QUARTERLY REPORT – THIRD QUARTER 2006

Pontenuovo di Magenta, 13 November 2006

- **Net revenues**: 232.3 million euros, compared to 218.9 million at September 2005 (+6.1%).

- **Gross operating profit (EBITDA)**: 21.8 million euros, compared to 23.3 million at September 2005 (-6.9%).

- **Operating profit (EBIT)**: 4.4 million euros, compared to 3.0 million at September 2005 (+46.6%).

- **Net result before discontinued operations:** is negative for 6.3 million euros compared to a net loss of 23.4 million euros at September 2005.

- **Net result for the period**: reflects the result of 'discontinued operations' (negative in the first nine months of 2006 and positive in the first nine months of 2005) and is negative for 11.3 million euros (negative for 7.0 million at the end of September 2005).

- **Net financial debt**: 137.9 million euros compared to 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 30 September 2006.

CONSOLIDATED RESULTS AT 30 SEPTEMBER 2006

Operational performance for the first nine months of 2006 was distinguished by the considerable increase of over 11 million euros in energy costs during the period, a figure that excludes the reduction in consumption achieved as the result of improvements in efficiency.

This increase was partially set-off by an increase in sales prices, by the higher level of efficiency achieved at the individual facilities and by the steps taken to contain manufacturing variable costs.

EBITDA is substantially stable when compared to the level of the prior year, despite the rise in energy costs.

The RDM Group achieved **net revenues** of 232.3 million euros in the period from January to September 2006, compared to 218.9 million euros in the corresponding period of last year (up 6.1%)[1]. In particular, net revenues in the third quarter of the year amounted to 69.0 million euros compared to 67.7 million euros in the third quarter of 2005 (up 1.9%).

Sales volumes for the first three quarters of 2006 amounted to approximately 471,000 tonnes compared to the figure of approximately 451,000 tonnes for the same period of last year[2], with unit selling prices being slightly higher than those of the corresponding period of 2005 when there was a gradual fall in prices right up to the end of the year.

Considering the trends in prices in 2005, average unit sales prices have been notably higher than those for the corresponding period of last year.

The increase in net revenues in the quarter reflects the improvement in prices, although this was partly set-off by a decrease in sales volumes which arrived at approximately 140,000 tonnes in the third quarter of 2006 compared to approximately 143,000 tonnes in the third quarter of 2005.

The Italian market accounts for around 55% of consolidated net revenues (in line with 2005); the market consisting of the remainder of the European Union accounts for around 35% (34% in 2005), with countries outside the European Union accounting for 10% (11% in 2005).

Gross operating profit (or EBITDA) at a consolidated level closed at 21.8 million euros for the nine months in 2006, compared to 23.3 million euros for the same period of 2005 (down 6.9%).

EBITDA amounted to 5 million euros in the third quarter of 2006 compared to 7.2 million euros in the third quarter of 2005. In order for this change to be understood better, it should be remembered that a total of non-recurring income of 2.5 million euros was recognised in the third quarter of 2005 in connection with the revision of the energy supply contract with Termica Boffalora S.r.l. and the grants received by the subsidiary RDM Iberica S.L..

The performance of EBITDA incorporates the positive effects of price increases, greater efficiencies in production and the steps taken in 2006 to contain fixed costs. The resulting improvement in margins was however absorbed by increased energy supply charges which, in unit terms (measured in euros per tonne), rose by 32% when compared to the first nine months of 2005.

Operating profit (or EBIT) of 4.4 million euros was achieved for the first nine months of 2006 (after depreciation, amortisation and write-downs of 17.3 million euros), compared to 3.0 million euros (after depreciation, amortisation and write-downs of 20.3 million euros) in the corresponding period of last year.

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[1] See the consolidated financial statements of the RDM Group.

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

There was a **net loss before discontinued operations** of 6.3 million euros compared to a net loss of 23.4 million euros for the same period last year, which reflects principally net financial expense, including exchange differences, of 8.2 million euros (9.2 million euros for the first nine months of 2005), income from equity investments of 1.0 million euros (1.4 million euros for the first nine months of 2005) and taxation of 3.5 million euros (2.7 million euros for the first nine months of 2005).

Discontinued operations incurred a loss of 5 million euros compared to a gain of 16.3 million euros for the first nine months of 2005; the 2005 figure includes the gain from the sale of Europoligrafico S.p.A.. In particular as the following table shows, the result from discontinued operations and non-recurring costs for the first nine months of 2006 includes the results for the period (the net operating result) of the Prat facility and the Magenta MC1 line, both of which ceased activities in 2005; the net economic contribution of Red.Im S.r.l. (which became part of the recipient company RDM Realty S.p.A. as a result of the demerger operation[3]); the demerger costs and the consequent listing of RDM Realty S.p.A.; and certain additional accessory costs relating to the sales of Europoligrafico S.p.A. and Aticarta S.p.A..

Discontinued operations and non recurrent expenses	30.09.2006
	Euro/000
MC1 Magenta	(882)
Prat	(1.728)
Demerged operations	(410)
Demerger and listing expenses for RDM Realty	(1.448)
Expenses related to the sale of Europoligrafico and Aticarta	(529)
Total	**(4.997)**

Discontinued operations made a loss of Euro 0.8 million euros in the third quarter of 2006, principally attributable to the Prat facility. These costs, which for the most part are connected with the dismantling of plant and establishing and maintaining security at the site, will gradually diminish over the coming months.

The comparative figures for the nine months ended 30 September 2005 also include in discontinued operations the result for the period of the companies sold in 2005 (Europoligrafico S.p.A., Aticarta S.p.A. and Cogeneracion Prat S.A.).

As a consequence the **loss for the period** becomes 11.3 million euros (a loss of 7.0 million euros for the nine months ended 30 September 2005) if the contribution made by discontinued operations is included.

The RDM Group made **investments in fixed assets** of 8.6 million euros during the first nine months of 2006 (6.1 million euros for the first nine months of 2005).

Consolidated **net financial debt** at 30 September 2006 amounts to 137.9 million euros, showing an improvement over the balances of 140.1 million euros at 30 June 2006 and 169.3 million euros at 31 December 2005.

[3] Reference should be made to the notes included in the Half-Year Report of the RDM Group at 30 June 2006 for more detailed information on the partial and proportional demerger into the recipient company RDM Realty S.p.A. which took place on 21 June 2006.

The decrease compared to last year is principally due to the transfer of the interest-bearing debt of Red.Im S.r.l. of 40 million euros to the recipient company RDM Realty S.p.A. following the finalisation of the demerger. In addition, the RDM Group incurred non-recurring cash outflows of 10 million euros in 2006 principally as a result of the payments made to the former employees of the Prat facility as settlement following the termination of their employment contracts, and the costs connected with setting up new loans, the demerger and the listing of RDM Realty S.p.A..

In addition, it should be noted that net financial debt at 31 December 2005 also included the positive effect (amounting overall to 4.1 million euros) resulting from the valuation of derivative instruments linked to the Reno De Medici International S.A. bond; the agreements for these instruments were terminated in May 2006 on the redemption of the bond. A liability of 0.9 million euros was recognised at 30 September 2006 from the remeasurement of the *cash flow hedge* derivative instruments held by the RDM Group.

In particular, gross financial debt at 30 September 2006, measured at amortised cost, amounts to 152.7 million euros (compared to 253.9 million euros at 31 December 2005), which includes non current portion of long-term loans of 83.9 million euros, the current portion of long-term loans of approximately 13 million euros and bank facilities of 56.4 million euros, mostly consisting of advances on invoices issued to customers.

Liquidity and financial receivables at 30 September 2006 amount to 15.7 million euros, which include 4.7 million due after more than one year.

SIGNIFICANT EVENTS

The agreement for the sale of the board MC 3 machine located at the Prat facility was finalised in July 2006. The agreed price, which includes the related parts and supplies, is in line with the carrying value of the assets. The disposal operation is expected to be completed by the beginning of 2007.

With reference to the dispute with Grupo Torras S.A. on 18 September 2006 the Madrid Appeals Court notified its decision in sentence no. 114 on the appeal made by Reno De Medici S.p.A. and Reno De Medici Iberica S.L. against sentence no. 43 issued by the Court of Madrid of the first level and notified on 8 September 2005. Sentence no. 114 rejected the appeals of both parties and confirmed the sentence of the first level.

As the Reno De Medici Group had already adjusted its financial statements following the sentence at the first level, to align these with the decision pronounced by the court on that occasion, there will be no negative accounting effects on the consolidated financial statements as the result of the rejection of the appeal.

Reno De Medici S.p.A. and Reno De Medici Iberica S.L. reserve the right, after further evaluation of the grounds of the judgement, to appeal at the Court of Third Instance.

OUTLOOK

Figures for operations at 31 October 2006 indicate that there was an increase in orders acquired in the month of about 9%, with average sales prices higher by 4% than the same period of the prior year. With these market conditions, and on the assumption that this trend will be confirmed, it is likely that the RDM Group will achieve higher margins in the final quarter of 2006 than those obtained in the corresponding quarter of 2005.

CONSOLIDATED FINANCIAL STATEMENTS[4]

Consolidated profit and loss account		1 Jan - 30 Sept 2006	1 Jan - 30 Sept 2005
	Euro/000		
Revenues from sales		232,269	218,864
Other revenues		1,888	3,234
Changes in stocks of finished goods		8,779	673
Cost of raw materials and services		(180,687)	(155,639)
Staff costs		(38,288)	(39,219)
Other operating costs		(1,999)	(4,123)
Income (expense) from non-current assets held for sale		(358)	(243)
Unusual income (expense)		153	(253)
Gross Operating Profit (EBITDA)		**21,757**	**23,294**
Depreciation and amortisation		(17,314)	(18,099)
Recovery of value and write-downs of assets		-	(2,233)
Operating Profit (EBIT)		**4,443**	**2,962**
	Financial expense	*(8,860)*	*(11,112)*
	Exchange differences	*(139)*	*152*
	Financial income	*795*	*1,797*
Financial income (expense), net		(8,204)	(9,163)
Income from investments		975	1,365
Other income (expense)		-	(15,906)
Taxation		(3,472)	(2,656)
Profit (loss) for the year before discontinued operations		**(6,258)**	**(23,398)**
	Gains (losses) from disposals, net	-	*27,259*
	Loss for the period	*(4,997)*	*(10,911)*
Discontinued operations		(4,997)	16,348
Profit (loss) for the year		**(11,255)**	**(7,050)**
Attributable to:			
Profit (loss) for the year pertaining to the group		(11,460)	(7,412)
Profit (loss) for the year pertaining to minority interests		205	362
Earnings (loss) per share (Euros)		(0.043)	(0.027)
Diluted earnings (loss) per share (Euros)		(0.043)	(0.027)

[4] This quarterly report has not been audited by the Independent Auditors.

Consolidated profit and loss account	3rd quarter 2006	3rd quarter 2005
Euro/000		
Revenues from sales	68,996	67,734
Other revenues	776	1,418
Changes in stocks of finished goods	3,762	(1,684)
Cost of raw materials and services	(56,025)	(45,739)
Staff costs	(11,868)	(12,451)
Other operating costs	(569)	(1,795)
Income (expense) from non-current assets held for sale	13	(189)
Unusual income (expense)	(71)	(60)
Gross Operating Profit (EBITDA)	**5,014**	**7,234**
Depreciation and amortisation	(5,699)	(5,957)
Recovery of value and write-downs of assets	-	(60)
Operating Profit (EBIT)	**(685)**	**1,217**
Financial expense	*(2,535)*	*(3,684)*
Exchange differences	*13*	*(238)*
Financial income	*153*	*688*
Financial income (expense), net	(2,369)	(3,234)
Income from investments	(21)	184
Other income (expense)	-	-
Taxation	(787)	(873)
Profit (loss) for the year before discontinued operations	**(3,862)**	**(2,706)**
Gains (losses) from disposals, net	-	-
Loss for the period	*(817)*	*(4,029)*
Discontinued operations	(817)	(4,029)
Profit (loss) for the year	**(4,679)**	**(6,735)**
Attributable to:		
Profit (loss) for the year pertaining to the group	(4,714)	(6,853)
Profit (loss) for the year pertaining to minority interests	35	118
Earnings (loss) per share (Euros)	(0.018)	(0.026)
Diluted earnings (loss) per share (Euros)	(0.018)	(0.026)

Consolidated balance sheet	30 September 2006	31 December 2005
Euro/000		
ASSETS		
Non-current assets		
Tangible fixed assets	181.832	193.174
Investment property	-	1.284
Goodwill	146	146
Other intangible assets	2.594	3.309
Investments accounted for under the equity method	13.918	14.216
Deferred tax assets	583	577
Derivative financial instruments	19	-
Financial assets held for sale	454	219
Trade receivables	90	193
Other receivables	9.457	10.272
Total non-current assets	**209.093**	**223.390**
Current assets		
Stocks	86.825	92.979
Trade receivables	97.173	106.899
Other receivables	4.225	21.168
Derivative financial instruments	18	5.321
Financial assets held for sale	8	10
Financial assets at fair value	-	-
Liquid funds	10.137	56.779
Total current assets	**198.386**	**283.156**
Other non-current assets held for sale	**16.492**	**20.208**
TOTAL ASSETS	**423.971**	**526.754**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the group	122.278	142.251
Minority interests	526	759
Shareholders' equity	**122.804**	**143.010**
Non-current liabilities		
Bank loans and other financial liabilities	83.916	28.270
Derivative financial instruments	274	-
Other payables	32.817	1.064
Deferred tax liabilities	8.391	2.293
Employees' leaving entitlement	17.208	17.324
Non-current provisions for contingencies and charges	4.957	7.425
Liabilities directly associated with non-current assets held for sale	-	-
Total non-current liabilities	**147.563**	**56.376**
Current liabilities		
Bank loans and other financial liabilities	68.855	220.056
Derivative financial instruments	613	1.242
Trade payables	70.070	72.552
Other payables	12.944	33.247
Current taxation	1.122	271
Total current liabilities	**153.604**	**327.368**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**423.971**	**526.754**

Consolidated net financial position	30 Sept 2006	30 Jun 2006	31 Dec 2005
Euro/000			
Cash and cash equivalents and short term financial receivabl	11.049	15.687	75.330
Short term financial payables	(68.855)	(74.049)	(225.608)
Valuation of current portion of derivatives	(594)	(398)	4.079
Short-term financial position	**(58.400)**	**(58.760)**	**(146.199)**
Long term financial receivables	4.700	2.200	5.200
Long term financial payables	(83.916)	(83.757)	(28.270)
Valuation of non-current portion of derivatives	(256)	211	-
Net financial position	**(137.872)**	**(140.106)**	**(169.269)**

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