QUARTERLY REPORT – FIRST QUARTER 2008

Pontenuovo di Magenta, 13 May 2008

The Board of Directors of Reno De Medici S.p.A. today approved the Quarterly Report for the quarter ended on 31 March 2008.

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- **Net revenues**: 103.5 million euros, compared to 90.3 million euros at March 2007.
- **EBITDA before no recurrent income and expense**[1]:8.3 million euros, compared to 7.6 million euros at March 2007.
- **Operating profit (EBIT)**: 6.3 million euros, compared to 2.4 million euros at March 2007.
- **Net profit for the period**: is positive for 2.4 million euros, compared to the negative for 0.8 million euros at March 2007.
- **Net financial debt**: 128.4 million euros, compared to 114.1 million euros at December 2007.

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Foreword

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 Reno De Medici Group **("RDM Group" or "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

[1] See the consolidated financial statements of the RDM Group, "EBITDA" - "No recurrent income and expense".

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.

Consolidated results

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.

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.

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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”.

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[3]

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

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

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)**

The manager in charge of the preparation of the company's accounting records declare, pursuant to article154 bis, paragraph 2, of the "Testo Unico della Finanza", Mr. Maurizio Fusetti, the administrative and accounting procedures for the preparation of the consolidated financial statements have been established in a manner that is consistent with the Company's administrative and accounting system and structure and correspond to the entries in the accounting books and records.

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