Quarterly report

First quarter 2007

Reno De Medici S.p.A.
Registered office: Via dei Bossi 4, Milan
Corporate headquarters:
Via G. De Medici 17, Pontenuovo di Magenta (MI)
Share capital: € 132,160,074.13
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.

CORPORATE BODIES

Board of Directors

Giuseppe Garofano	Chairman
Bruno Pavesi	Deputy Chairman
Carlo Peretti	Deputy Chairman
Emanuele Rossini	Managing Director
Ignazio Capuano	Director
Riccardo Ciardullo	Director
Giancarlo De Min	Director
Vincenzo Nicastro	Director
Francesco Zoffrea	Director

Board of Statutory Auditors

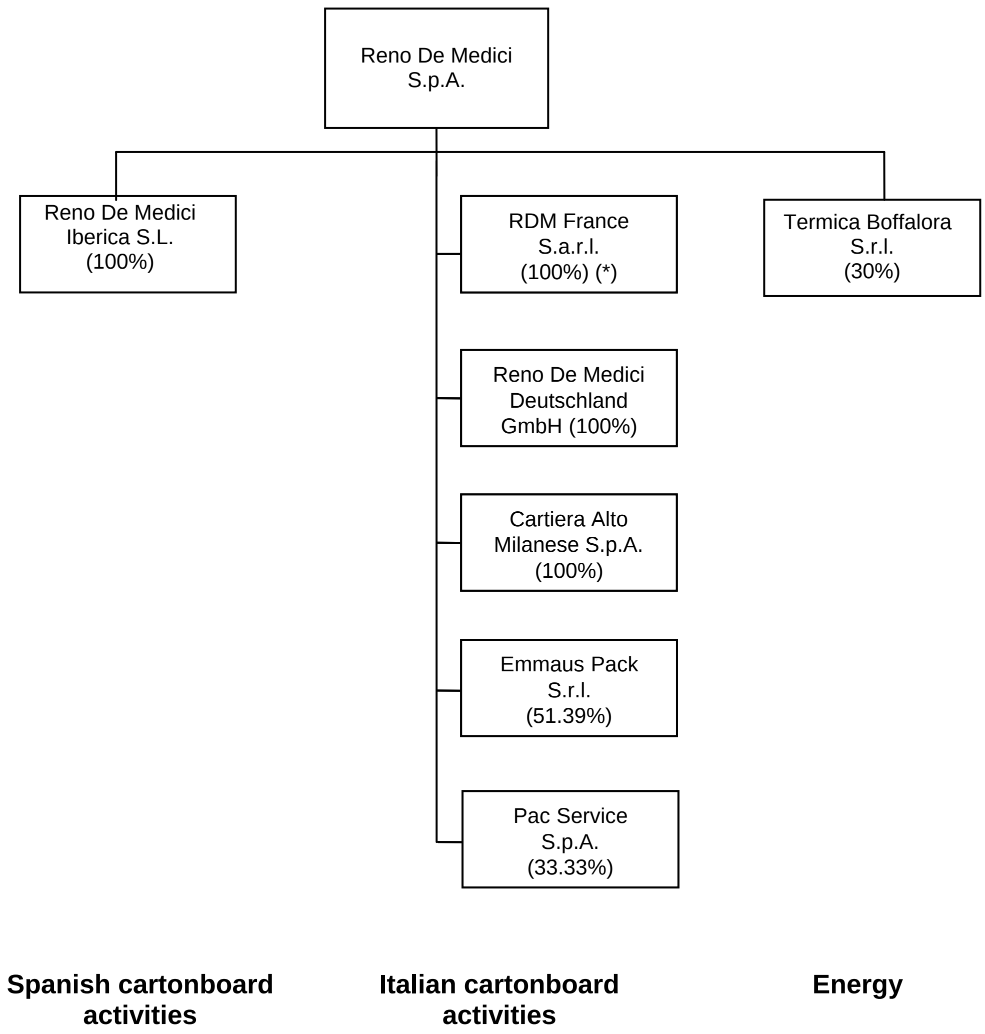
Sergio Pivato	Chairman
Marcello Priori	Standing auditor
Carlo Tavormina	Standing auditor
Giovanni Maria Conti	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANIES OF THE RENO DE MEDICI GROUP AT 31 MARCH 2007

The following table excludes the non-operating companies of the Reno De Medici Group (the "RDM Group") and those put into liquidation.



(*) Reno De Medici S.p.A. 99.58% - Cartiera Alto Milanese S.p.A. 0.42%

COMMENTS OF THE DIRECTORS ON OPERATIONS

The results for the first quarter of 2007 are a reflection of the performance of the Reno De Medici Group (the “RDM Group” or the “Group”) after the substantial completion in 2006 of the restructuring and reorganisation phase set in motion in previous years. The result for the period is therefore not affected by costs arising from discontinued operations which were a feature of the Group’s operations last year in particular.

The signs emerging from the market in these early months of 2007 indicate that there is a growth in demand and this leads us to believe that the increase in prices aimed at improving margins and recovering the rises in energy costs incurred over the past few years will be sustained. In this context, the RDM Group has increased ordered volumes by 9% in the quarter ended 31 March 2007 compared to the same period of the previous year, with sales prices increasing by 3%.

The efficiency level reached by the Group’s facilities has enabled us to close the quarter with an EBITDA of 7.6 million euros, a result that is substantially in line with the corresponding quarter for 2006 despite the increase in energy costs when compared with that period and growing pressure on the price of fibrous raw materials.

The pre-tax result[2] has returned to being positive again due to the lower charge for depreciation and amortisation, with a profit of 0.2 million euros being realised in 2007 compared to the loss of 2.1 million euros incurred in the first quarter of 2006.

Consolidated results

The RDM Group achieved net revenues of 90.4 million euros in the first quarter of 2007, compared to 85.2 million euros in the corresponding period of the previous year (up 6.1%).

The increase in turnover is a reflection of both the rise in sales volumes and increases in prices; in particular the quantities despatched in the first quarter of 2007 amount in total to 181 thousand tonnes compared to 176 thousand tonnes for the first quarter of last year, with average sales prices higher by 3% over that quarter.

EBITDA at a consolidated level closed at 7.6 million euros for the quarter compared to 7.8 million euros for the first quarter of 2006 (a drop of 2.8%), with a production margin[3]

[2] See the consolidated financial statements of the RDM Group - “Profit (loss) for the period” gross of “Taxation”.

[3] See the consolidated financial statements of the RDM Group - “Revenues from sales” plus “Changes in stock of finished goods”.

in line with that for the same period of last year.

The performance of EBITDA continues to reflect the impact of energy costs which remain at high levels (of particular mention is the fact that the unit price of methane, despite being essentially in line with its price for the final quarter of 2006, has risen by 15% if compared to that for the first quarter of last year); in addition, the EBITDA result has also been significantly been affected by pressures on the cost of procuring fibrous raw materials in the first part of this year. Nonetheless, the increased revenues referred to above and the efficiencies achieved in the production process have enabled the impact of the increased costs of supplies to be absorbed. Moreover, the favourable performance of the market in which we operate has made it possible for us to take further action on unit sales prices, which we have already announced and which will produce their effects in the second half of this year.

Operating profit (or EBIT) of 2.4 million euros was earned for the quarter (after depreciation and amortisation of 5.2 million euros), compared to 2.0 million euros (after depreciation and amortisation of 5.9 million euros) in the first quarter of the previous year.

The Group earned a pre-tax profit for the quarter of 0.2 million euros compared to a pre-tax loss of 2.1 million euros for the same period last year.

This performance is mainly due to decrease during the period of net financial expense, inclusive of exchange differences, which fell to 2.4 million euros compared to 3.3 million euros in the first quarter of 2006. This is a reflection of the reduction in net financial debt compared to the corresponding period last year, despite the increases in interest rates that have taken place.

In addition, the result for the first quarter of 2006 included in discontinued operations the results of the Prat facility together with those 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 for the item of 1.1 million euros.

There was a net loss after taxation and after discontinued operations of 0.8 million euros compared to a net loss of 3.2 million euros for the first quarter of 2006, with the tax charge amounting to 1.0 million euros (1.1 million euros for the first quarter of 2006).

The RDM Group made investments in fixed assets of 1.4 million euros during the first quarter of 2007 (1.5 million euros for the first quarter of 2006).

Consolidated net financial debt at 31 March 2007 amounts to 128.8 million euros, compared to 127.1 million euros at 31 December 2006 and 166.6 million euros at 31 March 2006.

In particular, gross financial debt at 31 March 2007 measured at amortised cost amounted to 138.8 million euros (compared to 138.3 million euros at 31 December 2006) and includes the non-current portion of 80.9 million euros of long-term loans, the current portion of 10.4 million euros of long-term loans and bank facilities of 47.5 million euros, mostly made up of advances on trade receivables.

Derivative instruments acquired for cash flow hedge purposes are recognised in the consolidated balance sheet at an asset value of 0.2 million euros.

Cash, cash equivalents and financial receivables falling due within 12 months at 31 March 2007 total 9.8 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.

Segment information

The Group has adopted a geographical format as the means of reporting segment information, based on the location in which activities are carried out. The separate geographical segments that have been identified are Italy and Spain.

Included in the segment denoted Italy are also the activities headed by the French subsidiary RDM France S.a.r.l. and by the German subsidiary RenoDeMedici Deutschland GmbH, whose operations consist of the distribution and sales of goods produced in the Italian factories. For ease of comparability the 2006 figures are reported on a basis consistent with 2007, since up to and including last year there was also a segment called “Other” which consisted of the activities headed by RDM France S.a.r.l., RenoDeMedici Deutschland GmbH and Reno De Medici International S.A. (wound up on 21 December 2006).

The following tables set out on a geographical basis the profit and loss account for the first quarter of 2007, down to gross operating profit, with comparative figures presented for the first quarter of 2006.

The contribution made by Spain relates to operations at the Almazan facility (owned by RDM Iberica S.L.) and the marketing of cartonboard manufactured in the factories of the Parent Company Reno De Medici S.p.A..

Profit and loss account 31.03.2007	Italy	Spain	Eliminations	Consolidated
Euro/000				
Revenues from sales	83,754	11,844	(5,245)	90,353
Other revenues	484	114	-	598
Changes in stocks of finished goods	(4,406)	(220)	-	(4,626)
Cost of raw materials and services	(60,374)	(9,821)	5,245	(64,950)
Staff costs	(11,921)	(1,222)	-	(13,143)
Other operating costs	(595)	(33)	-	(628)
Income (expense) from non-current assets held for sale	-	-	-	-
Unusual income (expense)	6	10	-	16
Gross Operating Profit (EBITDA)	**6,948**	**672**	**-**	**7,620**

Profit and loss account 31.03.2006	Italy	Spain	Eliminations	Consolidated
Euro/000				
Revenues from sales	79,382	9,616	(3,825)	85,173
Other revenues	933	-	-	933
Changes in stocks of finished goods	2,177	(343)	-	1,834
Cost of raw materials and services	(61,513)	(7,974)	3,825	(65,662)
Staff costs	(12,114)	(1,310)	-	(13,424)
Other operating costs	(616)	(6)	-	(622)
Income (expense) from non-current assets held for sale	(387)	-	-	(387)
Unusual income (expense)	(60)	57	-	(3)
Gross Operating Profit (EBITDA)	**7,802**	**40**	**-**	**7,842**

Finally, the following table provides an analysis by geographical area of net revenues generated by sales of cartonboard.

Geographic areas	31.03.2007	%	31.03.2006	%
Euro/000				
Italy	45,205	50.0%	45,539	53.5%
European Union - other	36,219	40.0%	31,014	36.4%
Outside the European Union	8,929	9.9%	8,620	10.1%
Total sales revenues	**90,353**	**100%**	**85,173**	**100%**

Significant events and outlook for operations

The work involved in shipping the Prat MC3 was virtually completed in the first quarter while the dismantling of the plant at the Pompeii facility began during the period.

There was a considerable increase in orders acquired at 30 April 2007, with volumes rising by 16% over the same period of 2006 and average sales prices being higher by 3% than the average for last year taken as a whole.

CONSOLIDATED FINANCIAL STATEMENTS OF THE RDM GROUP AT 31 MARCH 2007

Consolidated profit and loss account		31.03.2007	31.03.2006
	Euro/000		
Revenues from sales		90,353	85,173
Other revenues		598	933
Changes in stocks of finished goods		(4,626)	1,834
Cost of raw materials and services		(64,950)	(65,662)
Staff costs		(13,143)	(13,424)
Other operating costs		(628)	(622)
Income (expense) from non-current assets held for sale		-	(387)
Unusual income (expense)		16	(3)
Gross Operating Profit (EBITDA)		**7,620**	**7,842**
Depreciation and amortisation		(5,231)	(5,861)
Recovery of value and write-downs of assets		-	-
Operating Profit (EBIT)		**2,389**	**1,981**
	Financial expense	(2,486)	(3,607)
	Exchange differences	(29)	(45)
	Financial income	125	398
Financial income (expense), net		(2,390)	(3,254)
Income from investments		198	441
Other income (expense)		(7)	(171)
Taxation		(1,027)	(1,104)
Profit (loss) for the year before discontinued operations		**(837)**	**(2,107)**
	Gains (losses) from disposals, net	-	-
	Loss for the period	-	(1,059)
Discontinued operations		-	(1,059)
Profit (loss) for the year		**(837)**	**(3,166)**
Attributable to:			
Profit (loss) for the year pertaining to the group		(897)	(3,266)
Profit (loss) for the year pertaining to minority interests		60	100

Consolidated balance sheet	31.03.2007	31.12.2006
Euro/000		
ASSETS		
Non-current assets		
Tangible fixed assets	174,684	177,571
Investment property	-	-
Goodwill	146	146
Other intangible assets	2,055	2,338
Investments accounted for under the equity method	10,028	10,818
Deferred tax assets	832	892
Derivative financial instruments	222	83.00
Financial assets held for sale	516	471
Trade receivables	76	76
Other receivables	5,037	4,969
Total non-current assets	**193,596**	**197,364**
Current assets		
Stocks	84,233	89,775
Trade receivables	107,251	100,758
Other receivables	6,237	9,106
Derivative financial instruments	77	77
Financial assets held for sale	8	8
Liquid funds	7,962	9,536
Total current assets	**205,768**	**209,260**
Other non-current assets held for sale	**11,297**	**11,392**
TOTAL ASSETS	**410,661**	**418,016**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the group	114,437	114,978
Minority interests	642	576
Shareholders' equity	**115,079**	**115,554**
Non-current liabilities		
Bank loans and other financial liabilities	80,814	80,789
Derivative financial instruments	13	14.00
Other payables	32,759	32,759
Deferred tax liabilities	8,232	7,699
Employees' leaving entitlement	17,551	17,235
Non-current provisions for contingencies and charges	5,524	6,175
Total non-current liabilities	**144,893**	**144,671**
Current liabilities		
Bank loans and other financial liabilities	57,934	57,481
Derivative financial instruments	129	350
Trade payables	78,662	86,560
Other payables	13,784	13,368
Current taxation	180	32
Total current liabilities	**150,689**	**157,791**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**410,661**	**418,016**

Consolidated net financial position	31.03.2007	31.12.2006	Variation
Euro/000			
Cash and cash equivalents and short term financial receivables	9,815	11,389	(1,574)
Short term financial payables	(57,934)	(57,481)	(453)
Valuation of current portion of derivatives	(52)	(273)	221
Short-term financial position	**(48,171)**	**(46,365)**	**(1,806)**
Long term financial receivables	-	-	-
Long term financial payables	(80,814)	(80,789)	(25)
Valuation of non-current portion of derivatives	209	69	140
Net financial position	**(128,776)**	**(127,085)**	**(1,691)**

FURTHER COMMENTS

The quarterly report of the RDM Group at 31 March 2007 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.

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

The consolidated balance sheet at 31 March 2007 and the consolidated profit and loss account for the quarter then ended are presented in a reclassified format that is consistent with that used in the consolidated financial statements at 31 December 2006.

There has been no change in the scope of consolidation during the quarter.

As a result of the demerger into RDM Realty S.p.A., the profit and loss account for the first quarter of 2006 presented here for comparative purposes differs from that included in the quarterly report at 31 March 2006, as the economic contribution made by Red.Im S.r.l. has been reclassified to “Discontinued operations” together with the costs relating to the demerger operation and the listing of RDM Realty S.p.A..

The economic contributions arising from the Prat facility and the Magenta MC1 line have also been reclassified to “Discontinued operations” in the comparative 2006 quarter together with the costs relating to the sales of Europoligrafico S.p.A. and Aticarta S.p.A..

The non-current assets (plant and machinery) of the Prat and Pompeii facilities and those of the Magenta MC1 line are presented separately in the consolidated balance sheet under the item “Non-current assets held for sale”.

Accounting principles

The quarterly report has been prepared on the basis of the same accounting principles used in preparing the consolidated financial statements at 31 December 2006.

The consolidated financial statements are prepared in accordance with the IFRS issued by the International Accounting Standards Board and adopted by the European Union. IFRS also include all the previous International Accounting Standards revised by the Board (referred to as “IAS”) and all the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously known as the Standing Interpretations Committee (“SIC”).

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions, including those arising from management accounting data, 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. The actual results could differ from these estimates. Estimates are used in determining the result contributed by discontinued operations, provisions for the collection risk for receivables and inventory obsolescence, depreciation, amortisation, 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 changes are recognised immediately in the profit and loss account.

The Italian Finance Act and the resulting implementation decrees have introduced changes from 1 January 2007 in the way in which the employees' leaving entitlement (the *TFR*) is regulated; amongst these is the choice given to the employee to decide how he wishes his *TFR* accrued from that date to be invested.

In particular, the employee may choose whether he wants the amount accrued to be invested in predetermined pension funds or to remain in the company (in this latter case, the employer is required to remit the *TFR* accruals to a treasury account set up by the national social security organisation INPS). At the present time, the uncertain interpretation of this new regulation, the different ways in which the accruing *TFR* may be considered under IAS 19, the resulting effects of this on the actuarial calculations made in determining the *TFR* liability and the impossibility of predicting the option that employees will select for the investment of the accruing *TFR* (employees have until 30 June 2007 to come to a final decision), make it premature to make any adjustments to the actuarial calculation for the *TFR* liability at 31 March 2007 and the consequent charge for the quarter, and accordingly no changes have been made from the assumptions used in preparing the consolidated financial statements at 31 December 2006 for this matter.

The consolidated financial statements are prepared in thousands of euros.

Workforce

The RDM Group had 1,190 employees at 31 March 2007 compared to 1,198 employees at 31 December 2006.