QUARTERLY REPORT – THIRD QUARTER 2007

Pontenuovo di Magenta, 13 November 2007

The Board of Directors of Reno De Medici S.p.A. today approved the Quarterly Report for the quarter ended on 30 September 2007.

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- **Net revenues**: 259.5 million euros, compared to 232.3 million euros at September 2006 (+11.7%).
- **EBITDA before unusual income and expense[1]**: 22.0 million euros, compared to 21.6 million euros at September 2006 (+1.6%).
- **Operating profit (EBIT)**: 7.2 million euros, compared to 4.4 million euros at September 2006 (+61.1%).
- **Pre-tax current result[2]:** is positive for 0.5 million euros, compared to the negative for 2.5 million euros at September 2006.
- **Net profit for the period**: is negative for 1.7 million euros, compared to the negative for 11.3 million euros at September 2006.
- **Net financial debt**: 118.1 million euros, compared to 114.9 million euros at June 2007 and to 127.1 million euros at December 2006.

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Foreword

Describing the data for the quarter, the Chairman made the following statement:

"Strong product demand continued throughout the quarter enabling the Group to obtain good price increases on the orders acquired; the effect of this was only partially to be seen in the third quarter due to existing contractual commitments with customers. On the contrary since it is impossible to stipulate master supply agreements in the waste market, raw materials

[1] See the consolidated financial statements of the RDM Group, "EBITDA" - "Unusual income and expense".
[2] See the consolidated financial statements of the RDM Group, "Profit (loss) for the period before discontinued operations" - "Taxation".

prices reacted immediately to the increase in demand. These changes have caused margins to get out of phase, amplified by reduced activities in August. Price adjustments being made from the first of October will enable the Group to achieve the targets it set for 2007".

The year 2007 represents a turning point for the Reno De Medici Group ("**RDM Group**" or "**Group**"); following the completion of the industrial-financial restructuring process that began in the second half of 2003, the combination with the recycled cartonboard production sector of the Cascades Europe Group has enabled us to create a player of international importance[3].

The merger approved on 13 September 2007 by the respective Boards of Directors and on 29 October 2007 by the respective shareholders' meetings will be finalised during the first few days of next year after obtaining the necessary authorisations from the competent Authorities involved.

The first nine months of 2007 have been marked by extreme pressure on the prices of fibrous raw materials as the result of the difficulty in finding certain types of waste on the market. The consequent increase in costs, during the third quarter 2007, has been only partially offset by sales price increases charged to customers. A sizeable margins recovery is coming to reality from the month of October 2007.

The RDM Group has succeeded in increasing volumes acquired by 12% during the period ended 30 September 2007 with sales prices rising by over 5% respect to 30 September 2006. These price movements strengthened in the third quarter with the upwards trend exceeding 8%, while volumes acquired remained constant with respect to the third quarter of 2006.

In addition, as part of the measures being taken to reduce structural and production costs, an agreement was reached with the trades union organisations on 20 July 2007 for the termination 80 employees working mostly at the Magenta facility and their lay-off under the *mobilità* scheme. In this respect on 2 May 2007 the Ministry of Employment and Social Security decreed that 48 employees of Reno De Medici S.p.A. may be allocated to the long-term *mobilità* scheme with the aim of taking length of service retirement; it is expected that the programme for placing these employees in long-term *mobilità* will be finalised by the end of the current year. Additional costs of 0.3 million euros linked to this operation were incurred in the third quarter of 2007 and are classified as unusual expense.

Consolidated results

The following table sets out the highlights of the profit and loss accounts for the six months ended 30 September 2007 and 2006:

[3] Further details may be found in the press releases of 20 June 2007 and 13 September 2007.

Consolidated profit and loss account	30 September 2007	30 September 2006
Euro/000		
Revenues from sales	**259.480**	**232.269**
EBITDA before unusual income (expense) (*)	**21.959**	**21.604**
EBITDA	**21.371**	**21.757**
EBIT	**7.153**	**4.443**
Result of operating activities before taxation (**)	**535**	**(2.786)**
Taxation	*(1.402)*	*(3.472)*
Result of operating activities after taxation (***)	**(867)**	**(6.258)**
Discontinued operations	*(881)*	*(4.997)*
Result for the period	**(1.748)**	**(11.255)**

(*) See the consolidated financial statements of the RDM Group, "EBTIDA" - "Unusual income (expense)"

(**) See the consolidated financial statements of the RDM Group, "Profit (loss) for the period before discontinued operations" - "Taxation"

(***) See the consolidated financial statements of the RDM Group, "Profit (loss) for the period before discontinued operations" + "Taxation"

The RDM Group achieved **net revenues** of 259.5 million euros in the period from January to September 2007, compared to 232.3 million euros in the corresponding period of the previous year (up 11.7%). In particular, net revenues for the third quarter of 2007 amounted to 78.4 million euros compared to 69.0 million euros for the third quarter of 2006 (up 13.6%).

As regards volumes, despatches totalled 508 thousand tonnes in the first nine months of 2007 (of which 148 thousand tonnes relate to the third quarter) compared to 475 thousand tonnes for the nine months ended 30 September 2006 (of which 142 thousand tonnes related to the third quarter).

On the price front average revenues per tonne for the nine months in 2007 rose by 5% compared to the corresponding period of 2006.

EBITDA before unusual income and expense of 22.0 million euros for the nine months ended 30 September 2007 representing an increase of 1.6% compared to the equivalent figure for the third quarter of 2006. EBITDA before unusual income and expense for the third quarter of 2007 before unusual income and expense closed at 5.8 million euros, representing an increase of 13% compared to the equivalent figure for the third quarter of 2006.

Unusual expenses of 0.6 million euros for the nine months ended 30 September 2007 represent an estimate of the costs to be incurred for implementing the long-term *mobilità* scheme discussed earlier.

The trend in EBITDA is in particular linked to the increase in the purchase prices of fibrous raw materials which rose by 17.5% in the nine months ended 30 September 2007 over those for the corresponding period of 2006. In addition, industrial margins continue to reflect the high cost of energy which has a considerable effect on the Group's profitability; more specifically energy costs rose by 3.6% over those for the corresponding period of 2006.

Operating profit (EBIT) amounted to 7.2 million euros for the nine months ended 30 September 2007 against 4.4 million euros for the corresponding period of the previous year. Operating profit (EBIT) for the third quarter of 2007 amounted to 0.7 million euros compared to a loss of 0.7 million euros for the corresponding period of the previous year.

There was a **pre-tax current profit** of 0.5 million euros for the nine months ended 30 September 2007, compared to a pre-tax current loss of 2.8 million euros for the corresponding period of the previous year. This has been achieved mainly as a result of the reduction in net financial expense, including exchange differences, which fell to 7.1 million euros (8.2 million euros for the nine months ended 30 September 2006), reflecting the improvement in the Group's net financial position compared to the corresponding period of the previous year.

The **result for the period** for the nine months ended 30 September 2007 is negative for 1,7 million euros (negative for 2.5 million euros for the third quarter) compared to a loss 11,3 million euros for the nine months ended 30 September 2006 (negative for 4.7 million euros for the third quarter). The result for the period includes costs from discontinued operations of 0.9 million euros arising mostly from the cost of disposing of plant at the Pompeii facility.

In addition, it should be noted that included in discontinued operations for the first nine months of 2006 is the result for the period of the Prat facility together with that of the Magenta MC1 board machine; the net economic contribution made by operations transferred as part of the demerger to the recipient company RDM Realty S.p.A. and the related costs for the demerger and the resulting listing of RDM Realty S.p.A.; and certain additional accessory costs connected with the sales of Europoligrafico S.p.A. and Aticarta S.p.A., which led in total to an overall charge of 5.0 million euros.

The RDM Group made capital expenditure of 11,0 million euros during the nine months ended 30 September 2007 (8.6 million euros during the nine months ended 30 September 2006).

Consolidated **net financial debt** at 30 September 2007 amounted to 118.1 million euros compared to 114.9 million euros at 30 June 2007 and 127.1 million euros at 31 December 2006.

More specifically gross financial debt at 30 September 2007 measured at amortised cost totalled 129.4 million euros (compared to 138.3 million euros at 31 December 2006) and consisted of the non-current portion of long-term loans for 74.1 million euros, the current portion of long-term loans for 10.2 million euros and bank credit facilities of 45.1 million euros, consisting mostly of advances on invoices issued to customers.

Derivative instruments acquired for cash flow hedging purposes are recognised in the financial statements as an asset with a carrying amount of 0.8 million euros.

Cash and cash equivalents and financial receivables at 30 September 2007 having a due date not exceeding 12 months amounted to 10.5 million euros (compared to 11.4 million euros at 31 December 2006) and include a restricted balance of 5 million euros relating to the Grupo Torras dispute.

Subsequent events

On 29 October 2007 shareholders in extraordinary general meeting approved the project to merge Cascades Italia S.r.l. into Reno De Medici S.p.A. under the terms approved by the Board of Directors on 13 September 2007 and already publicly announced.

In this respect the plan to finalise the merger at the beginning of 2008 is confirmed. It is recalled that the operation is subject to obtaining the necessary authorisations from the competent antitrust authorities and to the requirement that neither Consob nor the Comisión Nacional del Mercado de Valores issues notification that the merger or the establishment of a new shareholders' pact by Cascades S.A., Alerion Industries S.p.A., Eurinvest Finanza Stabile S.r.l. and IC (Industria della Costruzione) S.p.A. gives rise to the obligation to make a public tender offer. No notifications to this effect have been received and there is no reason to believe that these regulators will arrive at such an interpretation.

In connection with the discontinued operations the dismantling of the Pompeii facility plant was completed during October. At this stage it should be mentioned that the Pompeii facility was placed under sequestration by the Torre Annunziata Public Prosecutor during June as the result of a petition for a preventative technical verification filed by certain former employees claiming there to be alleged exposure to environmental risks. The result of this is that the Group has been unable to complete the transportation within the originally established timetable and this has led to the need to extend the term of the lease agreement for the facility. In this respect since the samples taken and the analyses performed by an expert in the sector gave negative results, an application was lodged to lift the sequestration order over the area. On upholding this application on 26 July 2007 and subsequently on 9 October 2007 the Judge ordered the partial lifting of the sequestration order over the area enabling the work to dismantle the equipment to be taken to completion. The estimated additional costs to finalise the dismantling of the plant at the facility have been recognised in the economic contribution made by discontinued operations in the period ended 30 September 2007.

As a final matter it is noted that the dismantling of the Prat board machine 5 began in October as a result of the finalisation of an agreement signed on 23 August 2007 for a sale at a price of 1.6 million euros. The dismantling is expected to be completed by the end of 2007.

Outlook for operations

An analysis of production orders obtained in October 2007 shows that there has been an increase of approximately 9% in **average sales prices** over those of October 2006 and of approximately 4,5% over those for the first nine months of 2007.

There has been the opposite effect as concerns **volumes acquired** which in October 2007 fell in comparison with the same period of the previous year.

These trends are sufficient for us to consider it reasonable that **improved margins** will be achieved in the final quarter of the year.

CONSOLIDATED FINANCIAL STATEMENTS[4]

Consolidated profit and loss account	30.09.2007	30.09.2006
Euro/000		
Revenues from sales	259.480	232.269
Other revenues	1.085	1.888
Changes in stocks of finished goods	(1.825)	8.779
Cost of raw materials and services	(195.532)	(180.687)
Staff costs	(38.730)	(38.288)
Other operating costs	(2.519)	(1.999)
Income (expense) from non-current assets held for sale	-	(358)
Unusual income (expense)	(588)	153
Gross Operating Profit (EBITDA)	**21.371**	**21.757**
Depreciation and amortisation	(14.218)	(17.314)
Operating Profit (EBIT)	**7.153**	**4.443**
Financial expense	(7.230)	(8.860)
Exchange differences	(258)	(139)
Financial income	405	795
Financial income (expense), net	(7.083)	(8.204)
Income from investments	491	975
Other income (expense)	(26)	-
Taxation	(1.402)	(3.472)
Profit (loss) for the period before discontinued operations	**(867)**	**(6.258)**
Profit (loss) for discontinued operations	(881)	(4.997)
Profit (loss) for the period	**(1.748)**	**(11.255)**
Attributable to:		
Profit (loss) for the period pertaining to the group	(1.940)	(11.460)
Profit (loss) for the period pertaining to minority interests	192	205

4 This quarterly report has not been audited by the Independent Auditors.

Consolidated profit and loss account	3th quarter 2007	3th quarter 2006
Euro/000		
Revenues from sales	78.399	68.996
Other revenues	267	776
Changes in stocks of finished goods	4.310	3.762
Cost of raw materials and services	(63.542)	(56.025)
Staff costs	(12.813)	(11.868)
Other operating costs	(853)	(569)
Income (expense) from non-current assets held for sale	-	13
Unusual income (expense)	(345)	(71)
Gross Operating Profit (EBITDA)	**5.423**	**5.014**
Depreciation and amortisation	(4.695)	(5.699)
Operating Profit (EBIT)	**728**	**(685)**
Financial expense	(2.330)	(2.535)
Exchange differences	(244)	13
Financial income	140	153
Financial income (expense), net	(2.434)	(2.369)
Income from investments	96	(21)
Taxation	(769)	(787)
Profit (loss) for the period before discontinued operations	**(2.379)**	**(3.862)**
Profit (loss) for discontinued operations	(100)	(817)
Profit (loss) for the period	**(2.479)**	**(4.679)**
Attributable to:		
Profit (loss) for the period pertaining to the group	(2.551)	(4.714)
Profit (loss) for the period pertaining to minority interests	72	35

Consolidated balance sheet	30.09.2007	31.12.2006
Euro/000		
ASSETS		
Non-current assets		
Tangible fixed assets	175.663	177.571
Goodwill	146	146
Other intangible assets	1.484	2.338
Investments accounted for under the equity method	11.662	10.818
Deferred tax assets	1.363	892
Derivative financial instruments	518	83,00
Financial assets held for sale	492	471
Trade receivables	-	76
Other receivables	5.163	4.969
Total non-current assets	**196.491**	**197.364**
Current assets		
Stocks	88.477	89.775
Trade receivables	103.629	100.758
Other receivables	2.628	9.106
Derivative financial instruments	328	77
Financial assets held for sale	6	8
Liquid funds	10.370	9.536
Total current assets	**205.438**	**209.260**
Other non-current assets held for sale	**8.187**	**11.392**
TOTAL ASSETS	**410.116**	**418.016**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the group	113.424	114.978
Minority interests	476	576
Shareholders' equity	**113.900**	**115.554**
Non-current liabilities		
Bank loans and other financial liabilities	73.780	80.789
Derivative financial instruments	-	14
Other payables	32.759	32.759
Deferred tax liabilities	8.285	7.699
Employees' leaving entitlement	16.695	17.235
Non-current provisions for contingencies and charges	4.395	6.175
Total non-current liabilities	**135.914**	**144.671**
Current liabilities		
Bank loans and other financial liabilities	55.336	57.481
Derivative financial instruments	-	350
Trade payables	90.305	86.560
Other payables	13.696	13.368
Current taxation	966	32
Total current liabilities	**160.303**	**157.791**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**410.116**	**418.016**

Consolidated net financial position	30.09.2007	30.06.2007	31.12.2006
Euro/000			
Cash and cash equivalents and short term financial rece	10.522	10.881	11.389
Short term financial payables	(55.327)	(53.010)	(57.481)
Valuation of current portion of derivatives	328	289	(273)
Short-term financial position	**(44.477)**	**(41.840)**	**(46.365)**
Long term financial payables	(74.107)	(73.984)	(80.789)
Valuation of non-current portion of derivatives	518	962	69
Net financial position	**(118.066)**	**(114.862)**	**(127.085)**

The manager in charge of the preparation of the company's accounting records declare, pursuant to article154 bis, paragraph 2, of the "Testo Unico della Finanza", Mr. Maurizio Fusetti, the administrative and accounting procedures for the preparation of the consolidated financial statements have been established in a manner that is consistent with the Company's administrative and accounting system and structure and correspond to the entries in the accounting books and records.

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