Quarterly report

First quarter 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 € 185,122,487.06 fully paid
Fiscal code and VAT no. 00883670150

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[1] This document is an English translation from Italian. The Italian original shall prevail in case of difference in interpretation and/or factual errors.

CORPORATE BODIES

Board of Directors

Giuseppe Garofano	Chairman
Bernard Lemaire	Deputy Chairman
Ignazio Capuano	Managing Director
Riccardo Ciardullo	Director
Christian Dubé	Director
Sergio Garribba	Director
Laurent Lemarie	Director
Mirko Leo	Director
Vincenzo Nicastro	Director
Carlo Peretti	Director
Emanuele Rossini	Director

Board of Statutory Auditors

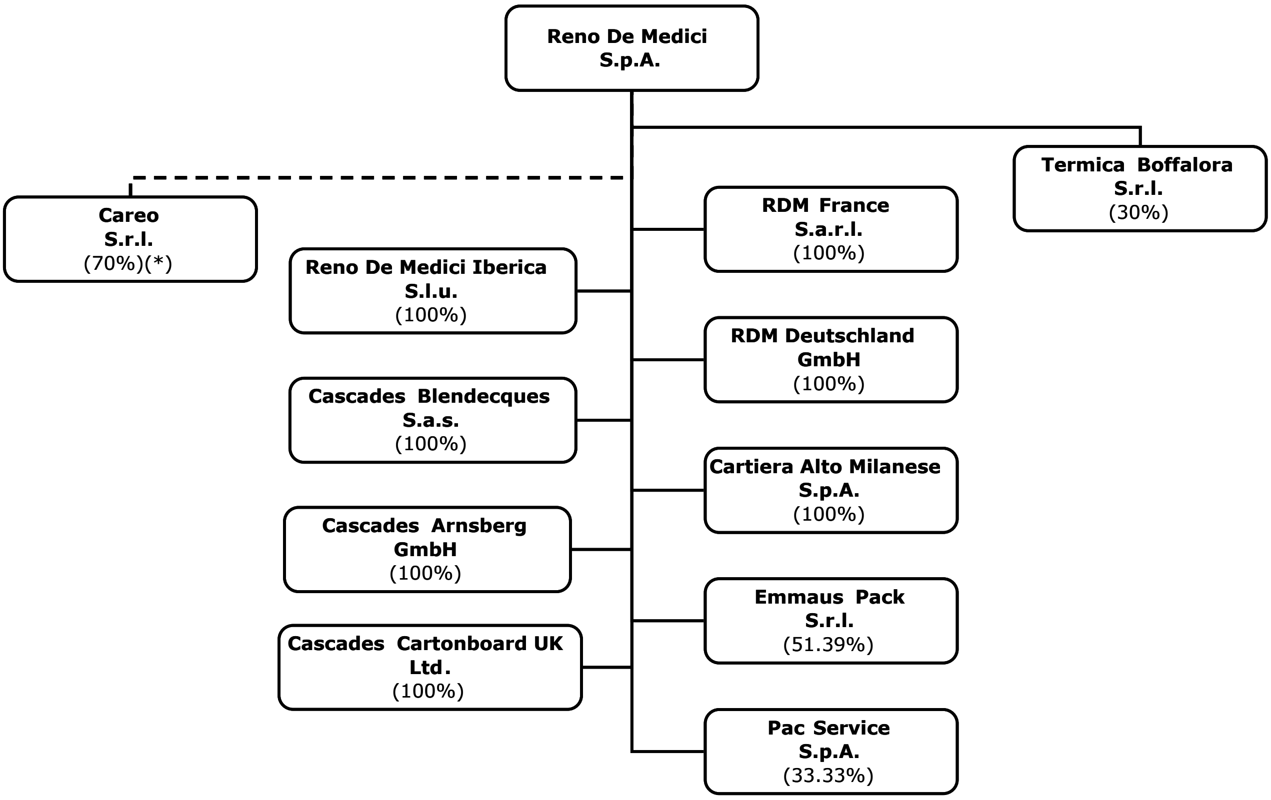
Sergio Pivato	Chairman
Marcello Priori	Standing auditor
Carlo Tavormina	Standing auditor
Giovanni Maria Conti	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANIES OF THE RENO DE MEDICI GROUP AT 31 MARCH 2008

The following figure does not include companies that have been put into liquidation of the Reno De Medici Group (the "RDM Group" or the "Group").



(*) Operating Company from 1° April 2008.

COMMENTS OF THE DIRECTORS ON OPERATIONS

Over the course of the first quarter of 2008, the merging of activities was carried out relating to the Cascades Europe Group recycled cartonboard production business. On 26 February 2008, with an effective date of 1 March 2008 the deed was signed for the merger of Cascades Italia S.r.l., company holding 100% of the shareholdings in Cascades Arnsberg GmbH, Cascades Blendecques S.a.s. and Cascades Cartonboard Ltd, with Reno De Medici S.p.A.. From that date on, therefore, the consolidated economic results of the RDM Group also include the results of the new companies acquired.

It is noted, therefore, that the consolidated numbers relative to the first quarter of 2008 refer, for the first two months, to the consolidated RDM Group prior to the merger, and only for the month of March to the RDM Group resulting from the finalization of the merger with Cascades Italia.

It should be noted that, as regards the merger transaction, which was planned to be completed in the first days of 2008, due to information requests received from the pertinent anti-trust authorities, it was impossible to implement a common commercial policy for 2008, as well as causing a postponement of the commencement of the implementation of integration and efficiency-related measures.

On the demand side, 2008 is evidencing a certain weakness, due to the contraction phase in European consumption, and which is aggravated by uncertainties affecting the financial markets, and thus reflected in the real economy (decrease in the consumer confidence index), linked to the international financial crisis.

As regards sales volumes, one sees that amounts shipped in the first three months of 2008 total approximately 193 thousand tonnes (of which 28 thousand relate to the new facilities), compared to the approximately 181 thousand tonnes as at 31 March 2007. On the sales prices front, average revenues per tonne shipped, as at 31 March 2008, increased by approximately 6.6% compared to 31 March 2007.

The quarter of this current year has been penalized by a contraction in European demand and, as a consequence, by an unfavorable geographical mix, which has seen increased sales to markets outside the EU, which are characterized by less than average prices.

After the merger, nonetheless, the breakdown of net revenues by geographic area became more balanced, as may be seen in the table below:

Revenues by geographical area	31.03.2008	%	31.03.2007	%
Euro/000				
Italy	32,317	31.2%	45,205	50.0%
European Union	59,553	57.5%	36,219	40.1%
Outside the European Union	11,654	11.3%	8,929	9.9%
Total sales revenues	**103,523**	**100%**	**90,353**	**100%**

Consolidated results

After the merger transaction, one proceeded on to the appraisal of the activities' fair value, of the actual and potential liabilities, using provisory values. The fair value initially assigned may be reviewed, as provided for under IFRS no. 3, based on additional evidence.

Based on the values set on the closing date for the first quarter of 2008, the difference between the cost of the acquisition (equal to the market value of the shares transferred in exchange for the shareholdings received, plus costs directly related to the transaction) and the fair value of the activities, actual liabilities and potential liabilities was a negative Euro 15.3 million, which was recognized as revenues in the economic accounts under the line item "Non-recurring Income (expense)", contributing to the determining of the EBITDA for the period.

In the first quarter of 2008, one notes, therefore, a positive non-management-related revenue component, based on that which was mentioned above, which was capable-due to influencing the reading of the numbers regarding current management.

The following table sets out the highlights of the profit and loss accounts for the three months ended 31 March 2008 and 2007:

Consolidated profit and loss account	31 March 2008	31 March 2007
Euro/000		
Revenues from sales	**103,523**	**90,353**
EBITDA before non-recurring income (expense) (*)	**8,345**	**7,604**
EBITDA	**10,136**	**7,620**
EBIT	**6,278**	**2,389**
Taxation	*(1,103)*	*(1,027)*
Profit (loss) for the period	**2,401**	**(837)**

(*) See the consolidated financial statements of the RDM Group, "EBTIDA" - "non-recurring income (expense)"

The RDM Group obtained, in the first quarter of 2008, net revenues of Euro 103.5 million, compared to the Euro 90.3 million figure registered for the same period in the previous financial year. The increase is due to the Euro 15.3 million spent on new production facilities.

EBITDA before non-recurring income (expense) as at 31 March 2008 were Euro 8.3 million, evidencing an increase as compared to the same period in 2007, amounting to Euro 7.6 million. The increase registered was attributable for Euro 0.9 million to the new facilities.

The line item “Non-recurring income (expense)”, amounting to Euro 1.8 million, mainly consists of the negative goodwill resulting from the excess in respect of the aggregation cost of the activities’ fair value, of liabilities and of potential liabilities, provisionally assigned a value, as at 31 March 2008, of Euro 15.3 million, net of non-recurring liabilities connected with the integration transaction as well as industrial restructuring operations of Euro 13.5 million.

The increases registered in sales prices permitted a compensation of the increases in raw materials for paper-pulp (both fibrous and chemical) which, in the periods being considered, registered an increase of 14% (net of profits earned due to continuous improvement in the efficiency of the productive process).

Energy prices underwent, in the periods being compared, an average increase of approximately 4%; it should be noted that, on a consolidated level, the Cascades merger allowed the Group to operate in countries with energy costs which were appreciably lower than in Italy, limiting increases in costs to 1.1% when compared to costs registered in the first quarter of 2007.

The Operative Result (EBIT) as at 31 March 2008 was Euro 6.3 million, compared to Euro 2.4 million for the same period in the prior financial year. This increase is primarily based on non-recurring income and the reduced impact of amortizations (from Euro 5.2 million as at 31 March 2007 to Euro 3.9 million as at 31 March 2008), due to the revision of useful working life estimates of plants and machinery which was carried out in the second quarter of 2007.

Current accounted-for taxes for the period were Euro 0.8 million, compared to Euro 0.6 as at 31 March 2007. Deferred taxes resulted negative for Euro 0.3 million, as at 31 March 2007, compared to Euro 0.4 million in the previous period.

Period results as at 31 March 2008 were positive in the amount of Euro 2.4 million, compared to the negative figure of Euro 0.8 million for the same period in 2007 .

Over the course of the period ended 31 March 2008, the RDM Group carried out technical investments totaling Euro 2 million (Euro 1.4 million in March 2007).

Net consolidated financial indebtedness, as at 31 March 2008, was Euro 128.4 million, compared to Euro 114.1 million as at 31 December 2007 and Euro 128.8 million as at 31 March 2007.

The increase in financial indebtedness as at 31 March 2008, compared to the total on 31 December 2007, is due to the increase in net working capital registered for the period, mainly based on the payment of certain non-recurring consignments, relating to a portion of the costs connected with the Cascades merger transaction for Euro 1.5 million, to the payment of the TFR quotas concerning personnel subject to "mobility" at the end of the prior financial year for Euro 1.5 million, to litigation-related payments for Euro 1.1 million and the payment of approximately Euro 6 million of the value added tax relating to the Espais transaction, which closed in the month of December 2007.

In order to carry out a correct analysis of the development of net working capital, it should be noted that the three shareholdings merged into RDM led to an increase of the net working capital[2] of Euro 8.9 million, based on a total increase of Euro 28 million. It should be highlighted that the increase in financial indebtedness as at 31 March 2008 is essentially attributable to companies already within the RDM Group, as the three recently merged companies did not have financial indebtedness.

Gross financial indebtedness, at 31 March 2008, calculated using the amortized cost rule, was Euro 137.7 million (compared to Euro 123.2 million in December 2007) and includes non-current shares of medium to long-term financings for Euro 70 million, current shares of medium to long-term financings of Euro 12.1 million and drawdowns on commercial lines of credit for Euro 55.6 million, consisted primarily of unfrozen/discounted credit lines based on credits held against clients .

Derivatives instruments entered into in order to provide cash flow hedge have been noted on the balance sheet for a total positive amount of Euro 0.2 million.

As at 31 March 2008, liquidity and financial credits due within 12 months amount Euro 9.1 million (compared with Euro 8.4 million in December 2007), and this includes Euro 5 million tied up with Grupo Torras litigation.

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2 Please see.RDM Group Consolidated Accounting Prospects: "Current Trade Receivables", "Other Current Receivables" and "Stocks" – "Current Trade Payables", "Other payables" and "Current taxes".

Subsequent events

During the month of March, with an effective date of 1 April, the business branch of the RDM Group (made up of commercial personnel employed by the parent company, the commercial companies RDM France and RDM Deutschland) was transferred to the company, Careo S.r.l.. The new company, controlled 70% by RDM and 30% by Cascades S.A., will concentrate on the marketing and sales of the Group's product line.

Outlook for operations

The first months of 2008 were characterized by a generalized uncertainty in the markets, both the financial and the real ones, which has led to a weakening in consumption throughout the entire European area.

The current situation regarding orders does not permit us to theorize a change in demand trends in the short term.

In this environment, nonetheless, the reorganization measures for the commercial network, begun in the month of April, as well as the industrial restructuring operations, will allow the new RDM Group to better face the adverse situation of the market.

CONSOLIDATED FINANCIAL STATEMENTS OF RDM GROUP AT 31 MARCH 2008

Consolidated profit and loss	31.03.2008	31.03.2007
Euro/000		
Revenues from sales	103,523	90,353
Other revenues	1,376	598
Changes in stocks of finished goods	2,789	(4,626)
Cost of raw materials and services	(82,300)	(64,950)
Staff costs	(16,054)	(13,143)
Other operating costs	(989)	(628)
No recurring income (expense)	1,791	16
Gross Operating Profit (EBITDA)	**10,136**	**7,620**
Amortisation	(3,858)	(5,231)
Operating Profit (EBIT)	**6,278**	**2,389**
Financial expense	(2,651)	(2,486)
Exchange differences	(267)	(29)
Financial income	144	125
Financial income (expense), net	(2,774)	(2,390)
Income from investments	-	198
Other income (expense)	-	(7)
Taxation	(1,103)	(1,027)
Profit (loss) for the period	**2,401**	**(837)**
Attributable to:		
Profit (loss) for the period pertaining to the group	2,321	(897)
Profit (loss) for the period pertaining to minority interests	80	60

Consolidated balance sheet	31.03.2008	31.12.2007
Euro/000		
ASSETS		
Non-current assets		
Tangible fixed assets	266,282	174,702
Goodwill	146	146
Other intangible assets	1,250	1,388
Investments accounted for under the equity method	10,948	13,134
Deferred tax assets	2,056	1,681
Derivative financial instruments	-	418
Financial assets held for sale	464	482
Other receivables	7,402	5,321
Total non-current assets	**288,548**	**197,272**
Current assets		
Stocks	96,573	64,624
Trade receivables	131,532	102,462
Other receivables	9,024	4,702
Derivative financial instruments	312	331
Liquid funds	8,921	8,248
Total current assets	**246,362**	**180,367**
Other non-current assets held for sale	**5,583**	**5,583**
TOTAL ASSETS	**540,493**	**383,222**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the group	170,806	114,770
Minority interests	631	546
Shareholders' equity	**171,437**	**115,316**
Non-current liabilities		
Bank loans and other financial liabilities	71,962	70,002
Derivative financial instruments	66	-
Other payables	15	627
Deferred tax liabilities	30,330	6,311
Employees' leaving entitlement	25,174	14,780
Non-current provisions for contingencies and charges	21,082	6,174
Total non-current liabilities	**148,629**	**97,894**
Current liabilities		
Bank loans and other financial liabilities	66,044	52,544
Trade payables	122,960	97,718
Other payables	27,483	19,142
Current taxation	3,940	608
Total current liabilities	**220,427**	**170,012**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**540,493**	**383,222**

Consolidated net financial position	31.03.2008	31.12.2007	Variation
Euro/000			
Cash and cash equivalents and short term financial receivables	9,074	8,401	673
Short term financial payables	(67,731)	(53,242)	(14,489)
Valuation of current portion of derivatives	-	331	(331)
Short-term financial position	**(58,657)**	**(44,510)**	**(14,147)**
Long term financial payables	(69,989)	(70,002)	13
Valuation of non-current portion of derivatives	246	418	(172)
Net financial position	**(128,400)**	**(114,094)**	**(14,306)**

NOTES

The quarterly report of the RDM Group at 31 March 2008 has been prepared on the basis of article 82, first paragraph, of the Regulations for Issuers adopted by Consob in resolution no. 11971 of 14 May 1999 and subsequent amendments and supplements.

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

The consolidated balance sheet at 31 March 2008 and the consolidated profit and loss account for the period then ended are presented in a format that is consistent with that used in the consolidated financial statements at 31 December 2007.

The variations to the area of accounting consolidation occurring in the first quarter of 2008 relate to the companies “Cascades Blendecques S.a.s.”, “Cascades Arnsberg GmbH” and “Cascades Cartonboard UK Ltd”.

Non-current activities (plant and machinery), relating almost exclusively to the MC1 line of the Magenta facility, were separately detailed in the asset column under the line item, “Non-current assets held for sale”.

Accounting principles

The quarterly report has been prepared on the basis of the same accounting principles used in preparing the consolidated financial statements at 31 December 2007.

In the current area of consolidation, there is a company which prepares its accounts in a currency other than the Euro (Cascades Cartonboard UK Ltd, accounts in GBP).
In order to translate the quarterly results for the company, Cascades Cartonboard UK, into a foreign currency, the Euro was identified as the functional currency, the same as the Group Parent Company, in consideration of the fact that the company carries out business operations which are heavily integrated with those of the Parent Company (IAS 21).

As at 31 March 2008, all the assets and liabilities were converted using the exchange rate applicable on the date of reference for the company’s profit & loss situation (0.7858 GBP/Euro). Income and expenditures were converted using the average exchange rate for the reference period (0.7749 GBP/Euro).

The differences due to exchange rate conversion resulting from the application of this method were classified as an item under net assets up to the transfer of the shareholding.

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

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions which affect the carrying values of the assets and liabilities in the consolidated balance sheet and the disclosures relating to contingent assets and liabilities at the balance sheet date. The actual results could differ from these estimates. Estimates are used in measuring the result contributed by discontinued operations, in making provisions for the collection risk for receivables and inventory obsolescence, in the calculation of depreciation, amortisation, impairment, employee benefits, restructuring provisions, taxation and other accruals and provisions and in the measurement of derivative instruments. Estimates and assumptions are reviewed periodically and the effects of any changes are recognised immediately in the profit and loss account.

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

Workforce

The RDM Group had 1,788 employees at 31 March 2008 compared to 1,117 employees at 31 March 2007.

Statement of the Manager in charge of the preparation of the company's accounting records in accordance with the provisions of article 154-bis, paragraph 2, of Italian Legislative Decree no. 58/1998 (the Consolidated Finance Act - TUF)

The undersigned Maurizio Fusetti in his capacity as the manager in charge of the preparation of the company's accounting records declares in accordance with the provisions of the second paragraph of article 154-bis of the "Consolidated Finance Act" regarding matters concerning financial intermediation that, to the best of his knowledge and belief, the Quarterly Report of Reno De Medici S.p.A. at 31 March 2008 corresponds to the underlying documents, books and accounting entries.

Pontenuovo di Magenta, 13 May 2008

Maurizio Fusetti
Manager in charge