Quarterly report

Third 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: Euro 132,160,074.13 fully paid
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 Zofrea	Director

Board of Statutory Auditors

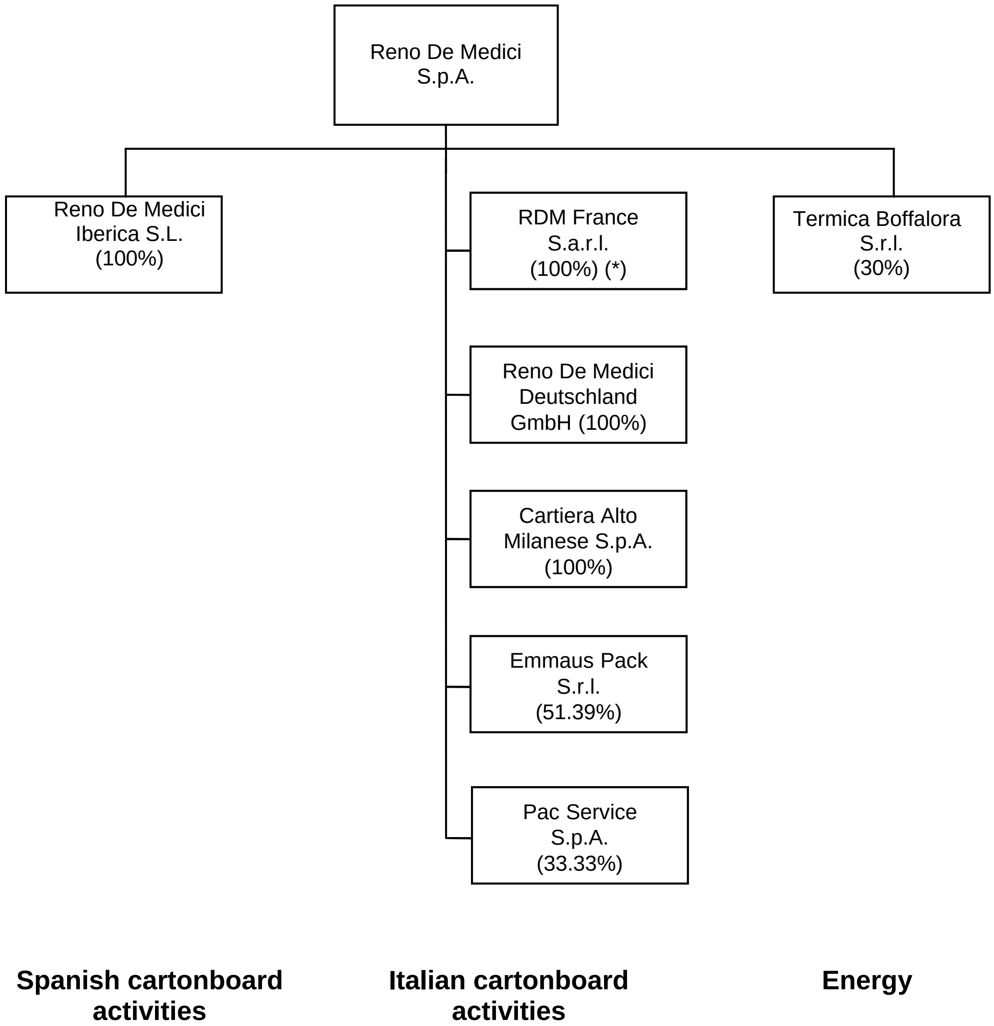
Sergio Pivato	Chairman
Marcello Priori	Standing auditor
Carlo Tavormina	Standing auditor
Giovanni Maria Conti	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANIES OF THE RENO DE MEDICI GROUP AT 30 SEPTEMBER 2007

The following figure excludes companies of the Reno De Medici Group (the "RDM Group" or the "Group") that have been 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 year 2007 represents a turning point for the RDM Group; following the completion of the industrial and 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 world importance[2].

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 has been offset by sales price increases charged to both our domestic and international customers, but did not still permit a margins recovery that is coming to reality from 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 representative 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.

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

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:

Consolidated profit and loss account	30 September 2007	30 September 2006
Euro/000		
Revenues from sales	**259.480**	**232.269**
EBITDA before unsual 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.

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 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..

The following tables set out the profit and loss account on a geographical basis for the nine months ended 30 September 2007, down to gross operating profit, with the respective comparative figures.

Profit and loss account 30.09.2007	Italy	Spain	Eliminations	Consolidated
Euro/000				
Revenues from sales	240.750	34.612	(15.882)	259.480
Other revenues	972	113	-	1.085
Changes in stocks of finished goods	(2.132)	307	-	(1.825)
Cost of raw materials and services	(182.052)	(29.362)	15.882	(195.532)
Staff costs	(34.847)	(3.883)	-	(38.730)
Other operating costs	(2.266)	(253)	-	(2.519)
Income (expense) from non-current assets held for sale	-	-	-	-
Unusual income (expense)	(588)	-	-	(588)
Gross Operating Profit (EBITDA)	**19.837**	**1.534**	**-**	**21.371**

Profit and loss account 30.09.2006	Italy	Spain	Eliminations	Consolidated
Euro/000				
Revenues from sales	216.919	25.273	(9.923)	232.269
Other revenues	1.902	(17)	3	1.888
Changes in stocks of finished goods	9.350	(571)	-	8.779
Cost of raw materials and services	(170.840)	(19.900)	10.053	(180.687)
Staff costs	(34.552)	(3.736)	-	(38.288)
Other operating costs	(1.953)	(46)	-	(1.999)
Income (expense) from non-current assets held for sale	(358)	-	-	(358)
Unusual income (expense)	170	116	(133)	153
Gross Operating Profit (EBITDA)	**20.638**	**1.119**	**-**	**21.757**

The following tables provide an analysis of economic data by geographical area for the third quarters of 2007 and 2006.

Profit and loss account 3rd quarter 2007	Italy	Spain	Eliminations	Consolidated
Euro/000				
Revenues from sales	72.446	10.564	(4.611)	78.399
Other revenues	311	(44)	-	267
Changes in stocks of finished goods	4.150	160	-	4.310
Cost of raw materials and services	(59.286)	(8.867)	4.611	(63.542)
Staff costs	(11.434)	(1.379)	-	(12.813)
Other operating costs	(766)	(87)	-	(853)
Income (expense) from non-current assets held for sale	-	-	-	-
Unusual income (expense)	(345)	-	-	(345)
Gross Operating Profit (EBITDA)	**5.076**	**347**	**-**	**5.423**

Profit and loss account 3rd quarter 2006	Italy	Spain	Eliminations	Consolidated
Euro/000				
Revenues from sales	64.194	8.008	(3.206)	68.996
Other revenues	766	(17)	27	776
Changes in stocks of finished goods	3.741	21	-	3.762
Cost of raw materials and services	(53.074)	(6.260)	3.309	(56.025)
Staff costs	(10.793)	(1.075)	-	(11.868)
Other operating costs	(552)	(17)	-	(569)
Income (expense) from non-current assets held for sale	13	-	-	13
Unusual income (expense)	(1)	60 -	130	(71)
Gross Operating Profit (EBITDA)	**4.294**	**720**	**-**	**5.014**

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

Geographic areas	30.09.2007	%	30.09.2006	%
Euro/000				
Italy	134.697	51,9%	128.353	55,3%
European Union	100.442	38,6%	80.966	34,9%
Outside the European Union	24.342	9,4%	22.950	9,9%
Total sales revenues	**259.480**	**100%**	**232.269**	**100%**

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 yet 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. This work 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 OF THE GROUP AT 30.09.2007

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

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)**

COMMENTARY

The quarterly report of the RDM Group at 30 September 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 30 September 2007 and the consolidated profit and loss account for the period then ended are presented in a format that is consistent with that used in the consolidated financial statements at 31 December 2006.

There have been no changes in the consolidation scope since 31 December 2006.

The net results included in the comparative figures differ from those reported in the quarterly report at 30 September 2006 as the consequence of the valuation at equity method of investments in associates in the half-year report at that date to bring them to the value of their net equities.

Non-current assets (plant and machinery) relating to the Prat and Pompeii facilities and the MC1 line at the Magenta facility are presented separately in the balance sheet in the line item “Non-current assets held for sale”. The item “Discontinued operations” consists of the economic contribution arising from the dismantling of the Pompeii plant and certain costs connected with the sale of the investment in Aticarta S.p.A..

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 IFRSs issued by the International Accounting Standards Board and adopted by the European Union. IFRSs also include all the previous International Accounting Standards revised by the Board (referred to as “IASs”) 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 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 measuring the result contributed by discontinued operations, in making provisions for the collection risk for receivables and inventory obsolescence, in the calculation of 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 RDM Group has revised the useful lives of plant and machinery used in determining depreciation from the beginning of 2007 so as to reflect more accurately the expected useful lives of the assets employed in the production process. The effect of this change in estimate (being a lower depreciation charge of 1.8 million euros in the first nine months of the year) has been recognised in the results for the first half year. This new criterion had not yet been applied in the preparation of the quarterly report at 31 March 2007 and as a consequence the sum of the results for the first and second quarters differs from the result for the full six month period.

Changes to the regulations governing the Italian employees' leaving entitlement (the "TFR") were introduced from 1 January 2007 by the Finance Act and implementing decrees, including a measure by which an employee may elect where his accruing benefit is to be invested.
The RDM Group has updated the actuarial calculation of its obligation at 30 June 2007 on the basis of the elections made by its employees. The difference between the original and revised calculations has been treated as a curtailment as the term is defined in paragraph 109 of IAS 19 and as a consequence has been recognised in the profit and loss account for 2007 (inclusive of any previous actuarial gains and losses not recognised for the effect of using the corridor method).
The accrued Italian employees' leaving entitlement at 30 September 2007 (the TFR) is based on an updated actuarial calculation made as of 30 June 2007 using unchanged assumptions.

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

Workforce

The RDM Group had 1,189 employees at 30 September 2007 compared to 1,198 employees at 31 December 2006.

Statement of the Manager in charge of the preparation of the company's accounting records in accordance with the provisions of article 154 bis, paragraph 2, of Italian Legislative Decree no. 158/1998 (the Consolidated Finance Act - TUF)

The undersigned Maurizio Fusetti in his capacity as the manager in charge of the preparation of the company's accounting records declares in accordance with the provisions of the second paragraph of article 154 bis of the "Consolidated Finance Act" regarding matters concerning financial intermediation that, to the best of his knowledge and belief, the Quarterly Report of Reno De Medici S.p.A. at 30 September 2007 corresponds to the underlying documents, books and accounting entries.

Pontenuovo di Magenta, 13 November 2007

Maurizio Fusetti
Manager in charge