Reno De Medici

RDM GROUP

Annual report and financial statements at 31 December 2007

Reno De Medici

RdM GROUP

ANNUAL REPORT AND FINANCIAL STATEMENTS AT 31 DECEMBER 2007

79th FISCAL YEAR
RENO DE MEDICI

RENO DE MEDICI

Report of the Board of Directors
and Financial Statements
for the 79th fiscal year
ended 31 December 2007 (*)

Ordinary shareholders' meeting
of 29 April (13 May) 2008

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 Euro 185,122,487.06

Fiscal code and VAT no. 00883670150

(*) This document is an English translation from Italian. The Italian original shall prevail in case of difference in interpretation and/or factual errors.

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NOTICE OF SHAREHOLDERS' MEETING

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REPORT OF THE BOARD OF DIRECTORS

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Notice is hereby given that an ordinary shareholders' meeting will be held in Pontenuovo di Magenta (MI) on 29 April , in first call and in second call if necessary on 13 May at the Borsa Italiana in Milan to discuss and resolve on the following

AGENDA

1. **Financial statements at 31 December 2007; Report of the Board of Directors; Reports of the Board of Statutory Auditors and Independent Auditors; resolutions thereon. Presentation of the consolidated financial statements at 31 December 2007; Reports of the Board of Directors and Independent Auditors.**

COMPANY 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.

(*) Managing Director from 17 January 2008

PRINCIPAL ECONOMIC AND FINANCIAL DATA OF THE GROUP AND OF RENO DE MEDICI S.P.A.

The principal figures of the consolidated profit and loss account and balance sheet of the Reno De Medici Group ("RDM" or "Group") at 31 December 2007 and for the year then ended, with comparative data for the prior year, are set out in the following.

RDM Group

(Millions of Euros)	**2007**	**2006 (*)**
ECONOMIC DATA (1)		
Net revenues	342	314
Gross operating profit (EBITDA)	30	30
Depreciation and amortisation	(19)	(23)
Operating result (EBIT)	11	6
Income (losses) from investments	1	(2)
Result before discontinued operations	3	(10)
Discontinued operations	(2)	(9)
Net result	1	(18)
Net result pertaining to the Group	1	(18)
BALANCE SHEET DATA		
– *Non-current assets* (2)	*197*	*197*
– *Non-current assets held for sale*	*6*	*11*
– *Non-current liabilities, employees' leaving entitlement and provision funds* (3)	*(28)*	*(65)*
– *Current assets (liabilities)* (4)	*(15)*	*(6)*
– *Working capital* (5)	*69*	*104*
Net capital invested (NCI) (6)	229	241
Net financial indebtedness (7)	114	127
Shareholders'equity	115	114
RATIO		
EBITDA/Net revenues	8.7%	9.5%
EBIT/NCI	4.8%	2.5%
Debt ratio	49.8%	52.7%

(*) Comparative figures for 2006 have been restated to take into account the new accounting treatment of actuarial gains and losses in the calculation of the employees' leaving entitlement.

(1) See RDM Group consolidated financial statements.
(2) See RDM Group consolidated financial statements – total of "Non-current assets" excluding the detail items "Derivative instruments" and "Trade receivables"
(3) See RDM Group consolidated financial statements – total of the following detail items of "Non-current liabilities": "Other payables", "Deferred tax liabilities", "Employees' leaving entitlement" and "Non-current provisions for contingencies and charges".
(4) See RDM Group consolidated financial statements – total of the detail items "Other receivables" and "Available-for-sale financial assets", classified in "Current assets", excluding the detail items: "Other payables" and "Current taxation", classified in "Current liabilities". Amounts of Euro 0.2 million and Euro 1.9 million must be taken out of the detail item "Other Receivables" in 2007 and 2006 respectively as they relate to financial receivables classified in the Net Financial Position. Amounts of Euro 0.7 million must be taken out of "Other Liabilities" as they relate to financial liabilities classified in the Net Financial Position.
(5) See RDM Group consolidated financial statements – total of the detail items "Stocks" and "Trade receivables" classified in "Current assets" and the detail item "Trade receivables" classified in "Non-current assets", excluding the detail item "Trade payables", classified in "Current liabilities".
(6) Total of the items above.
(7) See RDM Group consolidated financial statements – total of the detail items "Derivative financial instruments", classified in "Non-current assets" and in "Current assets", "Liquid funds", classified in "Current assets", excluding the following detail items "Bank loans and other financial liabilities" and "Derivative financial instruments", classified in "Non-current liabilities" and "Bank loans and other financial liabilities" and "Derivative financial instruments", classified in "Current liabilities" with the reclassifications described in note 4 above.

The key profit and loss and balance sheet items of the Parent Company compared with 2006, are as follows:

RDM

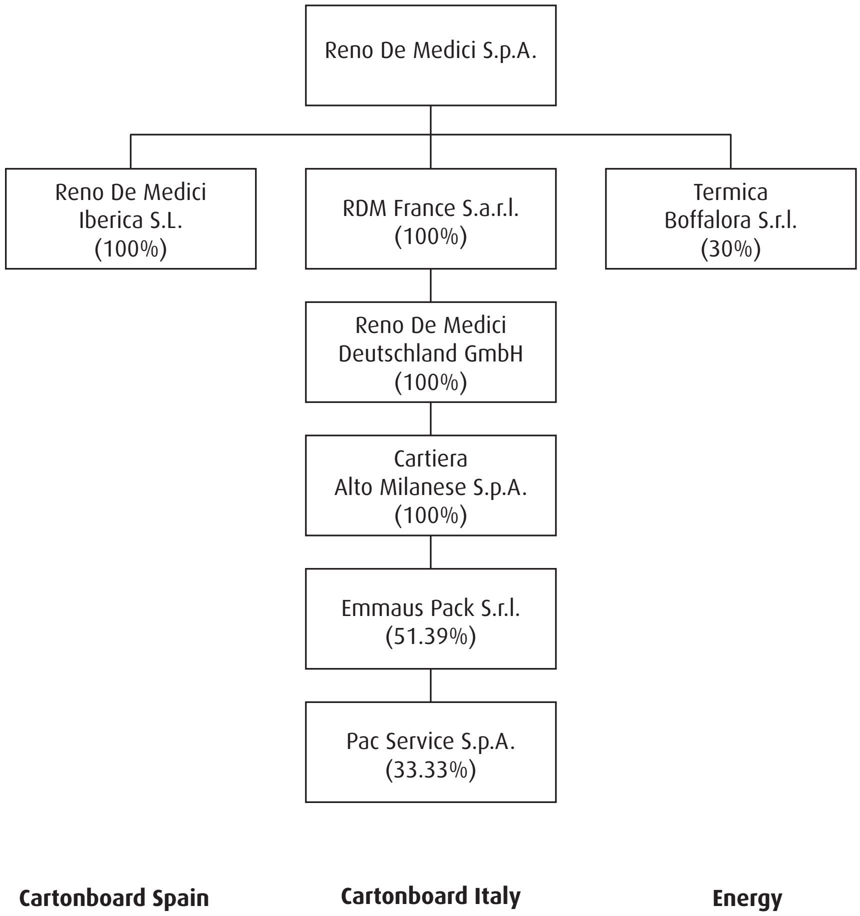
(Millions of Euros)	**2007**	**2006 (*)**
ECONOMIC DATA (8)		
Net revenues	312	286
Gross operating profit (EBITDA)	23	25
Depreciation and amortisation	(21)	(24)
Operating result (EBIT)	2	0
Result before discontinued operations	2	(9)
Discontinued operations	(2)	(5)
Net result	0	(14)
BALANCE SHEET DATA		
– *Non-current assets* (9)	*256*	*253*
– *Non-current assets held for sale*	*6*	*10*
– *Non-current liabilities, employees' leaving entitlement and provision funds* (10)	*(30)*	*(34)*
– *Current assets (liabilities)* (11)	*(9)*	*(6)*
– *Working capital* (12)	*49*	*59*
Net capital invested (NCI) (13)	272	282
Net financial indebtedness (14)	156	166
Shareholders'equity (*)	116	116
RATIO		
EBITDA/Net revenues	7.4%	8.7%
EBIT/NCI	0.7%	0.0%
Debt ratio	57.3%	58.9%

(*) Comparative figures for 2006 have been restated to take into account the new accounting treatment of actuarial gains and losses in the calculation of the employees' leaving entitlement.

(8) See RDM financial statements.
(9) See RDM financial statements – total of "Non-current assets" excluding the detail items "Derivative financial instruments" and "Trade receivables".
(10) See RDM financial statements – total of the following detail items of "Non-current liabilities": "Other payables", "Deferred tax liabilities", "Employees' leaving entitlement" and "Non-current provisions for contingencies and charges".
(11) See RDM financial statements – total of the following detail items of "Other receivables" classified in "Current assets", excluding the detail item "Other payables" classified in "Current liabilities". An amount of Euro 0.2 million relating to financial receivables reclassified to the Net Financial Position has been taken out of "Other receivables" in 2007. Amounts of Euro 0.7 million must be taken out of "Other Liabilities" classified in the Net Financial Position as they relate to financial liabilities.
(12) See RDM financial statements – total of the detail items "Stocks", "Trade receivables from third parties", "Receivables from subsidiary companies" and "Receivables from associates" classified in "Current assets" and the detail item "Trade receivables" classified in "Non-current assets", excluding the detail item "Trade payables to third parties", "Due to subsidiary companies" and "Due to associates", classified as "Current liabilities". The following has ben carried out for 2007: an amount of Euro 3.0 million has been taken out of "Receivables from subsidiary companies" and reclassified in the Net Financial Position; an amount of Euro 8.0 million has been taken out of "Due to subsidiary companies" and reclassified in the Net Financial Position. The following reclassifications have been made for 2006: an amount of Euro 4 million has been taken out of "Receivables from subsidiary companies" and reclassified in the Net Financial Position, an amount of Euro 2 million has been taken out of " Due to associates" reclassified in the Net Financial Position.
(13) Total of the items above.
(14) See RDM financial statements – total of the detail items "Derivative financial instruments", classified as "Non-current assets" and "Current assets", "Liquid funds", classified as "Current assets", excluding the following detail items: "Bank loans and other financial liabilities", "Derivative financial instruments" and "Due to subsidiary companies", classified as "Non-current liabilities", and "Bank loans and other financial liabilities" and "Derivative financial instruments", classified as "Current liabilities" with the reclassifications described in notes 11 and 12 above.

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

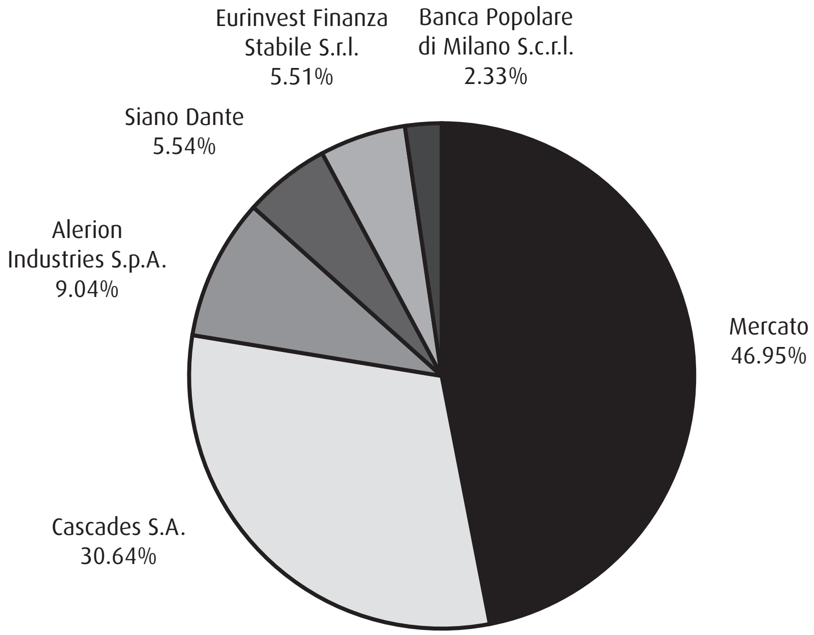
The following table excludes Group non-operating companies and companies in liquidation.



SHAREHOLDERS

The shareholders of Reno De Medici S.p.A. at 26 March 2008 were as follows:

Ordinary shares	no.	377,355,435
Convertible saving shares	no.	445,559
Total shares	**no.**	**377,800,994**



INTRODUCTION

The year 2007 was one of transition for the RDM Group, witnessing the completion of the industrial and financial restructuring process that began in the second half of 2003 and the beginning of a process of growth in external lines, which culminated in the merger of the company with the European sector of the recycled cartonboard production operations of the Cascades Group on 1 March 2008.
The parent Cascades Inc. is a Canadian company listed on the Toronto Stock Exchange, operating in the packaging sector with more than 100 manufacturing plants and 14,000 employees located throughout North America and Europe.

The feasibility study for the aggregation transaction was begun in the first part of 2007 and was completed with the signing of a letter of intent on the 19th of June, while in the remaining portion of the financial year the activities aimed at finalizing of the preliminary due diligence reviews necessary for the signing of the Combination Agreement with the Cascades Group. The operation was then carried out by merging Cascades Italia S.r.l. into Reno De Medici S.p.A., with the assignment of 115,600,000 shares (of which 108,086,557 newly issued) to the Cascades Group at the same time. After receiving approvals from the Italian and German Antitrust authorities at the beginning of February, the merger agreement moved forward and was signed, with an effective date of 1 March 2008.

The merged company holds three investments (Cascades Blendecques S.a.s., Cascades Arnsberg Gmbh and Cascades Cartonboard UK Ltd), which respectively own manufacturing plants in France and in Germany and a cutting and distribution centre in the United Kingdom. This integration, also in consideration of the fact that the agreements provide for the conferment of the three companies without recourse to financial indebtedness, will permit the future RDM Group to be able to face the European market with a financial and asset strength such that it may be considered to be a market player of primary importance.

MAJOR OPERATIONS OF THE RENO DE MEDICI GROUP IN 2007

The main transactions occurring in the 2007 financial year were primarily connected with the aggregation process with the Cascades Group, an overview of which can be given as follows:

- on 19 June 2007 the letter of intent with Cascades Inc. relating to a possible merger of RDM with the Cascades Group recycled cardboard production activities, bring out from the Cascades Group into a new italian company (Cascades Italia S.r.l.);
- on 13 September 2007, the Combination Agreement was signed and the board of directors approved the merger plan with Cascades Italia S.r.l.;
- on 29 October 2007, the company's extraordinary shareholders' meeting approved the merger project;
- in the month of November 2007, the dismantling and sell-off of the Pompeii installations were completed;
- in December 2007, the advanced termination of the real estate transfer contracts for the Prat (Spain) real estate area (originally signed in 2003 between Espais Gestiò Integral de Projectes S.L. and the subsidiary, RDM Iberica S.L., and of the preliminary sales agreement signed, in 2005, between the latter and Red.Im S.r.l., as part of the activities connected to the Realty Vailog S.p.A. de-merger) was carried out. The termination of said contracts generated a capital gain of Euro 2 million, accounted for among the non-recurring proceeds, as described further in the notes to be consolidated financial statements;
- in the month of December 2007, the work relating to the dismantling and sell-off of the continuous machinery number 5 from Prat (Spain) was completed and the entire area was handed back;
- on the last day (closing date) of the financial year, the long-term labor mobility process was finalized, as it was approved by the Ministry of Labor and Social Security on 2 May 2007. The total number of employees involved were 39.

STATE OF THE MARKET

The year 2007 was to a large part characterised by a pick-up in the demand for cartonboard, which led to an increase in orders and a considerable rise in sales prices. In the same period, though, the prices of fibrous raw materials suffered extreme pressure as the result of the massive siphoning of certain types of waste by the Asian markets, causing prices to climb by 19.2%. There was also an increase in prices on the energy front this year, partially mitigated by the revaluation of the euro.

At an European manufacturing level the sales of cardboard for packaging based on recycled cartonboard rose slightly during 2007 over 2006 (up 1.9%). More specifically, sales on the European market grew by 4.3%, while sales on overseas markets fell by 16.7%.

In terms of the Italian market the calculations and estimates made by Assocarta on the basis of ISTAT figures indicate an apparent consumption of cartonboard for boxes (being production plus imports minus exports), measured between January and December 2007, of 709 thousand tonnes compared to 751 thousand tonnes in 2006, a drop of 42 thousand tonnes or approximately 5.6%. There was an increase of 31 thousand tonnes, or 5.1%, in volumes produced during the same period, which rose from 619 thousand tonnes in 2006 to 650 thousand tonnes in 2007. This rise in production was balanced by higher exports of 44 thousand tonnes (up 10.5%) and lower imports of 29 thousand tonnes (down 5.2%).

Signals arriving from the market during the first few months of 2008 indicate a series of uncertainties over the future trend in the demand for consumer goods, making it difficult to formulate a possible scenario for the whole of the year.

On the costs side there has been evident pressure on energy prices in 2008, with the Brent oil price exceeding 110 dollars a barrel and greater stability in the supply of fibrous raw materials, in terms of both availability and prices.

ECONOMIC AND FINANCIAL PERFORMANCE OF THE RENO DE MEDICI GROUP

The result of the RDM Group, the principal items of the balance sheet and the composition of the Group's net financial position are set in the following.

Economic Results

(Thousands of Euros)	**2007**	**%**	**2006 (*)**	**%**
Net revenues	342,474	100	313,889	100
Operating costs ([15])	(319,831)		(293,970)	
Other operating income (expenses) ([16])	6,973		9,728	
Gross Operating Profit (EBITDA)	**29,616**	**8.6**	**29,647**	**9.4**
Depreciation	(19,097)		(23,381)	
Operating Profit (Loss) (EBIT)	**10,519**	**3.0**	**6,266**	**2.0**
Net financial income (expenses)	(8,874)		(10,658)	
Income (losses) from investments	1,269		(1,990)	
Other income (expenses)	–		281	
Taxation	267		(3,168)	
Profit (loss) for the period before discontinued operations	**3,181**	**0.9**	**(9,269)**	**(3.0)**
Discontinued operations	(2,343)		(8,943)	
Profit (loss) for the period	**838**	**0.2**	**(18,212)**	**(5.8)**
Profit (loss) for the period attributable to the Group	**576**	**0.2**	**(18,467)**	**(5.9)**

(*) Comparative figures for 2006 have been restated to take into account the new accounting treatment of actuarial gains and losses in the calculation of the employees' entitlement.

RDM Group earned net revenues ([17]) of approximately Euro 342 million, compared with the Euro 314 million earned in 2006. This increase is attributable to the joint effect of an increase in the volume of sales and an increase in average sales prices.

Volumes shipped in 2007 totaled approximately 664 thousand tons, with an increase of approximately 2.9% compared to 2006. Volumes produced by the Group's plants amounted to about 670 thousand tons, compared to about 651 thousand tons from the preceding year (an increase of 2.9%).

On the price side, a decisive increase in average per unit sales prices was noted and which, based on the mix of volumes shipped, showed an increase of approximately 6% compared to 2006. The price dynamics over the course of 2007 showed a continuous recovery compared to the average prices registered in 2006, a year in which a progressive recovery compared to the previous year had already occurred.

(15) See RDM Group consolidated financial statements. The balance is the total of the following profit and loss account items: "Cost of raw materials and services", "Staff costs" and "Other operating costs".
(16) See RDM Group consolidated financial statements. The balance is the total of the following profit and loss account items: "Other income", "Changes in stocks of finished goods", "Income (expense) from non-current assets held for sale" and "Non-recurring income (expense)".
(17) This data does not include shipped volumes from production units whose economic contribution was reclassified under the line item "Discontinued operations".

The following table provides an analysis of net revenues by geographical area and as can be seen growth was experienced everywhere. More specifically there was a rise of 19.3% in the countries of the European Union, an increase of 3.2% in Italy and of 5% in the non-European Union countries, which are characterised by lower margins:

(Thousands of Euros)	**2007**	**%**	**2006**	**%**
Area				
Italy	175,494	51.2	170,110	54.2
EU	133,103	38.9	111,528	35.5
Extra EU	33,877	9.9	32,251	10.3
Net revenues	**342,474**	**100.0**	**313,889**	**100.0**

The increase in operating costs which was noted in the 2007 financial year is in large part attributable to increases registered in raw material mixture purchase costs (mainly for fibers) which caused, for the year considered, an increase in costs of about Euro 14.1 million, and for increased energy costs, for Euro 4.1 million.

Increases in efficiency realized by the production units and actions taken to contain variable costs only compensated for a minimal part of the negative development of costs.

Taking into account changes in the stocks of finished goods, which are included in “Other operating income (expenses)”, there was a slight increase in operating costs as a percentage of the value of production in 2007 compared to the corresponding figure for 2006. Non-recurring costs of Euro 2.7 million are included in “Other operating income (expenses)”, of which Euro 1.7 million relates to the long-term *mobilità* lay-off procedure concluded at the end of the year and Euro 1.0 million to the contractual penalty for terminating the steam supply agreement relating to the Magenta facility.

Gross Operating Margin (EBITDA), as a result of the dynamics highlighted above, reached Euro 30 million, in line with results obtained in the previous financial year.

Over the course of the 2007 financial year, the RDM Group undertook a revision of the useful life of its installations and machinery in order to more accurately reflect the useful life expected from its depreciable assets used 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.

Net Operating Margin (EBIT) registered a noticeable increase, growing from Euro 6.2 million in 2006 to Euro 10.5 million in 2007.

(Thousands of Euros)	**2007**	**2006**
Trade receivables gross	(8,874)	(10,658)
Provision for bad and doubtful debts	1,269	(1,990)
Total	**(7,605)**	**(12,648)**

Net financial charges, amounting to Euro 8.9 million (from Euro 10.7 million as at 31 December 2006) registered a net contraction following the improvement in the net financial position, as compared to the corresponding period from the prior financial year, even with the fact of an average increase in Euribor rate over the course of 2007 of greater than 1%. The impact of such increase was lessened by the presence of Interest Rate Swap contracts, which were entered into in 2006, and by fixed rate financing contracts. These hedges of floating rate loans together with the fixed rate loans lead fixed rate debt to amount to approximately 60% of the total.

The increase in income from investments is mainly attributable to the fact that the investment in the associate Termica Boffalora S.r.l. was written down in 2006 by Euro 2.4 million.

Taxes showed proceeds of Euro 0.3 million, made up of current taxes accounted for in the 2007 financial year, of Euro 2.1 million (compared to Euro 2.3 million in 2006) and of deferred taxes, which amounted to a positive Euro 2.4 million (these were negative Euro 0.8 million in 2006). This tax effect is primarily attributable to compliance with the deferred tax system relating to the new IRES (corporate income tax) and IRAP (regional business tax) tax rates introduced under Law No. 244 of 24 December 2007 (Financial Law 2008) and the recognition by the consolidated company RDM Iberica S.L. of deferred tax assets.

(Thousands of Euros)	**2007**	**2006**
Results for the period	(2,343)	(8,943)
Discontinued Operations	**(2,343)**	**(8,943)**

Results for discontinued operations was a negative Euro 2.3 million and included principally costs relating to the decommissioning of installations at the Pompeii plant and the depreciation of Board Machine MC1 in Magenta (for Euro 0.6 million).

The net result at the end of 2007 was positive, amounting to Euro 0.8 million, as compared to the loss of Euro 18.2 million registered at the end of 2006. Profits assignable to the Group totaled Euro 0.6 million, against a loss of Euro 18.5 million in 2006.

Balance sheet

The following table sets out the principal balance sheet items.

(Thousands of Euros)	**31.12.2007**	**31.12.2006 (*)**
Trade receivables	102,462	100,834
Stocks	64,624	89,775
Trade payables	(97,718)	(86,560)
Working capital	**69,368**	**104,049**
Other current assets ([18])	4,549	7,261
Other current liabilities ([19])	(19,052)	(13,400)
Non-current assets ([20])	196,854	197,205
Non-current assets held for sale	5,583	11,392
Non-current liabilities ([21])	(6,938)	(40,458)
Invested capital	**250,364**	**266,049**
Employees' leaving entitlement and provision funds ([22])	(20,954)	(24,871)
Net invested capital	**229,410**	**241,178**
Net financial position ([23])	114,094	127,085
Shareholders' equity	115,316	114,093
Total sources	**229,410**	**241,178**

(*) Comparative figures for 2006 have been restated to take into account treatment of actuarial gains and losses in the calculation of the employees' leaving entitlement.

The above figures show that there has been a significant drop in working capital. This was due mainly to the early termination of the agreements originally signed in 2003 by Espais Gestiò Integral de Projectes S.L. and the subsidiary RDM Iberica S.L. for the sale of the Prat property areas, accounted for in stocks at a carrying amount of Euro 30 million, and subsequently signed in 2005 by RDM Iberica S.L. and Red.Im S.r.l. as part of the activities preliminary to the demerger of Realty Vailog S.p.A..

The decrease in current assets is mostly due to the receipt of Euro 3 million due for the sale of Board Machine 3 at the Prat facility, classified as other current assets in 2006.

The increase in current liabilities is principally caused by an increase in the VAT payable as the result of the termination of the above-mentioned agreements.

(18) See RDM Group consolidated financial statements – total of the following detail items: "Other receivables" and "Available-for-sale financial assets", classified as "Current assets", excluding amounts of Euro 153 thousand for 2007 and Euro 1,853 thousand for 2006 as these relate to financial receivables classified in the Net Financial Position.
(19) See RDM Group consolidated financial statements – total of the following detail items: "Other payables" and "Current taxation", classified as "Current liabilities", for 2007 an amount of Euro 698 thousand must be taken out of the detail item "Other payables" as this relates to financial payables classified in the Net Financial Position.
(20) See RDM Group consolidated financial statements – total of "Non-current assets" excluding the detail items "Derivative financial instruments" and "Trade receivables".
(21) See RDM Group consolidated financial statements – total of the detail items of "Non-current liabilities": "Other payables" and "Deferred tax liabilities".
(22) See RDM Group consolidated financial statements – total of the detail items of "Non-current liabilities": "Employees' leaving entitlement" and "Provisions for contingencies and charges".
(23) See RDM Group consolidated financial statements – total of the detail items: "Derivative financial instruments", classified as "Non-current assets" and "Current assets", "Liquid funds", classified as "Current assets", excluding the following detail items "Bank loans and other financial liabilities" and "Derivative financial instruments", classified as "Non-current liabilities", and "Bank loans and other financial liabilities" and "Derivative financial instruments", classified as "Current liabilities" with the reclassifications described in notes 19 and 21.

The decrease in non-current assets held for sale is mainly due to the sale of Board Machine 5 at the Prat facility and the disposal of the board machine and stocks at the Pompeii facility. This item also includes the write-down by Euro 0.6 million of Board Machine 1 at the Magenta facility to align its carrying amount to its estimated realisable value.

The decrease in non-current liabilities mostly relates to the repayment of the cash advance of Euro 32 million made by Red.Im S.r.l. to RDM Iberica S.L. as part of the preliminary agreement for the sale of building land at Prat (Barcelona), as the result of the early termination of that agreement as discussed above.

Net invested capital at 31 December 2007 was funded as to 49.7% by interest-bearing debt and 50.3% by shareholders' equity (31 December 2006: 52.7% and 47.3% respectively).

Net financial position

Net consolidated financial debt at 31 December 2007 amounted to Euro 114.1 million, representing an improvement over the figure of Euro 127.1 million at 31 December 2006.

The following table provides a summary of the changes in the Group's net financial position between each of the two year ends:

(Thousands of Euros)	**31.12.2007**	**31.12.2006**	**Variation**
Cash and cash equivalents and short-term financial receivables ([24])	8,401	11,389	(2,988)
Short-term financial payables ([25])	(53,242)	(57,481)	4,239
Valuation of current portion of derivatives ([26])	331	(273)	604
Short-term financial position	**(44,510)**	**(46,365)**	**1,855**
Long-term financial payables	(70,002)	(80,789)	10,787
Valuation of non-current portion of derivatives ([27])	418	69	349
Net financial position	**(114,094)**	**(127,085)**	**12,991**

In particular, as at 31 December 2007, gross financial indebtedness, calculated under the amortized cost principle, was Euro 123.2 million (compared to Euro 138.3 million for December 2006) and includes non-current shares of medium to long-term financings of Euro 70 million, current portion of medium to long-term loans of Euro 11.1 million and bank credit facilities of 42.1 million euros, consisting mostly of advances on invoices issued to customers.

(24) See RDM Group consolidated financial statements – total of "Liquid funds" and other financial receivables classified as "Other receivables", for amounts of Euro 0.2 thousand in 2007 and Euro 1.9 thousand in 2006.
(25) See RDM Group consolidated financial statements – item "Bank loans and other financial liabilities" classified as "Current liabilities", with the reclassification described in note 19.
(26) See RDM Group consolidated financial statements – detail item "Derivative financial instruments", classified as "Current assets" excluding the detail item "Derivative financial instruments", classified as "Current liabilities".
(27) See RDM Group consolidated financial statements – detail item "Derivative financial instruments" classified as "Non-current assets" excluding the detail item "Derivative financial instruments" classified as "Non-current liabilities".

Derivative instruments entered into in order to provide a *cash flow hedge* were noted on the balance sheets for a positive total of Euro 0.7 million, of which Euro 0.3 million was in force.

As at 31 December 2007, liquidity and financial credits due within 12 months totaled Euro 8.4 million (compared to the Euro 11.4 million of December 2006) and which include a restricted balance of 5 million euros relating to the Group Torras dispute.

Research and development activities

The Group carried out research and development activities on a continuous basis throughout 2007, with the aim of constantly renewing its manufacturing processes from a technological standpoint and continuing its search for an improved use of the materials deployed in those processes, in order to enhance the quality of its products and processes as a whole.

Technical investments

Technical investments made in 2007 amounted to Euro 15.3 million (2006: Euro10.7 million).

The objective of making these investments was to reduce variable and fixed costs, to improve safety and mitigate environmental impact, to improve product quality and to improve service. Specifically these investments related to the following:

- safety and environment: a reduction in the consumption of water and a strengthening of the potential of the waste water treatment plant at the Villa Santa Lucia facility;
- increase in production: changes to the press area with the introduction of a new shoe press at the Santa Giustina facility;
- production efficiency: steps taken to reduce lost production time in the post drying area of the Magenta facility;
- product quality: strengthening the paste cleaning systems at the Santa Giustina, Villa Santa Lucia and Marzabotto facilities;
- extraordinary maintenance: revision of the gas turbine relating to the electric cogeneration groups at the Ovaro facility;
- revamping of three cutters in the preparation departments of the Almazan facilities and the Llicia de Vall cutting centre.

Human Resources

The Group’s workforce at 31 December 2007 totalled 1,117, of whom 21 were laid off under the State *cassa integrazione straordinaria* scheme. The number of employees is lower by 81 over the previous year end principally as the result of the long-term labour mobility process commenced during the year.
At 31 December 2007 the Group’s workforce consisted of 17 executives, 306 white-collar employees and 794 blue-collar employees.

ECONOMIC AND FINANCIAL PERFORMANCE OF RENO DE MEDICI S.P.A.

Economic result

The following table sets out the principal profit and loss account items ([28]) for the year ended 31 December 2007, with comparative figures provided for the prior year:

(Thousands of euros)	**2007**	**%**	**2006**	**%**
Net revenues	311,812	100	285,702	100
Operating costs	(292,024)		(269,471)	
Other operating income (expenses)	3,021		8,464	
Gross Operating Profit (EBITDA)	**22,809**	**7.3**	**24,695**	**8.6**
Depreciation	(20,699)		(24,462)	
Operating Profit (Loss) (EBIT)	**2,110**	**0.7**	**233**	**0.1**
Net financial income (expenses)	(10,726)		(10,762)	
Income (losses) from investments	9,465		2,125	
Taxation	1,602		(809)	
Profit (loss) for the period before discontinued operations	**2,451**	**0.8**	**(9,213)**	**(3.2)**
Discontinued operations	(2,343)		(5,492)	
Profit (loss) for the period	**108**	**0.0**	**(14,705)**	**(5.1)**

RDM earned net revenues were approximately Euro 311.8 million as compared to the Euro 285.7 million total earned in 2006, evidencing an increase of 9.1%, mainly due to an increase in per unit sales prices and, to a lesser degree, to an increase in sales volumes.

More specifically despatched volumes in 2007 reached 635 thousand tonnes compared to 613 thousand tonnes in 2006, representing an increase of 3.6%. Reference should be made to the section discussing the consolidated figures for details of changes in average net sales prices.

(28) See notes from 15 to 17 for the composition of the items in the reclassified profit and loss account.

The following table provides an analysis of net revenues by geographical area, showing an increase in turnover of 20.8% in the countries of the European Union, 6.1% in non-European Union countries and 3.3% in Italy. In the countries of the European Union there was a significant rise in sales in Spain, Poland, the Czech Republic and France, while in the non-European Union countries strong growth in Turkey is noted.

(Thousands of Euros)	**2007**	**%**	**2006**	**%**
Area				
Italy	169,757	54.4	164,246	57.5
UE	108,181	34.7	89,531	31.2
Extra UE	33,874	10.9	31,926	11.2
Total	**311,812**	**100.0**	**285,703**	**100.0**

The increase in operating costs is mainly due to the rise in the cost of paste raw material and to higher energy costs.

The gross operating margin (EBITDA) totaled Euro 22.8 million, a decrease compared to the Euro 24.7 million registered in 2006. It is noted that under the line item “Other operating income (expense)” non-recurring charges of Euro 2.7 million were recorded, of which Euro 1.7 million related to the long-term labor mobility process completed at the end of 2007 and Euro 1 million which was due to the contractual penalty provided in order to terminate the steam supply contract at the Magenta plant.

The operating result (EBIT) was positive for a total of Euro 2.1 million, after amortizations of approximately Euro 20.7 million. The Parent Company 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.

The increase in financial income (expense), net and income (expense) from investments is mainly due to the partial reinstatement of the carrying amount of the investment in RDM Iberica S.L., which had been written down in previous years for a permanent loss in value. The write-up was made on the basis of an impairment test performed at the end of 2007, which showed that future cash flows will enable the loss in value to be partially recovered.

The results for discontinued operations was a negative Euro 2.3 million and principally includes costs connected with the decommissioning of the installations in the Pompeii plant and the depreciation of the Board machine MC1 at Magenta (for Euro 0.6 million).

The net result was positive for approximately Euro 0.1 million, compared to the loss of Euro 14.7 million registered at the end of 2006.

Balance sheet

The following table sets out the principal balance sheet items ([29]).

(Thousands of Euros)	**31.12.2007**	**31.12.2006**
Trade receivables	82,402	87,218
Stocks	58,055	53,844
Trade payables	(91,550)	(81,743)
Working capital	**48,907**	**59,319**
Other current assets	2,040	3,127
Other current liabilities ([30])	(10,869)	(9,631)
Non-current assets	256,356	253,167
Non-current assets held for sale	5,583	9,662
Non-current liabilities	(8,945)	(11,972)
Invested capital	**293,072**	**303,672**
Employees' leaving entitlement and provision funds	(20,668)	(22,541)
Net invested capital	**272,404**	**281,131**
Net financial position	156,009	165,521
Shareholders' equity	116,395	115,610
Total sources	**272,404**	**281,131**

The above balance sheet of the Parent Company shows that there has been a significant drop in working capital as the result of specific steps taken on both trade receivables and trade payables whereas there has been an increase in the value of stocks.

The decrease in non-current assets held for sale is mainly due to the sale of the board machine and stocks at the Pompeii facility at a price of Euro 3.5 million and the write-down by Euro 0.6 million of Board Machine 1 at the Magenta facility to align its carrying amount to its estimated realisable value.

Net invested capital at 31 December 2007 was funded as to 57.3% by interest-bearing debt and 42.7% by shareholders' equity (31 December 2006: 58.9% and 41.1% respectively).

(29) See notes 18 to 23 for the composition of the items presented in the reclassified balance sheet. The data relating to the Parent Company include in addition the following:
- the detail item "Receivable from subsidiary companies" is included in "Trade receivables" except for items of a financial nature amounting to Euro 2,990 thousand in 2007 and to Euro 4,028 thousand in 2006, which are included in the Net Financial Position, and the item "Receivable from associates";
- included in "Trade Payables" is the detail item "Payable to subsidiary companies" except for items of a financial nature amounting to Euro 7,845 thousand (Euro 2,088 thousand in 2006), which are included in the Net Financial Position, and the item "Payable from associates".

(30) See RDM financial statements – total of the items "Other liabilities" and "Current taxation" classified as "Current liabilities" excluding, for year 2007, the amount of Euro 738 thousand as relates to financial payables classified in the Net Financial Position.

Net financial position

The net financial indebtedness of the Parent Company totaled Euro 156.0 million, an improvement compared to the Euro 165.5 million total as at 31 December 2006.

(Thousands of Euros)	31.12.2007	31.12.2006	Variation
Cash and cash equivalents and short-term financial receivables ([31])	4,597	6,225	(1,628)
Short-term financial payables ([32])	(59,570)	(59,252)	(318)
Valuation of current portion of derivatives ([33])	331	(274)	605
Short-term financial position	**(54,642)**	**(53,301)**	**(1,341)**
Long-term financial payables ([34])	(101,785)	(112,289)	10,504
Valuation of non-current portion of derivatives ([35])	418	69	349
Net financial position	**(156,009)**	**(165,521)**	**9,512**

The decrease in net financial debt is mainly attributable to the reduction in working capital discussed above.

In particular, gross financial debt at 31 December 2007 measured at amortised cost amounted to Euro 161.3 million (compared to Euro 171.5 million at 31 December 2006) and includes the non-current portion of Euro 101.8 million of long-term loans, the current portion of Euro 10 million of long-term loans, bank facilities of Euro 41.6 million, mostly made up of advances on trade receivables, and intercompany funding of Euro 7.8 million.

At 31 December 2007 liquidity and financial receivables due within 12 months amounted in total to Euro 4.6 million (compared to Euro 6.2 million at 31 December 2006).

Research and development activities

Details of research and development activities can be found in the report on the consolidated figures.

(31) See RDM financial statements – total of the item “Liquid funds”, and of other financial receivables of Euro 153 thousand classified as “Other receivables” for 2007 and 2006; Euro 2,990 thousand for 2007 classified as “Receivables from subsidiary companies” (Euro 4,028 thousand for 2006).
(32) See RDM financial statements – total of the item “Bank loans and other financial liabilities” classified as “Current liabilities” and other financial payables “Payable to subsidiary companies” of Euro 7,845 thousand for 2007 and Euro 2,088 thousand for 2006.
(33) See RDM financial statements – detail item “Derivative financial instruments”, classified as “Current assets” excluding the detail item “Derivative financial instruments”, classified as “Current liabilities”.
(34) See RDM financial statements – total of the item “Bank loans and other financial liabilities” classified as “Current liabilities” and other financial payables “Payable to subsidiary companies” of Euro 32,000 thousand for 2007 and 2006.
(35) See RDM financial statements – detail item “Derivative financial instruments”, classified as “Non-current assets” excluding the detail item “Derivative financial instruments”, classified as “Non-current liabilities”.

Technical investments

Technical investments made in 2007 amounted to Euro 14.7 million (2006: Euro 9.7 million).

The objective of making these investments was to reduce variable and fixed costs, to improve safety and mitigate environmental impact, to improve product quality and to improve service. Specifically these investments related to the following:

- safety and environment: a reduction in the consumption of water and a strengthening of the potential of the waste water treatment plant at the Villa Santa Lucia facility;
- production increase: changes to the press area with the introduction of a new shoe press at the Santa Giustina facility;
- production efficiency: steps taken to reduce lost production time in the post drying area of the Magenta facility;
- product quality: strengthening the paste cleaning systems at the Santa Giustina, Villa Santa Lucia and Marzabotto facilities;
- extraordinary maintenance: revision of the gas turbine relating to the electric cogeneration groups at the Ovaro facility.

Human Resources

RDM's workforce at 31 December 2007 totalled 983, of whom 21 were laid off under the State *cassa integrazione straordinaria* scheme. The number of employees is lower by 70 over the previous year end principally as the result of long-term labor mobility process commenced during the year at the Magenta facility.

At 31 December 2007 the Group's workforce consisted of 15 executives, 260 white-collar employees and 708 blue-collar employees.

RECONCILIATION BETWEEN THE GROUP'S NET RESULT FOR THE YEAR AND NET EQUITY AND THOSE OF THE PARENT COMPANY RENO DE MEDICI S.P.A.

	Shareholders' equity 31.12.2007	**Profit and loss for the year 31.12.2007**
Reno De Medici S.p.A.	116,395	108
Differences between the carrying value of subsidiary companies and the corresponding share of their shareholder's funds	6,011	(43)
Dividends received from subsidiary companies	-	(1,208)
Reversal of capital gains from sales to group companies	(4,023)	232
Reversal of allocation of merger difference	(3,488)	1,603
Other consolidation adjustments	(125)	(116)
RDM Group	**114,770**	**576**

RECONCILIATION BETWEEN THE GROUP'S NET FINANCIAL POSITION FOR THE YEAR AND THOSE OF THE PARENT COMPANY RENO DE MEDICI S.P.A.

	Net financial position 31.12.2007
Reno De Medici S.p.A.	(156,009)
Cash and cash equivalents and short-term financial receivables of subsidiary companies	6,793
Short-term financial payables of subsidiary companies	(1,516)
Long-term financial payables of subsidiary companies	(217)
Eliminations of short-term financial payables due to subsidiary companies	7,845
Eliminations of long-term financial payables due to subsidiary companies	32,000
Eliminations of short-term financial receivables from subsidiary companies	(2,990)
RDM Group	**(114,094)**

CORPORATE GOVERNANCE

The Board of Directors of Reno De Medici S.p.A. adopted the principles and the recommendations of the Corporate Governance Code of March 2006 prepared by the Corporate Governance Committee of Borsa Italiana, which replaced that prepared in 1999 as revised in 2002. Where certain provisions of this Code have not been adopted, the reasons for not doing so and the timing planned for adoption in the future are expressly stated in the following paragraphs.

The present bylaws of Reno De Medici S.p.A. do not include certain regulations introduced by Law no. 262 of 28 December 2005 as subsequently amended by Legislative Decree no. 303 of 29 December 2006.

The following paragraphs describe the main features of the *"corporate governance"* system adoped by Reno De Medici S.p.A., in compliance with the requirements on this matter contained in the Market Rules for markets organised and managed by Borsa Italiana S.p.A., taking into consideration the recommendations included in the "Guidelines for the preparation of the annual *corporate governance* report" prepared by Borsa Italiana S.p.A. and the "Guide for the preparation of the corporate governance report" prepared by Assonime.

PART I

Corporate governance structure

BOARD OF DIRECTORS

As provided in article 12 of the Bylaws, the Company's Board of Directors consists of between 7 and 15 members. Board members may not be appointed for more than three fiscal years, their term of office expires on the date of the shareholders' meeting called to approve the financial statements relating to their last year and they may be reelected.

As provided in article 15 of the Bylaws, the Board of Directors has the widest powers for the ordinary and extraordinary management of the Company. As a result, the Board may carry out all the actions it deems appropriate to achieve the company's objects, if required also by delegation, with the sole exception of those reserved for shareholders in general meeting. The Board of Directors may, within the limits of law, arrange for mergers of companies in the cases provided by articles 2505 and 2505-*bis* of the Italian Civil Code, carry out a reduction in share capital following the withdrawal of a shareholder, open and close secondary offices, transfer the Company's registered office anywhere within Italian territory, determine which Directors may represent the Company and amend the Bylaws for changes in laws and regulations.

As provided in article 17 of the Bylaws, the Board of Directors may delegate its duties within the limits of law to one or more managing directors and/or general managers. As provided in article 16, the Board of Directors may also appoint an Executive Committee from among its components and establish the number of its members, its duties and its powers.

BOARD OF STATUTORY AUDITORS

As provided in article 19 of the Company’s Bylaws, the Board of Statutory Auditors consists of three standing auditors and two substitute auditors. Members of the Board of Statutory Auditors may be reelected. The appointment of the Statutory Auditors and the determination of their emoluments is the responsibility of shareholders in general meeting, while their duties and responsibilities and their term of office are determined by law.

Article 19 of the Company’s Bylaws safeguards minority representation and makes reference to the qualifications required for appointment as a Statutory Auditor under the provisions of prevailing law, and the term of office, duties and responsibilities of the Auditor.

The Board of Statutory Auditors meets at least every 90 (ninety) days and meetings may be called by any one of the Auditors. The meetings of the Board may also be held by audio conference or video conference, on the condition that all the participants can be identified and that they are able to follow the discussion and intervene in real time in the debate taking place on the matters being discussed.

The members of the Board of Statutory Auditors attend the general shareholders’ meetings and the meetings of the Board of Directors. Furthermore, the Board of Statutory Auditors takes part in the meetings of the Internal Control Committee.

Article 19 of the Company’s Bylaws establishes a procedure to appoint the members of the Board of Statutory Auditors in such a way as to ensure that one standing auditor and one substitute auditor may be appointed from those put forward by minority shareholders in a list of candidates (the so-called list vote); the minority list candidate is appointed chairman.

GENERAL SHAREHOLDERS’ MEETINGS

As provided in article 8 of the Company’s Bylaws, a general shareholders’ meeting is called by publishing within the terms of law a notice containing the date, the time and the place of the meeting and the subjects to be discussed. The meeting must be held in Italy, although this may be at a place different from the Company’s registered office.

In order to attend the meeting shareholders must lodge their shares or an appropriate statement issued by the intermediary in charge of keeping the accounts at least two days prior to the date arranged for the meeting. A shareholder may be represented by a proxy though delegation in writing in compliance with the requirements of article 2372 of the Italian civil code, save other provisions of law.

The general shareholders' meeting is chaired by the Chairman of the Board of Directors or, in his absence or indisposition, by the Deputy Chairman or, in the absence or indisposition of the Deputy Chairman, by another person designated by the meeting. The Chairman verifies that the meeting is duly constituted, ascertains the identity of the speakers and their right to intervene, governs the proceedings by establishing the means by which discussion takes place and how votes are cast, and ascertains the results of the voting procedure.

The Chairman is assisted by a Secretary appointed by the meeting, who is not necessarily a shareholder: the assistance of a Secretary is not necessary if the minutes of the meeting are taken by a Notary, in the cases established by law or when the Chairman deems it appropriate.

SHARE CAPITAL AND COMPANY SHAREHOLDERS

The Company's share capital at 31 December 2007 is Euro 185,122,487.06 divided into:

Category	N. shares	Nominal value	Share capital	% on share capital	Stock market
Ordinary Shares	377,355,435	0.49	184,904,163.15	99.88%	Milan, Madrid and Barcelona
Saving Shares	445,559	0.49	218,323.91	0.12%	not listed
	377,800,994		185,122,487.06	100.00%	

Savings shares may be converted to ordinary shares in February and September of each year on the request of shareholders.

Pursuant to article 122 of Legislative Decree no. 58 of 24 February 1998 (the Consolidated Finance Law - TUF) it is hereby stated that there is an agreement between Cascades S.A. and its parent Cascades Paperboard International Inc., Alerion Industries S.p.A., Eurinvest Finanza Stabile S.r.l. and IC (Industria della Costruzione) S.p.A., shareholders of the Company, which was announced to the public as required by law in the daily newspaper "Milano Finanza" on 21 September 2007.
This agreement enables these shareholders to regulate a series of matters concerning *corporate governance*, with the aim of ensuring that there is unity of direction in managing the Company and in their mutual relations as shareholders, so as to guarantee stability to the future ownership structure. The agreement commenced on 1 March 2008 (the effective date of the merger with Cascades) and has a three year term.
In terms of the management of RDM the agreement requires the signatories to take measures so that RDM is managed under the "traditional" corporate model, by which administration and control are performed by a Board of Directors and a Board of Statutory Auditors respectively.

The Board of Directors must consist of 11 (eleven) members; in this respect the signatories to the agreement have undertaken to present and vote in favour of a single list of candidates drawn up in the following order:

(i) 1 candidate, to be appointed managing director, designated by mutual agreement;

(ii) 4 candidates, of whom 1 holds the independence prerequisites stated in the Borsa Italiana S.p.A. Self Regulation Code, to be designated by Cascades;

(iii) 2 candidates to be designated by Alerion Industries;

(iv) 1 candidate to be designated by Eurinvest Finanza Stabile;

(v) 1 candidate to be designated by IC (Industria della Costruzione);

(vi) 2 candidates holding the independence prerequisites stated in the Borsa Italiana S.p.A. Self Regulation Code to be designated by mutual agreement between the parties, without altering the requirement that if third party shareholders present a list which as provided by law and the Company's bylaws is entitled to appoint a member of the Board of Directors of RDM, such member shall be elected in the place of one of the two candidates referred to at point (iv).

For the entire duration of the agreement the Managing Director of RDM is pre-selected by the mutual designation of the signatories; in addition, the agreement also envisages that Mr. Giuseppe Garofano shall remain in office as Chairman of the Board of Directors for the first year following the effective date of the merger, after which the chair shall be taken for the next two years by a director designated by Cascades. The Deputy Chairman for the first year shall be appointed from the directors designated by Cascades; subsequent to this the position will be taken by the outgoing chairman.
To ensure unity of direction in managing the Company it has been agreed that resolutions of the Board of Directors on certain matters of importance shall be adopted only if at least 7 directors vote in favour, as stated in article 15 of the Company's bylaws. For purposes of consistency the shareholder signatories have agreed not to make any amendments to that clause in the bylaws for the entire duration of the agreement.
The signatories to the agreement have also taken the opportunity of ensuring that unity of direction is maintained at a shareholders' meeting level, providing that voting rights in extraordinary meetings will be exercised by mutual accord. Under the agreement the parties have also undertaken to consult amongst themselves before any RDM shareholders' meetings.

The control body must be set up to ensure that the parties have equal representation, and in this respect they have undertaken to present and vote in favour of a single list, drawn up in the following order:

(i) first standing auditor, with the function of chairman, designated jointly by the parties without altering the requirement that if third party shareholders present a list, which as provided by law and the Company's bylaws is entitled to appoint a member of the Board of Statutory Auditors of RDM with the function of chairman, such member shall be elected in the place of one of the auditors referred to at point (i);

(ii) second standing auditor, designated by Cascades;
(iii) third standing auditor, designated jointly by Alerion Industries, Eurinvest Finanza Stabile and IC (Industria della Costruzione);
(iv) first substitute auditor designated by Cascades;
(v) second substitute auditor designated jointly by Alerion Industries, Eurinvest Finanza Stabile and IC (Industria della Costruzione).

The compensation committee and the internal control committee - established within the Board of Directors with propositive and consultative functions in accordance with the recommendations of the Borsa Italiana S.p.A. Self-Regulation Code - must be appointed in such a way to ensure that the parties have equal representation, in compliance with the requirements of said Self-Regulation Code.
In order to guarantee stability to the future ownership structure the parties have undertaken not to dispose of their holdings in RDM to third parties for the first 18 months of the agreement.
For the remainder of the term of the agreement transfers of shares are liable to mutual pre-emption and co-sale rights.

The Company's main shareholders are as follows:
- Cascades S.A., which holds 30.64% of share capital;
- Alerion Industries S.p.A., which holds 9,04% of share capital;
- Eurinvest Finanza Stabile S.p.A., which holds 5.51% of share capital;
- Industria della Costruzione S.p.A., which holds 5.54% of share capital;
- Banca Popolare di Milano S.c.r.l., which holds 2.33% of share capital.

The remaining shares are held by shareholders whose holding does not exceed 2% of share capital.

PART II

Information on putting the Corporate Governance Code into effect

BOARD OF DIRECTORS

Assignment of competences and delegations of power

Role of the Board of Directors

The Board of Directors (also referred to as the "Board" in the following) is the body that is central to the Company's *Corporate Governance* system. It is responsible for defining, applying and updating the rules of governance in compliance with prevailing laws and regulations and determining the Company's strategic lines of management, and in more detail the Board:
a) examines and approves the strategic, operational and financial plans of the Company and the Group and the Group's structure and corporate governance system;

b) evaluates the adequacy of the organisational, administrative and accounting structure of the Company and its subsidiaries having strategic relevance, as established by the managing directors, in particular with regard to the internal control system and the management of conflicts of interest;
c) delegates powers to the managing directors and to the Executive Committee and revokes them; it specifies the limits on these delegated powers, the manner by which they are exercised and the frequency, no less than once every three months, with which the bodies in question must report to the Board on the activities performed in the exercise of the powers delegated to them;
d) determines, after examining the proposal of the specific Committee and consulting the Board of Statutory Auditors, the remuneration of the managing directors and of those directors who are appointed to particular positions and, if the shareholders have not already provided for such in general meeting, determines how the total emoluments due shall be attributed to the individual members of the Board;
e) evaluates general performance, paying particular attention to the situations regarding conflicts of interest, taking into special consideration the informations received from the managing directors and the Internal Control Committee, and periodically comparing the results achieved with those planned;
f) examines and approves the operations and transactions carried out by the Company and its subsidiaries having a significant impact on results, assets and liabilities or financial position, paying particular attention to related party transactions;
g) evaluates, at least once a year, its own performance and that of its committees;
h) provides information in the *corporate governance* report on the number of meetings of the Board and the Executive Committee and the related percentage of attendance of members of those bodies;
i) evaluates and approves the periodic accounting documentation required by prevailing legislation;
l) reports to the shareholders in general meeting.

Chairmanship of the Board of Directors and representation

The Board of Directors elects a Chairman from amongst its members unless shareholders in general meeting have already done so, and may also elect one or two Deputy Chairmen (article 13 of the Bylaws).

The Chairman of the Board of Directors acts as the Company's representative towards third parties and for judicial purposes and may sign on the Company's behalf; this responsibility falls to the Deputy Chairman in his absence or impediment. The Managing Directors may also represent the Company with the limits of the powers delegated to them as may the general managers within the powers with which they are entrusted. All the Directors may sign on the Company's behalf, including those with delegated powers, and may represent the Company towards third parties within the limits of the actions resolved by the Board of Directors for which they have been specifically delegated. Company employees and/or third parties may be empowered to represent the Company for single actions by the persons entitled to act as legal representative.

The present Chairman of the Board of Directors, Giuseppe Garofano, has been delegated with operational powers (as discussed herein) and, therefore, is referred to as an "Executive director" pursuant to point 2.C.1 of the Corporate Governance Code.

Other delegated bodies

The Board of Directors of RDM has approved the following delegations of power.

The Board has granted to the Chairman Giuseppe Garofano the power as legal representative of the Company and all those powers necessary for the ordinary and extraordinary management of the Company, with the authority as sole signatory for payments or withdrawals that singly do not exceed Euro 10 million, excluding intragroup transfers for which there is no limit.

The Board has granted to the Managing Director, Ignazio Capuano, the power as legal representative of the Company and the same powers granted to the Chairman, namely all those powers necessary for the ordinary and extraordinary management of the Company, with the authority as sole signatory for payments or withdrawals that singly do not exceed Euro 10 million.

In line with the indications included in the Corporate Governance Code and the provisions of the Controlling Authority, the delegated bodies report to the Board of Directors and to the Board of Statutory Auditors during the periodic meetings of the Board of Directors on the activities that they have been performing in carrying out their delegated duties, with particular reference to abnormal or unusual transactions or operations and related party transactions.

Meetings of the Board of Directors and the Executive Committee

There is no requirement in the Company's Bylaws for meetings of the Board of Directors to be held with a specific frequency The Board met nine times in 2007 with a combined attendance of 88%. The Board has so far in 2008 up to the date of this report met on two occasions with a further three meetings planned to take place during the year, for the approval of the three quarterly reports and the half yearly report for 2008 to approve the first and third quarterly reports and the half-year report for 2008.

It is the Company's practice for all Board meetings to provide Board members reasonably in advance with all the documentation and all the information required to be able to arrive at an informed opinion on all the subjects that will be submitted to them for review.

Principles of conduct in carrying out related party tranactions

Given the particular importance that related party transactions may have in the operations of a listed company, it is consolidated practice for the Board of Directors to have the sole responsibility for authorising these transactions, without affecting compliance with the principles of the Corporate Governance Code and in accordance with article 9 of that Code.

Without changing these principles in any way, the Company has taken the decision required to supplement its internal regulatory measures by adopting a specific procedure, approved by the Board of Directors on 24 January 2006, for the approval of "Significant transactions and/or transactions with related parties", defining the means by which they are to be identified, the way in which they are to be carried out and documented and, in the event that there are matters of a particular importance, governing the manner in which resort is made to professionals and consultants for suitable support during the technical and evaluation stages.

Composition of the Board of Directors

The Board of Directors of RDM consists of not fewer than seven and not more than 15 members; shareholders in general meeting have the decision as to the number of members of the Board (article 12 of the Bylaws).

The present Board of Directors of RDM was appointed by shareholders in general meeting on 8 May 2007, who resolved that the Board should have 9 members.

The Company's Board of Directors was made up as follows on the date that the financial statements at 31 December 2007 were approved:

- Giuseppe Garofano (Executive Chairman)
- Bruno Pavesi (Non-executive Deputy Chairman)
- Carlo Peretti (Independent and non-executive Deputy Chairman)
- Ignazio Capuano (Managing Director)
- Riccardo Ciardullo (Non-executive Director)
- Giancarlo De Min (Executive Director)
- Vincenzo Nicastro (Independent and non-executive Director)
- Emanuele Rossini (Non-executive Director)
- Francesco Zofrea (Independent and non-executive Director)

The term of office of the present Directors expires with the approval of the financial statements for 2009.

Other positions held by Directors

The following is a list of the postions held by Directors as director or statutory auditor in other companies:

Director	Company	Office held
Giuseppe Garofano	Alerion Industries S.p.A.	Deputy Chairman
	Autostrada Torino Milano S.p.A.	Director
	Banca MB S.p.A.	Director
	CBM S.p.A.	Director
	Nelke S.r.l.	Director
	Efibanca S.p.A.	Director
	Partecipazioni Italiane S.p.A.	Director
	Realty Vailog S.p.A.	Chairman
	RCR Cristalleria Italiana S.p.A.	Chairman
Bruno Pavesi	Ariston Cavi S.p.A.	Director
	BTicino S.p.A.	Director
	Enerquos S.r.l.	Deputy Chairman
	Fiera Milano Tech S.p.A.	Director
	I.C.. Industria della Costruzione S.p.A.	Director
	SIT La Precisa S.p.A.	Director
	Università Commerciale Luigi Bocconi	Director
Carlo Peretti	Jay Group	Director
	Fondo Investimento Equinox	Member of Supervisory Board
	Gancia S.p.A.	Director
	Realty Vailog S.p.A.	Deputy Chairman
	Risanamento S.p.A.	Chairman
	Vodafone Omnitel NV	Chairman
Ignazio Capuano	Manuli Film S.p.A.	Chairman
Riccardo Ciardullo	Cortesi & Forti S.a.s. di Ciardullo Riccardo & Co.	Unlimited partner
	Enerbio S.r.l.	Director
	Eurinvest Dieci S.p.A.	Managing Director
	Eurinvest Energia Cinque S.r.l.	Governing Director
	Eurinvest Energia Dieci S.r.l.	Governing Director
	Eurinvest Energia Due S.r.l.	Governing Director
	Eurinvest Energia Natura Ambiente S.r.l.	Governing Director
	Eurinvest Energia Nove S.r.l.	Governing Director
	Eurinvest Energia Otto S.r.l.	Governing Director
	Eurinvest Energia Quattro S.r.l.	Governing Director
	Eurinvest Energia S.p.A.	Chairman
	Eurinvest Energia Sei S.r.l.	Governing Director
	Eurinvest Energia Sette S.r.l.	Governing Director
	Eurinvest Energia Tre S.r.l.	Governing Director
	Eurinvest Energia Uno S.r.l.	Governing Director
	Eurinvest Finance Uno S.p.A.	Deputy Chairman and Managing Director
	Eurinvest Finanza Stabile S.r.l.	Managing Director
	Eurinvest Investimenti S.p.A.	Chairman
	Eurinvest Nove S.r.l.	Governing Director
	Eurinvest SGR S.p.A.	Director

Director	Company	Office held
	Finleasing Lombarda S.p.A.	Director
	Gruppo Pro S.p.A.	Director
	Investimenti e Sviluppo Advisory S.r.l.	Director
	Investimenti e Sviluppo Holding S.r.l.	Governing Director
	Investimenti e Sviluppo Mediterraneo S.p.A.	Deputy Chairman
	Investimenti e Sviluppo S.p.A.	Director
	Kaitech S.p.A.	Managing Director
	Nati Fortunati S.p.A.	Director
	Nuova Crae S.r.l.	Director
	Pontelambro Industria S.p.A.	Chairman
	Promogest S.r.l.	Governing Director
	S.C.A. S.r.l.	Governing Director
	Spv Uno S.r.l.	Governing Director
	Start Holding di Partecipazioni S.r.l.	Director
	Sviluppo Bonfadini S.r.l.	Director
	Sviluppo Cotorossi S.p.A.	Director
	Tessitura Pontelambro S.p.A.	Director
	Tolo Energia S.r.l.	Director
Vincenzo Nicastro	Baia Chia Hotels S.p.A.	Board of Auditor chairman
	Carrozzeria Bertone S.p.A.	Judicial mandatary
	Chia Hotel & Resorts S.p.A.	Board of Auditor chairman
	Chia Invest S.p.A.	Standing auditor
	Costa Verde Arbus S.r.l.	Standing auditor
	Cosud S.r.l.	Standing auditor
	Darwin Airlines S.A.	Director
	Filati Bertrand S.p.A. in amministrazione straordinaria	Chairman of Supervisory Board
	Realty Vailog S.p.A.	Director
	Red.Im S.r.l.	Chairman
	Sitech S.p.A. in liquidazione	Standing auditor
	STIM S.p.A.	Standing auditor
	Unicredit Banca dImpresa S.p.A.	Standing auditor
	Unicredit Global Leasing S.p.A.	Standing auditor
	Unicredito Italiano S.p.A.	Standing auditor
Emanuele Rossini	Alerion Industries S.p.A.	Director
	Alerion Real Estate S.p.A. in liquidazione	Liquidator
Francesco Zofrea	EniPower S.p.A.	Chairman
	Finaval S.p.A.	Director
	I.C. Industria della Costruzione S.p.A.	Director

Certain Directors are also directors in other companies of the RDM Group as follows:

Director	Company	Office held
Ignazio Capuano	Reno De Medici Iberica S.L.	Chairman
	Reno Cascades Sales Spain S.L.	Governing Director
	Reno Cascades Sales S.r.l.	Governing Director
Giancarlo De Min	Reno De Medici Iberica S.L.	Director
	Emmaus Pack S.r.l.	Director
Emanuele Rossini	Emmaus Pack S.r.l.	Chairman

Non-executive and independent directors

Non-executive directors

Under point 2.C.1 of the Corporate Governance Code, the following directors qualify as non-executive:

- the managing director of the issuer or a subsidiary having strategic importance, including the respective chairmen when these are granted individual management powers and when they play a specific role in the definition of business strategies;
- the directors vested with management duties within the issuer or in one of its subsidiaries having strategic importance, or in a controlling company when the office concerns also the issuer;
- the directors who are members of the executive committee of the issuer, when no managing director is appointed or when the participation in the executive committee, taking into account the frequency of the meetings and the scope of the relevant resolutions, entails, as a matter of fact, the systematic involvement of its members in the day-to-day management of the issuer.

The Board of Directors has reviewed the extent to which this definition is applicable to its members, concluding that the following directors qualify as “non-executive”: Bruno Pavesi, Carlo Peretti, Riccardo Ciardullo, Vincenzo Nicastro, Emanuele Rossini (from 17 January 2008) and Francesco Zofrea.

The opinions of the non-executive directors assume considerable weight in the decisions taken by the Board, given the competence and authoritativeness that distinguish them.

The presence of non-executive directors within the Company’s managing body is an assurance to having the broadest safeguard for good corporate governance that takes on material form through an exchange of views and dialectic amongst all the Directors.

Independent directors

Under point 3.C.1 of the Corporate Governance Code, the following directors would not normally be considered independent in the following circumstances, although these conditions are not mandatory:

a. if he/she controls, directly or indirectly, the issuer also through its subsidiaries, trustees or through a third party, or is able to exercise dominant influence over the issuer, or participates in a shareholders' agreement through which one or more persons may exercise control or considerable influence over the issuer;
b. if he/she is, or has been in the preceding three fiscal years, a relevant representative of the issuer, of a subsidiary having strategic relevance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement;
c. if he/she is, or had in the preceding fiscal year, directly or indirectly (for example through subsidiaries or companies of which he/she is a significant representative, or in the capacity as partner of a professional firm or of a consultancy company) a significant commercial, financial or professional relationship:
   - with the issuer, one of its subsidiaries, or any of its significant representatives;
   - with a subject who, jointly with others through a shareholders' agreement, controls the issuer or, in case of a company or an entity, with the relevant significant representatives;

   or is, or has been in the preceding three fiscal years, an employee of the above-mentioned subjects;
d. if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration compared to the "fixed" remuneration of a non-executive director of the issuer, including the participation in incentive plans linked to the company's performance, including stock option plans;
e. if he/she was a director of the issuer for more than nine years in the last twelve years;
f. if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director;
g. if he/she is a shareholder or quotaholder or director of a legal entity belonging to the same network as the company appointed for the accounting audit of the issuer;
h. if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.

At its meeting on 11 May 2007 the Board of Directors agreed that the directors Carlo Peretti, Vincenzo Nicastro and Francesco Zofrea were independent, as the result of a check based on the assessment criteria discussed above.

Committees

The Company's Board of Directors has established (i) a Remuneration Committee and (ii) an Internal Control Committee and has appointed their respective members in compliance with the requirements of the Corporate Governance Code.

The Company has not established an Appointments Committee since in accordance with the requirements of the Savings Law, article 12 of the bylaws provides for the management body to be appointed by a list vote. That procedure will ensure that there is suitable transparency in the procedures for the selection and appointment of canditates to the position in compliance with the requirements of the Corporate Governance Code regarding the appointment of directors.

Remuneration Committee

The Remuneration Committee consists of the Directors Riccardo Ciardullo (Chairman), Carlo Peretti and Vincenzo Nicastro; they may avail themselves of internal staff and external consultants in performing their duties.

The Committee held three meetings in 2007 at which all its members attended.

On the proposal of the Compensation Committee and after consulting with the Board of Statutory Auditors the Board of Directors determines the compensation of directors having specific duties, as is, if the shareholders have not already provided for such in general meeting, the method by which the total emoluments due shall be attributed to the individual members of the Board.

Internal Control Committee

In conformity with article 8 of the Corporate Governance Code and with article 2.2.3, paragraph 3, subparagraph (i) of the Stock Exchange Regulations, the Board of Directors has established an Internal Control Committee to which has been assigned the responsibility for initiating the more important schemes regarding the control of business activities.

This Committee consists of the independent directors, Carlo Peretti (Chairman), Vincenzo Nicastro and Francesco Zofrea.

The following functions have been assigned to the Internal Control Committee:

a) to assess together with the Manager in Charge of the preparation of the Company's accounting and corporate records and the external auditors that the correct accounting principles are being used and, in the case of groups, that they are consistent for the purposes of preparing consolidated financial statements;

b) on request of the Managing Director, to express opinions on specific aspects regarding the identification of the principal business risks and the design, creation and management of the internal control system;

c) to review the workplan drawn up by the Head of Internal Control and the periodic reports prepared by him;

d) to assess the proposals made by the external auditors for possibile appointment, the workplan drawn up for the audit, the comments made in the audit report and any management letter;

e) to supervise the effectiveness of the auditing process;

f) to perform any additional duties which the Board of Directors may assign;

g) to report to the Board of Directors at least once every six months, on the approval of the financial statements and the half-year report, on the activities it has performed and on the adequacy of the internal control system.

The Committee met three times during 2007. The Managing Director, the members of the Board of Statutory Auditors, at least one of whom was always present at the 2007 meetings, and the Internal Control Officer, are all invited to attend the meetings of the Committee; such attendance also forms part of the Committee's operating rules.

Individual attendance at the meetings of the Board of Directors and the Committees is set out in the following table:

Structure of the Board of Director and Board Committees

		Board of Directors				Internal Control Committee		Remuneration Committee	
Office held	Member	Executive	Non-executive	Indipendent	% attendance (*)	Member	% attendance (*)	Member	% attendance (*)
Chairman	Giuseppe Garofano	X			100%				
Deputy Chairman	Bruno Pavesi		X		86%				
Deputy Chairman	Carlo Peretti		X	X	89%	X	100%	X	100%
Managing Director	Ignazio Capuano	X			100%				
Director	Riccardo Ciardullo		X		71%			X	100%
Director	Emanuele Rossini	X			100%				
Director	Giancarlo De Min	X			100%				
Director	Vincenzo Nicastro		X	X	89%	X	100%	X	100%
Director	Francesco Zofrea		X	X	100%	X	100%		
		Board of Directors				Internal Control Committee		Remuneration Committee	
Number of meetings held during 2007		9				3		3	

(*) Percentage of attendance at Board and Committee meetings.

The following table summarises the participation of individuals at meetings of the Board of Directors and related committees for those directors who ceased holding office during the year:

Directors who ceased holding office during 2007

		Board of Directors				Internal Control Committee		Remuneration Committee	
Office held	Member	Executive	Non-executive	Indipendent	% attendance	Member	% attendance	Member	% attendance
Director	Marco Baglioni		X	X	100%	X	100%		
Director	Mario Del Cane	X			100%				
Director	Michael Groeller		X		50%				

CORPORATE FUNCTIONS AND PROCEDURES

Internal procedures of the Board of Directors and of the Committees

Board of Directors

Article 14 of the Bylaws governs the rules by which the Board of Directors shall function and perform its duties.

In particular, the article requires the Board to meet each time the Chairman or whoever is acting in his place deems it appropriate, or if at least four Directors make a written request to the Chairman. In addition, a meeting of the Board of Directors may be called by at least two Statutory Auditors if they provide previous notification to the Chairman.
The notification of meetings must be made by a registered letter, telegramme or telefax sent at least five days prior to the proposed date of the meeting or, in cases of urgency, by electronic mail at least one day before that date. Meetings are chaired by the Chairman or whoever is acting in his place. Meetings are only validly constituted if the majority of standing directors are in attendance. Resolutions are passed by an absolute majority of the votes cast. In the case of a tied vote the chairman has the casting vote.
Remote attendance at meetings of the Board of Directors is permitted through audio-visual link.

In that case:

- the following must be guaranteed:
  a) the possibility to identify all the participants wherever they may be located;
  b) the possibility for all those attending to intervene, to express their views orally, to view, receive and transmit documentation and for them to review this and resolve on this as appropriate at the same time as all the others attending;

– the meeting of the board is considered to take place where the Chairman and the Secretary are located.

The bodies delegated for the purpose inform the Board of Directors and the Board of Statutory Auditors at their meetings, and in any case at least on a quarterly basis, of the general performance of operations, on the outlook for operations, and of the more significant economic and financial operations and transactions that have taken place, with particular regard being given to those in which the Directors have an interest either of their own or of third parties, or which are influenced by any subject exercising management and coordination; this information regards both the Company and its subsidiaries.

Committees

On the proposal of the Internal Control Committee the Board of Directors has approved regulations governing the way in which this body should work and carry out its duties. Amongst other things, these regulations provide for the following: (a) the Committee consists of three non-executive members of the Board of Directors of whom at least two must qualify as independent and remains in office for the Board's term; (b) the Committee is called to meet at least twice a year and each time the Chairman deems it necessary or on the request of at least two members; (c) the Chairman of the Board of Statutory Auditors and/or another Statutory Auditor every time designed, the Managing Director and the Internal Control Officer take part in the meetings without voting rights; (d) the Committee reports to the Board of Directors on its activities at least every half year, on the approval of the financial statements for the year and for the half-year, and on the adequacy of the internal control system.

Procedures for managing confidential information

External communications of confidential documents and information

On 30 March 2006, the Company's Board of Directors approved the adoption of a set of regulations to manage privileged information, establishing an appropriate register of persons having access to such information.
These regulations define the scope for which they are applicable, identify the recipients, govern the respective roles and responsibilities of these persons and direct the way in which confidential information must be managed internally and in which it is to be communicated externally, with the aim of achieving the following objectives:

– to define the means by which all informations of a confidential nature is to be managed and treated from an operational point of view, with special attention being given to the way in which documents and privileged information regarding the Group is communicated externally;

- to define the obligations and responsibilities of the persons involved;
- to maintain the confidentiality of the information;
- to assure that the communication to the public of privileged information is carried out in a proper and timely manner.

Internal dealing

On 30 March 2006, the Board of Directors of RDM approved new internal organisational procedures regarding internal dealing which are in line with the new legislative and regulatory provisions in effect from 1 April 2006.

Procedures for the appointment of Directors and Statutory Auditors

Appointment of Directors

The Bylaws require the members of the Board of Directors to be appointed by shareholders in ordinary general meeting, on the basis of lists presented by shareholders in the manner specified below, in which candidates must be named in sequential order.

The lists presented by shareholders and signed by those presenting them must be lodged at the Company's registered office on order to be available to anyone making request at least fifteen days before the shareholders' meeting in first call and must be publicised by the other means envisaged by laws and regulations in force at the time.
Shareholders, members of a shareholders' agreement pursuant to article 122 of Legislative Decree no. 58/1998, the parent, subsidiaries and companies under common control pursuant to article 93 of Legislative Decree no. 58/1998 may not present or take part in the presentation of more than one list, and may not do so either through a person or trust company, nor may they vote for different lists; each candidate may only stand for one list, failing which he becomes ineligible. On breach of this the names on the lists and the votes cast are not allocated to any list.
Shareholders, alone or together with other shareholders, are only entitled to present lists if they are in total the owners of shares representing at least 2.5% of share capital with voting rights in an ordinary shareholders' meeting, or alternatively any other percentage threshold established by law or regulations.
The following must be lodged together with each list by the deadlines indicated above:

(i) a certificate issued by an intermediary qualified by law which demonstrates the ownership of the number of shares required for presenting a list;

(ii) statements in which the individual candidates accept to stand and in which they declare, under their own responsibility, that there are no reasons why they should be considered ineligible to stand, that there are no grounds of incompatibility and that they hold the prerequisites for the positions for which they are standing;

(iii) a curriculum vitae containing the personal and professional characteristics of each candidate with the reasons, as appropriate, as to why the candidate should be considered independent pursuant to article 148, paragraph 3 of Legislative Decree no. 58/1998.

Any list not satisfying the above condition is considered not to have been presented.

The election procedes as follows:

a) the directors to be elected, except one, are taken in sequential order from the list which obtains the highest number of votes cast by shareholders;

b) the remaining director is taken from the minority list, which must in no way be connected, not even indirectly, with the list referred to in paragraph a) or the shareholders who have presented or voted in favour of the list referred to in paragraph a), and which has obtained the second highest number of votes cast by shareholders.

To this purpose the lists which have not obtained a percentage of votes equal at least to that required for the presentation of the lists, as per the eighth paragraph of this article, are not taken into consideration.
If with the candidates elected by the means discussed above the number of appointed directors having the independence prerequisites established for statutory auditors pursuant to article 148, paragraph 3 of Legislative Decree no. 58/1998 is not obtained, being the minimum number established by the law in relation to the total number of directors, the non-independent candidate elected last in sequential order in the list having the highest number of votes, as per point a) of the preceding paragraph, must be replaced by the first unelected independent candidate of that list in sequential order or alternatively, in default, by the first unelected independent candidate in sequential order in the other lists, according to the number of votes obtained. This replacement procedure continues until the Board of Directors is composed of a number of members having the prerequisites pursuant to article 148, paragraph 3 of Legislative Decree no. 58/1998 and equal at least to the minimum required by law. If in conclusion this procedure is insufficient to guarantee the latter result, the replacement is made through a resolution adopted by shareholders in general meeting by a relative majority, with the names of candidates having the necessary prerequisites being presented beforehand.
In the event that only one list is presented or if no list is presented at all, the shareholders' meeting adopts resolutions by the majorities provided by law without following the above-mentioned procedure.

Any different or additional provisions contained in mandatory laws or regulations remain valid.

If during the year one or more directors should fall from office, provided there remains a majority of directors appointed by the shareholders the following procedures are carried out pursuant to article 2386 of the Italian civil code:

a) the Board of Directors selects a replacement from the list to which the directors falling from office belonged, ensuring though that there is a number of directors having the independence prerequisites pursuant to article 148, paragraph 3 of Legislative Decree no. 58/1998 and equal to the number established by law, and the shareholders' meeting must adopt resolutions, with legal majorities, abiding by the same criteria;
b) if there are no remaining candidates in the above-mentioned list not previously elected or no candidates with the necessary prerequistes, or in any case when for whatever reason it is not possibile to follow the requirements of point a), the Board of Directors appoints a replacement, as does the shareholders' meeting subsequently, on the basis of the majorities provided by law for situations where there is no list vote.

In any event the Board of Directors must makes the appointment in order to ensure that the number of independent directors is in total at least that required by the laws and regulations in force at the time. Nevertheless shareholders may adopt a resolution reducing the number of members of the board to that of the number of directors holding office for the remaining duration of their term.

If at least one half of the directors appointed by shareholders fall from office for any reason whatever the whole board is considered to fall; in that case the directors remaining in office must call a shareholders' meeting immediately to appoint a new board.
The board remains in office until shareholders have adopted a resolution for its renewal; until that time the Board of Directors may only carry out acts of ordinary administration.

The members of the Board of Directors are entitled to compensation, to be charged as a cost for the Company; such compensation is determined by shareholders in general meeting and remains unaltered until a new resolution is adopted.
In addition the members of the Board of Directors are entitled to a reimbursement of the expenses they incur in carrying out their duties.

In this connection, article 147-*ter* of the Consolidated Finance Act, as amended by the Savings Law, requires amongst other things that a system for the election of the Managing Body be adopted that is based upon lists of candidates proposed by shareholders or groups of shareholders, together with the establishment (in the bylaws) of a minimum shareholding threshold for a list to be presented, which may not exceed one fortieth of share capital. Such a system should additionally ensure that (i) at least one of the members of the board of directors expresses the will of a the minority list which received the highest number of votes and which has no connection whatsoever, not even indirectly, with the shareholders who presented or voted for the list having the highest number of votes; (ii) at least one of the members of the board of directors, or two if the board of directors is composed of more than seven members, must hold the independence qualifications established for statutory auditors by paragraph 3 of article 148 of the Consolidated Finance Act.

Appointment of Statutory Auditors

The Bylaws require statutory auditors to be appointed on the basis of lists presented by the shareholders in accordance with the procedures describe earlier, in order to enable minority shareholders to appoint one standing auditor and one substitute auditor and to ensure that there is transparency in the procedures, as required by point 10.P.1 of the Corporate Governance Code.
The lists containing the names, to which a sequential number is allocated, of one or more candidates must indicate whether the candidate is standing for the position as standing auditor or substiture auditor.
The number of candidates on the lists must not exceed the number of members to be elected.
Only those shareholders who on their own or together with others hold a total number of shares with voting rights that represent at least 2.5% of share capital with voting rights have the right to present lists.
Shareholders, members of a shareholders' agreement pursuant to article 122 of Legislative Decree no. 58/1998, the parent, subsidiaries and companies under common control pursuant to article 93 of Legislative Decree no. 58/1998 may not present or take part in the presentation of more than one list, and may not do so either through a person or trust company, nor may they vote for different lists; each candidate may only stand for one list, failing which he becomes ineligible. On breach of this requirement names on the lists and the votes cast are not allocated to any list.
The voting lists must be lodged at the company's registered office at least fifteen days before that of the shareholders' meeting in first call and this is stated in the notice calling the meeting.without altering the requirement to carry out the other forms of public disclosure that may be required by laws and regulations, including any temporary regulatory provisions in force. For the purposes of providing evidence of the ownership of the number of shares required to present a list at the time of presenting the lists shareholders must lodge a copy of the certificates issued by authorised intermediaries at the Company's registered office, in compliance with prevailing laws and regulations.
Together with the lists and within the term required for lodging them, summarised information regarding the presenting shareholders must be lodged at the Company's registered office (including their total holding) together with detailed information of the professional and personal characteristics of each candidate, statements in which the individual candidates accept to stand and in which they declare, under their own responsibility, that there are no reasons why they should be considered ineligible to stand, that there are no grounds of incompatibility and that they hold the prerequisites under prevailing

laws and regulations for the position as statutory auditor, and a list of positions of a management or control nature which they hold in other companies.
The first two candidates on the list obtaining the highest number of votes are elected as standing auditors, together with the first candidate on the list obtaining the second highest number of votes which is not connected, even indirectly, with the shareholders who presented or voted in favour of the list obtaining the highest number of votes. The first substitute auditor candidate on the list obtaining the highest number of votes is elected to that position together with the first substitute auditor candidate on the list obtaining the second highest number of votes in the sense of the previous paragraph.
In the event of a tied vote between two or more lists, candidates are elected to the positions in order of age.
The candidate on the list obtaining the second highest number of votes becomes Chairman of the Board of Statutory Auditors, again in accordance with the previous paragraphs.
In the event that only one list is presented or if no list is presented at all, the candidates on the same list or respectively those elected by the shareholders' meeting are appointed standing or substitute auditors, on condition that they obtain a relative majority of the votes cast in the shareholders' meeting.
In the event that the prerequisites of laws and regulations or of the Company's bylaws no longer hold a statutory auditor falls from office.
If a statutory auditor is replaced, the substitute auditor belonging to the same list as the replaced auditor takes over; alternatively, failing this, if the minority statutory auditor falls from office the candidate immediately below him on the list to which the auditor falling from office belongs takes over, or subordinately the first candidate on the minority list obtaining the second highest number of votes.
None of the above alters the fact that the minority statutory auditor remains Chairman of the Board of Statutory Auditors.
When the shareholders' meeting is required to appoint standing and/or substitute auditors to reinstate the numbers of members of the Board of Statutory Auditors the following procedure is used: if shareholders are required to replace statutory auditors elected from the majority list, the appointment is made by a relative majority vote without restriction; if, however, they are required to replace statutory auditors elected from the minority list they must replace them with a relative majority vote by selecting from the candidates on the list to which the auditor being replaced belonged, or alternatively from the minority list obtaining the second highest number of votes.
If after following these procedures it is still not possibile to replace the statutory auditors designated by the minority, for whatever reason, the shareholders' meeting procedes with a vote by relative majority; nonetheless in determining the outcome of this, the votes of shareholders, who on the basis of the notifications made pursuant to prevailing laws and regulations hold, including indirectly or jointly with other shareholders party to a significant shareholders' agreement pursuant to article 122 of Legislative Decree no. 58/1998, the relative majority of votes which may be exercised in the shareholders' meeting,

are not counted, nor are those of shareholders who control, are controlled by or under common control of such.

The Internal Control System

Internal Control

The Internal Control System as governed by article 8 of the Corporate Governance Code is the set of rules, procedures and organisational structures aimed at ensuring a suitable process of identifying and measuring the main risks enables a company's business to be conducted in manner that is sound, proper and consistent with its predetrmined objectives. An effective internal control system contributes to the safeguarding of a company's assets, the efficiency and effectiveness of its operations, the reliability of its financial information and its compliance with laws and regulations.

The Company's Managing Body is responsible for the management of that system. In particular, this Body sets the guidelines for the internal control system and on a periodic basis assesses its adequacy, effectiveness and efficiency with reference to the management of business risks.
In exercising these functions, the Board of Directors avails itself of the servcices of the Managing Director, the Internal Control Committee and the Internal Control Officer.
At its meeting of 11 May 2007 the Board of Directors appointed the managing director supervising the functioning of the internal control system.

Internal Control Officer

The Internal Control Officer :

a) verifies that the internal control system is always adequate, fully operational and functional;
b) is not in charge of any operational area and does not report hierarchically to any person in charge of an operational area, including administration and finance;
c) has direct access to all the information needed to perform his duties;
d) has available all the appropriate tools for carrying out the function assigned to him;
e) reports on the results of his work to the Internal Control Committee and the Board of Statutory Auditors.

In accordance with the above, the Head of Internal Control does not report hierarchically to any person in charge of an operational area and is responsible for his work to the managing director supervising the functioning of the internal control system, the Internal Control Committee and the Board of Statutory Auditors.

The Internal Control Officer has the responsibility for supporting the Managing Director and Management in identifying the major business risks and to present these for consideration to the Internal Control Committee and, on agreement with the Managing Director, to the Board of Directors, who decide on the priority under which action will be taken. In addition, he has the responsibility for establishing a programme for internal auditing activities and to ensure that the procedures put into place to manage significant risks are being complied with.

On 3 August 2007, on the proposal of the managing director supervising the functioning of the internal control system and after consulting with the Internal Control Commitee, the Board of Directors appointed Mr. Giuseppe Ruscio as Head of Internal Control.

Funzione di internal audit

On 3 August 2007 the Board of Directors established an Internal Audit function, as required by article 8.C.7 of the Self-Regulation Code, appointing Mr. Giuseppe Ruscio as head of this function.

The organisational and administrative model as per Legislative Decree no. 231/2001

As part of the steps being taken to strengthen the Internal Control System and integrate the aims of this system with those of Legislative Decree no. 231/2001 regarding the administrative responsibilities of companies, on 28 September 2005 the Board of Directors approved the adoption of an Organisational, Management and Control Model (the "231 Model") envisaged under this law, and has established a Supervisory Body which is responsible for ensuring its effective implementation, proper functioning and updating as necessary.

On 3 August 2007 the Board of Directors appointed the members of the Supervisory Body in the persons of the independent directors Carlo Peretti and Vincenzo Nicastro and the Head of Internal Control Giuseppe Ruscio, who each issued an individual statement in writing that they are fully compatible with the requirements of the position being taken.

The 231 Model adopted by the Company has been prepared from the bottom up by a process of documenting those activities and areas which are the most sensitive in relation to the offences envisaged by the law. The introduction of this model, which is considered wholly complementary to the objectives of the Internal Control System in their broadest sense, has led to the need to define certain testing standards, to which business procedures will have to conform during the revision stage mentioned above if they already exist, or which will have to be added if not yet adopted.

Auditors

On 3 May 2006 shareholders in general meeting resolved to appoint PricewaterhouseCoopers S.p.A. to perform an audit of the Company's annual financial statements and the annual consolidated financial statements of the RDM Group until 31 December 2011 and the half-year report as of 30 June of these years.

Manager in Charge of the preparation of the Company's accounting and corporate records

At its meeting on 3 August 2007 the Board of Directors appointed the present Administration and Finance Manager, Maurizio Fusetti, as Manager in Charge of the preparation of the Company's accounting and corporate records, in compliance with article 13 of the bylaws and in compliance with Legislative Decree no. 58/1998 n° 154-*bis* of the Consolidated Finance Act.

Assesment of the Internal Control System

The Board of Directors, acting also on the basis of the reports received from the Internal Control Committee and the Board of Statutory Auditors, believes that the Internal Control System is suitable for safeguarding business interests and suitable for the purposes for which it was created.

AUDITORS

The present members of the Board of Statutory Auditors were appointed by shareholders in general meeting on 3 May 2006. They hold office for three years and their term of office will expire on the date on which the financial statements at 31 December 2008 are approved.

The following is a list of the postions held by the Statutory Auditors as director or statutory auditor of other companies listed on regulated markets in Italy or abroad, in financial, banking or insurance companies or in companies of a large size:

Standing Auditor	Company	Office held
Sergio Pivato	Auchan S.p.A.	Standing auditor
	Cassa di Risparmio di San Miniato S.p.A.	Director
	Clessidra SGR S.p.A.	Board of Auditor chairman
	Clessidra Infrastrutture SGR S.p.A.	Board of Auditor chairman
	Edison S.p.A.	Board of Auditor chairman
	Marcora S.p.A.	Board of Auditor chairman
	Padana Assicurazioni S.p.A.	Board of Auditor chairman
	SMA S.p.A.	Board of Auditor chairman
	Società Italiana Distribuzione Moderna S.p.A.	Board of Auditor chairman
	UBI Banca S.c.p.a.	Member of Supervisory Board
Marcello Priori	Atmos S.p.A.	Director
	Banca Popolare di Milano S.c.a.r.l.	Director
	Bipiemme Gestioni SGR S.p.A.	Deputy Chairman
	Bracco Imaging Italia S.r.l.	Standing auditor
	Carrefour Italia Immobiliare S.r.l.	Standing auditor
	Carrefour Servizi Finanziari S.p.A.	Board of Auditor chairman
	Demeter Italia S.r.l.	Standing auditor
	Etica SGR S.p.A.	Board of Auditor chairman
	Etnastore S.p.A.	Standing auditor
	Fomas Finanziaria S.p.A.	Standing auditor
	I.S. Cinque S.r.l.	Standing auditor
	IBI S.p.A.	Standing auditor
	Il Bosco S.r.l.	Standing auditor
	Key Client S.p.A.	Standing auditor
	Lucchini S.p.A.	Standing auditor
	Mogar Music S.p.A.	Director
	Monzino S.p.A.	Director
	Per S.p.A.	Standing auditor
	Slidi S.r.l.	Standing auditor
Carlo Tavormina	Castel San Giovanni Imm. Log. S.r.l.	Standing auditor
	Enertad S.p.A.	Standing auditor
	Eurinvest Finanza Stabile S.r.l.	Board of Auditor chairman
	Mediapason S.p.A.	Standing auditor
	Nem Due SGR S.p.A.	Standing auditor
	Omnia Sim S.p.A.	Board of Auditor chairman
	RCR Cristalleria Italiana S.p.A.	Standing auditor
	Realty Vailog S.p.A.	Board of Auditor chairman
	Sviluppo del Mediterraneo S.p.A.	Standing auditor
	Telelombardia S.p.A.	Standing auditor
	Termica Boffalora S.r.l.	Standing auditor

There was 100% attendance of the Statutory Auditors at meetings of the Board of Statutory Auditors held during the year ended 31 December 2007. Attendance at the meetings of the Board of Directors was as follows:

- 44% for the Chairman Sergio Pivato;
- 100% for the Auditor Marcello Priori;
- 100% for the Auditor Carlo Tavormina,

with an overall attendance of 81%.

RELATIONS WITH SHAREHOLDERS

The highest level of management is entrusted with meetings with shareholders, with whom relations are taken care of by the Investor Relator, Guido Vigorelli, who reports directly to the Managing Director.

As a rule the Company takes part in the events organised by the Star segment of the Stock Exchange and updates its website on a timely basis with the information required by legislative and regulatory provisions, simultaneously providing information to all its shareholders and to the various markets on which it is listed.

OTHER INFORMATION

PRINCIPAL DISPUTES IN COURSE

Amongst the current legal and arbitration proceedings, details are provided of the following:

– *Dispute with Grupo Torras S.A.*

The dispute with Grupo Torras S.A. relates to an accumulation of situations which go back to February 1991 and regard the former Saffa Group, which today is part of the RDM Group.

Details as to the origins and evolution of the dispute may be found in the reports included with the financial statements of previous years. In summary, it is recalled that in 2001 arbitrators found in favour of the RDM Group and required Grupo Torras S.A. to pay an amount of approximately Euro 48 million plus interest; on the appeal of the counterparty, the Appeals Court of Madrid overturned such decision in 2003 on the basis that the arbitrators did not have judicial competence in the matter without, however, providing its opinion on the merits of the case. As a result, the RDM Group took the decision to initiate civil proceedings at the Court of Madrid.

On 8 September 2005, the Court of Madrid lodged its sentence in which it only partially upheld the RDM Group’s claim. In particular, Grupo Torras S.A. was sentenced to purchase from RDM Iberica 1,115,400 shares of Torraspapel S.A. for which it was obliged to pay an amount of Euro 50.7 million, excluding the dividends received by RDM Iberica from these shares.

The Court of Madrid of the first level deemed it necessary to reduce the above amount by the percentage employed in the creditors’ arrangement (suspensiòn de pagos) for 1992 to 1998 in which Grupo Torras S.A. was the debtor. As a consequence, as the effect of the reduction due to the creditors’ arrangement to which the counterparty was bound in connection with subsequent operations with the Saffa Group, the Court of Madrid of the first level required that the creditors’ agreement rate of approximately 11% be applied to the amount of Euro 50.7 million originally recognised.

As a result of these events, the carrying amount of the receivable from Grupo Torras S.A. was prudently aligned to that implicit in the sentence of the Court of Madrid of the first level, both in the separate financial statements of RDM Iberica and in the consolidated financial statements.

On 18 September 2006, the Appeals Court of Madrid passed judgement and notified sentence no. 114 on the appeal made by Reno De Medici S.p.A and Reno De Medici Iberica S.L. against sentence no. 43 of the Court of Madrid of the first level notified on 8 September 2005. In their ruling, the Appeals Court rejected the appeals made by both parties and thereby confirmed the ruling established at the first level.

As a consequence of this, RDM and RDM Iberica lodged an appeal with the Supreme Court on 9 January 2007.

– *Disputes with road haulers*

RDM and Reno Logistica in liquidation were summonsed to appear in court following claims made by certain transport haulers on the premise that the two Group companies did not respect the minimum transportation tariffs pursuant to Law no. 298/74.

In their court appearance, RDM and Reno Logistica in liquidation raised a series of exceptions of both a preliminary nature and in regard to the merits of the cases.
The disputes are pending, and next hearings are arranged during on 2008.

The RDM Group has made provision deemed suitable in respect of these disputes.

– *Criminal proceedings*

On 10 March 2005, the Public Prosecutor of the Republic of Italy at the Court of Turin informed the heads of factory at the Ciriè facility from 1977 to 1993, subsequently replaced with the passage of time, by means of a formal "Notification to a Person Under Investigation Pursuant to Articles 369 and 369-*bis* of the Italian Criminal Code Procedure", that criminal proceedings had been commenced against them (number 5110/05 R.G. notification of a criminal act) to ascertain whether they have any responsibility as heads of the factory responsibility for the death through alleged illness of two former employees at the Ciriè facility during the performance of their professional duties from 1971 to 1993.

On 3 March 2007, the Turin Public Prosecutor's judge ruled that in the situation of one of the two former employees there is insufficient evidence to proceed with the case.

– *Sold activities*

On 16 May 2006 the Trento Inland Revenue Office commenced a tax audit of Aticarta S.p.A. for the period from 1 January to 31 December 2003, acting under instruction from the Milan Inland Revenue Office. The Dispute Notice issued on completion of the audit disallowed costs for a total of Euro 7.2 million, almost all of which relates to depreciation added back to taxable income on the grounds that the company allegedly did not keep a fixed asset register in accordance with tax laws and regulations.
A formal assessment was notified to Aticarta S.p.A. on 22 November 2006 by the Milan Inland Revenue Office, in which the tax authorities state their reasoning as based on the Dispute Notice and assess the company to additional taxes of Euro 735 thousand plus penalties and interest.

On 4 December 2006, Colleoni S.A., the purchaser of Aticarta S.p.A., formally notified RDM of that assessment pursuant to the terms and conditions of the sales agreement. In its own turn, given that the issue raised by the Inland Revenue Office also regards fiscal years that precede the purchase by RDM of Aticarta S.p.A. from ATI S.p.A. which took place in 2001, RDM formally notified ATI S.p.A. of the situation, as provided by the original purchase agreement.
On the preliminary phase of the dispute, the tax advisor engaged by Aticarta S.p.A. and assisted by RDM commencing a dispute with the Inland Revenue Office so as to be able to demonstrate the substantial propriety of the company's actions and to show as a consequence that the findings of the Trento Inland Revenue Office relating to the keeping of a fixed asset register are unfounded.
In the light of discussions held with the tax advisor and of the documentation produced by Aticarta S.p.A. up to now in the proceedings, RDM is confident that the main issue will be resolved in a favourable manner. Nonetheless, RDM has considered it appropriate to make provision for the costs required to defend the Company at this pre-dispute stage and for the taxes and penalties corresponding to to the disallowed costs of smaller amount included in the Dispute Notice, in respect of which it recognises the convenience and opportunity of closing the matter.
In addition the Tax Revenue Office has issued a favourable opinion on the suspension of the tax notice relating to the entry in the roll of the additional taxes and interest arising from the assessment in question, which has therefore been granted. On the basis of the proposal for judicial reconciliation this dispute is expected to be concluded within the term for discussing the appeal, for which a hearing has been arranged for 24 April 2008.

In the light of discussions held with the professional advisor engaged for this case and the documents produced by Aticarta S.p.A. up until now in the proceedings RDM is confident that the issue will be resolved in a favourable manner on the basis of the reconciliation proposal and has made a provision for the respective costs.

The dismantling of the plant at the Pompeii (ex Aticarta) facility has been completed. It is recalled that this facility was sequestered by the Torre Annunziata Public Prosecutor in June following the petition for a preventative technical assessment lodged by certain former employees who were complaining about an alleged exposure to environmental risks. In this respect since the sampling and analyses performed by a technical export in this sector had negative results the site was released from sequestration in January 2008.
These circumstances prevented the completion of the transportation work within the timescale originally planned and led to increased costs being incurred due to the delay in handing over the site with respect to the date established in the lease agreement. RDM has made a provision for the additional costs arising from this.

OWN SHARES

No purchases or sales of own shares were made during the year.

Own shares in hand at 31 December 2007 consist of 7,513,443 ordinary shares, equal to 2.79% of share capital.

INVESTMENTS HELD BY DIRECTORS AND STATUTORY AUDITORS

The following information regarding the investments held by Directors and Statutory Auditors in RDM and its subsidiaries is presented as a requirement of Consob Regulation no. 11971 in accordance with format 3) of attachment 3C) of that Regulation:

Last and First name	Company shares	N. of shares as of 31 december 2006	N. of shares purchased	N. of shares sold	N. of shares as of 31 december 2007
De Min Giancarlo	Reno De Medici S.p.A.	12,000	–	–	12,000

RELATIONS BETWEEN RDM AND ITS SUBSIDIARY COMPANIES AND ASSOCIATES

Transactions carried out with subsidiary companies and associates are part of ordinary business activities and within the normal course of business of those parties involved and are carried out on an arm's length basis.

The main transactions carried out by RDM with its subsidiaries are as follows:

- sales of cartonboard to Cartiera Alto Milanese S.p.A. (CAM), to Emmaus Pack S.r.l. (Emmaus) and to RDM Iberica S.L.;
- services provided to Emmaus Pack S.r.l. and CAM S.p.A.;
- purchases of production shavings from Emmaus Pack S.r.l.;
- commisions payable to RDM France S.a.r.l. and to Reno De Medici Deutschland GmbH;
- interest expense from financial transactions with RDM Iberica S.L., CAM S.p.A., RDM France S.a.r.l. and Reno De Medici Deutschland GmbH;
- interest income from current accounts held with Emmaus Pack S.r.l., RDM Iberica S.L. and Reno Logistica S.r.l. in liquidation.

The following transactions carried out by RDM with its associated companies are noted:

- purchases of steam from Termica Boffalora S.r.l. and extraordinary expenses to the early termination of suplly contract;
- sales of cartonboard to Pac Service S.p.A..

Reference should be made to the notes to the financial statements of the Parent Company for the detailed figures of the transactions carried out in 2007 by RDM with its subsidiary companies and associates.

RELATED PARTY TRANSACTIONS

There are no related party transactions that could be considered to be abnormal or unusual, outside normal business operations or of such a nature as to prejudice the Group's economic situation, assets and liabilities or financial position.

Transactions carried out with related parties are part of ordinary business activities and within the normal course of business of those parties involved and are carried out on an arm's length basis.

The following transactions are noted:

- trading between the subsidiary Emmaus Pack S.r.l. and Immobiliare ANSTE S.r.l. and ANSTE Autotrasporti S.r.l., both of which relate to the Oldani family which owns 49% of Emmaus Pack S.r.l.. The transactions consist of rental instalments of Euro 214 thousand and transportation and ancillary services of Euro 489 thousand. Trade payables to ANSTE S.r.l. and ANSTE Autotrasporti S.r.l. at 31 December 2007 amount to Euro 65 thousand and Euro 147 thousand respectively. Payments of Euro 257 thousand and Euro 576 thousand were made to ANSTE S.r.l. and ANSTE Autotrasporti S.r.l. respectively during 2007;
- trading with Termica Boffalora S.r.l., in which RDM holds an investment of 30%, relating to purchases of steam and payment of an extraordinary expense to the early termination of suplly contract. Costs of Euro 5,375 thousand were incurred in 2007 for the steam and Euro 1 million for extraordinary indemnity, payments made during the year amounted to Euro 5,258 thousand and the balance of trade payables due to the company at 31 December 2007 totals Euro 3,754 thousand. RDM has also recharged costs of Euro 42 thousand and receipts during the year amounted to Euro 304 thousand, while there was a receivable balance of Euro 22 thousand at 31 December 2007.
- trading with Pac Service S.p.A. in which RDM holds an investment of 33%, relating to sales of cartonboard. Revenues of Euro 2,450 thousand were realized in 2007, receipts during the year amounted to Euro 2,797 thousand and the balance of trade receivables due from the company at 31 December 2007 totals Euro 929 thousand;
- services received from IBI S.p.A. (a company controlled by the shareholder Alerion S.p.A.) during 2006, for a total amount of Euro 2,120 thousand. There aren't debt due positions at 31 December 2007.

"PROGRAMME SAFETY DOCUMENT"

RDM has prepared the "Programme safety document" in compliance with Legislative Decree no. 196/2003.

SUBSEQUENT EVENTS

Events of importance occurring after 31 December 2007 are set out in the following.

On 17 January 2008, following the merger operation with Cascades Group, Mr. Ignazio Capuano has taken the position as Managing Director of the Company.

On 26 February 2008 the Company signed the Combination Agreement for merging Cascades Italia S.r.l., with effective date 1 March 2008.

As a final point, given the unfavourable performance of the financial markets at the present time and the resulting fall in the price of the Reno De Medici share compared to the Company's book net assets, it was decided that the conditions exist for carrying out impairment tests, and accordingly calculations were made of the recoverable amount of all the company's cash-generating units. This analysis confirmed that the value in use of all of the assets in the Company's balance sheet is sufficient for their carrying amount to be recovered, with the exception of one asset whose fair value less costs to sell exceeds its carrying amount. As a result of this no impairment losses need to be recognised.

FORECAST

There has been a significant increase in average sales prices during January and February 2008, up 4.8% compared to the corresponding period in 2007.

During the same period, there has been a decrease of 6% on the volumes sold compared to 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 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.

RISK MANAGEMENT

Article 2428, paragraph 2, no. 6-*bis* of the Italian civil code requires information to be provided to describe the effect of financial instruments on exposure to risk (credit, liquidity and market risk), with details to be provided of the measures and procedures that the Company and the Group have introduced to manage this exposure.
In addition, IFRS 7 *Financial Instruments: Disclosures* is applicable from the year ended 31 December 2007. This standard requires detailed disclosures to be made relating to the nature of credit, liquidity and market risks and the way in which they are managed.

This analysis has been carried out for the situation in the financial statements at 31 December 2007, as compared to the figures at 31 December 2006, and for the consolidated financial statements of the RDM Group and the separate financial statements of the Parent Company.

All figures are stated in thousands of Euros.

The following section provides information about the relevance of financial instruments to the balance sheet and income statement separately.

Relevance of financial instruments to the balance sheet and financial position

The following table sets out the carrying amount of each type of financial asset and liability in the balance sheets of the consolidated and separate financial statements.

(figures relate to the consolidated financial statements)	**31.12.2007**		**31.12.2006**	
	Book value	**Fair value**	**Book value**	**Fair value**
Available-for-sale financial assets	482	482	479	479
Liquid funds	8,248	8,248	9,536	9,536
Trade payables	102,462	102,462	100,758	100,758
Hedging derivative financial instruments	749	749	(204)	(204)
– Assets	749	749	160	160
– Liabilities			(364)	(364)
Secured long-term bank loans	(24,849)	(24,591)	(27,221)	(26,832)
Unsecured long-term bank loans	(2,721)	(2,520)	(3,311)	(3,067)
Secured long-term bank loans at amortised cost	(52,802)	(55,722)	(60,689)	(64,254)
Short-term bank loans as use of commercial facilities	(42,174)	(42,174)	(47,069)	(47,069)
Trade payables	(97,718)	(97,718)	(86,560)	(86,560)
	(107,574)	**(110,035)**	**(114,485)**	**(117,417)**
Unrecognised gain (loss) (*)	**(2,461)**		**(2,932)**	

(*) Of which amortised cost of Euro 2,136 thousand at 31 December 2007 and Euro 2,701 thousand at 31 December 2006

(figures relate to the separate financial statements)	31.12.2007		31.12.2006	
	Book value	**Fair value**	**Book contable**	**Fair value**
Available-for-sale financial assets	445	445	443	443
Liquid funds	1,454	1,454	2,044	2,044
Trade payables	85,392	85,392	91,170	91,170
Hedging derivative financial instruments				
– Assets	749	749	160	160
– Liabilities			(364)	(364)
Secured long-term bank loans	(24,849)	(24,591)	(27,221)	(26,832)
Unsecured long-term bank loans	(2,221)	(2,020)	(2,527)	(2,289)
Secured long-term bank loans at amortised cost	(52,802)	(55,722)	(60,689)	(64,254)
Short-term bank loans as use of commercial facilities	(40,899)	(40,899)	(47,014)	(47,014)
Bank loans to subsidiary companies	(32,000)	(32,000)	(32,000)	(32,000)
Trade payables	(99,385)	(99,385)	(83,831)	(83,831)
	(164,116)	**(166,577)**	**(159,829)**	**(162,767)**
Unrecognised gain (loss) (*)	**(2,461)**		**(2,938)**	

(*) Of which amortised cost of Euro 2,136 thousand at 31 December 2007 and Euro 2,701 thousand at 31 December 2006.

Following this, after a discussion of the criteria and financial models used to estimate the fair values of the above-mentioned financial instruments further details are provided on the individual items themselves.

Derivative instruments

In general the fair value of derivatives is based on their market quotation if available. If this is not available or obtainable, estimates are made using standard financial algorithms.

Positions in interest rate derivatives are only to be found in the separate financial statements of the Parent Company and consist of interest rate swaps, both in 2007 and 2006. A discounted cash flow model is used to measure these instruments, in which the fair value of a derivative is given by the sum of the present values of future cash flows estimated on the basis of the interest rate conditions at the balance sheet date.

The RDM Group did not hold any foreign exchange instruments at either 31 December 2007 or 31 December 2006.

No commodity derivative financial instruments were held at 31 December 2007, while at the end of the previous year a commodity swap on combustible oil (BTZ) was held. The fair value of that arrangement was calulated using a discounted cash flow model. In order to arrive at the expected future prices of that commodity, needed for estimating the derivative's cash flows, a self regressive model of order 1 and time lag 1 was used. The underlying assumption for this model is that the future evolution of prices depends upon past behaviour in accordance with a specific law, and in particular that it is possible to express the quotation of the underlying at time t as a function of its quotation at time t-1 and a constant.

Loans

The total in question consists of all the outstanding long-term loans. These were measured by calculating the net present value of the future flows generated by the financial instrument, taking into account the repayment plans defined in the loan agreements.

In the case of indexed loans, future interest rates were estimated by calculating the forward rates implicit in the quoted euro curve at 31 December 2007 and 31 December 2006.
Future flows were discounted on the basis of the euro yield curve at 31 December 2007 and 31 December 2006.

As market credit spreads for the Group were not available, all future flows were discounted by increasing the discount curve by a spread equal to the average spread paid on long-term loans outstanding at 31 December 2007 and 2006.

Financial assets

The following table sets out details of financial assets.

(figures relate to the consolidated financial statements)	**31.12.2007**	**31.12.2006**
Non current Financial Assets		
Available-for-sale financial assets	482	471
Hedging derivative financial instruments	418	83
IRS Intesa	–	*20*
IRS Banca IMI	*139*	*14*
IRS Banca Intesa Sanpaolo	*140*	*14*
IRS Unicredit	*139*	*14*
IRS Banca Popolare di Milano	–	*21*
Total	**900**	**554**
Current Financial Assets		
Available-for-sale financial assets	–	8
Financial asset at amortize cost		
Liquid funds	8,248	9,536
Hedging derivative financial instruments	331	77
IRS Intesa	–	*38*
IRS Popolare Emilia	*67*	–
IRS Popolare Milano	*57*	*39*
IRS Banca IMI Tranche A	*69*	–
IRS Banca Intesa Tranche A	*69*	–
IRS Unicredit Tranche A	*69*	–
Total	**8,579**	**9,621**

(figures relate to the separate financial statements)	31.12.2007	31.12.2006
Non current Financial Assets		
Available-for-sale financial assets	445	443
Hedging derivative financial instruments	418	83
IRS Intesa	*–*	*20*
IRS Banca IMI	*139*	*14*
IRS Banca Intesa Sanpaolo	*140*	*14*
IRS Unicredit	*139*	*14*
IRS Banca Popolare di Milano	*–*	*21*
Total	**863**	**526**
Current Financial Assets		
Liquid funds	1,454	2,044
Hedging derivative financial instruments	331	77
IRS Intesa	*–*	*38*
IRS Popolare Emilia	*67*	*–*
IRS Popolare Milano	*57*	*39*
IRS Banca IMI Tranche A	*69*	*–*
IRS Banca Intesa Tranche A	*69*	*–*
IRS Unicredit Tranche A	*69*	*–*
Total	**1,785**	**2,121**

Financial liabilities

The following table sets out details of financial liabilities.

(figures relate to the consolidated financial statements)	31.12.2007	31.12.2006
Non current Libilities		
Secured long-term bank loans	(19,872)	(22,477)
Unsecured long-term bank loans	(2,122)	(2,721)
Secured long-term bank loans at amortised cost	(48,008)	(55,591)
Hedging derivative financial instruments	–	(14)
Total	**(70,002)**	**(80,803)**
Current Libilities		
Secured long-term bank loans - current portion	(4,977)	(4,744)
Unsecured long-term bank loans - current portion	(599)	(590)
Secured long-term bank loans at amortised cost-current portion	(4,794)	(5,078)
Short-term bank loans as use of commercial facilities	(42,174)	(47,069)
Hedging derivative financial instruments	–	(350)
Total	**(52,544)**	**(57,831)**

(figures relate to the separate financial statements)	31.12.2007	31.12.2006
Non current Libilities		
Secured long-term bank loans at amortised cost	(19,872)	(22,477)
Short-term bank loans as use of commercial facilities	(1,905)	(2,221)
Trade payables	(48,008)	(55,591)
Bank loans to subsidiary companies	(32,000)	(32,000)
Secured long-term bank loans	–	(14)
Total	**(101,785)**	**(112,303)**
Current Libilities		
Secured long-term bank loans - current portion	(4,977)	(4,744)
Unsecured long-term bank loans - current portion	(316)	(307)
Secured long-term bank loans at amortised cost-current portion	(4,794)	(5,078)
Short-term bank loans as use of commercial facilities	(40,899)	(47,014)
Secured long-term bank loans	–	(350)
Total	**(50,986)**	**(57,493)**

Terms and conditions and repayment plans of loans

The terms and conditions of loans are summarised in the following table.

(figures relate to the consolidated financial statements)	Currency	Nominal interest rate	Maturity	Nominal value 31.12.2007		Book value	Nominal Value 31.12.2006
Secured long-term bank loans at amortised cost					**52,802**		**60,689**
Intesa SanPaolo loan in pool (tranche A)	Euro	Eur6m+ spread	2016	50,000	37,931	50,000	45,314
Intesa SanPaolo loan in pool (tranche B)	Euro	Eur3m+ spread	2011	10,000	9,667	10,000	9,567
Banca Popolare Emilia Romagna	Euro	mEur6m+ spread	2016	6,200	5,204	6,200	5,808
Secured bank loans					**24,849**		**27,221**
Intesa SanPaolo funds BEI	Euro	5.86%	2011	15,500	7,555	15,500	9,480
Intesa SanPaolo funds BEI	Euro	5.39%	2011	23,200	12,660	23,200	15,479
Intesa SanPaolo	Euro	Eur6m+ spread	2016	4,634	4,634	2,262	2,262
Unsecured bank loans					**2,721**		**3,311**
MinIndustria 10686	Euro	2.11%	2013	1,408	880	1,408	1,016
MinIndustria 2184	Euro	4.11%	2008	532	54	532	106
Minindustria 11172	Euro	3.72%	2016	1,406	1,287	1,406	1,406
Unicredit Torino	Euro	Eur3m+ spread	2009	800	200	800	333
Unicredit Torino	Euro	Eur6m+ spread	2009	900	300	900	450
Total long-term bank loans	**Euro**				**80,372**		**91,221**
Short-term bank loans as use of commercial facilities in GBP							
Intesa SanPaolo GBP equivalent in Euro al 31/12	GBP	Libor2m+ spread	n/a	1,814	1,814	1,226	1,226
Short-term bank loans as use of commercial facilities					**40,360**		**45,843**
Used Portfolio	Euro	mEur1m+ spread	n/a	15,150	15,150	13,422	13,382
Advance Inovices	Euro	mEur1m	n/a	6,993	6,992	12,974	12,981
Loans export	Euro	Euribor+ spread	n/a	15,718	15,718	16,230	16,230
Loans import	Euro	Euribor+ spread	n/a	2,500	2,500	3,250	3,250
Total short-term bank loans	**Euro**				**42,174**		**47,069**
Total onerous libilities					**122,546**		**138,290**

(figures relate to the separate financial statements)	Currency	Nominal interest rate	Maturity	Nominal value 31.12.2007	Book value	Nominal value 31.12.2006	Book value
Secured long-term bank loans at amortised cost					**52,802**		**60,689**
Intesa SanPaolo loan in pool (tranche A)	Euro	Eur6m+ spread	2016	50,000	37,931	50,000	45,314
Intesa SanPaolo loan in pool (tranche B)	Euro	Eur3m+ spread	2011	10,000	9,667	10,000	9,567
Banca Popolare Emilia Romagna	Euro	mEur6m+ spread	2016	6,200	5,204	6,200	5,808
Secured bank loans					**24,849**		**27,221**
Intesa SanPaolo funds BEI	Euro	5.86%	2011	15,500	7,555	15,500	9,480
Intesa SanPaolo funds BEI	Euro	5.39%	2011	23,200	12,660	23,200	15,479
Intesa SanPaolo	Euro	Eur6m+ spread	2016	4,634	4,634	2,262	2,262
Unsecured bank loans					**2,221**		**2,528**
MinIndustria 10686	Euro	2.11%	2013	1,408	880	1,408	1,016
MinIndustria 2184	Euro	4.11%	2008	532	54	532	106
Minindustria 11172	Euro	3.72%	2016	1,406	1,287	1,406	1,406
Total long-term bank loans	**Euro**				**79,872**		**90,438**
Short-term bank loans as use of commercial facilities in GBP							
Intesa SanPaolo GBP equivalent in Euro al 31/12	GBP	Libor2m+ spread	n/a	1,814	1,814	1,226	1,226
Used Portfolio	Euro	mEur1m+ spread	n/a	15,150	13,875	13,362	13,327
Advance Inovices	Euro	mEur1m	n/a	6,993	6,992	12,974	12,981
Loans export	Euro	Euribor+ spread	n/a	15,718	15,718	16,230	16,230
Loans import	Euro	Euribor+ spread	n/a	2,500	2,500	3,250	3,250
Total short-term bank loans	**Euro**				**40,899**		**47,014**
Total onerous lilibities					**120,771**		**137,452**

Other information

As required by IFRS 7, additional information is provided below on the following:
- the effect on the balance sheet and profit and loss account of the reclassification of financial instruments;
- instruments/assets pledged as collateral for actual or contingent liabilities.

Reclassification

The Group has not reclassified any financial assets due to for example:
- measurement at cost or amortised cost rather than fair value;
- measurement at fair value rather than cost or amortised cost.

As a result there has been no need to carry out any remeasurement.

Guarantees

The following table sets out the amounts of collateral pledged for liabilities or contingent liabilities and the principal contractual clauses involved.

(figures relate to the consolidated financial statements)	**Terms and conditions of the guarantee**	**31.12.2007**		**31.12.2006**	
		Book value	**Fair value**	**Book value**	**Fair value**
Financial assets pledged as guarantees of contingent liabilities	Restricted deposit given as collateral by RDM Iberica to BBVA to act as guarantor to the company in the KIO litigation	5,000	5,000	5,000	5,000

Reference should be made to the section in the notes "Contingent liabilities and commitments and other guarantees given to third parties" to obtain more precise details of outstanding guarantees.

Effect of financial instruments on the profit and loss account

The following tables set out the effect of financial instruments on the profit and loss account.

Financial income recognised in the profit and loss account (figures relate to the consolidated financial statements)	**31.12.2007**	**31.12.2006**
Interest income from bank deposits	260	543
Interest income from others	582	116
Interest income from loans and receivables	13	173
Miscellaneous income	251	244
Foreign exchange gains	562	528
Total financial income	**1,668**	**1,604**

Financial expense recognised in the profit and loss account (figures relate to the consolidated financial statements)	**31.12.2007**	**31.12.2006**
Interest on financial liabilities at amortised cost	(3,724)	(2,436)
Bond interest	–	(2,996)
Long-term loan interest	(1,599)	(1,889)
Bank interest	(2,473)	(2,160)
Changes in the fair value of hedging derivatives (fair value hedges)	(60)	(27)
Discounting the employees' leaving entitlement (TFR)	(786)	(839)
Expenses and other financial charges	(1,091)	(1,200)
Foreign exchange losses	(809)	(715)
Financial expense	**(10,542)**	**(12,262)**

Financial income recognised in the profit and loss account (figures relate to the separate financial statements)	**31.12.2007**	**31.12.2006**
Interest income from bank deposits	39	403
Interest income from others	145	87
Interest income from loans and receivables	13	173
Miscellaneous income	26	60
Foreign exchange gains	606	389
Total financial income	**829**	**1,112**

Financial expense recognised in the profit and loss account (figures relate to the consolidated financial statements)	**31.12.2007**	**31.12.2006**
Interest on financial liabilities at amortised cost	(3,724)	(2,436)
Long-term loan interest	(1,599)	(1,865)
Bank interest	(2,473)	(2,114)
Changes in the fair value of hedging derivatives (fair value hedges)	(60)	(1,598)
Discounting the employees' leaving entitlement (TFR)	(786)	(833)
Expenses and other financial charges	(686)	(725)
Interest expenses from subsidiary companies	(1,374)	(1,760)
Foreign exchange losses	(853)	(542)
Financial expense	**(11,555)**	**(11,873)**

Credit risk

This section provides details in both quantitative and qualitative terms of the exposure to credit risk and the way in which this is managed.

Risk exposure

The exposure to credit risk at the balance sheet date may be summarised as follows.

(figures relate to the consolidated financial statements)	**31.12.2007**	**31.12.2006**
Trade receivables gross	108,732	107,100
– provision for bad and doubtful debts	(6,270)	(6,342)
Total	**102,462**	**100,758**

(figures relate to the separate financial statements)	**31.12.2007**	**31.12.2006**
Trade receivables gross	87,587	93,480
– provision for bad and doubtful debts	(2,195)	(2,310)
Total	**85,392**	**91,170**

Overdue or impaired financial assets

The ageing of trade receivables at the balance sheet date was as follows.

Receivables by geographical ares at 31 December 2007 (figures relate to the consolidated financial statements)	**Amount due receivables**			**Receivables not due**	**Provision for bad and doubtful debts**	**Total**
	Over 60	**From 31 to 60**	**From 0 to 30**			
Italy	1,957	747	5,305	61,470	(1,911)	67,568
UE	5,526	608	4,889	20,736	(4,310)	27,448
Rest of the world	40	22	325	7,108	(49)	7,446
Total	**7,523**	**1,377**	**10,518**	**89,314**	**(6,270)**	**102,462**
– provision for bad and doubtful debts	(6,261)	(9)				
Total	**1,262**	**1,368**	**10,518**	**89,314**		**102,462**

(*) Df which Euro 30,517 thousand guaranteed.

Receivables by geographical ares at 31 December 2006 (figures relate to the consolidated financial statements)	**Amount due receivables**			**Receivables not due**	**Provision for bad and doubtful debts**	**Total**
	Over 60	**From 31 to 60**	**From 0 to 30**			
Italy	3,303	791	2,521	64,594	(2,005)	69,204
UE	4,908	757	4,261	20,579	(4,337)	26,169
Rest of the world	14	2	262	5,107	–	5,385
Total	**8,225**	**1,550**	**7,044**	**90,280**	**(6,342)**	**100,758**
– provision for bad and doubtful debts	(6,342)					
Total	**1,883**	**1,550**	**7,044**	**90,280**		**100,758**

(*) Df which Euro 29,915 thousand guaranteed.

Receivables by geographical ares at 31 December 2007 (figures relate to the separate financial statements)	**Amount due receivables**			**Receivables not due**	**Provision for bad and doubtful debts**	**Total**
	Over 60	**From 31 to 60**	**From 0 to 30**			
Italy	1,651	315	5,786	56,772	(1,591)	62,933
UE	369	140	3,526	11,135	(555)	14,615
Rest of the world	27	22	736	7,108	(49)	7,844
Total	**2,047**	**477**	**10,048**	**75,015**	**(2,195)**	**85,392**
– provision for bad and doubtful debts	(2,047)	(148)				
Total	**–**	**329**	**10,048**	**75,015**		**85,392**

(*) Df which Euro 20,363 thousand guaranteed.

Receivables by geographical ares at 31 December 2006 (figures relate to the separate financial statements)	**Amount due receivables**			**Receivables not due**	**Provision for bad and doubtful debts**	**Total**
	Over 60	**From 31 to 60**	**From 0 to 30**			
Italy	1,733	721	3,383	62,756	(1,723)	66,870
UE	480	197	2,800	16,088	(587)	18,978
Rest of the world	61	46	352	4,863	–	5,322
Total	**2,274**	**964**	**6,535**	**83,707**	**(2,310)**	**91,170**
– fprovision for bad and doubtful debts	(2,274)	(36)				
Total	**–**	**928**	**6,535**	**83,707**		**91,170**

(*) Df which Euro 15,810 thousand guaranteed.

A total of 12.8% of the receivables portfolio of the RDM Group at 31 December 2007 was overdue, while at 31 December 2006 the corresponding figure was 10.4%. In RDM, 12.1% of receivables were overdue at 31 December 2007 compared to 8.2% at 31 December 2006.

At a Group level, included in the 0 to 30 days band are receivables of Euro 9.9 million due on 31 December 2007 (31 December 2006: Euro 5.8 million). In RDM the corresponding figure is Euro 7.7 million at 31 December 2007 (31 December 2006: Euro 5.2 million).

How credit risk is managed

As a general approach, the risk management policy for trade receivables envisages insurance cover with companies specialising in foreign customers, whereas any uninsured or partially insured positions are subject to the specific authorisation of RDM management, depending on the amount. Specific procedures are followed in granting credit limits to Italian customers which require the approval of various levels of RDM management, again depending on the amount. RDM's credit management policies require receivables from domestic and foreign customers to be closely monitored and call for suitable collection procedures to be promptly implemented in the case of the customer's failure to pay.

In assessing creditworthiness, which is necessary before business relations may commence, internal procedures require qualitative and quantitative information to be obtained and analysed. The Sales and Accounts Receivable Departments are responsible for obtaining and analysing this information, whose nature also depends on the geographifical area to which the customer belongs.

Market risk

Market risk is defined as the risk that the fair value of a financial instrument or the cash flows associated with that instrument will fluctuate because of changes in the values of market variables such as foreign exchange rates, interest rates, the prices of raw materials and stock exchange quotations.

The market risks to which the Group was exposed during the year ended 31 December 2007 may be classified as follows:
- currency risk;
- interest rate risk;
- commodity risk.

The following paragraphs provide a description of the relevance of each of these risks and the way in which it is managed.

Currency risk

Exposure to currency risk derives from the following:

- certain trade receivables are denominated in currencies other than the Euro;
- a portion of liquidity is held in foreign currency current accounts;
- a portion of debt is denominated in foreign currency.

There were no derivative financial instruments held at either 31 December 2007 or 31 December 2006 for managing currency risk. Given the natural offsetting hedging effect of receivables and payables in the same currency, the net exposure by currency was not such as to require a hedging process to be employed.

The foreign currencies in which the Group predominately carries out its business are the British pound and the US dollar. It does however have exposures of a lesser importance in other currencies.

The following table provides details of the exposure to currency risk which is presented on the basis of the notional amount of the exposure. This risk exists to the same extent in both the consolidated financial statements and the Parent Company's separate financial statements.

(figures relate to the separate financial statements)	31 December 2007				31 December 2006			
	GBP	**USD**	**CHF**	**AUD**	**GBP**	**USD**	**CHF**	**AUD**
Trade Receivables	2,613	3,494	66	42	2,708	2,016	74	28
Short-term loans as use of commercial facilities	(1,814)	–	–	–	(1,219)	–	–	–
Trade payables	(46)	(4,003)	–	–	(2)	(3,061)	–	–
Liquid Funds	52	1,360	24	–	122	1,502	12	–
Net exposure	**805**	**851**	**90**	**42**	**1,609**	**457**	**86**	**28**

Sensitivity analysis of currency risk

In order to measure the effect on the balance sheet or profit and loss account of any changes to foreign exchange rates at 31 December 2007, assumptions were made (at 31 December 2007 and 31 December 2006) as to variations in the value of the euro compared to the foreign currencies applicable in the circumstances.
More specifically two scenarios were envisaged: an appreciation and a depreciation of 10% in the euro compared to the other currencies. For each of the two situations the gain or loss arising from outstanding transactions at 31 December 2007 and 31 December 2006 was then calculated. In this way it was possible to determine what the effect on results and equity would have been if exchange rates had varied as assumed.

The following tables provide a summary of the results of this analysis, indicating the additional effect to that actually recognised at the balance sheet date. It should be noted that the theoretical adjustments arising from changes in the exchange rate only give rise an effect on the result for the year and therefore on the profit and loss account.

Increase of 10% Euro			**Decrease of 10% Euro**		
31 December 2007	**Shareholder's equity**	**Profit and loss**	**31 December 2007**	**Shareholder's equity**	**Profit and loss**
(figures relate to the separate financial statements)					
GBP	–	(73)	GBP	–	89
USD	–	(77)	USD	–	95
CHF	–	(8)	CHF	–	10
AUD	–	(4)	AUD	–	5
Total	**–**	**(162)**	**Total**	**–**	**199**

Increase of 10% Euro			**Decrease of 10% Euro**		
31 December 2006	**Shareholder's equity**	**Profit and loss**	**31 December 2006**	**Shareholder's equity**	**Profit and loss**
(figures relate to the separate financial statements)					
GBP	–	(146)	GBP	–	179
USD	–	(42)	USD	–	51
CHF	–	(8)	CHF	–	10
AUD	–	(3)	AUD	–	3
Total	**–**	**(199)**	**Total**	**–**	**243**

How currency risk is managed

RDM's risk management policy, with specific reference to exposure to currency risk, has as its main objective that of limiting the exposure to foreign currency arising from exporting finished goods and importing raw materials to and from foreign markets. The following guidelines are used in pursuing this policy:

- first of all, inflows and outflows in the same currency are offset (natural hedging);
- secondly, recourse is made to export financing in the same currency or the currency of forward sales. These transactions are arranged by using a notional amount and date which correspond to those of the forecast cash flows (if the amount is significant), so that any changes in the cash flows arising from the forward transactions, as the result of the appreciation or depreciation of the Euro against other currencies, are substantially offset by a corresponding change in the forecast cash flows of the underlying positions.

As a general rule, the currency risk management policy recommends the use of the natural hedging effect to a maximum and, in any case, excludes any possibility of making recourse to transactions in complex derivatives, such as for example those having barriers.

The Administration and Finance Department has the responsibility of monitoring currency risk and sets out currency risk hedging strategies to contain exposure within the limits set by the policy.
There was no need for hedging derivatives to be employed for currency imbalances at either 31 December 2007 and 31 December 2006 as the average exposure to currency risk fell within tollerance thresholds.

Interest rate risk

Financial liablities exposing the RDM Group to interest rate risk are for the most part long-term floating rate indexed loans.
The following table sets out the positions liable to interest rate risk, separating exposures to fixed rates from those to floating rates.

Financial liabilities (figures relate to the consolidated financial statements)	**31.12.2007**	**%**	**31.12.2006**	**%**
Non-current liabilities	**(70,002)**	**57.1%**	**(80,789)**	**58.4%**
Floating rate long-term loans	(15,867)	12.9%	(16,678)	12.1%
Floating rate long-term loans hedged by IRS	(36,990)	30.2%	(41,675)	30.1%
Fixed rate long-term loans	(17,145)	14.0%	(22,436)	16.2%
Current liabilities	**(52,544)**	**42.9%**	**(57,481)**	**41.6%**
Floating rate long-term loans	(449)	0.4%	(683)	0.5%
Floating rate long-term loans hedged by IRS	(4,629)	3.8%	(4,678)	3.4%
Fixed rate long-term loans	(5,291)	4.3%	(5,051)	3.7%
Floating rate short-term bank loans as use of commercial facilities	(32,175)	26.3%	(27,069)	19.6%
Floating rate short-term bank loans as use of commercial facilities hedged by IRS	(10,000)	8.2%	(20,000)	14.5%
Total	**(122,546)**	**100.0%**	**(138,270)**	**100.0%**
Total floating rate	**(48,491)**	**39.6%**	**(44,430)**	**32.1%**
Total fixed rate or floating rate hedged by IRS	(74,055)	60.4%	(93,840)	67.9%

Financial liabilities (figures relate to the separate financial statements)	31.12.2007	%	31.12.2006	%
Non-current liabilities	**(101,785)**	**66.6%**	**(166,725)**	**74.5%**
Floating rate long-term loans	(15,650)	10.2%	(16,178)	7.2%
Floating rate long-term loans hedged by IRS	(36,990)	24.2%	(41,675)	18.6%
Fixed rate long-term loans	(17,145)	11.2%	(54,436)	24.3%
Fixed rate long-term loans to subsidiary companies	(32,000)	20.9%	(54,436)	24.3%
Current liabilities	**(50,986)**	**33.4%**	**(57,198)**	**25.5%**
Floating rate long-term loans	(66)	0.0%	(400)	0.2%
Floating rate long-term loans hedged by IRS	(4,729)	3.1%	(4,678)	2.1%
Fixed rate long-term loans	(5,292)	3.5%	(5,051)	2.3%
Floating rate short-term bank loans as use of commercial facilities	(30,899)	20.2%	(27,069)	12.1%
Floating rate short-term bank loans as use of commercial facilities hedged by IRS	(10,000)	6.5%	(20,000)	8.9%
Total	**(152,771)**	**100.0%**	**(223,923)**	**100.0%**
Total floating rate	**(46,615)**	**30.5%**	**(43,647)**	**19.5%**
Total fixed rate or floating rate hedged by IRS	**(106,156)**	**69.5%**	**(180,276)**	**80.5%**

Sensitivity analysis of intrerst rate risk

The following table provides an indication of the effect on the profit and loss account and equity of a parallel shift of +/– 50 basis points in the interest rate curve estimate at 31 December 2007 and 31 December 2006. This analysis was performed on the separate financial statements of RDM, as financial exposure is almost exclusively limited to that company.
The analysis was also carried out on the assumption that the other variables, in particular foreign exchange rates, remained constant.
For each curve scenario and limited to those derivatives qualifying for hedge accounting, the effectiveness test was performed *ex post* in order to measure the effect on equity (the effective portion) and on the profit and loss account (any ineffective portion).

In order to determine the effect on the profit and loss account of the year of assets and liabilities indexed to floating rates, a shock was applied to the actual cash outflows for the year. This consisted in identifying the additional financial income or expense which would have been recognised in the profit and loss account if interest rates had been higher or lower by 50 basis points than those that actually occurred.

31 December 2007 (figures relate to the separate financial statements)	**Profit (Loss)**		**Shareholder's Equity**	
	Increase of 50 bps	**Decrease of 50 bps**	**Increase of 50 bps**	**Decrease of 50 bps**
Floating rate financial instruments				
Floating rate loans	(318)	318	–	–
IRS Intesa SanPaolo	–	–	*623*	*(644)*
IRS Banca Popolare di Milano	–	*45*	*12*	–
IRS Intesa SanPaolo	*12*	*(12)*	–	–
IRS Banca Popolare Emilia Romagna	–	*(26)*	*91*	–
Derivaties cash flow	337	(337)	–	–
Sensitivity of net financial flow	**31**	**(12)**	**726**	**(644)**

31 December 2006 (figures relate to the separate financial statements)	**Profit (Loss)**		**Shareholder's Equity**	
	Increase of 50 bps	**Decrease of 50 bps**	**Increase of 50 bps**	**Decrease of 50 bps**
Floating rate financial instruments				
Floating rate loans	(228)	228	–	–
IRS Intesa SanPaolo	–	–	*797*	*(826)*
IRS Banca Popolare di Milano	–	–	*57*	*(58)*
IRS Intesa SanPaolo	–	–	*57*	*(58)*
IRS Banca Popolare Emilia Romagna	–	–	*110*	*(114)*
Derivaties cash flow	205	(205)	–	–
Sensitivity of net financial flow	**(23)**	**23**	**1,021**	**(1,056)**

An analysis of these scenarios demonstrated that the profit and loss account and equity have low reactivity to changes in interest rates. The reactivity of financial expense recognised in the profit and loss account is considerably limited by cash flow hedges.

In this respect in certain curve scenarios, and limited to 2007, the interest rate swap hedge agreements arranged with Banca Popolare di Milano and Banca Popolare dell'Emilia Romagna would have been ineffective. In these cases the effect on the profit and loss account was calculated, but that on equity was not considered due to the reclassification to income of the cash flow hedge reserve that had been gradually built up.

How interest rate risk is managed

RDM makes recourse to a mixture of debt instruments which depends on the nature of its financial requirements. More specifically: short-term debt to fund working capital needs and forms of medium-term financing to back investments linked to the core business.

The following are the technical forms used most prevalently:

- advances for the short-term segment;
- loans for the medium- to long-term segment. These instruments, which are arranged with prime lending banks, are to a large extent indexed at floating rates which are subject to revision every three or six months.

RDM's current risk management policy is designed to reduce the variability of the financial expense incurred on its debt and the related effect on results. The objectives in terms of risk management therefore consist in practical terms of stabilising the cash flows linked to servicing debt consistent with budget forecasts.

From an operating standpoint RDM's aim is to reach that objective by entering agreements for derivatives represented by interest rate swaps (IRS).
Consistent with the features of the transactions carried out and its risk management objectives, RDM has decided to structure its hedging relations using a cash flow hedge approach. The aim of these relations is to reduce the volatility of cash flows arising from the financial expense incurred on short- and long-term loans.

More specifically, hedging relations envisage converting payments indexed at a floating rate, generated by the loan, to those based on a fixed rate. This is carried out by using interest rate swaps, under which RDM receives a flow of payments from the counterparty bank at a floating rate corresponding to that on its debt. Corresponding to these receipts RDM generates payment flows based on fixed rates. The consolidated position (debt + IRS) is therefore equivalent overall to a liability bearing interest at a fixed rate.

RDM's policy is to keep its level of medium- to long-term fixed interest rate debt between a minimum of 50% and a maximum of 75%, and to have short-term fixed interest rate debt at a maximum of 50%, depending on the forecast of market trends.

The present hedging policy excludes the recourse to transactions in complex derivatives.

At the end of the years in question the risk of variability in cash flows linked to floating rate debt was hedged by four separate arrangements. These arrangements had as their objective both medium- to long-term and short-term exposure (bank overdrafts). As required by accounting standards an effectiveness test was carried out for each hedging arrangement and at 31 December 2007 one arrangement was found to be ineffective.

The item hedged by that arrangement was a specific credit facility. For economic convenience this facility had not been fully used during the year. This caused the hedge to be ineffective in accounting standards terms by default of the hedged item, despite the fact that RDM had in any case funded its current assets by making recourse to equivalent technical forms of financing.

Commodity risk

Commodity risk is the risk that the profit for the year will be reduced as the consequence of having to incur higher costs to purchase raw materials. This risk forms part of the general categories of price risk and market risk if the cost of the raw materials is dependent on changes in a quoted index.

The exposure to the risk of changes in commodity prices in 2006 existed in connection with the purchase of natural gas and electricity at indexed prices.

During 2007 the RDM Group contained its commodity risk mainly by making purchases at contractually fixed prices. The risk exposure, which was actually limited to the first three months of the year, arose from agreements for the supply of combustible oil (BTZ), in which RDM was committed to buy certain quantities at a price linked to quotations on certain energy indices.
Given this risk, derivative hedging arrangements were set up in which the Company undertook to pay the counterparty a fixed price for a pre-determined quantity of combustible oil and, at the same time, the counterparty undertook to pay a variable price.

The following paragraphs describe separately for each type of underlying the sensitivity of the profit and loss account and the balance sheet to changes in the prices of commodities.

The figures included in the tables below refer to impacts (the difference between the effect of the instrument on the profit and loss account/balance sheet in a market condition situation and in the "altered" scenario) and do not provide the absolute values of the accounting entries that would be made in each scenario.

Sensitivity analysis of commodity risk for natural gas

Exposure to changes in gas prices relates solely to RDM and to 2006, since in 2007 purchases were made exlusively using contractually pre-defined prices.

Purchase contracts existing in 2006 were linked to a composite index of the quotations of BTZ, Diesel Oil and Crude Oil. In order to carry out a scenario analysis, the assumption was made of an increase and decrease of 1% in price in that index compared to its base value. For each scenario a calculation was made of the effect on the income statement of the differential between the cost of the commodity incurred in the altered scenario and that incurred under normal market conditions. The following table provides a summary of the results of this analysis.

Profit and Loss 2006		Balance Sheet 2006	
Index +1%	**Index –1%**	**Index +1%**	**Index –1%**
(figures relate to the separate financial statements)			
(243)	243	–	–

Sensitivity analysis of commodity risk for electricity

Exposure to changes in electricity prices relates solely to RDM and to 2006, since in 2007 purchases were made exlusively using contractually pre-defined prices.

In order to provide information as to what would have been the higher or lower purchase cost for energy for the year, and the effect that this would have had on the profit and loss account, a scenario analysis was performed.

In the case of exposure to electricity price risk it was assumed as part of the risk analysis that there was an increase/decrease of 1% in the price on the CT index. The CT index is representative of the cost of electricity arising from Italian fossil sources and is obtained by multiplying the recognised unit cost of combustibles calculated on the basis of a basket of imternational prices by the average specific consumption recognised for the domestic net production of thermoelectric plants.

The following table sets out the possibile effects on the financial statements at 31 December 2006 in terms of the increase or decrease in the cost of supply.

Profit and Loss 2006		Balance Sheet 2006	
Index CT +1%	**Index CT –1%**	**Index CT +1%**	**Index CT –1%**
(figures relate to the separate financial statements)			
(75)	75	–	–

There was no exposure to energy price variability at 31 December 2007, as all purchase agreements provided for a fixed supply price. It follows from this that the 2007 profit and loss account is not sensitive to changes in energy prices.

How commodity risk is managed

Given its structure and the nature of its costs, the RDM Group is mainly exposed to fluctuations in the price of energy (natutal gas and electricity), certain chemical products including oil-derivatives (such as lactics) and fibrous raw materials.

The Group's operational policies require annual supply agreements to be set up for the purchase of natural gas and electricity, in which prices are based on indices subject to quarterly revision and linked to a basket of fossil fuels or derivatives, or on annual fixed price contracts. There is in addition the possibility to enter hedging agreements to stabilise the costs of specific energy sources (such as low sulphur content BTZ combustible oil).

For the purchase of chemical products and fibrous raw materials the Group aims at having a broad range of suppliers and provisioning markets, with the dual objective of monitoring the various purchasing terms on a constant basis and encouraging competition between different suppliers. The establishment of master supply agreements is not practicable for these types of purchases.

The present hedging policy excludes the possibility of carrying out transactions in complex derivatives given the problems connected with managing such instruments. It has therefore been decided to enter hedging arrangements on a bilateral basis with prime banks.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liablities.

The analysis performed was designed to measure at each contractual due date the cash flows deriving from the various types of financial liability held at 31 December 2007 and 31 December 2006.

Financial liabilities were separated on the basis of their nature into non-derivative and derivative financial liabilities. In the latter case, given the different accounting treatment, a further separation was made on the basis as to whether the derivative had been formally designated as a hedge and turned out to be effective or whether it was accounted for without following hedge accounting rules.

In terms of the cash flow due dates, given the nature of the RDM Group's monetary cycle, it was considered appropriate to group payments together into six-monthly time periods (buckets).

In the absence of derivatives with complex or optional payoffs, a valuation method was employed to measure the cash flows of floating rate derivative and non-derivative liabilities that was based on market forward interest rates.

The following tables provide a summary of the analysis performed. In the first part of the tables a comparison is made between the book value of liabilities with cash inflows (plus sign) and cash outflows (minus sign) which are expected to be received from or paid to counterparties, under current market conditions. The second part of the tables contains an analysis of the timing of cash flows overall, quantified in the column "Contractual cash flows".

31 December 2007 (figures relate to the consolidated financial statements	**Book value**	**Contractual financial flow**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Long-term bank loans	80,372	(103,133)	(7,912)	(7,935)	(15,248)	(46,094)	(25,944)
Short-term bank loans as use of commercial facilities	42,174	(42,174)	(42,174)				
Hedging derivative financial instruments	(749)	859	167	129	55	292	216
Trada payables	97,718	(97,718)	(97,718)				
Total	**219,515**	**(242,166)**	**(147,637)**	**(7,806)**	**(15,193)**	**(45,802)**	**(25,728)**

31 December 2006 (figures relate to the consolidated financial statements	**Book value**	**Contractual financial flow**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Long-term bank loans	91,221	(119,214)	(8,206)	(8,214)	(16,139)	(53,495)	(33,160)
Short-term bank loans as use of commercial facilities	47,069	(47,069)	(47,069)				
Hedging derivative financial instruments	117	(32)	(72)	51	49	(40)	44
Trada payables	86,560	(86,560)	(86,560)				
Total	**224,967**	**(252,875)**	**(141,907)**	**(8,163)**	**(16,090)**	**(53,535)**	**(33,116)**

31 December 2007 (figures relate to the separate financial statements	**Book value**	**Contractual financial flow**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Long-term bank loans	79,872	(102,605)	(7,758)	(7,784)	(15,024)	(46,094)	(25,945)
Short-term bank loans as use of commercial facilities	40,899	(40,899)	(40,899)				
Hedging derivative financial instruments	(749)	859	167	129	55	292	216
Trada payables	99,385	99,385	(99,385)				
Total	**219,407**	**(43,260)**	**(147,875)**	**(7,655)**	**(14,969)**	**(45,802)**	**(25,729)**

31 December 2006 (figures relate to the separate financial statements	**Book value**	**Contractual financial flow**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Long-term bank loans	90,438	(118,363)	(8,045)	(8,055)	(15,832)	(53,271)	(33,160)
Short-term bank loans as use of commercial facilities	47,014	(47,014)	(47,014)				
Hedging derivative financial instruments	117	(32)	(72)	51	49	(40)	44
Trada payables	83,831	83,831	(83,831)				
Total	**221,400**	**(81,578)**	**(138,962)**	**(8,004)**	**(15,783)**	**(53,311)**	**(33,116)**

The line “Hedging derivatives” in the tables consists of the future cash flows of all the derivatives for which hedge accounting is used, regardless of whether they represent assets (that is have a positive fair value) or liabilities (that is have a negative fair value). In addition, the periods in which the derivatives contracts have their financial effect - shown in the preceding table - coincide with the periods in which they are expected to have an effect on the profit and loss account.

How liquidity risk is managed

The RDM Group’s management policies provide for the continuous monitoring of liquidity risk. RDM’s objective is to mitigate that risk by maintaining sufficient liquidity and/or short-term deposits with prime counterparties and by having access to short-term credit facilities backed mainly by receivables from domestic and foreign customers.

PROPOSED RESOLUTION

1. Financial statements at 31 December 2007; Report of the Board of Directors; Reports of the Board of Statutory Auditors and Independent Auditors; resolutions thereon. Presentation of the consolidated financial statements at 31 December 2007; Reports of the Board of Directors and Independent Auditors.

To the shareholders,

at 31 December 2007, RDM financial statement presents a profit of Euro 107,685.92.

If you agree with accounting principle used on the report of Financial Staments, We invite you to approve the Financial Statements at 31 December 2007 and in particular:

- The Report of the Board of Directors;
- The Balance Sheet, the Profit and Loss Account and the Notes to the Financial Statements at 31 December 2007 and relative attachments of Reno De Medici S.p.A., as presented by the Board of Directors, both as a whole and as single items;
- The allocation of profit for the year as follows:

  a) 5% to the legal reserve, amounting to Euro 5,385;

  b) the remainder, amounting to Euro 102,300.92, to be used to absorb accumulated losses.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Euros)	Note	31.12.2007	31.12.2006
Revenues from sales	1	342,474	313,889
Other revenues	2	3,486	4,040
Changes in stocks of finished goods	3	4,187	5,781
Cost of raw materials and services	4	(265,026)	(239,842)
Staff costs	5	(51,129)	(50,913)
Other operating costs	6	(3,676)	(3,215)
Income (expense) from non-current assets held for sale	7	–	(363)
Non recurring income (expense)	8	(700)	270
Gross Operating Profit (EBITDA)		**29,616**	**29,647**
Amortisations	9	(19,097)	(23,381)
Operating Profit (EBIT)		**10,519**	**6,266**
Financial expense		(9,733)	(11,547)
Exchange differencies		(247)	(187)
Financial income		1,106	1,076
Financial income (expense), net	10	(8,874)	(10,658)
Income from investments	11	1,269	(1,990)
Other income (expense)	12	–	281
Taxation	13	267	(3,168)
Profit (loss) for the period before discontinued operations		**3,181**	**(9,269)**
		(2,343)	(8,943)
Discontinued operations	14	(2,343)	(8,943)
PROFIT (LOSS) FOR THE PERIOD		**838**	**(18,212)**
Attributable to:			
Profit (loss) for the period pertaining to the group		576	(18,467)
Profit (loss) for the period pertaining to minority interests		262	255
Earnings (loss) per share (Euros)		0.003	(0.069)
Earnings (loss) per share before discontinued operations (Euros)		0.012	(0.035)
Earnings (loss) per ordinary share diluted (Euros)		0.003	(0.069)

CONSOLIDATED BALANCE SHEET ASSETS

(Euros)	Note	31.12.2007	31.12.2006
Non-current assets			
Tangible fixed assets	15	174,702	177,571
Goodwill	16	146	146
Other intangible assets	17	1,388	2,338
Investments and financial transactions currently	18	13,134	10,818
Deferred tax assets	19	1,681	892
Derivative financial instruments	20	418	83
Financial assets held for sale	21	482	471
Trade receivables	22	–	76
Other receivables	23	5,321	4,969
Total non-current assets		**197,272**	**197,364**
Current assets			
Stocks	24	64,624	89,775
Trade recivable	22	102,462	100,758
Other receivable	23	4,702	9,106
Derivative financial instruments	20	331	77
Financial assets held for sale	21	–	8
Liquid funds	25	8,248	9,536
Total current assets		**180,367**	**209,260**
Other non-current assets held for sale	26	**5,583**	**11,392**
TOTAL ASSETS		**383,222**	**418,016**

CONSOLIDATED BALANCE SHEET LIABILITIES AND SHAREHOLDERS' EQUITY

(Euros)	Note	31.12.2007	31.12.2006
Shareholders' equity attributable to the group		114,770	113,517
Minority interests		546	576
Shareholders' Equity	27	**115,316**	**114,093**
Non-current liabilities			
Bank loans and other financial liabilities	25	70,002	80,789
Derivative financial instruments	20	–	14
Other payables	28	627	32,759
Deferred tax liabilities	29	6,311	7,699
Employees' leaving entitlement	30	14,780	18,696
Non-current provisions for contingencies and charges	31	6,174	6,175
Total non-current liabilities		**97,894**	**146,132**
Current liabilities			
Bank loan and other financial liabilities	25	52,544	57,481
Derivative financial instruments	20	–	350
Trade payables	32	97,718	86,560
Other payables	29	19,142	13,368
Current taxation	33	608	32
Total current liabilities		**170,012**	**157,791**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**383,222**	**418,016**

CONSOLIDATED CASH FLOW STATEMENT

(Euros)	**31.12.2007**	**31.12.2006**
Profit (loss) for the period before discontinued operations and before taxation	2,914	(6,100)
Depreciation and amortisation	19,097	23,381
Gain (losses) from investments	(1,296)	1,990
Financial (income) expense	8,874	10,658
Gain (losses) on thw disposal of fixed assets	52	(420)
Change in trade receivables	(1,628)	6,219
Change in stocks	25,151	(2,910)
Change in trade payables	11,158	14,844
Change in other receivables	6,128	(1,531)
Change in other payables	(26,358)	(7,872)
Change in employees' leaving entitlement	(4,707)	(1,560)
Change in other provisions and deferred taxation	(1)	(633)
Gross cash flow	**39,384**	**36,066**
Interest paid in the period	(7,828)	(10,895)
Taxes paid in the period	(946)	(2,335)
Cash flow from operating activities (1)	**30,610**	**22,836**
Sale (purchase) of financial assets held for sale	8	2
Investments	(17,809)	(10,876)
Disinvestments	219	2,208
Financial income	–	1,076
Dividends received	1,240	1,171
a. Gains on disposal of discontinued operations	–	–
b. Result for the period of discontinued operations	*(2,344)*	*(8,943)*
c. Change in assets and liabilities of discontinued operations	*5,809*	*649*
d. Change in other recivables/other payables of disposal	*(2,379)*	*11,201*
Cash flows from discontinued operations (a+b+c+d)	1,086	2,907
Cash flow from investing activities (2)	**(15,256)**	**(3,512)**
Draw-down (repairement) of short-term bank borrowings and long-term loans	(16,358)	(70,587)
Dividens paid	(292)	(438)
Change in other fincancial liabilities	–	4,458
Cash flow from financing activities (3)	**(16,650)**	**(66,567)**
Change in restricted liquid fund (4)	**(29)**	**(6,943)**
Change in unrestricted liquid fund (1 + 2 + 3 + 4)	**(1,267)**	**(40,300)**
Unrestricted liquid funds at beginning of period	**4,507**	**44,807**
Unrestricted liquid funds at end of period	**3,240**	**4,507**
Liquid funds at the end of period		
Unrestricted liquid funds	3,240	4,507
Restricted liquid fund	5,000	5,029
TOTAL LIQUID FUNDS AT THE END OF PERIOD	**8,240**	**9,536**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

Statement of changes in consolidated Shareholders' Equity	Share capital	Share premium reserve	Legal reserve	Reserve for own shares	Other reserves	Retained earnings (losses) brought forwards	Profit (loss) for the period	Fair value reserve	Hedging reserve	Own shares	Share-holders' equity attributable to group	Minority interest	Total share-holders' equity
Shareholders' equity at 1.1.2005	**148,343**	**7,797**	**6,462**	**5,296**	**3,235**	**(10,247)**	**(13,261)**	**–**	**–**	**(5,374)**	**142,251**	**759**	**143,010**
Changes in accounting principle						**(1,406)**	**(686)**				**(2,092)**		**(2,092)**
Shareholders' equity at 1.1.2005 adjusted	**148,343**	**7,797**	**6,462**	**5,296**	**3,235**	**(11,653)**	**(13,947)**	**–**	**–**	**(5,374)**	**140,159**	**759**	**140,918**
Increase in share capital					–						–		–
Distribution of dividends					–						–	(438)	(438)
Change in accounting principle					–						–		–
Reclassifications				(347)	347					502	502		502
Changes in the scope of consolidation	(16,183)				(373)	8,255			71		(8,230)		(8,230)
Value adjustments recognised directly in equity					–			(252)	(195)		(447)		(447)
Cover of 2005 losses		(7,797)	(6,462)	(77)	11,165	(10,090)	13,261				–		–
Profit (losses) for the period					–		(19,098)				(19,098)	255	(18,843)
Changes in accounting principle						(686)	1,317				631		
Shareholders' equity at 31.12.2006	**132,160**	**–**	**–**	**4,872**	**14,374**	**(12,082)**	**(19,098)**	**(252)**	**(124)**	**(4,872)**	**114,978**	**576**	**115,554**
Changes in accounting principle						**(2,092)**	**631**				**(1,461)**		**(1,461)**
Shareholders' equity at t 31.12.2006 adjusted	**132,160**	**–**	**–**	**4,872**	**14,374**	**(14,174)**	**(18,467)**	**(252)**	**(124)**	**(4,872)**	**113,517**	**576**	**114,093**
Increase in share capital											–		–
Distribution of dividends											–	(292)	(292)
Change in accounting principle											–		–
Reclassifications											–		–
Changes in the scope of consolidation											–		–
Value adjustments recognised directly in equity								(6)	683		677		677
Cover of 2006 losses					(14,374)	(4,724)	19,098				–		–
Changes in accounting principle						631	(631)				–		
Profit (losses) for the period							576				576	262	838
Shareholders' equity at 31.12.2007	**132,160**	**–**	**–**	**4,872**	**–**	**(18,267)**	**576**	**(258)**	**559**	**(4,872)**	**114,770**	**546**	**115,316**

NOTES TO THE CONSOLIDATED

Form and content

RDM is a company which is established as a corporate person under the legislation of the Republic of Italy. The RDM Group carries out its activities principally in Europe. These activities consist in the production and distribution of cartonboard for packaging made mainly of recycled fibre, performed either directly or through a network of agents, by the Parent Company, the subsidiary RDM Iberica and by subsidiaries whose sole activity consists in cutting and selling.

RDM has its registered office in Milan, Italy.

RDM's shares are listed on the Star segment of Borsa Italiana S.p.A. and on the Madrid and Barcelona stock exchanges.

The consolidated financial statements of the RDM Group were approved by the Board of Directors of RDM on 26 March 2008 which approved them for publication.

The consolidated financial statements of the RDM Group are presented in Euros (rounded to the nearest thousand), as this is the prevailing currency in the countries in which the Group principally operates. Subsidiary companies are included in the consolidated financial statements on the basis of the principles described in the section Accounting principles and policies.

The annual consolidated financial statements for 2007 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and adopted by the European Union. By IFRS is also intended all the revised accounting principles (International Accounting Standards or IAS) and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and those of its predecessor, the Standing Interpretations Committee ("SIC").

The preparation of the consolidated financial statements in accordance with IFRS requires the use of specific estimates and valuations, as well as management's reasonable judgement in applying accounting policies. Those matters requiring higher levels of complexity and a greater use of assumptions and estimates are discussed in the paragraph "Specific estimates and valuations".

The accounting principles used by RDM are the same as those used in the previous year, with the exception of the way in which actuarial gains and losses arising from the calculation of the employees' leaving entitlement are accounted for. From 1 January 2007 these gains and losses are recognised fully in the profit and loss account; until 31 December 2006 the corridor method was used.

RDM believes that the use of the changed method enables financial information to be of a more reliable and meaningful nature, as liabilities to employees for defined benefit plans are expressed at the present value of the future obligation without deferring a portion of actuarial gains and losses.
The following table provides a revised presentation of the comparative figures for this change in accounting principle:

	31.12.2005	**Adjustment**	**01.01.2006 Adjusted**
Retained earnings (losses) brought forward	(10,247)	(1,406)	(11,653)
Employees' leaving entitlement	17,324	2,092	19,416
Profit (loss) for the period	(13,261)	(686)	(13,947)

	31.12.2006	**Adjustment**	**31.12.2006 Adjusted**
Retained earnings (losses) brought forward	(12,082)	(2,092)	(14,174)
Employees' leaving entitlement	17,235	1,461	18,696
Profit (loss) for the period	(19,098)	631	(18,467)

The Group has chosen to present the structure and content of its consolidated financial statements in the following manner:

- the consolidated balance sheet is presented with separate sections for assets, liabilities and shareholders' equity. Assets and liabilities are then presented on the basis of their classification as current, non-current or held for sale;
- the consolidated profit and loss account is presented in a vertical format with expenses analysed using a classification based on their nature, as this provides reliable and more relevant information compared to a classification based on their function;
- the cash flow statement is presented using the indirect method;
- the statement of changes in shareholders' equity is presented by showing separately the profit or loss for the year and any gains and losses recognised directly in equity and not in profit or loss, in accordance with any specific IFRS requirements.

Seasonal factors affecting revenues

The trend of revenues for the sale of cartonboard for packaging is a function of the general tendency of the economies of the markets in which sales are made and in particular of the trend in the demand for consumer goods; it is not affected by specific seasonal factors during the year.

There are, however, seasonal effects in the production and sale of products as a result of factors connected with the calendar, such as for example if there is a high number of public holidays or periods of vacation in one month or accounting period rather than another (such as for example in August and December) that may typically recur in the main countries supplied.

Scope of consolidation

The consolidated financial statements include the financial statements of all subsidiary companies from the date on which control is acquired until the date that such control ceases.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Associates are those companies in which the RDM Group holds at least 20% of the voting rights or has significant influence, but not control, over the company's financial and management policies.

Company name	Registered office	Activity	Share capital	Shareholding 31.12.2007		Shareholding 31.12.2006	
				Direct	Indirect	Direct	Indirect
Cartonboard sector							
Reno De Medici Iberica S.L.	Prat de Llobregatt (E)	Industrial	39,061	100.00%	–	100.00%	–
Cartiera Alto Milanese S.p.A.	Milano (I)	Commercial	200	100.00%	–	100.00%	–
RDM France S.a r.l.	Tramblay en France (F)	Commercial	96	100.00%	–	99.58%	0.42%
Reno De Medici Deut. GmbH	Bad Homburg (D)	Commercial	473	100.00%	–	100.00%	–
Emmaus Pack S.r.l.	Milano (I)	Industrial	200	51.39%	–	51.39%	–

Accounting principles and policies

Consolidation principles

The financial and economic position of the RDM Group comprises the financial and economic position of Reno De Medici S.p.A. and those enterprises over which it has the right to exercise control. The definition of control is not based solely on the concept of legal ownership. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain the related benefits. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The equity and result attributable to minority interests are shown separately in the consolidated balance sheet and profit and loss account, respectively.
Subsidiaries in liquidation and insignificant enterprises are not consolidated on a line-by-line basis. Their effect on the Group's total assets, total liabilities, financial position and result is immaterial, being overall less than 2%.
Subsidiaries which are excluded from the scope of consolidation are accounted for using the equity method and are included in the item "Investments accounted for under the equity method".
The more significant consolidation policies adopted are as follows:

- the carrying value of investments consolidated on a line-by-line basis is eliminated against the corresponding equity. The assets, liabilities, costs and revenues of the subsidiaries are fully consolidated independent of the size of the shareholding;

- all significant balances and transactions with Group companies are eliminated, as are any gains or losses arising from intragroup transactions of a commercial or financial nature not yet realised with third parties; unrealised losses are eliminated only to the extent that they do not represent an actual lower value of the asset sold;
- acquisitions of subsidiaries by the Group are accounted for using the cost method. By the cost of an acquisition is meant the fair value of the assets transferred by the seller, of the liabilities assumed and of the equity instruments issued, at the date of transfer of control, in exchange for the control of the company acquired. All costs directly attributable to the acquisition are also included in the cost. The excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. If the identifiable net assets acquired exceed the cost of the acquisition, the difference is recognised in profit and loss;
- the share of the investee's equity held by minorities is determined on the basis of the current values of assets and liabilities at the date on which control is obtained, excluding any related goodwill;
- any increases or decreases in a subsidiary's equity arising from its post-acquisition results are recorded on consolidation in an equity reserve denoted "Retained earnings (losses) brought forward";
- dividends distributed by Group companies are eliminated from the profit and loss account on consolidation.

Investments accounted for under the equity method

This item includes investments in unconsolidated subsidiaries and associates which are accounted for under the equity method. Losses in excess of equity are accounted for to the extent to which the investor has a commitment to the investee to abide by legal or constructive requirements or in any other way to cover its losses.
Associates refer to those companies in which the Group exercises a significant influence over the company, but does not hold control or joint control over its financial and operating policies. The consolidated financial statements include the share pertaining to the Group of the results of associates, accounted for under the equity method, from the date that significant control commences until the date that it ceases. The Group's share of intragroup profits as yet unrealised with third parties is eliminated. The Group's share of unrealised losses is eliminated only to the extent that they do not represent an actual lower value of the asset sold.

Tangible fixed assets

Tangible fixed assets are stated at their original cost of purchase, production or contribution, including those direct accessory purchase costs required to bring an asset into a condition for use. Cost is reduced by accumulated depreciation and any write-downs in value.

Borrowing costs relating to investments in assets are fully recognised in the profit and loss account in the year in which they are incurred.
Ordinary maintenance and repair costs are charged to profit and loss in the year in which they are incurred; these costs are capitalised if they increase the value or economic life of the asset to which they relate.
Assets acquired under finance leases, which assign to the Group substantially all the risks and rewards of ownership, are recognised as tangible assets at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as financial debt.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets, determined on the basis of the period during which the asset will be used by the Group. Land is not depreciated, even if acquired together with buildings.
The annual depreciation rates used are as follows:

Category		**Rate %**
Buildings	Factory buildings	3%
	Small constructions	5%
Plant and machinery	General plant and machinery	5% - 20%
	Specific plant and machinery	5% - 20%
Industrial and commercial equipments	Sundry equipment	20% - 25%
Other assets	Furniture and ordinary office machinery	8% - 12%
	Electronic office machinery	16.67% - 20%
	Internal vehicles	20%
	Motor vehicles	16.67% - 25%

The Group reviews, at least annually, if there is any indication that tangible assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss.
Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing its value in use, the estimated future cash flows deriving from the use of the asset and its disposal at the end of its useful life are discounted to their present value. The discount rate used reflects the implicit risk of the specific sector in which the asset operates. An impairment loss is recognised when the recoverable amount is lower than the carrying amount. When an impairment loss subsequently reverses, the carrying value of an asset is increased and the adjustment is recognised in income up to the lower of its recoverable amount and its preceding carrying value. Even if the causes of the previous write-down are cesead, the goods are recovered at the less value amongst fair value and book value, putting the adjustment to profit and loss.

Non-current assets held for sale

Goodwill is not amortised but is subject to impairment testing carried out at each balance sheet date or alternatively at more frequent intervals if there is any indication that an asset may be impaired, in accordance with IAS 36 *Impairment of Assets*. Assets held for sale are stated at the lower of their carrying amount and their fair value less costs to sell and are not depreciated.

Other intangible assets

Other intangible assets consist of identifiable assets not having physical substance, controlled by the Group and from which future economic benefits are expected.
Intangible assets are recognised when the cost of an asset can be measured reliably, in accordance with IAS 38 - *Intangible Assets*.
Other intangible assets having a finite life are measured at cost and amortised on a straight-line basis over their useful lives, estimated on the basis of the period during which the asset will be used by the Group.
The annual amortisation rates used are as follows:

Category		**Rate %**
Concessions, licences, trade marks and similar rights	Software licences	20%
Other intangible assets	Non-competition agreement	20%
	Market share	20%
	Sundry deferred charges	8% - 20%

Derivative financial instruments

Derivative financial instruments consist of assets and liabilities measured at fair value.
In accordance with IAS 39, derivative financial instruments only qualify for hedge accounting if all of the following apply:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of the hedged item (a fair value hedge; an example is the hedging of the fair value of assets or liabilities yielding or bearing a fixed rate), the instrument is measured at fair value and any gain or loss on remeasurement is recognised in the profit and loss account. In a consistent manner, any gain or loss on the hedged item attributable to the hedged risk adjusts the carrying value of the hedged item;
- where a derivative financial instrument is designated as a hedge of the exposure to variability in the cash flows of the hedged item (a cash flow hedge; an example is the variation in cash flows of assets or liabilities due to variations in exchange rates), the changes in fair value of the instrument are initially recognised in equity and are subsequently recognised in the profit and loss account in a manner consistent with the recognition in the profit and loss account of the effects of the hedged transaction;
- if hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in the profit and loss account.

Own shares

Own shares are measured at cost and shown as a reduction in equity.
Any gains or losses arising on the trading of treasury shares are recognised in a specific equity reserve.

Available-for-sale financial assets

Financial fixed assets held for sale consist of investments in other companies and other non-current financial assets, which are measured at fair value; changes in the measurement of fair value are recognised in equity. When there is objective evidence that a financial asset is impaired, the impairment loss is recognised in income despite the fact it has not been sold. When fair value cannot be reliably measured, investments are measured at cost as adjusted for any impairment losses.
Financial assets held for sale shown as current assets consist of securities with short-term maturities or marketable securities which represent a temporary investment of liquid funds.

Trade receivables and other receivables

Trade receivables and other receivables are measured at cost, represented by the initial fair value of the amount received in exchange. Subsequent adjustments are made to account for any write-downs. Non-current trade receivables and other receivables are subsequently measured at amortised cost, based on the asset's original effective interest rate.

Stocks

Stocks are measured at the lower of purchase or production cost, including ancillary costs, determined on a weighted average basis, and estimated realisable value, determined from market trends.
In the case of raw materials, market value means replacement cost; for finished goods and semi-finished goods, market value means net realisable value, representing the amount that the Company would expect to obtain from the sale of these goods in its normal activities.

Liquid funds and cash equivalent

Liquid funds consist of available cash on hand and bank deposits, shares in liquid funds and other highly liquid investments which can be readily converted into cash and which are subject to an insignificant risk of changes in value.

Employee benefits

Post-employment benefits are provided on the basis of arrangements which depending on their features are classified as "defined contribution plans" or "defined benefit plans".
In defined contribution plans, such as that relating to the employees' leaving entitlement in Italy (the TFR), for amounts accruing after the introduction of the 2007 Finance Law the entity's obligation, which is limited to paying contributions to the State or to a legally separate fund or entity, is determined on the basis of the contributions due less any amounts already paid over.
Defined benefit schemes, such as the TFR accruing prior to the introduction of the 2007 Finance Law, are plans to provide post-employment benefits which constitute a future obligation and for which the Group is responsible for the actuarial risks and related investments. The Italian employees' leaving entitlement is recognised at the actuarial value of the Group's liability calculated on the basis of prevailing legislation, national collective bargaining agreements and supplementary local contracts. The actuarial calculation is based on demographic assumptions, financial assumptions and assumptions of employee turnover rates and is performed by independent actuaries. Any gains or losses arising from performing the actuarial calculations are recognised as income or expense in the profit and loss account.

The 2007 Finance Law and related implementation decrees introduced important changes from 1 January 2007 in the way in which the employees' leaving entitlement is regulated. Included amongst these is the right for an employee, which was to be exercised not later than 30 June 2007, to choose where his accruing TFR should be invested. More specifically, the employee could elect for the new TFR flows relating to his entitlement to be transferred to pre-selected pension funds or remain in the company (in the latter case the company is required to transfer the accruing TFR to a treasury account held with INPS, the State social security organisation).

As a consequence of these changes a new actuarial calculation has been performed by independent actuaries of the TFR accruing up to the date on which the employee made his election (accounted for as a defined benefit plan), which excludes the component relating to future salary increases. The difference between the old balance and the balance arising from the revised calculation is treated as resulting from a curtailment as defined in paragraph 109 of IAS 19, and is accordingly recognised in the 2007 profit and loss account.
The TFR accruing from the date on which the employee made his election, and in any case from 30 June 2007, is considered to arise from a defined contribution plan and its accounting treatment is therefore similar to that used for all other contribution payments.

Provisions for contingencies and charges

The Group records provisions when it has an obligation, legal or constructive, arising from a past event, for which it is probable that a cost will be incurred to satisfy that obligation and when a reliable estimate of the amount can be made. Provisions are measured at the best estimate of the amount that at the balance sheet date the Group would rationally pay to settle the obligation or transfer it to a third party.
If the expected date of settlement exceeds one year from the balance sheet date the obligation is recognised at its present value, calculated by discounting expected cash flows at a rate which takes into account the cost of borrowing and the risk of the liability.

The amount provided for the agents' termination liability is determined on the basis of actuarial techniques used by independent actuaries.
Changes in estimates are recognised in the profit and loss account of the period in which the change occurs.
The costs which the Group expects to incur to carry out restructuring programmes are recognised in the period in which it formally defines the programme and in which it has created a valid expectation in interested parties that the restructuring will take place.
Risks for which it is only possible that a liability will arise are disclosed in the appropriate part of the section "Contingent liabilities and commitments and other guarantees given to third parties" and no amounts are provided.

Bank loans and other financial liabilities

This item consists of financial liabilities made up of bank loans, debenture loans and financial amounts due to others, including amounts due to lessors in respect of finance leases. Financial payables are initially recognised at cost, represented by the fair value of the amount received less any costs incurred for acquiring the loan. After initital recognition loans are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into consideration issue costs and any discount or premium expected on settlement.

Trade payables and other payables

This item consists of trade payables and other liabilities, excluding financial liabilities shown under bank loans and other financial liabilities. These liabilities are initially measured at the fair value of the amount to be paid. Subsequent measurement is at amortised cost using the effective interest method.

Revenues and costs

Revenues are recognised to the extent that it is probable that economic benefits associated with the sale of goods or rendering of services will flow to the Group and when the amount can be measured reliably. Revenues are recognised at the fair value of the consideration received or receivable, taking account of any commercial discounts or volume rebates granted. Revenues from the rendering of services are recognised when the service is provided.

Taxation

Current income taxes are determined on the basis of an estimate of taxable income for the period. Income tax liabilities are recognised in “Current taxation” in the balance sheet, net of the corresponding amounts paid on account and withholding taxes. Current tax assets and liabilities are determined using tax rates and tax laws and regulations in force at the balance sheet date.
Deferred tax assets and liabilities reflect the effect of temporary differences between the accounting value and tax basis of assets and liabilities.
The item “Deferred tax liabilities” represents liabilities to taxation arising from temporary differences which give rise to taxation in future periods in accordance with prevailing tax legislation.
The item “Deferred tax assets” represents taxation which, although relating to the accounting income or expense of future periods, refers for fiscal purposes to the current period, and are recognised when it is believed probable that sufficient taxable income will be generated in future periods for their recovery.

Income taxes are recognised in the profit and loss account, with the exception of those relating to items credited or charged to equity, whose tax effect is also recognised directly in equity.
Deferred tax assets relating to the carry forward of tax losses are recognised to the extent that it is probable that sufficient taxable income will be generated in future periods against which they can be utilised.

Discontinued operations

Discontinued operations consist of important autonomous lines of activity – in terms of business or geographical area or which form part of a single, co-ordinated disposal programme – that have either been disposed of or are held for sale, and subsidiary companies acquired exclusively for resale.

The results of discontinued operations, which are represented by the profits or losses of these operations and any gains or losses on disposal, are presented separately in the profit and loss account, net of any related tax effects, in a single line item. The profits or losses of these activities in prior years are reclassified in this way for comparative purposes.

Exchange differences

Transaction in foreign currencies are recorded at the exchange rate prevailing at the rate of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into Euros at the Balance Sheet date at the exchange rate prevailing that date, classified into profit and loss account in the item financial income and expense.

Dividends

Dividends are recognised at the date on which their distribution is approved by shareholders.

Use of estimates

The preparation of financial statements and related disclosures that conform to International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Estimates are used in accounting for bad debts provisions for accounts receivable, stock obsolescence, depreciation, asset impairment, employee benefits, restructuring provisions, taxation and other accruals and provisions and in measuring derivative financial instruments. Estimates and assumptions are reviewed regularly and the effects of any changes are recognised immediately in the profit and loss account.

Earnings per share

Earnings per share is calculated by dividing the profit or loss for the period attributable to shares by the weighted average number of shares outstanding during the period.
Diluted earnings per share is calculated on the same basis.

Specific estimates and valuations

Estimates and valuations are made on the basis both of past experience and a reasonable expectation of the occurrence of future events. The RDM Group makes and uses assumptions as to future events in the preparation of its consolidated financial statements. Estimates and valuations of an accounting nature made on the basis of assumptions about future events may differ from the results that actually occur or from the amounts actually recovered from assets. Estimates and valuations are mainly employed in the following situations.

Estimating the recoverable amount (impairment test)

The Group assesses at least annually whether there is any indication that tangible fixed assets and intangible assets may have suffered an impairment loss compared to their carrying amount in the balance sheet. If any such indication exists, the Group estimates the recoverable amount of the asset concerned. The recoverable amount of an asset is the higher of its current realisable value less costs to sell and its value in use. Value in use is determined as the present value of the future cash flows expected to be derived from the cash-generating unit to which the asset belongs through the use of the asset and its possible disposal at the end of its useful life.

The calculation of expected cash flows requires the use of estimates and valuations which may also be based on the expectations of future events relating to the cash-generating unit. Moreover, the present value of future cash flows is highly sensitive to the discount rates used, which reflect spot market figures and risk premiums which may undergo significant and unpredictable changes.

Fair value of derivative contracts and financial instruments

The fair value of financial instruments which are not quoted on a regulated active market is determined by employing various valuation techniques. In this respect, the Group uses those techniques which it believes are the most reasonable in connection with the specific financial instruments that have to be valued and adopts assumptions and makes estimates based on market conditions at the balance sheet date.

Taxation

The overall determination of the tax charge for the year requires the use of estimates and valuations, including those relating to any specific tax liabilities which may not be determinable at the date on which the related individual operation is carried out. In addition, in order to calculate deferred tax assets, the Group employs estimates and valuations which also take into account expectations of future events.

Discontinued operations

The item Discontinued operations also includes the economic result (in terms of net operating margin) of certain discontinued production units which are part of the Group. In order to determine the amounts of certain types of costs which relate to those discontinued units, the Group has employed management data and assumptions resulting from the cost accounting system, which utilises specific methodologies of separating and allocating costs on the basis of production and size variables.

Notes to the consolidated financial statements

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, and the economic contribution made by the Reno De Medici International S.A. up until the date it was put into liquidation, at the date of 21 December 2006.

The contribution made by Spain relates to operations at the Almazan facility (owned by RDM Iberica) 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 accounts for the years ended 31 December 2007 and 2006 and the balance sheets at those dates on a geographical basis, together with details of the investments made.

Profit and loss account for the year ended 31 December 2007	**Italy**	**Spain**	**Eliminations**	**Consolidated**
Revenues from sales	317,910	45,414	(20,850)	342,474
Other revenues	2,752	734	–	3,486
Changes in stock of finished goods	3,345	842	–	4,187
Cost of raw materials and services	(246,734)	(39,142)	20,850	(265,026)
Staff costs	(45,884)	(5,245)	–	(51,129)
Other operating costs	(3,339)	(337)	–	(3,676)
Income (expense) from non-current assets held for sale	–	–	–	–
Non-recurring income (expense)	(2,700)	2,000	–	(700)
Gross Operating Profit (EBITDA)	**25,350**	**4,266**	**–**	**29,616**
Dedpreciations and amortisation	(18,264)	(833)	–	(19,097)
Operating Profit (EBIT)	**7,086**	**3,433**	**–**	**10,519**
Financial income (expense), net	(10,845)	1,971	–	(8,874)
Income from investments	1,269	–	–	1,269
Taxation	(912)	1,179	–	267
Profit (loss) for the year before discontinued operations	**(3,402)**	**6,583**	**–**	**3,181**
Discontinued operations	(2,343)	–	–	(2,343)
Profit (loss) for the year	**(5,745)**	**6,583**	**–**	**838**
Attributable to:				
Profit (loss) for the year pertaining to the group	(6,007)	6,583	–	576
Profit (loss) for the year pertaining to minority interests	262	–	–	262

Profit and loss account for the year ended 31 December 2006	Italy	Spain	Eliminations	Consolidated
Revenues from sales	292,061	38,192	(16,364)	313,889
Other revenues	3,690	505	(155)	4,040
Changes in stock of finished goods	5,696	85	–	5,781
Cost of raw materials and services	(224,860)	(31,501)	16,519	(239,842)
Staff costs	(45,974)	(4,939)	–	(50,913)
Other operating costs	(3,090)	(125)	–	(3,215)
Income (expense) from non-current assets held for sale	(363)	–	–	(363)
Non-recurring income (expense)	270	–	–	270
Gross Operating Profit (EBITDA)	**27,430**	**2,217**	**–**	**29,647**
Dedpreciations and amortisation	(22,410)	(971)	–	(23,381)
Operating Profit (EBIT)	**5,020**	**1,246**	**–**	**6,266**
Financial income (expense), net	(11,397)	739	–	(10,658)
Income from investments	(2,190)	200	–	(1,990)
Other income (expense)	–	281	–	281
Taxation	(3,168)	–	–	(3,168)
Profit (loss) for the year before discontinued operations	**(11,735)**	**2,466**	**–**	**(9,269)**
Discontinued operations	(5,796)	(3,147)	–	(8,943)
Profit (loss) for the year	**(17,531)**	**(681)**	**–**	**(18,212)**
Attributable to:				
Profit (loss) for the year pertaining to the group	(17,786)	(681)	–	(18,467)
Profit (loss) for the year pertaining to minority interests	255	–	–	255

Balance Sheet at 31 December 2007	Italy	Spain	Eliminations	Consolidated
ASSETS				
Non-current assets				
Tangible fixed assets	166,481	8,221	–	174,702
Goodwill	83	63	–	146
Other intanigble assets	1,280	108	–	1,388
Investments and financial transactions currently	73,984	–	(60,850)	13,134
Deferred tax assets	504	1,177	–	1,681
Derivative financial instruments	418	–	–	418
Financial assets held for sale	482	–	–	482
Other receivables	943	37,038	(32,660)	5,321
Total non-current assets	**244,175**	**46,607**	**(93,510)**	**197,272**
Current assets				
Stocks	58,336	6,288	–	64,624
Trade receivables	87,731	15,051	(320)	102,462
Other receivables	2,506	7,796	(5,600)	4,702
Derivative financial instruments	331	–	–	331
Liquid funds	1,578	6,670	–	8,248
Total current assets	**150,482**	**35,805**	**(5,920)**	**180,367**
Non-current assets held for sale	**5,583**			**5,583**
TOTAL ASSETS	**400,240**	**82,412**	**(99,430)**	**383,222**
LIABILITIES AND SHAREHOLDERS’ EQUITY				
Shareholders’ equity attributable to the group	108,189	67,431	(60,850)	114,770
Minority interests	546	–	–	546
Shareholders’ equity	**108,735**	**67,431**	**(60,850)**	**115,316**
Non-current liabilities				
Bank loans and other financial liabilities	102,662	–	(32,660)	70,002
Other payables	547	80	–	627
Deferred taxes liabilities	6,311	–	–	6,311
Employees’ leaving entitlement	14,780	–	–	14,780
Non-current provisions for contingencies and charges	6,174	–	–	6,174
Total non-current liabilities	**130,474**	**80**	**(32,660)**	**97,894**
Current liabilities				
Bank loans and other financial liabilities	52,544	5,600	(5,600)	52,544
Trade payables	95,868	1,850	–	97,718
Other payables	12,011	7,451	(320)	19,142
Current taxation	608	–	–	608
Total current liabilities	**161,031**	**14,901**	**(5,920)**	**170,012**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**400,240**	**82,412**	**(99,430)**	**383,222**
MANUFACTURING INVESTMENTS	**14,911**	**408**	**–**	**15,319**

Balance Sheet at 31 December 2006	Italy	Spain	Eliminations	Consolidated
ASSETS				
Non-current assets				
Tangible fixed assets	168,882	8,689	–	177,571
Goodwill	83	63	–	146
Other intanigble assets	2,233	105	–	2,338
Investments and financial transactions currently	72,337	3	(61,522)	10,818
Deferred tax assets	892	–	–	892
Derivative financial instruments	83	–	–	83
Financial assets held for sale	471	–	–	471
Trade receivables	76	–	–	76
Other receivables	896	36,073	(32,000)	4,969
Total non-current assets	**245,953**	**44,933**	**(93,522)**	**197,364**
Current assets				
Stocks	54,311	35,464	–	89,775
Trade receivables	93,789	16,117	(9,148)	100,758
Other receivables	3,657	6,103	(654)	9,106
Derivative financial instruments	77	–	–	77
Financial assets held for sale	8	–	–	8
Liquid funds	2,140	7,396	–	9,536
Total current assets	**153,982**	**65,080**	**(9,802)**	**209,260**
Non-current assets held for sale	**9,662**	**1,730**	**–**	**11,392**
TOTAL ASSETS	**409,597**	**111,743**	**(103,324)**	**418,016**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity attributable to the group	114,188	60,851	(61,522)	113,517
Minority interests	576	–	–	576
Shareholders' equity	**114,764**	**60,851**	**(61,522)**	**114,093**
Non-current liabilities				
Bank loans and other financial liabilities	80,789	–	–	80,789
Derivative financial instruments	14	–	–	14
Other payables	32,600	32,159	(32,000)	32,759
Deferred taxes liabilities	7,699	–	–	7,699
Employees' leaving entitlement	18,696	–	–	18,696
Non-current provisions for contingencies and charges	4,140	2,035	–	6,175
Total non-current liabilities	**143,938**	**34,194**	**(32,000)**	**146,132**
Current liabilities				
Bank loans and other financial liabilities	57,481	–	–	57,481
Derivative financial instruments	350	–	–	350
Trade payables	81,794	13,914	(9,148)	86,560
Other payables	11,238	2,784	(654)	13,368
Current taxation	32	–	–	32
Total current liabilities	**150,895**	**16,698**	**(9,802)**	**157,791**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**409,597**	**111,743**	**(103,324)**	**418,016**
MANUFACTURING INVESTMENTS	**9,767**	**964**	**–**	**10,731**

1. Revenues from sales

Revenues from sales may be analysed as follows:

(Euros)	31.12.2007	Inc. %	31.12.2006	Inc. %
Revenues for sales	341,737	99.78%	313,777	99.96%
Revenues for services	737	0.22%	112	0.04%
Total revenues	**342,474**	**100%**	**313,889**	**100%**

Revenues from sales arise essentially from sales of cartonboard, while services mostly relate to the sale of electricity.

The following table provides a geographical analysis of sales revenues:

Revenues by geographical areas (Euros)	31.12.2007	31.12.2006	Variations	%
Italy	175,494	170,110	5,384	3.2%
EU	133,103	111,528	21,575	19.3%
Extra EU	33,877	32,251	1,626	5.0%
Net revenues	**342,474**	**313,889**	**28,585**	**9.1%**

There was an increase in sales of 9.1% in 2007 with growth being concentrated especially in the Italian and European Union markets.

2. Other revenues

Other revenues	31.12.2007	31.12.2006	Variations
Grants	630	624	6
Ordinary capital gain	415	443	(28)
Recharge of costs	162	184	(22)
Increase in fixed assets	134	182	(48)
Rental income	9	35	(26)
Other revenues	2,136	2,572	(436)
Total	**3,486**	**4,040**	**(554)**

Grants consist principally of ordinary grants received from Comieco that relate to the use of waste paper deriving from urban waste differentiation schemes and the portion of capital grants relating to the year.

Other revenues consist of prior year income, which itself principally comprises receipts from creditors' arrangement procedures, VAT recoveries following the closure of insolvency proceedings, refund from third parties and charge of expenses.

3. Changes in stocks of finished goods

This item represents the increase in finished goods stocks over the year, which is due to an increase in the quantities produced compared to the previous year.

4. Cost of raw materials and services

Cost of raw material and services	31.12.2007	31.12.2006	Variation
Cost of raw material	**139,658**	**120,592**	**19,066**
Purchase of raw material	140,227	123,272	16,955
Changes in stocks of raw materials	(569)	(2,680)	2,111
Services regarding sales	**36,871**	**34,291**	**2,580**
Transport	32,283	30,223	2,060
Commissions and agents' costs	4,588	4,068	520
Services regarding manufacturing	**76,281**	**72,163**	**4,118**
Energy	55,175	53,950	1,225
Maintanance	6,147	4,811	1,336
Waste disposal	5,168	4,642	526
Other manufacturing services	9,791	8,760	1,031
General services	**10,451**	**11,331**	**(881)**
Legal, notarial, administrative and external collaboration	2,668	2,839	(171)
Board of directors	1,249	1,665	(416)
Statutory auditors	173	163	10
Insurance	1,852	2,030	(178)
Postal and telephone	505	534	(29)
Other	4,004	4,100	(96)
Use of third party assets	**1,766**	**1,465**	**301**
Rental and leasing	1,766	1,465	301
Total	**265,026**	**239,842**	**25,184**

The cost of raw materials refers mainly to the purchase of waste paper, wood paste, cellulose, chemicals and technical purchases for the factories and packaging. Subsequently to the price dynamics over the curse of 2007, the incidence of these costs on value of pruduction ("Revenues from sales" plus "Changes in stocks of finished goods"), is amounted to 40.3% compared to 37.7% in the previous year.

Service costs have increased considerably of 5% compared to those of the previous year (Euro 123.6 million in 2007 compared to Euro 117.8 million in 2006). These costs represent 36.1 % of revenues from sales (37.5% in 2006), a variation due to the following factors:

- the increase in commercial services arises mostly from rises in transport costs, resulting from increased volumes, an increase in rates and trends in energy costs, and from increases in commissions as the consequence of the higher turnover;
- increases of industrial services costs is due principally to rises in energy costs which, excluding the efficiencies achieved has led to an increase in costs of approximately Euro 1.2 million and in maintenance costs of approximately Euro 1.3 million;
- a drop in costs for general services as the result of the steps taken to contain fixed costs.

5. Staff costs

Staff costs	31.12.2007	31.12.2006	Variation
Salaries and wages	38,042	36,777	1,265
Social security contributions	13,090	12,554	536
Employees' leaving entitlement	(90)	1,515	(1,605)
Other costs	87	67	20
Total	**51,129**	**50,913**	**216**

The increase registered on staff costs is principally attributed on contractual increases payed on the period, at the net of the decreases connected to a reduction in the Group's workforce. As the result of the reform of the employees' leaving entitlement income of Euro 1.5 million arising from the change in the way that actuarial gains and losses from the calculation of this obligation are accounted for has been recognised in the profit and loss account.

The following table sets out for the RDM Group the average number of employees at the end of the year and the average number of employees during the year, analysed by category:

Employees by category	31.12.2007	31.12.2006	Variation
Executives and managers	17	19	(2)
White-collar	306	338	(32)
Blue-collar	794	841	(47)
Total	**1,117**	**1,198**	**(81)**

Average by employee category	2007	2006	Variation
Executives and managers	17	20	(3)
White-collar	322	380	(58)
Blue-collar	792	941	(149)
Total	**1,131**	**1,341**	**(210)**
Temporary lay-offs	31	51	(20)
Permanent manpower	**1,100**	**1,290**	**(190)**

6. Other operating costs

Other operating costs	31.12.2007	31.12.2006	Variation
Write-down of working capital receivables	424	212	212
Accruals to provisions	419	538	(119)
Other operating costs	2,833	2,465	368
Total	**3,676**	**3,215**	**461**

A comparison of other operating costs for the two years indicates an increase in other operating costs. This item, consisting mainly of indirect taxes, duties and subscriptions to associations, has risen over that of the previous year mainly as the result of payments of water derivation fees for amounts not relating to 2007.

7. Income and expense from assets held for sale

There are no costs for the year 2007. The costs of 2006 are mainly connected with the decommissioning of the installations in the Ciriè facility.

8. Non-recurring income and expense

Non recurring income (expense)	31.12.2007	31.12.2006	Variation
Long-term labor mobility liabilities	(1,700)	–	(1,700)
Non recurring expenses	(1,000)	–	(1,000)
Non recurring income	2,000	270	1,730
Total	**(700)**	**270**	**(970)**

Long-term *mobilità* lay-off scheme costs relate to the plan approved by the Ministry of Employment and Social Security on 2 May 2007. A total of 39 employees were involved in this procedure which was fully completed by the end of 2007.

The amount of Euro 1 million recognised as an extraordinary indemnity refers to the penalty contractually provided for on the termination of the steam supply agreement signed with the associate Termica Boffalora for the Magenta facility.

On 18 December 2007 RDM Iberica and Espais signed a novation agreement under which an original agreement signed in 2003 was terminated, and Espais undertook to pay Euro 37 million to RDM Iberica in lieu of the assets to be handed over under the terms of the original agreement which were recognised in stocks in the consolidated financial statements at a carrying amount of Euro 30 million. At the same time RDM Iberica came to a formal agreement with Red.Im S.r.l. to terminate the preliminary agreement signed on 19 December 2005 for the future sale of these assets, in which as recognition of its right to receive an amount of Euro 32 million from the sale of these assets, which was the price accepted by Red.Im S.r.l. for their purchase, RDM Iberica would sell to Red.Im S.r.l. its receivable from Espais deriving from the novation agreement. The result of these transactions was that RDM Iberica realised a net gain of Euro 2 million, being the difference between the amount of Euro 7 million recognised as due to RDM Iberica by Espais and that of Euro 5 million recognised as due to Red.Im S.r.l. by RDM Iberica.

9. Depreciation and amortisation

The following table sets out details of the item "Depreciation and amortisation":

Depreciation, amortisation, recovery of value and write down of assets	31.12.2007	31.12.2006	Variation
Amortisation of intangible assets	1,177	1,158	19
Depreciation of tangible assets	17,920	22,223	(4,303)
Total	**19,097**	**23,381**	**(4,284)**

During the year the Parent Company revised the useful lives of plant and machinery used in determining depreciation so as to reflect more accurately the expected lives of the assets employed in the production process. This was carried out through an analysis of the assets included in the "General plant" and "Specific plant" categories, with a separation of these assets being made on the basis of their estimated useful lives. Following this useful lives were adjusted to the period of time for which it is considered that the individual assets will be used in production.
The effect of this change in estimate led to a lower depreciation charge of Euro 2.5 million in 2007. The additional decrease is due to the natural depreciation and amortisation process.

10. Financial income (expense), net

Financial income (expense), net	**31.12.2007**	**31.12.2006**	**Variation**
Financial income	**1,106**	**1,076**	**30**
Interest and other financial income	855	832	23
Effect of discounting the receivable from Grupo Torras	251	244	7
Financial expense	**(9,733)**	**(11,547)**	**1,814**
Interest on bond	–	(2,996)	2,996
Bank interest	(7,854)	(6,485)	(1,369)
Interest Rate Swap (hedge accounting)	(1)	(295)	294
Trading derivatives	(59)	268	(327)
Interest on financing the employees' leaving entitlement	(786)	(839)	53
Expenses, commissions and other financial charges	(1,033)	(1,200)	167
Exchange differences	**(247)**	**(187)**	**(60)**
Exchange gains	562	528	34
Exchange losses	(809)	(715)	(94)
Total	**(8,874)**	**(10,658)**	**1,784**

The decrease of Euro 1.8 million in financial expense is mostly the consequence of the reduction in average net debt, partly offset by the increase in Euribor interest rates during the year for more of 1% during the year 2007. The effect of this increase was mitigated by the existence of hedging agreements (interest rate swaps) arranged in 2006, and fixed rate loan agreements. These hedges of floating rate loans together with the fixed rate loans lead fixed rate debt to amount to approximately 60% of the total.

The item "Interest on financing the employees' leaving entitlement" arises from the financial component of the charge for the year (also called the interest cost) calculated in accordance with IAS 19.

11. Income (losses) from investments

Income from investments of Euro 1.3 million, relates principally to the valuation accounted for under the equity method of the associates

Termica Boffalora S.r.l. (income for Euro 1.1 million) and Pac Service S.p.A. (income for Euro 0.2 million).

12. Other income (expense)

There aren't income or expense for 2007, while for 2006 the item comprises the income and expense connected with managing the receivable due from Grupo Torras S.A..

13. Taxation

Taxation	31.12.2007	31.12.2006	Variation
Deferred taxation	2,446	(824)	3,270
Current taxation	(2,179)	(2,344)	165
Total	**267**	**(3,168)**	**3,435**

The net total for this item is income of Euro 0.3 million, consisting of current tax recognised during the year of Euro 2.1 million (2006: Euro 2.3 million) and deferred tax income of Euro 2.4 million (2006: deferred tax expense of Euro 0.8 million). This is mainly the consequence of adjustments made to deferred tax balances for the changes in Ires and Irap tax rates introduced by Law no. 244 of 24 December 2007 (the 2008 Finance Law) and the recognition of deferred tax assets by the consolidated company RDM Iberica SL.

Reconciliation between theoretical and actual tax charge

Current taxation	**Companies with a fiscal**	
	Loss	**Profit**
Profit (loss) before taxation	5,260	2,053
Theoretical tax charge	32.5%	33.0%
Theoretical tax charge	**1,710**	**678**
Differences taxable in future years	–	–
Differences deductible in future years	3,847	640
Reversal of prior year temporary differences	(18,119)	(723)
Permanent differences which will not reverse in future years	(3,080)	184
Tax losses from prior years	–	(941)
Total differences	**(17,352)**	**(839)**
Taxable income (loss)	**(12,092)**	**1,214**
Taxable income from companies taking part in the fiscal consolidation	1,030	(1,100)
Current tax income (loss)	(11,062)	114
Theoretical tax charge	0.0%	33.0%
Actual tax charge	**–**	**38**

IRAP	
Difference between value and cost of production (excluding staff costs, write-down of receivables and provisions)	52,401
Financial statement reclassifications	(1,472)
Costs for apprentices, disabled persons and compulsory insurance	(11,859)
Total	**39,070**
Theoretical tax charge	4.25%
Theoretical tax charge	**1,660**
Differences taxable in future years	–
Differences deductible in future years	(651)
Reversal of prior year temporary differences	706
Permanent differences which will not reverse in future years	6,598
Total differences	**6,653**
Taxable income (loss)	45,723
Effective tax charge	4.57%
Actual tax charge	**2,089**
Current taxation	**2,127**
Reclassifications:	
Discontinued operations	53
Total	**2,180**

14. Discontinued operations

There was a loss of Euro 2.3 million from discontinued operations in 2007 compared to the loss of Euro 8.9 million in the previous year.

Discontinued operations	**31.12.2007**	**31.12.2006**
El Prat facility	–	(3,147)
MC1 Magenta	(600)	(2,567)
Demerged operations, demerger and listing expenses for RDM Realty	–	(2,280)
Europoligrafico S.p.A.	–	(240)
Aticarta S.p.A.	(1,744)	(709)
Totale	**(2,344)**	**(8,943)**

Costs arising from discontinued operations in 2007 consist mainly of expenses for the occupancy of the Pompeii (formally Aticarta) factory and those connected with discussions with the purchaser during completion. The costs incurred for the Magenta MC1 relate to the adjustment of the carrying amount of the board machine to its estimated realisable value.

Details of “Discontinued operations” relating to the Magenta MC1 are set out as follows:

Discontinued operations	**31.12.2007**	**31.12.2006**
Profit and loss account - MC1 Magenta		
Revenues	–	931
Costs	–	(2,300)
Operating profit (EBIT)	**–**	**(1,369)**
Write-down "Assets held for sale"	(600)	(1,220)
Profit (loss) before taxation	**(600)**	**(2,589)**
Taxation		22
Profit (loss) for the period	**(600)**	**(2,567)**
GAIN ON DISPOSAL	**n.a.**	**n.a.**
COSTS CONNECTED WITH THE DISPOSAL	**n.a.**	**n.a.**
Total	**(600)**	**(2,567)**

15. Tangible fixed assets

Tangible fixed assets	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction	Total
Cost	22,647	70,719	413,763	1,963	11,839	5,638	526,569
Accumulated depreciation/ Write-down	–	(29,279)	(306,686)	(1,799)	(11,234)	–	(348,998)
Net book value at 31.12.2006	**22,647**	**41,440**	**107,077**	**164**	**605**	**5,638**	**177,571**
Variations of the period:							
Change in consolidation scope (cost)							–
Chang ein consolidation scope (acc. Dep.)							–
Increases		1,400	9,539	16	51	4,313	15,319
Decreases		(6)	(2,188)		(114)		(2,308)
Reclassification of cost		57	5,540		11	(5,608)	–
Recovery of value and write down							–
Depreciations for the period		(2,304)	(15,296)	(61)	(259)		(17,920)
Write-down							–
Other changes (cost)			(95)		52		(43)
Other changes (acc. Dep.)							–
Utilisation of accumulated depreciation			1,976		107		2,083
Reclassification of accumulated depreciation							–
Value at 31.12.2007							
Cost	22,647	72,170	426,654	1,979	11,787	4,343	539,580
Accumulated depreciation/ Write-down	–	(31,583)	(320,101)	(1,860)	(11,334)	–	(364,878)
Net book value at 31.12.2007	**22,647**	**40,587**	**106,553**	**119**	**453**	**4,343**	**174,702**

"Land" relates to the manufacturing facilities of the Parent Company located at Magenta (MI), Santa Giustina (BL), Ovaro (UD), Villa Santa Lucia (FR), Marzabotto (BO) and the subsidiary RDM Iberica S.L. at Almazan.

"Buildings" consist for the most part of factories housing the manufacturing facilities. The increases (including reclassifications of cost) for the year relate to improvements made to owned buildings and and the costs to be incurred for covering the new landfill lot at Santa Gustina recognised in long-term risk provisions.

"Plant and machinery" refers to specific and general manufacturing plant and machinery. The increases (including reclassifications of cost) are mainly related to extraordinary steps taken to improve efficiency. In particular, investments of Euro 6.2 million at the Santa Giustina facility are connected mostly with work carried out in the press area, with the introduction of a new shoe press and the strengthening of the potential of the waste water treatment; investments of Euro 4.6 million were made at the Villa Santa Lucia factory, relating mostly to the installation of a cutter and steps taken to reduce the consumption of water and to strengthen the waste water purification plant; investments of Euro 2.4 million made at the Magenta factory relate principally to the strengthening of the coatings drying area and action taken in the drying area; investments of Euro 0.9 million made at the Ovaro factory relate mainly to the turbine; while investments of Euro 0.5 million made at the Marzabotto factory were of various types. Investments of Euro 0.7 million were made at the Almazan facility relating to extraordinary maintenance work on cutters transferred from Prat.

The decreases for the year relate to the replacement of assets on reaching the end of their useful lives.

The lines “reclassification of cost” relate mostly to start-up of assets in the course of construction related to previous year.

“Industrial and commercial equipment” is mainly made up of assets used in the manufacturing process throughout the various facilities.

“Other assets” is for the most part composed of electronic office machines, office furniture, fixtures and fittings and motor cars. Increases essentially relate to the purchase of information systems equipment. The decreases regard the disposal of company cars. No significant profit or loss emerged from these sales.

Increases in the assets in course of construction relate mainly to the investments in general and specific plant at the Villa S.Lucia facility.

There are third party charges (mortgages and privileges) amounting to a total of Euro 437 million on owned property and plant and machinery given in favour of banks as security on loans, whose outstanding balance at 31 December 2007 amounts to Euro 79.8 million.

16. Goodwill

Goodwill arises from the acquisition of Barneda Carton S.A., which was transferred to RDM Iberica in 2006 following the purchase of the business, and of a French sales company.

17. Other intangible assets

Other intangible assets	Concessions, licences, trade marks and similar rights	Other	Total
Net book value at 31.12.2006	**340**	**1,998**	**2,338**
Change in consolidation scope:			–
Increases	67	160	227
Decreases			–
Reclassification of cost			–
Recovery of value and write down			–
Amortisation for the year	(81)	(1,096)	(1,177)
Utilisation of accumulated amortisation			–
Reclassification of amortisation			–
Net book value at 31.12.2007	**326**	**1,062**	**1,388**

“Concessions, licences and trade marks” relate to costs incurred for the purchase of software licences.

“Other intangible assets” consist principally of the net book value assigned to the customer portfolio of the subsidiary Cartiera Alto Milanese S.p.A. on acquisition, of Euro 0.5 million (after accumulated amortisation of Euro 2 millions) and the residual balance of Euro 0.4 million arising from the non-competition agreement stipulated in 2003 with Dr. Giovanni Dell’Aria Burani. These items have an estimated residual life of one year.

There have been no revaluations or write-downs of intangible assets during the year.

18. Investments and currency financial assets

	Carrying value at 31.12.2006	Acquisitions	Disposals and reimbursements	Changes in consolidation scope	Elimination of dividends from associates	Write-down/ revaluations	Carrying value at 31.12.2007
Subsidiary companies	**3**	**–**	**(3)**	**–**	**–**	**–**	**–**
Cogeneracion Baix Llobregat S.A.	3		(3)				–
Associates	**10,815**	**–**	**–**	**–**	**(1,240)**	**1,296**	**10,881**
Termica Boffalora S.r.l.	9,373				(990)	1,052	9,435
Pac Service S.p.A.	1,442				(250)	244	1,436
Reno Cascades Sales S.r.l.		10					10
Financial transactions currently	–	2,253					2,253
Total	**10,818**	**2,263**	**(3)**	**–**	**(1,240)**	**1,296**	**13,134**

The increases during the year relate mainly to financial assets in progress and refer to ancillary costs incurred up to the balance sheet date in carrying out the combination with the Cascades Group.

The item “Disposals and rembursement” is referred to Cogeneracion Baix Llobregat S.A. liquidated on 26 June 2007.

The revaluations are mainly referred to the upheld of the value of investments on Termica Boffalora S.r.l. and Pac Service S.p.A. at the *equity value,* calculated in accordance with IFRS accounting principle.

A brief summary of the key figures of the balance sheets and profit and loss accounts of associates, prepared in accordance with Italian accounting principles, is set out below (the data regarding Termica Boffalora S.r.l. are extracted from financial statements approved by the company's quotaholders in general meeting; those regarding PAC Service S.p.A. have been approved by the company's Board of Directors):

	Termica Boffalora S.r.l.	**Pac Service S.p.A.**
Total assets	28,363	11,055
Shareholders' Equity	21,129	4,338
Other liabilities	7,234	6,717
Revenues from sale	54,414	18,155
Profit (loss) for the period	4,849	720

19. Deferred tax assets

Deferred tax assets, classified as non-current, arise from deductible temporary differences and carry forward tax losses in the subsidiaries Cartiera Alto Milanese S.p.A., Emmaus Pack S.r.l. and Reno De Medici Iberica S.L.. These have been recognised to the extent that it is probable that the companies will have taxable profit in the future against which the temporary differences and unused tax losses can be utilised.

20. Derivative financial instruments

Derivative financial instruments	**31.12.2007**	**31.12.2006**	**Variation**
Non-current assets	**418**	**83**	**335**
Derivative financial instruments (Hedge accounting)	418	83	335
Current assets	**331**	**77**	**254**
Derivative financial instruments (Hedge accounting)	331	77	254
Non-current liabilities	**–**	**14**	**(14)**
Derivative financial instruments (Hedge accounting)		14	(14)
Current liabilities	**–**	**350**	**(350)**
Derivative financial instruments (Hedge accounting)		350	(350)

There was a favourable fair value of Euro 749 thousand at 31 December 2007 of the derivatives represented by interest rates swaps.

The following table sets out the main features of the Company's derivative financial instruments at 31 December 2007:

Date:	**31.12.2007**						
Type of coverage:	**Cash flow hedging on interest**						
Derivative instrument:	**Interest rate swap**						
Company	**Counterparty**	**Currency**	**Maturity**	**Nominal value** (Euro/000)	**Interest**	**Payement of interest**	**Fair value of the derivative** (Euro/000)
Reno De Medici S.p.A.	SanPaolo IMI S.p.A.	Eur	06.04.2016	25,500	4.11% fixed Euribor 6M	Six monthly	417
Reno De Medici S.p.A.	Unicredit Banca d'Impresa S.p.A.	Eur	06.04.2016	12,750	4.11% fixed Euribor 6M	Six monthly	208
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	15.05.2016	5,270	4.15% fixed Euribor 6M	Six monthly	67
Reno De Medici S.p.A.	Banca Popolare di Milano S.p.A.	Eur	30.06.2008	10,000	3.75% fixed Euribor 3M	Three monthly	57
Total				**53,520**			**749**

There is also a further outstanding IRS agreement with Banca Intesa San Paolo S.p.A. for an amount of Euro 10 million, expiring on 30 June 2008. Despite having been arranged for hedging purposes, this agreement did not formally qualify for hedge accounting under IFRS at 31 December 2007 and its fair value of Euro 40 thousand net of the tax effect has therefore been recoginised in the profit and loss account.

21. Available-for-sale financial assets

This item consists of investments in other companies and other miscellaneous financial assets, classified as non-current and measured at fair value with changes in fair value recognised directly in equity or at cost less impairment losses if it cannot be determined. The balance is made up principally of the investment in Realty Vailog S.p.A, for Euro 0.3 million, held as a consequence of the proportional demerger executed on 21 June 2006, the shareholding in Cartonnerie Tunisienne S.A., for Euro 0.1 million and minor shares in consortia.

22. Trade receivables

The following table presents an analysis of trade receivables between current and non-current balances, whose total amounted to Euro 102.5 million:

Trade receivables	31.12.2007	31.12.2006	Variation
Trade receivables	–	76	(76)
Non-current trade receivables	**–**	**76**	**(76)**
Trade receivables with customers	101,511	99,957	1,554
Receivables from associates	951	801	150
Current trade receivables	**102,462**	**100,758**	**1,704**

The current portion of trade receivables from third parties is stated net of a provision for bad and doubtful debts of Euro 6.3 million. The following table sets out the changes for the year in that provision:

Provision for bad and doubtful debts	31.12.2006	Change in scope	Charge	Utilization	31.12.2007
Provision for bad and doubtful debts	6,342	–	425	(497)	6,270
Total	**6,342**	**–**	**425**	**(497)**	**6,270**

The following table provides an analysis of trade receivables from third parties by geographical area:

Geographical area	Current assets	Non current assets
Italy	67,568	
EU	27,448	
Rest of the World	7,446	
Total	**102,462**	**–**

23. Other receivables

Other non-current receivables	31.12.2007	31.12.2006	Variation
Grupo Torras S.A.	4,295	4,072	223
Tax credits	762	725	37
Guarantee deposits	84	172	(88)
Other receivables	180	–	180
Total	**5,321**	**4,969**	**352**

The receivable from Grupo Torras S.A. represents the balance based on the first and second level sentences of the Court of Madrid, discounted to present value on an assumption of the expected timing of receipt that takes into account the steps needed to make an appeal to the Supreme Court.

Other current receivables	31.12.2007	31.12.2006	Variation
Receivables from the sale of BM5 Prat	1,710	–	1,710
Tax credits	1,614	1,193	421
Prepayements and accrued income	296	1,435	(1,139)
Receivables from the sale of BM3 Prat	–	2,998	(2,998)
Receivables from the sale of Cogeneracion Prat S.A.	–	1,700	(1,700)
Miscellaneous receivables	1,082	1,780	(698)
Total	**4,702**	**9,106**	**(4,404)**

The change over 31 December 2006 is mostly due to the collection of financial receivables due from Cogeneration Prat S.A. (amounting to Euro 1.7 million) and the receipt of the balance due from the sale of Prats' Macchina continua 3 (Euro 3 millions).

Other receivables comprise mostly receivables from social security organisations connected with the *cassa integrazione* lay-off scheme (Euro 0.3 million) and receivables for insurance compensation (Euro 0.2 million).

The decrease of the item "Deferred an accrued receivable" is connected to the lease of Pompeii facility, payed durino the year 2006 and related to the firs quarter of 2007.

The receivable connected with the selling of the Board machine 5 (BM5) of Prat is collected on February 2008.

24. Stocks

The following table provides an analysis of stocks at 31 December 2007:

Stocks	31.12.2007	31.12.2006	Variation
Raw material and consumables	23,024	22,361	663
Provision for obsolescence	(322)	(322)	–
Finished goods and goods for resale	41,922	37,736	4,186
Properties for sale	–	30,000	(30,000)
Total	**64,624**	**89,775**	**(25,151)**

"Properties for sale" relate to the right to receive completed properties from Espais in Barcelona in connection with an agreement signed by RDM Iberica and Espais in December 2003, profit and loss comments contains further details.

25. Net financial position

Net financial position (Euros)	31.12.2007	31.12.2006	Variation
Cash	8	9	(1)
Funds available at banks	3,240	4,498	(1,258)
Restricted funds at banks	5,000	5,029	(29)
A. Cash and cash equivalent	**8,248**	**9,536**	**(1,288)**
Other current financial receivables	153	1,853	(1,700)
Derivatives - current financial assets	331	77	254
B. Current financial receivables	**484**	**1,930**	**(1,446)**
1. Bank overdraft and short term loans	*42,177*	*47,069*	*(4,892)*
2. Current portion of medium and long term loans	*10,367*	*10,412*	*(45)*
Bank loans and other financial liabilities (1 + 2 + 3)	52,544	57,481	(4,937)
Other current financial liabilities	698	–	698
Derivatives - current financial liabilities	–	350	(350)
C. Current financial debt	**53,242**	**57,831**	**(4,589)**
D. Current financial debt, net (C – A – B)	**44,510**	**46,365**	**(1,855)**
Other non current financial receivables		–	–
Derivatives - non current financial assets	418	83	335
E. Non-current financial receivables	**418**	**83**	**335**
Bank loans and other financial liabilities	70,002	80,789	(10,787)
Derivatives - non-current financial liabilities	–	14	(14)
F. Non-current financial payables	**70,002**	**80,803**	**(10,801)**
G. Non current financial debt (F – E)	**69,584**	**80,720**	**(11,136)**
H. Financial debt, net (D + G)	**114,094**	**127,085**	**(12,991)**

The Group had net financial debt at 31 December 2007 of Euro 114.1 million, compared to Euro 127.1 million at 31 December 2006.

The non-current portion of “Bank loans and other financial liabilities” consists of long-term interest-bearing debt of Euro 70 million measured at amortised cost.

The gross financial indebtedness at 31 December 2007, measured at amortised cost, amount to Euro 123.2 million (compared to Euro 138.3 million on December 2006) and contains the non-current portion of long-term loans for Euro 70 million, and the current portion of long-term loans for Euro 10.4 million and bank credit facilities for Euro 42.1 million, mainly made of use of commercial facilities lines.

Derivative financial instruments arranged to cash flow hedge covertures are recognised for a positive amount of Euro 0.7 million, the current portion amount on Euro 0.3 million.

Liquid funds and current financial receivable, at 31 December 2007, amount to Euro 8.4 million (compared to Euro 11.4 million on December 2006) and contains restricted portion of Euro 5 million in order to claims with *Grupo Torras*.

The following table provides an analysis of the nominal value of long-term debt at 31 December 2007 by due date:

Loans	**Due within one year**	**Due after more than one year**	**Due after more than five years**	**Total**
M.I.C.A. - due 13 February 2016	123	539	625	1,287
M.I.C.A. - due 16 October 2013	139	587	154	880
M.I.C.A. - due 28 May 2008	54	–	–	54
San Paolo Imi - due 15 June 2011	2,024	5,531	–	7,555
San Paolo Imi - due 15 December 2011	2,951	9,709	–	12,660
San Paolo Imi - due 6 April 2016	–	3,276	1,358	4,634
San Paolo Imi fin.pool - tranche A - due 6 April 2016	4,667	18,667	16,333	39,667
San Paolo Imi fin.pool - tranche B - due 6 April 2011	–	10,000	–	10,000
Banca Pop.Emilia Romagna - due 15 May 2016	620	2,480	2,170	5,270
UNICREDIT - due 1 June 2009	133	67	–	200
UNICREDIT - due 2 November 2009	150	150	–	300
Total payables at nominal value	**10,861**	**51,006**	**20,640**	**82,507**
Effect of amortized cost	**(494)**	**(1,325)**	**(319)**	**(2,138)**
Total payables valued with amortized cost	**10,367**	**49,681**	**20,321**	**80,369**

RDM is bound by certain restrictions and commitments with thresholds for the pool funding that are normal for syndicated loans of this nature; amongst these are limitations on obtaining additional debt, on distributing dividends, on granting guarantees (a negative pledge), on the disposal of core activities, on making investments and on carrying out financial transactions of an extraordinary nature.

In particular, this loan requires certain financial covenants to be respected that are based on the following ratios:

- Net financial position/Equity;
- Net financial position/Gross operating profit;
- Gross operating profit/Net financial expense.

These ratios must be calculated every six months on the basis of the figures stated in the Group's year end and half year consolidated financial statements, starting from 31 December 2006.
The half year calculations of Gross operating profit and net financial expense are based on the twelve month period ending on the last day of the half year concerned.
The eventual failure to respect the loan agreement covenants can be grounds for the lending banks to terminate the arrangement.

In terms of guarantees, the agreement requires RDM to provide first mortgages on the Ovaro and Marzabotto factories and second mortgages on those at Magenta, Santa Giustina and Villa Santa Lucia, for an overall total of Euro 120 million.

In addition, first special liens have been given as security on the plant and machinery at Ovaro and Marzabotto and second special liens on the plant and machinery at Magenta, Santa Giustina and Villa Santa Lucia, for an overall total of Euro 120 million.

Further, an agreement was signed with Banca Popolare dell'Emilia Romagna on 13 April 2006 for a floating rate loan of Euro 6.2 million repayable in six-monthly instalments ending on 15 May 2016. This loan is secured by mortgages on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia factories for an overall total of Euro 22.4 million.

An agreement was signed with SanPaolo IMI on 21 December 2006 for a loan of Euro 14.7 million, of which Euro 4.6 million was disbursed. This loan is governed by the same covenants as the pool loan and is secured by mortgages on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia factories for an overall total of Euro 29.4 million.
In addition, special liens have been given as security on the plant and machinery at the same facilities for an overall total of Euro 29.4 million.

As a means of reducing the variability of financial expense on debt, interest rate swap agreements have been arranged to hedge outstanding loans, which at 31 December 2007 had a notional amount of Euro 43.5 million.

Note 20 contains further details of the derivative financial instruments held at 31 December 2007.

26. Non-current assets held for sale

Assets held for sale	**31.12.2006**	**Reclas-sification**	**Decreases**	**Write-downs**	**31.12.2007**
MC1 Magenta - Plant	5,800			(600)	5,200
Pompei - Plant	3,207		(2,824)		383
Pompei - spare	655		(655)		–
Pompei - Plants and spares	1,730		(1,730)		–
Total	**11,392**	**–**	**(5,209)**	**(600)**	**5,583**

"Non-current assets for sale" total Euro 5.5 million at 31 December 2007 (Euro 11.4 million at 31 December 2006). The decrease in this item is connected with the sale of the Pompeii plant and the adjustment of the carrying amount of the Magenta MC1 to its estimated net realisable value.

27. Shareholders' equity

Changes in shareholders' equity for the year are set out in the following table:

Description	Shareholders' equity at 31.12.2006	Change in the year: Loss cover 2006	Change in the year: Reclas-sification	Change in the year: Fair value assets available for sale	Change in the year: Hedge accounting	Change in the year: Profit (loss) for the year	Shareholders' equity at 31.12.2007
Share capital	132,160						132,160
Share premium reserve	–						–
Legal reserve	–						–
Reserve for own shares	4,872						4,872
Other reserves:							
– Reserve for the purchase of own shares	–						–
– Extraordinary reserve	424	(424)					–
– Reserve for the rounding of nominal value	900	(900)					–
– Other reserves	–						–
IFRS Reserves 01.01.2005	(4,699)						
IFRS Reserves 31.12.2005	17,749						
IFRS Reserve	13,050	(13,050)					–
Hedging reserve	(124)				683		559
Fair value reserve	(252)			(6)			(258)
Profit (loss) brought forward	(14,174)	(4,724)	631				(18,267)
Profit (loss) for the period	(18,467)	19,098	(631)			576	576
Own shares	(4,872)						(4,872)
Total	**113,517**	**–**	**–**	**(6)**	**683**	**576**	**114,770**

On 8 May 2007, shareholders in general meeting resolved to cover the 2006 losses of the Parent Company stated in the financial statements prepared in accordance with Italian accounting principles and amounting to Euro 15,337 thousand, by using "IFRS Reserve" for Euro 13,050 thousand, by using "Reserve to round nominal value" of Euro 900 thousand, by using "Extraordinary reserve" for Euro 424 thousand, carrying forward the remaining loss of Euro 963 thousand.

Own shares consist of. 7,513,443 ordinary shares, equal to 2,79% of share capital.

The "Reserve for own shares" is a restricted reserve pursuant to article 2357-ter of the Italian civil code.

In addition, in accordance with article 5 of the Company's bylaws, the bearers of savings shares may convert their shares into ordinary shares during February and September of each year. A total of 45,319 savings shares were converted into ordinary shares during 2007. As a consequence of this, share capital at 31 December 2007, fully subscribed and paid, is made up as follows:

	Quantity	Par value	Total
Ordinary shares	269,247,689	0.49	131,931,367.61
Savings shares	466,748	0.49	228,706.52
Total	**269,714,437**		**132,160,074.13**

The Company's bylaws also provide that if during any one fiscal year a dividend per share is distributed to savings shareholders which is less than 5% of the nominal value of the savings shares (being Euro 0.49), then the difference is transferred as an increase in the privileged dividend of the following two years. In this respect it is recalled that no dividends were distributed in 2006 and 2007.

Minority interests of Euro 0.5 million (Euro 0.5 million at 31 December 2006) relate to the share held by minority quotaholders in the subsidiary Emmaus Pack S.r.l..

28. Other payables

The following table provides a detail of other current payables:

Other payables	**31.12.2007**	**31.12.2006**	**Variation**
Due to Red.Im S.r.l. for the purchase of Prat properties	–	32,000	(32,000)
Deferred income	547	599	(52)
Miscellaneous payables	80	160	(80)
Other non-current payables	**627**	**32,759**	**(32,132)**
Personnel	4,379	4,145	234
Payable to social security authorities	3,770	3,102	668
Payable to tax authorities	7,973	2,610	5,363
Miscellaneous payables	1,072	1,837	(765)
Company bodies	1,097	858	239
Accrued interest payable on debenture loan	851	816	35
Other current payables	**19,142**	**13,368**	**5,774**

Non-current payables amount to Euro 0.6 million at December 2007 (Euro 32.8 million at December 2006) and consist principally of the down payment of Euro 32 million made by Red.Im S.r.l. to RDM Iberica pursuant to the preliminary agreement for the sale of properties to be erected at the Prat site in respect of the preliminary agreement for the sale of future assets signed by the parties in 2005 and terminated in 2007.

Payables to personnel consist mainly of amounts due for deferred compensation. The increase over the balance at 31 December 2006 is mostly the result of TFR liabilities to be paid to employees involved in the long-term *mobilità* lay-off procedure (Euro 1.1 million).

"Payable to social security authorities" relates for the most part to amounts due to social security authorities for social security contributions payable on current wages and salaries paid to employees in December, which were paid over in January 2008, and to accruals for social security contributions due on deferred remuneration (employee leave, additional months' salaries and overtime). The increase over the year is mostly due to the amount payable for the portion of the employees' leaving entitlement to be paid over in the form of supplementary pensions at 31 December 2007, as established by the 2007 Finance Law.

"Payable to tax authorities" consists of withholding taxes on wages and salaries paid to employees in December, VAT payables mainly relating to RDM Iberica S.L. and miscellaneous tax payables.

29. Deferred taxation

The following table provides a summary of the determination of deferred tax assets and deferred tax liabilities from temporary differences at 31 December 2007:

Deferred taxation	2007			2006		
	Temporary differences	Average tax rate %	Tax effect	Temporary differences	Average tax rate %	Tax effect
Recognised deferred tax assets	**33,752**		**8,260**	**60,555**		**19,636**
Write-down of investments (2007)	–		–	7,966	33.00%	2,629
Tax losses to carry forward	12,191	28.30%	3,450	28,460	34.70%	9,875
Write-downs for permanent losses in value	1,820	3.90%	71	1,220	4.25%	52
Stock provision	322	3.90%	13	322	4.25%	14
Provision for future charges (IRAP)	4,470	3.90%	174	2,940	4.25%	125
Other temporary differences IRES	1,503	27.83%	418	948	33.00%	313
Other temporary differences IRAP	312	3.90%	12	994	4.25%	42
Agent's termination indemnity	49	27.50%	13	45	37.25%	17
Write-downs of intangible assets IFRS	–		–	767	37.25%	286
Valuation of derivatives with hedge accounting	–		–	185	33.00%	61
Deferred tax assets on consolidation entries	13,085	31.40%	4,109	16,708	37.25%	6,224
Recognised deferred tax liabilities	**41,585**		**12,891**	**72,841**		**26,443**
Gain on the disposal of Espais	–	–	–	24,204	35.00%	8,471
Book depreciation exceeding tax depreciation	37,709	31.40%	11,841	45,792	37.25%	6,022
Other temporary differences IRAP	72	3.90%	3	110	4.25%	5
Other temporary differences IRES	93	27.50%	26	231	33.00%	76
Remeasurement TFR IFRS	2,960	27.50%	815	2,338	33.00%	772
Remeasurement FISC IFRS	2	27.50%	1	47	37.25%	18
Valuation of derivatives with hedge accounting	749	27.50%	206	119	37.25%	44
Recognised deferred tax (assets) liabilities, net			**4,630**			**6,807**
– of which deferred tax liabilities			*6,311*			*7,699*
– (of which deferred tax assets)			*(1,681)*			*(892)*
– of which deferred tax assets on consolidation entries						
Unrecognised deferred tax assets	**209,735**		**60,062**	**209,510**		**70,601**
Svalutazione partecipazioni	–		–	–	33.00%	–
Write-downs for permanent losses in value	1,820	27.50%	501	1,220	33.00%	403
Stock provision	322	27.50%	89	322	33.00%	106
Bad and doubtful debts	1,518	27.50%	417	1,582	33.00%	522
Provision for future charges (IRES)	5,190	27.50%	1,427	3,805	33.00%	1,256
Other temporary differences	161	27.50%	44	1,792	37.25%	668
Tax losses to carry forward	189,662	28.72%	54,474	146,607	33.50%	49,111
Tax loss for the year	11,062	28.12%	3,110	54,182	34.21%	18,537
Unrecognised deferred tax assets			**60,062**			**70,601**

Deferred tax assets and liabilities at 31 December 2007 have been offset as the conditions in IAS 12 are satisfied; in particular, they are offset when balances relate to income taxes levied by the same taxation authority and when there is a legally enforceable right to do so.

The differences in the various average tax rates are due to the different fiscal legislation prevailing in the European countries in which the Reno De Medici Group operates.

Net deferred tax income arises in 2007 as the consequence of the changes in Ires and Irap tax rates introduced by Law no. 244 of 24 December 2007 (the 2008 Finance Law).

Relating to Deferred tax assets not acounted and related to tax losses, it is prudentially decided to not proceed on make any provisions.

The following table provides details of the accumulated tax losses for the Group at 31 December 2007, that amount to Euro 212.9 million, with possibility of use at maturity, with details of the year in which the related benefit expires:

Accumulated tax losses	**2008**	**2009**	**2010**	**2011**	**2012**
Reno De Medici S.p.A.	112,909	70,244	51,430	33,949	8,325
RDM Iberica S.L.	97,890	86,256	86,256	86,256	86,256
Cartiera Alto Milanese S.p.A.	927	927	927	–	–
RDM Deutschland Gmbh	1,194	1,194	1,194	1,194	1,194
Total tax losses to carry forward	**212,920**	**158,621**	**139,807**	**121,399**	**95,775**

The tax losses relating to RDM Deutschland GmbH do not expire, while those relating to RDM Iberica S.L. may be utilised until 2020.

30. Employees’ leaving entitlement

Employees' leaving entitlement	**31.12.2007**	**31.12.2006**	**Variation**
Employees' leaving entitlement	14,780	18,696	(3,916)

The actuarial valuation of the “Employees’ leaving entitlement” at 31 December 2007 in accordance with IAS 19 was made by an independent actuary on the basis of information provided by RDM Group.

The following demographic assumptions were used by the actuary:

- mortality rates: ISTAT data for 2002 relating to the Italian population and separated by gender;
- incapacity: the INPS model for forecasts up until 2010;
- retirement age for general activities: it has been assumed that active workers will reach the first of the pension requisites valid for the *Assicurazione Generale Obbligatoria* (Compulsory General Insurance);
- employees leaving for reasons other than death in service: an annual turnover frequency of 5.00% has been assumed;

– advances of the entitlement: an annual figure of 3.00% has been assumed.

The economic and financial assumptions used were as follows:

Economic end financial assumptions	2007	2006
Annual discount rate	5.45%	4.60%
Annual inflation rate	2.00%	2.00%
Annual increase in employees' leaving entitlement	3.00%	3.00%

The 2007 Finance Law and respective implementation decrees introduced changes in the way in which the employees' leaving entitlement (TFR) is regulated, starting from 1 January 2007. Included in these is the election which an employee had to make regarding his accruing entitlement. The difference between the new calculation and the old balance has been treated as resulting from a curtailment in the sense of paragraph 109 of IAS 19 and has consequently been recognised in 2007 income.

Movements in the actuarial value of the liability for the year were as follows:

Movements in the actuarial value of the liability	
Actuarial value at 31.12.2006	**18,696**
Service cost	240
Interest cost	791
Services rendered	(1,630)
Other movements	(3,317)
Actuarial value at 31.12.2007	**14,780**

31. Provisions

The balance at 31 December 2007 is made up as follows:

Provisions for contingencies and charges	31.12.2006	Charge	Utilisation	31.12.2007
Agents' termination indemnity	793	131	(47)	877
Provision for future charges	5,051	3,408	(3,191)	5,268
Taxation	29			29
Provision for losses on investments	302		(302)	–
Total	**6,175**	**3,539**	**(3,540)**	**6,174**

The liability for the agents' termination indemnity is determined on the basis of actuarial techniques.

The utilisation during the year of Euro 3.2 million of the "Provision for future charges" relates mainly to the portion regarding 2007 of the rentals for the Prat site for Euro 2 million to the work involved in making good the landfill at the Santa Giustina facility of Euro 0.6 million, the settlement of outstanding disputes for an amount of Euro 0.4 million and a utilisation of Euro 0.2 million to offset the costs incurred at the Ciriè and Pompeii facilities.

The accrual for the year refers principally to the costs that will be incurred for the long-term *mobilità* lay-off scheme, for Euro 1.6 million, an amount of Euro 0.7 million to offset costs for the new Santa Giustina landfill lot, an amount of Euro 0.7 million to offset the costs incurred at Pompeii facility, classified in the income statement as "Discontinued operations", and other expenses of Euro 0.3 million.

The decrease in the "Provision for losses on investments" relates to the utilisation of this provision to offset the equity deficit of Reno Logistica in liquidation.

32. Trade payables

The balance at 31 December 2006 is made up as follows:

Trade payables	31.12.2007	31.12.2006	Variation
Trade payables to third parties	93,964	85,197	8,767
Due to associates	3,754	1,363	2,391
Total	**97,718**	**86,560**	**11,158**

"Trade payables" amount to Euro 97.7 million (Euro 86.6 million at 31 December 2006) and are due within 12 months. Balances are stated net of trade discounts and are adjusted for any returns or rebates agreed with the seller.

"Due to associates" of Euro 3.8 million (Euro 1.4 million at 31 December 2006) relates to balances of a trading nature for purchases of steam from Termica Boffalora S.r.l.., and for Euro 1 million regard the contractual penalty due as the result of the termination of the supply agreement with that company.

33. Current taxation

The balance of Euro 0.6 million represents the amount due to the tax authorities for current taxation relating to the year ended 31 December 2007.

34. Earnings per share

Earnings per share is calculated by dividing the profit or loss of the Group for the year (adjusted to take account of the minimum due to savings shareholders) by the weighted average number of shares outstanding during the period, excluding own shares held.

The following table sets out the calculation of earnings (losses) per share before assets held for sale, for the years ended 31 December 2007 and 2006:

Basic earnings per share	**31.12.2007**	**31.12.2006**
Profit (loss) for the period	838	(18,212)
Result attributable to savings shares	35	42
Profit (loss) for the period adjusted	803	(18,254)
Wheighted average of outstanding ordinary shares	261,719,140	261,688,190
Wheighted average of outstanding savings shares	466,748	512,067
Earnings (losses) per shares	0.003	(0.07)
Profit (loss) of the period before discontinued operations	3,181	(9,269)
Profit (loss) of the period before discontinued operations adjusted	3,146	(9,311)
Profit (loss) per share before discontinued operations	0.01	(0.04)

Diluted earnings per share	**31.12.2007**	**31.12.2006**
Profit (loss) for the period	838	(18,212)
Wheighted average of outstanding ordinary shares	262,200,994	262,200,994
Earnings (losses) per shares	0.003	(0.07)
Profit (loss) of the period before discontinued operations	3,181	(9,269)
Profit (loss) per share before discontinued operations	0.01	(0.04)

35. Non-recurring events and significant transactions

Non-recurring events and significant transactions

The effects of any non-recurring transactions in 2007, as the term is defined in Consob communication no. DEM/6064293, are provided in note 8 "Non-recurring income (expense) to which reference should be made.

With the exception of the matters described in that note the Reno De Medici Group's financial position and results have not been affected by any non-recurring events or significant transactions.

N.B.: Non-recurring significant transactions are transactions or events that do not occur frequently as part of operations.

Balances and transactions deriving from abnormal and/or unusual transactions

The Reno De Medici Group did not carry out any abnormal or unusual transactions in 2007 as these terms are defined by the above-menioned Consob communication no. DEM/6064293.

N.B.: Abnormal and/or unusual transactions are transactions which for their size, their importance, the nature of the counterparties, the subject of the transaction, the means of determining the price or the timing of the event may give rise to doubt over the completeness and accuracy of the information provided in the financial statements, conflicts of interest, the safeguarding of business assets or the protection of minority shareholders.

36. Contingent liabilities and commitments and other guarantees given to third parties

Reference should be made to the section “Other information” in the Report of the Board of Directors for a discussion of the principal disputes in which the Company is involved.

Commitments and guarantees to third parties include the following:

- sureties of Euro 2.3 million provided in favour of the Veneto Region and the Province of Belluno regarding the landfill located at the Santa Giustina (BL) facility;
- a surety of Euro 276 thousand provided to the Comieco consortium;
- sureties of Euro 100 thousand provided in favour of the customs authorities;
- a surety of Euro 100 thousand provided in favour of Agea S.p.A. relating to the recovery of starch;
- a surety of Euro 110 thousand given in favour of the Lombardy Region;
- a surety of Euro 3 thousand given in connection with the leasing of property.

37. Financial instruments and risk management

A detailed discussion of this matter and the information required by IFRS 7 *Financial Instruments: Disclosures* are provided in the Risk Management section of the Report of the Board of Directors.

OTHER INFORMATION

Investments in subsidiary companies and associates at 31 December 2007 (pursuant to article 38, paragraph 2 of Legislative Decree no. 127/91).

List of subsidiary companies included in the scope of consolidation

Cartonboard sector

Reno De Medici Iberica S.L.
Prat de Llobregat - Barcelona - Spain
Direct ownership 100%
Consolidation method: line-by-line

Emmaus Pack S.r.l.
Milan - Italy
Direct ownership 51.39%
Consolidation method: line-by-line

Cartiera Alto Milanese S.p.A.
Milan - Italy
Direct ownership 100%
Consolidation method: line-by-line

RDM France S.à.r.l.
Tremblay en France – Paris - France
Direct ownership 100%
Consolidation method: line-by-line

RenoDeMedici Deutschland GmbH
Bad Homburg - Germany
Direct ownership 100%
Consolidation method: line-by-line

List of equity investments accounted for using the equity method

Cartonboard sector

Pac Service S.p.A.
Vigonza - Padua - Italy
Direct ownership 33.33%
Associate

Energy sector

Termica Boffalora S.r.l.
Sesto S. Giovanni - Milan - Italy
Direct ownership 30%
Associate

Service sector

Reno Logistica S.r.l. in liquidazione
Milan - Italy
Direct ownership 100%
Unconsolidated subsidiary

Cartonboard sector

Cartonnerie Tunisienne S.A.
Les Berges Du Lac - Tunis
Direct ownership 5.274%

Other sectors

Realty Vailog S.p.A.
Milan - Italy
Direct ownership 0.327%

Energymont S.p.A.
Tolmezzo - Udine - Italy
Direct ownership 2.02%

Consortia

Gas Intensive S.c.r.l.
Milan - Italy
Consortium share

Comieco
Milan - Italy
Consortium share

Conai
Milan - Italy
Consortium share

Consorzio Filiera Carta
Frosinone – Italia
Consortium share

C.I.A.C. S.c.r.l.
Frosinone – Italy
Consortium share

Idroenergia S.c.r.l.
Valpenga (TO) - Italy
Consortium share

Università Carlo Cattaneo
Castellanza (VA) – Italy
Consortium share

RELATED PARTY TRANSACTIONS

Reference should be made to the "Other information" section of the Report of the Board of Directors for details of related party transactions.

The supplementary information regarding related party transactions required by Consob communication no. 6064293 of 28 July 2006 is set out below.

Receivables, payables, receipts and payments with related parties

The following tables provide details of receivables and payables due from and due to related parties at 31 December 2007 and receipts and payments flows with related parties for the year then ended:

Receivables and payables due to related parties	**Current assets Receivable from associates**	**Current Libilities Trade Payables**
Immobiliare Anste S.r.l.	–	65
Anste Autotrasporti S.r.l.	–	147
Termica Boffalora S.r.l.	22	3,754
Pac Service S.p.A.	929	
Total	**951**	**3,966**
Incidence on the total of the item	**0.9%**	**4.1%**

Outflows and inflows of cash due to related parties	**Outflows Payables to third parties**	**Inflows Receivables from associates**
Anste Autotrasporti S.r.l.	576	
Immobiliare Anste S.r.l.	257	
IBI S.p.A.	2,160	–
Termica Boffalora S.r.l.	5,258	304
Pac Service S.p.A.	–	2,797
Total	**8,251**	**3,101**

Revenues and costs deriving from related party transactions

The following tables provide details of the revenues and costs deriving from related party transactions in the year ended 31 December 2007:

Ricavi	Revenues for sales
Termica Boffalora S.r.l.	42
Pac Service S.p.A.	2,450
Total	**2,492**
Incidence on the total of the item	**0.7%**

Costs	Cost of raw materials and services	No reccurent income (expense)
Anste Autotrasporti S.r.l.	490	
Immobiliare Anste S.r.l.	214	
Termica Boffalora S.r.l.	5,375	1,000
Total	**6,079**	**1,000**
Incidence on the total of the item	**2.3%**	

SUBSEQUENT EVENTS

Reference should be made to the "Other information" section of the Report of the Board of Directors for details of significant events occurring after 31 December 2007.

INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB REGULATIONS FOR ISSUERS

The following table prepared pursuant to article149-duodecies of the Consob Regulations for Issuers sets out the fees relating to 2007 for auditing services and services other than audit provided by the auditing company and members of its network.

Description	**Fees**
Financial Statement Audit	135
Due Diligence services (*)	268
Other services (*)	55
Total Reno de Medici S.p.A.	**458**
Subsidiary companies Audit services	75
Total Reno de Medici Group	**533**

(*) Amount attributable on Cascades mergers' operation trough financial transactions currently.

CERTIFICATION

OF CONSOLIDATED ACCOUNTS PURSUANT TO ARTICLE 81-THIRD OF CONSOB RULE NO. 11971 OF MAY 1999, AS AMENDED.

The signatories listed below, Ignazio Capuano – as “Managing Director” – and Maurizio Fusetti – as “Director in charge of the preparation of the corporate accounting documentation” – of the company, Reno de Medici S.p.A. hereby declare, taking into account the terms of Article 154-*bis*, 3rd and 4th commas, of Legislative Decree No. 58 of 24 February 1998:

a) The adequacy in relation to the characteristics of the company; and
b) The effective application of the administrative and accounting procedures for the preparation of the consolidated corporate group accounts over the 2007 financial year.

It is declared, in addition, that the consolidated corporate accounts, as at 31 December 2007:

a) Correspond to the results contained in the financial books and other accounting records;
b) were prepared in compliance with the international accounting standards (IAS/IFRS) pursuant to Article 154-*bis*, 5th comma, of the Unified Finance Law (Legislative Decree 58/1998) and, as far as is known, are suitable to provide a true and correct representation of the business, economic and financial situation of the issuer and the group of companies included in its consolidated accounts.

Milan, Italy - 26 March 2008

The Managing Director	The Director in charge of the preparation of the corporate accounting documentation
Ignazio Capuano	Maurizio Fusetti

REPORT OF INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N° 58 DATED 24 FEBRUARY 1998

To the shareholders of
Reno De Medici SpA

1 We have audited the consolidated financial statements of Reno De Medici SpA and its subsidiaries ("Reno De Medici Group") as of 31 December 2007, constituted by the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and the related notes. These consolidated financial statements are the responsibility of Reno De Medici SpA's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For comparative purposes the consolidated financial statements present the corresponding data of the prior year. As illustrated in the notes to the consolidated financial statements, the Directors have retrospectively adjusted comparative data related to the financial statements of the prior year, on which we have issued our auditors' report on 11 April 2007. The methods used for the retrospective adjustment of the corresponding data of the prior year and the information presented in the notes to the consolidated financial statements have been examined by us for the purpose of expressing our opinion on the consolidated financial statements as of 31 December 2007.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: Bari 70125 Viale della Repubblica 110 Tel. 0805429863 – Bologna 40122 Via delle Lame 111 Tel. 051526611 – Brescia 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – Firenze 50129 Viale Milton 65 Tel. 055471747 – Genova 16121 Piazza Dante 7 Tel. 01029041 – Napoli 80121 Piazza dei Martiri 30 Tel. 08136181 – Padova 35138 Via Vicenza 4 Tel. 049873481 – Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 – Parma 43100 Viale Tanara 20/A Tel. 0521242848 – Roma 00154 Largo Fochetti 29 Tel. 06570251 – Torino 10129 Corso Montevecchio 37 Tel. 011556771 – Trento 38100 Via Grazioli 73 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 – Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 – Verona 37122 Corso Porta Nuova 125 Tel.0458002561

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3 In our opinion, the consolidated financial statements of Reno De Medici SpA as of 31 December 2007 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in shareholders' equity and cash flows of Reno De Medici Group for the year then ended.

Milan, 11 April 2008

PricewaterhouseCoopers SpA

Signed by Giorgio Greco
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Consolidated Financial Statements refer to the Consolidated Financial Statements in original Italian and not to their translation.

(2)

FINANCIAL STATEMENTS OF THE PARENT COMPANY RENO DE MEDICI S.P.A.

PROFIT AND LOSS ACCOUNT

(Euros)	Note	31.12.2007	31.12.2006
Revenues from sales to third parties		258,080,702	239,567,223
Revenues from sales to subsidiary companies		53,731,265	46,135,333
Revenues from sales	1	311,811,967	285,702,556
Other revenues	2	2,316,420	3,536,805
Changes in stocks of finished goods	3	3,405,214	5,290,196
Cost of raw materials and services	4	(244,496,266)	(222,227,164)
Staff costs	5	(44,419,042)	(44,503,423)
Other operating costs	6	(3,109,183)	(2,740,708)
Income (expense) from non-current assets held for sale		–	(363,386)
No reccurent income(expense)	7	(2,700,000)	–
Gross Operating Profit (EBITDA)		**22,809,110**	**24,694,876**
Depreciation and amortisation	8	(20,699,554)	(24,462,339)
Operating Profit (EBIT)		**2,109,556**	**232,537**
Financial expense		(10,702,486)	(11,331,060)
Exchange differences		(246,457)	(153,753)
Financial income		223,233	723,366
Financial income (expense), net	9	(10,725,710)	(10,761,447)
Income (expense) from investments	10	9,465,534	2,124,792
Taxation	11	1,601,823	(809,331)
Profit (loss) for the year before discontinued operations		**2,451,203**	**(9,213,449)**
Discontinued operations	12	(2,343,517)	(5,491,636)
PROFIT (LOSS) FOR THE YEAR		**107,686**	**(14,705,085)**

BALANCE SHEET
ASSETS

(Euros)	Note	31.12.2007	31.12.2006
Non-current assets			
Tangible fixed assets	13	172,784,665	178,499,976
Other intangible assets	14	760,514	1,207,323
Shares in subsidiary companies	15	73,663,184	64,354,067
Shares in associate companies	16	7,742,970	7,742,970
Derivative financial instruments	17	418,409	82,643
Available-for-sale financial assets	18	444,753	443,000
Trade receivables	19	–	76,245
Other receivables	20	959,668	918,786
Total non-current assets		**256,774,163**	**253,325,010**
Current assets			
Stocks	21	58,055,276	53,843,895
Trade receivables	19	69,353,011	67,521,890
Trade receivables due to subsidiary companies	22	15,088,020	22,846,924
Trade receivables due to associates	23	950,570	801,222
Other receivables	20	2,193,529	3,280,112
Derivative financial instruments	17	330,851	76,833
Liquid funds	24	1,454,450	2,043,718
Total current assets		**147,425,707**	**150,414,594**
Other non-current assets held for sale	25	**5,583,391**	**9,661,923**
TOTAL ASSETS		**409,783,261**	**413,401,527**

BALANCE SHEET LIABILITIES AND SHAREHOLDERS' EQUITY

(Euros)	Note	31.12.2007	31.12.2006
Shareholder's equity	26	**116,394,923**	**115,609,945**
Non-current liabilities			
Bank loans and other financial liabilities	24	69,785,389	80,288,317
Payables due to subsidiary companies	27	32,000,000	32,000,000
Derivative financial instruments	17	–	14,393
Other payables	28	547,082	599,185
Deferred tax liabilities	29	8,398,380	11,372,809
Employees' leaving entitlement	30	14,660,923	18,594,278
Non-current provisions for contingencies and charges	31	6,006,904	3,946,391
Total non current liabilities		**131,398,678**	**146,815,373**
Current liabilities			
Bank loans and other financial liabilities	24	50,986,233	57,163,581
Derivative financial instruments	17	–	351,077
Trade payables due to third party	32	87,043,079	78,404,779
Payables due to subsidiary companies	27	8,598,141	4,062,837
Payables due to associates payables	33	3,754,165	1,363,223
Other payables	28	11,008,730	9,630,712
Current taxation	34	599,312	–
Total current liabilities		**161,989,660**	**150,976,209**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**409,783,261**	**413,401,527**

CASH FLOW STATEMENT

(Euros)	**31.12.2007**	**31.12.2006**
Profit (loss) for the period before discontinued operations and before taxation	849	(8,404)
Depreciation and amortisation	20,698	24,462
Write-downs	–	–
(Gains) losses from investments	(9,465)	(2,125)
Financial (income) expense	10,726	10,761
Gains (losses) on the disposal of fixed assets	52	–
Change in trade receivables	(1,755)	9,075
Change in stocks	(4,211)	(4,405)
Change in trade receivables due to subsidiary companies	6,721	(1,654)
Change in trade receivables due to associates companies	(150)	157
Change in other receivables	1,171	(2,085)
Change in trade payables	8,638	15,346
Change in trade payables due to subsidiary companies	(722)	(40)
Change in trade payables due to associates companies	2,391	416
Change in other payables	1,325	(1,190)
Change in the employees' leaving entitlement	(4,719)	(1,340)
Change in other provisions	2,060	735
Gross cash flows	**33,609**	**39,709**
Interest paid in the period	(9,428)	(11,272)
Taxes paid in the period	(510)	(2,236)
Cash flows from operating activities	**23,671**	**26,201**
Sale (purchase) of financial assets held for sale	–	(126)
Investments	(17,017)	(9,709)
Divestments	164	15,619
Dividends received	2,448	2,125
a. Gains on disposal of discontinued operations	*–*	*–*
b. Result for the period of discontinued operations	*(2,344)*	*(5,492)*
c. Change in assets and liabilities of discontinued operations	*4,079*	*1,220*
d. Change in other receivables/other payables of disposals	*(649)*	*19,079*
Cash flows from discontinued operations (a+b+c+d)	1,086	14,807
Cash flows from investing activities	**(13,319)**	**22,716**
Repayment (draw-down) of intragroup receivables	1,038	29
Draw-down (repayment) of intragroup payable	5,257	(95,569)
Draw-down (repayment) of short-term bank borrowings and long-term loans	(17,237)	37,880
Dividends paid	–	–
Change in other financial liabilities	(954)	(32,421)
Change in Hedging reserve	954	–
Cash flows from financing activities	**(10,942)**	**(90,081)**
Change in restricted liquid funds	**–**	**–**
Change in unrestricted liquid funds	**(590)**	**(41,164)**
Unrestricted liquid funds at beginning of period	**2,044**	**43,208**
Unrestricted liquid funds at end of period	**1,454**	**2,044**
Liquid funds at end of period		
Unrestricted liquid funds	1,454	2,044
Restricted liquid funds	–	–
TOTAL LIQUID FUNDS AT END OF PERIOD	**1,454**	**2,044**

CHANGES IN SHAREHOLDERS' EQUITY

Statement of changes in consolidated shareholders' equity (Euros)	**Share capital**	**Share premium reserve**	**Legal reserve**	**Reserve for own shares**	**Extra-ordinary reserve**	**Reserve for the purchase of own shares**	**Reserve for the rounding of nominal value**	**IFRS Reserve**	**Retained earnings (losses) brought forward**	**Profit (loss) for the period**	**Fair Value reserve**	**Hedging reserve**	**Own shares**	**Total Share-holders' equity**
Shareholders' equity at 1 January 2005	**148,343**	**7,797**	**6,462**	**5,296**	**77**	**6,584**	**–**	**(3,426)**	**–**	**(16,921)**	**–**	**–**	**(5,374)**	**148,838**
Changes in accounting principle									**(1,406)**	**(686)**				**(2,092)**
Shareholders' equity at 1 January 2005 adjusted	**148,343**	**7,797**	**6,462**	**5,296**	**77**	**6,584**	**–**	**(3,426)**	**(1,406)**	**(17,607)**	**–**	**–**	**(5,374)**	**146,746**
Increase in share capital														–
Distribution of dividends														–
Change in accounting principle														–
Reclassifications (*)				(424)	424								502	502
Demerger	(16,183)						900	(1,273)						(16,556)
Value adjustments recognised directly in equity											(252)	(124)		(376)
Cover of 2005 losses (**)		(7,797)	(6,462)		(77)	(6,584)		17,749	(13,750)	16,921				–
Profit (loss) for the period										(15,337)				(15,337)
Change in accounting principle									(686)	1,317				
Shareholders' equity at 31 December 2006	**132,160**	**–**	**–**	**4,872**	**424**	**–**	**900**	**13,050**	**(13,750)**	**(15,337)**	**(252)**	**(124)**	**(4,872)**	**117,071**
Changes in accounting principle									**(2,092)**	**631**				**(1,461)**
Shareholders' equity at 31 December 2006 adjusted	**132,160**	**–**	**–**	**4,872**	**424**	**–**	**900**	**13,050**	**(15,842)**	**(14,706)**	**(252)**	**(124)**	**(4,872)**	**115,610**
Increase in share capital														–
Distribution of dividends														–
Change in accounting principle														–
Reclassifications														–
Demerger														–
Value adjustments recognised directly in equity											(6)	683		677
Cover of 2005 losses (***)					(424)		(900)	(13,050)	(963)	15,337				–
Change in accounting principle									631	(631)				
Profit (loss) for the period										108				108
Shareholders' equity at 31 December 2007	**132,160**	**–**	**–**	**4,872**	**–**	**–**	**–**	**–**	**(16,174)**	**108**	**(258)**	**559**	**(4,872)**	**116,395**

(*) The amount is due to Realty Vailog S.p.A. shares held following the demerger and to other reclassifications between equity reserves.
(**) On 3 May 2006, shareholders in general meeting resolved to cover the 2005 losses of the Parent Company stated in the financial statements prepared in accordance with Italian accounting principles. The changes contains the IFRS adjustments.
(***) On 8 May 2007, shareholders in general meeting resolved to cover the 2006 losses in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Basis of preparation

The separate financial statements of the Parent Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and adopted by the European Union. By IFRS is also intended all the revised international accounting standards (International Accounting Standards or IAS), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), and those of its predecessor, the Standing Interpretations Committee ("SIC").

The preparation of the parent company financial statements in accordance with IFRS requires the use of specific estimates and valuations, as well as management's reasonable judgement in applying accounting policies. Those matters requiring higher levels of complexity and a greater use of assumptions and estimates are discussed in the paragraph "Specific estimates and valuations".

The accounting principles used by RDM are the same as those used in the previous year, with the exception of the way in which actuarial gains and losses arising from the calculation of the employees' leaving entitlement are accounted for. From 1 January 2007 these gains and losses are recognised fully in the profit and loss account; until 31 December 2006 the corridor method was used.

RDM believes that the use of the changed method enables financial information to be of a more reliable and meaningful nature, as liabilities to employees for defined benefit plans are expressed at the present value of the future obligation without deferring a portion of actuarial gains and losses.

The following table provides a revised presentation of the comparative figures for this change in accounting principle:

	31.12.2005	Adjustment	01.01.2006 Adjusted
Retained earnings (losses) brought forward	–	(1,406)	(1,406)
Employees' leaving entitlement	17,008	2,092	19,100
Profit (loss) for the period	(16,921)	(686)	(17,607)

	31.12.2006	Adjustment	31.12.2006 Adjusted
Retained earnings (losses) brought forward	(13,750)	(2,092)	(15,842)
Employees' leaving entitlement	17,133	1,461	18,594
Profit (loss) for the period	(15,337)	631	(14,706)

The separate financial statements of the Parent Company consist of the balance sheet, the profit and loss account, the cash flow statement, the statement of changes in shareholders' equity and these notes. The balance sheet and the profit and loss account are stated in Euros, while the cash flow statement, the statement of changes in shareholders' equity and these notes are stated in thousands of Euros unless otherwise stated.

Financial Statements are presented as follows:

- the separate balance sheet is presented with separate sections for assets, liabilities and shareholders' equity. Assets and liabilities are then presented on the basis of their classification as current, non-surrent or held for sale;
- the separate profit and loss account is presented in a vertical format with expenses analysed using a classification based on their nature, as this provides reliable and more relevant information compared to a classification based on their function;
- the cash flow statement is presented using the indirect method;
- the statement of changes in shareholders' equity is presented by showing separately the profit or loss for the year and any gains and losses recognised directly in equity and not in profit or loss, in accordance with any specific IFRS requirements.

The financial statements have been audited pursuant to Legislative Decree no. 58 of 24 February 1998 and the Auditors' Report is attached to the financial statements.

Accounting principles and policies

Tangible fixed assets

Tangible fixed assets are stated at their original cost of purchase, production or contribution, including those direct accessory purchase costs required to bring an asset into a condition for use. Cost is reduced by accumulated depreciation and any write-downs in value.
Borrowing costs relating to investments in assets are fully recognised in the profit and loss account in the year in which they are incurred.
Ordinary maintenance and repair costs are charged to profit and loss in the year in which they are incurred; these costs are capitalised if they increase the value or economic life of the asset to which they relate.
Assets acquired under finance leases, which assign to the Company substantially all the risks and rewards of ownership, are recognised as tangible assets at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as financial debt.

Depreciation is charged on a straight-line basis over the estimated useful lives of assets, determined on the basis of the period during which the asset will be used by the Company. Land is not depreciated, even if acquired together with buildings.

The annual depreciation rates used are as follows:

Category		Rate %
Buildings	Factory buildings	3%
	Small constructions	5%
Plant and machinery	General plant and machinery	5% - 20%
	Specific plant and machinery	5% - 20%
Industrial and commercial equipment	Sundry equipment	20%
Other assets	Furniture and ordinary office machinery	12%
	Electronic office machinery	20%
	Internal vehicles	20%
	Motor vehicles	25%

The Company reviews, at least annually, if there is any indication that assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of the fair value less disposal costs and its value in use. In assessing its value in use, the estimated future cash flows generated from the use of the asset and its disposal at the end of its useful life are discounted to their present value. The discount rate used reflects the implicit risk of the specific sector in which the asset operates. An impairment loss is recognised when the recoverable amount is lower than the carrying amount. When an impairment loss subsequently reverses, the carrying value of an asset is increased and the adjustment is recognised in income up to the lower of its recoverable amount and its preceding carrying value.

Non-current assets held for sale

This item consists of non-current assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are not depreciated.

Other intangible assets

This item consists of identifiable assets without physical substance that are controlled by the Company and are capable of producing future economic benefits.
Other intangible assets are recognised and measured in accordance with IAS 36 *Intangible Assets* when the cost of the asset can be measured reliably.

Other intangible assets having finite useful lives are measured at cost and are amortised on a straight line basis over their useful lives, intended as the estimate of the period in which the asset will be used by the Company.
The annual amortisation rates used are as follows:

Category		Rate %
Concessions, licences, trade marks and similar rights	Software licences	20%
Other intangible assets	Non-competition agreement	20%
	Sundry deferred charges	8% - 20%

Investments in subsidiary companies, associates and joint ventures

Investments in subsidiary companies, associates and joint ventures are measured at cost and undergo periodic testing to determine the extent of any impairment losses.
This testing is carried out each time there is any indication that an investment may be impaired. Measurement of this is performed in the same way as that described for tangible fixed assets.

Any impairment loss is recognised in income for the period in which it is identified. When an impairment loss subsequently reverses, the carrying value of an investment is increased and the adjustment is recognised in income up to the lower of its recoverable amount and its original carrying value.

Derivative financial instruments

Derivative financial instruments consist of assets and liabilities measured at fair value.
In accordance with IAS 39, derivative financial instruments only qualify for hedge accounting if all of the following apply:
- at the inception of the hedge, there is formal designation and documentation of the hedging relationship;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:
- where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of the hedged item (a fair value hedge; an example is the hedging of the fair value of assets or liabilities yielding or bearing a fixed rate), the instrument is measured at fair value and any gain or loss on remeasurement is recognised in the profit and loss account. In a consistent manner, any gain or loss on

the hedged item attributable to the hedged risk adjusts the carrying value of the hedged item;
- where a derivative financial instrument is designated as a hedge of the exposure to variability in the cash flows of the hedged item (a cash flow hedge; an example is the variation in cash flows of assets or liabilities due to variations in exchange rates), the changes in fair value of the instrument are initially recognised in equity and are subsequently recognised in the profit and loss account in a manner consistent with the recognition in the profit and loss account of the effects of the hedged transaction.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in the profit and loss account.

Own shares

Own shares are measured at cost and are shown as a reduction in equity. Any gains or losses arising on the trading of treasury shares are recognised in a specific equity reserve.

Available-for-sale financial assets

Non-current financial fixed assets held for sale consist of investments in other companies and other non-current financial assets which are measured at fair value; changes in the measurement of fair value are recognised in equity. When there is objective evidence that a financial asset is impaired, the impairment loss is recognised in income despite the fact it has not been sold. When fair value cannot be reliably measured, investments are measured at cost as adjusted for any impairment losses.
Financial assets held for sale presented as current assets consist of securities with short-term maturities or marketable securities which represent a temporary investment of liquid funds.

Trade receivables from third parties, subsidiary companies and associates and other receivables

Trade receivables and other receivables are initially measured at the initial fair value of the amount to be received. Subsequent adjustments are made to account for any write-downs. Non-current trade receivables and other receivables are subsequently measured at amortised cost based on the asset’s original effective interest rate.

Stocks

Stocks are measured at the lower of purchase or production cost, including ancillary costs, determined on a weighted average basis, and estimated realisable value, determined from market trends.
In the case of raw materials, market value means replacement cost; for finished goods and semi-finished goods, market value means net realisable value, representing the amount that the Company would expect to obtain from the sale of these goods in its normal activities.

Liquid funds and cash equivalent

Liquid funds consist of available cash on hand and bank deposits, shares in liquid funds and other highly liquid investments which can be readily converted into cash and which are subject to an insignificant risk of changes in value.

Employee benefits

Post-employment benefits are provided on the basis of arrangements which depending on their features are classified as "defined contribution plans" or "defined benefit plans".
In defined contribution plans, such as that relating to the employees' leaving entitlement in Italy (the TFR), for amounts accruing after the introduction of the 2007 Finance Law the entity's obligation, which is limited to paying contributions to the State or to a legally separate fund or entity, is determined on the basis of the contributions due less any amounts already paid over.
Defined benefit schemes, such as the TFR accruing prior to the introduction of the 2007 Finance Law, are plans to provide post-employment benefits which constitute a future obligation and for which the Group is responsible for the actuarial risks and related investments. The Italian employees' leaving entitlement is recognised at the actuarial value of the Group's liability calculated on the basis of prevailing legislation, national collective bargaining agreements and supplementary local contracts. The actuarial calculation is based on demographic assumptions, financial assumptions and assumptions of employee turnover rates and is performed by independent actuaries. Any gains or losses arising from performing the actuarial calculations are recognised as income or expense in the profit and loss account.

The 2007 Finance Law and related implementation decrees introduced important changes from 1 January 2007 in the way in which the employees' leaving entitlement is regulated. Included amongst these is the right for an employee, which was to be exercised not later than 30 June 2007, to choose where his accruing TFR should be invested. More specifically, the employee could elect for the new TFR flows relating to his entitlement to be transferred to pre-selected pension funds or remain in the company (in the latter case the company is required to transfer the accruing TFR to a treasury account held with INPS, the State social security organisation).

As a consequence of these changes a new actuarial calculation has been performed by independent actuaries of the TFR accruing up to the date on which the employee made his election (accounted for as a defined benefit plan), which excludes the component relating to future salary increases. The difference between the old balance and the balance arising from the revised calculation is treated as resulting from a curtailment as defined in paragraph 109 of IAS 19, and is accordingly recognised in the 2007 profit and loss account.
The TFR accruing from the date on which the employee made his election, and in any case from 30 June 2007, is considered to arise from a defined contribution plan and its accounting treatment is therefore similar to that used for all other contribution payments.

Provisions for contingencies and charges

The Company records provisions when it has an obligation, legal or constructive, arising from a past event, for which it is probable that a cost will be incurred to satisfy that obligation and when a reliable estimate of the amount can be made. Provisions are measured at the best estimate of the amount that at the balance sheet date that the Company would rationally pay to settle the obligation or transfer it to a third party.
If the expected date of settlement exeeds one year from the balance sheet date the obligation is recognised at its present value, calculated by discounting expected cash flows at a rate which takes into account the cost of borrowing and the risk of the liability.

The amount provided for the agents’ termination liability is determined using actuarial techniques, measured by independent actuaries.
Changes in estimates are recognised in the profit and loss account of the period in which the change occurs.
The costs which the Company expects to incur to carry out restructuring programmes are recognised in the period in which it formally defines the programme and in which it has created a valid expectation in interested parties that the restructuring will take place.
Risks for which it is only possible that a liability wll arise are disclosed in the appropriate part of the section “Contingent liabilities and commitments and other quarantees given to third parties” and no amounts are provided.

Bank loans and other financial liabilities

This item consists of financial liabilities made up of bank loans, debenture loans and financial amounts due to others, including amounts due to lessors in respect of finance leases.
Financial payables are initially recognised at cost, represented by the fair value of the amount received less any costs incurred for acquiring the

loan. After initial recognition loans are measured at amortized cost using the effective interest rate method. Amorised cost is calculated by taking into consideration issue costs and any discount or premium expected an settlement.

Trade payables to third parties, subsidiary companies and associates and other payables

These liabilities are initially measured at the fair value of the amount to be paid. Subsequent measurement is at amortised cost using the effective interest method.

Revenues and costs

Revenues are recognised to the extent that it is probable that economic benefit associated with the sale of goods or rendering of services will flow to the Company and when the amount can be measured reliably. Revenues are recognised at the fair value of the consideration received or receivable, taking account of any commercial discounts or volume rebates granted. Revenues from the sale of goods are recognised when the related economic risks and benefits are transferred to the buyer.
Revenues from the rendering of services are recognised when the service is provided.

Taxation

Current income taxes are determined on the basis of an estimate of taxable income for the period. Income tax liabilities are recognised in “Current taxation” in the balance sheet, net of the corresponding amounts paid on account and withholding taxes. Current tax assets and liabilities are determined using tax rates and tax laws and regulations in force at the balance sheet date.
Deferred tax assets and liabilities reflect the effect of temporary differences between the accounting value and tax base of assets and liabilities.
The item “Deferred tax liabilities” represents liabilities to taxation arising from temporary differences which give rise to taxation in future periods in accordance with prevailing tax legislation.
The item “Deferred tax assets” represents taxation which, although relating to the accounting income or expense of future periods, refers for fiscal purposes to the current period, and are recognised when it is believed probable that sufficient taxable income will be generated in future periods for their recovery.
Income taxes are recognised in the profit and loss account, with the esception of those relating to items credited or charged to equity, whose tax effect is also recognised directly in equity.

Deferred tax assets relating to the carry forward of tax losses are recognised to the extent that it is probable that sufficient taxable income will be generated in future periods against which they can be utilised.

Discontinued operations

Discontinued operations consist of important autonomous lines of activity – in terms of business or geographical area or which form part of a single, co-ordinated disposal programme – that have either been disposed of or are held for sale, and subsidiary companies acquired exclusively for resale.

The results of discontinued operations, which are represented by the profits or losses of these operations and any gains or losses on disposal, are presented separately in the profit and loss account, net of any related tax effects, in a single line item. The profits or losses of these activities in prior years are similarly reclassified for comparative purposes.

Exchange differences

Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into Euros at the balance sheet date at the exchange rate at that date; exchange differences arising in this way are recognised in the profit and loss account in the item financial income and expense.

Dividends

Dividends are recognised at the date on which their distribution is approved by shareholders.

Use of estimates

The preparation of financial statements and related disclosures that conform to International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Estimates are used in accounting for bad debts provisions for accounts receivable, stock obsolescence, depreciation, asset impairment, employee benefits, restructuring provisions, taxation and other accruals and provisions and in measuring derivative financial instruments. Estimates and assumptions are reviewed regularly and the effects of any changes are reflected immediately in the profit and loss account.

Specific estimates and valuations

Estimates and valuations are made on the basis both of past experience and a reasonable expectation of the occurrence of future events. The Company makes and uses assumptions as to future events in the preparation of its consolidated financial statements. Estimates and valuations of an accounting nature obtained on the basis of assumptions about future events may differ from the results that actually occur or from the amounts actually recovered from assets. Estimates and valuations are mainly employed in the following situations.

Estimating the recoverable amount (impairment test)

The Company assesses at least annually whether there is any indication that tangible fixed assets and intangible assets may have suffered an impairment loss compared to their carrying amount in the balance sheet. If any such indication exists, the Company estimates the recoverable amount of the asset concerned. The recoverable amount of an asset is the higher of its current realisable value less costs to sell and its value in use. Value in use is determined as the present value of the future cash flows expected to be derived from the cash-generating unit to which the asset belongs through the use of the asset and its possible disposal at the end of its useful life.

The calculation of expected cash flows requires the use of estimates and valuations which may also be based on the expectations of future events relating to the cash-generating unit. Moreover, the present value of future cash flows is highly sensitive to the discount rates used, which reflect precise market figures and risk premiums which may undergo significant and unpredictable changes.

Fair value of derivative contracts and financial instruments

The fair value of financial instruments which are not quoted on a regulated active market is determined by employing various valuation techniques. In this respect, the Company uses those techniques which it believes are the most reasonable in connection with the specific financial instruments that have to be valued and adopts assumptions and makes estimates based on market conditions at the balance sheet date.

Taxation

The overall determination of the tax charge for the year requires the use of estimates and valuations, including those relating to any specific tax liabilities which may not be determinable at the date on which the related individual operation is carried out. In addition, in order to calculate deferred tax assets, the Company employs estimates and valuations which also take into account expectations of future events.

Discontinued operations

The item Discontinued operations also includes the economic result (in terms of net operating margin) of certain discontinued production units which are part of the Company. In order to determine the amounts of certain types of costs which relate to those discontinued units, the Company has used management data and assumptions resulting from the cost accounting system, which utilises specific methodologies of separating and allocating costs on the basis of variables depending on production and size.

Notes to the financial statements

1. Revenues from sales

Revenues from sales may be analysed as follows:

Revenues	31.12.2007	31.12.2006	Variation	%
Revenues for sales	311,133	285,439	25,694	9.0%
Revenues for services	679	264	415	157.2%
Total	**311,812**	**285,703**	**26,109**	**9.1%**

Revenues from sales arise essentially from sales of cartonboard, while services mostly relate to those provided to subsidiary companies.

The following table provides a geographical analysis of sales revenues :

Revenues by geographical areas	31.12.2007	31.12.2006	Variation	%
Italy	169,757	164,246	5,511	3.4%
UE	108,181	89,531	18,650	20.8%
Extra UE	33,874	31,926	1,948	6.1%
Total	**311,812**	**285,703**	**26,109**	**9.1%**

The increase in revenues from sales is due to an increase in the number of tonnes sold (by approximately 3% over 2006) and an increase in average sales prices.

2. Other revenues

Other revenues	31.12.2007	31.12.2006	Variation
Indemnities	260	317	(57)
Recharge of costs	162	178	(17)
Ordinary capital gains	45	153	(108)
Grants	630	623	7
Increase in fixed assets	134	182	(48)
Rental income	9	35	(26)
Other revenues	1,076	2,049	(973)
Total	**2,316**	**3,537**	**(1,222)**

Grants consist principally of ordinary grants received from Comieco that relate to the use of waste paper deriving from urban waste differentiation schemes, and the portion of capital grants relating to the year.

Other revenues consist mostly of prior year income, which itself principally comprises receipts from creditors’ arrangement procedures, VAT recoveries following the closure of insolvency proceedings and miscellaneous income.

3. Changes in stocks of finished goods

This item represents the increase in finished goods stocks over the year, which is due to an increase in the quantities produced compared to the previous year, due to the increase of product quantity compared to the previous year.

4. Cost of raw materials and services

Cost of raw materials and services	31.12.2007	31.12.2006	Variation
Cost of raw materials	**128,423**	**111,185**	**17,238**
Purchase of raw materials	129,229	113,577	15,652
Changes in stocks of raw materials	(806)	(2,392)	1,586
Services regarding sales	**34,875**	**32,314**	**2,561**
Transport	29,885	27,942	1,943
Commissions and agents' costs	4,990	4,372	618
Services regarding manufacturing	**71,902**	**68,923**	**2,979**
Energy	52,178	51,132	1,046
Maintenance	5,897	4,655	1,242
Waste disposal	5,103	4,611	492
Other manufacturing services	8,724	8,525	199
General services	**8,305**	**8,882**	**(577)**
Legal, notarial, administrative and external collaboration	2,231	2,218	13
Board of directors	642	1,020	(378)
Statutory auditors	148	126	22
Insurance	1,486	1,600	(114)
Postal and telephone	388	415	(27)
Other	3,410	3,503	(93)
Use of third party assets	**991**	**923**	**68**
Rental and leasing	991	923	68
Total	**244,496**	**222,227**	**22,269**

The cost of raw materials refers mainly to the purchase of waste paper, wood paste, cellulose, chemicals and technical purchases for the factories and packaging. The incidence is amounted to 40.7% compared to 38.2% in the previous year.

Service costs have increased considerably of 4% compared to those of the previous year (Euro 115.1 million in 2007 compared to Euro 110.1 million in 2006). These costs represent 36.9 % of revenues from sales (38.5% in 2006), a variation due to the following factors:

- increases commercial costs is due principally at transport costs, connected with the rise in volumes and an increase in prices caused by trends in the cost of energy, and increases in commissions as the result of a higher turnover;
- increases industrial services costs, due mainly to increase on energy costs for about Euro 1 million and maintanance costs for about Euro 1.2 million;

– a drop in costs for general services as the result of the steps taken to contain fixed costs.

5. Staff costs

Staff costs	31.12.2007	31.12.2006	Variation
Salaries and wages	32,819	31,798	1,021
Social security contributions	11,671	11,205	466
Employees' leaving entitlement	(86)	1,470	(1,556)
Other costs	15	30	(15)
Total	**44,419**	**44,503**	**(84)**

Staff costs are substantially in line with those of the previous year, due to the reorganisation programme and to contractual increases. As the result of the reform of the employees' leaving entitlement expenses of Euro 1.5 million, arising from the change in the way that actuarial gains and losses from the calculation of this obligation are accounted for and recognised in the profit and loss account (the curtailment effect).

The following table sets out the number of employees at the end of the year and the average number of employees during the year, analysed by category:

Employees by category	31.12.2007	31.12.2006	Variation
Executives and managers	15	16	(1)
White-collar	260	288	(28)
Blue-collar	708	749	(41)
Total	**983**	**1,053**	**(70)**

Average by employee category	31.12.2007	31.12.2006	Variation
Executives and managers	15	18	(3)
White-collar	285	289	(4)
Blue-collar	729	778	(49)
Total	**1,029**	**1,085**	**(56)**
Temporary lay-offs	**31**	**51**	**(20)**
Permanent manpower	**998**	**1,034**	**(36)**

6. Other operating costs

Other operating costs	31.12.2007	31.12.2006	Variation
Write-down of working capital receivables	157	–	157
Accruals to provisions	419	538	(119)
Other operating costs	2,533	2,203	330
Total	**3,109**	**2,741**	**368**

The trend of other operating costs show an increase in other operating costs. This item, consisting mainly of indirect taxes, duties and subscriptions to associations, has risen over that of the previous year mainly as the result of payments of water derivation fees for amounts not relating to 2007.

7. No reccurent income (expense)

No reccurent income(expense)	31.12.2007	31.12.2006	Variation
Long-term *mobilità*	(1,700)	–	(1,700)
Extraordinary indemnity	(1,000)	–	(1,000)
Total	**(2,700)**	**–**	**(2,700)**

Long-term *mobilità* lay-off scheme costs relate to the plan approved by the Ministry of Employment and Social Security on 2 May 2007. A total of 39 employees were involved in this procedure which was fully completed by the end of 2007.

The amount of Euro 1 million recognised as an extraordinary indemnity refers to the penalty contractually provided for on the termination of the steam supply agreement for the Magenta facility.

8. Depreciation and amortisation

The following table sets out the amortisation charge for intangible assets and the depreciation charge for tangible fixed assets:

Depreciation and amortisation	31.12.2007	31.12.2006	Variation
Amortisation of intangible assets	20,033	23,819	(3,786)
Depreciation of tangible fixed assets	666	643	23
Total	**20,699**	**24,462**	**(3,763)**

During the year the Company revised the useful lives of plant and machinery used in determining depreciation so as to reflect more accurately the expected lives of the assets employed in the production process. This was carried out through an analysis of the assets included in the "General plant" and "Specific plant" categories, with a separation of these assets being made on the basis of their estimated useful lives. Following this useful lives were adjusted to the period of time for which it is considered that the individual assets will be used in production.
The effect of this change in estimate led to a lower depreciation charge of Euro 2.5 million in 2007.
The additional decrease is due to the natural depreciaiton and amortisation process.

9. Financial income (expense), net

Financial income (expense)	31.12.2007	31.12.2006	Variation
Financial income	**223**	**723**	**(500)**
Interest from subsidiary companies	145	87	58
Other income	78	636	(558)
Financial expense	**(10,702)**	**(11,331)**	**629**
Interest due to subsidiary companies	(1,374)	(1,760)	386
Interest due to bank	(8,366)	(6,415)	(1,951)
Interest Rate Swaps (hedge accounting)	(1)	(295)	294
Interest trading derivatives	(59)	(2,647)	2,588
Fair value valuation trading derivatives	–	1,344	(1,344)
Interest on financing the employees' leaving entitlement	(786)	(833)	47
Expenses, commissions and other financial charges	(116)	(725)	609
Exchange differences	**(247)**	**(153)**	**(94)**
Realised foreign exchange gains (losses):			
Realised gains	606	389	217
Realised losses	(695)	(612)	(83)
Unrealised foreign exchange gains (losses):			
Unrealised gains	–	121	(121)
Unrealised losses	(158)	(51)	(107)
Total financial income (expense)	**(10,726)**	**(10,761)**	**35**

Net financial expense is in line with that of 2006. The increase in interest rates offset the improvement in the company's net financial position.
The item "Interest on financing the employees' leaving entitlement" arises from the financial component of the charge for the year (also called the interest cost) calculated in accordance with IAS 19.

10. Income (expense) from investments

Income (expense) from investments	31.12.2007	31.12.2006	Variation
Income from equity investments in subsidiary companies	**1,208**	**926**	**282**
Income from liquidation RDM International S.A.	–	463	(463)
Dividends from Emmaus Pack S.r.l.	308	463	(155)
Dividends from Cartiera Alto Milanese S.p.A.	900	–	900
Income from equity investments in associates	**1,240**	**1,171**	**69**
Dividends from Termica Boffalora S.r.l.	990	971	19
Dividends from Pac Service S.p.A.	250	200	50
Income from equity investments in other companies	**–**	**79**	**(79)**
Other income	–	79	(79)
Revaluation from investments in subsidiary companies	**7,044**	**–**	**7,044**
Revaluation of RDM Iberica S.L.	7,044		7,044
Write-down and losses from investments in subsidiary companies	**(27)**	**(32)**	**5**
Write-down Reno Logistica S.r.l.	(27)	(25)	(2)
Write-down Trentino Ricerche S.r.l.	–	(7)	7
Other depreciations	**–**	**(19)**	**19**
Other companies depreciations	–	(19)	19
Total	**9,465**	**2,125**	**7,340**

Income from investments consists of the dividends distributed and/or resolved by subsidiaries and associates.
The line “Write-ups of subsidiaries” relates to the partial reinstatement of the carrying amount of the investment in RDM Iberica S.L., which had been written down for Euro 7 million in previous years for a permanent loss in value. The write-up was made on the basis of an impairment test performed at the end of 2007, which showed that future cash flows will enable the loss to be partially recovered.

11. Taxation

Taxation	31.12.2007	31.12.2006	Variation
Current taxation	**(1,644)**	**(1,668)**	**24**
IRAP of the year	(2,007)	(1,883)	(124)
IRAP of prior year	–	(105)	105
Income from tax consolidation	363	320	43
Deferred taxation	**3,246**	**859**	**2,387**
IRES	3,740	938	2,802
IRAP	(494)	(79)	(415)
Total	**1,602**	**(809)**	**2,411**

Deferred tax is positive as the consequence of adjusting deferred tax balances for the new Ires and Irap tax rates introduced by Law no. 244 of 24 December 2007 (the 2008 Finance Law), and as the result of the transfer to the profit and loss account of deferred tax liabilities recognised in previous years and the recognition of deferred tax assets for unused tax losses.

Reconciliation between the theoretical and actual tax charge (IRES)

IRES	**31.12.2007**	
Profit (loss) before taxation	108	
Theoretical tax charge	33%	36
Temporary differences taxable in future years	–	
Differences deductible in future years	3,847	
Reversal of prior year temporary differences	(10,220)	
Permanent differences which will not reverse in future years	(3,090)	
Tax losses from prior years	–	
Total differences	**(9,463)**	
Taxable income (loss)	**(9,355)**	
Taxable income from companies included in the tax consolidation	1,030	
Current tax (loss)	**(8,325)**	
Current income tax - IRES	**33.0%**	**–**

Reconciliation between the theoretical and actual tax charge (IRAP)

IRAP	**31.12.2007**	
Difference between value and cost of production (excluding B9, B10 c), d) and B12))	49,809	
Financial statement reclassifications	(1,458)	
Costs for compulsory insurance and “cuneo fiscale” benefit	(11,859)	
Total	**36,492**	
Theoretical tax charge	4.25%	1,551
Temporary differences taxable in future years	–	
Differences deductible in future years	(690)	
Reversal of prior year temporary differences	716	
Permanent differences which will not reverse in future years	6,028	
Total differences	**6,054**	
Taxable income	**42,546**	
Current tax - IRAP	**4.59%**	**1,954**
Reclassifications:		
Discontinued operations		53
Current taxation after reclassifications		**2,007**

12. Discontinued operations

There was a loss of Euro 2.3 million million from discontinued operations in 2007, compared to Euro 5.5 million in the previous year.

Discontinued operations	31.12.2007	31.12.2006
Aticarta S.p.A.	(1,744)	(709)
MC1 Magenta	(600)	(2,567)
Demerged operations, demerger and listing expenses for Realty Vailog S.p.A.	–	(1,976)
Europoligrafico S.p.A.	–	(240)
Total	**(2,344)**	**(5,492)**

Costs arising from discontinued operations in 2007 consist mainly of expenses for the occupancy of the Pompeii (formally Aticarta) factory and those connected with discussions with the purchaser during completion. The costs relating to the Magenta MC1 relate to the adjustment made to the carrying amount of the board machine to bring it to its estimated realisable value.

Details of "Discontinued operations" relating to the Magenta MC1 are set out as follows:

Discontinued operations	31.12.2007	31.12.2006
Profit and loss account - MC1 Magenta		
Revenues	–	931
Costs	–	(2,300)
Operating profit (EBIT)	**–**	**(1,369)**
Write-down "Assets held for sale"	(600)	(1,220)
Profit (loss) before taxation	**(600)**	**(2,589)**
Taxation	–	22
Profit (loss) for the period	**(600)**	**(2,567)**
GAIN ON DISPOSAL	**n.a.**	**n.a.**
COSTS CONNECTED WITH THE DISPOSAL	**n.a.**	**n.a.**
Total	**(600)**	**(2,567)**

13. Tangible fixed assets

Tangible fixed assets	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction	Total
Cost	22,256	72,237	412,666	1,946	9,431	5,638	524,174
Accumulated depreciation/ write-downs		(29,376)	(305,476)	(1,789)	(9,033)	–	(345,674)
Net book value at 31.12.2006	**22,256**	**42,861**	**107,190**	**157**	**398**	**5,638**	**178,500**
Increases	–	943	9,338	16	37	4,199	14,533
Decreases	–		(2,188)		(111)		(2,299)
Reclassification of cost	–	57	5,540		11	(5,608)	–
Recovery of value and write down	–						–
Depreciation for the year	–	(2,242)	(17,589)	(59)	(142)		(20,032)
Other changes (cost)	–						–
Other changes (acc. dep.)	–						–
Utilisation of accumulated depreciation	–		1,976		107		2,083
Reclassification of accumulated depreciation	–						–
Cost	22,256	73,237	425,356	1,962	9,368	4,229	536,408
Accumulated depreciation/ write-down	–	(31,618)	(321,089)	(1,848)	(9,068)	–	(363,623)
Net book value at 31.12.2007	**22,256**	**41,619**	**104,267**	**114**	**300**	**4,229**	**172,785**

“Land” regards the manufacturing facilities of the Parent Company located at Magenta (MI), Santa Giustina (BL), Ovaro (UD), Villa Santa Lucia (FR), Marzabotto (BO) and the Turin warehouse.

“Buildings” consist for the most part of those housing the manufacturing facilities. The increases for the year are relate mainly to the costs to be incurred for covering the new landfill lot at Santa Giustina recognised in long-term risk provisions.

“Plant and machinery” refers to specific and general manufacturing plant and machinery. The increases, partially yet included in assets in course of construction, mainly arise from the extraordinary steps taken to improve efficiency. More specifically work of this nature costing Euro 6.2 million was carried at the Santa Giustina factory, concentrating mainly on the press area, with a shoe-press being installed, and aiming at strengthening the paste cleaning systems; investments of Euro 4.6 million were made at the Villa Santa Lucia factory, relating mostly to the installation of a cutter and steps taken to reduce the consumption of water and to strengthen the waste water purification plant; investments of Euro 2.4 million made at the Magenta factory relate principally to the strengthening of the coatings drying area and action taken in the drying area; investments of

Euro 0.9 million made at the Ovaro factory relate mainly to the turbine; while investments of Euro 0.5 million made at the Marzabotto factory were of various types.

The lines "reclassification of cost" and "reclassification of depreciation" relate mostly to assets in the course of construction at the closure of previous exercise.

The decreases for the year relate to the replacement of assets on reaching the end of their useful lives.

"Industrial and commercial equipment" is mainly made up of assets used in the manufacturing process throughout the various facilities.

"Other assets" is for the most part composed of electronic office machines, office furniture, fixtures and fittings and motor cars. Increases essentially relate to the purchase of information systems equipment. The decreases regard the disposal of company cars. No significant profit or loss emerged from these sales.

Increases in the assets in course of construction relate mainly to the investments in general and specific plant at the Villa S.Lucia facility.

There are third party charges (mortgages and privileges) amounting to a total of Euro 437 million on owned property and plant and machinery given in favour of banks as security on loans, whose outstanding balance at 31 December 2007 amounts to Euro 79.8 million.

14. Other intangible assets

Other intangible assets	Concessions, licences, trade marks and similar rights	Other	Assets in course of construction	Total
Net book value at 31.12.2006	**234**	**973**	**–**	**1,207**
Increases	61	12	146	219
Decreases				–
Reclassification of cost				–
Recovery of value and write-downs				–
Amortisation for the year	(78)	(587)		(665)
Utilisation of accumulated amortisation				
Reclassification of amortisation				–
Net book value at 31.12.2007	**217**	**398**	**146**	**761**

"Concessions, licences and trade marks" relate to costs incurred for the purchase of software licences. The increase for the year mainly relates to the costs incurred for the purchase of software.

"Other intangible assets" are made up principally of the residual balance of Euro 0.4 million arising from the non-competition agreement stipulated in 2003 with Dr. Giovanni Dell'Aria Burani. This item has an estimated residual life of one year.

Assets under formation relate to projects started up as part of the strengthening of the company's operational systems.

There have been no revaluations or write-downs of intangible assets during the year.

15. Investments in subsidiary companies

The following table shows the investments held in subsidiary companies, stated net of the provision for equity investments:

Investment	Cost 31.12.2006	Provision against cost 31.12.2006	Net book value 31.12.2006	Increases (Decreases) of investment	Increases (Decreases) of provision	Cost 31.12.2007	Provision against cost 31.12.2007	Net book value 31.12.2007
Reno De Medici Iberica S.L.	138,284	(76,752)	61,532		7,044	138,284	(69,708)	68,576
RenoDeMedici Deutschland GmbH	150	–	150			150	–	150
RDM France S.a.r.l.	66	–	66			66	–	66
Emmaus Pack S.r.l.	108	–	108			108	–	108
Cartiera Alto Milanese S.p.A.	2,864	(366)	2,498			2,864	(366)	2,498
Reno Logistica S.r.l. in liquidazione	150	(150)	–	343	(328)	493	(478)	15
Reno Cascades Sales S.r.l.	–	–	–	10		10	–	10
Financial assets in progress	–	–	–	2,240		2,240	–	2,240
Total	**141,622**	**(77,268)**	**64,354**	**2,593**	**6,716**	**144,215**	**(70,552)**	**73,663**

Increases during the year relate mainly to financial assets in progress and refer to ancillary costs incurred up to the balance sheet date in carrying out the combination with the Cascades Group.
These costs will transferred and added to the carrying amount of equity investments in 2008.

On 27 November 2007, RDM has costitute the newco Reno Cascades Sales S.r.l., with the object of selling, promotion, distribution and marketing in Italy and in foreign countries of cartonboard products. The decrease in the provision for losses on investments relating to the subsidiary Reno De Medici S.L. regards the partial reinstatement of the carrying amount of that investment as discussed in note 10.

The following table sets out details of the Company's percentage shareholding in subsidiary companies, the share or quota capital of the subsidiary, the subsidiary's equity and its result for the year at 31 December 2007. This data are presented in accordance with national accounting principles, except for RDM Iberica whose data are provided on the basis of IFRS:

Company name	Registered office	Shareholding	Share Capital at 31.12.2007	Shareholders' equity at 31.12.2007	Result for 2007
Reno De Medici Iberica S.L.	Prat de Llobregatt (E)	100%	39,061	67,431	6,581
Cartiera Alto Milanese S.p.A.	Milano (I)	100%	200	1,535	410
RenoDeMedici Deutschland GmbH	Bad Homburg (D)	100%	473	490	3
RDM France S.a.r.l.	Tremblay en France (F)	100%	96	752	135
Emmaus Pack S.r.l.	Milano (I)	51.39%	200	1,099	543
Reno Logistica S.r.l. in liquidation	Milano (I)	100%	25	14	(27)
Reno Cascades Sales S.r.l.	Milano (I)	100%	10	n.a.	n.a.

16. Investments in associates

Investments in associates, for which there have been no changes during the year, are set out in the following table:

Company name	Registered office	Shareholding	Cost at 31.12.2007
Termica Boffallora S.r.l.	Milano - Italia	30%	7,356
Pac Service S.p.A.	Vigonza (PD) - Italia	33.33%	387
Total			**7,743**

A brief summary of the key figures of the balance sheets and profit and loss accounts of associates, prepared in accordance with Italian accounting principles, is set out below (the data regarding Termica Boffalora S.r.l. are extracted from financial statements approved by the company's quotaholders in general meeting; those regarding PAC Service S.p.A. have been approved by the company's Board of Directors):

	Termica Boffalora S.r.l.	Pac Service S.p.A.
Total Assets	28,363	11,055
Shareholder's equity	21,129	4,338
Other Liabilities	7,234	6,717
Revenues from sales	54,414	18,155
Profit (loss) for the year	4,849	720

17. Derivative financial instruments

Derivative financial instruments	31.12.2007	31.12.2006	Variation
Non-current assets	**418**	**83**	**335**
Derivative financial instruments (Hedge accounting)	418	83	335
Current assets	**331**	**77**	**254**
Derivative financial instruments (Hedge accounting)	331	77	254
Non-current liabilities	**–**	**14**	**(14)**
Derivative financial instruments (Hedge accounting)	–	14	(14)
Current liabilities	**–**	**351**	**(351)**
Derivative financial instruments (Hedge accounting)	–	351	(351)

There was a favourable fair value of Euro 749 thousand at 31 December 2007 of the derivatives represented by interest rates swaps.

The following table sets out the main features of the Company's derivative financial instruments at 31 December 2007:

Company	Counterparty	Currency	Maturity	Nominal value (Euro/000)	Interest	Payment of interest	Fair value of the derivative (Euro/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Euro	06.04.2016	25,500	4.11% fixed Euribor 6m	Six monthly	417
Reno De Medici S.p.A.	Unicredit Banca d'Impresa S.p.A.	Euro	06.04.2016	12,750	4.11% fixed Euribor 6m	Six monthly	208
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Euro	15.05.2016	5,270	4.15% fixed Euribor 6m	Six monthly	67
Reno De Medici S.p.A.	Banca Popolare di Milano S.p.A.	Euro	30.06.2008	10,000	3.57% fixed Euribor 3m	Three monthly	57
				53,520			**749**

There is also a further outstanding IRS agreement with Banca Intesa San Paolo S.p.A. for an amount of Euro 10 million, expiring on 30 June 2008. Despite having been arranged for hedging purposes, this agreement did not formally qualify for hedge accounting under IFRS at 31 December 2007and its fair value of Euro 40 thousand net of the tax effect has therefore been recognised in the profit and loss account.

18. Available-for-sale financial assets

This item consists of investments in other companies and other miscellaneous financial assets, classified as non-current and measured at fair value with changes in fair value recognised directly in equity, or, if it is determinable, at cost less impairment losses value.

Investment	Registered office	Shareholding	Carrying value at 31.12.2006	Increases	Decreases	Carrying value at 31.12.2007
Cartonnerie Tunisienne S.A.	Les Berges Du Lac (Tunisi)	5.274%	121			121
Comieco	Milano - Italy	Consortium share	44	6		50
Conai	Milano - Italy	Consortium share	23			23
Gas Intensive S.c.r.l.	Milano - Italy	Consortium share	1			1
C.I.A.C. S.c.r.l.	Valpenga (TO) - Italy	Consortium share	1			1
Idroenergia S.c.r.l.	Aosta - Italy	Consortium share	1			1
Energymont S.p.A.	Tolmezzo - Italy	2.020%	2			2
Consorzio Filiera Carta	Isola del Liri (Fr) - Italia	Consortium share	–	2		2
Realty Vailog S.p.A.	Milano - Italy	0.327%	250		(6)	244
Total			**443**	**8**	**(6)**	**445**

19. Trade receivables from third parties

The following table presents an analysis of trade receivables between current and non-current balances, whose total amounted to Euro 69.4 million

Trade receivables	31.12.2007	31.12.2006	Variation
Trade receivables with customers	–	76	(76)
Non-current trade receivables	**–**	**76**	**(76)**
Trade receivables with customers	69,353	67,522	1,831
Current trade receivables	69,353	67,522	1,831
Total	**69,353**	**67,598**	**1,755**

The current portion of trade receivables from third parties is stated net of a provision for bad and doubtful debts of Euro 2.2 million. The following table sets out the changes for the year in that provision:

Provision for bad and doubtful debts	31.12.2006	Charge	Utilisation	31.12.2007
Provision for bad and doubtful debts	2,310	157	(272)	2,195
Total	**2,310**	**157**	**(272)**	**2,195**

The following table provides an analysis of trade receivables from third parties by geographical area:

Geographical area	Current assets	Non current assets
Italy	49,312	–
Europe	12,201	–
Rest of the World	7,840	–
Total	**69,353**	**–**

20. Other receivables

Other non-current receivables	31.12.2007	31.12.2006	Variation
Tax credits	762	725	37
Guarantee deposits	84	80	4
Miscellaneous receivables	114	113	1
Total	**960**	**918**	**42**

Tax credits relate mainly to applications for IRPEG refunds relating to prior years.

Other current receivables	31.12.2007	31.12.2006	Variation
Tax credits	1,300	890	410
Miscellaneous receivables	732	1,095	(363)
Prepayments	162	1,295	(1,133)
Total	**2,194**	**3,280**	**(1,086)**

Tax credits consist almost exclusively of VAT.

Other receivables comprise mostly receivables from social security organisations connected with the *cassa integrazione* lay-off scheme (Euro 0.3 million) and receivables for insurance compensation (Euro 0.1 million).

Prepayments mainly regard various maintenance costs, insurance and rent, all relating to services to be provided in 2008: the decrease over the balance at 31 December 2006 is the result of rent being paid in 2006 for the Pompeii (ex Aticarta) factory which related to the first half of 2007.

21. Stocks

The following table provides an analysis of stocks at 31 December 2007:

Stocks	31.12.2007	31.12.2006	Variation
Raw materials and consumables	20,947	20,141	806
Provision for obsolesence	(322)	(322)	–
Finished goods and goods for resale	37,430	34,025	3,405
Total	**58,055**	**53,844**	**4,211**

22. Receivable from subsidiary companies

Amounts receivable from subsidiary companies of Euro 15.1 million refer to the Italian subsidiaries and the Spanish subsidiary:

Receivable from subsidiary companies	31.12.2007	31.12.2006	Variation
Emmaus Pack S.r.l.	7,565	7,614	(49)
Reno De Medici Iberica S.L.	2,232	8,390	(6,158)
Cartiera Alto Milanese S.p.A.	5,291	6,710	(1,419)
Reno Logistica S.r.l. in liquidation	–	128	(128)
RDM France S.a.r.l.	–	5	(5)
Total	**15,088**	**22,847**	**(7,759)**

These balances arise principally from trading relations between Group companies which are carried out at arm's length rates.

23. Receivable from associates

Amounts receivable from associates amount to Euro 951 thousand (Euro 801 thousand at 31 December 2006) and consist of balances of a trading nature due from Pac Service S.p.A. for Euro 929 thousand and Termica Boffalora S.r.l for Euro 22 thousand.

24. Net financial position

Net financial position	31.12.2007	31.12.2006	Variation
Cash	8	8	–
Funds available at banks	1,446	2,036	(590)
A. Cash and cash equivalents	**1,454**	**2,044**	**(590)**
Other current financial receivables	153	153	–
Financial receivables from subsidiary companies	2,990	4,028	(1,038)
Derivatives - current financial assets	331	77	254
B. Current financial receivables	**3,474**	**4,258**	**(784)**
1. Bank overdraft and short term loans	*40,902*	*47,035*	*(6,133)*
2. Current portion of medium and long term loans	*10,084*	*10,129*	*(45)*
Bank loans and other financial liabilities (1 + 2)	50,986	57,164	(6,178)
Financial payables due to subsidiary companies	7,845	2,088	5,757
Other current financial liabilities (*)	739	–	739
Derivatives - current financial liabilities	–	351	(351)
C. Current financial debt	**59,570**	**59,603**	**(33)**
D. Current financial debt, net (C - A - B)	**54,642**	**53,301**	**1,341**
Other non current financial receivables	–	–	–
Derivatives - non current financial assets	418	83	335
E. Non-current financial receivables	**418**	**83**	**335**
Bank loans and other financial liabilities	69,785	80,289	(10,504)
Financial payables due to subsidiary companies	32,000	32,000	–
Derivatives - non-current financial liabilities	–	14	(14)
F. Non-current financial payables	**101,785**	**112,303**	**(10,518)**
G. Non-current financial debt (F - E)	**101,367**	**112,220**	**(10,853)**
H. Financial debt, net (D + G)	**156,009**	**165,521**	**(9,512)**

(*) Included in the item “Other Liabilities”.

The Parent Company had net financial debt at 31 December 2007 of Euro 156 million, compared to Euro 165.5 million at 31 December 2006.

The current part of “Financial receivables from subsidiary companies” consist of balances of Euro 3.0 million from Emmaus Pack S.r.l..

“Bank overdrafts and short-term loans” of Euro 40.9 million consist of commercial facilities made up mainly of advances on trade receivables.

“Financial payables to subsidiaries” comprise balances of a financial nature deposited with the Parent Company as part of the centralised management of the Group’s funds. In detail these consist of balances of Euro 0.6 million with Cartiera Alto Milanese S.p.A., Euro 0.5 million with RDM Deutschland GmbH, Euro 0.5 million with RDM France S.a.r.l., and short-term loans of Euro 6.3 million granted to the subsidiary RDM Iberica S.L..

The non-current portion of "Bank loans and other financial liabilities" consists of long-term interest-bearing debt of Euro 69.8 million measured at amortised cost.

The following table provides an analysis of the nominal value of long-term debt at 31 December 2007 by due date:

Loans	**due within one year**	**due after more than one year**	**due after more than five years**	**total**
M.I.C.A. - due 13 February 2016	123	539	625	1,287
M.I.C.A. - due 16 October 2013	139	587	154	880
M.I.C.A. - due 28 May 2008	54	–	–	54
Intesa San Paolo - due 15 June 2011	2,024	5,531	–	7,555
Intesa San Paolo - due 15 December 2011	2,951	9,709	–	12,660
Intesa San Paolo - due 6 April 2016	–	3,276	1,358	4,634
Intesa San Paolo fin.pool - tranche A - due 6 April 2016	4,667	18,667	16,333	39,667
Intesa San Paolo fin.pool - tranche B - due 6 April 2011	–	10,000	–	10,000
Banca Pop.Emilia Romagna - due 15 May 2016	620	2,480	2,170	5,270
Total payables at nominal value	**10,578**	**50,789**	**20,640**	**82,007**
Effett of amortized cost	**(494)**	**(1,325)**	**(319)**	**(2,138)**
Total payables valued with amortized cost	**10,084**	**49,464**	**20,321**	**79,869**

RDM is bound by certain restrictions and commitments with tolerance levels for the pool funding that are normal for syndicated loans of this nature; amongst these are limitations on obtaining additional debt, on distributing dividends, on granting guarantees (a negative pledge), on the disposal of core activities, on making investments and on carrying out financial transactions of an extraordinary nature.

In particular, this loan requires certain financial covenants to be respected that are based on the following ratios:

- Net financial position/Equity
- Net financial position/Gross operating profit
- Gross operating profit /Net financial expense

These ratios must be calculated every six months on the basis of the figures stated in the Group's year end and half year consolidated financial statements, starting from 31 December 2006.
The half year calculations of Gross operating profit and net financial expense are based on the twelve month period ending on the last day of the half year concerned.
The eventual failure to respect the loan agreement covenants can be grounds for the lending banks to terminate the arrangement.

In terms of guarantees, the agreement requires RDM to provide first mortgages on the Ovaro and Marzabotto factories and second mortgages on those at Magenta, Santa Giustina and Villa Santa Lucia, for an overall total of Euro 120 million.

In addition, first special liens have been given as security on the plant and machinery at Ovaro and Marzabotto and second special liens on the plant and machinery at Magenta, Santa Giustina and Villa Santa Lucia, for an overall total of Euro 120 million.

Further, an agreement was signed with Banca Popolare dell'Emilia Romagna on 13 April 2006 for a floating rate loan of Euro 6.2 million repayable in six-monthly instalments ending on 15 May 2016. This loan is secured by mortgages on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia factories for an overall total of Euro 22.3 million.

An agreement was signed with SanPaolo IMI on 21 December 2006 for a loan of Euro 14.7 million, of which Euro 4.6 million was disbursed. This loan is governed by the same covenants as the pool loan and is secured by mortgages on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia factories for an overall total of Euro 29.4 million.
In addition, special liens have been given as security on the plant and machinery at the same facilities for an overall total of Euro 29.4 million.

As a means of reducing the variability of financial expense on debt, interest rate swap agreements have been arranged to hedge outstanding loans, which at 31 December 2007 had a notional amount of Euro 43.5 million.

Note 17 contains further details of the derivative financial instruments held at 31 December 2007.

25. Non-current assets held for sale

Assets held for sale	**31.12.2007**	**31.12.2006**	**Variation**
MC1 Magenta - Plant	5,200	5,800	(600)
Pompei - Plants and stocks	383	3,862	(3,479)
Total	**5,583**	**9,662**	**(4,079)**

"Non-current assets for sale" total Euro 5.6 million at 31 December 2007 (Euro 9.7 million at 31 December 2006). The decrease in this item is connected with the sale of the Pompeii plant and the adjustment of the carrying amount of the Magenta MC1 to its estimated net realisable value.

26. Shareholders' equity

Changes in shareholders' equity for the year are set out in the following table:

Description	Shareholders' equity at 31.12.2006	Change in the year					Shareholders' equity at 31.12.2007
		Loss cover 2006	Reclassification	Fair value assets available for sale	Hedge accounting	Profit (loss) for the year	
Share capital	132,160						132,160
Share premium reserve	–						–
Legal reserve	–						–
Reserve for own shares	4,872						4,872
Other reserves:	–						
– Reserve for the purchase of own shares	–						–
– Extraordinary reserve	424	(424)					–
– Reserve for the rounding of nominal value	900	(900)					–
– Other reserves	–						–
IFRS Reserve 01.01.2005	(4,699)						
IFRS Result 31.12.2005	17,749						
IFRS Reserve	13,050	(13,050)					–
Hedging reserve	(124)				683		559
Fair value reserve	(252)			(6)			(258)
Profit (loss) brought forward	(15,842)	(963)	631				(16,174)
Profit (loss) for the period	(14,706)	15,337	(631)			108	108
Own shares	(4,872)						(4,872)
Total	**115,610**	**–**	**–**	**(6)**	**683**	**108**	**116,395**

On 8 May 2007, shareholders in general meeting resolved to cover the 2006 losses of the Parent Company stated in the financial statements prepared in accordance with Italian accounting principles and amounting to Euro 15,337 thousand, by using "IFRS Reserve" for Euro 13,050 thousand, by using "Reserve to round nominal value" of Euro 900 thousand, by using "Extraordinary reserve" for Euro 424 thousand, carrying forward the remaining loss of Euro 963 thousand.

Own shares consist of. 7,513,443 ordinary shares, equal to 2,79% of share capital.

In addition, in accordance with article 5 of the Company's bylaws, the bearers of savings shares may convert their shares into ordinary shares during February and September of each year. A total of 45,319 savings shares were converted into ordinary shares during 2007. As a consequence of this, share capital at 31 December 2007, fully subscribed and paid, is made up as follows:

	Quantity	**Par value** (Euro)	**Total** (Euro)
Ordinary shares	269,247,689	0.49	131,931,367.61
Savings shares	466,748	0.49	228,706.52
Total	**269,714,437**		**132,160,074.13**

The Company's bylaws also provide that if during any one fiscal year a dividend per share is distributed to savings shareholders which is less than 5% of the nominal value of the savings shares (being Euro 0.49), then the difference is transferred as an increase in the privileged dividend of the following two years. In this respect it is recalled that no dividends were distributed in 2006 and 2007.

The following table provides an analysis of the individual items of shareholders' equity on the basis of the use to which each item may be put, its origin and its utilisation in prior years, as required by article 2427, no. 7-*bis* of the Italian civil code:

Description	**Balance at 31.12.2007**	**Utilisation possibilities (*)**	**Available portion**	**Summary of utilisation in the years 2007-2006-2005**	
				For loss cover	**For other purposes**
Share capital	132,160				16,183
Share premium reserve				8,883	
Legal reserve					
Reserve for own shares	4,872				
Other reserves:					
– Reserve for the purchase of own shares				6,584	
– Extraordinary reserve				15,864	
– Reserve from contribution of assets					
– Merger surplus reserve and share exchange reserve					
– Reserve as per article 67 of the consolidated tax law					
– Dividend fluctuation reserve					
Reserve for the rounding of nominal value				900	
Hedging reserve	559				
Fair value reserve	(258)				
IFRS Reserve				13,050	1,274
Own shares	(4,872)				502
Profit (loss) brought forward	(16,174)				
Profit (loss) for the period	108				
Total	**116,395**		–		
Non-distributable portion		–			
Distributable portion remaining		–	–		

(*)
A) For increases in share capital;
B) To cover losses;
C) For distribution to shareholders;

27. Payable to subsidiary companies

The following table provides a detail of the amounts payable to subsidiary companies classified as current liabilities:

Payable to subsidiary companies - current	31.12.2007	31.12.2006	Variation
Reno De Medici Iberica S.L.	6,560	1,413	5,147
RDM France S.a.r.l.	724	645	79
Cartiera Alto Milanese S.p.A.	609	1,204	(595)
RenoDeMedici Deutschland Gmbh	476	466	10
Reno Logistica S.r.l. in liquidation	185	–	185
Emmaus Pack S.r.l.	44	335	(291)
Total	**8,598**	**4,063**	**4,535**

The increase in the amount due to the subsidiary RDM Iberica S.L. is connected with the disbursement of a short-term loan. This loan was fully repaid in January 2008.

The non-current portion of payables to subsidiary companies relates to a loan of Euro 32 million disbursed by RDM Iberica S.L. and repayable in a lump sum on 27 April 2016.

28. Other payables

Non-current other payables total Euro 0.5 million and consist of the portion of deferred income on the Law no. 488 capital grant relating to the Villa Santa Lucia facility that refers to the period beyond twelve months. Payables due after more than five years are Euro 0.3 million.

The following table provides a detail of other current payables:

Other payables - current	31.12.2007	31.12.2006	Variation
Personnel	3,862	2,902	960
Payable to social security authorities	3,381	2,797	584
Payable to tax authorities	1,521	1,747	(226)
Accrued interest payable on loan	739	757	(18)
Company bodies	492	228	264
Deferred income	86	52	34
Miscellaneous payables	927	1,147	(220)
Total	**11,009**	**9,631**	**1,378**

“Payable to personnel” consist mainly of amounts due for deferred remuneration. The increase in this balance over that at 31 December 2006 is mostly due to the employees’ leaving entitlement (TFR) payable to employees involved in the long-term *mobilità* lay-off scheme (Euro 1.1 million).

“Payable to social security authorities” relates for the most part to amounts due to social security authorities for social security contributions payable on current wages and salaries paid to employees in December, which were paid over in January 2008, and to accruals for social security contributions due on deferred remuneration (employee leave, additional months' salaries and overtime). The increase over the year is mostly due to the amount payable for the portion of the employees' leaving entitlement to be paid over in the form of supplementary pensions at 31 December 2007, as established by the 2007 Finance Law.

"Payable to tax authorities" consists of withholding taxes on wages and salaries paid to employees in December, VAT payables and miscellaneous tax payables.

"Deferred income" relates to the portion of the Law no. 488 capital grant referring to the next fiscal year.

29. Deferred tax liabilities

Deferred taxation	31.12.2007	31.12.2006	Variation
Non current liabilities			
Deferred taxation	8,398	11,373	(2,975)

The following table provides a summary of the determination of deferred tax assets and deferred tax liabilities from temporary differences at 31 December 2007:

Deferred taxation	31.12.2007			31.12.2006		
	Temporary differences	Average tax rate %	Tax effect	Temporary differences	Average tax rate %	Tax effect
Recognised deferred tax assets	**14,893**		**2,469**	**16,838**		**4,025**
Write-down of investments (2007)	–	27.50%	–	7,966	33.00%	2,629
Tax losses to carry forward	7,346	27.50%	2,020	2,479	33.00%	818
Write-downs for permanent losses in value	1,820	3.90%	71	1,220	4.25%	52
Stock provision	322	3.90%	13	322	4.25%	14
Provision for future charges (IRAP)	4,470	3.90%	174	2,940	4.25%	125
Other temporary differences IRAP	280	3.90%	11	959	4.25%	41
Other temporary differences IRES	655	27.50%	180	–	4.25%	–
Write-downs of intangible assets IFRS	–	31.40%	–	767	37.25%	286
Valuation of derivatives with hedge accounting	–	27.50%	–	185	33.00%	61
Recognised deferred tax liabilities	**35,145**		**10,867**	**41,725**		**15,398**
Book depreciation exceeding tax depreciation	31,274	31.40%	9,819	39,058	37.25%	14,549
Other temporary differences IRAP	72	3.90%	3	110	4.25%	5
Other temporary differences IRES	93	27.50%	26	231	33.00%	76
Remeasurement TFR IFRS	2,957	27.50%	813	2,326	33.00%	768
Valuation of derivatives with hedge accounting	749	27.50%	206	–	33.00%	–
Recognised deferred tax (assets) liabilities, net			**8,398**			**11,373**
Imposte anticipate non contabilizzate	**114,574**		**31,508**	**128,230**		**42,316**
Write-downs for permanent losses in value	1,820	27.50%	501	1,220	33.00%	403
Stock provision	322	27.50%	89	322	33.00%	106
Bad and doubtful debts	1,518	27.50%	417	1,582	33.00%	522
Provision for future charges (IRES)	5,190	27.50%	1,427	3,805	33.00%	1,256
Differences deductible in future years	161	27.50%	44	1,792	33.00%	591
Tax losses to carry forward	97,238	27.50%	26,740	94,837	33.00%	31,296
Tax loss for the year	8,325	27.50%	2,289	24,672	33.00%	8,142
Unrecognised deferred tax assets			**31,508**			**42,316**

Deferred tax assets and liabilities at 31 December 2007 have been offset as the conditions in IAS 12 are satisfied; in particular, they are offset when balances relate to income taxes levied by the same taxation authority and when there is a legally enforceable right to do so. The net balance at 31 December 2007 is made up of deferred tax liabilities of Euro 10.9 million consisting of Euro 9.7 million relating to IRES taxation and Euro 1.2 million relating to IRAP taxation, and deferred tax assets of Euro 2.5 million consisting of Euro 2.2 million relating to IRES taxation and Euro 0.3 million relating to IRAP taxation.

The origin of these balances lies mostly in the excess of the statutory carrying amounts of certain fixed asset items over their tax bases, resulting from the allocation of the surplus arising on the 1988 merger and the effects of the transition to IFRS, as the above table shows. Deferred tax liabilities therefore represent the future tax charge that will be incurred by the Company as a consequence of the fact that a portion of annual book depreciation will not be deductible in arriving at taxable income for IRES and IRAP purposes.

Deferred tax assets are recognised to the extent that it is probable that the Company will have taxable profit in the future against which the temporary differences and unused tax losses can be utilised.

Considering that the Company has always had taxable income for IRAP purposes over the past few years deferred tax assets of Euro 0.3 million have been recognised, representing the benefit that will be realised in the future when the temporary differences reverse and lower IRAP taxation will be paid. These temporary difference regard provisions for write-downs or future costs.
For IRES purposes, since the Company has continually had tax losses over the past few years, deferred tax assets have been recognised only for an amount of Euro 2.5 million, which represents the extent to which the deferred tax liabilities connected with the reversal of the taxable temporary differences referred to above will be generated up until the year ending 31 December 2012.

Unrecognised deferred tax assets arise principally from unused tax losses. These assets have not been recognised for reasons of prudence, given the present situation in the sales markets.

The following table provides details of the accumulated tax losses at 31 December 2007 that amount to Euro 112.9 million, with details of the year in which the related benefit expires:

Accumulated tax losses	**2008**	**2009**	**2010**	**2011**	**2012**
Reno De Medici S.p.A.	112,909	70,244	51,430	33,949	8,325
Total tax losses	**112,909**	**70,244**	**51,430**	**33,949**	**8,325**

30. Employees' leaving entitlement

Employees' leaving entitlement	**31.12.2007**	**31.12.2006**	**Variation**
Employees' leaving entitlement	14,661	18,594	(3,933)

The actuarial valuation of the "Employees' leaving entitlement" at 31 December 2007 in accordance with IAS 19 was made by an independent actuary on the basis of information provided by RDM.

The following demographic assumptions were used by the actuary:

- mortality rates: ISTAT data for 2002 relating to the Italian population and separated by gender;
- incapacity: the INPS model for forecasts up until 2010;
- retirement age for general activities: it has been assumed that active workers will reach the first of the pension requisites valid for the *Assicurazione Generale Obbligatoria* (Compulsory General Insurance);

– employees leaving for reasons other than death in service: an annual turnover frequency of 5.00% has been assumed;
– advances of the entitlement: an annual figure of 3.00% has been assumed.

The economic and financial assumptions used were as follows:

Economic and financial assumptions	
Annual discount rate	5.45%
Annual inflation rate	2.00%
Annual increase in employees' leaving entitlement	3.00%

The 2007 Finance Law and respective implementation decrees introduced changes in the way in which the employees' leaving entitlement (TFR) is regulated, starting from 1 January 2007. Included in these is the election which an employee had to make regarding his accruing entitlement. The difference between the new calculation and the old balance has been treated as resulting from a curtailment in the sense of paragraph 109 of IAS 19 and has consequently been recognised in 2007 income, including any actuarial gains and losses not previously recognised because the corridor method was being used.
Movements in the actuarial value of the liability for the year were as follows:

Movements in the actuarial value of the liability	
Actuarial value at 31.12.2006	**18,594**
Service cost	229
Interest cost	786
Services rendered	(2,714)
Movements arising from labour reform	(1,517)
Write off actuarial gain/loss	(717)
Actuarial value at 31.12.2007	**14,661**

31. Provisions

The balance at 31 December 2007 is made up as follows:

Provisons for contingencies and charges	**31.12.2006**	**Charge**	**Utilisation**	**31.12.2007**
Provision for future charges	2,940	3,408	(1,158)	5,190
Agents' termination indemnity	704	113	–	817
Provision for losses on investments	302	–	(302)	–
Total	**3,946**	**3,521**	**(1,460)**	**6,007**

The liability for the agents' termination indemnity is determined on the basis of actuarial techniques.

The utilisation during the year of Euro 1.2 million of the "Provision for future charges" relates mainly to the work involved in making good the landfill at the Santa Giustina facility of Euro 0.6 million, the settlement of outstanding disputes for an amount of Euro 0.4 million and a utilisation of

Euro 0.2 million to offset the costs incurred at the Ciriè and Pompeii facilities.
The accrual for the year refers principally to the costs that will be incurred for the long-term *mobilità* lay-off scheme, for Euro 1.7 million, an amount of Euro 0.7 million to offset costs for the new Santa Giustina landfill lot classified in the income statement as "Discontinued operations", and other expenses of Euro 0.4 million. Increases also include the estimated costs to be incurred for covering the new landfill lot at Santa Giustina recognised in buildings in the balance sheet.

The decrease in the "Provision for losses on investments" relates to the utilisation of this provision to offset the equity deficit of Reno Logistica in liquidation.

32. Trade payables

"Trade payables" amount to Euro 87 million (Euro 78.4 million at 31 December 2006) due within 12 months. Payables are stated net of trade discounts and are adjusted for any returns or rebates agreed with the seller.

33. Payable to associates

Amounts payable to associates total Euro 3.8 million (Euro 1.4 million at 31 December 2006) and relate to balances of a trading nature for purchases of steam from Termica Boffalora S.r.l. and for Euro 1 million to the penalty contractually provided for on the termination of a supply agreement.

34. Current taxation

The item, that amount to Euro 0.6 million, represents the inland revenue for current taxation for the year ended at 31 December 2007.

35. Non-recurring events and significant transactions

Non-recurring events and significant transactions

The effects of any non-recurring transactions in 2007, as the term is defined in Consob communication no. DEM/6064293, are provided in note 8 "Non-recurring income (expense)" to which reference should be made.

With the exception of the matters described in that note the Reno De Medici Group's financial position and results have not been affected by any non-recurring events or significant transactions.

Note: Non-recurring significant transactions are transactions or events that do not occur frequently as part of operations.

Balances and transactions deriving from abnormal and/or unusual transactions

The Reno De Medici Group did not carry out any abnormal or unusual transactions in 2007 as these terms are defined by the above-mentioned Consob communication no. DEM/6064293.

Note: Abnormal and/or unusual transactions are transactions which for their size, their importance, the nature of the counterparties, the subject of the transaction, the means of determining the price or the timing of the event may give rise to doubt over the completeness and accuracy of the information provided in the financial statements, conflicts of interest, the safeguarding of business assets or the protection of minority shareholders.

36. Contingent liabilities and commitments and other guarantees given to third parties

Reference should be made to the section "Other information" in the Report of the Board of Directors for a discussion of the principal disputes in which the Company is involved.

Commitments and guarantees to third parties include the following:

- sureties of Euro 2.3 million provided in favour of the Veneto Region and the Province of Belluno regarding the landfill located at the Santa Giustina (BL) facility;
- a surety of Euro 276 thousand provided to the Comieco consortium;
- sureties of Euro 100 thousand provided in favour of the customs authorities;
- a surety of Euro 100 thousand provided in favour of Agea S.p.A. relating to the recovery of starch;
- a surety of Euro 90 thousand given in favour of the Lombardy Region;
- a surety of Euro 20 thousand given in favour of the Lombardy Region;
- a surety of Euro 3 thousand given in connection with the leasing of property.

37. Financial instruments and risk management

A detailed discussion of this matter and the information required by IFRS 7 *Financial Instruments: Disclosures* are provided in the Risk Management section of the Report of the Board of Directors.

38. Related party transactions

Reference should be made to Attachment A of this report - "Details of transactions and balances with related parties and Group companies as at and for the year ended 31 December 2007" and to the section "Other information" of the Report of the Board of Directors for the supplementary information required by Consob Communication no. 6064293.

ATTACHMENTS

The following information, which forms part of these notes, is attached:

Attachment A	Details of transactions and balances with related parties and Group companies as at and for the year ended 31 December 2007.
Attachment B	Remuneration of members of the Board of Directors, members of the Board of Statutory Auditors and General Managers.
Attachment C	List of investments in subsidiary companies and associates.

Attachment A – Details of transactions and balances with related parties and Group companies as at and for the year ended 31 December 2007.

The supplementary information regarding related party transactions required by Consob communication no. 6064293 of 28 July 2006 is set out below.

Receivables, payables, receipts and payments with related parties

The following tables provide details of receivables and payables due from and due to related parties at 31 December 2007 and receipts and payments flows with related parties for the year then ended:

Receivables and payables due to related parties	**Current assets**	**Current liabilities**	
	Receivable from associates	**Payables to third parties**	**Payable to associates**
Termica Boffalora S.r.l.	22		3,754
Pac Service S.p.A.	929		–
Total	**951**	**–**	**3,754**
Incidence on the total of the item	**100.0%**	**0.0%**	**100.0%**

Outflows and inflows of cash due to related parties	**Outflows**		**Inflows**
	Payables to third parties	**Payable to associates**	**Receivables from associates**
IBI S.p.A.	2,160	–	–
Termica Boffalora S.r.l.	–	5,258	304
Pac Service S.p.A.	–	–	2,797
Total	**2,160**	**5,258**	**3,101**

Revenues and costs deriving from related party transactions

The following tables provide details of the revenues and costs deriving from related party transactions carried out in the year ended 31 December 2007:

Ricavi	**Revenues for sales**
Termica Boffalora S.r.l.	42
Pac Service S.p.A.	2,450
Total	**2,492**
Incidence on the total of the item	**0.8%**

Costs	**Cost of raw materials and services**	**No reccurent income (expense)**
Termica Boffalora S.r.l.	5,375	1,000
Total	**5,375**	**1,000**
Incidence on the total of the item	**2.2%**	**44.4%**

The following tables provide details of transactions carried out in the year ended 31 December 2007 with direct and indirect subsidiary companies and with associates. Transactions between Reno De Medici S.p.A. and other Group companies of a manufacturing or financial nature and those regarding the provision of services are all carried out on an arm's length basis taking into consideration the quality of the goods and services supplied.

Intercompany receivables and payables

Intercompany balances	Current assets				Non current liabilities	Current liabilities		
	Receivables from subsidiary companies		Receivables from associates		Payables from subsidiary companies	Payables from subsidiary companies		Payables from associates
	Trade	Financial	Trade	Financial	Financial	Financial	Trade	Trade
Reno De Medici Iberica S.L.	2,232	–			32,000	6,261	299	
Cartiera Alto Milanese S.p.A.	5,291					609		
RDM France S.a.r.l.						519	205	
Reno DeMediciDeutschland Gmbh						457	19	
Emmaus Pack S.r.l.	4,575	2,990					44	
Reno Logistica S.r.l. in liquidazione						185		
Pac Service S.p.A.			929					
Termica Boffalora S.r.l.			22					3,754
Total	**12,098**	**2,990**	**951**	**–**	**32,000**	**8,031**	**567**	**3,754**

Intercompany revenues and income

Intercompany revenues	Revenues from sales	Other income	Financial income
Reno De Medici Iberica S.L.	20,847		29
Cartiera Alto Milanese S.p.A.	17,064		5
RDM France S.a.r.l.	–		
Reno De Medici Deutschland Gmbh	–		
Emmaus Pack S.r.l.	15,819		108
Reno Logistica S.r.l. in liquidazione	–		3
Pac Service S.p.A.	2,450		
Termica Boffalora S.r.l.	42		
Total	**56,223**	**–**	**145**

Intercompany costs and expenses

Intercompany costs	Cost of raw materials and services		Financial expenses
	raw material	services	
Reno De Medici Iberica S.L.			1,304
Cartiera Alto Milanese S.p.A.			32
RDM France S.a.r.l.		1,057	19
Reno De Medici Deutschland Gmbh		403	19
Emmaus Pack S.r.l.	102		
Reno Logistica S.r.l. in liquidazione			
Pac Service S.p.A.			
Termica Boffalora S.r.l.		5,375	
Total	**102**	**6,835**	**1,374**

Attachment B – Remuneration of members of the Board of Directors, members of the Board of Statutory Auditors and General Managers

The following tables provide details of the remuneration of members of the Board of Directors and members of the Board of Statutory Auditors of the Company and its subsidiary companies in accordance with article 78 of Consob Regulation no. 11971 of 14 May 1999 and subsequent supplements and amendments:

Family name/first name	Description of office in Reno De Medici S.p.A.		
	Office held	Period of the year in which office held	Expiry of office
Garofano Giuseppe	Chairman	01.01 - 31.12.2007	31.12.2009
Pavesi Bruno	Deputy chairman	08.05 - 31.12.2007	31.12.2009
Peretti Carlo	Deputy chairman	01.01 - 31.12.2007	31.12.2009
Capuano Ignazio	Managing director	01.01 - 31.12.2007	31.12.2009
Rossini Emanuele (1)	Director	12.02 - 31.12.2007	31.12.2009
Ciardullo Riccardo	Director	08.05 - 31.12.2007	31.12.2009
De Min Giancarlo	Director	01.01 - 31.12.2007	31.12.2009
Nicastro Vincenzo	Director	01.01 - 31.12.2007	31.12.2009
Zofrea Francesco	Director	08.05 - 31.12.2007	31.12.2009
Baglioni Marco	Director	01.01 - 08.05.2007	31.12.2006
Del Cane Mario	Director	01.01 - 08.05.2007	31.12.2006
Groller Michael	Director	01.01 - 08.05.2007	31.12.2006
Rossini Ambrogio	Director	01.01 - 09.02.2007	31.12.2006
Pivato Sergio	Standing auditor (Chairman)	01.01 - 31.12.2007	31.12.2008
Priori Marcello	Standing auditor	01.01 - 31.12.2007	31.12.2008
Tavormina Carlo	Standing auditor	01.01 - 31.12.2007	31.12.2008

Family name/first name	Fees			
	Emoluments for office	Non-monetary benefits	Bonuses and other incentives	Other remuneration (2)
Garofano Giuseppe	10,000			
Pavesi Bruno	18,750			
Peretti Carlo	86,667			
Capuano Ignazio	147,500			
Rossini Emanuele	271,250	3,102		
Ciardullo Riccardo	18,750			
De Min Giancarlo	10,000	3,591		391,347
Nicastro Vincenzo	41,667			
Zofrea Francesco	12,500			
Baglioni Marco	14,481			
Del Cane Mario	3,750			75,000
Groller Michael	3,750			
Rossini Ambrogio	1,250			
Pivato Sergio	61,263			
Priori Marcello	43,444			
Tavormina Carlo	43,444			9,494

(1) From 12.2.07 to 17.1.08 was appointed as Managing Director
(2) Includes remuneration for fees for office held in subsidiary companies, for remuneration as employee and/or for consultancy fees

Attachment C – List of investments in subsidiary companies and associates

Investments at 31 December 2007 in unlisted share capital companies or companies with limited liability and exceeding 10% of capital are as follows (pursuant to article 126 of Consob Regulation no. 11971 of 14 May 1999 and subsequent supplements and amendments):

Cartonboard sector

Reno De Medici Iberica S.L.
Prat de Llobregat - Barcelona - Spain
Direct ownership 100%

Cartiera Alto Milanese S.p.A.
Milan – Italy
Direct ownership 100%

Emmaus Pack S.r.l.
Milan – Italy
Direct ownership 51.39%

RDM France S.à.r.l.
Tremblay en France – Paris - France
Direct ownership 100%

RenoDeMedici Deutschland GmbH
Bad Homburg - Germany
Direct ownership 100%

Pac Service S.p.A.
Vigonza - Padua - Italy
Direct ownership 33.33%

Energy sector

Termica Boffalora S.r.l.
Sesto S. Giovanni - Milan - Italy
Direct ownership 30%

Service sector

Reno Logistica S.r.l. in liquidazione
Milan – Italy
Direct ownership 100%

Reno Cascades Sales S.r.l.
Milan – Italy
Direct ownership 100%

These financial statements, consisting of the balance sheet, profit and loss account and notes, provide a true and fair view of the financial situation and result for the year and correspond to the accounting records.

Milan, 26 March 2008

On behalf of the Board of Directors

The Managing Director

(Mr. Ignazio Capuano)

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE GENERAL MEETING OF SHAREHOLDERS PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98 AND ARTICLE 2429 OF THE ITALIAN CIVIL CODE

To the General Meeting of Shareholders of Reno De Medici S.p.A.

We have performed the supervisory activities pursuant to Legislative Decree no. 58 of 24 February 1998 during the year ended 31 December 2007 in accordance with the principles of conduct for the Board of Statutory Auditors recommended by the National Councils of Dottori Commercialisti and Ragionieri (the Italian accounting profession).

In particular, and in conformity with the indications provide by Consob (the public authority responsible for regulating the Italian securities market) in a release of 6 April 2001, we report as follows.

We have carried out supervisory activities to ensure that the law and the Company's bylaws have been observed.

The Company's directors have provided us with extensive information, at a minimum on a quarterly basis, on the activities carried out by the Company and its subsidiaries and as to their most significant operations of an economic or financial nature, or operations involving their assets and liabilities, and have supplied us with details of the performance of these companies and of the events that have had the most influence in determining their results for the year.

On our part, we have continually verified that any resolutions taken and put into effect comply with the law and the Company's bylaws and were not manifestly imprudent, of a risky nature, in conflict of interest with the resolutions taken by shareholders in general meeting or of such a type as to compromise the integrity of the Company's equity.

As part of our procedures we have supervised the adequacy of the Company's organisational structure, the respect of the principles of good administration and the adequacy of the instructions transmitted by the Company to its subsidiaries pursuant to article 114, paragraph 2, of Legislative Decree no. 58/98, by obtaining information from the heads of the organisational functions and through meetings with the Auditing Company PricewaterhouseCoopers S.p.A. having the purpose of a reciprocal exchange of any relevant data or information; we have no particular observations to report in this respect.

We have assessed and carried out supervisory activities over the system of internal control and the administrative and accounting system, as well as over the reliability of the system to correctly represent operations, by obtaining information from the heads of the respective functions, examining the Company's records and analysing the results of the work performed by the Auditing Company, supervising the activities of the internal control officer and attending meetings of the Internal Control Committee. We have no particular observations to report in this respect.

As provided by articles 165 and 155 of Legislative Decree no. 58 of 24 February 1998, the Auditing Company has performed the following on an exclusive basis:

- verification of the proper maintenance of the Company's accounting records and the correct recognition of operations in these records;
- verification as to the correspondence between the financial statements and the accounting records and as to compliance with the regulations which govern the financial statements.

We have held regular meetings with members of the Auditing Company pursuant to article 150, paragraph 2, of Legislative Decree no. 58/98 and no significant data or information emerged from these discussions which needs to be reported.

We have verified that laws regarding the preparation of the statutory and consolidated financial statements at 31 December 2007 - prepared in accordance with IAS/IFRS international accounting standards - and the Report of the Directors have been observed, by carrying out direct checks and by obtaining information from the Auditing Company.

We have supervised the means by which the system of Corporate Governance required by the Corporate Governance Code adopted by the Company has been put into practice, in compliance with the recommendations of Borsa Italiana S.p.A.. In this respect we have carried out the following:

– we have verified that the criteria adopted by the Board of Directors to assess the independence of its members have been properly applied;
– we have supervised the independence of the Auditing Company.

In their Report the Directors provide extensive information on the Company's performance and the events that have characterised the year, describing the activities performed in the various geographical areas in which the Company operates. In addition the Directors list and adequately discuss the operations which have taken place with Group companies and other related parties, highlighting the ordinary nature of these transactions or in any event that they are functional to the Company's programmes and needs, their features and the amounts involved. These operations respond to principles of congruence and do not appear to be contrary to the interests of the Company. Appropriate tables are provided in annex A to the notes to the financial statements of the Parent Company in which the nature and economic and financial effects of related party transactions are summarised, including those carried out with Group companies.

From our side we bring to your attention the information provided by the Directors in connection with the merger of Cascades Italia S.r.l. into the Company, which following the approval by shareholders of the Merger Project in an extraordinary general meeting of 29 October 2007 became effective on 1 March 2008.

The Auditing Company has issued reports as of today's date with unqualified opinions on the consolidated and separate financial statements at 31 December 2007, with a single emphasis of matter regarding the recognition of actuarial gains and losses relating to the employees' leaving entitlement, the TFR, which is discussed in the notes to the financial statements.

During the year:

- the Board of Statutory Auditors - after consulting with the Committee for Compensation and Stock Option Plans - issued its opinion pursuant to article 2389, paragraph 3, of the Italian civil code in relation to the payment of compensation to directors having specific responsibilities;
- the Board of Statutory Auditors - after consulting with the Internal Control Committee - issued a favourable opinion on the appointment of the Manager in Charge of the preparation of the accounting and corporate records;
- the Board of Directors held 9 meetings, the Internal Control Committee held 3 meetings, the Compensation Committee held 3 meetings and the Board of Statutory Auditors held 8 meetings.

As discussed in the notes to the financial statements during 2007 Reno de Medici appointed PricewaterhouseCoopers S.p.A., as well as parties linked to that company by continuous relations as part of the international network to which the company belongs, as auditors of the Company's annual financial statements, its consolidated financial statements and its half-year report, and to perform the following additional engagements, all of which moreover relate to the merger of Cascades Italia S.r.l. into Reno De Medici S.p.A.:

i) an examination of the pro-forma consolidated balance sheet and profit and loss account of the Reno De Medici Group at 30 June 2007, performed by PricewaterhouseCoopers S.p.A., Euro 55,000;

ii) a financial due diligence of the European operations of the Cascades Group being contributed to Cascades Italia S.r.l., performed by PricewaterhouseCoopers S.p.A. , Euro 230,000;

iii) fiscal due diligences of Cascades Arnsberg GmbH and Cascades Cartonboard UK Ltd, performed by TLS, Associazione Professionale di Avvocati e Commercialisti, Euro 38,000.

During the course of performing our supervisory activities and on the basis of the information received from the Auditing Company we have not identified any omissions or illegal or improper acts, or in any case any events of such significance as to require communication to the Company's control body or to require mention in this report.

The supervisory activity referred to above was carried out during board meetings (including individual interventions) and by attending the meetings of the Board of Directors, the Executive Committee, the Internal Control Committee and the Supervisory Body.

The section of the Report of the Directors relating to Corporate Governance did not identify any issues which need to be brought to your attention.
We have not received any denouncements pursuant to article 2408 of the Italian civil code nor any petitions from third parties.

The consolidated financial statements and the Parent Company's separate financial statements both contain the representations pursuant to article 81-ter of Consob Regulation no. 11971/1999 and subsequent amendments.

On the basis of the matters referred to above, the Board of Statutory Auditors, within its sphere of competence, has not identified any matters that might prevent the approval of the financial statements as of 31 December 2007 and for the year then ended, nor in respect of the proposal made by the Directors for the allocation of the Company's profit for the year.

Pontenuovo di Magenta (MI), 11 April 2008

THE BOARD OF STATUTORY AUDITORS

Sergio PIVATO
(Chairman)

Marcello PRIORI

Carlo TAVORMINA

INFORMATION PURSUANT TO ARTICLE 149-*DUODECIES* OF THE CONSOB REGULATIONS FOR ISSUERS

The following table prepared pursuant to article149-duodecies of the Consob Regulations for Issuers sets out the fees relating to 2007 for auditing services and services other than audit provided by the auditing company and members of its network.

Description	**Fees**
Financial Statement Audit	135
Due Diligence services (*)	268
Other services (*)	55
Total Reno de Medici S.p.A.	**458**
Subsidiary companies Audit services	75
Total Reno de Medici Group	**533**

(*) Amount attributable on Cascades mergers' operation trough financial transactions currently.

CERTIFICATION

OF SEPARATE ACCOUNTS PURSUANT TO ARTICLE 81-THIRD OF CONSOB RULE NO. 11971 OF MAY 1999, AS AMENDED

The signatories listed below, Ignazio Capuano – as "Managing Director"- and Maurizio Fusetti – as "Director in charge of the preparation of the corporate accounting documentation" – of the company, Reno de Medici S.p.A. hereby declare, taking into account the terms of Article 154-*bis*, 3rd and 4th commas, of Legislative Decree No. 58 of 24 February 1998:

a) The adequacy in relation to the characteristics of the company; and
b) The effective application of the administrative and accounting procedures for the preparation of the separate company accounts over the 2007 financial year.

It is declared, in addition, that the separate company accounts, as at 31 December 2007:

a) Correspond to the results contained in the financial books and other accounting records;
b) were prepared in compliance with the international accounting standards (IAS/IFRS)pursuant to Article 154-*bis*, 5th comma, of the Unified Finance Law (Legislative Decree 58/1998) and, as far as is known, are suitable to provide a true and correct representation of the business, economic and financial situation of the issuer.

Milan, Italy - 26 March 2008

The Managing Director	The Director in charge of the preparation of the corporate accounting documentation
Ignazio Capuano	Maurizio Fusetti

REPORT OF THE INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N° 58 DATED 24 FEBRUARY 1998

To the shareholders of
Reno De Medici SpA

1 We have audited the financial statements of Reno De Medici SpA as of 31 December 2007, constituted by the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and the related notes. These financial statements are the responsibility of Reno De Medici SpA's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For comparative purposes the financial statements present the corresponding data of the prior year. As illustrated in the notes to the financial statements, the Directors have retrospectively adjusted comparative data related to the financial statements of the prior year, on which we have issued our auditors' report on 11 April 2007. The methods used for the retrospective adjustment of the corresponding data of the prior year and the information presented in the notes to the financial statements have been examined by us for the purpose of expressing our opinion on the financial statements as of 31 December 2007.

3 In our opinion, the financial statements of Reno De Medici SpA as of 31 December 2007 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they

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have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in shareholders' equity and cash flows of Reno De Medici SpA for the year then ended.

Milan, 11 April 2008

PricewaterhouseCoopers SpA

Signed by Giorgio Greco
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Financial Statements refer to the Financial Statements in original Italian and not to their translation.

(2)

SUMMARIES OF THE PRINCIPAL FIGURES FROM THE MOST RECENT FINANCIAL STATEMENTS OF THE SUBSIDIARY COMPANIES AND ASSOCIATES OF THE RENO DE MEDICI GROUP

Selected financial data of subsidiary companies and associates of the Reno De Medici Group as at and for the year ended 31 December 2007 are set out below in accordance with the third and fourth paragraphs of article 2429 of the Italian civil code.

Subsidiary companies

Included in the scope of consolidation

- Cartiera Alto Milanese S.p.A.
- Emmaus Pack S.r.l.
- RDM France S.a.r.l.
- Reno De Medici Deutschland Gmbh
- Reno De Medici Iberica S.L.

Excluded from the scope of consolidation

- Reno Logistica S.r.l. in liquidation
- Reno Cascades Sales S.r.l.

Associates

- Termica Boffalora S.r.l.
- Pac Service S.p.A.

Summaries of the principal figures from the most recent financial statements of the subsidiary companies and associates of the Reno de Medici Group

Cartiera Alto Milanese S.p.A.
Registered office in Milan – Via dei Bossi, 4
Share capital Euro 200,000

(Thousands of Euros)

Balance Sheet

Assets	**31.12.2007**	**31.12.2006**
Fixed assets	44	72
Working capital	8,879	9,939
Prepayments and accrued income	2	2
TOTAL ASSETS	**8,925**	**10,013**

Liabilities and shareholders' funds	**31.12.2007**	**31.12.2006**
Shareholders' funds	1,535	2,025
Provisions for contingencies and charges	92	80
Employees' leaving entitlement	–	–
Payables	7,294	7,904
Accrued expenses and deferred income	4	4
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**8,925**	**10,013**

Profit and loss account

	31.12.2007	**31.12.2006**
Value of production	18,470	18,755
Cost of production	(17,654)	(17,711)
Operating profit	**816**	**1,044**
Financial income and (expense)	(36)	(11)
Value adjustments to financial assets	–	–
Extraordinary income and (expense)	–	(18)
Profit (loss) before taxation	**780**	**1,015**
Income taxes	(370)	1
PROFIT (LOSS) FOR THE YEAR	**410**	**1,016**

Emmaus Pack S.r.l.
Registered office in Milan – Via dei Bossi, 4
Quota capital Euro 200,000

(Thousands of Euros)

Balance Sheet

Assets	31.12.2007	31.12.2006
Fixed assets	164	225
Working capital	10,133	10,055
Prepayments and accrued income	62	61
TOTAL ASSETS	**10,359**	**10,341**

Liabilities and shareholders' funds	31.12.2007	31.12.2006
Shareholders' funds	1,099	1,156
Provisions for contingencies and charges	88	84
Employees' leaving entitlement	123	114
Payables	9,048	8,986
Accrued expenses and deferred income	1	1
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**10,359**	**10,341**

Profit and loss account

	31.12.2007	31.12.2006
Value of production	20,303	18,551
Cost of production	(19,109)	(17,519)
Operating profit	**1,194**	**1,032**
Financial income and (expense)	(115)	(78)
Value adjustments to financial assets	–	–
Extraordinary income and (expense)	–	–
Profit (loss) before taxation	**1,079**	**954**
Income taxes	(536)	(419)
PROFIT (LOSS) FOR THE YEAR	**543**	**535**

RDM France S.a.r.l.
Registered office in 12 Rue Chardonnerets – Z.A.C. Paris Nord II Tremblay en France
Share capital Euro 96,000

(Thousands of Euros)

Balance Sheet

Assets	**31.12.2007**	**31.12.2006**
Fixed assets	895	704
Working capital	323	438
Prepayments and accrued income	14	13
TOTAL ASSETS	**1,232**	**1,155**

Liabilities and shareholders' funds	**31.12.2007**	**31.12.2006**
Shareholders' funds	752	618
Provisions for contingencies and charges	79	78
Employees' leaving entitlement	–	–
Payables	380	460
Accrued expenses and deferred income	21	–
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**1,232**	**1,156**

Profit and loss account

	31.12.2007	**31.12.2006**
Value of production	1,425	1,330
Cost of production	(1,272)	(1,354)
Operating profit	**153**	**(24)**
Financial income and (expense)	18	6
Value adjustments to financial assets	–	–
Extraordinary income and (expense)	1	16
Profit (loss) before taxation	**172**	**(2)**
Income taxes	(37)	(2)
PROFIT (LOSS) FOR THE YEAR	**135**	**(4)**

Reno De Medici Deutschland GmbH
Bad Homburg, Hohestrasse 46
Share capital Euro 472,950

(Thousands of Euros)

Balance Sheet

Assets	**31.12.2007**	**31.12.2006**
Fixed assets	5	5
Working capital	544	522
Prepayments and accrued income	2	2
TOTAL ASSETS	**551**	**529**

Liabilities and shareholders' funds	**31.12.2007**	**31.12.2006**
Shareholders' funds	490	485
Provisions for contingencies and charges	51	–
Employees' leaving entitlement	–	–
Payables	10	44
Accrued expenses and deferred income	–	–
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**551**	**529**

Profit and loss account

	31.12.2007	**31.12.2006**
Value of production	414	420
Cost of production	(414)	(418)
Operating profit	**–**	**2**
Financial income and (expense)	22	16
Value adjustments to financial assets	–	–
Extraordinary income and (expense)	–	–
Profit (loss) before taxation	**22**	**18**
Income taxes	–	–
PROFIT (LOSS) FOR THE YEAR	**22**	**18**

Reno De Medici Iberica S.L.
Prat De Llobregatt (Barcelona) Nicolas M. Urgoiti, 42
Share capital Euro 138,284,023

(Thousands of Euros)

Balance Sheet (*)

Assets	31.12.2007	31.12.2006
Fixed assets	12,771	14,222
Working capital	69,581	94,481
Prepayments and accrued income	60	3,040
TOTAL ASSETS	**82,412**	**111,743**

Liabilities and shareholders' funds	31.12.2007	31.12.2006
Shareholders' funds	67,431	60,851
Provisions for contingencies and charges	–	2,035
Employees' leaving entitlement	–	–
Payables	14,981	48,857
Accrued expenses and deferred income	–	–
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**82,412**	**111,743**

Profit and loss account

	31.12.2007	31.12.2006
Value of production	48,990	37,092
Cost of production	(45,558)	(38,607)
Operating profit	**3,432**	**(1,515)**
Financial income and (expense)	1,421	812
Value adjustments to financial assets	551	(109)
Extraordinary income and (expense)	–	131
Profit (loss) before taxation	**5,404**	**(681)**
Income taxes	1,177	–
Profit (loss) for the year	**6,581**	**(681)**

(*) Financial statements in accordance with IFRS.

Reno Logistica S.r.l. in liquidation
Registered office in Milan – Via dei Bossi, 4
Share capital Euro 25,000

(Thousands of Euros)

Balance Sheet

Assets	**31.12.2007**	**31.12.2006**
Fixed assets	–	–
Working capital	308	118
Prepayments and accrued income	–	–
TOTAL ASSETS	**308**	**118**

Liabilities and shareholders' funds	**31.12.2007**	**31.12.2006**
Shareholders' funds	14	(302)
Provisions for contingencies and charges	285	285
Employees' leaving entitlement	–	–
Payables	9	135
Accrued expenses and deferred income	–	–
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**308**	**118**

Profit and loss account

	31.12.2007	**31.12.2006**
Value of production	–	–
Cost of production	(24)	(20)
Operating profit	**(24)**	**(20)**
Financial income and (expense)	(3)	(5)
Value adjustments to financial assets	–	–
Extraordinary income and (expense)	–	–
Profit (loss) before taxation	**(27)**	**(25)**
Income taxes		–
PROFIT (LOSS) FOR THE YEAR	**(27)**	**(25)**

Termica Boffalora S.r.l.
Registered office in Sesto San Giovanni (MI) – Viale Italia, 592
Quota capital Euro 14,220,000

(Thousands of Euros)

Balance Sheet

Assets	**31.12.2007**	**31.12.2006**
Fixed assets	5,179	5,834
Working capital	23,149	20,138
Prepayments and accrued income	35	111
TOTAL ASSETS	**28,363**	**26,083**

Liabilities and shareholders' funds	**31.12.2007**	**31.12.2006**
Shareholders' funds	21,129	19,580
Provisions for contingencies and charges	90	–
Employees' leaving entitlement	–	–
Payables	7,144	6,503
Accrued expenses and deferred income	–	–
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**28,363**	**26,083**

Profit and loss account

	31.12.2007	**31.12.2006**
Value of production	54,414	56,506
Cost of production	(46,810)	(50,918)
Operating profit	**7,604**	**5,588**
Financial income and (expense)	318	571
Value adjustments to financial assets	–	–
Extraordinary income and (expense)	122	(10)
Profit (loss) before taxation	**8,044**	**6,149**
Income taxes	(3,195)	(2,277)
PROFIT (LOSS) FOR THE YEAR	**4,849**	**3,872**

Pac Service S.p.A.
Registered office in Vigonza (PD) – Via Julia, 47
Share capital Euro 1,000,000

(Thousands of Euros)

Balance Sheet

Assets	31.12.2007	31.12.2006
Fixed assets	1,883	1,660
Working capital	9,170	9,035
Prepayments and accrued income	2	33
TOTAL ASSETS	**11,055**	**10,728**

Liabilities and shareholders' funds	31.12.2007	31.12.2006
Shareholders' funds	4,338	4,370
Provisions for contingencies and charges	291	261
Employees' leaving entitlement	378	120
Payables	6,048	5,977
Accrued expenses and deferred income	–	–
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**11,055**	**10,728**

Profit and loss account

	31.12.2007	31.12.2006
Value of production	18,155	16,605
Cost of production	(16,941)	(15,416)
Operating profit	**1,214**	**1,189**
Financial income and (expense)	(31)	(15)
Value adjustments to financial assets		–
Extraordinary income and (expense)		(5)
Profit (loss) before taxation	**1,183**	**1,169**
Income taxes	(463)	(489)
PROFIT (LOSS) FOR THE YEAR	**720**	**680**

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