Reno De Medici

Fourth quarter
Financial Report
31 December 2008

Reno De Medici S.p.A.

Milan, via Durini 16/18

Share capital Euro 185,122,487.06

Fiscal code and VAT no. 00883670150

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

COMPANY BODIES

Board of Directors

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

Board of Statutory Auditors

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

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANIES OF THE GROUP AT 31 DECEMBER 2008

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

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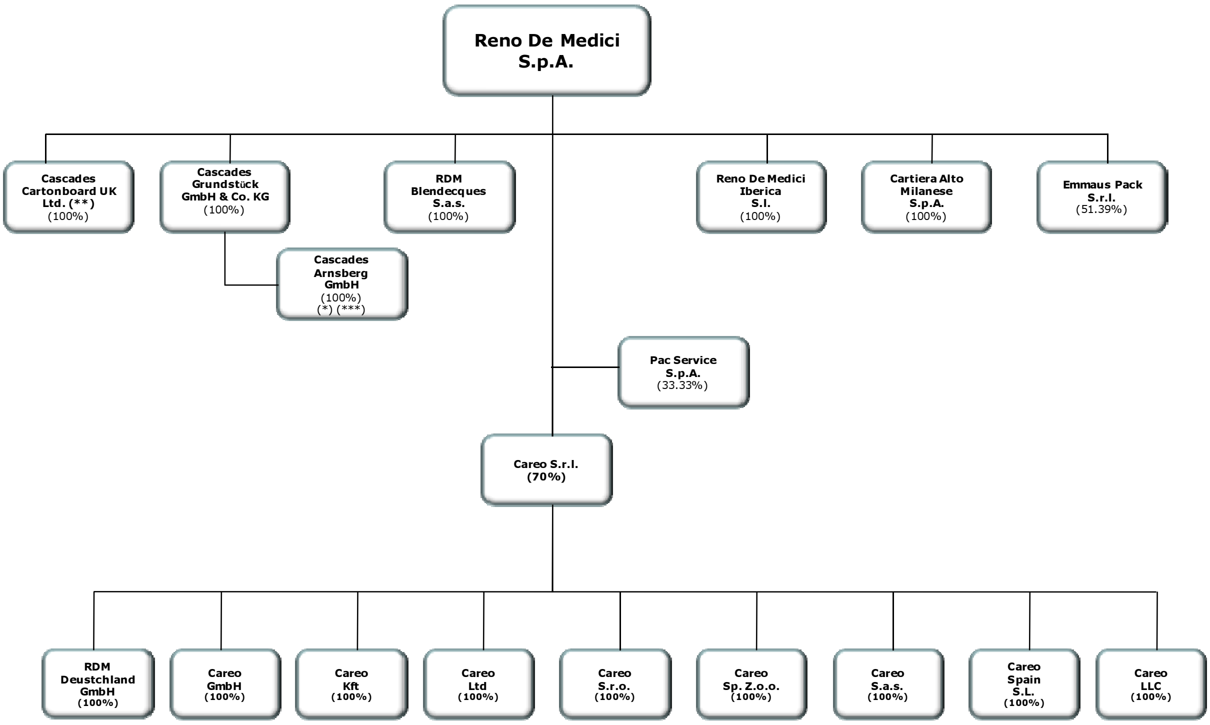

(*) Subsidiary company held by Reno De Medici S.p.A. at 94% and by Cascades Grundstück GmbH & Co. KG to 6%
(**) At January 2009 " Reno De Medici UK Limited"
(***) At January 2009 " Reno De Medici Arnsberg GMBH"

FINANCIAL REPORT OF THE BOARD OF DIRECTORS

The Group's combination with the recycled cartonboard production sector of the Cascades Europe Group was finalised in the first quarter of 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, Cascades Blendecques S.a.s. and Cascades Cartonboard UK Ltd, was signed on 26 February 2008 with effective date 1 March 2008.

As a consequence the consolidated figures for the period from 1 January to 31 December 2008 relate to the pre-merger RDM Group for the first two months of that period and to the RDM Group resulting from the merger with Cascades Italia for the remainder.

The integration with the former Cascades companies continued into the fourth quarter for the sales, information systems and administrative sectors. The delay in the finalisation the merger, originally scheduled for the beginning of 2008, which was caused by requests for additional information from the competent antitrust regulatory authorities, meant that it was impossible to draw up a common commercial policy for the year, with the consequent hold-up in implementing operational synergies.
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 7,517 thousand, inclusive of the restructuring costs relating to excess personnel.

Turning to market trends and demand there has been a further and indeed notable worsening of the situation, whose cause may be found more in the general crisis rather than in a specific weakness of the sector. With future prospects uncertain, customers have sharply reduced their orders and are resorting to the use of existing stocks. As a consequence the accessible market in terms of tonnes has fallen by 15% over the corresponding period of the previous year, although this represents the average for the quarter in what is a progressively worsening situation. In annual terms the market has fallen by around 4.2%. In reality, there has been a drop of 6.7% at a European core business level, which was then tempered at a global market level thanks to sales on the overseas markets.

Production totalled 189 thousand tonnes for the quarter, compared to 259 thousand tonnes in the same period of the previous year (a pro-forma figure including the former Cascades companies).
Volumes of 889 thousand tonnes were despatched in 2008 (of which 287 thousand tonnes relating to new facilities) compared to 665 thousand tonnes in 2007. On the price front average revenues per tonne despatched in 2008 rose by 3.4% over the prior year, reflecting in full the increases in list prices introduced in 2007 and the effect of a different geographical mix caused by the merger with the Cascades business. The halts in production enabled the average price level to remain substantially unaltered compared to the previous quarter.

In regard to geographical mix, the fourth quarter saw a confirmation of the contraction in demand from Europe and an increase, in both absolute and percentage terms, of sales to non-EU markets, which are characterised by lower than average prices. The evolution of the Group's revenue mix, though, reflects above all the changes taking place as the result of the entry of the former Cascades business into the consolidation scope.
The division of net revenues by geographical area is however more balanced, as may be seen from the following table:

Revenues by geographical area	31 December 2008	%	31 December 2007	%
Euro/000				
Italy	169,779	37.3%	175,494	51.2%
European Union	230,620	50.7%	133,103	38.9%
Extra European Union	54,605	12.0%	33,877	9.9%
Revenues from sales	**455,004**	**100%**	**342,474**	**100%**

Consolidated results

Following the completion of the merger steps were taken to identify the fair value of the assets, liabilities and contingent liabilities involved.

As permitted by IFRS 3, fair value was determined on a final basis during the preparation of the financial statements of the RDM Group for the year ended 31 December 2008, and therefore within 12 months of the acquisition date.
Negative goodwill of Euro 21.2 million arose by comparing the cost of the business acquisition and the acquirer's interest in the fair value of the identified net assets, and this has been

recognised as income in the profit and loss account under the line item “Negative goodwill” and forms part of EBITDA for the period.

As a consequence, therefore, the profit and loss account for the year ended 31 December 2008 includes important elements of a non-operational nature of a size sufficient to affect the reader’s view of the results from current operations.

The following table set out the *highlights* of the profit and loss accounts at 31 December 2008 and 2007:

Consolidated profit and loss account	31 December 2008	31 December 2007
Euro/000		
Revenues from sales	**455,004**	**342,474**
EBITDA (*)	**41,015**	**29,616**
-of wich non recurring badwill	*21,231*	
EBIT (**)	**15,357**	**9,919**
Result of operating activities before taxes (***)	**441**	**2,848**
Current and deferred taxes	*1,877*	*(267)*
Result of operating activities after taxes (****)	**2,319**	**2,581**
Discontinued operations	*(7,517)*	*(1,743)*
Profit of the period	**(5,198)**	**838**

(*) Cfr. Consolidated Financial Statement of RDM Group, "Gross Operating Profit "
(**) Cfr. Consolidated Financial Statement of RDM Group, "Operating Profit "
(***) Cfr. Consolidated Financial Statement of RDM Group, "Profit (loss) for the period before operating discontinued operations " - "Taxation"
(****) Cfr. Consolidated Financial Statement of RDM Group, "Profit (loss) for the period before operating discontinued operations "

The RDM Group achieved net revenues of Euro 445.0 million in the 2008, compared to Euro 342.5 million in the corresponding period of the previous year. The increase registered was attributable for Euro 166.1 million to the new facilities.

Consolidated EBITDA closed at Euro 41.0 million for the year ended 31 December 2008 compared to Euro 29.6 million in 2007. The increase is mainly due to “Negative goodwill” of Euro 21.2 million, which represents the excess of the fair value of the assets, liabilities and contingent liabilities identified at 31 December 2008 over the cost of the business combination.

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

Pro-forma EBITDA, which relates solely to current operations but which also includes the results of the first two months of the new production units (and excludes the results of the sold production line at Blendecques), has been estimated in Euro 22 million.

Operating profit (EBIT) at 31 December 2008 amounted to Euro 15.4 million against Euro 9.9 million for the corresponding period of 2007, which also take advantage of non-recurring income above mentioned.

Current accounted-for taxes for the period were Euro 2.3 million, compared to Euro 2.1 million at 31 December 2007. Deferred taxes resulted negative for Euro 0.4 million, compared to the positive effect of Euro 2.4 million in the previous period.

The Group therefore incurred a loss of Euro 5.2 million in 2008 compared to a profit of Euro 838 million in the previous year, a result which is affected by costs for discontinued operations of Euro 6.4 million arising from the above-mentioned closing of a line of production at the Blendecques facility.

Over the course of period ended 31 December 2008, the RDM Group carried out technical investments totaling Euro 12 million (Euro 15.2 million at December 2007).

Net consolidated financial indebtedness, as at 31 December 2008 amount to Euro 128.5 million, compared to Euro 114.1 at 31 December 2007.

The Gross Financial Indebtedness as of December 31, 2008, determined according to the amortized cost method, amounts to Euro 133,6 million (compared to Euro 123,2 as of December 31, 2008) and includes non-current portions of medium-long term loans for an amount of Euro 65,9 million, 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 been able to meet certain financial parameters and contractual obligations provided by two loans signed in 2006 with a pool of banks for an initial total of Euro 74.7 million, of which Euro 67.1 million had been drawn down by the end of

the year; 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.

Consequently, the Group requested the banks to temporarily suspend the application of such financial covenants, and to redefine the application of certain contractual obligations.
Today, February 12, 2009, the Banks have acceded to the Group's requests to suspend the contract obligation concerning Financial Statement at 31 December 2008.
However, as the banks' resolution was issued after the closing of the fiscal year, according to IFRS 1, a portion of the non-current loans for an amount of Euro 45 million has been reclassified as a short-term loan.

Derivative instruments acquired for *cash flow hedging* purposes are recognized in the financial statement as a liabilities with a carrying amount of Euro 1.0 million.

Liquidity and financial receivables at 31 December 2008 having a due date not exceeding 12 months amounted to Euro 6.0 million (compared to Euro 8.4 million at 31 December 2007).
At that date the line item "Liquid funds" no longer included the restricted deposits relating to the dispute with the Torras Group, released at the end of June 2008, or those connected with the commitment made by RDM Iberica for the purchase of plant and machinery, which expired at the end of September 2008.

Relevant facts occurred after the quarter ended

A new company was formed on 26 January 2009, having fully paid capital of Euro 100 thousand, in which the parent Reno De Medici has a holding of 51%. The activities of this company will be devoted to the sale in Italy and Europe of the products of a specific line to be manufactured by one of the Group's Italian factories.

Outlook for operations

Market trends in January were in line with expectations, with sales volumes actually being slightly higher and prices remaining substantially firm with respect to the final months of 2008. Customers who had been supporting their production during the last quarter of 2008 by making significant recourse to the use of their stocks appear to have returned to their normal levels of ordering, although still within a market scenario which remains difficult and uncertain. The Group has therefore introduced measures affecting production capacity, both by reducing structurally unused capacity and by taking other steps of a temporary nature to ensure that the right balance between supply and demand is achieved. To this should be added other measures taken with the aim of achieving a balance in earnings and these should enable the Group to face up to the challenge of 2009, which is nonetheless looking as if it will be a difficult year; on a specific point, a pick-up in earnings is expected to arrive from the fall in raw material and energy costs compared to the high levels which penalised 2008.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008

Consolidated profit and loss account		31.12.2008	31.12.2007
	Euro/000		
Revenues from sales		455,004	342,474
Other revenues		6,905	5,486
-of wich non recurring		*-*	*2,000*
Changes in stocks of finished goods		(11,255)	4,187
Cost of raw materials and services		(361,035)	(265,026)
-of wich non recurring		-	-
Staff costs		(67,813)	(52,830)
-of wich non recurring		*-*	*(1,700)*
Other revenues (costs)		(2,022)	(4,676)
-of wich non recurring		*-*	*(1,000)*
Badwill		21,231	-
Gross Operating Profit		**41,015**	**29,616**
Depreciation and amortisation		(23,926)	(19,097)
Recovery of value and write-downs of assets		(1,732)	(600)
Operating Profit		**15,357**	**9,919**
	Financial expense	*(10,262)*	*(9,733)*
	Exchange differences	*13*	*(247)*
	Financial income	*449*	*1,106*
Financial income (expense), net		(9,800)	(8,874)
Income from investments		(1,713)	1,269
-of wich non recurring write-down of Termica Boffalora S.r.l.		*(994)*	*-*
Other income (expense)		352	-
Taxation		(1,877)	267
Profit (loss) for the period before discontinued operations		**2,318**	**2,581**
Profit (loss) for discontinued operations		(7,517)	(1,743)
Profit (loss) for the period		**(5,198)**	**838**
Attributable to:			
Profit (loss) for the period pertaining to the group		(5,462)	576
Profit (loss) for the period pertaining to minority interests		264	262

Consolidated balance sheet	31.12.2008	31.12.2007
Euro/000		
ASSETS		
Non-current assets		
Tangible fixed assets	264,384	174,702
Goodwill	63	146
Other intangible assets	4,609	1,388
Investments accounted for under the equity method	1,555	13,135
Deferred tax assets	1,036	1,681
Derivative financial instruments	11	418
Financial assets held for sale	309	482
Trade receivables	234	-
Other receivables	899	5,321
Total non-current assets	**273,100**	**197,273**
Current assets		
Stocks	83,684	64,625
Trade receivables	114,237	102,462
Other receivables	9,312	4,702
Derivative financial instruments	-	331
Liquid funds	4,314	8,248
Total current assets	**211,547**	**180,368**
Other non-current assets held for sale	**-**	**5,583**
TOTAL ASSETS	**484,647**	**383,224**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the group	161,530	114,772
Minority interests	567	546
Shareholders' equity	**162,096**	**115,318**
Non-current liabilities		
Bank loans and other financial liabilities	19,935	70,002
Derivative financial instruments	924	-
Other payables	3,474	627
Deferred tax liabilities	29,660	6,310
Employees' leaving entitlement	22,828	14,781
Non-current provisions for contingencies and charges	4,826	6,174
Total non-current liabilities	**81,647**	**97,894**
Current liabilities		
Bank loans and other financial liabilities	113,656	52,544
Derivative financial instruments	60	-
Trade payables	108,740	97,718
Other payables	17,560	19,142
Current taxation	887	608
Total current liabilities	**240,904**	**170,012**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**484,647**	**383,224**

Consolidated net financial position	31 December 2008	30 September 2008	31 December 2007
Euro/000			
Cash and cash equivalents and short term financial receivables	6,039	2,834	8,401
Short term financial payables	(113,656)	(67,386)	(53,242)
Valuation of current portion of derivatives	(49)	102	331
Short-term financial position	**(107,666)**	**(64,450)**	**(44,510)**
long term financial payables	(19,935)	(64,928)	(70,002)
Valuation of non-current portion of derivatives	(924)	711	418
Net financial position	**(128,525)**	**(128,667)**	**(114,094)**

NOTES

The quarterly report of the RDM Group at 31 December 2008 has been prepared on the basis of article 82, first paragraph, of the Regulations for Issuers adopted by Consob in resolution no. 11971 of 14 May 1999 and subsequent amendments and supplements.
Consequently with this document discharge art.154 ter TUF.

This quarterly report has not been audited by the Auditors.

The variation to the area of accounting consolidation occurring in the first nine months of 2008 relate to the companies "Cascades Blendecques S.a.s.", "Cascades Arnsberg GmbH", "Cascades Cartonboard Uk Ltd..

Non-current assets (plant and machinery) relating almost exclusively to the MC1 line at the Magenta facility, which were presented separately as "Non-current assets held for sale" in the balance sheet at 31 December 2007, have been reclassified to "Non-current assets" following the decision to re-use this equipment to modernise other already existing production lines.
Likewise, the costs relevant to the MC1 line, that in the 2007 Financial Statements had been presented as Discontinued Operations, have been reclassified as Amortizations.

Accounting principles

Income statement, balance sheet and financial disclosures have been prepared in compliance with the recognition and measurement criteria established by the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure indicated in Article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and Council dated 19 July 2002. The recognition and measurement criteria used to prepare the financial statements as at 31 December 2008 are the same as those used to prepare the 2007 Consolidated Annual Report, to which reference should be made for their description.

Compared to the Quarterly Report at 31 December 2007 RDM used the same accounting principles .

In the current area of consolidation, there is a company which prepares its accounts in a currency other than Euro (Cascades Cartonboard UK Ltd, accounts in GBP).

In order to translate the quarterly results for the company, Cascades Cartonboard UK into a foreign currency, the Euro was identified as the functional currency, the same as the Group Parent Company, in consideration of the fact that the company carries out business operations which are heavily integrated with those of the Parent Company (IAS 21).

As at 31 December 2008, all the assets and liabilities were converted using the Exchange rate applicable on the date of reference for the company's profit and loss situation (0,95250 GBP/Euro). Income and expenditures were converted using the average Exchange rate for the reference period (0,8056 GBP/Euro).

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

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

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

Workforce

The RDM Group had 1,809 employees at 31 December 2008 compared to 1,117 employees at 31 December 2007.

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

The Manager in charge of the preparation of the company' accounting records, Mr. Stefano Moccagatta, declares in accordance with the provisions of the second paragraph of article 154-*bis* of the "Consolidated Finance Act" that, the Financial Quarterly Report at 31 December 2008 of Reno De Medici S.p.A. corresponds to the underlying documents, books and accounting entries.

Milan, 12 February 2008

Stefano Moccagatta