Quarterly report

Fourth 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

CONTENTS[1]

[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
Ignazio Capuano	Managing Director
Riccardo Ciardullo	Director
Giancarlo De Min	Director
Vincenzo Nicastro	Director
Emanuele Rossini	Director
Francesco Zofrea	Director

Board of Statutory Auditors

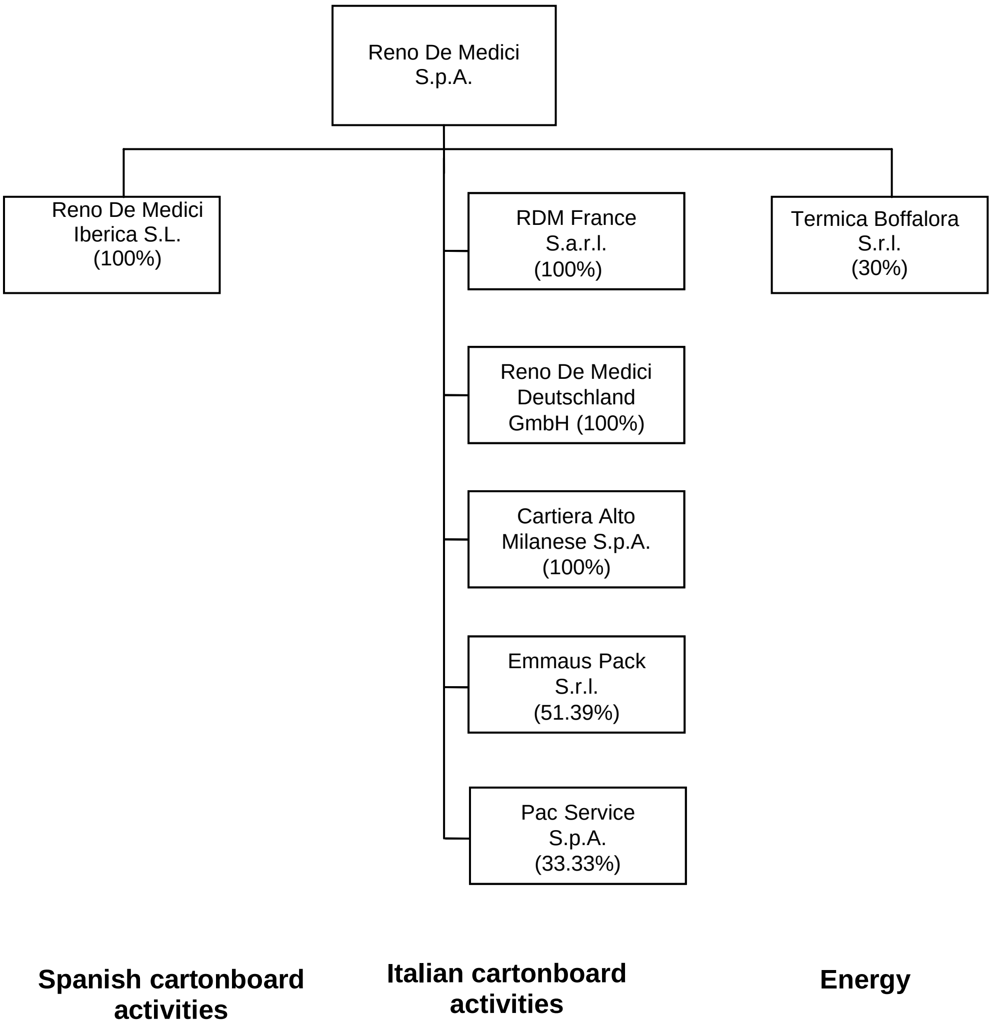
Sergio Pivato	Chairman
Marcello Priori	Standing auditor
Carlo Tavormina	Standing auditor
Giovanni Maria Conti	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

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

The following figure does not include both not operating companies and those put into liquidation of the Reno De Medici Group (the “RDM Group” or the “Group”).



COMMENTS OF THE DIRECTORS ON OPERATIONS

The Group's combination with the recycled cartonboard production sector of the Cascades Europe Group is the major feature distinguishing 2007. 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 RDM 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 Gestiò 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)**
Taxation	*807*	*(3,168)*
Result of operating activities after taxation (***)	**3,234**	**(9,900)**
Discontinued operations	*(2,149)*	*(8,943)*
Result for the period	**1,085**	**(18,843)**

(*) See the consolidated financial statements of the RDM Group, “EBTIDA" - "no recurrent 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 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 year 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 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, down to gross operating profit, on a geographical basis for the years ended 31 December 2007 and 2006.

Profit and loss account 31.12.2007	Italy	Spain	Eliminations	Consolidated
Euro/000				
Revenues from sales	317,801	45,414	(20,741)	342,474
Other revenues	2,752	734	-	3,486
Changes in stocks of finished goods	3,345	842	-	4,187
Cost of raw materials and services	(246,629)	(39,142)	20,741	(265,029)
Staff costs	(47,213)	(5,245)	-	(52,458)
Other operating costs	(2,989)	(337)	-	(3,326)
Income (expense) from non-current assets held for sale	-	-	-	-
No reccurent income (expense)	(2,253)	2,000	-	(253)
Gross Operating Profit (EBITDA)	**24,814**	**4,266**	**-**	**29,081**

Profit and loss account 31.12.2006	Italy	Spain	Eliminations	Consolidated
Euro/000				
Revenues from sales	292,061	38,192	(16,364)	313,889
Other revenues	3,690	505	(155)	4,040
Changes in stocks of finished goods	5,696	85	-	5,781
Cost of raw materials and services	(224,860)	(31,501)	16,519	(239,842)
Staff costs	(46,605)	(4,939)	-	(51,544)
Other operating costs	(3,090)	(125)	-	(3,215)
Income (expense) from non-current assets held for sale	(363)	-	-	(363)
No reccurent income (expense)	270	-	-	270
Gross Operating Profit (EBITDA)	**26,799**	**2,217**	**-**	**29,016**

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

Profit and loss account 4th quarter 2007	Italy	Spain	Eliminations	Consolidated
Euro/000				
Revenues from sales	77,051	10,802	(4,859)	82,994
Other revenues	1,780	621	-	2,401
Changes in stocks of finished goods	5,477	535	-	6,012
Cost of raw materials and services	(64,576)	(9,780)	4,859	(69,497)
Staff costs	(12,366)	(1,362)	-	(13,728)
Other operating costs	(723)	(84)	-	(807)
Income (expense) from non-current assets held for sale	-	-	-	-
No reccurent income (expense)	(1,665)	2,000	-	335
Gross Operating Profit (EBITDA)	**4,978**	**2,732**	**-**	**7,710**

Profit and loss account 4th quarter 2006	Italy	Spain	Eliminations	Consolidated
Euro/000				
Revenues from sales	75,142	12,919	(6,441)	81,620
Other revenues	1,788	522	(158)	2,152
Changes in stocks of finished goods	(3,654)	656	-	(2,998)
Cost of raw materials and services	(54,020)	(11,601)	6,466	(59,155)
Staff costs	(12,053)	(1,203)	-	(13,256)
Other operating costs	(1,137)	(79)	-	(1,216)
Income (expense) from non-current assets held for sale	(5)	-	-	(5)
No reccurent income (expense)	100	(116)	133	117
Gross Operating Profit (EBITDA)	**6,161**	**1,098**	**-**	**7,259**

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

Revenues by geographical areas	31.12.2007	%	31.12.2006	%
Euro/000				
Italy	175.494	51,2%	170.110	54,2%
European Union	133.103	38,9%	111.528	35,5%
Extra European Union	33.877	9,9%	32.251	10,3%
Total sales revenues	**342.474**	**100%**	**313.889**	**100%**

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 STATEMENTS OF RDM GROUP AT 31 DECEMBER 2007

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 reccurent 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**
	Financial expense	*(9,733)*	*(11,547)*
	Exchange differences	*(247)*	*(187)*
	Financial income	*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

Consolidated profit and loss account	4th quarter 2007	4th 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 reccurent 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**
Financial expense	*(2.503)*	*(2.687)*
Exchange differences	*11*	*(48)*
Financial income	*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)**

NOTES

The quarterly report of the RDM Group at 31 December 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 December 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.

Non-current assets (plant and machinery), which relate almost exclusively to the MC1 line at the Magenta facility, are presented separately in the balance sheet in the line "Non-current assets held for sale". "Discontinued operations" include the economic contribution arising from the dismantling of the Pompeii plant and from the write-down of the MC1 at Magenta 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 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 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 2.5 million euros in the year) has been recognised in the results for the year ended.

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 31 December 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 31 December 2007 (the TFR) is based on an updated actuarial using unchanged assumptions.

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

Workforce

The RDM Group had 1,090 employees at 31 December 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. 58/1998 (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 31 December 2007 corresponds to the underlying documents, books and accounting entries.

Pontenuovo di Magenta, 13 February 2008

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Maurizio Fusetti

Manager in charge