NEWLY APPOINTED DIRECTORS

QUARTERLY REPORT – FOURTH QUARTER 2006

Pontenuovo di Magenta, 12 February 2007

The Board of Directors of Reno De Medici S.p.A. today approved the Quarterly Report for the quarter ended on 31 December 2006 and appointed the new Chief Executive Officer of the Company.

* * *

NEWLY APPOINTED DIRECTORS

Mr Ignazio Capuano, having completed the complex restructuring of Reno De Medici, and in the light of new business prospects targeted towards its relaunch and development, has terminated his commitment to operational management of the Company, also in order to dedicate himself to other professional appointments.
In this respect, Mr Capuano, who remains a member of the Board of Directors in order to continue to support the Company in business development, has recommended that Mr Emanuele Rossini, former assistant to the Chairman of Reno De Medici, be co-opted as an important managerial resource for the company.
The Board of Directors has therefore appointed Mr Rossini, 41 years of age, and with extensive experience in the paper industry, as Chief Executive Officer of the Company, as well as member of the Executive Commitee.

* * *

CONSOLIDATED RESULTS AT 31 DECEMBER 2006

- **Net revenues**: 313.9 million euros, compared to 295.3 million at December 2005 (+6.3%).

- **Gross operating profit (EBITDA)**: 29.3 million euros, compared to 27.8 million at December 2005 (+5.4%).

- **Operating profit (EBIT)**: 5.9 million euros, compared to 1.8 million at December 2005.

- **Net result before discontinued operations:** is negative for 6.5 million euros compared to a net loss of 23.9 million euros at December 2005.

- **Net result for the period**: reflects the result of ‘discontinued operations’ and is negative for 14.9 million euros (negative for 12.8 million at the end of December 2005).

- **Net financial debt**: 127.1 million euros compared to 169.3 million at the end of December 2005.

Operational performance for the year 2006 was distinguished by a significant **increase in energy costs, which amounted to 15 million euros** before considering the reduction in consumption, achieved as the result of improvements in efficiency.

The improvements in efficiency achieved by the production units and the steps taken to contain variable costs, together with the increases in sales prices during the year, have enabled to offset the negative trend in energy factors. EBITDA reached a figure of 29.3 million euros (27.8 million euros in 2005), representing a rise of 5% over the previous year.

There has been a considerable increase in EBITDA for the last quarter of the year, which climbed to 7.5 million euros over the 4.5 million euros for the fourth quarter of 2005; this improvement is mostly the result of rises in average sales prices over those for the fourth quarter of 2005.

The RDM Group achieved net revenues of 313.9 million euros for the year, compared to 295.3 million euros in 2005 (up 6.3%)[1]. In particular net revenues in the fourth quarter amounted to 81.6 million euros compared to 76.4 million euros in the fourth quarter of 2005 (up 6.8%).

Sales volumes amounted in total to approximately 645,000 tonnes representing an increase of approximately 6% over 2005[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 in the fourth quarter of 2006 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 and the rise in despatched volumes, which arrived at approximately 170,000 tonnes in the fourth quarter of 2006, an increase of approximately 5% compared to the same quarter of 2005.

Consolidated **EBITDA** closed at 29.3 million euros for the year compared to 27.8 million euros in 2005 (up by approximately 5%) with sales margins being in line with those of last year.

EBITDA for the fourth quarter reached 7.5 million euros compared to 4.5 million euros in the fourth quarter of 2005.

---

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’.

Despite the influence of the significant rise in energy prices which underwent an increase of around 30% in unit terms (euros per tonne), the performance of EBITDA is a positive reflection of the steps taken during the year to recover the price levels last seen in the first part of 2005, as well as of the improvements obtained in production efficiency and the containment of fixed costs during the year.

An **operating profit** (or EBIT) for the year of 5.9 million euros was achieved (after depreciation and amortisation of 23.3 million euros) compared to 1.8 million euros in 2005 (after depreciation, amortisation and write-downs of 26.0 million euros).

There was a **net loss for the year before discontinued operations** of 6.5 million euros compared to a net loss of 23.9 million euros last year, which reflects principally net financial expense, including exchange differences, of 10.7 million euros (11.8 million euros in 2005), income from equity investments of 1.2 million euros (2.0 million euros in 2005) and taxation of 3.3 million euros (0.2 million euros in 2005).

Discontinued operations incurred losses of 8.3 million euros for the year compared to a profit of 11.2 million euros in 2005; the 2005 figure includes the gain from the sales of Europoligrafico S.p.A. and Aticarta S.p.A.. In particular, as the following table shows, the result from discontinued operations and non-recurring costs for 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 operations ending up in the recipient company RDM Realty S.p.A. as a result of the demerger operation[3]; the costs of the demerger and the consequent listing of RDM Realty S.p.A.; and certain additional ancillary costs relating to the sales of Europoligrafico S.p.A. and Aticarta S.p.A..

Discontinued operations and non recurrent expenses	31.12.2006
	Euro/000
MC1 Magenta	(2,567)
Prat	(2,796)
Demerged operations	(810)
Demerger and listing expenses for RDM Realty	(1,512)
Expenses related to the sale of Europoligrafico and Aticarta	(661)
Total	**(8,346)**

In the fourth quarter, discontinued operations incurred losses of approximately Euro 3.3 million euros; this figure includes a write-down of 1.2 million euros to its estimated realisable value of the MC1 in Magenta, which is classified as an asset held for sale, and restructuring charges relating to personnel.

Included in the comparative figures for discontinued operations for the year ended 31 December 2005 are the results of the companies sold during that year (Europoligrafico S.p.A., Aticarta S.p.A. and Cogeneracion Prat S.A.).

As a consequence the **loss for the year** amounts to 14.9 million euros (a loss of 12.8 million euros for the year ended 31 December 2005) after the result of discontinued operations.

[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 RDM Group made **investments in fixed assets** of 11 million euros during the year (10.1 million euros in 2005).

Consolidated net financial debt at 31 December 2006 amounts to 127.1 million euros, showing an improvement over the balances of 137.9 million euros at 30 September 2006 and 169.3 million euros at 31 December 2005.

The decrease over 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 completion of the demerger. In addition, the RDM Group incurred cash outflows in 2006 relating to non-recurring operations which, net of the proceeds deriving from the disposal of the assets held for sale at the Ciriè and Prat facilities, amounted in total to approximately 5 million euros. This figure is mostly the result of payments made to the former employees of the Prat facility and the costs relating to 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 gain (amounting overall to 4.1 million euros) resulting from the remeasurement at fair value of the 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 loss of 0.2 million euros was recognised at 31 December 2006 from the remeasurement of the cash flow hedge derivative instruments held by the RDM Group.

In particular, gross financial debt at 31 December 2006, measured at amortised cost, amounts to 138.8 million euros (compared to 253.9 million euros at 31 December 2005), a figure which includes long-term loans of 80.8 million euros, the portion of long-term loans falling due within 12 months of 10.5 million euros and bank facilities of approximately 47 million euros, mostly consisting of advances on invoices issued to customers.

Liquidity and short-term financial receivables at 31 December 2006 amount to 11.4 million euros (compared to 75.3 million euros at 31 December 2005), a figure which includes 5 million euros of balances restricted in connection with the Grupo Torras dispute.

SIGNIFICANT EVENTS

Dismantling of the MC3 line at Prat began during the fourth quarter and by the end of the year a large proportion of the plant had already been removed. It is expected that this work and the completion of the delivery of the machine will come to an end during the first part of 2007.

Two sales agreements were signed in last November relating to the MC1 and MC2 lines at Pompeii. Dismantling operations will probably be completed by June 2007. The sale price, higher than book value, will generate a gain that should be able to offset the ancillary costs.

The subsidiary RDM International S.A. was permanently closed in last December as it had no further activities to perform following the repayment of the bond in May 2006.

OUTLOOK

At the end of January 2007 the orders average sales price show an increase of approximately 3% compared to the fourth quarter of 2005, with sales volumes in line with January 2006.

CONSOLIDATED FINANCIAL STATEMENTS[4]

Consolidated profit and loss account	31 december 2006	31 december 2005
Euro/000		
Revenues from sales	313,889	295,275
Other revenues	3,836	5,094
Changes in stocks of finished goods	5,781	247
Cost of raw materials and services	(239,867)	(215,743)
Staff costs	(51,544)	(52,750)
Other operating costs	(2,746)	(3,767)
Income (expense) from non-current assets held for sale	(363)	(179)
Unusual income (expense)	270	(371)
Gross Operating Profit (EBITDA)	**29,256**	**27,806**
Depreciation and amortisation	(23,332)	(24,439)
Recovery of value and write-downs of assets	-	(1,588)
Operating Profit (EBIT)	**5,924**	**1,779**
Financial expense	(11,573)	(14,694)
Exchange differences	(187)	350
Financial income	1,076	2,559
Financial income (expense), net	(10,684)	(11,785)
Income from investments	1,204	1,982
Other income (expense)	281	(15,700)
Taxation	(3,270)	(223)
Profit (loss) for the year before discontinued operations	**(6,545)**	**(23,947)**
Gains (losses) from disposals, net	-	32,328
Loss for the period	(8,346)	(21,151)
Discontinued operations	(8,346)	11,177
Profit (loss) for the year	**(14,891)**	**(12,770)**
Attributable to:		
Profit (loss) for the year pertaining to the group	(15,149)	(13,261)
Profit (loss) for the year pertaining to minority interests	258	491
Earnings (loss) per share (Euros)	(0.057)	(0.049)
Diluted earnings (loss) per share (Euros)	(0.057)	(0.049)

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

Consolidated profit and loss account		4th quarter 2006	4th quarter 2006
	Euro/000		
Revenues from sales		81,620	76,411
Other revenues		1,948	1,860
Changes in stocks of finished goods		(2,998)	(426)
Cost of raw materials and services		(59,180)	(59,030)
Staff costs		(13,256)	(13,531)
Other operating costs		(747)	(718)
Income (expense) from non-current assets held for sale		(5)	64
Unusual income (expense)		117	(118)
Gross Operating Profit (EBITDA)		**7,499**	**4,512**
Depreciation and amortisation		(6,018)	(6,340)
Recovery of value and write-downs of assets		-	645
Operating Profit (EBIT)		**1,481**	**(1,183)**
	Financial expense	(2,713)	(3,582)
	Exchange differences	(48)	198
	Financial income	281	762
Financial income (expense), net		(2,480)	(2,622)
Income from investments		229	617
Other income (expense)		281	206
Taxation		202	2,433
Profit (loss) for the year before discontinued operations		**(287)**	**(549)**
	Gains (losses) from disposals, net	-	5,069
	Loss for the period	(3,349)	(10,240)
Discontinued operations		(3,349)	(5,171)
Profit (loss) for the year		**(3,636)**	**(5,720)**
Attributable to:			
Profit (loss) for the year pertaining to the group		(3,689)	(5,849)
Profit (loss) for the year pertaining to minority interests		53	118
Earnings (loss) per share (Euros)		(0.014)	(0.022)
Diluted earnings (loss) per share (Euros)		(0.014)	(0.022)

Consolidated balance sheet	31 December 2006	31 December 2005
Euro/000		
ASSETS		
Non-current assets		
Tangible fixed assets	178,078	193,174
Investment property	-	1,284
Goodwill	146	146
Other intangible assets	2,338	3,309
Investments accounted for under the equity method	14,011	14,216
Deferred tax assets	947	577
Derivative financial instruments	83	-
Financial assets held for sale	471	219
Trade receivables	76	193
Other receivables	4,889	10,272
Total non-current assets	**201,039**	**223,390**
Current assets		
Stocks	89,775	92,979
Trade receivables	102,026	106,899
Other receivables	7,313	21,168
Derivative financial instruments	77	5,321
Financial assets held for sale	8	10
Liquid funds	9,536	56,779
Total current assets	**208,735**	**283,156**
Other non-current assets held for sale	**11,392**	**20,208**
TOTAL ASSETS	**421,166**	**526,754**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the group	118,927	142,251
Minority interests	579	759
Shareholders' equity	**119,506**	**143,010**
Non-current liabilities		
Bank loans and other financial liabilities	80,789	28,270
Derivative financial instruments	14	-
Other payables	32,202	1,064
Deferred tax liabilities	7,925	2,293
Employees' leaving entitlement	17,235	17,324
Non-current provisions for contingencies and charges	5,107	7,425
Total non-current liabilities	**143,272**	**56,376**
Current liabilities		
Bank loans and other financial liabilities	57,507	220,056
Derivative financial instruments	350	1,242
Trade payables	86,900	72,552
Other payables	13,615	33,247
Current taxation	16	271
Total current liabilities	**158,388**	**327,368**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**421,166**	**526,754**

Consolidated net financial position	31 Dec 2006	30 Sept 2006	31 Dec 2005
Euro/000			
Cash and cash equivalents and short term financial receivables	11,389	11,049	75,330
Short term financial payables	(57,507)	(68,855)	(225,608)
Valuation of current portion of derivatives	(273)	(594)	4,079
Short-term financial position	**(46,391)**	**(58,400)**	**(146,199)**
Long term financial receivables	0	4,700	5,200
Long term financial payables	(80,789)	(83,916)	(28,270)
Valuation of non-current portion of derivatives	69	(256)	0
Net financial position	**(127,111)**	**(137,872)**	**(169,269)**

For additional information please contact:

Reno De Medici
Guido Vigorelli
Tel. +39 02 979601 Fax +39 02 97960555
E-mail investor.relations@renodemedici.it

carlobruno&associati
Daniele Pinosa
Tel. +39 02 89055101 Fax +39 02 89055112
E-mail d.pinosa@carlobrunoassociati.com