Interim report as of 31 December 2004

Magenta, 14 February 2005

- Consolidated net revenues down to EUR 471 million as of December 2004 from EUR 542 million at the end of 2003, as a result of both capacity streamlining and weak demand for consumer goods in Europe.

- Consolidated EBITDA up to EUR 45.2 million from EUR 31.9 million recorded in 2003 (which reflected, *inter alia*, the restatement of some inventory write-downs posted last year to extraordinary items) thanks to higher productive efficiency in both the cardboard and the packaging sectors. The consolidated 2004 EBITDA was affected by the negative result of the Pompei paper mill, owned by Aticarta, which reported a negative EBITDA by approx. EUR 3.9 million; management expects that the negative contribution of the Pompei paper mill will be reduced during 2005.

- Positive consolidated EBIT of EUR 3.3 million, after depreciation ad amortisation of about EUR 41.9 million, as against a negative consolidated EBIT of EUR 19.6 million at December 2003 after depreciation of plants and equipments in use last year of about EUR 51.5 million.

- Consolidated result before tax negative by EUR 10.7 million (as against about EUR 99.5 million pre-tax loss of the previous year), after net financial charges and extraordinary losses of, respectively, EUR 15.3 and EUR 1.7 million (respectively EUR 15.8 and 58.3 million at the end of 2003).

- Consolidated net financial position of EUR 245 million, as against EUR 246 million at September 2004 and EUR 255 million as of December 2003.

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The Board of Directors of Reno De Medici S.p.A. met today in order to approve the quarterly report for the third quarter of 2004 and to examine the results relating to the period 1 January – 31 December 2004.

In fiscal year 2004, the Reno De Medici Group recorded net revenues around EUR 471 million, down from EUR 542 million, approx., at year-end 2003. Net revenues declined about 13% from the previous year as a result of capacity streamlining, pressures on price levels (gross sales per unit in the cardboard business having dropped by more that 4% from 2003) and a stagnating final demand for consumer goods in Europe, the main market in packaging products.

Still, the achievement of greater productive efficiency and the rationalisation of the factors of production resulted in significant cuts in operating costs, then in improved margins from the previous year.

Consolidated EBITDA[1] stood around EUR 45.2 million (as against about EUR 31.9 million in the previous year which reflected, *inter alia*, the restatement of some inventory write-downs to extraordinary items). The consolidated 2004 EBITDA was affected by the negative result of the Pompei paper mill, owned by Aticarta, which reported a negative EBITDA by approx. EUR 3.9 million. Management expects that the negative contribution of the Pompei paper mill will be reduced during 2005.

EBITDA at year-end 2004 included charges around EUR 2.7 million made to provisions for doubtful debts, and its proportion to net revenues was about 9.6% (as against 5.9% in 2003). Without accounting for the negative contribution of the Pompei paper mill, 2004 consolidated EBITDA would have shown approx. 11% incidence on net revenues.

EBIT[2] was positive about EUR 3.3 million after depreciation and amortisation around EUR 41.9 million (as compared with a negative figure around EUR 19.6 million in the previous year, when it reflected about EUR 51.5 million depreciation of plants and equipments in use last year).

Consolidated result before taxes was negative by some EUR 10.7 million (against a pre-tax loss approximating EUR 99.5 million in the previous year). The consolidated pre-tax result for the year was the result of, *inter alia*, net financial charges around EUR 15.3 million (about EUR 15.8 million in 2003) and extraordinary net charges approximating EUR 1.7 million (about EUR 58.3 million in 2003).

The comparison of the results for fiscal year 2004 with those for 2003 is influenced by some items that were reclassified during 2003. Specifically, some non-recurring items posted last year, among which write-downs of the Group's inventories and charges made to provisions for liabilities and charges totalling EUR 13.7 million at a consolidated level, were restated from EBITDA generating elements to extraordinary income ad charges.

The consolidated balance sheet in December 2004, showed operating capital declining both in absolute terms (around EUR 16 million) and as a percentage of net invested capital (-2.3%). Net invested capital largely consisted of fixed assets (around 92%) and was funded by net borrowings to the extent of approx. 60% and by net worth to the extent of the remaining 40%, approx.

At year-end 2004, the Group's net financial position stood around EUR 245 million, as against EUR 246 million, approx., as at 30 September 2004, and about EUR 255 million at the end of fiscal 2003. Specifically, liabilities for medium-to-long term borrowings approximated EUR 223 million, including EUR 26 million, approx., as current liabilities due in 2005, and a nominal EUR 150 million debt issue redeemable in May 2006. Gross liabilities

[1] Earnings Before Interest, Taxes, Depreciation and Amortisation.
[2] Earnings Before Interest and Taxes.

for short-term bank facilities amounted to EUR 50 million, approx. (of which some EUR 32 million credit receivable financing).

The Group's net financial position at year end mainly reflected net repayments under medium-to-long term loan agreements and finance leases approximating EUR 30 million whereas its overall performance was also caused by non-recurring payments made in the approximate amount of EUR 17 million.

A breakdown of the Group's revenues by business area shows that no great changes occurred from the previous year in the proportion of individual segments' sales to consolidated net sales. Specifically, the cardboard segment accounted for some 76% of total consolidated revenues, followed by the packaging segment with 21% and the other segments (mainly the Spanish subsidiary's operations, Cogeneration Prat) with 3%, approx.

Likewise, a breakdown of revenues in percentage by geography did not materially change from the previous year, as sales in the Italian market represent about 56% of total revenues while sales within the EU area and sales in the overseas markets represent, respectively, about 35% and 9% of total.

As at the end of December 2004, the Parent's cardboard business recorded about EUR 305 million revenues (as against EUR 320 million, approx., in December 2003), and about EUR 27.9 million EBITDA from about EUR 23.5 million in December 2003 (which reflected inventory write-downs and charges to provisions for liabilities by EUR 7.9 million restated among extraordinary items).

Condensed financial statements:

Consolidated Profit and Loss Account – 4th Quarter

(euro thousands)	4th quarter 2004	%	4th quarter 2003	%	Difference
Net revenues	114.891		124.758		(9.867)
Raw materials and services	(86.058)		(95.848)		9.790
Personnel	(19.554)		(25.404)		5.850
EBITDA	**9.279**	**8,1**	**3.506**	**2,8**	**5.773**
Depreciation and amortisation	(11.126)		(11.959)		833
EBIT	**(1.847)**	**(1,6)**	**(8.453)**	**(6,8)**	**6.606**
Net financial income (charges)	(3.927)		(3.808)		(119)
Result from ordinary operations	**(5.774)**	**(5,0)**	**(12.261)**	**(9,8)**	**6.487**
Value adjustments to financial assets	1.381		(5.564)		6.945
Net extraordinary income (charges)	(1.224)		(8.288)		7.064
Result before tax	**(5.617)**	**(4,9)**	**(26.113)**	**(20,9)**	**20.496**

Consolidated Profit and Loss Accont as at December 31st, 2004

(euro thousands)	FY 2004	%	FY 2003	%	Difference
Net revenues	470.923		541.740		(70.817)
Raw materials and services	(337.732)		(405.618)		67.886
Personnel	(88.000)		(104.230)		16.230
EBITDA	**45.191**	**9,6**	**31.892**	**5,9**	**13.299**
Depreciation and amortisation	(41.931)		(51.545)		9.614
EBIT	**3.260**	**0,7**	**(19.653)**	**(3,6)**	**22.913**
Net financial income (charges)	(15.307)		(15.847)		540
Result from ordinary operations	**(12.047)**	**(2,6)**	**(35.500)**	**(6,6)**	**23.453**
Value adjustments to financial assets	3.087		(5.694)		8.781
Net extraordinary income (charges)	(1.719)		(58.306)		56.587
Result before tax	**(10.679)**	**(2,3)**	**(99.500)**	**(18,4)**	**88.821**

Consolidated Balance Sheet

(euro thousands)	Dec. 31st, 2004	Dec. 31st, 2003	Difference
Trade receivables	143.109	155.319	(12.210)
Inventories	84.027	91.335	(7.308)
Trade payables	(107.511)	(110.677)	3.166
Total operating capital	**119.625**	**135.977**	**(16.352)**
Other assets	29.121	30.064	(943)
Other liabilities	(29.695)	(31.530)	1.835
Net fixed assets	367.858	387.331	(19.473)
Invested capital	**486.909**	**521.842**	**(34.933)**
Provision for end-of-service indemnities and other provisions	(86.837)	(100.683)	13.846
Net invested capital	**400.072**	**421.159**	**(21.087)**
Net financial position	244.945	254.935	(9.990)
Shareholders' equity	155.127	166.224	(11.097)
Total sources of founds	**400.072**	**421.159**	**(21.087)**

The shareholders' equity figure stated in the balance sheets as at 31 December 2004 does not include taxation (IRPEG/IRES and IRAP), whereas that for full year 2003 is shown after tax.

Net Consolidated Financial Position

(euro thousands)	Dec. 31st, 2004	Dec. 31st, 2003	Difference
Cash and S-T financial assets	23.452	34.303	(10.851)
S-T financial liabilities	(76.396)	(71.094)	(5.302)
Short-term financial position	**(52.944)**	**(36.791)**	**(16.153)**
M-T financial assets	5.017	5.000	17
M-T financial liabilities	(197.018)	(223.144)	26.126
Net financial position	**(244.945)**	**(254.935)**	**9.990**

For further information please contact:

Reno De Medici S.p.A.
Guido Vigorelli
Tel. 02/979601
E-mail investor.relations@renodemedici.it

Bonaparte 48
Alessandro Iozzia - Monica Strigelli
Tel. 02/8800971 Fax 02/72010530
E-mail Alessandro.iozzia@bonaparte48.com
Monica.strigelli@bonaparte48.com