights as per (a) to (c) are referred to hereafter as the "**Relevant Securities**"); and (ii) not to commence negotiations for the transfer of the Relevant Securities, not even on a forward basis.*

4.4.2.

As a partial exception to the provisions of paragraph 4.4.1, each Party may transfer, wholly or in part, the Relevant Securities it holds to subsidiaries, controlling entities or entities under common control, on condition that the purchaser becomes a party to the Shareholders' Pact in advance and without altering the fact that the transferor shall in any case remain jointly responsible for all the obligations arising from the Pact.

4.4.3.

As a partial exception to the provisions of paragraph 4.4.1, Alerion, Eurinvest and IC may freely transfer among themselves, wholly or in part, the respective Relevant Securities they hold.

4.4.4.

The Parties may establish liens on the Shares in the Pact provided that advance notice of this is provided to the other Parties and provided that the respective voting rights remain with the Party establishing the lien.

4.5. Pre-emption and co-sale rights

*Subsequent to the conclusion of the Lock-up Period and for the residual term of the Shareholders' Agreement, the transfer of the Relevant Securities held by Cascades or by the other Current Shareholders shall only be allowed for the whole investment held by such and in accordance with the pre-emption right (hereafter the "**Pre-emption Right**") and, limited to the Shares in the Pact, with the right of co-sale to the third party purchaser (hereafter the "**Co-sale Right**") governed by the following paragraphs.*

For the purposes of this paragraph 4.5 the Current Shareholders comprise, unless stated otherwise, a single Party.

4.5.1.

*If one Party (hereafter the "**Transferring Party**") intends to transfer or sell the Relevant Securities on the market and/or to third parties, such Party shall notify the other Party (hereafter the "**Bidding Party**") of such intention (hereafter the "**Offer**").*

4.5.2.

*Within 60 days from that on which the Bidding Party receives the notification of the Offer (hereafter the "**Acceptance Term**"), the Bidding Party may either exercise its Pre-emption Right or its Co-sale Right (hereafter the "**Acceptanc**e").*

4.5.3.

In the case that the Offer is made by Cascades, the Pre-emption Right may also be exercised by certain of the Current Shareholders individually, *without altering the fact that the Acceptance must relate to all of the Relevant Securities offered in pre-emption. In the case of sales on the electronic stock market, the exercise price of the Pre-emption Right shall be equal to the average of the official stock market closing prices of the 10 working days prior to the receipt of the Offer.*

4.5.4.

In the case that the Offer is made by Cascades, the Co-sale Right may also be exercised by the Current Shareholders individually provided that it is exercised for the whole investment held by each of these.

5. Obligations regarding public tender offers

Each Party undertakes not to purchase ordinary shares of the Company to the extent that this leads to the requirement to make a public tender offer pursuant to article 105 et seq. of Legislative Decree no. 58/1998.

6. Duration

Save the requirements of paragraphs 4.1.1 and 4.1.2 above, which become effective from the date on which the Shareholders' Pact is signed, the Shareholders' Pact shall be effective from 1 March 2008 (the effective date of the Merger) and shall have a duration of three years from that date.

The shareholders' agreement signed by the Current Shareholders on 27 March 2007 shall be considered terminated from the effective date of the Merger.

7. Filing of the Shareholders' Pact

A copy of the Shareholders' Pact has been filed within the terms of law with the office of the Milan Companies' Registrar."

2.8. APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE BYLAWS

Pursuant to article 12 of the Company's articles of association the board of directors consists of a minimum of 7 and a maximum of 15 members. The shareholders' meeting of 4 April 2008 determined that the board should have 11 members. Unless established otherwise on appointment, the members of the board of directors remain in office for three financial years and their term expires at the date of the shareholders' meeting called to approve the financial statements for the final year of that term.

Pursuant to article 12 of the Company's bylaws, "*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.*

No shareholder, shareholders who are members of a shareholders' pact pursuant to article 122 of Legislative Decree no. 58/ 1998, controlling entity, subsidiary or entity under common control pursuant to article 93 of Legislative Decree no. 58/1998, shall present, or shall take part in the presentation of, neither by intermediate third party nor trustee company, more than one single list, nor may they vote for any other list; no person may be a candidate in more than one list, failing which he or she shall be ineligible. The names of persons included in voting lists prepared in breach of the above and the votes cast in breach shall not be assigned to any list.

Only those shareholders who on their own or together with other presenting shareholders hold a total number of shares with voting rights that represent at least 2.5% of share capital with voting rights in the ordinary shareholders' meeting or, if different, the maximum percentage permitted by any applicable laws and regulations, shall be entitled to present lists.

The following shall be lodged together with each list within the terms described above: (i) an appropriate certificate issued by an intermediary qualified pursuant to law that demonstrates the ownership of the number of shares required to present the lists; (ii) the statements made by the individual candidates in which they accept their nomination, affirm under their own responsibility that there are no reasons for which they are ineligible or incompatible with the position and confirm that they possess the requisites for the respective positions; (iii) a curriculum vitae of each candidate relating to his or her personal and professional characteristics, with a description as appropriate of the reasons justifying why he or she should be considered to be independent pursuant to article 148, paragraph 3, of Legislative Decree no. 58/1998.

Any lists presented without following the preceding provisions shall be considered as not having been presented.

The election of the Board of Directors shall proceed as follows:

a) all the directors except one shall be taken from the list obtaining the highest number of votes cast by the shareholders, in the sequential order in which they are stated in the list;
b) the remaining director shall be taken from the minority list which obtained the second highest number of votes cast by the shareholders; this list shall not be connected in any way whatsoever, not even indirectly, with either the list referred to at paragraph a) or with the shareholders who presented or voted in favour of the list referred to at paragraph a).

To this purpose, any lists which fail to receive a number of votes equal to at least one half of those required to present the lists, as referred to at the eighth paragraph of this article, shall nevertheless 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, on 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's articles of association do not contain any provisions relating to changes in the articles which differ from those provided by prevailing norms and regulations.

2.9. 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 increase the Company's share capital nor had any authorisations been given to purchase treasury shares.

RDM did not hold any treasury shares at the date of this report.

2.10. CHANGE OF CONTROL CLAUSES

The Company has not entered any significant agreements which become effective, change or are terminated in the event of a change in control of the contracting company.

2.11. 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

At the date of this report RDM and the directors had not entered any agreements which provide for an indemnity in the event of their resignation or dismissal/revocation of powers without just cause, or in the case that their relationship ceases following a public tender offer.

3. RDM'S CORPORATE GOVERNANCE STRUCTURE

3.1. INTRODUCTION

RDM abides by the Corporate Governance Code adopted by Borsa Italiana in March 2006. During 2007 the Company completed the measures required to adapt to the requirements of this Code. This corporate governance system sets as its primary objective the creation of shareholder value, aware of the importance of transparency in the way in which business decisions are chosen and formed and the need to dispose of an effective internal control system.

RDM constantly analyses and assesses new steps designed to improve its corporate governance system, for the purpose amongst other things of taking constantly into account national and international best practice.

In compliance with applicable laws and regulations this report describes RDM's corporate governance system and indicates the practical means by which the Company has implemented 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 latest 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;
- Internal Control Committee rules;
- Guidelines and criteria to identify significant transactions with related parties - principles of conduct;
- Rules for the management of privileged information and the establishment of a register of persons having access to that information;
- Internal Dealing Code;
- Disciplinary Code.

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

4.1. BOARD OF DIRECTORS

4.1.1 Appointment

The Company is managed by a Board of Directors the number of whose members may not be lower then seven and not higher than fifteen. From time to time before electing the board the shareholders' meeting determines the number of members within such limits.

Directors are appointed for a term which may not exceed three financial years and may be re-elected in accordance with article 2383 of the Italian civil code.

Directors are appointed by an ordinary shareholders' meeting using a list vote.

Only shareholders who on their own or together with other shareholders own 2.5% of the share capital of RDM are entitled to present lists, or any other percentage which may be determined by provision of law or regulations.

Without altering the publication requirements of the Issuers' Regulations, the lists presented by shareholders must be lodged at the Company's offices at least fifteen days prior to the date for the shareholders' meeting in first call. Shareholders are required to lodge at the Company's offices together with the list of candidates an appropriate certificate as evidence of the ownership of the number of shares required to present the lists.

In order to ensure that minorities take an effective part in the management of the Company, as well as to guarantee the transparency of the process for the selection and appointment of directors, the Company's articles of association expressly provide that a shareholder may only present or participate in the presentation of one single list and may only vote for that single list.

Shareholders who are members of a shareholders' pact, whatever the form or contents of the agreement, may not present or take part in the presentation of, neither by intermediate third party or trustee company, more than one single list. Any breach of these prohibitions leads to the ineligibility of the list and the parties named therein.

With each list and within the terms indicated above, curricula vitae of the individual candidates must also be lodged together with statements in which they accept to stand and declare, under their own responsibility, that there are no reasons for which they may be considered ineligible or incompatible for the position, and that they also hold the requisites for the respective position prescribed by prevailing laws and regulations and the Company's articles of association.

4.1.2 Present composition

The ordinary shareholders' meeting of 4 April 2008 appointed the following as directors of the Company: Messrs. Giuseppe Garofano, Bernard Lemaire, Ignazio Capuano, Riccardo Ciardullo, Christian Dubè, Sergio Garribba, Laurent Lamaire, Mirko Leo, Vincenzo Nicastro, Carlo Peretti and Emanuele Rossini.

On 4 April 2008 the Board appointed Mr. Giuseppe Garofano as Chairman of the Board, Mr. Bernard Lemaire as Deputy Chairman and Mr. Ignazio Capuano as Managing Director.

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: 2 executive members, as per the Code definition, and 9 non-executive members, of whom 3 are independent.

Name	Office held
Giuseppe Garofano	Chairman
Bernard Lemaire	Deputy Chairman
Ignazio Capuano	Managing Director
Riccardo Ciardullo	Non-executive - C.C.
Christian Dubè	Non-executive
Sergio Garribba	Non-executive, independent - I.C.C.
Laurent Lemaire	Non-executive
Mirko Leo	Non-executive
Vincenzo Nicastro	Non-executive, independent - I.C.C. - C.C.
Carlo Peretti	Non-executive, independent - I.C.C. - C.C.
Emanuele Rossini	Non-executive

There have been no changes in the composition of the Board of Directors from the date of its appointment to the date of this report.

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

At the date of this report RDM believed 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.

Board of Directors:

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..

Bernard Lemaire
Born in Drummondille (Canada) in 1936, he took courses in civil engineering at Sherbrooke University and following this at McGill University. One of the founders of the Cascades Group, he has held the position of chairman and managing director for over 20 years and took the company to a listing on the Montreal Stock Exchange. His commitment and the results he has achieved have been recognised on numerous occasions by the Canadian government. He is currently chairman of Cascades Inc. and of Boralex Inc., a company operating in the renewable energy source sector, and is a member of the board of directors of Groupe Laperrière a di Verreault.

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..

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..

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.

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.

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).

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.

Subject 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 any of the cases provided for by articles 2505 and 2505-*bis* of the Italian civil code, including by reference to article 2506-*ter* of the Italian civil code if a demerger is envisaged;
- the setting-up or suppression of local 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
- any amendments to be made to the articles of association for compliance with any applicable laws or 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 in favour of seven directors:
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) the purchase, sale or leasing of businesses, parts of businesses, assets, including property assets and equity investments (including the purchase or sale of treasury shares and the redemption of shares) representing non-current assets, 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 or 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.

During 2008 the Board of Directors of RDM met on seven occasions with each meeting lasting an average of three hours. On 16 January 2009, the Board issued a timetable which envisages five meetings for the Board in 2009. One meeting had already been held at the date of this report.

Early notice as to the dates of the meetings of the Board of Directors to be held to discuss financial information has already been published. In addition, information relating to the shareholders' meeting which will approve the annual financial statements has also been published. The financial timetable may be consulted on RDM's website.

With regard to directors' compensation, pursuant to article 12 of the Company's bylaws on 4 April 2008, on the appointment of the new board of directors, the shareholders' meeting adopted a resolution under which annual emoluments will be paid amounting in total to Euro 110,000.00.

A resolution regarding the Managing Director's compensation was adopted by the Board of Directors on 13 May 2008 on the proposal of the Compensation Committee and with the opinion of the Board of Statutory Auditors. In this respect the issuer has established a compensation policy that provides for incentives linked to achieving business objectives.

Details of the compensation received by the members of the board of directors in 2008 are provided in the notes to the annual financial statements pursuant to article 78 of the Issuers' Regulations.

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 provided by article 2390 of the Italian civil code.

The Board has additionally reserved for its sole competence the approval of transactions with related parties. Significant transactions of this nature are contained in paragraph "Related party disclosures" of the Report of the Board of Directors on the 2008 financial statements.

At its meeting of 13 February 2009 the Board of Directors assessed RDM's organisational, administrative and general accounting structure as being adequate, namely that resulting from, and following the changes introduced on, the merger with Cascades Italia S.r.l. and the defining of the new RDM Group. At the same meeting the Board of Directors assessed its own composition as being adequate for the Company's size and needs.

4.1.4. Executive directors: 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 knowledge required on the matters submitted for its assessment.

At its meeting of 4 April 2008 the Board of Directors delegated to the Chairman, Mr. Giuseppe Garofano, all the powers required to represent the Company with respect to third parties, 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.

– 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 production management of the Company.

Pursuant to the Company's articles of association the Managing Director reports to the Board of Directors and the Board of Statutory Auditors on at least 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 expected outlook for operations and on the most significant operations and 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 operations and transactions in which these companies have an interest, on their own behalf or on behalf of third parties, and on any abnormal or unusual operations or transactions or those carried out with related parties 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 2008 this information was in actual fact 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).

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 in the taking of board decisions.

The non-executive directors bring their specific skills to board discussions, thereby encouraging an examination from different viewpoints of the matters being discussed 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 and the Managing Director the other nine members of the Board are all non-executive.

4.1.6 Independent directors

As an implementation of the provisions of the Code, at its meeting of 4 April 2008 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 as such. The results of this assessment were made known to the market in a press release.

During 2008, in the absence of any observations to bring to the attention of the corporate bodies or important third parties, and taking into account the transparency and accuracy of the information provided by the Company, the independent directors considered it unnecessary to hold a meeting.

4.1.7. DOCUMENTATION AND INFORMATION FOR THE BOARD OF DIRECTORS

The Chairman of the Board of Directors ensures that the directors are provided with adequate information on a timely basis so as to enable the Board to express its views with the appropriate knowledge on the matters being submitted for its assessment.
To this purpose, despite the lack of an explicit procedure, it is customary for RDM to send the supporting documentation for Board meetings to each director and statutory auditor during the two 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 indications of Consob and Borsa Italiana and the laws and regulations implementing the European Market Abuse Directive - which establish the requirements for the public communication of privileged information and define the rules for acquiring from subsidiaries the data and information needed to provide adequate information on a timely basis to the Board and to the market on the events and circumstances which could turn out to represent 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 the procedure relating to 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 Consolidated Finance Law.

The procedure incorporating the provisions of the Issuers' Regulations of Consob defines 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 is updated as necessary to take account of any interpretations provided by Consob on the matter and 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 operations and transactions performed by such parties, including those carried out through intermediaries, whose subject is the 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 Consolidated Finance Law.

6. INTERNAL BOARD COMMITTEES

For the purpose of augmenting the effectiveness and efficiency of the proceedings of the Board of Directors, an Internal Control Committee and a Compensation Committee have been created within 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 believes it unnecessary to create a committee within the board itself to deal with proposals for the appointment of directors.

7. COMPENSATION COMMITTEE

The Compensation Committee consists of three non-executive directors, of whom two are independent, in the persons of Riccardo Ciardullo, who has the function as Chairman, Vincenzo Nicastro and Carlo Peretti, all of whom were appointed during the meeting of the Board of Directors held on 4 April 2008.

The Committee met on only one occasion during 2008, with the attendance of all of its members, to review the compensation to be paid to the Managing Director.

The meeting of the Compensation Committee was properly minuted.

– Functions of the compensation committee

In accordance with the Corporate Government Code, the Compensation Committee has the task of presenting to the Board proposals for the remuneration of the managing directors and other 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.

Creating this committee ensures that the most ample and transparent information on the compensation due to the managing directors is available, together with the respective means by which it is determined. It is nonetheless agreed, though, 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.

At its meeting of 4 April 2008 the Board of Directors assigned total compensation of Euro 70,000.00 to the members of the Compensation Committee.

8. DIRECTORS' COMPENSATION

Directors' compensation is approved by shareholders' meetings; the compensation of the Managing Director, in his capacity as a director with specific powers, is determined by the Board of Directors on the proposal of the Compensation Committee.

On 4 April 2008 the shareholders' meeting adopted a resolution to pay total gross annual compensation of Euro 110,000. The Board of Directors meeting on the same date assigned an annual compensation of Euro 10,000.00 to each board member.

On 13 May 2008, on the proposal of the Compensation Committee, the Board of Directors assigned an annual compensation of Euro 500,000 to the Managing Director plus a further Euro 500,000 on reaching certain objectives.

On 4 April 2008 the Board of Directors additionally adopted a resolution to pay compensation to directors for their participation in the committees set up by the board. The annual compensation payable to the Chairman of the Compensation Committee amounts to Euro 30,000, while that for the other two members amounts to Euro 20,000 each.

The Chairman of the Internal Control Committee receives annual compensation of Euro 30,000, while that for the other two members amounts to Euro 20,000 each.

At the date of preparing this report the Company had not adopted a system linked to the results of the issuer for compensating managers with strategic responsibilities.

There are no share-based incentive plans in favour of employees or executive or non-executive directors.

The compensation of non-executive directors is not linked to the results of the issuer.

The non-executive directors do not participate in any share-based incentive plans.

The following table sets out the compensation payable to the members of the Board of Directors currently in office:

Name	Board position	Months	Compensation for board position	Other positions held	Months in other positions	Compensation for other positions	TOTAL DUE
Giuseppe Garofano	Chairman	12	10,000.00				10,000.00
Carlo Peretti	Director	12	10,000.00	I.C.C. - S.B. - C.C.	12	55,000.00	65,000.00
Emanuele Rossini	Director	12	10,000.00				10,000.00
	Director	12	10,000.00				10,000.00
Ignazio Capuano	Managing Director	12	Fixed compensation as MD	General Manager			204,000.00
Riccardo Ciardullo	Director	12	10,000.00	Chairman of Compensation Committee	12	27,500.00	37,500.00
Vincenzo Nicastro	Director	12	10,000.00	I.C.C. - S.B. - C.C.	12	45,000.00	55,000.00
Mirko Leo	Director	9	7,500.00				7,500.00
Sergio Garribba	Director	9	7,500.00	I.C.C.		15,000.00	22,500.00
Bernard Lemaire	Deputy Chairman	9	7,500.00				7,500.00
Laurent Lemaire	Director	9	7,500.00				7,500.00
Christian Dubè	Director	9	7,500.00				7,500.00

9 INTERNAL CONTROL COMMITTEE

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

The Internal Control Committee consists of three non-executive and independent directors

The Internal Control Committee has three members: Carlo Peretti who acts as its chairman, Vincenzo Nicastro and Sergio Garribba.

The Internal Control Committee met on three occasions in 2008, when an examination was made of, and resolutions were adopted on, the following matters:

(i) implementation of the system as per Legislative Decree no. 231/01;

(ii) implementation of changes in employment safety matters as per Legislative Decree no. 81/08.

Members of the Board of Statutory Auditors also took part in the proceedings of the Committee.

The meeting of the Committee was properly minuted.

– 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 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 respected. 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, to the approval of the financial statements and half-year reports and to relations between the issuer and the external auditor are supported by adequate processes of enquiry.

10. INTERNAL CONTROL SYSTEM

RDM is aware that financial information holds 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 contributes to creating shareholder value. RDM is similarly aware that investors rely on management and all the Company's employees to abide fully with the system of rules making up the Company's internal control system.

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

An internal control system 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 respected.

The Board of Directors is responsible for internal control.

In his capacity as the executive director in charge of the internal control system, the managing director is responsible for supervising the working of the internal control system, availing himself of the internal audit function.

More specifically, the Board of Directors, with the assistance of the Internal Control Committee:

(i) defines the guidelines for the internal control system, in order that the principal risks relating to the Company and its subsidiaries are properly identified and adequately measured, managed and monitored, determining criteria for the compatibility of those risks with a sound and proper management of the business;

(ii) assesses on an annual basis the adequacy, effectiveness and effective working of the internal control system;

(iii) describes as part of the annual corporate governance report the essential elements of the internal control system, and expresses an opinion on the overall adequacy of the system.

In performing its functions relating to the internal control system, the Board of Directors gives appropriate consideration to the models of reference and best practices to be found at a national and international level. Special attention is placed on the organisational and management models adopted pursuant to Legislative Decree no. 231 of 8 June 2001.

In order to ensure that these regulations are actually and properly being followed and, more generally, that this also applies to all the rules and procedures governing the processes of collecting, processing, presenting and circulating corporate information, RDM has established an internal control system designed with the aim of ensuring that financial information is true, complete and timely.

10.1 Executive 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.

10.2 Internal control officer

An important role in the internal control system is performed by the internal auditor; in his capacity as internal control officer he reports on his work to the Managing Director, the Internal Control Committee and the Board of Statutory Auditors. The duties of the internal auditor are as follows:

(i) to ensure that the supervisory activities as per Legislative Decree no. 231/2001 are being performed;
(ii) to update the system for identifying, classifying and assessing risk areas for the purpose of planning checks;
(iii) to carry out scheduled and unscheduled checks, identifying any gaps with the models adopted and drawing up proposals for the corrective measures to be taken;
(iv) to ensure that relations with the auditing company are maintained;
(v) to 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 Internal Auditor and the Auditing Company have free access to data, documents and information useful for carrying out their audit procedures. At the date of the preparation of this report Mr. Giuseppe Ruscio held the role of Internal Control Officer and Internal Auditor.

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

On 4 August 2008 the Managing Director adopted the new Organisational, Management and Control Model for RDM S.p.A. and the new Code of Ethics. At its meeting of 27 August 2008 the Board of Directors ratified and approved the adoption of both documents.

The changes introduced into the Organisational Model were rendered necessary on the one hand to adapt the provisions included in the Model to the new reality of RDM resulting from the merger with Cascades Italia

S.r.l. on 1 March 2008, and on the other to adjust for subsequent changes in legislation.

The Organizational, Management and Control Model consists of one General Section and six Special Sections relating to the following macro-types of offence:

- Offences against the Public Administration.
- Corporate Offences.
- Market Abuse.
- Offences against employee health.
- Money laundering offences.
- Cyber offences.

With a resolution adopted on 8 May 2007, the shareholders' meeting introduced the establishment of a Supervisory Body. The duty of this Body is to carry out supervisory activities to ensure that the Model is working properly and being followed. The Body consists of three members, selected from persons satisfying the requisites of professionalism, honorableness, specific competence, independence and working autonomy. With a resolution adopted by the Board of Directors on 4 April 2008, the following people were appointed to the Body: Mr. Vincenzo Nicastro, Mr. Carlo Peretti and Mr. Giuseppe Ruscio in his capacity as Internal Control Officer.

All of the Company's subsidiaries will introduce the Organisational, Management and Control Model in 2009; these companies introduced the August 2008 version of the Code of Ethics in 2008.

The documents referred to above may be found on the Company's website (www.renodemedici.it).

10.4 AUDITING COMPANY

The Company is audited by PricewaterhouseCoopers S.p.A., appointed by the ordinary shareholders' meeting of 30 April 2006 for the financial years 2006 to 2011 and up until the approval of the financial statements for the year ending 31 December 2011.

10.5 MANAGER IN CHARGE OF THE PREPARATION OF THE CORPORATE ACCOUNTING RECORDS

On 3 August 2007, following the receipt of the favourable opinion of the Board of Statutory Auditors, the Board of Directors appointed Mr. Maurizio Fusetti, RDM's Financial and Control Manager, as the manager in charge of the preparation of the corporate accounting records, granting him adequate powers and means to perform the duties assigned to him by the provisions of laws and regulations prevailing from time to time.

On 30 September 2008 Mr. Fusetti resigned from the position as manager in charge of the preparation of the corporate accounting records.

At its meeting of 13 November 2008, following the receipt of the favourable opinion of 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.

The manager in charge of the preparation of the corporate accounting records is skilled in administration, finance and control matters.

The manager in charge of the preparation of the corporate accounting records performs the functions provided by article 154-*bis* of the Consolidated Finance Law. The provisions governing the responsibility of the directors in respect of the duties assigned to them are applicable to the manager in charge of the preparation of the corporate accounting records, save actions performable on the basis of the employment relationship with the Company.

11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

On 24 January 2006 the Board of Directors approved a regulation setting out the criteria for identifying significant related party transactions together with specific principles of conduct, aimed at governing the major substantial and procedural aspects of the management of these transactions.

Related party transactions are managed by following specific substantial and procedural propriety criteria. For the definition of "related party" reference should be made to persons defined in that way by the international accounting standard concerning financial statement disclosures for transactions with related parties, adopted under the procedure to be found in article 6 of Regulation (EC) no. 1606/2002 (IAS 24).

On the basis of the regulation concerning related party transactions, the Company's Board of Directors approves (in the case of transactions under the Company's competence) or assesses (in the case of transactions under the competence of the Company's directly and/or indirectly held subsidiaries) the more significant transactions with related parties such as:

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

For each related party transaction submitted for approval or assessment, the Board of Directors receives adequate information about all the important elements of the transaction, 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.

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, selected 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 presented to the Board of Directors as part of the periodic information provided on the exercising of its delegated powers, and to the Board of Statutory Auditors - pursuant to article 150, paragraph 1, of

Legislative Decree no. 58/1998 - as part of that provided in connection with operations and transactions of a significant economic, financial or capital importance carried out by the Company or its subsidiaries.

As part of their periodic reporting on such operations and transactions, the Chairman and the Managing Director describe the nature of the relation, the means by which the operation or transaction was carried out, the timescale and economic conditions for its realisation, the assessment process followed, the underlying reasons and any risks for the Company.

12. APPOINTMENT OF STATUTORY AUDITORS

Article 19 of the Company's bylaws establishes that the standing and substitute members of the Board of Statutory Auditors are to be elected by the 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".

Pursuant to article 10 of the Corporate Governance Code the statutory auditors perform their duties autonomously and independently, including with respect to the shareholders who elected them. The statutory auditors must maintain the highest level of confidentiality with regard to the documents reviewed and the information acquired in carrying out their duties and must abide by the procedures established for external communication of information contained in documents and news regarding the Company.

In carrying out their duties the statutory auditors may, also individually, make a request to the directors for further details or clarifications of information transmitted to them and more generally that relating to the Company's performance or specific affairs; they may also carry out inspection or control procedures at any time. The Board of Statutory Auditors and the auditing company exchange data and information that is important in carrying out their respective duties.

The Board of Statutory Auditors must meet at least once every ninety days.

During 2008 the Board of Statutory Auditors verified that there were no transactions with a conflict of interest and supervised the independence of the auditing company; it also had regular and constructive exchanges of view with the auditing company and with the Internal Control Committee.

The Board of Statutory Auditors additionally held certain meetings with the Internal Auditor and the auditing company with the scope amongst other things of exchanging documentation.

The Board of Statutory Auditors met on eight occasions during 2008.

On 29 September 2008 Mr. Priori handed in his resignation as a standing auditor of the Company. As a result, on 30 September 2008, pursuant to and to the effects of article 2401 of the Italian civil code, his position was filled by Mr. Giovanni Maria Conti.

The Board of Statutory Auditors currently in office is made up as follows:

Members	Position held
Sergio Pivato	Chairman
Giovanni Maria Conti	Standing Auditor
Carlo Tavormina	Standing Auditor
Myrta De Mozzi	Substitute Auditor

The mandate of the members of the Board of Statutory Auditors expires at the ordinary shareholders' meeting called to approve the financial statements for the year ended 31 December 2008.

Information on 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 Valuatons". 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. 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 to enable 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 restriction of the need for confidentiality which certain types of information may present.

RDM acts in order to maintain constant dialogue with the market within 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 RDM'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.

Periodic financial statements and information relating to significant events and transactions are released to the public on a timely basis, including by publication on RDM'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

Guido Vigorelli
Tel. +39 02 89966261 Fax +39 02 89966200
E-mail investor.relations@renodemedici.it

14. 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.

Special attention is placed on the calling, the scheduling and the managing of shareholders' meetings to encourage the highest level of attendance by shareholders and to ensure that the maximum level of quality of information is provided to them on these occasions, within 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 proper constitution of ordinary and extraordinary shareholders' meetings and the validity of the resolutions adopted must abide by the provisions of law and the articles.

As provided by article 8 of the Company's articles of association, general shareholders' meetings are called through the publishing of a notice in one of the following daily newspapers: "Il Sole 24 Ore", "Milano Finanza", "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 participation at a shareholders' meeting. In addition, shareholders must lodge their shares or an appropriate certificate issued by the institution acting as share account administrator at least two working days prior to the date of meeting.

The shareholders' meeting is chaired by the Chairman of the Board of Directors or, in his absence or impediment, by a Deputy Chairman or, in 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 assign 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).

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 being 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 2008 and one extraordinary meeting.

The Board reported to the meetings the activities performed and scheduled and took action to ensure that the shareholders received adequate information on the matters needed for them to be able to take the decisions for which the shareholders' meeting is competent on a fully informed basis.

Table 1: Board of Directors

Director	Position held	Executive	Non-executive	Independent	Attendance/ meetings (*)	Number of other positions
Giuseppe Garofano	Chairman	X			7/7	
Bernard Lemaire (**)	Deputy Chairman		X		3/7	
Ignazio Capuano	Managing Director	X			7/7	
Riccardo Ciardullo	Director		X		3/7	
Christian Dubè (**)	Director		X		4/7	
Sergio Garribba (**)	Director		X	X	3/7	1
Laurent Lemaire (**)	Director		X		4/7	
Mirko Leo (**)	Director		X		3/7	
Vincenzo Nicastro	Director		X	X	6/7	3
Carlo Peretti	Director		X	X	7/7	3
Emanuele Rossini	Director		X		6/7	

(*) All absences from the meetings of the Board of Directors have been properly justified.
(**) Director appointed by the shareholders' meeting of 4 April 2008.

Table 2: Internal Control Committee

Director	Position held	Independent	Attendance at meetings
Carlo Peretti	Chairman	X	4/4
Vincenzo Nicastro		X	4/4
Sergio Garribba (*)		X	0/2

(*) Appointed by the Board of Directors on 4 April 2008 - all absences have been properly justified.

Table 3 : Compensation Committee

Director	Position held	Independent	Attendance at meetings
Riccardo Ciardullo	Chairman		1/1
Vincenzo Nicastro		X	1/1
Carlo Peretti		X	1/1

Table 4 : Supervisory Body

Member	Position held	Independent	Attendance at meetings
Carlo Peretti	Chairman	X	4/4
Vincenzo Nicastro		X	4/4
Giuseppe Ruscio*			4/4

(*) Appointed as a member of the Supervisory Body by the Board of Directors on 4 April 2008. Previously secretary of the Supervisory Body and at present also holds the Internal Audit position.

Table 5 : Board of Statutory Auditors

Auditor	Office held	Independence pursuant to the Code	Attendance (*)/ Meetings of the Board
Sergio Pivato	Chairman	X	08/08/
Carlo Tavormina	Standing Auditor	X	08/08/
Marcello Priori (**)	Standing Auditor	X	07/08/
Giovanni Maria Conti (***)	Standing Auditor	X	01/08/
Myrta De Mozzi	Substitute Auditor	–	–

(*) All absences from the meetings of the Board of Statutory Auditors have been properly justified.
(**) Resigned effective 29 September 2008.
(***)Appointed effective 30 September 2008.

Table no. 6 Further provisions of the corporate governance code

	YES	NO	Summary of the reasons for any differences with the recommendations of the Code
SYSTEM OF DELEGATED POWERS AND RELATED PARTY TRANSACTIONS			
HAS THE BOARD OF DIRECTORS ASSIGNED DELEGATED POWERS AND DEFINED			
a) Limits to the powers	**X**		
b) The means by which the powers are exercised	**X**		
c) Frequency of reporting	**X**		
HAS THE BOARD OF DIRECTORS RESERVED THE RIGHT TO REVIEW AND APPROVE TRANSACTIONS HAVING A PARTICULAR IMPORTANCE FROM AN ECONOMIC, EQUITY AND FINANCIAL STANDPOINT (INCLUDING RELATED PARTY TRANSACTIONS)?	**X**		
HAS THE BOARD OF DIRECTORS DEFINED THE GUIDELINES AND CRITERIA FOR IDENTIFYING "SIGNIFICANT TRANSACTIONS"?	**X**		
ARE THE ABOVE GUIDELINES AND CRITERIA DESCRIBED IN THE REPORT?	**X**		
HAS THE BOARD OF DIRECTORS ESTABLISHED SUITABLE PROCEDURES FOR REVIEWING AND APPROVING RELATED PARTY TRANSACTIONS?	**X**		
ARE THE PROCEDURES FOR APPROVING RELATED PARTY TRANSACTIONS DESCRIBED IN THE REPORT?	**X**		
PROCEDURES FOR THE MOST RECENT APPOINTMENT OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS			
WERE THE PROPOSALS FOR CANDIDATES STANDING FOR THE POSITION OF DIRECTOR LODGED AT LEAST TEN DAYS IN ADVANCE?	**X**		
WERE THE PROPOSALS FOR CANDIDATES STANDING FOR THE POSITION OF DIRECTOR ACCOMPANIED BY EXHAUSTIVE INFORMATION?	**X**		
WERE THE PROPOSALS FOR CANDIDATES STANDING FOR THE POSITION OF STATUTORY AUDITOR LODGED AT LEAST FIFTEEN DAYS IN ADVANCE?*		**X**	
SHAREHOLDERS' MEETINGS			
HS THE COMPANY APPROVED RULES FOR SHAREHOLDERS' MEETINGS?		**X**	
INTERNAL CONTROL			
HAS THE COMPANY APPOINTED HEADS OF INTERNAL CONTROL?	**X**		
ARE THE HEADS OF INTERNAL CONTROL HIERARCHICALLY INDEPENDENT OF THE HEADS OF OPERATIONAL DIVISIONS, NAMELY THEY DO NOT REPORT TO THEM?	**X**		
ORGANISATIONAL UNIT OF THE HEAD OF INTERNAL CONTROL (AS PER ARTICLE 8.C.1 OF THE CODE)			**INTERNAL AUDIT FUNCTION**
INVESTOR RELATIONS			
HAS THE COMPANY APPOINTED A PERSON IN CHARGE OF INVESTOR RELATIONS?	X		
ORGANISATIONAL UNIT AND REFERENCES (ADDRESS/TELEPHONE NO./FAX NO./ E-MAIL ADDRESS) OF THE PERSON IN CHARGE OF INVESTOR RELATIONS			Guido Vigorelli c/o Reno De Medici S.p.A. – Via Durini 16/18, Milan, Italy tel. +39/02/89966261 – fax +39/02/89966200; e-mail: investor.relations@renodemedici.it

CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Consolidated profit and loss account (thousands of Euros)	**Note**	**31.12.2008**	**31.12.2007**
Revenues from sales	1	455,026	342,474
Other revenues	2	6,891	5,486
– *of which non recurring*		*304*	*2,000*
Changes in stocks of finished goods	3	(12,607)	4,187
Cost of raw materials and services	4	(357,216)	(265,026)
– *of which non recurring*		–	–
Staff costs	5	(67,862)	(52,829)
– *of which non recurring*		–	*(1,700)*
Other operating costs	6	(5,383)	(4,676)
– *of which non recurring*		–	*(1,000)*
Badwill	7	21,178	–
Gross Operating Profit		**40,027**	**29,616**
Depreciation and amortisation	8	(23,919)	(19,097)
Recovery of value and write-downs of assets	9	(1,732)	(600)
Operating Profit		**14,376**	**9,919**
Financial expense		*(10,417)*	*(9,733)*
Exchange differences		*13*	*(247)*
Financial income		*449*	*1,106*
Financial income (expense), net	10	(9,955)	(8,874)
Income from investments	11	(1,736)	1,269
– *of which non recurring*		*(994)*	
Taxation	12	(2,094)	267
Profit (loss) for the year before discontinued operations		**591**	**2,581**
Discontinued operations	13	(6,777)	(1,743)
Profit (loss) for the year		**(6,186)**	**838**
Attributable to:			
Profit (loss) for the year pertaining to the Group		(6,449)	576
Profit (loss) for the year pertaining to minority interests		263	262
Earnings (loss) per ordinary share (Euros)		(0.018)	0.003
Earnings (loss) per ordinary share diluted (Euros)		(0.018)	0.003
Earnings (loss) per ordinary share before discontinued operations (Euros)		0.001	0.009
Earnings (loss) per ordinary share before discontinued operations diluted (Euros)		0.001	0.009

CONSOLIDATED BALANCE SHEET ASSETS

Consolidated balance sheet (thousands of Euros)	**Note**	**31.12.2008**	**31.12.2007**
Non-current assets			
Tangible fixed assets	14	264,400	174,702
Goodwill	15	63	146
Other intangible assets	16	5,629	1,388
Investments and financial transactions currently	17	1,628	13,134
Deferred tax assets	18	1,488	1,681
Derivative financial instruments	19	11	418
Financial assets held for sale	20	309	482
Trade receivables	21	234	–
Other receivables	22	899	5,321
Total non-current assets		**274,661**	**197,272**
Current assets			
Stocks	23	82,073	64,624
Trade receivables	21	113,212	101,511
Group trade receivables	21	1,264	951
Other receivables	22	6,121	4,702
Other Group trade receivable	22	1,855	–
Derivative financial instruments	19	–	331
Liquid funds	24	4,314	8,248
Total current assets		**208,839**	**180,367**
Other non-current assets held for sale	25	–	**5,583**
TOTAL ASSETS		**483,500**	**383,222**

CONSOLIDATED BALANCE SHEET LIABILITIES AND SHAREHOLDERS' EQUITY

Consolidated balance sheet (thousands of Euros)	**Note**	**31.12.2008**	**31.12.2007**
Shareholders' equity attributable to the group		160,666	114,770
Minority interests		566	546
Shareholders' equity	26	**161,232**	**115,316**
Non-current liabilities			
Bank loans and other financial liabilities	24	19,935	70,002
Derivative financial instruments	19	916	–
Other payables	27	3,445	627
Deferred tax liabilities	28	29,921	6,311
Employees' leaving entitlement	29	23,455	14,780
Non-current provisions for contingencies and charges	30	4,678	6,174
Total non-current liabilities		**82,350**	**97,894**
Current liabilities			
Bank loans and other financial liabilities	24	113,658	52,544
Derivative financial instruments	19	68	–
Trade payables	31	106,132	93,964
Group trade payables	31	2,695	3,754
Other payables	27	13,186	19,142
Other Group payables	27	129	–
Current taxation	32	–	608
Current provisions for contingencies and charges	33	4,050	–
Total current liabilities		**239,918**	**170,012**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**483,500**	**383,222**

CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement (thousands of Euros)	Note	31.12.2008	31.12.2007
Profit (loss) for the year before discontinued operations and before taxation		2,685	2,314
Badwill	7	(21,178)	–
Depreciation and amortisation	8-9	25,651	19,697
(Gains) losses from investments	11	1,736	(1,296)
Financial (income) expense	10	9,955	8,874
Gains (losses) on the disposal of fixed assets		–	52
Change in the employees' leaving entitlement, other provision fund including provision for bad and doubtful debtsi		(2,793)	(4,708)
Change in stocks		10,719	25,151
Change in trade receivables		22,104	4,500
Change in trade payables		(29,344)	(15,200)
Change in total working capital		3,479	14,451
Gross cash flows		**19,535**	**39,384**
Interest paid in the year		(8,718)	(7,828)
Taxes paid in the year		(5,518)	(946)
Cash flows from operating activities		**5,299**	**30,610**
Sale (purchase) of financial assets held for sale		–	8
Investments		(16,938)	(17,809)
Disinvestments	17	6,500	219
Business combination		(2,947)	–
Investment in joint venture		(271)	–
Dividends received	17	1,430	1,240
Cash flows from discontinued operations		(2,247)	1,086
Cash flows from investing activities		**(14,473)**	**(15,256)**
Dividents paid		(243)	(292)
Draw-down (repayment) of short-term bank borrowings and long-term loans		5,844	(16,358)
Cash flows from financing activities		**5,601**	**(16,650)**
Exchange difference from convertion	26	**(353)**	**–**
Change in restricted liquid funds	24	**(5,000)**	**(29)**
Change in unrestricted liquid funds		**1,074**	**(1,267)**
Unrestricted liquid funds at beginning of year	24	**3,240**	**4,507**
Unrestricted liquid funds at end of year		**4,314**	**3,240**
Liquid funds at end of year			
Unrestricted liquid funds	24	4,314	3,240
Restricted liquid funds	24	–	5,000
TOTAL LIQUID FUNDS AT END OF YEAR		**4,314**	**8,240**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

Statement of changes in consolidated Shareholders' Equity (thousands of Euros)	Share capital	Share premium reserve	Legal reserve	Reserve for own shares	Other reserves	Retained earnings (losses) brought forwards	Profit (loss) for the year	Fair value reserve	Hedging reserve	Own shares	Share-holders' equity attributable to group	Minority interest	Total share-holders' equity
Shareholders' equity at 1 January 2006	**132,160**	**–**	**–**	**4,872**	**14,374**	**(12,082)**	**(19,098)**	**(252)**	**(124)**	**(4,872)**	**114,978**	**576**	**115,554**
Changes in accounting principle	**–**	**–**	**–**	**–**	**–**	**(2,092)**	**631**	**–**	**–**	**–**	**(1,461)**	**–**	**(1,461)**
Shareholders' equity at 1 January 2006 adjusted	**132,160**	**–**	**–**	**4,872**	**14,374**	**(14,174)**	**(18,467)**	**(252)**	**(124)**	**(4,872)**	**113,517**	**576**	**114,093**
Increase in share capital	–	–	–	–	–	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	–	–	–	–	–	–	–	(292)	(292)
Change in accounting principle	–	–	–	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–	–	–	–	–	–
Changes in the scope of consolidation	–	–	–	–	–	–	–	–	–	–	–	–	–
Value adjustments recognised directly in equity	–	–	–	–	–	–	–	(6)	683	–	677	–	677
Cover of 2006 losses	–	–	–	–	(14,374)	(4,724)	19,098	–	–	–	–	–	–
Changes in accounting principle	–	–	–	–	–	631	(631)	–	–	–	–	–	–
Profit (losses) for the year	–	–	–	–	–	–	576	–	–	–	576	262	838
Shareholders' equity at 31 December 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)
Exchange Reserve	–	–	–	–	(353)	–	–	–	–	–	(353)	–	(353)
Changes in the scope of consolidation	–	–	–	–	–	–	–	–	–	–	–	–	–
Value adjustments recognised directly in equity	–	–	–	–	–	–	–	(140)	(1,274)	–	(1,414)	–	(1,414)
Appropriation of net income 2007	–	–	5	–	–	571	(576)	–	–	–	–	–	–
Profit (losses) for the year	–	–	–	–	–	–	(6,449)	–	–	–	(6,449)	263	(6,186)
Shareholders' equity at 31 December 2008	**185,122**	**–**	**5**	**–**	**797**	**(17,696)**	**(6,449)**	**(398)**	**(715)**	**–**	**160,666**	**566**	**161,232**

NOTES TO THE CONSOLIDATED

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 24 March 2009 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 2008 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").

It has to be pointed out that the Reno De Medici Group has not adopted in advance the accounting principles already validated by the European Union, but that will become effective after 31 December 2008.
It has to be noticed that the European Union validated in the course of 2008 the interpretation IFRIC 11 (IFRS 2 – Operations with Own-shares and shares of the Group), effective as from 1 January 2008. However, such interpretation has not generated any impact on the financial statements of the Reno De Medici Group as of 31 December 2008.
On 13 October 2008, the IASB issued an amendment to IAS 39 "Financial instruments: recognition and measurement", and to IFRS 7 "Financial Instruments: Disclosures" effective as from 1 July 2008. The adoption of these amendments had no effect on the financial statements as of 31 December 2008.

The financial statements are prepared on a cost basis, other than for those items for which IFRS requires the use of a measurement at fair value, applying the same account principle of the previous year.

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, despite the difficult and extremely uncertain economic and financial situation; 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 consolidated balance sheet 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 profit and loss account 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 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 IFRS requirements.

The accounting principles used by RDM are the same as those used in the previous year.

Scope of consolidation

The consolidated financial statements include the financial statements of all subsidiary companies, with the exception of the non operational companies from the date on which control is acquired until the date that such control ceases.

The following table provides a list of subsidiaries with the respective percentage holdings:

Company name	Registered office	Activity	Share capital	Shareholding 31.12.2008		Shareholding 31.12.2007	
				Direct	Indirect	Direct	Indirect
Reno De Medici Iberica S.L.	Prat de Llobregatt (E)	Manufacturing	39,061	100.00%	–	100.00%	–
Cascades Cartonboard UK L.t.d.	Wednesbury (GB)	Manufacturing	12,433	100.00%	–	–	–
Cascades Arnsberg GmbH	Arnsberg (D)	Manufacturing	5,113	94.00%	6.00%	–	–
RDM Blendecques S.a.s.	Blendecques (F)	Manufacturing	1,037	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%	–	–	–
RDM France S.a.r.L.	Tramblay en France (F)	Sales	96	–	–	100.00%	–
RenoDeMedici Deut.GmbH	Bad Homburg (D)	Sales	473	–	–	100.00%	–

On 26 February 2008, effective as from 1 March 2008, the business combination Agreement was signes whereby Cascades Italia S.r.l. was incorporated into Reno De Medici S.p.A. Cascades Italia S.r.l. controlled, directly or indirectly, 100% of the shares of Cascades Arnsberg Gmbh, Cascades Blendecques S.a.s., Cascades Cartonboard UK Ltd and Cascades Grunstuck Gmbh & Co.KG.
As a consequence from this date the consolidated financial results also include the data of the above mentioned companies.
After the contribution of the RDM's Commercial Division, effective as from 1 April 2008, also the investments in RDM France S.a.r.l. and in RDM Deutchland Gmbh have been contributed to Careo S.r.l., therefore as of that date have been de-consolidated.
The following table reports the list of the jointly-controlled related companies that are evaluated according to the net equity method:

Company name	Registered office	Activity	Share capital	Shareholding 31.12.2008		Shareholding 31.12.2007	
				Direct	Indirect	Direct	Indirect
Careo S.r.l.	Milan (I)	Sales	100	70.00%	–	100.00%	–
Pac Service S.p.A.	Vigonza (PD)	Manufacturing	1,000	33.33%	–	33.33%	–
Termica Boffalora S.r.l.	Milan (I)	Manufacturing	14,220	–	–	30.00%	–

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.

Subsidiaries in liquidation and insignificant enterprises are not consolidated on a line-by-line basis. Their effect on the Group's total assets, total liabilities, financial position and result is immaterial, being overall less than 2%.

Subsidiaries which are excluded from the scope of consolidation are accounted for using the equity method and are included in the item "Investments accounted for under the equity method".

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 onwhich 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 2008 (**)**	**End-exchange 31.12.2008**
Sterling Great Britain	0.7652	0.8056	0.9525

(*) At 29 Febbrary 2008
(**) From 29 Febbrary 2008 to 31 December 2008

Investments accounted for under the equity method

This item includes investments in unconsolidated subsidiaries and associates which are accounted for under the equity method. 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 refer to those companies in which the Group exercises a significant influence over the company, but does not hold control or joint control over its financial and operating policies. The consolidated financial statements include the share pertaining to the Group of the results of associates, accounted for under the equity method, from the date that significant control 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.

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.

Borrowing costs relating to investments in assets are fully recognised in the profit and loss account in the year in which they are incurred.

Ordinary maintenance and repair costs are charged to profit and loss in the year in which they are incurred; these costs are capitalised if they increase the value or economic life of the asset to which they relate.
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	Non-competition agreement	20%
	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 (the impairment test). 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 to sell and value in use. In calculating value in use, estimated future cash flows are discounted to present value using a pre-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 had no impairment loss 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.

Financial assets held for sale shown as current assets consist of securities with short-term maturities or marketable securities which represent a temporary investment of liquid funds.

Trade receivables and other receivables

Trade receivables and other receivables are measured at cost, represented by the initial fair value of the amount received in exchange. Subsequent adjustments are made to account for any write-downs. Non-current trade receivables and other receivables are subsequently measured at amortised cost, based on the asset’s original effective interest rate.

Stocks

Stocks are measured at the lower of purchase or production cost, including ancillary costs, determined on a weighted average basis, and estimated realisable value, determined from market trends.

In the case of raw materials, market value means replacement cost; for finished goods and semi-finished goods, market value means net realisable value, representing the amount that the Group would expect to obtain from the sale of these goods in its normal activities.

Liquid funds and cash equivalent

Liquid funds consist of available cash on hand and bank deposits, shares in liquid funds and other highly liquid investments which can be readily converted into cash and which are subject to an insignificant risk of changes in value.

Employee benefits

The benefits subsequent to the termination of the relation between employer and employee are based on planes that, based on their features, can be defines as "defined contributions plans" or "defined benefits plans".
In the "defined contributions plans", such as the Italian TFR (Italian leave indemnity) accrued after the coming into force of the 2007 Italian "Finance Law", the obligation of the company, limited to the payment of a contribution to the Public Social Security System, or to an asset or to a specific juridical entity (so called 'fund'), is determined based on the due contributions, after deducting the already payed amounts.
The "defined benefits plans, such as the Italian TFR before the coming into force of the 2007 Italian "Finance law", are plans such that the benefits subsequent to the termination of the relation between employer and employees are a future obligation, for which the Company bears the relevant actuarial and investment risks.
The indemnity leave fund is determined based on the actuarial value of the liability of the Company, according to the current legislation, the collective wage agreements, and the company's integration agreements
The actuarial evaluation, based on demographic, financial and turnover assumptions, is entrusted to independent actuarians. The profit and losses deriving from the actuarial calculations are charged to the profit and loss account as costs or revenues.

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 used 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

This item consists of trade payables and other liabilities, excluding financial liabilities shown under bank loans and other financial liabilities. 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.

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 rate 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.

Use of estimates

The preparation of financial statements and related disclosures that conform to International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Estimates are used in accounting for bad debts provisions for accounts receivable, stock obsolescence, depreciation, asset impairment, employee benefits, restructuring provisions, taxation and other accruals and provisions and in measuring derivative financial instruments. Estimates and assumptions are reviewed regularly and the effects of any changes are recognised immediately in the profit and loss account.

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 paragraph “Financial instruments and risk management” in the Report of the Board of Directors 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 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.

Recoverability of non-current assets

Non-current assets consist of property, plant and equipment, investment property, intangible assets (including goodwill), investments and other

financial assets. Management determines the carrying value of non-current assets held and used and that of assets to be disposed of on a periodic basis, when facts and circumstances occur which warrant such a review. Management performs this review using an estimate of future cash flows from the use or disposal of the asset, discounted to present value using a suitable rate. If this review shows that there has been a reduction in the carrying amount of a non-current asset, the Group recognises an impairment loss for the amount by which the carrying amount of the asset exceeds the amount recoverable through use or disposal.
In a macro-economic situation made critical and uncertain by the present adverse economic and financial situation, the directors based their decisions on the likely outlook for operations for 2009 and subsequent years as things appear today.
Business plans were amended in a prudent manner for the impairment testing of cash-generating units, in order to take account of the present adverse economic and financial situation and the uncertainties weighing upon the future.
Revising the plans in this way no matters emerged indicating the need to recognise significant impairment losses, with the exception of the situation at the Magenta facility, for which, in order to assess the recoverability of this production unit, it was necessary to use the fair value method, after deducting the cost of sale, instead of the value in use.
The valuation has been carried out by an independent expert, and the results obtained hasn’t imply the need to perform the impairment test of the production unit. Despite this it cannot be excluded that an extension or worsening of the crisis may lead to the need to revise the present valuations, notwithstanding the prudent approach taken.

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.

Notes

The profit and loss account for the previous year included the line item "Non-recurring income (expense)". This item has been eliminated from this year's profit an loss account and the amounts included in that item in 2007 have been reclassified to the individual line items, with their non-recurring nature being highlighted.

Segment information

A geographical format has been adopted as the means of reporting segment information, based on the location of RDM Group companies.

PROFIT AND LOSS ACCOUNT

Profit and loss account 31.12.2008 (thousands of Euros)	**Italy**	**Spain**	**Germany**	**France**	**Uk**	**Other**	**Elimina-tions**	**Consoli-dated**
Value of production	283,225	36,632	92,153	40,994	9,115	–	(12,810)	449,309
Operating cost	(274,638)	(35,546)	(82,397)	(41,186)	(9,504)	–	12,810	(430,462)
Badwill	–	–	–	–	–	21,178	–	21,178
Gross operating profit	**8,587**	**1,086**	**9,755**	**(192)**	**(389)**	**21,178**	**–**	**40,025**
Depreciation and amortisation								(25,651)
Operating profit								**14,374**
Net financial income (expense)								(9,954)
Income from investments								(1,736)
Taxation								(2,092)
Profit (loss) for the year before discontinued operations								**592**
Discontinued operations								(6,776)
Profit (loss) for the year								**(6,184)**

Profit and loss account 31.12.2007 (thousands of Euros)	**Italy**	**Spain**	**Germany**	**France**	**Uk**	**Other**	**Elimina-tions**	**Consoli-dated**
Value of production	319,450	47,360	–	–	–	–	(20,850)	345,960
Operating cost	(293,756)	(43,438)	–	–	–	–	20,850	(316,344)
Gross operating profit	**25,694**	**3,922**	**–**	–	–	–	–	**29,616**
Depreciation and amortisation								(19,697)
Operating profit								**10,519**
Net financial income (expense)								(8,874)
Income from investments								1,269
Taxation								267
Profit (loss) for the year before discontinued operations								**3,181**
Discontinued operations								(1,743)
Profit (loss) for the year								**838**

BALANCE SHEET

Balance sheet 31.12.2008 (thousands of Euros)	Italy	Spain	Germany	France	Uk	Elimina-tions	Consoli-dated
Tangible fixed assets	165,009	8,507	88,575	1,751	558	–	264,400
Other intangigle assets	1,448	129	3,973	80	–	–	5,629
Other non-current assets	99,786	804	4	11	–	(95,973)	4,632
Total non-current assets	**266,243**	**9,440**	**92,551**	**1,842**	**558**	**(95,973)**	**274,660**
Trade receivables	87,978	11,253	14,405	11,243	2,191	(12,593)	114,476
Stock	49,682	4,493	17,200	9,030	1,732	(64)	82,073
Other current assets	24,763	24,742	10,104	2,130	235	(49,685)	12,290
Total current assets	**162,424**	**40,489**	**41,709**	**22,403**	**4,158**	**(62,342)**	**208,840**
TOTAL ASSETS	**428,667**	**49,929**	**134,260**	**24,245**	**4,716**	**(158,315)**	**483,500**
Current liabilities	232,910	7,539	15,958	36,699	2,997	(56,185)	239,918
Shareholdes's equity and non-current assets	195,757	42,388	118,302	(12,454)	1,718	(102,130)	243,583
TOTAL LIABILITIES	**428,667**	**49,928**	**134,260**	**24,245**	**4,716**	**(158,315)**	**483,500**
Other information							
Investiments	9,432	303	4,083	1,660	–	–	15,478
Ammotizations	14,147	1,092	7,355	43	53	–	22,690
Write-down	1,732	–	–	–	–	–	1,732

Balance sheet 31.12.2007 (thousands of Euros)	Italy	Spain	Germany	France	Uk	Elimina-tions	Consoli-dated
Tangible fixed assets	166,481	8,221	–	–	–	–	174,702
Other intangigle assets	1,280	108	–	–	–	–	1,388
Other non-current assets	76,414	38,278	–	–	–	(93,510)	21,182
Total non-current assets	**244,175**	**46,607**	**–**	**–**	**–**	**(93,510)**	**197,272**
Trade receivables	87,731	15,051	–	–	–	(320)	102,462
Stock	58,336	6,288	–	–	–	–	64,624
Other current assets	4,415	14,466	–	–	–	(5,600)	13,281
Total current assets	**150,482**	**35,805**	**–**	**–**	**–**	**(5,920)**	**180,367**
Other non-current assets held for sale	**5,583**						**5,583**
TOTAL ASSETS	**400,240**	**82,412**	**–**	**–**	**–**	**(99,430)**	**383,222**
Current liabilities	161,031	14,901	–	–	–	(5,920)	170,012
Shareholders' equity	108,735	67,431	–	–	–	(60,850)	115,316
Non-current liabilities	130,474	80	–	–	–	(32,660)	97,894
TOTAL LIABILITIES	**400,240**	**82,412**	**–**	**–**	**–**	**(99,430)**	**383,222**
Other information							
Investiments	14,533	786	–	–	–	–	15,319
Ammotizations	18,264	833	–	–	–	–	19,097
Write - down	–	–	–	–	–	–	–

Business combination

The merger with the Cascades Group referred to earlier gave rise to a business combination in accordance with IFRS 3 Business Combinations and as such has been accounted for using the purchase method.

Accounting for this business combination will be completed on the preparation of the financial statements of the RDM Group for the year ending 31 December 2008, within twelve months from the acquisition date as required by IFRS 3.

The information relating to the business combination required by IFRS 3 is provided below.

Entities taking part in the business combination

The following table provides a summary of the entities acquired together with the percentage of equity instruments with voting rights acquired directly and indirectly by the RDM Group:

Company name (thousands of Euros)	**Registered office**	**Activity**	**Share capital**	**Shareholding 31.12.2008**	
				Direct	**Indirect**
Cascades Cartonboard UK L.t.d.	Wednesbury (GB)	Manufacturing	12,433	100.00%	–
Cascades Arnsberg GmbH	Arnsberg (D)	Manufacturing	5,113	94.00%	6.00%
Cascades Blendecques S.a.s.	Blendecques (F)	Manufacturing	1,037	100.00%	–
Cascades Grundstück GmbH & Co. KG	Arnsberg (D)	Services	5	100.00%	–

Cost of the business combination

The cost of the business combination, amounting in total to Euro 58.2 million, consists of the total of the fair values of the equity instruments issued and assigned and the costs directly attributable to the business combination, as estimated at 31 December 2008.

Cost of business combination (thousands of Euros)	
Business combination price (*)	54,112
Costs directly pertaining to business combination (**)	4,076
Total cost of business combination	**58,188**

(*) The price has been calculated on the basis of 108,086,557 shares issued and 7,513,443 treasury shares assigned to Cascades S.A. at 0.4681 euros each, being the official stock market quotation on 29 February 2008.
(**) of which paid Euro 3,712 thousand in 2008

The above-mentioned transaction contributed Euro 141 million to consolidated revenues, Euro 9.2 million to gross operating profit and Euro 6.5 million to the result for the year.

Fair value of the assets, liabilities and contingent liabilities acquired

The net fair value of the assets acquired, calculated and at 31 December 2008, totalled to Euro 79.4 million and may be analysed as follows.

Business combination (thousands of Euros)	Book value	Estimated fair value
Tangible fixed assets	24,205	93,795
Other assets	1,285	3,973
Stocks	30,761	28,167
Receivables and liabilities	(11,406)	(11,406)
Deffered taxes	–	(24,518)
Provision for risks and Employee's leaving entitlement	(10,127)	(11,410)
Liquid funds	765	765
Net asset	**35,483**	**79,366**

The cash flows for the year arising from the business combination amount to Euro 2.9 million and relate to the combination costs of Euro 3.7 million paid in 2008 net of cash acquired of Euro 0.8 million.

Badwill arising from the business combination

Provisional badwill of Euro 21.2 million arose as the difference between the cost of the business combination and the acquirer's interest in the net fair value of the assets, as set out in the following table:

Goodwill/(Badwill) (thousands of Euros)	
Net assets fair value at the combination date	79,366
Cost of business combination	58,188
Badwill	**(21,178)**

Negative goodwill arose because, as required by IFRS 3, the cost of the business combination was based on the fair value (stock market price) of the shares at the date on which control was transferred (the date of the share transfer); fair value was 0.4681 euro per share at that date and therefore significantly lower than fair value on 20 June 2007, the date of the announcement of a possible transaction, or fair value on 13 September 2007, the date on which the resolution for the merger project was adopted.

1. Revenues from sales

Revenues from sales may be analysed as follows:

(thousands of Euros)	**31.12.2008**	**Inc, %**	**31.12.2007**	**Inc, %**
Revenues for sales	451,095	99.14%	341,737	99.78%
Revenues for services	3,931	0.86%	737	0.22%
Total revenues	**455,026**	**100%**	**342,474**	**100%**

Revenues from sales arise essentially from sales of cartonboard, while services mostly relate to the sale of electricity in 2008.

The following table provides a geographical analysis of sales revenues:

Revenues by geographical areas (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variations**	**%**
Italy	169,969	175,494	(5,525)	–3.1%
EU	230,452	133,103	97,349	73.1%
Extra EU	54,605	33,877	20,728	61.2%
Net revenues	**455,026**	**342,474**	**112,552**	**32.9%**

There was an increase in sales of 33% in 2008, compared to 2007, with growth being concentrated especially in the European Union markets. This increase is attributed for Euro 141 million to former Cascades.

2. Other revenues

Other revenues from sales may be analysed as follows:

Other revenues (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variations**
Grants	758	630	128
Ordinary capital gain	–	415	(415)
Recharge of costs	418	162	256
Increase in fixed assets	419	134	285
Rental income	8	9	(1)
Other revenues	5,288	4,136	1,152
Total	**6,891**	**5,486**	**1,405**

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.

Other revenues consist of prior year income, which itself principally comprises receipts from creditors' arrangement procedures, VAT recoveries following the closure of insolvency proceedings, refund from third parties and charge of expenses; the increase is mainly due to revenues credited by certain energy suppliers in connection with the Company's availability to accept an interruption in supply.

Other revenues for the year ended 31 December 2008 include a non-recurring component of Euro 0.3 million, consisting of income of Euro 0.6 million, stated net of directly related expenses, recognised on the settlement of the dispute with Grupo Torras S.A. in May.
The effect of the change in consolidation scope is about for Euro 1 million

The non-recurring profit of Euro 2.0 Million recorded in 2007 is related to the transaction carried out by the subsidiary RDM Iberica with Red.Im. S.r.l. and Espais (such amount was recorded in the 2007 financial statements as "Non-recurring income/(costs)).

3. Changes in stocks of finished goods

The change in stocks (Euro -12.6 million) is due to the variation of the scope of consolidation, that determined the increase of the opening stock by Euro 12.7 Million. The fiscal year has been characterized by the liquidation of the existing stocks, thanks to planned standstills concentrated in the last months of the year, and to the closing of one of the two production lines of the French facility of Blendecques.

4. Cost of raw materials and services

Cost of raw material and services (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variations**
Cost of raw material	**181,712**	**139,657**	**42,055**
Purchase of raw material	183,193	140,226	42,967
Changes in stocks of raw materials	(1,481)	(569)	(912)
Services regarding sales	**50,352**	**36,871**	**13,481**
Transport	39,157	32,283	6,874
Commissions and agents' costs	11,195	4,588	6,607
Services regarding manufacturing	**108,045**	**76,281**	**31,763**
Energy	77,419	55,175	22,244
Maintanance	13,034	6,147	6,887
Waste disposal	8,565	5,168	3,397
Other manufacturing services	9,027	9,791	(763)
General services	**13,610**	**10,451**	**3,159**
Legal, notarial, administrative and external collaboration	2,755	2,668	87
Board of directors	1,000	1,249	(249)
Statutory auditors	146	173	(27)
Insurance	2,817	1,852	965
Postal and telephone	732	505	227
Other	6,160	4,004	2,156
Use of third party assets	**3,497**	**1,766**	**1,731**
Rental and leasing	3,497	1,766	1,731
Total	**357,216**	**265,026**	**92,189**

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 2008 these costs rose during the year from 40.3% of the value of production ("Revenues from sales" plus "Changes in stocks of finished goods") in 2007 to 41.1% in 2008.

Service costs rose in total by 39.2% over the previous year (Euro 172 million for the year ended 31 December 2008 against Euro 123.6 million for the year ended 31 December 2007), amounting to 38.9% of revenues from sales (35.7% for the year ended 31 December 2007). These figures reflect the following:

- the increase of the commissions, both in monetary and percentage terms, due to the higher revenues and to the new sales organization led by Careo S.r.l.
- The increase in industrial service costs, due mainly to the increase in energy costs which, net of the efficiencies achieved, led to additional costs of about 4.4%, the incidence of which increases by 1.2%;
- The increase in costs for general services due to a rise in technical and information services assistance which was partly offset by a decrease in the other cost items due to the steps taken to contain fixed costs.
- The costs for the use of third-parties assets increase only due to the variation of the scope of consolidation, and in particular to the inclusion of the rent of the premises of Cascades Cartonboard UK's sheeting center.

The effect of the change in consolidation scope related to "Cost of raw materials and services" generated additional costs for Euro 110 million.

5. Staff costs

Staff costs (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Salaries and wages	48,366	39,742	8,624
Social security contributions	16,558	13,090	3,468
Employees' leaving entitlement	2,554	(90)	2,644
Other costs	384	87	297
Total	**67,862**	**52,829**	**15,033**

The increase registered of staff costs is principally attributed to change of the scope of consolidation occurred during the fiscal year 2008 of Euro 20.7 million.

The staff costs as of 31 December 31 2007 included, both from the positive effects deriving from the modifications of the TFR regulations introduced by the Italian "Finance Law" and relevant operational decrees (curtailment), for an amount of Euro 1.5 million, as well as the Euro 1.7 million non-recurring cost associated with the long-term workforce mobility (such cost was recorded in the "non-recurring income/(charges)"). It has to be reminded that the company profited from the procedure approved by the Ministero del Lavoro e della Previdenza Sociale (the Italian Ministry of Labour and Social Security) on 2 May 2007, that concerned 39 employees and was executed at the end of the 2007 fiscal year.

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

Employees by category	31.12.2008	31.12.2007	Variation
Executives and managers	37	17	20
White-collar	439	306	133
Blue-collar	1,240	794	446
Total	**1,716**	**1,117**	**599**

Weight employees by category	31.12.2008	31.12.2007	Variation
Executives and managers	34	17	17
White-collar	422	322	100
Blue-collar	1,185	792	393
Total	**1,641**	**1,131**	**510**
Temporany lay-off in CIGS	**–**	**31**	**(31)**
Permanent manpower	**1,641**	**1,162**	**479**

6. Other operating costs

Other operating costs (thousands of Euros)	31.12.2008	31.12.2007	Variation
Write-down of working capital receivables	1,307	424	883
Accruals to provisions	591	419	172
Other operating costs	3,485	3,833	(348)
Total	**5,383**	**4,676**	**707**

Sums have been appropriated for credit risks and accruals to provisions.
The limited increase of the "Other Operating Costs" is due to the fact that such cost item in the prior fiscal year included a non-recurring cost amounting to Euro 1 Million, being the fine for the anticipated resolution of contract for the supply of steam to the Magenta facility. It has to be reminded that, being a non-recurring cost, it has been reclassified as such.

7. Badwill

Badwill of Euro 21.2 millions relate as the difference between the cost of the business combination and the acquirer's interest in the net fair value of the assets. See comments in the chapter "Business combination" above for more details.

8. Depreciation and amortisation

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

Depreciation and amortisation (thousands of Euros)	31.12.2008	31.12.2007	Variation
Amortisation of intangible assets	1,260	1,177	83
Depreciation of tangible assets	22,659	17,920	4,739
Total	**23,919**	**19,097**	**4,822**

The variation of the scope of consolidation determined higher amortization cost for approximately Euro 7.5 Million, that have been partially offset by lower amortizations of the Parent Company compared to 2007.

9. Recovery of value and write-downs of assets

Recovery of value and write down of assets (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Write-down	1,732	600	1,132
Recovery of value	–	–	–
Total	**1,732**	**600**	**1,132**

The decision was taken in the last quarter of the year to re-use certain components of the Magenta facility MC1 board machine, which had previously been classified as part of non-current assets held for sale, in order to modernise the production lines at other factories of the Company. As the result of that decision the impairment loss recognised in the current year to adjust the carrying amount of the machine to its estimated realisable value has been classified as operating costs and, in accordance with IFRS 5, the impairment loss recognised in 2007 as part of discontinued operations has been reclassified to that line item.

10. Financial income (expense), net

Financial income (expense) (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variations**
Financial income	**449**	**1,106**	**(657)**
Interest and other financial income	322	855	(533)
Effect of discounting the receivable from Grupo Torras	127	251	(124)
Financial expense	**(10,417)**	**(9,733)**	**(684)**
Bank interest	(8,574)	(7,855)	(719)
Trading derivatives	–	(59)	59
Interest on financing the employees' leaving entitlement	(1,243)	(786)	(457)
Expenses, commissions and other financial charges	(600)	(1,033)	433
Exchange differences	**13**	**(247)**	**260**
Exchange gains	3,264	562	2,702
Exchange losses	(3,251)	(809)	(2,442)
Total	**(9,955)**	**(8,874)**	**(1,082)**

There has been an overall increase of approximately Euro 1,1 million in net financial expense, which arises from the combination of a series of factors which include the following: the inclusion of the former Cascades companies in the consolidation scope, with an adverse effect of Euro 0.9 million and an increase of medium indebtedness.
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) calculated in accordance with IAS 19.

11. Income (losses) from investments

The losses from investments for a total amount of Euro 1.7 Million mainly relate to:

- the negative adjustment by Euro 1.7 Million of the carrying amount of the investment in Termica Boffalora S.r.l., Out of this, Euro 1 Million has been recorded as a non- recurring cost, as it relates to the adjustment of the carrying value to the estimated sale price, following the decision to dispose of the investment;
- costs for an amount of Euro 0.2 Million, deriving from the valuation by the net equity method of the investment in the related company Careo S.r.l.
- income for an amount of Euro 0.2 Million, deriving from the valuation by the net equity method of the investment in PAC Service S.p.A.

12. Taxation

Taxation (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Dererred taxation	236	2,446	(2,210)
Current taxation	(2,330)	(2,179)	(151)
Total	**(2,094)**	**267**	**(2,361)**

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 Cascades 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 Cascades 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 Cascades Blendecques S.a., are such not to give a clear picture of the actual tax burden.
For further details see Note 28 – pre-paid taxes.

Taxation profit (thousands of Euros)		**31.12.2008**	
Profit (loss) before taxation	1,498		
Theoretical tax charge		**30.57%**	**458**
Reversal of prior year temporary differences	3,172		
Permanent differences which will not reverse in future years	(9)		
Total difference	3,163		
Effective tax charge	**4,661**	**30.57%**	**1,425**

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:

IRAP (thousands of Euros)	**31.12.2008**		
Difference between value and cost of production (excluding B9, B10 c), d) e B12 e B13)	34,080		
Costs for apprentices, desabled persons and compulsory insurance	(14,549)		
Total	19,531		
Theoretical tax charge		**3.90%**	**762**
Reversal of prior year temporary differences	(538)		
Permanent differences for major regional taxation	1,164		
Permanent differences which will not reverse in future years	5,322		
Total difference	5,948		
Effective tax charge	25,479	**3.90%**	**994**
Current taxation		**5.09%**	

The permanent differences for higher regional rates, 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

There was a loss of Euro 6.7 million from discontinued operations in 2008 compared to the loss of Euro 1.7 million in the previous year.

Discontinued operations (thousands of Euros)	**31.12.2008**	**31.12.2007**
MC5 Blendecques	(6,777)	–
Aticarta S.p.A.	–	(1,743)
Total	**(6,777)**	**(1,743)**

Losses from discontinued operations in 2008 consist 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.
On 31 December 2007 the result of the discontinued operations relevant to the subsidiary Aticarta S.p.A. consisted mainly from expenses for the occupancy of the Pompeii factory and those connected with discussions with the purchaser during completion. The dispute between Aticarta and the Milan Inland Revenue Office was brought to a conclusion in June through a court settlement. Aticarta recharged Reno De Medici with the costs connected with concluding the dispute as provided in the agreement for the sale of Aticarta.

In the balance sheet as of 31 December 2007, the "Non-current assets held for sale" included plant and machinery for Euro 5.2 Million relevant to Magenta's board machine 1, that in the balance sheet as of December 31, 2008 have reclassified as tangible assets, after the decision to use some components to modernize the production lines of other mills of the company.

The detail of discontinued operations, analysed by assets, is as follows:

Discontinued operations (thousands of Euros)	**31.12.2008**
Profit & loss account - MC5 Blendecques	
Revenues	22,018
Costs	(24,760)
Profit MC 5	**(2,742)**
Restructuring costs	(3,675)
Cost related MC5	(360)
Total	**(6,777)**

14. 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	22,647	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**

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. Increases relate for the most part to extraordinary intervention carried out with the aim of improving the efficiency of this equipment. More specifically, investments of euro 9.4 million were made at the Villa Santa Lucia facility, mainly to replace the gas turbine, strengthen the biological plant, extend the water collection baths and modernise the headbox cover; investments of euro 1.4 million were made at the Santa Giustina facility, for the most part to modernise the "chests" connected with the centre line and certain presses; and investments of euro 0.4 million were made at the Ovaro facility, relating principally to extraordinary maintenance; and investments of Euro 0.3 million were made at the Magenta facility, relating principally to extraordinary maintenance and the first stage of carrying out modifications to the MC1 damp area.

In the other facilities interventions of extraordinary maintenance of plants and machinery have been carried out.

Change in consolidation scope refers to the assets brought in by the former Cascades companies amounting to Euro 93.4 million.

Reclassification of cost relates to the entry into use of assets which were under construction at the end of the previous year and to the reclassification to non-current assets of the Magenta facility MC1 board machine which was previously classified under "Non-current assets held for sale".

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) totalling 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 2008 amounted to Euro 75.8 million.

Impairment testing

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.

Recoverability is tested at least once a year, even in the absence of any indication of impairment.

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 2009 to 2014.

For discounting cash flows the Group has used the same rate, 7.5%, for all cash-generating units, a rate which reflects current market assessments and also takes into account the specific risks of the sector.

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

No requirement for any write-ups or write-downs arose from the results of the testing, with the exception of that arising at the Magenta manufacturing facility; the book value of which is in any case lower than its fair value, after deducting the costs for the sale, as confirmed by a valuation made by an independent expert.

In addition to this the Group also performed sensitivity analyses on the results of the testing based on making changes to the basic assumptions (the use of the growth rate in calculating the terminal value, and the discount rate) affecting the value in use of the cash-generating units, but no indications of impairment arose. These analyses were also performed in compliance with the indications contained in document no. 2 of 6 February 2009 issued jointly by the Bank of Italy, Consob and Isvap.

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.

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

Other intangible assets (thousands of Euros)	**Concessions, licences, trade marks and similar rights**	**Other**	**Financial assets in progress**	**Total**
Net book value at 31.12.07	**326**	**916**	**146**	**1,388**
Change in consolidation scope:	3,973	44		4,017
Increases	396	379	709	1,484
Decreases				
Reclassification of cost				
Recovery of value and write down				
Amortisation for the year	(350)	(910)		(1,260)
Utilisation of accumulated amortisation				
Reclassification of amortisation				
Net book value at 31.12.08	**4,345**	**429**	**855**	**5,629**

Concessions, licenses, trade-marks and similar rights consists mainly of the valuation at fair value made within the business combination of concessions granted in Germany to cascades Arnsberg Gmbh and relevant to water rights with unlimited duration.

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

17. Investments and financial transactions currently

(thousands of Euros)	**Carry calue at 31.12.2007**	**Acquisitions**	**Disposal and reimburse-ments**	**Changes in consoli-dation scope**	**Elimitation of dividends from associates**	**Write-down/ revaluations**	**Carry calue at 31.12.2008**
Sudsidiary companies	**10,881**	**376**	**(6,500)**	**–**	**(1,430)**	**(1,699)**	**1,628**
Termica Boffalora S.r.l.	9,435	–	(6,500)	–	(1,200)	(1,735)	–
Pac Service S.p.A.	1,436	–	–	–	(230)	223	1,429
Careo S.r.l.	10	376		–	–	(187)	199
Financial transactions currently	**2,253**		**(2,253)**	**–**	–	–	–
Total	**13,134**	**376**	**(8,753)**	**–**	**(1,430)**	**(1,699)**	**1,628**

Decreases for the year relate to the disposal of the investment in Termica Boffalora S.r.l. to Cofhatec Servizi S.p.A. in September (see note 11) and to financial assets in progress regarding costs incurred for the merger with Cascades, as the operation was still in progress at the end of the fiscal year.

The write-downs and revaluations relate to the adjustment of the investments in Pac Service S.p.A. and Careo S.r.l. (that is defined as a joint-venture due to statutary governance rules) to their equity determined in accordance with IFRS.

18. Deferred tax assets

Deferred tax assets, classified as non-current assets, arise from deductible temporany 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

Derivative financial instruments (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Non-current assets	**11**	**418**	**(407)**
Derivative financial instruments (Hedge accounting)	–	418	(418)
Derivative financial instruments (No hedge accounting)	11	–	11
Current assets	**–**	**331**	**(331)**
Derivative financial instruments (Hedge accounting)	–	331	(331)
Derivative financial instruments (No hedge accounting)	–	–	–
Non-current liabilities	**916**	**–**	**916**
Derivative financial instruments (Hedge accounting)	916	–	916
Derivative financial instruments (No hedge accounting)	–	–	–
Current liabilities	**68**	**–**	**68**
Derivative financial instruments (Hedge accounting)	68	–	68
Derivative financial instruments (No hedge accounting)	–	–	–

There was a favorable fair value of Euro 984 thousand at 31 December 2008 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 2008:

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.	Euro	06,04,2016	22,500	4.11% fixed Euribor 6m	Six monthly	(560)
Reno De Medici S.p.A.	Unicredit Banca d'Impresa S.p.A.	Euro	06,04,2016	11,250	4.11% fixed Euribor 6m	Six monthly	(280)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Euro	15,05,2016	4,650	4.15% fixed Euribor 6m	Six monthly	(144)
Total				**38,400**			**(984)**

20. Available-for-sale financial assets

The amount is made mainly by the investment in Realty Vailog for Euro 0.1 Million (held as a result of the partial proportional demerger), in Cartonnerie Tunisienne S.A. for Euro 0.1 Million, and by other minor investments in syndicates.

The investment in Realty Vailog S.p.A. has been the object of a devaluation by Euro 0.1 Million, that has been recorded in a specific net equity reserve. The fair value of this asset based has been determined based on the quotation on the stock exchange on 30 December 2008.

The other investments are accounted for at cost, if the case adjusted for decreases in value, as the relevant fair value cannot be reliably determined.

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 114.7 million. The change in scope of consolidation has generated an increase of trade receivables for Euro 27 million:

Trade receivables (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Trade receivables	234	–	234
Non-current trade receivables	**234**	**–**	**234**
Trade receivables	113,212	101,511	11,701
Group Trade receivables	1,264	951	313
Current trade receivables	**114,476**	**102,462**	**12,014**

The increase of the trade receivables compared to the prior year is due to the variation of the scope of consolidation, partially offset by the reduction resulting from the decrease of the revenues that materialized in the last quarter.

The current portion of trade receivables from third parties is stated net of a provision for bad and doubtful debts of Euro 7.6 million. The following table sets out the changes for the year in that provision:

Provision for bad and doubtful debts (thousands of Euros)	**31.12.2007**	**Change in scope**	**Charge**	**Utilization**	**31.12.2008**
Provision for bad and doubtful debts	6,270	319	1,307	(333)	7,563
Total	**6,270**	**319**	**1,307**	**(333)**	**7,563**

The following table provides a geographical analysis of current trade receivables:

Geographical area (thousands of Euros)	**Current assets**	**Non-current assets**
Italy	60,485	–
UE	44,194	–
Rest of the World	9,797	–
Total	**114,476**	**–**

22. Other receivables and Group trade receivables

Other non-current receivables (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Grupo Torras S.A.	–	4,295	(4,295)
Tax credits	724	762	(38)
Guarantee deposits	88	84	4
Other receivables	87	180	(93)
Total	**899**	**5,321**	**(4,422)**

There has been a decrease in “Other non-current receivables” of Euro 4.4 million during the year, mainly due to the termination of the dispute with Grupo Torras S.A. and the consequent closing of the receivable.

Other current receivables (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Receivables from the sale of BM5 Prat	–	1,710	(1,710)
Tax credits	4,376	1,614	2,762
Prepayements and accrued income	168	296	(128)
Miscellaneous receivables	1,577	1,082	495
Total	**6,121**	**4,702**	**1,419**
Other Group trade receivable	1,855	–	1,855
Total	**7,976**	**4,702**	**3,274**

The increase in this item over 31 December 2007 is mainly due to an increase in tax credits of Euro 2.5 million as the result of the change in the consolidation scope.

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

Other receivables from Group companies arise mainly from relations of a financial nature with Careo S.r.l. and RDM GmbH.

The change consolidation scope determined an increase of "Other receivables and Group trade receivables" for Euro 3 million.

23. Stocks

The following table provides an analysis of stocks at 31 December 2008:

Stocks (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Raw material and consumables	43,302	23,024	20,278
Provision for obsolescence	(3,193)	(322)	(2,871)
Finished goods and goods for resale	42,315	41,922	393
Properties for sale	(350)	–	(350)
Total	**82,073**	**64,624**	**17,449**

The provision for obsolescence against raw material and consumables relates mainly to the French facility of Blendecques.
The change in consolidation scope determined an increase in "Stock" for Euro 28 million. For the commentary to the changes in stocks of finished goods see note 4.

24. Net financial position

Net financial position (thousands of Euros)	31.12.2008	31.12.2007	Variation
Cash	57	8	49
Funds available at banks	4,257	3,240	1,017
Restricted funds at banks	–	5,000	(5,000)
A. Cash and cash equivalent	**4,314**	**8,248**	**(3,934)**
Other current financial receivables	1,725	153	1,572
Derivatives - current financial assets	–	331	(331)
B. Current financial receivables	**1,725**	**484**	**1,241**
1. Bank overdraft and short term loans	*56,635*	*42,177*	*14,458*
2. Current portion of medium and long term loans	*56,325*	*10,367*	*45,958*
Bank loans and other financial liabilities (*1+2*)	112,960	52,544	60,416
Long-term financial interests	696	698	(2)
Derivatives - current financial liabilities	68	–	68
C. Current financial debt	**113,724**	**53,242**	**60,482**
D. Current financial debt, net (C – A – B)	**107,685**	**44,510**	**63,175**
Derivatives - non current financial assets	11	418	(407)
E. Non-current financial receivables	**11**	**418**	**(407)**
Bank loans and other financial liabilities	19,935	70,002	(50,067)
Derivatives - non-current financial liabilities	916	–	916
F. Non-current financial payables	**20,851**	**70,002**	**(49,151)**
G, Non current financial debt (F – E)	**20,840**	**69,584**	**(48,744)**
H. Financial debt, net (D + G)	**128,525**	**114,094**	**14,431**

The Gross Financial Indebtedness as of 31 December 2008, determined according to the amortized cost method, amounts to Euro 133.6 million (compared to Euro 123.2 million as of 31 December 2007) and includes non-current portions of medium-long term loans for an amount of Euro 65.9 million (of which 45.9 reclassified in current part), current portions of medium-long term loans for Euro 11.1 million, and trade financings for Euro 56.6 million, mainly consisting of lines for the discount of trade account receivables.

However, at the end of 2008 the Group has not met certain financial parameters and contractual obligations provided by two loans signed in 2006 (before the Cascades operation) with a pool of banks for an initial total amount of Euro 74.7 million, of which Euro 67.1 million have been drawn down; this balance on 31 December 2008 was reduced to Euro 50.9 million by the repayments that have been carried out, an amount that includes a non-current portion of Euro 45.9 million.

Consequently, the Group first requested the banks to temporarily suspend the application of such financial covenants at 31 December 2008. The banks formally accepted the request on 12 February 2009, even though

they had anticipated verbally their consent before the end of the fiscal year.
As the banks' formal resolution was received after the closing of the fiscal year, according to IAS 1, the non-current portion of the loans, for an amount of Euro 45.9 million, has been reclassified as a short-term loan (even if such amount proves to be still at medium term due to waiver that has been obtained).

As regards the further proposal submitted to the Financing banks during the month of March 2009, aiming at meeting the financial commitments relevant to the capital expenditures plans that exceed the routine levels in the period 2009-2011, and also aiming at maintaining a balanced ratio between short-term and long-term financial debts, see the corresponding section of the report of the Board of Directors on the "Net Financial Position of the Group".

The outstanding medium-term financings, sorted out by due-date even considering the above described reclassification to short-term, 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	128	559	477	1,164
M.I.C.A. - due 16 October 2013	142	599	–	741
M.I.C.A. - due 28 May 2008	–	–	–	–
San Paolo Imi - due 15 June 2011	2,128	3,402	–	5,530
San Paolo Imi - due 15 December 2011	3,088	6,621	–	9,709
San Paolo Imi - due 6 April 2016	7,122	–	–	7,122
San Paolo Imi fin.pool - tranche A - due 6 April 2016	33,750	–	–	33,750
San Paolo Imi fin.pool - tranche B - due 6 April 2011	10,000	–	–	10,000
Banca Pop.Emilia Romagna - due 15 May 2016	620	2,480	1,550	4,650
UNICREDIT - due 1 June 2009	67	–	–	67
UNICREDIT - due 2 November 2009	150	–	–	150
DRESDNER BANK - due December 2015	714	2,856	1,430	5,000
Total payables at nominal value	**57,909**	**16,517**	**3,457**	**77,883**
Effect of amortized cost	**(1,585)**	**(33)**	**(6)**	**(1,624)**
Total payables valued with amortized cost	**56,324**	**16,484**	**3,451**	**76,259**

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.
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 13 December 2006 a variable rate loan agreement has been subscribed with Banca Popolare dell'Emilia for an amount of Euro 6.2 Million, that will expire on 15 May 2016, and will be reimbursed in semi-annual installments. The loan s provides for the concession of a mortgage on the mills of Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia for a total amount of Euro 22.4 Million.

The consolidated subsidiary Cascades Arnsberg Gmbh subscribed in December 2008 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.

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 2008. For a more thorough information on the derivative instruments in portfolio as of 31 December 2008, see Note 19

25. Non-current assets held for sale

The non-current assets, plant and machinery, relating almost exclusively to the Magenta facility MC1 line for Euro 5.2 million, presented separately in the balance sheet at 31 December 2007 as “Non-current assets held for sale” have been reclassified to current assets at 31 December 2008 following the decision to re-use these components to modernise other, already existing, production lines.
The sums of Euro 0.4 million related to Pompei plants and stocks have been divested during 2008

26. Shareholders' equity

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

Description (thousands of Euros)	Shareholders' equity at 31.12.2007	Change in the year						Shareholders' equity at 31.12.2008
		Loss cover 2007	Increase in share capital	Reclassification	Fair value assets available for sale	Hedge accounting	Profit (loss) for the year	
Share capital	132,160	–	52,962	–	–	–	–	185,122
Share premium reserve	–	–	–	–	–	–	–	–
Legal reserve	–	5	–	–	–	–	–	5
Reserve for own shares	4,872	–	(4,872)	–	–	–	–	–
Other reserves:								
– Reserve for the purchase of own shares	–	–	–	–	–	–	–	–
– Extraordinary reserve	–	–	–	–	–	–	–	–
– Reserve for the rounding of nominal value	–		1,150	–	–	–	–	1,150
– Other reserves	–		–	–	–	–	(353)	(353)
IFRS Reserves 01.01.2005	–	–	–	–	–	–	–	–
IFRS Reserves 31.12.2005	–	–	–	–	–	–	–	–
IFRS Reserve	–	–	–	–	–	–	–	–
Hedging reserve	559	–	–	–	–	(1,274)	–	(715)
Fair value reserve	(258)	–	–	–	–	(140)	–	(398)
Profit (loss) brought forward	(18,267)	571	–	–	–	–	–	(17,696)
Profit (loss) for the year	576	(576)	–	–	–	–	(6,449)	(6,449)
Own shares	(4,872)	–	4,872	–	–	–	–	–
Total	**114,770**	**–**	**54,112**	**–**	**–**	**(1,414)**	**(6,802)**	**160,666**

On 13 May 2008, shareholders in general meeting resolved to held the 2007 profits of the Parent Company amounting to Euro 108 thousand, by provisioning of 5% to legal reserve of Euro 5 thousand and covering the past losses for the remaining part of Euro 103 thousand.
On 26 February 2008, with effective date 1 March 2008, the deed for the merger of Cascades S.r.l. into Reno De Medici S.p.A. was signed. As a consequence of this 115,600,000 ordinary shares were allocated to the new shareholder Cascades S.a.s. (equal to 30.6% of share capital), of which:

- 108,086,557 following the capital increase carried out by Reno De Medici S.p.A.;
- 7,513,443 own shares allocated by way of exchange.

In additional, in accordance with article 5 of the Company's bylaws, the bearers of savings shares may convert their shares into ordinary shares during Febrary and September of each year. A total of 26,066 savings shares were converted into ordinary shares during 2008. As a consequence of this, share capital at 31 December 2008, fully subscribed and paid, is made up as follow:

	Quantity	Par value	Total
Ordinary shares	377,360,312	€ 0.49	€ 184,906,552.88
Savings shares	440,682	€ 0.49	€ 215,934.18
Total	**377,800,994**		**185,122,487.06**

Following the detail of the number of outstanding shares at 31 December 2008 and at 31 December 2007:

Movement of shares	31.12.2008	31.12.2007	Delta
Share issued	377,800,994	269,714,437	108,086,557
Own Shares	–	7,513,443	(7,513,443)
Total Issue Share	**377,800,994**	**262,200,994**	**115,600,000**

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 2007 and 2008.

Minority interests of Euro 0.6 million (Euro 0.5 million at 31 December 2007) relate to the share held by minority quota holders in the subsidiary Emmaus Pack S.r.l..

27. Other payables and other Group payables

The following table provides a detail of other payables:

Other payables	31.12.2008	31.12.2007	Variation
Deferred income	494	547	(53)
Miscellaneous payables	2,951	80	2,871
Other non-current payables	**3,445**	**627**	**2,819**
Personnel	4,042	4,379	(337)
Payable to social security authorities	3,691	3,770	(79)
Payable to tax authorities	2,590	7,973	(5,383)
Miscellaneous payables	1,796	1,072	724
Company bodies	942	1,097	(155)
Accrued interest payable on debenture loan	125	851	(726)
Other current payables	**13,186**	**19,142**	**(5,955)**
Other Group payables	129	–	129
Total other payables	**13,315**	**19,142**	**(5,826)**

Other non-current payables amount to Euro 3.4 million at 31 December 2008 compared to Euro 0.6 million at 31 December 2007.

Deferred liabilities 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.

Other payables 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.
Furthermore the Miscellaneous payables include taxation of same consolidated company (principally Cascades Arnsberg GmbH) for Euro 1.8 million.

The item 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 2009, 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.

28. Deferred taxation

The following table provides a summary of the determination of deferred tax assets and deferred tax liabilities from temporary differences at 31 December 2008:

Deferred taxation (thousands of Euros)	**2008**			**2007**		
	Temporary differences	**Average tax rate %**	**Tax effect**	**Temporary differences**	**Average tax rate %**	**Tax effect**
Recognised deferred tax assets	**20,485**		**4,847**	**33,731**		**8,266**
Tax depreciation exceeding book depreciation	933	0.00%	285	–	0.00%	–
Tax losses to carry forward	11,189	28.38%	3,175	12,191	28.30%	3,450
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	1,811	3.90%	71	4,470	3.90%	174
Other temporary differences taxation	1,757	27.87%	490	1,482	27.83%	424
Other temporary differences IRAP	167	3.90%	7	312	3.90%	12
Employees'leaving entitlement	1,488	30.57%	455	49	27.50%	13
Valuation of derivatives with hedge accounting	998	27.50%	281	–	0.00%	–
Unrecognised deferred tax consolidation booking	–	27.50%	–	13,085	31.40%	4,109
Recognised deferred tax liabilities	**108,006**		**33,280**	**41,606**		**12,897**
Book depreciation exceeding tax depreciation	29,030	31.40%	9,115	37,709	31.40%	11,841
Other temporary differences IRAP	–	0.00%	–	72	3.90%	3
Other temporary differences taxation	1,187	29.87%	355	93	27.50%	26
Remeasurement TFR IFRS	4,642	27.50%	1,277	2,960	27.50%	814
Remeasurement FISC IFRS	–	0.00%	–	2	27.50%	1
Valuation of derivatives with hedge accounting	–	0.00%	–	770	27.50%	212
Unrecognised deffered tax consolidation booking	73,147	30.80%	22,533	–	0.00%	–
Recognised deferred tax (assets) liabilities, net			**28,433**			**4,630**
– *of wich deferred tax liabilities*			*29,921*			*6,311*
– *of wich deferred tax assets*			*(1,488)*			*(1,681)*
Unrecognised deferred tax assets	**210,991**		**61,721**	**209,735**		**60,062**
Write-down for permanent losses in value	8,812	32.13%	2,831	1,820	27.50%	501
Stock provision	2,041	32.41%	661	322	27.50%	89
Bad and doubtful debts	1,447	27.50%	398	1,518	27.50%	417
Provision for future charges	5,610	29.20%	1,638	5,190	27.50%	1,427
Financial interest undeductible	8,337	27.50%	2,293			
Differences deductible	–	0.00%	–	161	27.50%	44
Tax losses to carry forward	169,167	29.00%	49,052	189,662	28.72%	54,474
Tax loss for the year ([1])	15,577	31.11%	4,847	11,062	28.12%	3,110
Unrecognised deferred tax consolidation booking	–	0.00%	–	–		–
Unrecognised deferred tax assets			**61,721**			**60,062**

(1) Estimated tax loss for the year

We report here after the tax losses of the Group, for a total amount of Euro 196.0 million, broken-down based on the years in which they can be recovered.

Accumulated tax losses (thousands of Euros)	**2009**	**2010**	**2011**	**2012**	**2013**
Reno De Medici S.p.A.	78,298	59,484	42,003	16,379	5,919
RDM Iberica S.L.	97,890	86,256	86,256	86,256	86,256
Cartiera Alto Milanese S.p.A.	125	125	125	–	–
RDM Blendecques SAS	12,140	12,140	12,140	12,140	12,140
Cartonboard UK L.t.d.	7,480	7,480	7,480	7,480	7,480
Total tax losses to carry forward	**195,933**	**165,485**	**148,004**	**122,255**	**111,795**

29. Employees’ leaving entitlement

Employees' leaving entitlement (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
TFR Pension Fund	13,273	14,780	(1,507)
Employees' leaving entitlement	10,182	–	10,182
Total	**23,455**	**14,780**	**8,675**

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:

Economic end financial assumptions	**Italy**	**Germany**	**France**
Annual discount rate	5.80%	5.75%	5.25%
Annual inflation rate	2.40%	2.25%	2.00%
Annual increase in overall salaries and wages	n.a.	2.25%	2.25%

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)	
Actuarial value at 31.12.2007	**14,780**
Change in the scope of consolidation	10,483
Service cost	402
Interest cost	1,243
Services rendered	(1,911)
Other movements	(1,542)
Actuarial value at 31.12.2008	**23,455**

The other movements are related essentially to profit and loss actuarial earnings in 2008.

30. Provisions

The balance at 31 December 2008 is as follow:

Provisions for contingencies and charges (thousands of Euros)	**31.12.2007**	**Variation area**	**Charge**	**Utilisation**	**31.12.2008**
Agents' termination indemnity	877	–	339	(990)	226
Provision for future charges	5,268	272	591	(1,837)	4,294
Taxation	29	–	–	–	29
Provision for losses on investments	–	–	129	–	129
Total	**6,174**	**272**	**1,059**	**(2,827)**	**4,678**

The calculation of the provision for the "Agents' termination indemnity" is based on actuarial techniques; the decrease is due mainly to the disposal of the commercial division of Careo S.r.l.
The utilisation of the "Provision for future charges" during the year for an amount of Euro 1.8 million is mainly due to the settlement of the dispute with Aticarta S.p.A. for Euro 0.9 million, the settlement of disputes with former employees for Euro 0.4 million, the utilisation of the provision for Euro 0.3 million for costs incurred at the Cirè and Pompei facilities and other.disputes for Euro 0.2 million

The charge for the year relates principally to litigation in course with former employees for Euro 0.6 million.

The increase in the "Provision for losses on investments" is due to the losses incurred by the subsidiary Reno Logistica S.r.l. in liquidazione.

The change in consolidation scope of Euro 0.3 million refers to provisions for environmental risks regarding the French subsidiary RDM Blendecques S.a.S..

31. Trade payables and Group trade payables

The balance at 31 December 2008 is made up as follows:

Trade payables (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Trade payables to third parties	106,132	93,964	12,168
Due to associates	2,695	3,754	(1,059)
Total	**108,827**	**97,718**	**11,109**

Trade payables amount to Euro 108.8 million at 31 December 2008 (Euro 97.7 million at 31 December 2007) 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.

Payable to Group companies amounting to Euro 2.7 million (Euro 3.7 million at 31 December 2007) relate to balances of a trading nature with Careo S.r.l. and RDM France.

As a consequence, the scope of consolidation being equal, the payables to suppliers decrease substantially, as a consequence of the stand-stills made in the last part of the fiscal year, and of the reduction in the volumes produced in the last quarter.

The change in consolidation scope determined an increase of "Trade payables and Group trade payables" for Euro 32.5 million.

The scope of consolidation being equal, we record a significant reduction of the trade payables, as a result of the stand-stills carried out in the last part of the fiscal year, and of the consequent reduction of the volumes produced in the last quarter.

32. Current taxation

At 31 December 2007 this item consisted of the amount payable to the inland revenue for current taxation for the year then ended.

33. Current provisions for contingencies and charges

"Current provisions for contingencies and charges" relate to the excess in personal resulting from the discontinuation of the activity of business line at the French Blendecques facility of Euro 4 million.

34. Non-recurring transactions

Non-recurring event and significant transactions

The effects of any non-recurring transactions in 2007, as the term is defined in Consob communication no. DEM/6064293, are provided in note 8 "Non-recurring income (expenses) 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.

35. Contingent liabilities and commitments and other guarantees given to third parties

Reference should be made to the section "Other information" in the Report of the Board of Directors for a discussion of the principal disputes in which the Company is involved.

Commitments and guarantees to third parties include the following:

- sureties of Euro 2.3 million provided in favour of the Veneto Region and the Province of Belluno regarding the landfill located at the Santa Giustina (BL) facility;
- a surety of Euro 276 thousand provided to the Comieco consortium;
- sureties of Euro 100 thousand provided in favour of the customs authorities;
- a surety of Euro 100 thousand provided in favour of Agea S.p.A. relating to the recovery of starch;
- a surety of Euro 90 thousand given in favour of the Lombardy Region;
- a surety of Euro 20 thousand given 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.

36. Related party transactions

For further information on the relations with related parties, according to the provisions of IAS 24 and of the CONSOB communication Nr. 6064293 of July 28th, 2006, see the Annex A to the present financial statements "Details of transactions and balances with related parties and Group companies as at 31 December 2008", and also the Report of the Board of Directors in the section relevant to the "Related parties transactions".

OTHER INFORMATION

Investments in subsidiary companies and associates at 31 December 2008 (pursuant to article 38, paragraph 2 of Legislative Decree no. 127/91).

LIST OF SUBSIDIARY COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION
Cartonboard sector

Reno De Medici Iberica S.L.
Prat de Llobregat - Barcelona - Spain
Direct ownership 100%

Cascades Arnsberg Gmbh ([1])
Arnsberg – Germany
Direct ownership 94%
Indirect ownership 6% (through Cascades Grundstück Gmbh & Co.KG).

RDM Blendecques S.a.s
Blendecques – France
Direct ownership 100%

Cascades Cartonboard UK Ltd ([2])
Wednesbury – UK
Direct ownership 100%

Emmaus Pack S.r.l.
Milan - Italy
Direct ownership 51,39%

Cartiera Alto Milanese S.p.A.
Milan – Italy
Direct ownership 100%

Service sector

Cascades Grundstück Gmbh & Co.KG
Arnsberg – Germany
Direct ownership 100%

(1) "Reno De Medici Arnsberg Gmbh" from January 2009.
(2) "Reno De Medici UK Limited" from January 2009.

LIST OF EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Cartonboard sector

Pac Service S.p.A.
Vigonza - Padova - Italy
Direct ownership 33,33%

Service sector

Reno Logistica S.r.l. in liquidation
Milan - Italy
Direct ownership 100%

Careo S.r.l.
Milan – Italy
Direct ownership 70%

Careo S.a.s
La Fayette – France
Indirect ownership 70% (through Careo S.r.l.)

Careo Gmbh
Krefeld – Germany
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 Ltd
Wednesbury – UK
Indirect ownership 70% (through Careo S.r.l.)

Cartoneboard Cascades SP z.o.o.
Warsaw - Poland
Indirect ownership 70% (through Careo S.r.l.)

Reno De Medici Deutschland Gmbh
Bad Homburg – Germany
Indirect ownership 70% (through Careo S.r.l.)

Careo LLC
Russia
Indirect ownership 70% (through Careo S.r.l.)

Careo Spain S.L.
Prat de Llobregat – Barcelona – Spain
Indirect ownership 70% (through Reno De Medici Iberica S.L.)

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%

Energymont S.p.A.
Tolmezzo - Udine - Italy
Ownership 2,02%

Consortia

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 PARTY TRANSACTIONS

For further information on the relations with related parties see the Report of the Board of Directors in the section relevant to the “Related parties transactions”.

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

Receivables, payables, receipts and payments with related parties

The following tables provide details of receivables and payables due from and due to related parties at 31 December 2008 and receipts and payments flows with related parties for the years then ended:

Receivables and payables due to related parties (thousands of Euros)	**Current assets**			**Current liabilities**		
	Trade receivables	**Goup trade receivables**	**Other Group trade receivables**	**Trade payables**	**Goup trade payables**	**Other Group trade payables**
Anste Autotrasporti S.r.l.	–	–	–	155	–	–
Careo S.a.s	–	–	–		353	–
Careo S.r.l.	–	502	1,329	–	2,341	–
Cascades Asia Ltd	15	–	–	–	–	–
Cascades Djupafors A.B.	91	–	–	523	–	–
Cascades Duffel NV	1	–	–	–		–
Cascades Inc.	1	–	–	23	–	–
Cascades Rollpack SA France	5	–	–	19	–	–
Cascades s.a.s. (*)	292	–	–	2,180	–	–
Immobiliare Anste S.r.l.	–	–	–	67	–	–
Pac Service S.p.A.	–	758	–	–	–	–
RDM Deutschland GmbH	–	4	525	–		129
Total	**405**	**1,264**	**1,854**	**2,967**	**2,694**	**129**
Incidence on the total of the item	**0.4%**	**100.0%**	**100.0%**	**2.7%**	**100.0%**	**100.0%**

(*) The item include non-current receivables of Euro 0.2 million and non-current payables of Euro 1.2 million related to the transfer of client list

Outflows and inflows of cash due to related parties (thousands of Euros)	**Inflows**			**Outflows**		
	Trade receivables	**Group trade receivables**	**Other receivables**	**Trade payables**	**Group trade payables**	**Other payables**
Anste Autotrasporti S.r.l.	–	–	–	532		–
Careo S.a.s.	–	–	–	5	422	–
Careo S.r.l.	13	–	–	2,946	–	–
Cascades Asia Ltd	3,380	–	–		–	–
Cascades Djupafors A.B.	–	–		1,754	–	–
Cascades Rollpack SA France	57	–	–	–	–	–
Cascades s.a.s.	2,247	–	6,243	3,089	–	
Immobiliare Anste S.r.l.	–	–	–	261	–	–
Pac Service S.p.A	–	2,080	–	–	–	–
RDM Deutschland Gmbh	–	–	–	–	142	–
Total	**5,697**	**2,080**	**6,243**	**8,587**	**564**	**–**

Revenues and costs deriving from related related party transactions

Following the revenues and costs obtained with related parties during 2008:

(thousands of Euros)	Raw material and services costs	Financial charges
Anste Autotrasporti S.r.l.	449	–
Careo S.a.s.	549	–
Careo S.r.l.	4,472	–
Cascades Asia Ltd	86	–
Cascades Djupafors A.B.	1,771	–
Cascades Inc	19	1
Cascades Rollpack SA France	56	–
Cascades S.A. S.	3,248	–
Immobiliare Anste S.r.l.	218	–
Total	**10,419**	**1**
Incidence on the total	**2.9%**	**0.01%**

(thousands of Euros)	Revenues of sales	Financial incomes
Careo S.r.l.	445	8
Cascades Asia Ltd	4,680	42
Cascades Djupafors A.B.	282	–
Cascades s.a.s.	748	–
Pac Service S.p.A	1,629	–
Total	**7,784**	**50**
Incidence on the total	**1.7%**	**11.1%**

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 2008

STATEMENT PURSUANT TO ARTICLE 154-BIS PARAGRAPH 5

REPRESENTATION

ON THE FINANCIAL AND CONSOLIDATED STATEMENTS AT 31 DECEMBER 2008 PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 AND SUBSEQUENT AMENDMENTS

1. The undersigned Ignazio Capuano, in his capacity as "Managing Director", and Stefano Moccagatta, in his capacity as "Manager-in-charge of the preparation of the corporate accounting records" of Reno De Medici S.p.A., represent, taking also into account the requirements of article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, that:
   a) were adequate in relation to the characteristics of the business considering to the changes due to the merger with Cascades Italia S.r.l. effecting from 1st March 2008;
   b) were effectively applied the administrative and accounting procedures in place for the preparation of the condensed consolidated financial statements for the period from 1 January to 31 December 2008.

2. In this respect no significant matters emerged.

3. Therefore, the underwriters represent that the consolidated financial statements at 31 December 2008:
   a) correspond to the accounting books and records;
   b) have been prepared in accordance with the applicable international accounting standards (IAS/IFRS) pursuant to art. 154-bis, comma 5 T.U.F. (D.Lgs 58/1998) and to the best of our knowledge and belief are suitable for providing a true and fair view of the financial position and results of operations of the issuer and the set of companies included in the consolidation.

Milan, 24 March 2009

Managing Director	Manager-in charge of the preparation of the accounting records
Signed	Signed
Ignazio Capuano	Stefano Moccagatta

REPORT OF THE INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N° 58 DATED 24 FEBRUARY 1998

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 2008, which comprise the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and related notes. The directors of Reno De Medici SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 11 April 2008.

3 In our opinion, the consolidated financial statements of Reno De Medici SpA as of 31 December 2008 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, changes in equity and cash flows of Reno De Medici Group for the period then ended.

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

4 The directors of Reno De Medici SpA are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by art. 156, paragraph 4-bis, letter d), of the Legislative Decree 58/98. 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 on Operations is consistent with the consolidated financial statements of Reno De Medici SpA as of 31 December 2008.

Milan, 9 April 2009

PricewaterhouseCoopers SpA

Signed by
Giorgio Greco
(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 consolidated financial statements referred to in this report.

(2)

FINANCIAL STATEMENTS OF THE PARENT COMPANY RENO DE MEDICI S.P.A.

PROFIT AND LOSS ACCOUNT

(Euros)	Note	31.12.2008	31.12.2007
Revenues from sales	1	282,719,587	311,811,967
Revenues from sales	2	5,128,484	2,316,420
Changes in stocks of finished goods	3	(9,912,564)	3,405,214
Cost of raw materials and services	4	(227,231,909)	(244,496,266)
- of which non recurring		–	–
Staff costs	5	(40,754,097)	(46,119,042)
- of which non recurring		–	*(1,700,000)*
Other income (expense)	6	(3,437,655)	(4,109,183)
- of which non recurring		–	*(1,000,000)*
Gross Operating Profit		**6,511,846**	**22,809,110**
Depreciation and amortisation	7	(16,510,123)	(20,699,554)
Recovery of value and write-downs of assets	8	(1,732,136)	(600,000)
Operating Profit		**(11,730,413)**	**1,509,556**
Financial expense		(10,633,973)	(10,702,486)
Exchange differences		238,304	(246,457)
Financial income		663,377	223,233
Financial income (expense), net	9	(9,732,292)	(10,725,710)
Income (expense) from investments	10	2,152,754	9,465,534
- of which non recurring		*(855,628)*	–
Taxation	11	(427,580)	1,601,823
Profit (loss) for the year before discontinued operations		**(19,737,531)**	**1,851,203**
Profit (loss) for discontinued operations	12	–	(1,743,517)
PROFIT (LOSS) FOR THE YEAR		**(19,737,531)**	**107,686**

BALANCE SHEET
ASSETS

(Euros)	Note	31.12.2008	31.12.2007
Non-current assets			
Tangible fixed assets	13	169,672,795	172,784,665
Other intangible assets	14	1,408,028	760,514
Investments in subsidary companies and financial assets in progress	15	104,099,578	73,663,184
Investments in associated companies	16	773,176	7,742,970
Derivative financial instruments	17	–	418,409
Financial assets held for sale	18	309,180	444,753
Other receivables	19	1,041,824	959,668
Total non-current assets		**277,304,581**	**256,774,163**
Current assets			
Stocks	20	49,078,522	58,055,276
Trade receivables	21	58,339,637	69,353,011
Group trade receivables	22	12,980,185	13,048,263
Other receivables	19	2,889,704	2,193,529
Other Group receivables	23	17,112,850	2,990,327
Derivative financial instruments	17	–	330,851
Liquid funds	24	3,553,797	1,454,450
Total current assets		**143,954,695**	**147,425,707**
Other non-current assets held for sale	25	–	**5,583,391**
TOTAL ASSETS		**421,259,276**	**409,783,261**

BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY

(Euros)	Note	31.12.2008	31.12.2007
Shareholders' equity	26	**149,356,126**	**116,394,923**
Non-current liabilities			
Bank loans and other financial liabilities	24	15,649,732	69,785,389
Payables due to subsidiary companies	33	5,633,932	32,000,000
Derivative financial instruments	17	915,895	–
Other payables	27	1,646,406	547,082
Deferred tax liabilities	28	7,911,351	8,398,380
Employees' leaving entitlement	29	13,130,969	14,660,923
Non-current provisions for contingencies and charges	30	11,272,100	6,006,904
Total non-current liabilities		**56,160,385**	**131,398,678**
Current liabilities			
Bank loans and other financial liabilities	24	110,906,140	51,725,596
Derivative financial instruments	17	68,457	–
Trade payables	31	67,588,786	87,043,079
Group trade payables	32	2,998,668	4,505,681
Other payables	27	6,270,202	10,269,367
Other Group payables	33	27,910,512	7,846,625
Current taxation	34	–	599,312
Total current liabilities		**215,742,765**	**161,989,660**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**421,259,276**	**409,783,261**

CASH FLOW STATEMENT

(thousands of Euros)	Note	31.12.2008	31.12.2007
Profit (loss) for the period before discontinued operations and before taxation		(19,310)	249
Depreciation and amortisation	7 - 8	18,242	21,298
(Gains) losses from investments	9	(2,153)	(9,465)
Financial (income) expense	10	9,732	10,726
Gains (losses) on the disposal of fixed assets		–	52
Change in the employees' leaving entitlement, other provision fund and deferred		3,589	(2,659)
Change in stocks		8,977	(4,211)
Change in trade receivables		8,359	5,987
Change in trade payables		(21,034)	11,632
Change in total working capital		(3,698)	13,408
Gross cash flow		**6,402**	**33,609**
Interest paid in the year		(8,942)	(9,428)
Taxes paid in the year		(2,313)	(510)
Cash flows from operating activities		**(4,853)**	**23,671**
Sale (purchase) of financial assets held for sale		–	–
Investments		(10,578)	(17,017)
Disinvestments	16	6,500	164
Investments in associate company		(3,714)	–
Investments in joint venture		(183)	–
Dividens received		28,453	2,448
Cash flows from discontinued operations		1,248	1,086
Cash flows from investing activities		**21,726**	**(13,319)**
Draw-down (repayment) of short-term bank borrowings and long-term loans		(14,774)	(10,942)
Cash flows from financing activities		**(14,774)**	**(10,942)**
Change in restricted liquid funds		**–**	**–**
Change in unrestricted liquid funds		**2,099**	**(590)**
Unrestricted liquid funds at beginning of the year		**1,454**	**2,044**
Unrestricted liquid funds at end of the year		**3,553**	**1,454**
Liquid funds at end of the year			
Unrestricted liquid funds		3,553	1,454
Restricted liquid funds		–	–
TOTAL LIQUID FUNDS AT END OF THE YEAR		**3,553**	**1,454**

CHANGES IN SHAREHOLDERS' EQUITY

Statement of changes in shareholders' equity (thousands of Euros)	Share capital	Share premium reserve	Legal reserve	Reserve for own shares	Extraor-dinary reserve	Reserve for the purchase of own shares	Reserve for the rounding of nominal value	IFRS Reserve	Retained earnings (losses) brought forward	Profit (loss) for the period	Fair Value reserve	Hedging reserve	Own shares	Total Share-holders' equity
Shareholders' equity at 1 January 2006	**132,160**	**–**	**–**	**4,872**	**424**	**–**	**900**	**13,050**	**(13,750)**	**(15,337)**	**(252)**	**(124)**	**(4,872)**	**117,071**
Changes in accounting principle	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,092)**	**631**				**(1,461)**
Shareholders' equity at 1 January 2006 adjusted	**132,160**	**–**	**–**	**4,872**	**424**	**–**	**900**	**13,050**	**(15,842)**	**(14,706)**	**(252)**	**(124)**	**(4,872)**	**115,610**
Increase in share capital	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fair value valutation	–	–	–	–	–	–	–	–	–	–	(6)	683	–	**677**
Cover of 2006 losses (*)	–	–	–	–	(424)	–	(900)	(13,050)	(963)	15,337	–	–	–	–
Change in accounting principle	–	–	–	–	–	–	–	–	631	(631)	–	–	–	
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	108	–	–	–	**108**
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**
Distribution of dividends	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fair value valutation	–	–	–	–	–	–	–	–	–	–	(140)	(1,273)	–	**(1,413)**
Appropriation of net income 2007 (**)	–	–	5	–	–	–	–	–	103	(108)	–	–	–	–
Change in accounting principle	–	–		–	–	–	–	–	–	–	–	–	–	–
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	(19,738)	–	–	–	**(19,738)**
Shareholders' equity at 31.12.2008	**185,122**	**–**	**5**	**–**	**1,150**	**–**	**–**	**–**	**(16,071)**	**(19,738)**	**(398)**	**(714)**	**–**	**149,356**

(*) On 8 May 2007, shareholders in general meeting resolved to cover the 2006 losses of the Parent Company stated in the financial statements in 2006
(**) On 13 May 2008, shareholders in general meeting resolved to appropriation of net income

NOTES TO THE FINANCIAL STATEMENTS

Basis of preparation

RDM is a company which is established as a corporate person under the legislation of the Republic of Italy. RDM carries out its activities principally in Italy. The company consists 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 RDM were approved by the Board of Directors of RDM on 24 March 2009 which approved them for publication.

The separate financial statements for 2008 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. 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").

Reno De Medici has not early adopted those accounting standards endorsed by the European Union but only becoming applicable after 31 December 2008.

It has to be noticed that the European Union validated in the course of 2008 the interpretation IFRIC 11 (IFRS 2 – Operations with Own-shares and shares of the Group), effective as from January 1st, 2008. However, such interpretation has not generated any impact on the financial statements of the Reno De Medici Group as of December 31, 2008.

On October 13, 2008, the IASB issued an amendment to IAS 39 "Financial instruments: recognition and measurement", and to IFRS 7 "Financial Instruments: Disclosures" effective as from July 1st, 2008. The adoption of these amendments had no effect on the financial statements as of December 31st, 2008.

The preparation of separate financial statements in accordance with IFRS requires management to make estimates and specific valuations and use its reasonable judgement in applying accounting policies. Those matters having a higher degree of complexity or requiring a greater use of assumptions and estimates are discussed in the paragraph "Use of estimates and measurement in specific situations".

RDM has used the same accounting principles as it did in the previous year. In addition, the accounting principles and policies used in the preparation of the reconciliations presented in these separate financial statements are the same as those used in the consolidated financial statements, other than those regarding the measurement of equity investments.

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

The separate financial statements of the Parent Company consist of the balance sheet, the profit and loss account, the cash flow statement, the statement of changes in shareholders' equity and these notes. The balance sheet and the profit and loss account are stated in Euros, while the cash flow statement, the statement of changes in shareholders' equity and these notes are stated in thousands of Euros unless otherwise stated.

Financial Statements are presented as follows:

- the separate balance sheet is presented with separate sections for assets, liabilities and shareholders' equity. Assets and liabilities are then presented on the basis of their classification as current, non-current or held for sale;
- the separate profit and loss account 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 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 IFRS requirements.

The financial statements have been audited pursuant to Legislative Decree no. 58 of 24 February 1998 and the Auditors' Report is attached to the financial statements.

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.

Borrowing costs relating to investments in assets are fully recognised in the profit and loss account in the year in which they are incurred.

Ordinary maintenance and repair costs are charged to profit and loss in the year in which they are incurred; these costs are capitalised if they increase the value or economic life of the asset to which they relate.

Assets acquired under finance leases, which assign to the 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 charged 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 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 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 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. If the reasons for the recognition of an impairment no longer exist, the carrying amount of an asset is increased to the lower of its recoverable value and the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment been recognised, with the reversal being recognised in profit or loss.

Non-current assets held for sale

This item consists of non-current assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are not depreciated.

Other intangible assets

This item consists of identifiable assets without physical substance that are controlled by the Company and are capable of producing future economic benefits.

Other intangible assets are recognised and measured in accordance with IAS 38 *Intangible Assets* when the cost of the asset can be measured reliably.

Other intangible assets having finite useful lives are measured at cost and are amortised on a straight line basis over their useful lives, intended as the estimate of the period in which the asset will be used by the Company.

The annual amortisation rates used are as follows:

Category	Rate %	
Concessions, licences, trade marks and similar rights	Software licences	20%
Other intangible assets	Non-competition agreement	20%
	Sundry deferred charges	8% - 20%

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 (the impairment test). 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 to sell and value in use. In calculating value in use, estimated future cash flows are discounted to present value using a pre-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 had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised in the profit and loss account.

Investments in subsidiary companies, associates and joint ventures

Investments in subsidiary companies, associates and joint ventures are measured at cost and undergo periodic testing to determine the extent of any impairment losses, as described in the paragraph "Impairment" below.

This testing is carried out each time there is any indication that an investment may be impaired.
Any impairment loss is recognised in income for the period in which it is identified. When an impairment loss subsequently reverses, the carrying value of an investment is increased and the adjustment is recognised in income up to the lower of its recoverable amount and its original carrying value.

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 recognised immediately in the profit and loss account.

Own shares

Own shares are measured at cost and are shown as a reduction in equity. Any trading profits or losses are recognised in a specific equity reserve.

Available-for-sale financial assets

Non-current 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.
Financial assets held for sale presented as current assets consist of securities with short-term maturities or marketable securities which represent a temporary investment of liquid funds.

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, 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 Company would expect to obtain from the sale of these goods in its normal activities.

Liquid funds

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.

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 that 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 using actuarial techniques, measured by independent actuaries.
Changes in estimates are recognised in the profit and loss account of the period in which the change occurs.
The costs which the Company expects to incur to carry out restructuring programmes are recognised in the period in which it formally defines the programme and in which it has created a valid expectation in interested parties that the restructuring 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.
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, subsidiary 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 recognised to the extent that it is probable that the economic benefits associated with the sale of goods or the rendering of services will flow to the Company and if the amount can be measured reliably. Revenues are recognised at the fair value of the consideration

received or receivable, taking into account any trade discounts or quantity rebates.
Revenues from the sale of goods are recognised when the Company has transferred the significant risks and rewards of ownership of the goods to the buyer. Revenues from services are recognised when the service has been effectively rendered, net of returns, discounts, rebates and allowances.

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 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.
Deferred tax assets relating to the carry forward of tax losses are recognised to the extent that it is probable that sufficient taxable income will be generated in future periods against which they can be utilised.

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 similarly reclassified for comparative purposes.

Exchange differences

Transactions 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 at that date; exchange differences arising in this way are recognised in the profit and loss account

Dividends

Dividends are recognised at the date on which their distribution is approved by shareholders.

Use of estimates

The preparation of financial statements and related disclosures that conform to International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Estimates are used in accounting for bad debts provisions for accounts receivable, stock obsolescence, depreciation, asset impairment, employee benefits, restructuring provisions, taxation and other accruals and provisions and in measuring derivative financial instruments. Estimates and assumptions are reviewed regularly and the effects of any changes are reflected immediately in the profit and loss account.

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 paragraph “Financial instruments and risk management” in the Report of the Board of Directors 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 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 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.

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 Company. In order to determine the amounts of certain types of costs which relate to those discontinued units, the Company has used management data and assumptions resulting from the cost accounting system, which utilises specific methodologies of separating and allocating costs on the basis of variables depending on production and size.

Recoverability of non-current assets

Non-current assets consist of property, plant and equipment, investment property, intangible assets (including goodwill), investments and other financial assets. Management determines the carrying value of non-current assets held and used and that of assets to be disposed of on a periodic basis, when facts and circumstances occur which warrant such a review. Management performs this review using an estimate of future cash flows from the use or disposal of the asset, discounted to present value using a suitable rate. If this review shows that there has been a reduction in the carrying amount of a non-current asset, the Group recognises an impairment loss for the amount by which the carrying amount of the asset exceeds the amount recoverable through use or disposal.

In a macro-economic situation made critical and uncertain by the present adverse economic and financial situation, the directors based their decisions on the likely outlook for operations for 2009 and subsequent years as things appear today.

Business plans were amended in a prudent manner for the impairment testing of cash-generating units, in order to take account of the present adverse economic and financial situation and the uncertainties weighing upon the future.

Revising the plans in this way no matters emerged indicating the need to recognise significant impairment losses, with the exception of the situation at the Magenta facility, for which, in order to assess the recoverability of this production unit, it was necessary to use the fair value method, after deducting the cost of sale, instead of the value in use.
The valuation has been carried out by an independent expert, and the results obtained hasn't imply the need to perform the impairment test of the production unit. Despite this it cannot be excluded that an extension or worsening of the crisis may lead to the need to revise the present valuations, notwithstanding the prudent approach taken.

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.

Notes to the financial statements

The profit and loss account for the previous year included the line item "Non-recurring income (expense)". This item has been eliminated from this year's profit and loss account and the amounts included in that item in 2007 have been reclassified to the individual line items, with their non-recurrent nature being highlighted.

1. Revenues from sales

Revenues from sales may be analysed as follows:

Revenues for sales (thousands of Euros)	**31.12.2008**	**Inc, %**	**31.12.2007**	**Inc, %**
Revenues for sales	282,060	99.77%	311,133	99.78%
Revenues for services	660	0.23%	679	0.22%
Total revenues	**282,720**	**100%**	**311,812**	**100%**

Revenues from sales arise essentially from sales of cartonboard, while services mostly relate to those provided to subsidiary companies.

The following table provides a geographical analysis of sales revenues :

Revenues by geographical areas (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variations**	**%**
Italy	158,643	169,757	(11,114)	–6.65%
EU	83,397	108,181	(24,784)	–22.91%
Extra EU	40,680	33,874	6,806	20.09%
Net revenues	**282,720**	**311,812**	**(29,092)**	**–9.33%**

The decrease in revenues is a consequence of the uncertainty characterising the year. There was a fall of 10.2% in the tonnage sold compared to 2007, while there were no significant changes on the price front.

2. Other revenues

Other revenues (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variations**
Grants	758	630	128
Ordinary capital gain	414	260	154
Indemnities	47	45	2
Recharge of costs	145	162	(17)
Increase in fixed assets	419	134	285
Rental income	8	9	(1)
Other revenues	3,337	1,076	2,261
Total	**5,128**	**2,316**	**2,812**

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.

Other revenues include: revenues of Euro 2,093 thousand credited by certain energy suppliers in connection with the Company's formal availability to accept an interruption in supply; mostly of prior year income, which itself principally comprises receipts from creditors' arrangement procedures, VAT recoveries following the closure of insolvency proceedings and miscellaneous income, and the reversal of costs relating to prior years which were in the end not actually incurred.

3. Changes in stocks of finished goods

The item represents the decrease in finished goods stocks over the year. The year has been characterised by a running down of existing stocks. In order to contain costs and maintain price levels RDM scheduled a series of halts in production, concentrated in the last four months of the year; the result of this was a fall of 14% in the number of tonnes produced compared to 2007.

4. Cost of raw materials and services

Cost of raw material and services (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variations**
Cost of raw material	**111,249**	**128,423**	**(17,174)**
Purchase of raw material	112,185	129,229	(17,044)
Changes in stocks of raw materials	(936)	(806)	(130)
Services regarding sales	**32,552**	**34,875**	**(2,323)**
Transport	26,531	29,885	(3,354)
Commissions and agents' costs	6,021	4,990	1,031
Services regarding manufacturing	**73,919**	**71,902**	**2,017**
Energy	55,506	52,178	3,328
Maintanance	5,249	5,897	(648)
Waste disposal	4,691	5,103	(412)
Other manufacturing services	8,473	8,724	(251)
General services	**8,640**	**8,305**	**335**
Legal, notarial, administrative and external collaboration	2,810	2,231	579
Board of directors	440	642	(202)
Statutory auditors	118	148	(30)
Insurance	1,742	1,486	256
Postal and telephone	438	388	50
Other	3,092	3,410	(318)
Use of third party assets	**872**	**991**	**(119)**
Rental and leasing	872	991	(119)
Total	**227,232**	**244,496**	**(17,264)**

The cost of raw materials refers mainly to the purchase of waste paper, wood paste, cellulose, chemicals and technical purchases for the factories and packaging.

These costs remained stable at 40.8% of the value of production defined as the sum of revenues from sales and changes in stocks of finished goods, in line with the previous year's figure. The decrease is due to the smaller number of tonnes produced as discussed above.

Overall service costs fell slightly by 0.6% compared to the previous year (Euro 115.3 million for the year ended 31 December 2008 compared to Euro 116.1 million for the year ended 31 December 2007), but rose from 36.5% in 2007 to 42.2% in 2008 as a percentage of revenues from sales. This performance is the result of the following factors:

- a decrease of Euro 3,354 thousand in transport costs, connected with the decrease in volumes sold;
- an increase in commissions due to the reorganisation of the sales network, with the formation of Careo S.r.l. and the contribution to that company of the internal and third party agent sales function;
- an increase of Euro 2.017 thousand in costs for manufacturing services, due to a rise of 6.4% in energy costs which was partially offset by a reduction in the costs for maintenance, waste disposal and other manufacturing services;
- an increase in service costs affected by a rise in technical, information services assistance and relevant to the human resources organization which was offset by a decrease in the other cost items due to the steps taken to contain fixed costs.

5. Staff costs

Staff costs (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Salaries and wages	28,521	34,519	(5,998)
Social security contributions	10,190	11,671	(1,481)
Employees' leaving entitlement	2,021	(86)	2,107
Other costs	22	15	7
Total	**40,754**	**46,119**	**(5,365)**

The staff costs as of December 31st, 2007 included, both from the positive effects deriving from the modifications of the TFR regulations introduced by the Italian "Finance Law" and relevant operational decrees (curtailment), for an amount of euro 1.5 Million, as well as the euro 1.7 Million non-recurring cost associated with the long-term workforce mobility (such cost was recorded in the "non-recurring income / (charges)"). It has to be reminded that the company profited from the procedure approved by the Ministero del Lavoro e della Previdenza Sociale (the Italian Ministry of Labour and Social Security) on May 2nd, 2007, that concerned 39 employees and was executed at the end of the 2007 fiscal year.
The decrease of 11.6% in staff costs is the result of a reduction in the workforce, slightly offset by the contractual increases paid during the year.

The following table sets out 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	**31.12.2008**	**31.12.2007**	**Variations**
Executives and managers	12	15	(3)
White-collar	248	260	(12)
Blue-collar	701	708	(7)
Total	**961**	**983**	**(22)**

Average by employee category	**31.12.2008**	**31.12.2007**	**Variations**
Executives and managers	12	15	(3)
White-collar	250	285	(35)
Blue-collar	706	729	(23)
Total	**968**	**1,029**	**(61)**
Temporary lay-offs in CIGS	**–**	**31**	**(31)**
Permanent manpower	**968**	**998**	**(30)**

The 31 employees involved in the voluntary long-term mobilità lay-off scheme terminated their employment relationship at the beginning of 2008. No employee was involved in the *"Cassa integrazione guadagni straordinaria"* lay-off scheme at the end of 2008 although the Company did avail itself of the *"Cassa integrazione guadagni ordinaria"*scheme for its down periods.

6. Other operating costs

Other operating costs (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Write-down of working capital receivables	235	157	78
Accruals to provisions	591	419	172
Other operating costs	2,612	3,533	(921)
Total	**3,438**	**4,109**	**(671)**

Other operating costs for 2007 include a non-recurring cost of Euro 1 million regarding a contractual penalty for the termination of the steam supply contract at the Magenta facility.
The remaining operating costs decreased by 16.3% over the previous year. In further detail, increased accruals were made to the provision for bad and doubtful debts and provision for risks and there was a fall of 26.1% in other operating costs, due principally to the penalty charged in 2007 referred to above.
They consist mainly of indirect duties, taxes and subscriptions to associations

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)	**31.12.2008**	**31.12.2007**	**Variation**
Amortisation of intangible assets	536	666	(130)
Depreciation of tangible assets	15,974	20,033	(4,059)
Total	**16,510**	**20,699**	**(4,189)**

The decrease in the depreciation charge for tangible fixed assets is mainly due 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)	**31.12.2008**	**31.12.2007**	**Variation**
Write-downs	1,732	600	1,132
Total	**1,732**	**600**	**1,132**

The decision was taken in the last quarter of the year to re-use certain components of the Magenta facility MC1 board machine, which had previously been classified as part of non-current assets held for sale, in order to modernise the production lines at other factories of the Company. As the result of that decision the impairment loss recognised in the current year to adjust the carrying amount of the machine to its estimated realisable value has been classified as operating costs and, in accordance with IFRS 5, the impairment loss recognised in 2007 as part of discontinued operations has been reclassified to that line item.

9. Financial income (expense), net

Financial income (expense) (thousands of Euros)	31.12.2008	31.12.2007	Variations
Financial income	**663**	**223**	**440**
Interest from subsidiary and affiliated companies	415	145	270
Other income	248	78	170
Financial expense	**(10,634)**	**(10,702)**	**68**
Interest due to subsidiary and affiliated companies	(1,211)	(1,374)	163
Interest due to bank	(8,351)	(8,367)	16
Interest trading derivatives	–	(59)	59
Interest on financing the employees' leaving entitlement	(790)	(786)	(4)
Expenses, commissions and other financial charges	(282)	(116)	(166)
Exchange differences	**238**	**(247)**	**485**
Realised foreign exchange gains (losses):			
Realised gains	2,288	606	1,682
Realised losses	(2,163)	(695)	(1,468)
Unrealised foreign exchange gains (losses):			
Unrealised gains	220	–	220
Unrealised losses	(107)	(158)	51
Total financial income (expense)	**(9,733)**	**(10,726)**	**993**

There has been a decrease of euro 1 million in net financial expense following a rise in interest income due to subsidiaries and a fall in financial expense payable to subsidiaries, and due to the fact that there were net foreign exchange gains of Euro 238 thousand in 2008 compared to net foreign exchange losses in 2007.

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) calculated in accordance with IAS 19.

10. Income (expense) from investments

Income (expense) from investments (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variations**
Income from equity investments in subsidiary companies	**658**	**1,208**	**(550)**
Dividends from Emmaus Pack S.r.l.	258	308	(50)
Dividends from Cartiera Alto Milanese S.p.A.	400	900	(500)
Income from equity investments in associates	**1,430**	**1,240**	**190**
Dividends from Termica Boffalora S.r.l.	1,200	990	210
Dividends from Pac Service S.p.A.	230	250	(20)
Revaluation from investments in subsidiary companies	**–**	**7,044**	**(7,044)**
RDM Iberica S.L.	–	7,044	(7,044)
Write-down and losses from investments in subsidiary companies	**(152)**	**(27)**	**(125)**
Write-down Reno Logistica S.r.l.	(152)	(27)	(125)
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)**
Other companies depreciations	(856)	–	(856)
Total	**2,153**	**9,465**	**(7,312)**

Income from investments consists of the dividends distributed and/or resolved by subsidiaries and associates, as shown in the table.
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 2007 the carrying amount of the investment in RDM Iberica S.L. of euro 7 million, which had been written down in previous years for a permanent loss in value, was partially reinstated. This write-up was made on the basis of an impairment test performed at the end of 2007, which showed that future cash flows will enable the loss to be partially recovered.
The investment in Reno Logistica S.r.l. in liquidazione was written down by a further Euro 152 thousand to adjust it to equity at 31 December 2008.

Losses from investments 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 at a price of Euro 6.5 million.

11. Taxation

Taxation current and deferred (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variations**
Current taxation	**(421)**	**(1,644)**	**1,223**
IRAP of the year	(881)	(2,007)	1,126
Tax credit	134	–	134
IRAP of prior year	39	–	39
Income from tax consolidation	287	363	(76)
Deferred taxation	**(7)**	**3,246**	**(3,253)**
IRES	14	3,740	(3,726)
IRAP	(21)	(494)	473
Total	**(428)**	**1,602**	**(2,030)**

The significant decrease in the IRAP charge is the result on the one hand of lower taxable income and on the other of obtaining the full benefit of the reduction in taxes on labour (the so-called “wedge”).
Taxation for the year has been estimated on a prudent basis, and takes into account the recent changes in legislation regarding the taxable income for IRES purposes of companies using international accounting standards to prepare their financial statements, as well as the principle of deriving IRAP taxable income directly from the financial statements.

Reconciliation between the theoretical and actual tax charge (IRES)

A reconciliation between the theoretical and actual tax charges for IRES purposes is not provided as the company had a tax loss for both the current and previous tax years, as further described in note 28 - Deferred taxation. 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)	**31.12.2008**		
Difference between value and cost of production (excluding B9, B10 c), d) e B12 e B13)	31,582		
Financial statement reclassifications	–		
Costs for apprentices, desabled persons and compulsory insurance	(14,370)		
Total	**17,212**		
Theoretical tax charge		**3.90%**	**671**
Permanent differences for more regional taxation	1,164		
Permanent differences which will not reverse in future years	4,752		
Total difference	5,916		
Effective tax charge	23,128	**3.90%**	**902**
Current taxation		**5.24%**	

Permanent differences for increased regional tax rates arise from the application of the higher tax rate of 4.82% in the region of Lazio to the net value of production.

12 Discontinued operations

There was a loss from discontinued operations of Euro 1.7 million in 2007.

Discontinued operations (thousands of Euros)	**31.12.2008**	**31.12.2007**
Aticarta S.p.A.	–	(1,744)
Total	**–**	**(1,744)**

The loss from discontinued operations relating to the former subsidiary Aticarta S.p.A. consisted mainly from expenses for the occupancy of the Pompeii factory and those connected with discussions with the purchaser during completion. The dispute between Aticarta and the Milan Inland Revenue Office was brought to a conclusion in June through a court settlement. Aticarta recharged Reno De Medici with the costs connected with concluding the dispute as provided in the agreement for the sale of Aticarta.
The Magenta facility MC1 line, which was considered part of discontinued operations in 2007, have reclassified as tangible assets in 2008, after the decision to use some components to modernize the production lines of other mills of the Company. As a consequence, in accordance with IFRS 5 the items included as discontinued operations in 2007 have been reclassified as operating costs.

13. 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 31.12.07	**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 charges (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 charges (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"

Land includes the areas pertaining to the manufacturing facilities of the 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.

Plant and machinery relates to specific and general manufacturing plant and machinery. Increases relate for the most part to extraordinary intervention carried out with the aim of improving the efficiency of this equipment. More specifically, investments of euro 9.4 million were made at the Villa Santa Lucia facility, mainly to replace the gas turbine, strengthen the biological plant, extend the water collection baths and modernise the headbox cover; investments of euro 1.4 million were made at the Santa Giustina facility, for the most part to modernise the “chests” connected with the centre line and certain presses; and investments of euro 0.4 million were made at the Ovaro facility, relating principally to extraordinary maintenance; and investments of Euro 0.3 million were made at the Magenta facility, relating principally to extraordinary maintenance and the first stage of carrying out modifications to the MC1 damp area.

Other movements relates to the reclassification to non-current assets of the Magenta facility MC1 board machine which was previously classified under non-current assets held for sale, following the decision to re-use the components to modernise existing production lines.
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) totalling 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 2008 amounted to Euro 70.8 million.

14. Other intangible 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 31.12.2007	**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 31.12.2008	**513**	**81**	**814**	**1,408**

Concessions, licences and trade marks relate to costs incurred for the purchase of software licences.
The amortisation of other intangible assets is essentially attributable to the intangible asset for the non-competition agreement stipulated in 2003 with Mr. Giovanni Dell'Aria Burani, which came to the end of its useful life in 2008.

Assets under formation relate 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.

15. Investments in subsidiary companies and financial assets in progress

The following table shows the investments held in subsidiary companies, stated net of the provision for equity investments :

Investments (thousands of Euros)	**Cost 31.12.2007**	**Provision against cost 31.12.2007**	**Net book value 31.12.2007**	**Increases (Decreases) of investment**	**Increases (Decreases) of provision**	**Cost 31.12.2008**	**Provision against cost 31.12.2008**	**Net book value 31.12.2008**
Careo S.r.l. (1)	10	–	10	(10)	–	–	–	–
Cartiera Alto Milanese S.p.A.	2,864	(366)	2,498	–	–	2,864	(366)	2,498
Cascades Arnsberg Gmbh (2)	–	–	–	54,113	–	54,113	–	54,113
Cascades Cartonboard UK Ltd (3)	–	–	–	1,717	–	1,717	–	1,717
Cascades Grundstück Gmbh & Co.KG	–	–	–	3,454	–	3,454	–	3,454
Emmaus Pack S.r.l.	108	–	108	–	–	108	–	108
RDM Blendecques S.a.s. (4)	–	–	–	–	–	–	–	–
RDM France S.a.r.l.	66	–	66	(66)	–	–	–	–
Reno De Medici Iberica S.L.	138,284	(69,708)	68,576	(26,366)	–	111,918	(69,708)	42,210
Reno Logistica S.r.l. in liquidazione	493	(478)	15	–	(14)	493	(493)	–
RenoDeMedici Deutschland GmbH	150	–	150	(150)	–	–	–	–
Financial assets in progress	**2,240**	**–**	**2,240**	**(2,240)**	**–**	**–**	**–**	**–**
Total	**144,215**	**(70,552)**	**73,663**	**30,452**	**(14)**	**174,667**	**(70,567)**	**104,100**

(1) As a consequent of contribution of capital the company name changed from "Reno Cascades Sales S.r.l." to "Careo S.r.l." and the % of partecipation is now for 70%. This i included in the Investments in associates due to be defined as joint venture
(2) "Reno De Medici Arnsberg Gmbh" from January 2009.
(3) "Reno De Medici UK Limited" from January 2009
(4) Formerly company name was "Cascades Blendecques S.a.s."

The deed for the merger of Cascades Italia S.r.l. into Reno De Medici S.p.A. was signed on 26th February 2008, with the merger becoming effective on 1st March 2008; Cascades Italia S.r.l. owned, directly or indirectly, 100% of Cascades Arnsberg GmbH, Cascades Blendecques S.a.s. and Cascades Cartonboard UK Ltd. Following the conclusion of this operation the Company recognised investments of Euro 59.3 million, and a provision of Euro 7.1 million for losses on investments in connection with the investment purchased in Cascades Blendecques Sas (see note 30).
Financial assets in progress at 31 December 2007 related to costs incurred for that operation.

The decrease in the book value of the investment in Reno De Medici Ibérica S.L. is the consequence of the distribution of dividends for an amount of Euro 26 Million.

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 2008. 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 liquidazione, whose data are provided on the basis of the National accounting principles:

Company name (thousands of Euros)	**Registered office**	**Shareholding**	**Share Capital at 31.12.2008**	**Shareholders' equity at 31.12.2008**	**Result for 2008**
Cartiera Alto Milanese S.p.A.	Milan (IT)	100%	200	1,641	506
Cascades Arnsberg Gmbh (1)	Arnsberg (DE)	94%	5,113	79,613	1,494
Cascades Cartonboard UK Ltd (1)	Wednesbury (GB)	100%	12,433	1,486	(451)
Cascades Grundstück Gmbh & Co.KG (1)	Arnsberg (DE)	100%	5	311	(1)
Emmaus Pack S.r.l.	Milan (IT)	51.39%	200	1,159	560
RDM Blendecques S.a.s. (1)	Blendecques (FR)	100%	1,037	(14,611)	(7,575)
Reno De Medici Iberica S.L.	Prat de Llobregatt (ES)	100%	39,061	42,388	98
Reno Logistica S.r.l. in liquidazione	Milan (IT)	100%	25	(143)	(158)

(1) The result related at the data 1 March 2008, whith the effective of the conbination

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

16. Investments in associated companies

Investments in associates were affected principally by the sale of the holding of 30% in Termica Boffalora S.r.l. at a price of Euro 6.5 million compared to its book value of euro 7.4 million at 31 December 2007, leading to the recognition of a loss on disposal of Euro 856 thousand.

Again as part of the operations above-mentioned, on 28 March 2008, to the company Careo S.r.l. (already Reno Cascades Sales S.r.l.) was contributed by Reno De Medici S.p.A. and by the new partner Cascades S.A. their sales division, through capital stock increase from Euro 10 thousand to Euro 100 thousand of which Reno De Medici S.p.A. holds 70% and Cascades S.A. 30%. Careo S.r.l. (definable Joint Venture in order to statutory governance articles) carries on marketing and selling services of all goods produced in the factories of RDM Group (recycled fibre) and Cascades S.A. (virgin fibre).

The investment in Pac Service S.p.A., however, has remained unchanged over the year:

Company name (thousands of Euros)	**Registered office**	**Shareholding**	**Cost at 31.12.2008**
Pac Service S.p.A.	Vigonza (PD) - Italy	33.33%	387
Careo S.r.l.	Milano (MI) - Italy	70.00%	386
Total			**773**

A brief summary of the key figures of the balance sheets and profit and loss accounts of PAC Service S.p.A. and Careo S.r.l, prepared in accordance with Italian accounting principles and approved by their own Board of Directors, are set out below:

(thousands of Euros)	Pac Service S.p.A.	Pac Service S.p.A.
Total Assets	9,469	8,133
Shareholder's equity	4,232	189
Other Liabilities	5,237	7,944
Revenues from sales	14,635	11,202
Profit (loss) for the year	583	(409)

17. Derivative financial instruments

Derivative financial instruments (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Non-current assets	**–**	**418**	**(418)**
Derivative financial instruments (Hedge accounting)	–	418	(418)
Derivative financial instruments (No hedge accounting)	–	–	–
Current assets	**–**	**331**	**(331)**
Derivative financial instruments (Hedge accounting)	–	331	(331)
Derivative financial instruments (No hedge accounting)	–	–	–
Non-current liabilities	**916**	**–**	**916**
Derivative financial instruments (Hedge accounting)	916	–	916
Derivative financial instruments (No hedge accounting)	–	–	–
Current liabilities	**68**	**–**	**68**
Derivative financial instruments (Hedge accounting)	68	–	68

There was a negative fair value of Euro 984 thousand at 31 December 2008 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 2008:

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.	Euro	06,04,2016	22,500	4.11% fixed Euribor 6m	Six monthly	(560)
Reno De Medici S.p.A.	Unicredit Banca d'Impresa S.p.A.	Euro	06,04,2016	11,250	4.11% fixed Euribor 6m	Six monthly	(280)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Euro	15,05,2016	4,650	4.15% fixed Euribor 6m	Six monthly	(144)
				38,400			**(984)**

18. Available-for-sale financial assets

This item consists of investments in other companies and other miscellaneous financial assets, classified as non-current and measured at fair value, as shown in the following table:

Investments (thousands of Euros)	**Registered office**	**Shareholding**	**Carrying value at 31.12.2007**	**Increases**	**Decreases**	**Carrying value at 31.12.2008**
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	50	–	(2)	48
Conai	Milan - Italy	Consortium share	23	–	–	23
Consorzio Filiera Carta	Isola del Liri (Fr) - Italy	Consortium share	2	–	–	2
Energymont S,p,A,	Tolmezzo - Italy	2.020%	2	6	–	8
Gas Intensive S,c,r,l,	Milan - Italy	Consortium share	1	–	–	1
Idroenergia S,c,r,l,	Aosta - Italia	Consortium share	1	–	–	1
Realty Vailog S,p,A,	Milan - Italy	0.327%	244	–	(140)	104
Totale			**445**	**6**	**(142)**	**309**

The largest item is the investment in Realty Vailog S.p.A., which relates to the proportional partial demerger concluded on 21 June 2006. The write-down of Euro 140 thousand has been recognised in a specific equity reserve and the fair value of the item was determined on the basis of its stock market quotation on 30 December 2008.

The other investments are recognised at cost adjusted for any impairment losses, as their fair values cannot be reliably measured.

19. Current and non-current other receivables

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

Other receivables (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Tax credits	724	762	(38)
Guarantee deposits	81	84	(3)
Receivables from related parties	153	–	153
Other receivables	84	114	(30)
Current other receivables	**1,042**	**960**	**82**
Tax credits	1,856	1,300	556
Miscellaneous receivables	930	732	198
Prepayments	104	162	(58)
Non-current other receivables	**2,890**	**2,194**	**696**
Total	**3,932**	**3,154**	**778**

Tax credits relate mainly to applications for IRPEG refunds relating to prior years.

Miscellaneous receivables are those due from companies in liquidation and have been written down by Euro 7 thousand.

Receivables from related parties include an amount of Euro 152 thousand regarding the variable portion of the price agreed with Cascades S.a.s. for the sale of the Company's virgin fibre customer list; the same amount is recognised in non-current payables together with the consideration of Euro 1 million already recognised by Cascades and collected by RDM.

Current tax credits relate to a VAT receivable and IRAP for 2008.
Miscellaneous receivables consist mainly of receivables of Euro 0.5 million due from social security authorities for advances made as part of *cassa integrazione* employee lay-off procedures and receivables of Euro 0.2 million for insurance compensation.

Prepayments mainly regard various maintenance costs, insurance and rent.

20. Stocks

The following table provides an analysis of stocks at 31 December 2008:

Stocks (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Raw material and consumables	21,884	20,947	937
Provision for obsolescence	(322)	(322)	–
Finished goods and goods for resale	27,517	37,430	(9,913)
Total	**49,079**	**58,055**	**(8,976)**

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

21. Trade receivables

The following table sets out the changes in trade receivables due from third parties, which amount in total to Euro 58.3 million:

Trade receivables (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Trade receivables with customers	58,340	69,353	(11,013)
Current trade receivables	**58,340**	**69,353**	**(11,013)**
Total trade receivables	**58,340**	**69,353**	**(11,013)**

The change in this item is mainly the result of the decrease in turnover in the fourth quarter of 2008.

The current portion of trade receivables from third parties is stated net of a provision for bad and doubtful debts of euro 2,2 milion. The following table sets out the changes for the year in that provision:

Provision for bad and doubtful debts (thousands of Euros)	**31.12.2007**	**Charge**	**Utilization**	**31.12.2008**
Provision for bad and doubtful debts	2,195	236	(221)	2,210
Total	**2,195**	**236**	**(221)**	**2,210**

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

Gerographical area (thousands of Euros)	**Current assets**	**Non-current assets**
Italy	41,693	–
Europe	9,114	–
Rest of the world	7,533	–
Total	**58,340**	**–**

22. Group trade receivables

Group trade receivables of euro 13.0 million may be analysed as follows:

Group trade receivables (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Receivables from subsiduary	11,717	12,097	(380)
Total receivables from subsiduary	**11,717**	**12,097**	**(380)**
Receivables from associated companies	1,263	951	312
Total receivables from associated companies	**1,263**	**951**	**312**
Total Group receivables	**12,980**	**13,048**	**(68)**

Trade receivables from subsidiary companies of Euro 11,7 million may be analysed as follows:

Receivable from subsidiary companies (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Cartiera Alto Milanese S.p.A.	4,580	5,291	(711)
Emmaus Pack S.r.l.	5,231	4,574	657
Reno De Medici Iberica S.L.	1,906	2,232	(326)
Total	**11,717**	**12,097**	**(380)**

Trade receivables from associated companies may be analysed as follows:

Receivable from associated companies (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Careo S.r.l.	501	–	501
Pac Service S.p.A.	758	929	(171)
RDM France S.a.r.l. (1)	2	–	2
RenoDeMedici Deutschland GmbH	2	–	2
Termica Boffalora S.r.l.	–	22	(22)
Total	**1,263**	**951**	**312**

(1) RDM France S.a.r.l. has been incorporated in 2008 in Careo S.a.s.

These receivables arise from trading relations with Group companies governed by normal market conditions.

Following the sale of the investment in Termica Boffalora the receivable from that company at 31 December 2008 is reported as due from third parties.
Details of related party transactions are provided in Annex A.

23. Other Group receivables

These receivables relate to the cash pooling arrangement with Group companies and the associate Careo S.r.l..

Other Group receivables (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Careo S.r.l.	1,330	–	1,330
Cascades Cartonboard UK Ltd	433	–	433
Emmaus Pack S.r.l.	2,000	2,990	(990)
RDM Blendecques S.a.s.	13,350	–	13,350
Total	**17,113**	**2,990**	**14,123**

The change is due to the acquisition of the former Cascades investments as discussed in note 15 “Investments in subsidiaries and financial assets in progress”.
Details of related party transactions are provided in Annex A.

24. Net financial position

Net financial position (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Cash	25	8	17
Funds available at banks	3,529	1,446	2,083
A. Cash and cash equivalent	**3,554**	**1,454**	**2,100**
Other current financial receivables	–	153	(153)
Other Group receivables	17,113	2,990	14,123
Derivatives - current financial assets	–	331	(331)
B. Current financial receivables	**17,113**	**3,474**	**13,639**
1. Bank overdraft and short term loans	*(55,514)*	*(41,641)*	*(13,918)*
2. Current portion of medium and long term loans	*(55,392)*	*(10,084)*	*(45,308)*
Bank loans and other financial liabilities (1+2)	(110,906)	(51,725)	(59,181)
Other Group receivables	(27,911)	(7,845)	(20,066)
Derivatives - current financial liabilities	(68)	–	(68)
C. Current financial debt	**(138,885)**	**(59,570)**	**(79,315)**
D. Current financial debt, net (C – A – B)	**(118,218)**	**(54,642)**	**(63,576)**
Derivatives - non current financial assets	–	418	(418)
E. Non-current financial receivables	**–**	**418**	**(418)**
Bank loans and other financial liabilities	(15,650)	(69,785)	54,135
Other Group receivables	(5,634)	(32,000)	26,366
Derivatives - non-current financial liabilities	(916)	–	(916)
F. Non-current financial payables	**(22,200)**	**(101,785)**	**79,586**
G. Non current financial debt (F - E)	**(22,200)**	**(101,367)**	**79,168**
H. Financial debt, net (D + G)	**(140,418)**	**(156,009)**	**15,591**

The company had net financial debt at 31 December 2008 of Euro 140 million, compared to Euro 156 million at 31 December 2007.
Bank overdrafts and short-term loans of Euro 54.8 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.

As discussed in the report of the Board of Directors at the paragraph "Net Financial position of the Group", at the end of 2008 the Group has not met certain financial parameters and contractual restrictions provided by two loan agreements subscribed in 2006 (before the Cascades operation) with a pool of banks 2006.
Consequently, the Group first requested the banks to temporarily suspend the application of such financial covenants at 31 December 2008. The banks formally accepted the request on 12 February 2009.
As the banks' formal resolution was received after the closing of the fiscal year, according to IAS 1, the non-current portion of the loans, for an amount of Euro 45.9 million, has been reclassified as a short-term loan (even if such amount proves to be still at medium term due to waiver that has been obtained).
As regards the further proposal submitted to the Financing banks during the month of March 2009, aiming at meeting the financial commitments relevant to the capital expenditures plans that exceed the routine levels in the period 2009-2011, and also aiming at maintaining a balanced ratio between short-term and long-term financial debts, see the corresponding above-mentioned section of the report of the Board of Directors.

The outstanding medium-term financings, sorted out by due-date even considering the above described reclassification to short-term, 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 Febrary 13, 2016	128	559	477	1,164
M.I.C.A. - due October 16, 2013	142	599	–	741
M.I.C.A. - due May 28, 2008	–	–	–	–
San Paolo Imi - due June 15, 2011	2,128	3,402	–	5,530
San Paolo Imi - due December 15, 2011	3,087	6,622	–	9,709
San Paolo Imi - due April 6, 2016	7,122	–	–	7,122
San Paolo Imi fin.pool - tranche A - due 6/4/2016	33,750	–	–	33,750
San Paolo Imi fin.pool - tranche B - due 6/4/2011	10,000	–	–	10,000
Banca Pop.Emilia Romagna - due 15/5/2016	620	2,480	1,550	4,650
Total payables at nominal value	**56,977**	**13,662**	**2,027**	**72,666**
Effect of amortized cost	**(1,585)**	**(33)**	**(6)**	**(1,624)**
Total payables valued with amortized cost	**55,392**	**13,629**	**2,021**	**71,042**

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.

On December 13th, 2006 a variable rate loan agreement has been subscribed with Banca Popolare dell'Emilia for an amount of Euro 6.2 Million, that will expire on May 15th, 2016, and will be reimbursed in semi-annual installments. The loan s provides for the concession of a mortgage on the mills of Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia for a total amount of Euro 22.4 Million.

In order to reduce the variability of financial charges on the indebtedness, interest rate swaps have been subscribed on the outstanding loans as of December 31st, 2008. For a more thorough information on the derivative instruments in portfolio as of December 31st, 2008, see Note 19

25. Non-current assets held for sale

In the balance sheet at 31 December 2007 non-current assets held for sale consisted of plant and machinery of Euro 5.2 million relating to the Magenta facility MC1 line, which have been reclassified to tangible fixed assets at 31 December 2008 following the decision taken to re-use components of these assets to modernise production lines at other factories of the Company.
The remaining balance of Euro 0.4 million related to plant and stocks at Pompeii which were sold in 2008.

26. Shareholders' equity

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

Description (thousands of Euros)	**Shareh-olders' equity at 31.12.2007**	**Change in the year**					**Shareh-olders' equity at 31.12.2008**
		Appropriatin of net income 2007	**Increase in share capital**	**Fair value assets available for sale**	**Hedge accounting**	**Profit (loss) for the year**	
Share capital	132,160	–	52,962	–	–	–	185,122
Share premium reserve	–	–	–	–	–	–	–
Legal reserve	–	5	–	–	–	–	5
Reserve for own shares	4,872	–	(4,872)	–	–	–	–
Other reserves:							
– Extraordinary reserve	–	–	1,150	–	–	–	1,150
Fair value reserve	(258)	–	–	(140)	–	–	(398)
Hedging reserve	559	–	–	–	(1,273)	–	(714)
Profit (loss) brought forward	(16,174)	103	–	–	–	–	(16,071)
Profit (loss) for the period	108	(108)	–	–	–	(19,738)	(19,738)
Own shares	(4,872)	–	4,872	–	–	–	–
Total	**116,395**	**–**	**54,112**	**(140)**	**(1,273)**	**(19,738)**	**149,356**

On 26 February 2008, with effective date 1 March 2008, the deed for the merger of Cascades S.r.l. into Reno De Medici S.p.A. was signed. As a consequence of this 115,600,000 ordinary shares were allocated to the new shareholder Cascades S.a.s. (equal to 30.6% of share capital), of which:

- 108,086,557 following the capital increase carried out by Reno De Medici S.p.A.;
- 7,513,443 own shares allocated by way of exchange.

On 13 May 2008, shareholders in general meeting adopted a resolution allocating 5% of the company's 2007 profit of Euro 108 thousand, amounting to Euro 5 thousand to the legal reserve, with the balance of Euro103 thousand being used to absorb accumulated losses.

At 31 December 2008 the Company did not hold any of its own shares, either directly or through an intermediary.

In additional, in accordance with article 5 of the Company's bylaws, the bearers of savings shares may convert their shares into ordinary shares during Febrary and September of each year. A total of 26,066 savings shares were converted into ordinary shares during 2008. As a consequence of this, share capital at 31 December 2008, fully subscribed and paid, is made up as follow:

	Quantity	**Par value**	**Total**
Ordinary shares	377,360,312	€ 0.49	€ 184,906,552.88
Savings shares	440,682	€ 0.49	€ 215,934.18
Total	**377,800,994**		**185,122,487.06**

The number of shares outstanding at 31 December 2008 and 31 December 2007 was as follows:

Movement fo shares	**31.12.2008**	**31.12.2007**	**Delta**
Ordinary shares	377,800,994	269,714,437	108,086,557
Savings shares	–	7,513,443	(7,513,443)
Total	**377,800,994**	262,200,994	115,600,000

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 the respect it is recalled that no dividends were distributed in 2007 and 2008.
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 31.12.2008**	**Utilisation possibilities (*)**	**Available portion**	**Summary of utilisation in the years 2008-2007-2006**	
				For loss cover	**For other purposes**
Share capital	185,122	–	–	–	–
Share premium reserve	–	–	–	7,797	–
Legal reserve	5	B	5	–	–
Reserve for own shares	–	–	–	–	–
Other reserves:					
– Reserve for the purchase of own shares	–	–	–	6,584	–
– Extraordinary reserve	1,150	A. B. C	1,150	501	–
– Reserve from contribution of assets	–	–	–	–	–
– 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	(715)	–	–	–	–
Fair value reserve	(397)	–	–	–	–
IFRS Reserve	–	–	–	13,050	–
Own shares	–	–	–	–	–
Profit (loss) brought forward	(16,071)	–	–	–	–
Total	**169,094**	**–**	**1,155**	**–**	
Non-distributable portion	–	–	(1,155)		
Distributable portion remaining	**–**	**–**	**–**	**–**	

(*)
A) For increases in share capital
B) To cover losses
C) For distribution to shareholders

27. Other payables

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

Other payables (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Deferred income	493	547	(54)
Payables to related companies	1,153	–	1,153
Other non-current payables	**1,646**	**547**	**1,099**
Personnel	1,064	3,862	(2,798)
Payable to social security authorities	2,904	3,381	(477)
Payable to tax authorities	947	1,521	(574)
Miscellaneous payables	930	927	3
Company bodies	366	492	(126)
Deferred income	59	86	(27)
Other current payables	**6,270**	**10,269**	**(3,999)**
Total	**7,916**	**10,816**	**(2,900)**

Non-current other payables include deferred income of Euro 0.4 million representing the portion to be recognised as income after 12 months of the deferred 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.
Other payables to related parties of 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.

Current other payables in the balance sheet at 31 December 2007 consisted of interest of Euro 739 thousand accrued on the Company's ordinary bank current account and long-term loans, which have been reclassified to amounts payable to banks.

Payable to personnel consist mainly of amounts due for deferred remuneration. The increase in this balance over that at 31 December 2007 is mostly due to the employees' leaving entitlement (TFR) payable to employees involved in the long-term mobilità lay-off scheme (Euro 1.1 million); to plans agreed with the employees designed to use up residual holiday leave (Euro 700 thousand); and the failure to reach production bonus levels (Euro 1 million).
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 2009, and to accruals for social security contributions due on deferred remuneration (employee leave, additional months' salaries and overtime). The increase over the year is mostly due to the amount payable for the portion of the employees' leaving entitlement to be paid over in the form of supplementary pensions at 31 December 2007, as established by the 2007 Finance Law.

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

Deferred income relates to the portion of the Law no. 488 capital grant referring to the next fiscal year.

28. Deferred tax liabilities

Changes in deferred tax liabilities were as follows:

Deferred taxation (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Non current liabilities			
Deferred taxation	7,911	8,398	(487)

The following table provides a summary of the determination of deferred tax assets and deferred tax liabilities from temporary differences at 31 December 2008:

Deferred taxation (thousands of Euros)	**31.12.2008**			**31.12.2007**		
	Temporary differences	**Average tax rate %**	**Tax effect**	**Temporary differences**	**Average tax rate %**	**Tax effect**
Recognised deferred tax assets	**12,757**		**2,555**	**14,893**		**2,469**
Tax losses to carry forward	7,139	27.50%	1,963	7,346	27.50%	2,020
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)	1,811	3.90%	71	4,470	3.90%	174
Other temporary differences IRAP	115	3.90%	4	280	3.90%	11
Other temporary differences IRES	552	27.50%	152	655	27.50%	180
Valuation of derivatives with hedge accounting	998	27.50%	281	–	27.50%	–
Recognised deferred tax liabilities	**33,941**		**10,466**	**35,145**		**10,868**
Book depreciation exceeding tax depreciation	29,030	31.40%	9,115	31,274	31.40%	9,820
Other temporary differences IRAP	–	3.90%	–	72	3.90%	3
Other temporary differences IRES	269	27.50%	74	72	27.50%	20
Remeasurement TFR IFRS	4,642	27.50%	1,277	2,957	27.50%	813
Valuation of derivatives with hedge accounting	–	0.00%	–	770	27.50%	212
Recognised deferred tax (assets) liabilities, net			**7,911**			**8,399**
Imposte anticipate non contabilizzate	**87,056**		**23,942**	**114,574**		**31,508**
Write-downs for permanent losses in value	1,820	27.50%	501	1,820	27.50%	501
Stock provision	322	27.50%	89	322	27.50%	89
Bad and doubtful debts	1,447	27.50%	398	1,518	27.50%	417
Provision for future charges (IRES)	3,971	27.50%	1,092	5,190	27.50%	1,427
Financial charge deductible in future years	8,337	27.50%	2,293	–	0.00%	–
Differences deductible in future years	–	0.00%	–	161	27.50%	44
Tax losses to carry forward	65,240	27.50%	17,941	97,238	27.50%	26,740
Tax loss for the year (*)	5,919	27.50%	1,628	8,325	27.50%	2,289
Unrecognised deferred tax assets			**23,942**			**31,508**

(*) Estimated tax loss for the year

Deferred tax assets and liabilities at 31 December 2008 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 1988 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 at 31 December 2007 for which deferred tax assets have not been recognised:

Accumulated tax losses (thousands of Euros)	**2009**	**2010**	**2011**	**2012**	**2013**
Reno De Medici S.p.A.	78,298	59,484	42,003	16,379	5,919
Total tax losses to carry forward	**78,298**	**59,484**	**42,003**	**16,379**	**5,919**

29. Employees' leaving entitlement

Following the changes in legislation the previous year regarding the employees' leaving entitlement (TFR), the Company 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 1st 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 following table provides a comparison between the balances at 31 December 2008 and 31 December 2007.

Employees' leaving entitlement (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Employees' leaving entitlement	13,131	14,661	(1,530)

The actuarial valuation of the employees' leaving entitlement at 31 December 2008 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	2008	2007
Annual discount rate	5.80%	5.45%
Annual inflation rate	2.40%	2.00%
Annual increase in employees' leaving entitlement	3.30%	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)	**31.12.2008**
Actuarial value at 31.12.2007	**14,661**
Service cost	–
Interest cost	790
Services rendered	(1,405)
Other movements	(915)
Actuarial value at 31.12.2008	**13,131**

Other changes consist of an amount of Euro 410 thousand relating to the employees' leaving entitlement for 17 employees contributed to Careo S.r.l..

30. Provisions

The balance at 31 December 2008 is made up as follows:

Provisions for contingencies and charges (thousands of Euros)	**31.12.2007**	**Charge**	**Utilisation**	**31.12.2008**
Agents' termination indemnity	817	250	(990)	77
Provision for future charges	5,190	591	(1,810)	3,971
Provision for losses on investments	–	7,224	–	7,224
Total	**6,007**	**8,065**	**(2,800)**	**11,272**

The liability for the agents' termination indemnity is determined on the basis of actuarial techniques, the decrease is due mainly to the disposal of the commercial division of Careo S.r.l..

The utilisation of Euro 1.8 million of the provision for future charges is mainly due to the settlement of the dispute with Aticarta S.p.A. for an amount of Euro 0.9 million, the settlement of a dispute with a former employee for an amount of Euro 0.4 million, the use of the provision to cover costs incurred at the Ciriè and Pompeii facilities for an amount of Euro 0.3 million, and the release of a mobilità provision for an amount of Euro 0.2 million.
The charge for the year arises mostly from outstanding disputes with former employees, for an amount of Euro 0.6 million.
The increase in the provision for losses on investments consists of Euro 7.1 million arising from the purchase of the investment in RDM Blendecques

S.a.s., as discussed in note 15 "Investments in subsidiaries and non-current financial assets in progress" to which reference should be made, and Euro 0.1 million resulting from the losses of the subsidiary Reno Logistica S.r.l. in liquidation.

31. Trade payables

Trade payables amount to Euro 67.6 million (Euro 87.0 million at 31 December 2007) 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)	**31.12.2008**	**31.12.2007**	**Variation**
Trade payables to customers	67,589	87,043	(19,454)
Current trade payables	**67,589**	**87,043**	**(19,454)**
Total trade payables	**67,589**	**87,043**	**(19,454)**

The significant decrease in trade payables is due to the halts in production carried out during the fourth quarter of 2008 and the related reduction in volumes.

32. Group trade payable

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

Group trade payables (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Group trade payables to subsidary companies	304	752	(448)
Total group trade payables to subsidiary companies	**304**	**752**	**(448)**
Group trade payables to associated companies	2,695	3,754	(1,059)
Total Group trade payables to associated companies	**2,695**	**3,754**	**(1,059)**
Total Group trade payables	**2,999**	**4,506**	**(1,507)**

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

Payables to subsidiary companies (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Cartiera Alto Milanese S.p.A.	1	1	–
Cascades Arnsberg Gmbh	1	–	1
Emmaus Pack S.r.l.	103	44	59
RDM Blendecques S.a.s.	4	–	4
RDM France S.a.r.l. ([1])	–	205	(205)
Reno De Medici Iberica S.L.	38	299	(261)
Reno Logistica S.r.l. in liquidazione	157	185	(28)
RenoDeMedici Deutschland GmbH	–	18	(18)
Total	**304**	**752**	**(448)**

(1) RDM France S.a.r.l. has been incorporated in 2008 in Careo S.a.s.

The amount payable to Emmaus Pack S.r.l. includes a balance of Euro 75 thousand arising from the tax consolidation agreement.
Following the contribution of the investments in RDM France S.a.r.l. and RenoDeMedici Deutschland GmbH to Careo S.r.l., the balances due to these two former subsidiaries have been reclassified as amounts payable to associates. The payable to RDM Deutschland was settled during 2008, while that due to RDM France S.a.r.l. has been added to that due to Careo S.a.s. following the merger between those two companies.

Amount payable to associates total euro 3,7 million at 31 December 2007 related to bilance of a trading nature for purchase of steam from Termica Boffalora S.r.l. and for euro 1 million to the penalty contractually provided for on the termination of a supply agreement of Magenta (MI).
Following the sale of the investment in Termica Boffalora S.r.l. in 2008, this payable has been reclassified to third party trade payables.

On 31 December 2008 the main payables to associate company is represented by Careo, as shown the table below:

Payables to associate companies (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Careo S.a.s. (1)	353	–	353
Careo S.r.l.	2,342	–	2,342
Termica Boffalora S.r.l.	–	3,754	(3,754)
Total	**2,695**	**3,754**	**(1,059)**

(1) RDM France S.a.r.l. has been incorporated in 2008 in Careo S.a.s.

The detailed payables to associate companies is highlight in attachment A.

33. Other Group payables

Other Group payables (thousands of Euros)	**31.12.2008**	**31.12.2007**	**Variation**
Reno De Medici Iberica S.L.	5,634	32,000	(26,366)
Total other non-current payables	**5,634**	**32,000**	**(26,366)**
Careo S.a.s. (1)	–	519	(519)
Careo S.r.l.	–	–	–
Cartiera Alto Milanese S.p.A.	1,021	609	412
Cascades Arnsberg Gmbh	8,971	–	8,971
Emmaus Pack S.r.l.	–	–	–
RDM Blendecques S.a.s.,	26	–	26
Reno De Medici Iberica S.L.	17,761	6,261	11,500
RenoDeMedici Deutschland GmbH	131	458	(327)
Total other current payables	**27,910**	**7,847**	**20,063**
Total	**33,544**	**39,847**	**(6,303)**

(1) RDM France S.a.r.l. has been incorporated in 2008 in Careo S.a.s.

Non-current payables to subsidiaries relate to a loan totalling Euro 32 million disbursed by RDM Iberica S.L. on 27 April 2006, whose residual balance at 31 December 2008 amounts to Euro 5.6 million.

As in the case of other receivables, current other payables to Group companies consist of amounts payable to other Group companies under the cash pooling arrangement.

34. Current taxation

At 31 December 2007 this item represented the amount due to the Inland Revenue Office for IRAP relating to the year then ended. At 31 December 2008 there is a receivable balance of Euro 1.1 million for IRAP which is included in other current receivables.

35. Non-recurring events and significant transactions

Non-recurring events and significant transactions

The effects of non-recurring transactions, as these are defined in Consob Communication no. DEM/6064293, are disclosed in the profit and loss statements and described in the notes to the specific items to which they relate.
With the exception of the matters described in that note the Reno De Medici 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.

36. Contingent liabilities and commitments and other guarantees given to third parties

Reference should be made to the sections "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 276 thousand provided to the Comieco consortium;
- sureties of Euro 100 thousand provided in favour of the customs authorities;
- a surety of Euro 100 thousand provided in favour of Agea S.p.A. relating to the recovery of starch;
- a surety of Euro 90 thousand given in favour of the Lombardy Region;
- a surety of Euro 20 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.

37. 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 Annex A to the present financial statements "Details of transactions and balances with related parties and Group companies as at December 31th, 2008", and also the Report of the Board of Directors in the section relevant to the "Related parties transactions".

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 2008.

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 in companies and associates.

Attachment A – Details of transactions with related parties and Group companies as at and for the year ended 31 December 2008

This supplementary information regarding related party transactions required by Consob communication no. 6064293 of 28 July 2006 is set out below:

Receivables, payables, receipts and payments with related parties

The following tables provide details of receivables and payables due from and due to related parties at 31 December 2008 and receipts and payments flows with related parties for the years then ended:

Receivables and payables due to related parties (thousands of Euros)	**Current assets**	**Current liabilities**
	Receivables from third parties	**Payables to third parties**
Cascades Ltd	15	–
Total	**15**	**–**
Incidence on the total of the item	**0.0%**	**0.0%**

Receivables and payables due to related parties (thousands of Euros)	**Non-current Assets**	**Non-current Liabilities**	
	Non current receivable	**Non current payables**	**Payable to third parties**
Cascades S.a.s.	153	1,153	1
Total	**153**	**1,153**	**1**
Incidence on the total of the item	**14.7%**	**70.0%**	**0.0%**

Outflows and inflows of cash due to related parties (thousands of Euros)	**Outflows**	**Inflows**	
	Payables to third parties	**Receivables from third parties**	**Other receivables**
Cascades Ltd.	–	3,380	–
Cascades S.a.s.	394	1,210	7,453
Total	**394**	**4,590**	**7,453**

Revenues and costs deriving from related related party transactions

The following tables provide details of revenues and costs with related parties during the year 2008:

Revenues (thousands of Euros)	**Revenues for sales**	**Other**
Cascades Ltd	3,353	42
Cascades S.a.s.	–	10
Total	**3,353**	**52**
Incidence on the total of the item	**1.2%**	

Costs (thousands of Euros)	**Cost of raw materials and services**	**Other**
Cascades S.a.s.	–	394
Total	**–**	**394**
Incidence on the total of the item	**0.0%**	

The following tables provide details of transactions carried aou in the year ended 31 December 2008 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 paybles

Intercompany balances (thousands of Euros)	**Current assets**				**Non current liabilities**	**Current liabilities**			
	Receivables from subsidiary companies		**Receivables from associated**		**Payables from subsidiary companies**	**Payables from subsidiary companies**		**Payables from associated**	
	Trade	**Financial**	**Trade**	**Financial**	**Financial**	**Trade**	**Financial**	**Trade**	**Financial**
Careo S.a.s.	–	–	2	–	–	–	–	353	–
Careo S.r.l.	–	–	501	1,330	–	–	–	2,342	131
Cartiera Alto Milanese S.p.A.	4,580	–	–	–	–	1	1,021	–	–
Cascades Arnsberg Gmbh	–	–	–	–	–	1	8,972	–	–
Cascades Cartonboard UK Ltd	–	433	–	–	–	–	–	–	–
Emmaus Pack S.r.l.	5,231	2,000	–	–	–	103	–	–	–
Pac Service S,p,A,		–	758	–	–	–	–	–	–
RDM Blendecques S.a.s.	–	13,350	–	–	–	4	26	–	–
Reno de Medici Iberica S.L.	1,906	–	–	–	5,634	38	17,761	–	–
Reno Logistica S.r.l. in liquidazione	–	–	–	–	–	157	–	–	–
RenoDeMedici Deutschland Gmbh	–	–	2	–	–	–	–	–	–
Total	**11,717**	**15,783**	**1,263**	**1,330**	**5,634**	**304**	**27,780**	**2,695**	**131**

Intercompany revenues and income

Intercompany revenues (thousands of Euros)	Revenues from sales	Other income	Financial income
Careo S.r.l.	399	–	8
Cartiera Alto Milanese S.p.A.	17,708	–	3
Cascades Arnsberg Gmbh	–	–	4
Emmaus Pack S.r.l.	13,081	–	78
Pac Service S.p.A.	1,630	–	–
RDM Blendecques S.a.s.	–	–	322
RDM France S.a.r.l.	–	–	–
Reno De Medici Deutschland Gmbh	–	–	–
Reno De Medici Iberica S.L.	13,196	–	–
Reno Logistica S.r.l. in liquidazione	–	–	–
Total	**46,014**	**–**	**415**

Intercompany costs and expenses

Intercompany costs (thousands of Euros)	Cost of raw materials and services		Financial expenses
	raw material	services	
Careo S.a.s.	–	248	16
Careo S.r.l.	–	4,472	4
Cartiera Alto Milanese S.p.A.	–	–	43
Cascades Arnsberg Gmbh	–	–	89
Cascades UK Ltd	–	–	6
Emmaus Pack S.r.l.	89	–	–
RDM Blendecques S.a.s.	–	–	8
Reno De Medici Deutschland Gmbh	–	111	16
Reno De Medici Iberica S.L.	–	–	1,029
Total	**89**	**4,831**	**1,211**

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**
Garofano Giuseppe	Chairman	01.01 - 31.12.2008	31.12.2010
Lemaire Bernard	Deputy chairman	04.04 - 31-12.2008	31.12.2010
Capuano Ignazio	Managing director	17.01 - 31.12.2008	31.12.2010
Ciardullo Riccardo	Director	01.01 - 31.12.2008	31.12.2010
De Min Giancarlo	Director	01.01 - 04.04.2008	
Dubé Christian	Director	04.04 - 31-12.2008	31.12.2010
Garriba Sergio	Director	04.04 - 31-12.2008	31.12.2010
Lemaire Laurent	Director	04.04 - 31-12.2008	31.12.2010
Leo Mirko	Director	04.04 - 31-12.2008	31.12.2010
Nicastro Vincenzo	Director	01.01 - 31.12.2008	31.12.2010
Pavesi Bruno	Director	01.01 - 04.04.2008	
Peretti Carlo	Director	01.01 - 31.12.2008	31.12.2010
Rossini Emanuele (1)	Director	01.01 - 31.12.2008	31.12.2010
Zofrea Francesco	Director	01.01 - 04.04.2008	
Pivato Sergio	Standing auditor (Chairman)	01.01- 31.12.2008	31.12.2008
Priori Marcello (2)	Standing auditor	01.01- 29.09.2008	
Conti Giovanni Maria	Standing auditor	30.09 - 31.12.2008	31.12.2008
Tavormina Carlo	Standing auditor	01.01- 31.12.2008	31.12.2008

(1) Managing Director until 17 Jannuary 2008
(2) Resign on 29 September 2008

Family name/first name	Fees			
	Emoluments for office	**Non-monetary benefits**	**Bonuses and other incentives**	**Other remuneration (3)**
Garofano Giuseppe	10,000	–	–	–
Lemaire Bernard	7,500	–	–	–
Capuano Ignazio	214,000	–	–	221,000
Ciardullo Riccardo	37,500	–	–	–
De Min Giancarlo	2,500	–	–	–
Dubé Christian	7,500	–	–	–
Lemaire Laurent	7,500	–	–	–
Nicastro Vincenzo	45,000	–	–	–
Leo Mirko	7,500	–	–	–
Pavesi Bruno	7,833	–	–	–
Peretti Carlo	55,000	–	–	–
Garibba Sergio	22,500	–	–	–
Rossini Emanuele (1)	10,000	–	–	–
Zofrea Francesco	5,222	–	–	–
Pivato Sergio	49,952	–	–	–
Priori Marcello (2)	32,227	–	–	–
Conti Giovanni Maria	1,719	–	–	–
Tavormina Carlo	34,235	–	–	5,841

(1) Managing Director until 17 Jannuary 2008
(2) Resign on 29 September 2008
(3) Includes remuneration for fees for office held in subsidiary companies, for remuneration as employee

Attachment C – List of investments in subsidiary companies and associates

Investments at 31 December 2008 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

Reno De Medici Iberica S.L.
Prat de Llobregat - Barcelona - Spain
Direct ownership 100%

Cascades Arnsberg Gmbh ([3])
Arnsberg – Germany
Direct ownership 94%
Indirect ownership 6% (throught Cascades Grundstück Gmbh & Co.KG).

RDM Blendecques S.a.s
Blendecques – France
Direct ownership 100%

Cascades Cartonboard UK Ltd ([4])
Wednesbury – Great Britain
Direct ownership 100%

Emmaus Pack S.r.l.
Milan - Italy
Direct ownership 51,39%

Cartiera Alto Milanese S.p.A.
Milan – Italy
Direct ownership 100%

Service sector

Cascades Grundstück Gmbh & Co.KG
Arnsberg – Germany
Direct ownership 100%

(3) From January 2009 "Reno De Medici Arnsberg Gmbh".
(4) From January 2009 "Reno De Medici UK Limited"

LIST OF EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Cartonboard sector

Pac Service S.p.A.
Vigonza - Padova - Italy
Direct ownership 33,33%

Service sector

Reno Logistica S.r.l. in liquidation
Milan - Italy
Direct ownership 100%

Careo S.r.l.
Milan – Italy
Direct ownership 70%

Careo S.a.s
La Fayette – France
Indirect ownership 70% (throught Careo S.r.l.)

Careo Gmbh
Krefeld – Germany
Indirect ownership 70% (throught Careo S.r.l.)

Careo S.r.o.
Praga – Czech Republic
Indirect ownership 70% (throught Careo S.r.l.)

Careo KFT
Budapest - Hungary
Indirect ownership 70% (throught Careo S.r.l.)

Careo Ltd
Wednesbury – Great Britain
Indirect ownership 70% (throught Careo S.r.l.)

Cartoneboard Cascades SP z.o.o.
Warsaw - Poland
Indirect ownership 70% (throught Careo S.r.l.)

Reno De Medici Deutschland Gmbh
Bad Homburg – Germany
Indirect ownership 70% (throught Careo S.r.l.)

Careo LLC
Russia
Indirect ownership 70% (throught Careo S.r.l.)

Careo Spain S.L.
Prat de Llobregat – Barcelona – Spain
Indirect ownership 70% (throught Reno De Medici Iberica S.L.)

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE GENERAL MEETING OF SHAREHOLDERS PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98 AND ARTICLE 2429 OF THE ITALIAN CIVIL CODE

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

During the year ended 31 December 2008 we have performed the supervisory activities envisaged by Legislative Decree no. 58 of 24 February 1998 in accordance with the code of conduct for the Board of Statutory Auditors recommended by the Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili (the Italian accounting profession). In particular, and in conformity with the indications of Consob (the public authority responsible for regulating the Italian securities market), we report as follows.
We have carried out supervisory activities to ensure that the law and the Company's bylaws have been observed.
The Company's directors have provided us with extensive information, at a minimum on a quarterly basis, as to the activities carried out by the Company and its subsidiaries and their most significant economic or financial operations, and have supplied us with details of the performance of these companies and of the events that have had the most influence in determining their results for the year.
On our part, we have continually verified that any resolutions taken and put into effect comply with the law and the Company's bylaws and were not manifestly imprudent, of a risky nature, in conflict of interest, in contrast with resolutions taken by shareholders in general meeting or of such a type as to compromise the integrity of the Company's equity.
As part of our procedures we have overseen the adequacy of the Company's organisational structure, that the principles of good administration were respected and that the instructions transmitted by the Company to its subsidiaries pursuant to article 114, paragraph 2, of Legislative Decree no. 58/98 were adequate by obtaining information from the heads of the organisational functions and by holding meetings with the Auditing Company PricewaterhouseCoopers S.p.A. having the purpose amongst other things of mutually exchanging any relevant data or information; we have no particular observations to report in this respect.
We have assessed and supervised the system of internal control and the administrative and accounting system, as well as the reliability of this latter system to correctly represent operations, by obtaining information from the heads of the respective functions, examining the Company's records and analysing the results of the work performed by the Auditing Company, overseeing the activities of the internal control officer and attending meetings of the Internal Control Committee. We have no particular observations to report in this respect.

As provided by articles 165 and 155 of Legislative Decree no. 58 of 24 February 1998 the Auditing Company has performed the following on an exclusive basis:

- it has verified that the Company's accounting records are properly maintained and that the Company's operations are properly recognised in these records;
- it has verified that the financial statements correspond to the accounting records and that they comply with the regulations which govern financial statements.

We have held regular meetings with members of the Auditing Company pursuant to article 150, paragraph 3, of Legislative Decree no. 58/98; no significant data or information emerged from these discussions which needs to be reported.
We have verified that the laws regarding the preparation of the statutory and consolidated financial statements for the year ended 31 December 2008 - in accordance with IAS/IFRS international accounting standards - and of the Report of the Directors have been observed by carrying out direct checks and by obtaining information from the Auditing Company.

We have supervised the means by which the system of Corporate Governance required by the Corporate Governance Code adopted by the Company has been put into practice, in compliance with the recommendations of Borsa Italiana S.p.A.. In this respect we have carried out the following:

- we have verified that the criteria adopted by the Board of Directors to assess the independence of its members have been properly applied;
- we have supervised the independence of the Auditing Company.

In their Report, which has been updated in respect of the information required by the changes introduced by Legislative Decree no. 32/2007 to the provisions of the Italian civil code, the Directors provide extensive disclosures on the Company's performance and the events that have characterised the year, describing the activities performed in the various geographical areas in which the Company operates. In addition, the Directors list and adequately discuss the operations which have taken place with Group companies and other related parties, highlighting the ordinary nature of these transactions, or in any case the fact that they are functional to the Company's programmes and needs, their features and the amounts involved.
These operations respond to principles of reasonableness and do not appear to be contrary to the interests of the Company. Appropriate tables are provided in annex A to the notes to the financial statements of the Parent Company in which the nature and economic and financial effects of related party transactions are summarised, including those carried out with Group companies.

On our part we bring to your attention the information provided by the Directors in connection with:

- the finalisation of the combination with the Cascades Group, carried out through the merger of Cascades Italia S.r.l. into Reno De Medici

S.p.A., and the subsequent integration of operations with the former Cascades companies;

- the contribution by Reno De Medici S.p.A. and Cascades S.A. of their sales businesses into the joint venture Careo S.r.l. (formerly Reno Cascades Sales S.r.l.);
- the settlement of the dispute with Gruppo Torras S.A..

The Auditing Company has issued reports as of today's date containing unqualified opinions on the consolidated and separate financial statements at 31 December 2008 and not including any emphases of matter.

During the year:

- the Board of Statutory Auditors - after consulting with the Compensation Committee - issued its opinion pursuant to article 2389, paragraph 3, of the Italian civil code in relation to the payment of compensation to directors having specific responsibilities (the Managing Director);
- the Board of Statutory Auditors issued a favourable opinion on the appointment of the Officer in Charge of the preparation of the accounting and corporate records;
- the Board of Directors held 7 meetings, the Internal Control Committee held 3 meetings, the Compensation Committee held 1 meeting and the Board of Statutory Auditors held 8 meetings.

As may be seen from the information reported in the respective section attached to the notes to the financial statements, the Company instructed PricewaterhouseCoopers S.p.A. and entities linked to PricewaterhouseCoopers S.p.A. by continuous relations which are also members of the international network to which it belongs to carry out the following engagements in addition to the audit of the Company's annual financial statements and consolidated financial statements, the procedures it performs on the half-year report and those it performs to ensure that the corporate accounting records are properly maintained:

- audit procedures on the Company's subsidiaries performed by the PricewaterhouseCoopers network for a total of Euro 111 thousand;
- other services rendered to the Parent Company Reno De Medici by PricewaterhouseCoopers for a total of Euro 100 thousand;
- tax services rendered to the subsidiaries of Reno De Medici by the PricewaterhouseCoopers network for a total of Euro 93 thousand.

During the course of performing our supervisory activities and on the basis of the information received from the Auditing Company we have not identified any omissions, any illegal or improper acts or any irregularities, or in any case any events of such significance as to require reporting to the Company's control bodies or to call for mention in this report.

The supervisory activity referred to above was carried out during board meetings (including individual interventions) and by attending the meetings of the Board of Directors, the Internal Control Committee and the Supervisory Body.

The section of the Report of the Directors relating to Corporate Governance did not identify any issues which need to be brought to your attention.
We have not received any denouncements pursuant to article 2408 of the Italian civil code nor any petitions from third parties.
The consolidated financial statements and the Parent Company's separate financial statements both contain the representations pursuant to article 81-ter of Consob Regulation no. 11971/1999 and subsequent amendments.

On the basis of the matters referred to above, the Board of Statutory Auditors, within its sphere of competence, has not identified any matters which might prevent the approval of the financial statements as of 31 December 2008 and for the year then ended or the proposal made by the Directors to carry forward the Company's loss for the year.

In conclusion, the Board of Statutory Auditors reminds the meeting that following the resignation of the standing auditor Marcello Priori, on 1 October 2008 Giovanni Maria Conti, the most senior substitute auditor, took over this position in accordance with law and the Company's bylaws. Furthermore, the three-year term of the Board of Statutory Auditors comes to an end with the approval of the financial statements for the year ended 31 December 2008 and the Board accordingly requests you to take action in this respect.

Milan, 9 April 2009

THE BOARD OF STATUTORY AUDITORS

Signed

Sergio PIVATO (Chairman)

Giovanni Maria CONTI

Carlo TAVORMINA

INFORMATION PURSUNT 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 2008 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 2008** (thousands of Euros)
Financial Statement Audit	PricewaterhouseCoopers S.p.A.	Reno De Medici Spa	166
	PricewaterhouseCoopers S.p.A.	Subsidiary Companies	28
	Network PricewaterhouseCoopers	Subsidiary Companies	111
Other Services	PricewaterhouseCoopers S.p.A.	Reno De Medici Spa (*)	100
	Network PricewaterhouseCoopers	Subsidiary Companies (*)	93
Total			498

(*) Fiscal/tax services and other services

REPORT OF THE INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N° 58 DATED 24 FEBRUARY 1998

To the shareholders of
Reno De Medici SpA

1 We have audited the financial statements of Reno De Medici SpA as of 31 December 2008, which comprise the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and related notes. The directors of Reno De Medici SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 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.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 11 April 2008.

3 In our opinion, the financial statements of Reno De Medici SpA as of 31 December 2008 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, changes in equity and cash flows of Reno De Medici SpA for the period then ended.

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

4 The directors of Reno De Medici SpA are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by art. 156, paragraph 4-bis, letter d), of the Legislative Decree 58/98.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 on Operations is consistent with the financial statements of Reno De Medici SpA as of 31 December 2008.

Milan, 9 April 2009

PricewaterhouseCoopers SpA

Signed by
Giorgio Greco
(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)

STATEMENT PURSUANT TO ARTICLE 2.6.2, PARAGRAPHS 12 AND 13, OF THE REGULATIONS OF MARKETS ORGANISED AND MANAGED BY BORSA ITALIANA S.P.A.

Pursuant to article 36 of Consob Regulation no. 16191/2007, the Board of Directors of RDM declares that the conditions mentioned therein do not subsist since the sole subsidiary regulated by the law of a non-EU member State has no significant relevance pursuant to the provisions of Title VI, chapter II, of the Regulation adopted by Consob in Resolution no. 11971 of 1999 as amended.

STATEMENT PURSUANT TO ARTICLE 154-BIS PARAGRAPH 5

REPRESENTATION

ON THE FINANCIAL AND CONSOLIDATED STATEMENTS AT 31 DECEMBER 2008 PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 AND SUBSEQUENT AMENDMENTS

1. The undersigned Ignazio Capuano, in his capacity as “Managing Director”, and Stefano Moccagatta, in his capacity as “Manager-in-charge of the preparation of the corporate accounting records” of Reno De Medici S.p.A., represent, taking also into account the requirements of article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, that:
   a) were adequate in relation to the characteristics of the business considering to the changes due to the merger with Cascades Italia S.r.l. effecting from 1st March 2008;
   b) were effectively applied the administrative and accounting procedures in place for the preparation of the condensed consolidated financial statements for the period from 1 January to 31 December 2008.

2. In this respect no significant matters emerged.

3. Therefore, the underwriters represent that the financial statements at 31 December 2008:
   a) correspond to the accounting books and records;
   b) have been prepared in accordance with the applicable international accounting standards (IAS/IFRS) pursuant to art. 154-bis, comma 5 T.U.F. (D.Lgs. 58/1998) to the best of our knowledge and belief are suitable for providing a true and fair view of the economic and financial performance of the issuer.

Milan, 24 March 2009

Managing Director	Manager-in charge of the preparation of the accounting records
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 19.7 million 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 checked the financial statements for the year ended 31 December 2008;*
- *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 2008;*
- *to approve the proposal made by the Board of Directors to carry forward the loss of Euro 19,737,531.00 for the year 2008;*
- *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 2008*".

Milan, 24 March 2009

On behalf of the Board of Directors

The Chairman

Signed

Giuseppe Garofano

SUMMARY OF THE PRINCIPAL FIGURES FROM THE MOST RECENT FINANCIAL STATEMENTS OF THE SUBSIDIARY COMPANIES AND ACCOCIATES 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 2008 are set up bellow in accordance with the third and fourth paragraphs of article 2429 of the Italian civil code.

Subsidiary companies

Included in the scope of consolidation

- Cascades Cartonboard UK Ltd
- Cascades Grundstück Gmbh & Co.KG
- Cascades Arnsberg Gmbh
- Cartiera Alto Milanese S.p.A.
- RDM Blendecques S.a.s
- Emmaus Pack S.r.l.
- Reno De Medici Iberica S.L.

Excluded from the scope of consolidation

- Reno Logistica S.r.l. in liquidation

Associates

- Pac Service S.p.A.
- Careo S.r.l

Cascades Cartonboard UK Ltd

Registered office in Wednesbury – Pacific Avenue, Parkway
Share capital Euro 12,433,461

thousands of Euros

Balance Sheet

Assets	**31.12.2008**	**31.12.2007**
Fixed assets	558	–
Working capital	4,158	–
TOTAL ASSETS	**4,716**	**–**

Liabilities and shareholders' funds	**31.12.2008**	**31.12.2007**
Shareholders' fund	1,486	–
Provisions for contingencies and charges	–	–
Employees' leaving entitlement	23	–
Payables	3,207	–
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**4,716**	**–**

Profit and loss account

	31.12.2008	**31.12.2007**
Value of production	8,438	–
Cost of production	(8,895)	–
Operating profit	**(457)**	**–**
Financial income and (expense)	6	–
Profit (loss) before taxation	**(451)**	**–**
Income taxes	–	–
PROFIT (LOSS) FOR THE YEAR	**(451)**	**–**

The above economic data are related to the period from 1 March 2008 to 31 December 2008

Cascades Grundstück Gmbh & Co.KG

Registered office in Arnsberg – Hellefelder Street, 51
Share capital Euro 5,000

thousands of Euros

Balance Sheet

Assets	**31.12.2008**	**31.12.2007**
Fixed assets	312	–
Working capital	–	–
TOTAL ASSETS	**312**	**–**

Liabilities and shareholders' funds	**31.12.2008**	**31.12.2007**
Shareholders' fund	311	–
Provisions for contingencies and charges	–	–
Employees' leaving entitlement	–	–
Payables	1	–
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**312**	**–**

Profit and loss account

	31.12.2008	**31.12.2007**
Value of production	–	–
Cost of production	(1)	–
Operating profit	**(1)**	**–**
Financial income and (expense)	–	–
Profit (loss) before taxation	**(1)**	**–**
Income taxes	–	–
PROFIT (LOSS) FOR THE YEAR	**(1)**	**–**

The above economic data are related to the period from 1 March 2008 to 31 December 2008

Summaries of the principal figures from the most recent financial statements of the subsidiary companies and associates of the Reno De Medici Group

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

thousands of Euros

Balance Sheet

Assets	**31.12.2008**	**31.12.2007**
Fixed assets	92,552	–
Working capital	41,709	–
TOTAL ASSETS	**134,261**	**–**

Liabilities and shareholders' funds	**31.12.2008**	**31.12.2007**
Shareholders' fund	79,613	–
Employees' leaving entitlement	7,725	–
Payables	46,923	–
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**134,261**	**–**

Profit and loss account

	31.12.2008	**31.12.2007**
Value of production	92,153	–
Cost of production	(89,752)	–
Operating profit	**2,401**	**–**
Financial income and (expense)	(252)	–
Profit (loss) before taxation	**2,149**	**–**
Income taxes	(655)	–
PROFIT (LOSS) FOR THE YEAR	**1,494**	**–**

The above economic data are related to the period from 1 March 2008 to 31 December 2008

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

thousands of Euros

Balance Sheet

Assets	**31.12.2008**	**31.12.2007**
Fixed assets	34	43
Working capital	8,612	8,882
TOTAL ASSETS	**8,646**	**8,925**

Liabilities and shareholders' funds	**31.12.2008**	**31.12.2007**
Shareholders' fund	1,641	1,535
Provisions for contingencies and charges	109	92
Employees' leaving entitlement	–	–
Payables	6,896	7,298
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**8,646**	**8,925**

Profit and loss account

	31.12.2008	**31.12.2007**
Value of production	19,109	18,470
Cost of production	(18,313)	(17,654)
Operating profit	**796**	**816**
Financial income and (expense)	(42)	(36)
Profit (loss) before taxation	**754**	**780**
Income taxes	(247)	(370)
PROFIT (LOSS) FOR THE YEAR	**507**	**410**

RDM Blendecques S.a.s

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

thousands of Euros

Balance Sheet

Assets	31.12.2008	31.12.2007
Fixed assets	1,842	–
Working capital	22,403	–
TOTAL ASSETS	**24,245**	–

Liabilities and shareholders' funds	31.12.2008	31.12.2007
Shareholders' fund	(14,610)	–
Provisions for contingencies and charges	351	–
Employees' leaving entitlement	1,805	–
Payables	36,699	–
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**24,245**	–

Profit and loss account

	31.12.2008	31.12.2007
Value of production	42,379	–
Cost of production	(42,615)	–
Operating profit	**(326)**	–
Financial income and (expense)	(902)	–
Profit (loss) before taxation	**(1,138)**	–
Income taxes	(20)	
Discontinued operations	(6,417)	–
PROFIT (LOSS) FOR THE YEAR	**(7,575)**	–

The above economic data are related to the period from 1 March 2008 to 31 December 2008

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

thousands of Euros

Balance Sheet

Assets	31.12.2008	31.12.2007
Fixed assets	123	164
Working capital	10,173	10,193
TOTAL ASSETS	**10,296**	**10,357**

Liabilities and shareholders' funds	31.12.2008	31.12.2007
Shareholders' fund	1,159	1,098
Provisions for contingencies and charges	91	88
Employees' leaving entitlement	137	123
Payables	8,909	9,048
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**10,296**	**10,357**

Profit and loss account

	31.12.2008	31.12.2007
Value of production	18,337	20,303
Cost of production	(17,351)	(19,109)
Operating profit	**986**	**1,194**
Financial income and (expense)	(81)	(115)
Profit (loss) before taxation	**905**	**1,079**
Income taxes	(345)	(536)
PROFIT (LOSS) FOR THE YEAR	**560**	**543**

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

thousands of Euros

Balance Sheet

Assets	**31.12.2008**	**31.12.2007**
Fixed assets	9,438	15,172
Working capital	40,489	68,465
TOTAL ASSETS	**49,927**	**83,637**

Liabilities and shareholders' funds	**31.12.2008**	**31.12.2007**
Shareholders' fund	42,388	68,656
Provisions for contingencies and charges	–	–
Employees' leaving entitlement	–	–
Payables	7,539	14,981
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**49,927**	**83,637**

Profit and loss account

	31.12.2008	**31.12.2007**
Value of production	36,845	48,990
Cost of production	(36,993)	(45,558)
Operating profit	**(148)**	**3,432**
Financial income and (expense)	246	1,720
Profit (loss) before taxation	**98**	**5,152**
Income taxes	–	1,177
PROFIT (LOSS) FOR THE YEAR	**98**	**6,329**

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

thousands of Euros

Balance Sheet

Assets	31.12.2008	31.12.2007
Fixed assets	–	–
Working capital	281	308
TOTAL ASSETS	**281**	**308**

Liabilities and shareholders' funds	31.12.2008	31.12.2007
Shareholders' fund	(141)	14
Provisions for contingencies and charges	391	285
Employees' leaving entitlement	–	–
Payables	31	9
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**281**	**308**

Profit and loss account

	31.12.2008	31.12.2007
Value of production	–	–
Cost of production	(158)	(24)
Operating profit	**(158)**	**(24)**
Financial income and (expense)	–	(3)
Profit (loss) before taxation	**(158)**	**(27)**
Income taxes	–	–
PROFIT (LOSS) FOR THE YEAR	**(158)**	**(27)**

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

thousands of Euros

Balance Sheet

Assets	31.12.2008	31.12.2007
Fixed assets	1,899	1,883
Working capital	7,570	9,172
TOTAL ASSETS	**9,469**	**11,055**

Liabilities and shareholders' funds	31.12.2008	31.12.2007
Shareholders' fund	4,232	4,338
Provisions for contingencies and charges	152	291
Employees' leaving entitlement	429	378
Payables	4,656	6,048
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**9,469**	**11,055**

Profit and loss account

	31.12.2008	31.12.2007
Value of production	14,678	18,155
Cost of production	(13,845)	(16,941)
Operating profit	**833**	**1,214**
Financial income and (expense)	(18)	(31)
Profit (loss) before taxation	**815**	**1,183**
Income taxes	(231)	(463)
PROFIT (LOSS) FOR THE YEAR	**584**	**720**

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

thousands of Euros

Balance Sheet

Assets	**31.12.2008**	**31.12.2007**
Fixed assets	1,675	–
Working capital	6,458	–
TOTAL ASSETS	**8,133**	**–**

Liabilities and shareholders' funds	**31.12.2008**	**31.12.2007**
Shareholders' fund	189	
Provisions for contingencies and charges	1,203	
Employees' leaving entitlement	382	
Payables	6,359	
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**8,133**	**–**

Profit and loss account

	31.12.2008	**31.12.2007**
Value of production	11,202	
Cost of production	(11,888)	
Operating profit	**(686)**	**–**
Financial income and (expense)	74	
Profit (loss) before taxation	**(612)**	**–**
Income taxes	203	
PROFIT (LOSS) FOR THE YEAR	**(409)**	**–**

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