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RenoDeMedici



**STAR CONFERENCE 2006**

Milan, 2 March 2006



## Statements disclaimer

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*Certain statements in this presentation, including statements regarding target results and performance, are forward-looking statements based on current analyses and/or assumptions. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to, the effect of general economic conditions, decreases in demand for the Company's products, increases in raw material and energy costs, changes in the relative values of certain currencies, fluctuations in selling prices, adverse changes in general market and industry conditions and other factors.*



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***Restructuring plan***



## Foreword

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**The year 2005 saw the definition of the complex activities carried out to restructure Reno De Medici.**

**Starting from 2006, the Group is finally in a position to appreciate that a new operational and strategic phase is under way.**

## The beginning of the story...

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### At the end of 2002<sup>(\*)</sup> the Group had:

- ◆ Turnover of approximately 600 million euros
- ◆ EBITDA margin of around 5%
- ◆ Net debt of around 360 million euros

**Close to financial distress...**

## ...and its risks

Operative cash flow largely inadequate

Operating mills bad performing in terms of margins

Cardboard industry affected by a persisting weak demand

Market reputation getting worse

## Three years of restructuring...

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### **Actions taken:**

- ◆ **increase of capital**
- ◆ **disposal of properties**
- ◆ **closure of loss-making manufacturing activities**
- ◆ **rationalization of fixed costs**
- ◆ **reduction of variable production costs**
- ◆ **sale of the entire packaging operation**

**...nowadays**

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**At the end of 2005<sup>(\*)</sup> the Group has:**

- ◆ **Turnover of approximately 300 million euros**
- ◆ **EBITDA margin of around 9%**
- ◆ **Net debt of around 170 million euros**

**...getting in shape.**



## Figures of the turnaround

EUR millions	IT GAAP			IFRS
	FY 2002	FY 2003	FY 2004	FY 2005
<b>SALES</b>	590.2	541.7	470.9	295.5
<b>EBITDA</b>	33.3	31.8	45.2 <sup>(i)</sup>	27.4
<b>EBITDA margin</b>	5.6%	5.9%	9.6%	9.3%
<b>NFP</b>	(364.1)	(254.9) <sup>(ii)</sup>	(247.5) <sup>(iii)</sup>	(170.4) <sup>(iv)</sup>

(i) Including non recurrent earnings of EUR 12.0 millions from B.A.T. agreement

(ii) Including restricted deposit of EUR 18.0 millions for Prat lay-off

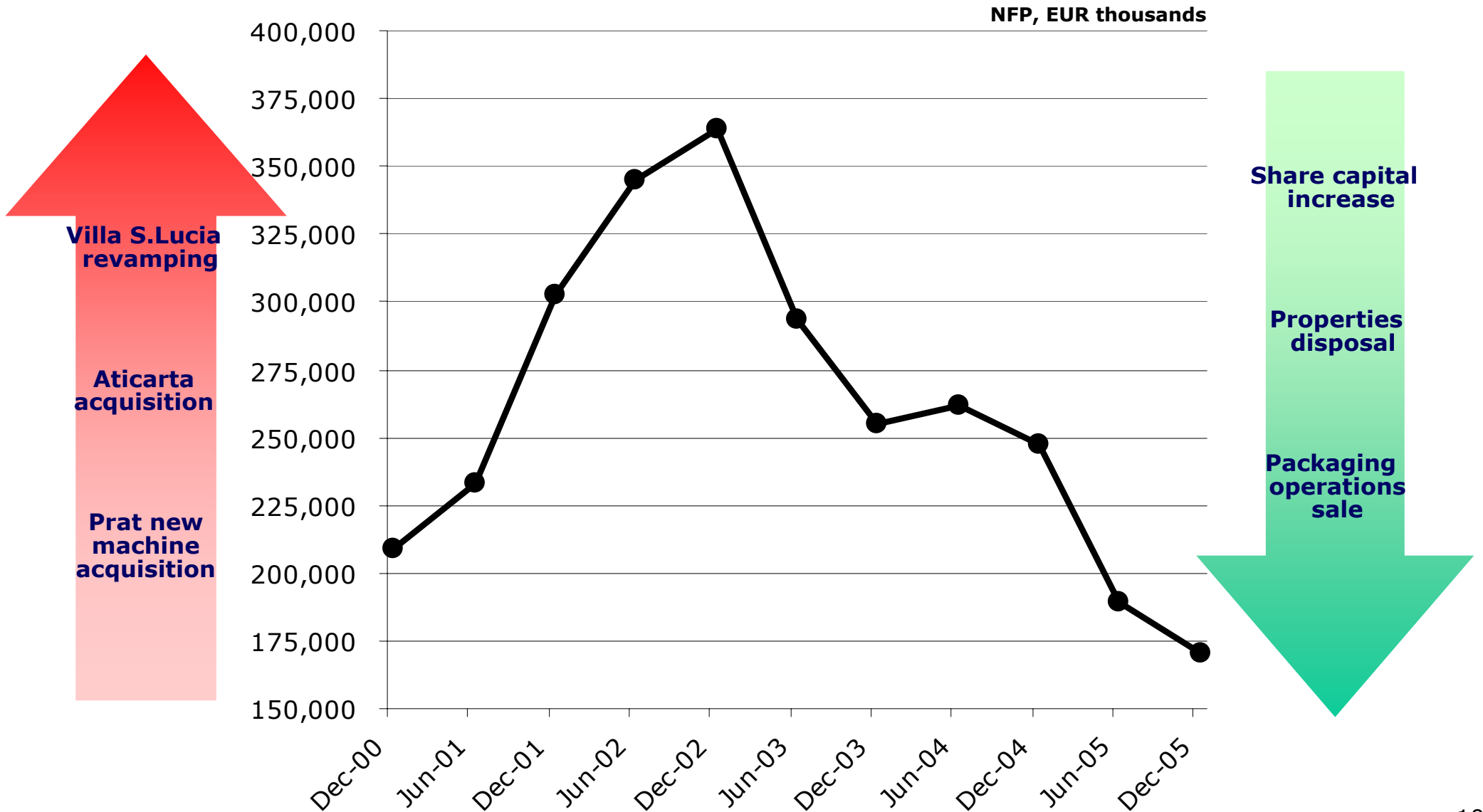
(iii) Including restricted deposit of EUR 14.0 millions for Prat lay-off

(iv) Including restricted deposit of EUR 7.0 millions for Prat lay-off

2005 unaudited



# Figures of the turnaround





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***Focus on 2005***

## Operations disposal

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### Disposal of non-core operations:

- ◆ sale of **Europoligrafico S.p.A.**

**Price: 41.3 million euros | NFP: +48.5 million euros**

- ◆ sale of **Aticarta S.p.A.** (including ATI Packaging S.r.l.)

**Price: 3.0 million euros | NFP: +17.2 million euros**

- ◆ sale of **Cogeneracion Prat S.A.**

**Price: 1.3 million euros | NFP: +3.0 million euros**

## Demerger plan (1/2)

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### Partial and proportional demerger:

Spin-off of real estate assets of the Group, which do not form part of the industrial activities, into a newly established company '**RDM Realty S.p.A.**'.

#### Rationale:

- ◆ to enable all the shareholders to participate in the **creation of value** expected from the implementation of the developments planned;
- ◆ to put **the financial structure** of the Group into **equilibrium**.

**NFP: +40.0 million euros**

## Demerger plan (2/2)

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The properties to be demerged consist of:

- ◆ land and buildings relating to the closed factory of **Ciriè** (Turin);
- ◆ areas no longer used for production within the factory of **Magenta** (Milan); and
- ◆ property values coming from the sale of the **Prat** land (Barcelona).

The Demerger, already approved by the extraordinary shareholders' meeting and the special savings shareholders' meeting, is subject to:

- 1. Borsa Italiana** admission to trading of the ordinary shares of RDM Realty S.p.A.; and
- 2. Consob** authorization to proceed with the issue of the listing prospectus ("nulla osta").

## Financial actions

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### New term debt:

Major terms and conditions have been agreed with the arranging banks and discussions are under way to finalize the contractual documentation for a new **term bank credit lines of 60 million euros.**

These resources, added to:

- ◆ **45 million euros** from the **disposal of non-core activities**; and
- ◆ **40 million euros** generated by the **demerger**;

will enable...

**the bond repayment of 145 million euros.**

## Industrial actions

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Actions taken to rationalize the Group's manufacturing structure:

- ◆ **ceased** operations of the **board machine (MC1)** located in the **Magenta** facility and dedicated exclusively to the production of virgin fibre cardboard;
- ◆ **terminated** the production at the **Prat facility** (Barcelona), owned by the subsidiary RDM Iberica S.L., one year before the originally planned date;
- ◆ **reached** agreements with Unions for further **headcount reductions** in Magenta, Villa S. Lucia and Marzabotto facilities (around 130 workers);
- ◆ **renegotiated steam supply** for the Magenta facility.



# Market environment

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## European market of recycled fibre Cardboard (WLC):

- ◆ **Volumes sold**<sup>(1)</sup> in 2005 reduced of around 2.3%, compared to 2004.
- ◆ **Capacity utilization**<sup>(1)</sup> at around 94% in 2004 and expected increase in the market capacity lower than 1%, in 2005 and 2006.
- ◆ **Energy costs**<sup>(2)</sup> (for italian producers) in 2005 increased up to 26%, compared to 2004.
- ◆ **Sale prices**<sup>(3)</sup> in 2005 decreased by 4%, compared to 2004 (in particular, down by approx. 9% from the 1Q 2004 to the 4Q 2005).

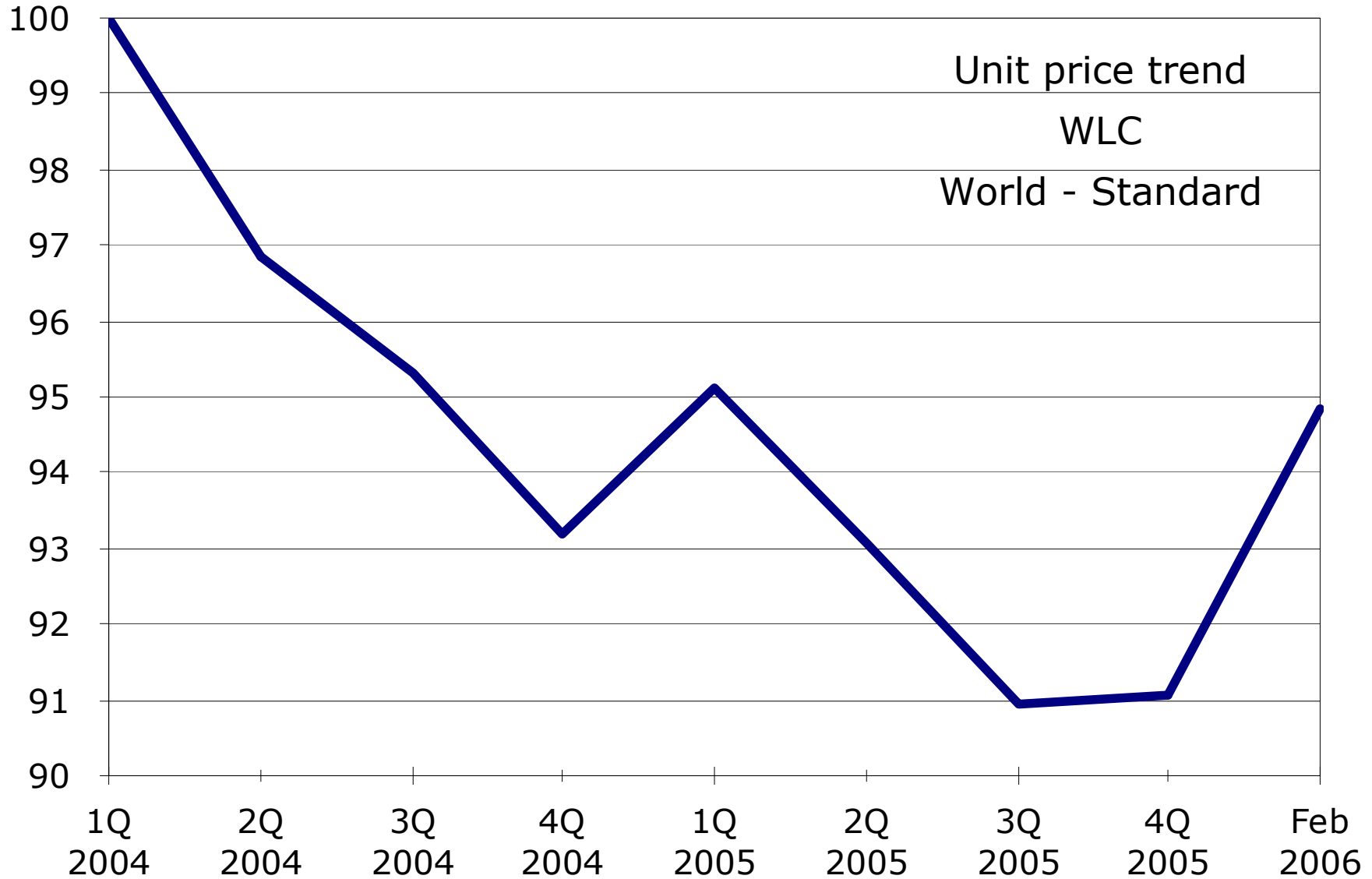
*(1) Source: CEPI Cartonboard.*

*(2) Source: Assocarta.*

*(3) Source: Reno De Medici.*



# Sale prices





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***Financial highlights***



# Profit and Loss

Consolidated profit and loss account	2005	2004
EUR thousands, IFRS		
Revenues from sales	295,545	302,013
Operating costs	(272,623)	(275,432)
Other income (expense)	4,486	4,573
<b>Gross Operating Profit (EBITDA)</b>	<b>27,408</b>	<b>31,154</b>
Depreciation, amortisation and write-downs	(25,901)	(25,971)
<b>Operating Result (EBIT)</b>	<b>1,507</b>	<b>5,183</b>
Financial income (expense), net and income from equity investments	(9,853)	(8,046)
Other income (expense)	(16,487)	0
Taxation	(527)	(2,258)
<b>Profit (loss) for the period before discontinued operations</b>	<b>(25,360)</b>	<b>(5,121)</b>
Discontinued operations	12,093	(2,548)
<b>Profit (loss) for the period</b>	<b>(13,267)</b>	<b>(7,669)</b>

2005 unaudited



# Balance Sheet

<b>Consolidated Balance Sheet</b>	<b>31.12.2005</b>	<b>31.12.2004</b>
<b>EUR thousands, IFRS</b>		
Trade receivables	106,994	141,755
Stocks	93,261	119,613
Trade payables	(72,553)	(108,024)
<b>Total working capital</b>	<b>127,702</b>	<b>153,344</b>
Other assets	3,343	9,794
Other liabilities	(29,942)	(32,627)
Non-current assets	239,735	331,072
Non-current liabilities	(3,265)	(6,095)
<b>Invested capital</b>	<b>337,573</b>	<b>455,488</b>
Employees' leaving entitlement and other provisions	(24,656)	(51,892)
<b>Net capital invested</b>	<b>312,917</b>	<b>403,596</b>
Net financial position	170,402	247,524
Shareholders' funds	142,515	156,072
<b>Total sources</b>	<b>312,917</b>	<b>403,596</b>

2005 unaudited



# Financial Position

<b>Consolidated net financial position</b>	<b>31.12.2005</b>	<b>31.12.2004</b>
<b>EUR thousands, IFRS</b>		
Cash and cash equivalents and short-term financial receivables	74,158	25,137
Short-term financial payables	(225,608)	(77,092)
Valuation of current portion of derivatives	4,118	(754)
<b>Short-term financial position</b>	<b>(147,332)</b>	<b>(52,709)</b>
Cash and cash equivalents and long-term financial receivables	5,200	0
Long-term financial payables	(28,270)	(198,751)
Valuation of non-current portion of derivatives	0	3,936
<b>Net financial position</b>	<b>(170,402)</b>	<b>(247,524)</b>



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## ***Outlook***

## Outlook

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The prospects for the current year will depend on a stable **recovery of the demand** for consumer goods, enabling the actual positive trend to be confirmed. At the end of February 2006:

- ◆ orders in line with budget;
- ◆ deliveries 10% above budget;
- ◆ sale prices increased of around 5% over the last quarter of 2005.

In this scenario, the increased efficiencies achieved in production operations will allow **higher** industrial **margins** to be generated.

Uncertainties still remain as to the likely trend in the **cost of electricity and natural gas**, and these will have to be constantly monitored in order to assess whether further action will need to be taken on **unit sale prices**.



# Outlook

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## Group's objectives are to:

- ◆ serve a **net financial debt** of **140 million euros** (of which around 95 million with a 10-year term);
- ◆ achieve a **NFP/EBITDA** in the range of **≤ 4x**;
- ◆ make **yearly investments** in the order of **10 million euros**;
- ◆ realize a **cash surplus** to gradually **reduce debt**.



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## **Q & A**