

RenoDeMedici



## QUARTERLY REPORT – FIRST QUARTER 2006

*Pontenuovo di Magenta, 15 May 2006*

- ♦ **Net revenues:** reflect an increase in tonnes shipped, but do not fully incorporate the raise in sale prices which will become effective with the deliveries of the second quarter and amounted to Euro 85.2 million; Euro 74.9 million at the end of March 2005 (+13.7%).
- ♦ **Gross operating profit (EBITDA):** reflects a further containment of costs which partially compensated the higher energy costs and amounted to Euro 7.9 million; Euro 8.8 million at the end of March 2005 (-10.2%).
- ♦ **Net result for the period:** reflects the result of ‘discontinued operations’ (negative in the first quarter 2006 and positive in the first quarter 2005) and was, therefore, negative for Euro 3.2 million; positive for Euro 0.9 million at the end of March 2005.
- ♦ **Net financial debt:** Euro 166.6 million, compared to Euro 169.3 million at the end of December 2005.

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The Board of Directors of Reno De Medici S.p.A. today approved the Quarterly Report for the quarter ended on 31 March 2006

### **CONSOLIDATED RESULTS**

The Reno De Medici Group (the “RDM Group” or the “Group”) achieved net revenues of 85.2 million euros in the first quarter of 2006, compared to 74.9 million euros in the corresponding period of the previous year (up 13.7%)<sup>1</sup>.

This performance, in line with the gradual recovery taking place in the leading European economies, reflects an increase in the volume of goods despatched, which rose to

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<sup>1</sup> See the consolidated financial statements of the RDM Group.

approximately 174,000 tonnes compared to the approximately 147,000 tonnes for the first quarter of 2005 (up 18%)<sup>2</sup>.

As regards sales prices, new orders have been taken during the first quarter of 2006 for delivery in the second quarter of the year at unit prices of around 5% higher than those of the final quarter in 2005. Net revenues for the first quarter of 2006, however, also represent the delivery of goods ordered at the end of 2005 and accordingly reflect prices which, on average, are lower by around 1.5% than those currently being obtained. As a result, ordinary activities in the second quarter of this year are expected to produce a higher margin than that of the first quarter on a like for like cost basis.

The Italian market accounts for around 54% of consolidated net revenues (around 52% in 2005); the market consisting of the remainder of the European Union accounts for around 36% (35% in 2005), with countries outside the European Union accounting for 10% (13% in 2005).

Gross operating profit (or EBITDA) at a consolidated level closed at 7.9 million euros for the quarter (compared to 8.8 million euros for the first quarter of 2005), reflecting a further containment of costs which partially compensated the lower unit sales prices and higher energy costs.

In this regard, the unit variable manufacturing costs of Reno De Medici S.p.A. (“RDM” or the “Parent Company”) (measured in euros per tonne) were in line with those of the first quarter of 2005. The increased efficiencies gained in the purchase and utilisation of raw materials were such as to be able to compensate the increase in unit energy costs of around 14%. Fixed factory and headquarter costs, in addition, fell by around 8% compared to the first quarter of 2005.

EBITDA for the quarter ended 31 March 2006 was affected in addition by the costs connected with the termination of operating units and related support services, with particular reference to the Barcelona area and the Magenta facility, the effect of whose reclassification as discontinued operations is not easy to determine.

There was a net loss before discontinued operations of 2.1 million euros (a net loss of 0.9 million euros for the first quarter of 2005), which principally reflects net financial expense, including exchange differences, of 3.3 million euros (2.9 million euros for the first quarter of 2005) and taxation of 1.1 million euros (0.8 million euros for the first quarter of 2005).

Discontinued operations incurred a loss of approximately 1 million euros (a gain of 1.7 million euros in the first quarter of 2005), which is made up of the result for the period (the net operating result) of the Prat facility and the Magenta MC1 line, which both ceased activities in 2005. The result from discontinued operations for the first quarter of 2005 also included the results of the companies sold during 2005 (Europoligrafico S.p.A., Aticarta S.p.A. and Cogeneracion Prat S.A.).

The above matters lead to an overall loss for the quarter of 3.2 million euros (a profit of 0.9 million euros for the first quarter of 2005).

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<sup>2</sup> These figures do not include the volumes despatched by the production units whose results are presented as ‘Discontinued operations’.

The Group made investments in fixed assets of 1.5 million euros during the first quarter of 2006 (0.9 million euros for the first quarter of 2005).

Consolidated net financial debt at 31 March 2006 amounts to 166,6 million euros, compared to 169.3 million euros at 31 December 2005. The decrease is principally the result of a decrease in short-term bank debt, which more than compensated the drop in restricted funds payable to the former employees of the Prat facility (of Reno De Medici Iberica S.L.) following the termination of their employment contracts.

In particular, short-term interest-bearing debt at 31 March 2006 amounts to 214 million euros, which includes the residual balance of 145 million euros relating to the bond (repaid on its contractual due date of 4 May 2006), the short-term portion of 16.8 million euros of long-term loans due within 12 months and short-term bank debt of 52.3 million euros, mostly consisting of advances on invoices issued to customers. Long-term interest-bearing debt at 31 March 2006 amounts to 28.2 million euros.

## **PRINCIPAL EVENTS**

On 6 April 2006, two new long-term loan agreements were finalised for a total amount of 100 million euros, of which the first regards a loan of 60 million euros to RDM and the second a loan of 40 million euros to the subsidiary Red.Im S.r.l.<sup>3</sup>.

The funds from these two loans, taken together with those already obtained by the RDM Group as the result of the sales of Europoligrafico S.p.A. and Aticarta S.p.A., enabled the bond issued by Reno De Medici International S.A. to be repaid on its contractual due date of 4 May 2006.

As the consequence of the repayment of the bond, the RDM Group's long-term debt amounts to 142 million euros. This figure also includes the loan of 40 million euros to Red. Im S.r.l., the company demerged into the recipient company RDM Realty S.p.A.; as a result of this, the Group's debt will be reduced by a further 40 million euros after the demerger.

In this connection, it is recalled that RDM made formal applications to Consob and Borsa Italiana S.p.A. for, respectively, authorisation to proceed with the issue of the listing prospectus and admission to trading of the ordinary shares of RDM Realty. These applications are proceeding normally with these two bodies.

## **OUTLOOK**

The figures for operations at the end of April 2006 confirm that there has been an increase in volumes compared to the first four months of the previous year. In particular, goods despatched have increased by approximately 7% while orders have risen by around 9%.

The trend in unit prices at the end of April 2006 indicates that there has been an essential realignment with the levels of the corresponding period in 2005, a year which was distinguished by a gradual reduction in prices.

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<sup>3</sup> Reference should be made to the press release of 6 April 2006 for further details of these two loan agreements.

Concerns and uncertainties remain over the continuing increase in energy costs, and the effect of this will need to be assessed in order to decide whether further action will need to be taken on unit sales prices during the current year.

The outlook for the year, in which there are recoveries in both volumes and sales prices following the significant fall which took place during the last quarter of 2005 and which were still reflected in the results for the first quarter of 2006, is therefore linked to a consolidation of the recovery taking place in the demand for consumer goods and in industrial production in general in the leading European economies.

## CONSOLIDATED FINANCIAL STATEMENTS

Consolidated profit and loss account	1 <sup>st</sup> quarter 2006	1 <sup>st</sup> quarter 2005
	Euro/000	
Revenues from sales	85,182	74,913
Other revenues	933	1,023
Changes in stocks of finished goods	1,834	1,326
Cost of raw materials and services	(65,609)	(54,142)
Staff costs	(13,424)	(13,127)
Other operating costs	(646)	(988)
Income (expense) from non-current assets held for sale	(387)	(126)
Unusual income (expense)	(3)	(58)
<b>Gross Operating Profit (EBITDA)</b>	<b>7,880</b>	<b>8,821</b>
Depreciation and amortisation	(5,909)	(6,444)
Recovery of value and write-downs of assets	0	0
<b>Operating Profit (EBIT)</b>	<b>1,971</b>	<b>2,377</b>
	<i>Financial expense</i>	(3,607)
	<i>Exchange differences</i>	(45)
	<i>Financial income</i>	372
Financial income (expense), net	(3,280)	(2,918)
Income from investments	441	508
Other income (expense)	(171)	0
Taxation	(1,108)	(823)
<b>Profit (loss) for the year before discontinued operations</b>	<b>(2,147)</b>	<b>(856)</b>
	<i>Gains (losses) from disposals, net</i>	
	<i>Loss for the period</i>	
Discontinued operations	(1,019)	1,749
	(1,019)	1,749
<b>Profit (loss) for the year</b>	<b>(3,166)</b>	<b>893</b>
Attributable to:		
Profit (loss) for the year pertaining to the group	(3,266)	765
Profit (loss) for the year pertaining to minority interests	100	128

Consolidated balance sheet	31.03.2006	31.12.2005
Euro/000		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible fixed assets	188,487	193,174
Investment property	1,284	1,284
Goodwill	146	146
Other intangible assets	3,007	3,309
Investments accounted for under the equity method	13,698	14,216
Deferred tax assets	470	577
Derivative financial instruments	0	0
Financial assets held for sale	219	219
Trade receivables	0	193
Other receivables	10,235	10,272
	<b>217,546</b>	<b>223,390</b>
Other non-current assets held for sale	19,028	20,208
<b>Total non-current assets</b>	<b>236,574</b>	<b>243,598</b>
<b>Current assets</b>		
Stocks	87,828	92,979
Trade receivables	112,978	106,899
Other receivables	6,233	21,168
Derivative financial instruments	5,354	5,321
Financial assets held for sale	9	10
Financial assets at fair value	0	0
Liquid funds	65,698	56,779
<b>Total current assets</b>	<b>278,100</b>	<b>283,156</b>
<b>TOTAL ASSETS</b>	<b>514,674</b>	<b>526,754</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Shareholders' equity attributable to the group	138,986	142,251
Minority interests	859	759
<b>Shareholders' equity</b>	<b>139,845</b>	<b>143,010</b>
<b>Non-current liabilities</b>		
Bank loans and other financial liabilities	28,151	28,270
Derivative financial instruments	0	0
Other payables	1,051	1,064
Deferred tax liabilities	2,843	2,293
Employees' leaving entitlement	17,288	17,324
Non-current provisions for contingencies and charges	6,849	7,425
Liabilities directly associated with non-current assets held for sale	0	0
<b>Total non-current liabilities</b>	<b>56,182</b>	<b>56,376</b>
<b>Current liabilities</b>		
Bank loans and other financial liabilities	214,066	220,056
Derivative financial instruments	1,210	1,242
Trade payables	77,730	72,552
Other payables	25,242	33,247
Current taxation	399	271
<b>Total current liabilities</b>	<b>318,647</b>	<b>327,368</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>514,674</b>	<b>526,754</b>

<b>Consolidated net financial position</b>	<b>31.03.2006</b>	<b>31.12.2005</b>	<b>Variation</b>
Euro/000			
Cash and cash equivalents and short term financial receivables	66,320	75,330	(9,010)
Short term financial payables	(214,066)	(225,608)	11,542
Valuation of current portion of derivatives	4,144	4,079	65
<b>Short-term financial position</b>	<b>(143,602)</b>	<b>(146,199)</b>	<b>2,597</b>
Long term financial receivables	5,200	5,200	0
Long term financial payables	(28,151)	(28,270)	119
Valuation of non-current portion of derivatives	0	0	0
<b>Net financial position</b>	<b>(166,553)</b>	<b>(169,269)</b>	<b>2,716</b>

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