



QUARTERLY REPORT – SECOND QUARTER 2006

Pontenuovo di Magenta, 3 August 2006

- ♦ **Net revenues:** 163.3 million euros compared to 151.1 million at June 2005 (+8%), as a result of higher volumes sold by the Group's operating mills.
- ♦ **Gross operating profit (EBITDA):** 16.7 million euros compared to 16.1 million at June 2005 (+4%), as a result of an initial recovery of selling prices combined with additional cost efficiencies.
- ♦ **Operating profit (EBIT):** 5.1 million euros compared to 1.7 million at June 2005.
- ♦ **Net result for the period:** reflects the result of 'discontinued operations' (negative in the first half 2006 and positive in the first half 2005) and is negative for Euro 6.3 million euros (negative for Euro 0.3 million at the end of June 2005).
- ♦ **Net financial debt:** 140.1 million euros, compared to Euro 169.3 million at the end of December 2005 mostly as a result of the demerger and listing of RDM Realty S.p.A..

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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 30 June 2006

CONSOLIDATED RESULTS

The Reno De Medici Group (the "RDM Group" or the "Group") achieved net revenues of 163.3 million euros in the first half of 2006, compared to 151.1 million euros in the corresponding period of the previous year (up 8%)¹. In particular, net revenues in the second quarter of the year amounted to 78.1 million euros compared to 76.2 million euros in the second quarter of 2005 (up 2.5%).

This performance reflects an increase in the volume of cartonboard despatched, which amounted to approximately 333,000 tonnes in the first half year compared to the approximately 296,000 tonnes for the first half of 2005 (up 12.4%)².

¹ See the Consolidated financial statements of RDM Group.

² These figures do not include the volumes despatched by the production units whose results are presented as 'Discontinued operations'.

Cartonboard despatched in the second quarter of the year reached 159,000 tonnes compared to 149,000 tonnes in the second quarter of 2005.

Unit sales prices of the volumes sold in the first half of 2006 approached on average those of the first half of 2005, when there was a gradual fall in these prices right up to the end of the year.

New orders collected during the first half of 2006 reflected unit prices around 2.5% higher than those of the first half of 2005 and around 4% to 4.5% higher than those of the second half of previous year. As a result, higher margins are to be expected from ordinary operations for the third quarter of 2006 compared to those of the corresponding period of 2005, if cost factors remain unchanged.

The Italian market accounts for around 56% of consolidated net revenues (around 55% in 2005); the market consisting of the remainder of the European Union accounts for around 34% (in line with 2005), with countries outside the European Union accounting for 10% (11% in 2005).

Operating profit (EBIT) of 5.1 million euros was achieved for the half year 2006 (after depreciation, amortisation and write-offs of 11.6 million euros), compared to 1.7 million euros (after depreciation, amortisation and write-offs of 14.3 million euros) in the first half of the previous year.

The operating activities showed a profit before taxes of about 0.5 million euros after having reported negative results for several quarters.

Profit and loss highlights at 30 June 2006 and 2005 are shown in the following table.

Consolidated profit and loss account	First half 2006	First half 2005
	Euro/000	
Revenues from sales	163,273	151,130
EBITDA	16,743	16,060
EBIT	5,128	1,745
Result of operating activities before taxes	532	(18,909)
<i>Current and deferred taxes</i>	<i>(2,685)</i>	<i>(1,783)</i>
Result of operating activities after taxes	(2,153)	(20,692)
<i>Discontinued operations and non recurrent expenses</i>	<i>(4,180)</i>	<i>20,377</i>
Result for the period	(6,333)	(315)

Gross operating profit (or EBITDA) at a consolidated level closed at 16.7 million euros for the half year, compared to 16.1 million euros for the first half of 2005 (up 4.3%).

EBITDA amounted to 8.9 million euros in the second quarter of 2006, compared to 7.3 million euros in the second quarter of 2005.

The EBITDA performance reflects only partially the price increases which will show their effect in the second half of 2006; on the other side EBITDA reflects the steps taken to contain costs, aimed at setting off the increase in energy supply charges.

In this regard the unit variable manufacturing costs of Reno De Medici S.p.A. (“RDM” or the “Parent Company”) in the first half of 2006 (measured in euros per tonne) were essentially in line with those of the first half of 2005, despite the significant increase in unit energy costs of around 20%.

Fixed factory and headquarter costs, in addition, fell by around 10% compared to the first half of 2005.

There was a net loss before discontinued operations of 2.1 million euros (compared to a net loss of 20.7 million euros for 2005) which principally reflects net financial expense, including exchange differences, of 5.8 million euros (5.9 million euros for the first half of 2005), income from equity investments of 1.2 million euros (substantially in line with the figure for 2005) and taxation of 2.7 million euros (1.8 million euros for the first half of 2005).

Discontinued operations incurred a loss of approximately 4.2 million euros compared to a gain of 20.4 million euros in the first half of 2005, which included the gain from the sale of Europoligrafico S.p.A.. In particular, the result from discontinued operations and non recurrent expenses in the first half of 2006 includes, as showed in the following table, the results for the period (the operating result) of the Prat facility and the Magenta MC1 line, which both ceased activities in 2005, the net economic contribution of Red.Im S.r.l. (which became part of RDM Realty S.p.A.) and the costs relating to the demerger operation and the consequent listing of RDM Realty S.p.A., and some additional expenses related to the sale of Europoligrafico S.p.A. and Aticarta S.p.A..

Discontinued operations and non recurrent expenses	1 Half 2006
	Euro/000
MC1 Magenta	(763)
Prat	(1,126)
Demerged operations	(409)
Demerger and listing expenses for RDM Realty	(1,353)
Expenses related to the sale of Europoligrafico and Aticarta	(529)
Total	(4,180)

The result from discontinued operations for the first half 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 overall net result at 30 June 2006 therefore turned into a loss of 6.3 million euros as a result of the current and deferred taxation (2.7 million euros) and the loss of discontinued operations (4.2 million euros).

The Group made investments in fixed assets of 4.1 million euros during the first half of 2006 (3.2 million euros for the first half of 2005).

Following the repayment of the debenture loan on 4 May 2006, consolidated net financial debt at 30 June 2006 amounts to 140.1 million euros, compared to 169.3 million euros at 31 December 2005.

The decrease is principally due to the deconsolidation of the interest-bearing debt of Red.Im S.r.l., which amounted to 40 million euros, following the finalisation of the demerger.

In addition, the RDM Group incurred cash outflows of 9 million euros in the first half of 2006 principally due to the payments, currently still being made, to the former employees of the Prat facility (of Reno De Medici Iberica S.L.) as settlement following the termination of their employment contracts, and the costs connected with extraordinary operations (setting up new loans and the demerger and listing of RDM Realty S.p.A).

In detail, gross financial debt at 30 June 2006 amounts to 157.8 million euros (compared to 253.9 million euros at 31 December 2005), which includes long-term credit facilities of 85.1 million euros, short-term facilities of 61 million euros, mostly consisting of advances on invoices issued to customers, and the portion of long-term loans becoming due within the next 12 months amounting to 11.7 million euros.

Liquidity and financial receivables at 30 June 2006 amount to 17.9 million euros.

PRINCIPAL EVENTS

The deed for the partial and proportional demerger of RDM was formalised on 19 June 2006; under this operation, the net equity represented by the property assets held by the RDM Group but not forming part of its industrial business was transferred to the newly-established recipient company RDM Realty S.p.A. ("RDM Realty").

The formalisation of the merger deed followed the approval given by Borsa Italiana on 12 June 2006 for the admission to listing of the shares of RDM Realty, and the clearance provided by Consob on 15 June 2006 to the publication of the listing prospectus.

The demerger became effective on 21 June 2006 and from 22 June 2006 the shares of RDM Realty have been traded in class 1 of the Expandi Market, with the RDM shares being traded ex-demerger from that date.

As a result of the finalisation of the demerger, Red.Im S.r.l. is no longer within the scope of consolidation, with the consequence that 40 million euros of interest-bearing debt has also been deconsolidated.

OUTLOOK

The figures for operations at 21 July 2006 confirm that there has been an increase in volumes compared to the same period of the previous year. In particular, tonnes despatched have increased by approximately 6% while orders have risen by around 9%.

On the price front, the RDM Group is engaged at the present in carrying out the appropriate steps necessary to achieve increases in average sales prices, with the aim of increasing operating margins notwithstanding the notable increases in energy costs.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated profit and loss account	First half 2006	First half 2005
	Euro/000	
Revenues from sales	163,273	151,130
Other revenues	1,112	1,816
Changes in stocks of finished goods	5,017	2,357
Cost of raw materials and services	(124,662)	(109,900)
Staff costs	(26,420)	(26,768)
Other operating costs	(1,430)	(2,328)
Income (expense) from non-current assets held for sale	(371)	(54)
Unusual income (expense)	224	(193)
Gross Operating Profit (EBITDA)	16,743	16,060
Depreciation and amortisation	(11,615)	(12,142)
Recovery of value and write-downs of assets	-	(2,173)
Operating Profit (EBIT)	5,128	1,745
	<i>Financial expense</i>	
	<i>Exchange differences</i>	
	<i>Financial income</i>	
Financial income (expense), net	(5,835)	(5,929)
Income from investments	1,239	1,181
Other income (expense)	-	(15,906)
Taxation	(2,685)	(1,783)
Profit (loss) for the period before discontinued operations	(2,153)	(20,692)
	<i>Gains (losses) from disposals, net</i>	
	<i>Loss for the period</i>	
Discontinued operations	(4,180)	27,259
	(4,180)	(6,882)
	(4,180)	20,377
Profit (loss) for the period	(6,333)	(315)
Attributable to:		
Profit (loss) for the year pertaining to the group	(6,503)	(806)
Profit (loss) for the year pertaining to minority interests	170	491

Consolidated profit and loss account		2 nd quarter 2006	2 nd quarter 2005
	Euro/000		
Revenues from sales		78,100	76,226
Other revenues		179	793
Changes in stocks of finished goods		3,183	1,031
Cost of raw materials and services		(59,000)	(55,723)
Staff costs		(12,996)	(13,641)
Other operating costs		(808)	(1,363)
Income (expense) from non-current assets held for sale		16	72
Unusual income (expense)		227	(135)
Gross Operating Profit (EBITDA)		8,901	7,260
Depreciation and amortisation		(5,754)	(5,746)
Recovery of value and write-downs of assets		-	(2,173)
Operating Profit (EBIT)		3,147	(659)
	<i>Financial expense</i>	(2,718)	(3,733)
	<i>Exchange differences</i>	(107)	149
	<i>Financial income</i>	244	557
Financial income (expense), net		(2,581)	(3,027)
Income from investments		798	673
Other income (expense)		-	(15,906)
Taxation		(1,581)	(961)
Profit (loss) for the period before discontinued operations		(217)	(19,880)
	<i>Gains (losses) from disposals, net</i>	-	27,259
	<i>Loss for the period</i>	(3,121)	(8,587)
Discontinued operations		(3,121)	18,672
Profit (loss) for the priod		(3,338)	(1,208)
Attributable to:			
Profit (loss) for the year pertaining to the group		(3,408)	(1,571)
Profit (loss) for the year pertaining to minority interests		70	363

Consolidated balance sheet	30.06.2006	31.12.2005
	Euro/000	
ASSETS		
Non-current assets		
Tangible fixed assets	182,764	193,174
Investment property	-	1,284
Goodwill	146	146
Other intangible assets	2,876	3,309
Investments accounted for under the equity method	14,013	14,216
Deferred tax assets	651	577
Derivative financial instruments	216	-
Financial assets held for sale	219	219
Trade receivables	195	193
Other receivables	6,997	10,272
	208,077	223,390
Other non-current assets held for sale	16,492	20,208
Total non-current assets	224,569	243,598
Current assets		
Stocks	84,411	92,979
Trade receivables	108,370	106,899
Other receivables	8,205	21,168
Derivative financial instruments	-	5,321
Financial assets held for sale	7	10
Financial assets at fair value	745	-
Liquid funds	11,224	56,779
Total current assets	212,962	283,156
TOTAL ASSETS	437,531	526,754
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the group	127,886	142,251
Minority interests	491	759
Shareholders' equity	128,377	143,010
Non-current liabilities		
Bank loans and other financial liabilities	85,151	28,270
Derivative financial instruments	5	-
Other payables	32,830	1,064
Deferred tax liabilities	8,302	2,293
Employees' leaving entitlement	17,077	17,324
Non-current provisions for contingencies and charges	5,996	7,425
Liabilities directly associated with non-current assets held for sale	-	-
Total non-current liabilities	149,361	56,376
Current liabilities		
Bank loans and other financial liabilities	72,655	220,056
Derivative financial instruments	398	1,242
Trade payables	71,165	72,552
Other payables	14,394	33,247
Current taxation	1,181	271
Total current liabilities	159,793	327,368
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	437,531	526,754

Consolidated net financial position	30.06.2006	31.12.2005	Variation
Euro/000			
Cash and cash equivalents and short term financial receivables	15,687	75,330	(59,643)
Short term financial payables	(72,655)	(225,608)	152,953
Valuation of current portion of derivatives	(398)	4,079	(4,477)
Short-term financial position	(57,366)	(146,199)	88,833
Long term financial receivables	2,200	5,200	(3,000)
Long term financial payables	(85,151)	(28,270)	(56,881)
Valuation of non-current portion of derivatives	211	-	211
Net financial position	(140,106)	(169,269)	29,163

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