



QUARTERLY REPORT – FOURTH QUARTER 2007

Pontenuovo di Magenta, 13 February 2008

The Board of Directors of Reno De Medici S.p.A. today approved the Quarterly Report for the quarter ended on 31 December 2007.

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- ♦ **Net revenues:** 342.5 million euros, compared to 313.9 million euros at December 2006 (+9%).
- ♦ **EBITDA before no recurrent income and expense¹:** 29.3 million euros, compared to 28.7 million euros at December 2006 (+2%).
- ♦ **Operating profit (EBIT):** 10 million euros, compared to 5.6 million euros at December 2006 (+78%).
- ♦ **Pre-tax profit²:** is positive for 2.4 million euros, compared to the negative for 6.7 million euros at December 2006.
- ♦ **Net profit for the period:** is positive for 1.1 million euros, compared to the negative for 18.8 million euros at December 2006.
- ♦ **Net financial debt:** 114.1 million euros, compared to 127.1 million euros at December 2006.

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Foreword

The year 2007 represents a turning-point for the Reno De Medici Group. The financial year saw, on one hand, the completion of the industrial and financial restructuring process started in 2003 and culminated with the return to profit and, on the other hand, the beginning of the combination with the recycled cartonboard production sector of the Cascades Europe Group.

¹ See the consolidated financial statements of the RDM Group, “EBITDA” - “No recurrent income and expense”.

² See the consolidated financial statements of the RDM Group, “Profit (loss) for the period before discontinued operations” - “Taxation”.

Following the approval given by the respective shareholders in October meetings, formal authorisation has now also been received from the competent antitrust regulators and it is expected that the operation will be finalised by the end of February. This merger will enable the Reno De Medici Group (the “**RDM Group**” or the “**Group**”). to consolidate its presence on the European market and strengthen its role as a leading global player in the production and sale of recycled cartonboard for packaging.

The year just closed was for the most part characterised by a pick-up in the demand for cardboard, which by generating an increase in orders gave way to a considerable rise in sales prices. Despite this there was considerable pressure during the year on the price of fibrous raw materials as the result of an immense siphoning of certain types of waste by the Asian markets. More specifically, there was increased stability in provisioning in the final quarter of 2007 with the resulting slow down in orders.

Volumes of 664 thousand tonnes were despatched in 2007 (of which 156 thousand in the final quarter) compared to 645 thousand tonnes in 2006 (of which 170 thousand in the final quarter). On the price front average revenues per tonne despatched in 2007 rose by 5.4% over 2006 (up by 8.4% in the final quarter compared to the corresponding period of 2006).

The procedure for the long-term *mobilità* lay off scheme approved by the Ministry of Employment and Social Security on 2 May 2007 was brought to a close at the end of the year. Thirty nine employees are involved in this scheme which led to costs of 1.3 million euros being incurred, accounted for as non-recurring expenses.

In December 2007 the agreements for the sale of the Prat properties were terminated in advance. These agreements were originally set up in 2003 between Espais Gestió Integral de Projectes S.L. and the subsidiary RDM Iberica S.L., and in 2005 between the latter company and Red.Im S.r.l. as part of the preliminary activities for the demerger of RDM Realty S.p.A.. The termination of these contracts led to the realisation of a gain of 2 million euros which is accounted for as non-recurring income.

In addition, the Prat area was handed back over on a final basis during the year following the sale of the BM5 board machine.

Consolidated results

The following table sets out the highlights of the profit and loss accounts for the year ended 31 December 2007 and 2006:

Consolidated profit and loss account	31 December 2007	31 December 2006
	Euro/000	
Revenues from sales	342,474	313,889
EBITDA before no recurrent income (expense) (*)	29,334	28,746
EBITDA	29,081	29,016
EBIT	10,032	5,635
Result of operating activities before taxation (**)	2,427	(6,732)
<i>Taxation</i>	<i>807</i>	<i>(3,168)</i>
Result of operating activities after taxation (***)	3,234	(9,900)
<i>Discontinued operations</i>	<i>(2,149)</i>	<i>(8,943)</i>
Result for the period	1,085	(18,843)
<p>(*) See the consolidated financial statements of the RDM Group, "EBTIDA" - "no recurrent income (expense)"</p> <p>(**) See the consolidated financial statements of the RDM Group, "Profit (loss) for the period before discontinued operations" - "Taxation"</p> <p>(***) See the consolidated financial statements of the RDM Group, "Profit (loss) for the period before discontinued operations" + "Taxation"</p>		

The RDM Group achieved net revenues of 342,5 million euros for the year 2007, compared to 313,9 million euros in the corresponding period of the previous year (up 9.1%). In particular, **net revenues** for the fourth quarter of 2007 amounted to 83.0 million euros compared to 81.6 million euros for the fourth quarter of 2006 (up 1.7%).

EBITDA before no recurrent income and expense of 29.3 million euros for the year ended 31 December 2007 representing an increase of 2.1% compared to the equivalent figure for the quarter of 2006, of 28.7 million euros.

EBITDA before no recurrent income and expense for the fourth quarter of 2007 closed at 7.4 million euros, representing an increase of 3.3% compared to the equivalent figure for the fourth quarter of 2006, of 7.1 million euros.

Non-recurring charges of 0.3 million euros in 2007 represent the net among non-recurring income of 2 million euros, connected with the gain realised on the termination of the contracts in place on the Prat factory land, and non-recurring charges of 2.3 million euros, of which 1.3 million euros related to the long-term *mobilità* lay-off scheme and 1 million euros due to contractual penalties incurred on terminating the steam supply agreement at the Magenta facility.

The increase in selling prices only partially offset the rises in raw materials prices which occurred throughout 2007 (up by 19.2% over 2006 prices) and the increases in the costs of energy, which gross of efficiencies rose by 7.6% over 2006. The performance of EBITDA in the final quarter of 2007 (amounted to 7.7 million euros) is substantially in line with that of the final quarter of 2006 (amounted to 7.3 million euros) due to the mentioned slowdown in market demand and an unscheduled stop in production at the Villa Santa Lucia factory.

Operating profit (EBIT) of 10.0 million euros for the year ended 31 December 2007 compares to the figure of 5.6 million euros for the previous year. There was an operating profit of 2.9 million euros for the fourth quarter of 2007 compared to that of 1.2 million euros in the

fourth quarter of 2006, a difference also attributable to lower depreciation as discussed in the commentary.

A pre-tax profit of 2.4 million euros was earned in 2007 compared to a pre-tax loss of 6.7 million euros in 2006. This turnaround is also due to a lower level of net financial expense which amounted to 8.9 million euros (10.7 million euros in 2006), reflecting the improvement in the net financial position over that of the previous year, despite an average increase exceeding 1% in the Euribor interest rate in 2007. The effect of that rise in rates was mitigated by the interest rate swap agreements set up in 2006 and by funding through the use of fixed rate loans which make up around 70% of gross financial debt.

Current taxation for the year amounts to 2.1 million euros, compared to 2.3 million euros in 2006. Deferred tax income of 2.9 million euros in 2007 compares to deferred tax expense of 0.8 million euros in 2006. This effect is mostly due to the adjustments made to deferred tax balances as a result of the changes in Ires and Irap tax rates introduced by Law no. 244 of 24 December 2007 (the 2008 Finance Law).

Net profit for the period of 1.1 million euros (a net profit for the fourth quarter of 2.8 million euros) compares to a net loss of 18.8 million euros in 2006 (a net loss for the fourth quarter of 7.6 million euros). The result for 2007 includes losses of 2.1 million euros from discontinued operations, mostly due to costs connected with the disposal of plant and machinery at the Pompeii factory and the write-down of the MC1 board machine at Magenta by 0.6 million euros.

It is recalled that the 2006 result included as discontinued operations (i) the result for the period of the Prat facility and the MC1 board machine at Magenta; (ii) the net economic contribution made by the 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 (iii) 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 8.9 million euros.

The RDM Group made capital expenditure of 15.2 million euros during the year ended 31 December 2007 (10.9 million euros during the year ended 31 December 2006).

Consolidated **net financial debt** at 31 December 2007 amounted to 114.1 million euros compared to 118.1 million euros at 30 September 2007 and 127.1 million euros at 31 December 2006.

More specifically gross financial debt at 31 December 2007 measured at amortised cost totalled 123.2 million euros (compared to 138.3 million euros at 31 December 2006) and consisted of the non-current portion of long-term loans for 70 million euros, the current

portion of long-term loans for 11.1 million euros and bank credit facilities of 42.1 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 0.7 million euros.

Cash and cash equivalents and financial receivables at 31 December 2007 having a due date not exceeding 12 months amounted to 8.4 million euros (compared to 11.4 million euros at 31 December 2006) and include a restricted balance of 5 million euros relating to the Group Torras dispute.

Subsequent events

Now that the authorisations of the competent Italian and German antitrust regulatory authorities have now been obtained it is expected that the deed for the merger between Reno De Medici S.p.A. and Cascades Italia S.r.l. will be signed by the end of February, with effective date 1 March 2008.

Outlook for operations

Average selling prices for orders acquired in January 2008 show an increase of 5.6% over those of January 2007.

There was a drop of 1.4% in volumes in January 2008 compared to those for the corresponding month of the previous year.

As things stand today there is a series of uncertainties as to what will be the future trend in the demand for consumer goods. An assessment of how the market is performing will best be carried out at the end of the first quarter of the current year.

The merger of RDM with Cascades Europe will give rise to industrial and operational synergies which will contribute to making the business more efficient and profitable, even in an overall context made more complicated by the reduction in the expectations for growth in the EU packaging market.

CONSOLIDATED FINANCIAL STATEMENTS³

Consolidated profit and loss account	31.12.2007	31.12.2006	
	Euro/000		
Revenues from sales	342,474	313,889	
Other revenues	3,486	4,040	
Changes in stocks of finished goods	4,187	5,781	
Cost of raw materials and services	(265,029)	(239,842)	
Staff costs	(52,458)	(51,544)	
Other operating costs	(3,326)	(3,215)	
Income (expense) from non-current assets held for sale	-	(363)	
No recurrent income (expense)	(253)	270	
Gross Operating Profit (EBITDA)	29,081	29,016	
Depreciation and amortisation	(19,049)	(23,381)	
Operating Profit (EBIT)	10,032	5,635	
	<i>Financial expense</i>	(9,733)	(11,547)
	<i>Exchange differences</i>	(247)	(187)
	<i>Financial income</i>	1,106	1,076
Financial income (expense), net	(8,874)	(10,658)	
Income from investments	1,269	(1,990)	
Other income (expense)	-	281	
Taxation	807	(3,168)	
Profit (loss) for the period before discontinued operations	3,234	(9,900)	
Profit (loss) for discontinued operations	(2,149)	(8,943)	
Profit (loss) for the period	1,085	(18,843)	
Attributable to:			
Profit (loss) for the period pertaining to the group	823	(19,098)	
Profit (loss) for the period pertaining to minority interests	262	255	

³ This quarterly report has not been audited by the Independent Auditors.

Consolidated profit and loss account		4 th quarter 2007	4 th quarter 2006
	Euro/000		
Revenues from sales		82.994	81.620
Other revenues		2.401	2.152
Changes in stocks of finished goods		6.012	(2.998)
Cost of raw materials and services		(69.497)	(59.155)
Staff costs		(13.728)	(13.256)
Other operating costs		(807)	(1.216)
Income (expense) from non-current assets held for sale		-	(5)
No recurrent income (expense)		335	117
Gross Operating Profit (EBITDA)		7.710	7.259
Depreciation and amortisation		(4.831)	(6.067)
Operating Profit (EBIT)		2.879	1.192
	<i>Financial expense</i>	(2.503)	(2.687)
	<i>Exchange differences</i>	11	(48)
	<i>Financial income</i>	701	281
Financial income (expense), net		(1.791)	(2.454)
Income from investments		778	(2.965)
Other income (expense)		26	281
Taxation		2.208	304
Profit (loss) for the period before discontinued operations		4.100	(3.642)
Profit (loss) for discontinued operations		(1.268)	(3.946)
Profit (loss) for the period		2.832	(7.588)
Attributable to:			
Profit (loss) for the period pertaining to the group		2.762	(7.638)
Profit (loss) for the period pertaining to minority interests		70	50

Consolidated balance sheet	31.12.2007	31.12.2006
Euro/000		
ASSETS		
Non-current assets		
Tangible fixed assets	174.896	177.571
Goodwill	146	146
Other intangible assets	1.242	2.338
Investments accounted for under the equity method	13.137	10.818
Deferred tax assets	1.681	892
Derivative financial instruments	418	83
Financial assets held for sale	482	471
Trade receivables	-	76
Other receivables	6.342	4.969
Total non-current assets	198.344	197.364
Current assets		
Stocks	64.624	89.775
Trade receivables	102.455	100.758
Other receivables	3.671	9.106
Derivative financial instruments	331	77
Financial assets held for sale	-	8
Liquid funds	8.248	9.536
Total current assets	179.329	209.260
Other non-current assets held for sale	5.583	11.392
TOTAL ASSETS	383.256	418.016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the group	116.469	114.978
Minority interests	546	576
Shareholders' equity	117.015	115.554
Non-current liabilities		
Bank loans and other financial liabilities	70.002	80.789
Derivative financial instruments	-	14
Other payables	627	32.759
Deferred tax liabilities	5.824	7.699
Employees' leaving entitlement	15.743	17.235
Non-current provisions for contingencies and charges	5.127	6.175
Total non-current liabilities	97.323	144.671
Current liabilities		
Bank loans and other financial liabilities	52.544	57.481
Derivative financial instruments	-	350
Trade payables	97.719	86.560
Other payables	18.047	13.368
Current taxation	608	32
Total current liabilities	168.918	157.791
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	383.256	418.016

Consolidated net financial position	31.12.2007	30.09.2007	31.12.2006
	Euro/000		
Cash and cash equivalents and short term financial receivables	8,401	10,522	11,389
Short term financial payables	(53,242)	(55,327)	(57,481)
Valuation of current portion of derivatives	331	328	(273)
Short-term financial position	(44,511)	(44,477)	(46,365)
Long term financial payables	(70,002)	(74,107)	(80,789)
Valuation of non-current portion of derivatives	418	518	69
Net financial position	(114,095)	(118,066)	(127,085)

The manager in charge of the preparation of the company's accounting records declare, pursuant to article 154 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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