RenoDeMedici

RDM GROUP

Quarterly Report as of 31 March 2005

Pontenuovo di Magenta, 11 may 2005

Consolidated data as at 31 March 2005

- **Profit before taxes: 3.5 million euros, compared to the loss before taxes of 0.4 million euros at March 2004.**
- EBITDA: 12.6 million euros, compared to 14.6 million euros at March 2004 (-14%).
- EBIT: 3 million euros, compared to 4.1 million euros at March 2004.
- Net revenues: 113 million euros, compared to 128 million euros at March 2004 (-12%).
- Net financial indebtedness: down to 230 million euros from 245 million euros as of December 2004.

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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 first quarter of 2005.

The Reno De Medici Group has achieved a consolidated profit before tax amounted to 3.5 million euros (compared to a loss before tax of 0.4 million euros for the first quarter of 2004). The consolidated profit before tax reflects extraordinary income of around 3.3 million euros, essentially arising from the capital gain made by the subsidiary Europoligrafico S.p.A. on the sale of the land and buildings of the Verderio facility at the end of March 2005; this facility was closed in June 2004.

The gross operating result[1] (or EBITDA[2]) at a consolidated level closed at 12.6 million euros (compared to 14.6 million euros in the first quarter of 2004), which represents around 11.2% of net revenues, in line with the 11.4% recorded in the first quarter of 2004.

An operating profit[3] of 3 million euros was achieved, stated after depreciation of tangible fixed assets and amortisation of intangible assets of 9.5 million euros (compared to 4.1

[1] Difference between the value of production and the cost of production before the depreciation of tangible fixed assets and the amortisation of intangible fixed assets.

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

million euros at the end of March 2004, stated net of depreciation and amortisation of 10.6 million euros).

Net revenues amounted to 113 million euros at the end of first quarter 2005 compared to 128 million euros in the corresponding quarter of the prior year. The decrease in net revenues, amounting to approximately 12%, arises principally in the cartonboard sector; the relative fall compared to the figures of the prior year reflects among other matters the halt in production at the Pompeii (Aticarta S.p.A.) facility, caused by the lack of demand for its specific production of virgin fibre cartonboard, as well as the lower number of working days due to the Easter holidays, which in 2004 fell in April.

The net financial debt at the end of March 2005 amounts to 230 million euros compared to 245 million euros at the end of December 2004 and 258 million at the end of March 2004. In particular, long-term loans amount to 217 million euros, including the current portion of 22 million euros falling due within 12 months and the bond loan of 150 million, which falls due in May 2006. Gross bank overdrafts amount to 40 million euros, which relate principally to credit lines on customer receivables.

The consolidated net financial position at the end of the quarter reflects payments on long-term loans and leasing for around 6 million euros, while the overall variation also includes the cash received on the above-mentioned disposal of the Verderio land and buildings.

An analysis by sector of consolidated revenues compared to those of the prior year does not show significant variations, as the cartonboard sector, which includes the revenues of the Spanish subsidiary Cogeneracion Prat S.A., remains substantially stable at 79% of total revenues as against the packaging sectors with 21%.

A similar percentage analysis by geographical area compared to the first quarter of 2004 shows an increase in the non-European markets by 4.5 percentage points, which corresponds to a fall in revenues of the same amount in the home market. The percentage of European revenues remains stable.

Trends in operations in 2005, in terms of sale volumes and price levels, will continue to depend upon the growth of industrial production in the major European economies and, in particular, on the course taken by the demand of consumer goods, by the costs of energy and by euro/dollar exchange rate, which is currently penalising certain of the Group's customers.

The steps being taken to rationalise the fixed and variable costs associated with the primary activities (supply, production and sale) continue, as well as does the action being carried out to seek greater efficiency in the organisation of support activities. In this respect, an agreement is being finalised with the trades unions to reduce the workforce at the Magenta and Villa S. Lucia facilities and a programme is under way to transfer to the manufacturing sites certain functions currently carried out centrally at the corporate headquarters with a view to further decrease overhead costs.

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[3] Gross operating profit less the depreciation of tangible fixed assets and the amortisation of intangible fixed assets.

Information relating to the debenture loan

As indicated previously, consolidated net financial debt includes a debenture loan of 150 million euros, issued by the subsidiary Reno De Medici International S.A..

This loan is due on 4 May 2006 and is secured by a Parent Company's guarantee at first request.

Information regarding the transition to International Financial Reporting Standards (IFRS)

In 2004, the Reno De Medici Group commenced a project for the conversion to International Financial Reporting Standards (the IFRS project), together with the assistance of PricewaterhouseCoopers S.p.A.. Included in this project, amongst other matters, is the objective of defining certain decisional and support bodies, such as the Steering Committee and the Technical Committee, which will enable activities to be carried out effectively from both an operative and decisional point of view.

The Steering Committee is made up of the principal managers in Reno De Medici, assisted by PricewaterhouseCoopers S.p.A. on technical and accounting matters. The Steering Committee coordinates the project and acts as the decisional body, taking any corrective action necessary and managing the risks and opportunities connected with the project. In particular, from an operating point of view, the Steering Committee monitors the state of progress of the project through periodic meetings and, on the basis of proposals put forward by the technical team, takes decisions on the various options existing under IFRS for specific financial statement captions.

The Technical Committee acts as the support body for the project, is made up of representatives of the independent auditors and assists the Company in identifying the possible solutions to questions raised by the Steering Committee or the workgroups and in identifying the accounting treatments which best suit IFRS requirements.

The IFRS project is structured in three work phases. The first phase regards the definition of the scope of the work and the identification of the macro areas of the financial statements under consideration. The second phase consists of an evaluation of the accounting principles and policies used by the Group for every area of the financial statements, an analysis of the options available under IFRS and the identification of the differences, if any, with the principles and policies currently adopted. The third phase requires the quantification of the accounting differences and the preparation of an IFRS transition balance sheet at 1 January 2004 and a Group accounting manual to describe the principal changes to be made to current procedures, including those relating to the information systems.

Having now completed the first two phases for the whole Group, the principal effects of applying IFRS to the consolidated balance sheet at 1 January 2004 have been determined.

For information purposes, the following captions of the financial statements are those principally affected by the change in principles and policies to IFRS from those currently adopted: intangible fixed assets, tangible fixed assets, financial fixed assets, financial assets and liabilities, both current and non current, the employees' leaving entitlement and provisions for contingencies.

On 11 May 2005, the Board of Directors of Reno De Medici S.p.A. appointed PricewaterhouseCoopers S.p.A. as auditors in accordance with Consob communication no. DEM/5025723 of 15 April 2005.

Financial schedules of the RDM Group

Consolidated Profit and Loss Accont - 1st Quarter

(euro thousands)	1st quarter 2005	%	1st quarter 2004	%	FY 2004	%
Net Revenues	112,548		127,957		470,923	
Raw materials and services	(78,518)		(89,267)		(337,602)	
Personnel	(21,474)		(24,057)		(88,126)	
EBITDA	**12,556**	**11.2**	**14,633**	**11.4**	**45,195**	**9.6**
Depreciation and amortisation	(9,535)		(10,564)		(42,020)	
EBIT	**3,021**	**2.7**	**4,069**	**3.2**	**3,175**	**0.7**
Net financial income (charges)	(3,377)		(4,327)		(15,288)	
Result from ordinary operations	**(356)**	**(0.3)**	**(258)**	**(0.2)**	**(12,113)**	**(2.6)**
Value adjustments to financial asstes	508		646		3,127	
Net extraordinary income (charges)	3,340		(781)		(4,702)	
Result before tax	**3,492**	**3.1**	**(393)**	**(0.3)**	**(13,688)**	**(2.9)**

Consolidated Balance Sheet as at 31 March 2005

(euro thousands)	31 March 2005	31 Dec. 2004	31 March 2004
Trade receivables	141,366	143,110	158,121
Inventories	89,703	86,044	93,759
Trade payables	(104,564)	(107,527)	(106,010)
Total operating capital	**126,505**	**121,627**	**145,870**
Other net assets (liabilities)	(5,664)	187	(8,165)
Net fixed assets	353,094	362,775	383,412
Invested capital	**473,935**	**484,589**	**521,117**
Provision for end-of-service indemnities and other provisions	(87,203)	(86,896)	(97,488)
Net invested capital	**386,732**	**397,693**	**423,629**
Net financial position	230,492	244,945	258,042
Shareholders' equity	156,240	152,748	165,587
Total sources of funds	**386,732**	**397,693**	**423,629**

Shareholders' equity at 31 March 2005 and 2004 includes the result for the quarters then ended before taxation (IRPEG/IRES and IRAP), whereas that at 31 December 2004 includes the result after tax.

Net consolidated financial position as at 31 March 2005

(euro thousands)	31 March 2005	31 Dec. 2004	31 March 2004
Cash and S-T financial assets	21,074	23,452	29,112
S-T financial liabilities	(62,088)	(76,396)	(73,327)
Short-term financial position	**(41,014)**	**(52,944)**	**(44,215)**
M-T financial assets	5,000	5,017	0
M-T financial liabilities	(194,478)	(197,018)	(213,827)
Net financial position	**(230,492)**	**(244,945)**	**(258,042)**

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