Quarterly Report – Fourth Quarter 2005

Pontenuovo di Magenta, 14 february 2006

The Reno De Medici Group ("RDM Group") has adopted for its consolidated financial statements the International Financial Reporting Standards starting from the Half Year Report 2005. To allow a better understanding of consolidated results it is noted that the economic contribution of subsidiaries sold in 2005 and of production operations discontinued in the same year are presented in the 2005 profit and loss account under the item 'discontinued operations' as referred to in the Foreword paragraph. The same classification has been adopted in presenting here the figures for 2004 for reasons of comparability.

- Net debt: 170 million euros vs. 248 million euros at December 2004
- Net Revenues at 31 December 2005: 296 million euros compared to 302 million euros in 2004 (-2% approx.)
- EBITDA: 27.4 million euros compared to 31.1 million euros in 2004 (-12% approx.)
- Net result for the period: loss of 13.3 million euros compared to the loss of 7.7 million euros in 2004

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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 December 2005.

COMMENT OF THE MANAGING DIRECTOR

Describing the data for the fourth quarter of 2005, the Managing Director made the following statement:

"The year 2005 saw the conclusion of the complex activities carried out to restructure Reno De Medici; starting from 2006, the Group is now finally in a position to be able to appreciate that a new operational and strategic phase is under way.
At the end of 2002, the Group had turnover of approximately 600 million euros, an EBITDA margin only slightly above 5% and net debt of around 360 million euros.
The extraordinary operations carried out in 2003 - the increase of capital, the disposal of properties, the closure of loss-making manufacturing activities, the rationalisation of fixed

costs, the reduction of variable production costs, the sale of the entire packaging operation - have enabled the Group to close 2005 with a production value of approximately 300 million euros (being half of that of 2002) and with an EBITDA comparable to that of 2002 in absolute terms and representing 9% of net revenues.
I should additionally like to emphasise that on the basis of the first set of data available, there was a positive free cash flow in 2005 of between 16 and 18 million euros and a positive EBIT for the year of around 1 to 2 million euros.
The net financial indebtedness at the end of December 2005, taking into account the commitments undertaken for the liquidation of the Spanish personnel, decreased to around 180 million euros over that at the end of the prior year.
Today, following the special general savings shareholders' meeting which definitively approved the demerger of certain properties into the recipient company RDM Reality S.p.A., the conditions are now satisfied for net financial debt to be reduced by a further 40 million euros, settling at a figure of around 140 million euros. The approval of the Demerger by the ordinary and savings shareholders has, furthermore, created the conditions for the go ahead from an operational point of view with the setting up of new long-term bank credit lines of 60 million euros.
These resources, when added to existing funds of around 45 million euros (including financial receivables guaranteed by sureties) and to the 40 million euros made possible by the Demerger, will enable the debenture loan of 145 million euros falling due on 4 May to be repaid.
The improvement in the management of operations resulting from further cost reductions, and an improved demand profile (an increase in average prices of 4% to 5% over the last quarter of 2005 is to be noted), leads the Group to believe that it will be able to serve a net financial debt of 140 million euros (of which, I should like to recall, around 95 million euros has a 10-year term according to the termsheet agreed with the banks), in this way ensuring that routine annual investments of the order of 10 million euros can be made and that a cash surplus can be generated to gradually reduce debt.
The unknown variable of the increase in the price of natural gas leads me to take a conservative position, but I am confident that the improved demand profile in our sector, especially in Europe, and the recovery of market prices, will finally provide the company and its shareholders with satisfaction".

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FOREWORD

The shareholding and operating structures of the Reno De Medici Group (the "RDM Group") have undergone significant changes in 2005.

In particular, steps were taken during the year to dispose of those operations which were non-core to the production of recycled cardboard and to secure funds to repay the debenture issued by Reno De Medici International S.A., through the sale of the investments held by Reno De Medici S.p.A. (RDM) in Europoligrafico S.p.A. and Aticarta S.p.A. (the latter of which wholly owns ATI Packaging S.r.l.) in June and December respectively. As a consequence of these sales, the RDM Group has left the packaging sector.

In addition, as part of the measures taken to rationalise the Group's manufacturing structure, the board machine (MC1) located in the Magenta facility and dedicated exclusively to the production of virgin fibre cardboard, ceased operations in July and production at the facility at

Prat (Barcelona), owned by the subsidiary Reno De Medici Iberica S.L. (RDM Iberica), was terminated in November, around one year before the originally planned date.

Finally, in December, RDM Iberica sold its investment in Cogeneracion Prat S.A. to certain Spanish private businessmen; the cogeneration activities of this company were strictly linked to those of Prat.

As a result of these matters, the economic contribution of Aticarta S.p.A. and that of Cogeneracion Prat S.A. (being the effect of the sale and the result for the period) are presented in the 2005 profit and loss account under the item 'discontinued operations', in the same manner as was done for Europoligrafico S.p.A. in the Half Year Report at 30 June 2005. The economic contribution (being the net operating result) of the Prat facility and that of the Magenta MC1 are also presented in this item.

The same classification has been adopted in presenting here the figures for 2004 for reasons of comparability.

CONSOLIDATED RESULTS

The RDM Group earned net revenues of 296 million euros in 2005 compared to 302 million euros in 2004 (-2% approx.). In particular, net revenues reached 77 million euros in the fourth quarter of 2005, with a small increase (+3% approx.) in respect of those for the fourth quarter of 2004 (74 million euros approx.).

The variation in net revenues reflects a slight increases in volumes, which had reached 606,000 tonnes by the end of 2005 compared to 597,000 tonnes in 2004, an increase of 1.5%. In particular, volumes increased by approximately 8% in the fourth quarter of 2005 compared to that of 2004, one of the reasons being the measures taken to reduce stocks of certain specific inventories[1].

On the other hand the unit sales prices of products suffered a drop of approximately 4% over 2004. This trend, which regarded all sale markets (excluding the overseas markets), although each to a different extent, eased off in the last quarter of the year when the major European producers, one of whom is RDM, announced increases in sales prices starting from 2006.

Overall, the Italian market absorbed around 52% in volume terms of sales made by RDM compared to 47% in 2004. Sales volumes fell as a percentage of the total in the other European Union markets (35% in 2005 compared to 39% in 2004) and in the non-EU countries (13% in 2005 compared to 14% in 2004).

Gross Operating Profit (EBITDA) for the year amounted to 27.4 million euros at a consolidated level, compared to 31.1 million euros in 2004. Gross Operating Profit for the fourth quarter amounted to 3.7 million euros, compared to 5.8 million euros for the fourth quarter of 2004.

[1] The above figures exclude the volumes of the production units whose economic contribution is classified in the item 'discontinued operations'

The fall in operating margin is principally due to the joint effect of the drop in sales prices and the simultaneous increase in energy costs, partially compensated by the fall in other variable costs and in fixed manufacturing costs.

By way of an example, the costs of energy for RDM in 2005 increased (in unit terms) by around 8% compared to those of the prior year, whereas other variable costs fell by about 6% (again in unit terms) and fixed manufacturing and central costs dropped by around 10%.

EBITDA also includes provision to risks amounting to about 1.3 million euros (2.4 million euros approx. in 2004).

The consolidated net loss for the year before discontinued operations of 25.4 million euros (a loss of 5.1 million euros in 2004), includes other expense of 16.5 million euros (not present in 2004). This expense relates principally to the alignment, non-cash in nature, of the carrying value of the receivable from Grupo Torras S.A. to the value implicit in the first degree sentence issued by the Court of Madrid last September[2]. In addition, this item includes the legal expenses relating to this litigation and certain other expenses incurred in connection with the demerger project in progress (both of a cash nature for a total of 0.8 million euros).

The result from discontinued operations is a profit of 12.1 million euros, which includes the overall net gains of 32.3 million euros realised from the disposal of Europoligrafico S.p.A., Aticarta S.p.A. and Cogeneracion Prat S.A., and the result of the period for each of the three companies and the contribution (in terms of net operating profit) made by the Prat facility and the MC1 at Magenta, for which activities ceased during the year (an overall loss of 20.2 million euros).

The net loss for the year of 13.3 million euros (7.7 million euros in 2004) arises from the matters described above. There was a net loss of 6.2 million euros in the fourth quarter of 2005 (7 million euros in the fourth quarter of 2004).

The Group made investments in productive assets in 2005 amounting to 10.1 million euros (11.9 in 2004), aimed at reducing variable costs and improving quality and connected with the extraordinary maintenance work carried out throughout the major manufacturing sites[3].

Consolidated net financial debt at the end of 2005 amounted to 170 million euros[4] compared to that of 248 million euros at 31 December 2004. The decrease is due mainly to the sales of Europoligrafico S.p.A., Aticarta S.p.A. and Cogeneracion Prat S.A., referred to above, which led to an overall benefit of 69 million euros (of which 36 million euros relates to cash already received and the balance of 33 million euros to the deconsolidation of financial debt and the recognition of financial receivables). Against this, the RDM Group had non-recurring cash outflows in 2005 of 16 million euros, due principally to leaving payments made and still being made to the personnel of the Prat facility following the termination of their employment contracts, and the acquisitions of Cartiera Alto Milanese S.p.A. and the businesses which carry out the maintenance of the Magenta and Marzabotto facilities.

[2] Cf. Half Year Report 2005
[3] Investment data do not include those related to discontinued operations
[4] Such figure includes bank deposits for about 7 million euros to be utilized for the termination of the employment contracts of the employees of Prat facility

In particular, interest bearing debt at 31 December 2005 repayable in the short term amounts to 220 million euros, made up mainly of the remaining debentures of 145 million euros which become due for payment in May 2006, the short-term portion of long-term loans of 16.5 million euros and short-term bank debt of 58.5 million euros, mainly consisting of bank advances on receivables due from customers.

Long-term debt amounts in total to 28.3 million euros. Repayments on long-term loans amounting to 14 million euros were made in 2005.

Funds available at 31 December 2005 amount to 44.8 million euros.

SIGNIFICANT MATTERS

The following significant matters are noted.

On 7 December 2005, an agreement was finalised between RDM Iberica and the relative Spanish trades union representatives for the termination of the employment contracts of the employees of the Prat facility, at which manufacturing operations had already ceased in November 2005. As a result, the RDM Group will continue its manufacturing activities solely at the Almazan facility, maintaining however a commercial presence by integrating the sales structures of RDM Iberica and its subsidiary Barneda S.A..

On 20 December 2005, RDM signed a purchase and sales agreement for the sale of 100% of the shares of Aticarta S.p.A. to Colleoni S.A., a Luxembourg company of the Colleoni group[5]. Included in the sale is the company's investment in its wholly owned subsidiary ATI Packaging S.r.l.. The net financial position of RDM is expected to benefit from this agreement by 15 million euros (of which 3 million euros regarding the sales price was already received in December 2005).

On 20 December 2005 furthermore, the Board of Directors of RDM approved a plan for the partial and proportional demerger of the property assets of the Group into a newly established company RDM Realty S.p.A., through the assignment to the shareholders of RDM of one ordinary share of RDM Realty S.p.A. for each ordinary of savings share of RDM[6]. This plan was approved by the extraordinary general meeting of shareholders held on 7 February 2006 and the special general meeting of savings shareholders held on 14 February 2006. The effectiveness of the demerger is subject to the approval of Borsa Italiana S.p.A. for the admission to trading of the ordinary shares of RDM Realty S.p.A. on one of the markets that are under its regulation and administration, and the authorisation of Consob to proceed with the issue of the listing prospectus.

Again on 20 December 2005, the Board of Directors of RDM approved the setting up of new financing, of which 60 million euros relating to RDM and 40 million euros regarding Red.Im. S.r.l., the purpose of which is to obtain funds for the repayment of the debentures issued by Reno De Medici International S.A., which will be carried out together with the proceeds already received and to be received from the disposal of the non-core activities. In this respect

[5] Cf. Press release issued on 20 December 2005

[6] Reference should be made to the press release issued on 20 December 2005, the Demerger Plan and the Report of the Board of Directors on the Demerger available on the website www.renodemedici.it

major terms and conditions of the financing have been agreed with the arranging banks and discussions are under way to finalise the contractual documentation.

For other significant matters, please refer to the Quarterly Report.

INFORMATION RELATING TO DEBENTURE LOANS

As indicated previously, consolidated net financial debt includes a debenture loan of 145 million euros, issued by the subsidiary Reno De Medici International S.A. This loan is due on 4 May 2006 ad is secured by a RDM guarantee at first request. For the Offering Circular relating to the debenture loan, please refer to www.renodemedici.it section Investor Relations.

OUTLOOK

The pick-up in volumes which occurred in the final quarter of 2005 continued into January 2006, during which there was a notable increase in consignments compared to January 2005 and 2004.

There has been a similar trend in orders in January 2006, which have risen by around 17% compared to January 2005, and which include the first steps taken to increase prices announced at the end of 2005.

The prospects for the coming year will, therefore, depend on a stable recovery of the demand for consumer goods, enabling the positive trend noted at the beginning of the year to be confirmed. In this scenario, the increased efficiencies achieved in production operations will allow higher industrial margins to be generated.

Uncertainties still remain as to the likely trend in the cost of electricity and natural gas, and these will have to be constantly monitored in order to be able to assess whether further action will need to be taken on unit sales prices.

Consolidated financial schedules

Consolidated profit and loss account	4th quarter 2005	4th quarter 2004
Euro/000		
Revenues from sales	76,655	74,111
Other revenues	1,377	2,440
Changes in stocks of finished goods	(478)	814
Cost of raw materials and services	(60,000)	(57,687)
Staff costs	(12,913)	(11,725)
Other operating costs	(1,158)	(1,648)
Income (expense) from non-current assets held for sale	64	(43)
Unusual income (expense)	113	(476)
Gross Operating Profit (EBITDA)	**3,660**	**5,786**
Depreciation and amortisation	(6,386)	(7,255)
Write-downs	961	0
Operating Profit (Loss) (EBIT)	**(1,765)**	**(1,469)**
Net financial expenses	*(2,644)*	*(3,627)*
Gain on purchase of RDM International debentures	*0*	*0*
Present value adjustment of Grupo Torras receivable	*56*	*292*
Financial income (expense), net	(2,588)	(3,335)
Income from equity investments	591	1,421
Other income (expense)	(377)	0
Taxation	2,140	(743)
Profit (loss) for the period before discontinued operations	**(1,999)**	**(4,126)**
Net gain from sales	*5,069*	*0*
Result for the period	*(9,287)*	*(2,840)*
Discontinued operations	(4,218)	(2,840)
Profit (loss) for the period	**(6,217)**	**(6,966)**
Attributable to:		
Profit (loss) for the period attributable to the Group	(6,346)	(6,971)
Profit (loss) for the period attributable to minority interest	129	5

Consolidated profit and loss account	31.12.2005	31.12.2004
Euro/000		
Revenues from sales	295,545	302,013
Other revenues	4,610	3,853
Changes in stocks of finished goods	195	1,429
Cost of raw materials and services	(216,224)	(218,353)
Staff costs	(52,132)	(51,333)
Other operating costs	(4,267)	(5,746)
Income (expense) from non-current assets held for sale	(179)	(154)
Unusual income (expense)	(140)	(555)
Gross Operating Profit (EBITDA)	**27,408**	**31,154**
Depreciation and amortisation	(24,629)	(25,971)
Write-downs	(1,272)	0
Operating Profit (Loss) (EBIT)	**1,507**	**5,183**
Net financial expenses	(12,531)	(13,771)
Gain on purchase of RDM International debentures		1,430
Present value adjustment of Grupo Torras receivable	722	1,168
Financial income (expense), net	(11,809)	(11,173)
Income from equity investments	1,956	3,127
Other income (expense)	(16,487)	0
Taxation	(527)	(2,258)
Profit (loss) for the period before discontinued operations	**(25,360)**	**(5,121)**
Net gain from sales	*32,328*	*0*
Results for the period	*(20,235)*	*(2,548)*
Discontinued operations	12,093	(2,548)
Profit (loss) for the period	**(13,267)**	**(7,669)**
Attributable to:		
Profit (loss) for the period attributable to the Group	(13,758)	(8,084)
Profit (loss) for the period attributable to minority interest	491	415

Consolidated Balance Sheet	31.12.2005	31.12.2004
Euro/000		
ASSETS		
Non-current assets		
Tangible fixed assets	193,469	267,193
Investment property	1,284	1,284
Goodwill	146	1,297
Other intangible fixed assets	3,312	4,739
Investments accounted for under the equity method	14,189	17,825
Deferred tax assets	787	0
Derivative financial instruments	0	5,183
Available-for-sale financial assets	219	256
Trade receivables	104	262
Other receivables	10,299	28,086
Non-current assets held for sale	21,126	8,883
Total non-current assets	**244,935**	**335,008**
Current assets		
Stocks	93,261	119,613
Trade receivables	106,994	141,755
Other receivables	19,406	6,925
Derivative financial instruments	5,321	2,105
Available-for-sale financial assets	113	144
Financial assets with fair value adjusted in profit and loss	0	0
Cash and cash equivalents	56,779	25,003
Total current assets	**281,874**	**295,545**
TOTAL ASSETS	**526,809**	**630,553**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Group interest in equity	141,756	155,512
Minority interest in equity	759	560
Shareholders' equity	**142,515**	**156,072**
Non-current liabilities		
Bank loans and other financial liabilities	28,270	198,751
Derivative financial instruments	0	1,247
Other payables	414	553
Deferred tax liabilities	2,851	3,314
Employees' leaving entitlement	17,324	29,823
Non-current provisions for contingencies and charges	7,332	22,069
Liabilities directly attributable to non-current assets held for sale	0	981
Total non-current liabilities	**56,191**	**256,738**
Current liabilities		
Bank loans and other financial liabilities	220,056	71,979
Derivative financial instruments	1,203	2,859
Trade payables	72,553	108,024
Other payables	34,004	33,461
Current taxation	287	1,420
Total current liabilities	**328,103**	**217,743**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**526,809**	**630,553**

Consolidated net financial position	31.12.2005	31.12.2004	Variation
Euro/000			
Cash and cash equivalents and short-term financial receivables	74,158	25,137	49,021
Short-term financial payables	(225,608)	(77,092)	(148,516)
Valuation of current portion of derivatives	4,118	(754)	4,872
Short-term financial position	**(147,332)**	**(52,709)**	**(94,623)**
Cash and cash equivalents and long-term financial receivables	5,200	0	5,200
Long-term financial payables	(28,270)	(198,751)	170,481
Valuation of non-current portion of derivatives	0	3,936	(3,936)
Net financial position	**(170,402)**	**(247,524)**	**77,122**

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