Quarterly report

First quarter 2005

Reno De Medici S.p.A.
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Corporate headquarters:
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Fully paid share capital: € 148,342,940.35
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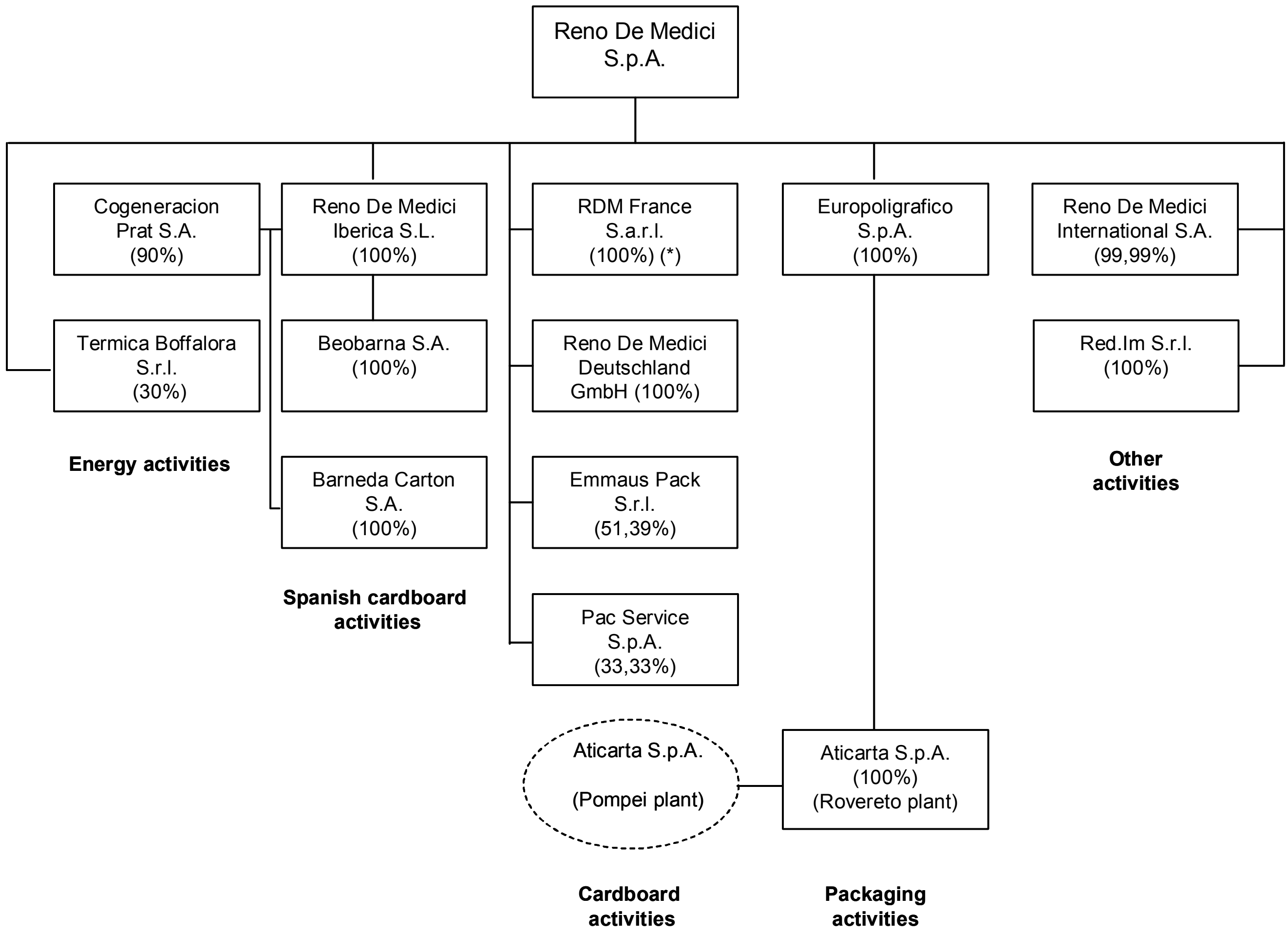
OPERATING COMPANIES OF THE RDM GROUP AT 31 MARCH 2005

The following table does not include companies in liquidation or non-operating companies:



(*) Reno De Medici S.p.A. 99,58% - Europoligrafico S.p.A. 0,42%

COMMENTS OF THE DIRECTORS ON THE OPERATIONS OF THE GROUP FOR THE FIRST QUARTER OF 2005 AND ON THE MOST SIGNIFICANT EVENTS OF THE PERIOD

The Reno De Medici Group has achieved net revenues of 113 million euros in the first quarter of 2005 compared to 128 million euros in the corresponding quarter of the prior year[1]. The decrease in net revenues, amounting to approximately 12%, arises principally in the cartonboard sector; the relative fall compared to the figures of the prior year reflects among other matters the halt in production at the Pompeii (Aticarta S.p.A.) facility, caused by the lack of demand for its specific production of virgin fibre cartonboard, as well as the lower number of working days due to the Easter holidays, which in 2004 fell in April[2].

The gross operating result[3] (or EBITDA[4]) at a consolidated level closed at 12.6 million euros (compared to 14.6 million euros in the first quarter of 2004), which represents around 11.2% of net revenues, in line with the 11.4% recorded in the first quarter of 2004.

An operating profit[5] of 3 million euros was achieved, stated after depreciation of tangible fixed assets and amortisation of intangible assets of 9.5 million euros (compared to 4.1 million euros at the end of March 2004, stated net of depreciation and amortisation of 10.6 million euros).

Consolidated profit before tax amounted to 3.5 million euros (compared to a loss before tax of 0.4 million euros for the first quarter of 2004). The consolidated profit before tax reflects extraordinary income of around 3.3 million euros, essentially arising from the capital gain made by the subsidiary Europoligrafico S.p.A. on the sale of the land and buildings of the Verderio facility at the end of March 2005; this facility was closed in June 2004.

The consolidated balance sheet at 31 March 2005 shows trading working capital of 127 million euros compared to 122 million at 31 December 2004 and 146 million at the end of March 2004. Fixed assets amount to 353 million euros against the 363 million euros at the end of 2004 and the 383 million at the end of the first quarter of 2004. Net capital

1 See consolidated financial schedules of the RDM Group at 31 March 2005
2 See trends by sector
3 Difference between the value of production and the cost of production before the depreciation of tangible fixed assets and the amortisation of intangible fixed assets.
4 Earnings Before Interest, Taxes, Depreciation and Amortisation
5 Gross operating profit less the depreciation of tangible fixed assets and the amortisation of intangible fixed assets.

invested of 387 million euros is financed as to 60% by net debt and 40% by shareholders' funds.

The net financial debt at the end of March 2005 amounts to 230 million euros compared to 245 million euros at the end of December 2004 and 258 million at the end of March 2004. In particular, long-term loans amount to 217 million euros, including the current portion of 22 million euros falling due within 12 months and the bond loan of 150 million, which falls due in May 2006. Gross bank overdrafts amount to 40 million euros, which relate principally to credit lines on customer receivables.

The consolidated net financial position at the end of the quarter reflects payments on long-term loans and leasing for around 6 million euros, while the overall variation also includes the cash received on the above-mentioned disposal of the Verderio land and buildings.

The volume of the European market for coated cartonboard for packaging decreased in the first quarter of 2005 compared to the same period in 2004; a similar effect was noted in the recycled fibre cartonboard sector. Within this overall context, the decrease in the quantities sold by the Group's cartonboard sector operations compared to the same period in 2004 is also be attributed to the reduction in available working days as a result of the Easter holidays, as indicated previously. The level of prices is lower than that at the beginning of 2004, too, although this is showing some signs of an upturn compared to the last quarter of 2004 and to the overall decreasing trend which distinguished that year in general.

The packaging sector is characterised during the first months of 2005 by increasing competitive pressure, compounded by a process of concentration in the consumer goods market taking place at a European level, both in terms of distribution and of production. In this scenario, the larger distributors or producers put out tenders for purchases of a significant size, creating even greater competition between their packaging suppliers.

The ability of the Group to generate greater sales volumes and to consolidate stable price increases, needed to face the increase in energy costs and in the cost of certain raw materials used in the production process which is linked to the trend in oil prices, is a function of a stable upturn in the final demand for consumer goods and in the variation in the euro/dollar exchange rate, which is currently penalising certain of the Group's customers.

Following are the economic highlights relating to the different sectors of activity. Please note that the results of the cartonboard sector, shown in the tables herebelow, include those related to the cogeneration activity carried out by the Spanish subsidiary Cogeneracion Prat S.A.. The rationale underlying this new sector reporting framework lies in the strong integration between the industrial operations of the Prat mill managed by Reno De Medici Iberica S.L. and those of the cogeneration plant, which allows to exploit the thermal energy resulting from the cogeneration into the cartonboard production cycle.

Trends by sector

An analysis by sector of consolidated revenues compared to those of the prior year does not show significant variations, as the cartonboard sector and related actiovities remain substantially stable at 79% of total revenues as against the packaging sectors with 21%.

(euro millions)	Cartonboard & Energy 1Q 2005	Packaging 1Q 2005	Eliminations 1Q 2005	Consolidated 1Q 2005
Revenues from 3rd parties	89,1	23,4	0,0	112,5
Intercompany revenues	2,8	0,0	(2,8)	0,0
Total Revenues	**91,9**	**23,4**	**(2,8)**	**112,5**

(euro millions)	Cartonboard & Energy 1Q 2004	Packaging 1Q 2004	Eliminations 1Q 2004	Consolidated 1Q 2004
Revenues from 3rd parties	101,1	26,9	0,0	128,0
Intercompany revenues	4,0	0,0	(4,0)	0,0
Total Revenues	**105,1**	**26,9**	**(4,0)**	**128,0**

(euro millions)	Cartonboard & Energy FY 2004	Packaging FY 2004	Eliminations FY 2004	Consolidated FY 2004
Revenues from 3rd parties	372,8	98,1	0,0	470,9
Intercompany revenues	12,8	0,0	(12,8)	0,0
Total Revenues	**385,6**	**98,1**	**(12,8)**	**470,9**

A similar percentage analysis by geographical area compared to the first quarter of 2004 shows an increase in the non-European markets by 4.5 percentage points, which corresponds to a fall in revenues of the same amount in the home market. The percentage of European revenues remains stable.

(euro millions)	1Q 2005	%	1Q 2004	%	FY 2004	%
Geographic area						
Italy	62.2	55.3	76.7	59.9	265.1	56.3
EU	39.8	35.4	45.1	35.2	164.4	34.9
Non EU	10.5	9.3	6.2	4.8	41.4	8.8
Total Revenues	**112.5**	**100.0**	**128.0**	**100.0**	**470.9**	**100.0**

Note also that the economic data of the cartonboard and packaging sectors include, respectively, the results of the Pompeii and Rovereto facilities, both of which are owned by the subsidiary Aticarta S.p.A..

Cartonboard sector and related activities

Net revenues of the cartonboard sector, which include the results of the Spanish cogeneration activities, for the first quarter of 2005 amount to 92 million euros, compared to 105 million euros for the first quarter of 2004. The fall of around 13% is attributable to the factors described previously (the halt in production at the Pompeii facility and the greater number of public holidays during the period), as well as to the weakness in demand on the principal reference markets of Italy and Western Europe.

(euro thousands)	1st quarter 2005	%	1st quarter 2004	%
Net Revenues	91,890		105,117	
Raw materials and services	(66,427)		(74,738)	
Personnel	(16,788)		(18,138)	
EBITDA	**8,675**	**9.4**	**12,241**	**11.6**

EBITDA for the first quarter of 2005 amounted to 8.7 million euros (against 12.2 million euros in the first quarter of 2004), representing 9.4% of net revenues (11.6% for the first quarter of 2004). The variation in EBITDA compared to the respective prior period reflects the positive effects of lower fixed production costs and greater manufacturing efficiencies, and the negative effects of the increase in energy costs and lower unit sales prices. Unit sales prices, in fact, have remained below those of the first quarter of 2004 by around 5% on average, due also to the increase in sales volumes to the non-European markets, although these prices show a recovery over the last quarter of 2004.

EBITDA does, however, show an increase as a percentage of revenues over that for the whole of 2004 which amounted to 6.8% (this percentage including the results of the cogeneration activity in Spain). It should be recalled on this matter that 2004 was characterised by a satisfactory first quarter, followed by a gradual reduction in unit sales prices throughout the year and a trend in demand conditioned by careful considerations being made by customers.

The steps being taken to rationalise the fixed and variable costs associated with the primary activities (supply, production and sale) continue, as well as does the action being carried out to seek greater efficiency in the organisation of support activities. In this respect, an agreement is being finalised with the trades unions to reduce the workforce at the Magenta and Villa S. Lucia facilities and a programme is under way to transfer to the manufacturing sites certain functions currently carried out centrally at the corporate headquarters with a view to further decrease overhead costs.

The contribution of the Pompeii (Aticarta S.p.A.) facility, at which the entire workforce is currently temporarily laid off under a state scheme, continues to be negative at the EBITDA level (minus 250 thousand euros), even though this is more contained compared to the same period in 2004.

Packaging sector

Net revenues of the packaging sector for the first quarter of 2005 amount to 23.4 million euros, compared to 26.9 million euros for the first quarter of 2004, with EBITDA of 3.8 million euros showing a significant increase over the 2.5 million euros of the first quarter of 2004.

(euro thousands)	1st quarter 2005	%	1st quarter 2004	%
Net Revenues	23,353		26,947	
Raw materials and services	(14,825)		(18,524)	
Personnel	(4,686)		(5,919)	
EBITDA	**3,842**	**16.5**	**2,504**	**9.3**

The improved performance of the packaging sector is attributable to both Europoligrafico S.p.A. and the Rovereto facility of the subsidiary Aticarta S.p.A., which in 2005 have both benefited over 2004 from the completion of the restructuring programme and the renewal of important trading relations.

Adoption of International Financial Reporting Standards (IFRS)

In 2004, the Reno De Medici Group commenced a project for the conversion to International Financial Reporting Standards (the IFRS project), together with the assistance of PricewaterhouseCoopers S.p.A.. Included in this project, amongst other matters, is the objective of defining certain decisional and support bodies, such as the Steering Committee and the Technical Committee, which will enable activities to be carried out effectively from both an operative and decisional point of view.

The Steering Committee is made up of the principal managers in Reno De Medici, assisted by PricewaterhouseCoopers S.p.A. on technical and accounting matters. The Steering Committee coordinates the project and acts as the decisional body, taking any corrective action necessary and managing the risks and opportunities connected with the project. In particular, from an operating point of view, the Steering Committee monitors the state of progress of the project through periodic meetings and, on the basis of proposals put forward by the technical team, takes decisions on the various options existing under IFRS for specific financial statement captions.

The Technical Committee acts as the support body for the project, is made up of representatives of the independent auditors and assists the Company in identifying the possible solutions to questions raised by the Steering Committee or the workgroups and in identifying the accounting treatments which best suit IFRS requirements.

The IFRS project is structured in three work phases. The first phase regards the definition of the scope of the work and the identification of the macro areas of the financial statements under consideration. The second phase consists of an evaluation of the accounting principles and policies used by the Group for every area of the financial statements, an analysis of the options available under IFRS and the identification of the differences, if any, with the principles and policies currently adopted. The third phase requires the quantification of the accounting differences and the preparation of an IFRS transition balance sheet at 1 January 2004 and a Group accounting manual to describe the principal changes to be made to current procedures, including those relating to the information systems.

Having now completed the first two phases for the whole Group, the principal effects of applying IFRS to the consolidated balance sheet at 1 January 2004 have been determined.

For information purposes, the following captions of the financial statements are those principally affected by the change in principles and policies to IFRS from those currently adopted: intangible fixed assets, tangible fixed assets, financial fixed assets, financial assets and liabilities, both current and non current, the employees' leaving entitlement and provisions for contingencies.

On 11 May 2005, the Board of Directors of Reno De Medici S.p.A. appointed PricewaterhouseCoopers S.p.A. as auditors in accordance with Consob communication no. DEM/5025723 of 15 April 2005.

FINANCIAL SCHEDULES OF THE RDM GROUP AT 31 MARCH 2005

Consolidated Profit and Loss Accont - 1st Quarter

(euro thousands)	1st quarter 2005	%	1st quarter 2004	%	FY 2004	%
Net Revenues	112,548		127,957		470,923	
Raw materials and services	(78,518)		(89,267)		(337,602)	
Personnel	(21,474)		(24,057)		(88,126)	
EBITDA	**12,556**	**11.2**	**14,633**	**11.4**	**45,195**	**9.6**
Depreciation and amortisation	(9,535)		(10,564)		(42,020)	
EBIT	**3,021**	**2.7**	**4,069**	**3.2**	**3,175**	**0.7**
Net financial income (charges)	(3,377)		(4,327)		(15,288)	
Result from ordinary operations	**(356)**	**(0.3)**	**(258)**	**(0.2)**	**(12,113)**	**(2.6)**
Value adjustments to financial asstes	508		646		3,127	
Net extraordinary income (charges)	3,340		(781)		(4,702)	
Result before tax	**3,492**	**3.1**	**(393)**	**(0.3)**	**(13,688)**	**(2.9)**

Consolidated Balance Sheet as at 31 March 2005

(euro thousands)	31 March 2005	31 Dec. 2004	31 March 2004
Trade receivables	141,366	143,110	158,121
Inventories	89,703	86,044	93,759
Trade payables	(104,564)	(107,527)	(106,010)
Total operating capital	**126,505**	**121,627**	**145,870**
Other net assets (liabilities)	(5,664)	187	(8,165)
Net fixed assets	353,094	362,775	383,412
Invested capital	**473,935**	**484,589**	**521,117**
Provision for end-of-service indemnities and other provisions	(87,203)	(86,896)	(97,488)
Net invested capital	**386,732**	**397,693**	**423,629**
Net financial position	230,492	244,945	258,042
Shareholders' equity	156,240	152,748	165,587
Total sources of funds	**386,732**	**397,693**	**423,629**

Shareholders' equity at 31 March 2005 and 2004 includes the result for the quarters then ended before taxation (IRPEG/IRES and IRAP), whereas that at 31 December 2004 includes the result after tax.

Net consolidated financial position as at 31 March 2005

(euro thousands)	31 March 2005	31 Dec. 2004	31 March 2004
Cash and S-T financial assets	21,074	23,452	29,112
S-T financial liabilities	(62,088)	(76,396)	(73,327)
Short-term financial position	**(41,014)**	**(52,944)**	**(44,215)**
M-T financial assets	5,000	5,017	0
M-T financial liabilities	(194,478)	(197,018)	(213,827)
Net financial position	**(230,492)**	**(244,945)**	**(258,042)**

COMMENTARY

The quarterly report of the Reno De Medici Group at 31 March 2005 has been prepared on the basis of Consob resolution no. 11971 of 14 May 1999 and subsequent amendments and supplements.

The financial and economic situation at 31 March 2005 is presented in a reclassified format consistent with that included in the financial statements at 31 December 2004 and in the half-year report at 30 June 2004.

Amounts are stated in thousands of euros.

There has been no change in the consolidation area from that of financial year 2004.

Accounting principles and policies

The consolidated quarterly report has been prepared on the basis of the same consolidation methods, the same accounting principles and policies, the same classifications and the same conversion criteria used in the preparation of the consolidated financial statements for financial year 2004.

Segment Reporting

As mentioned before, the segment reporting relating to the cartonboard sector includes the results of the cogeneration activity carried out by the Spanish subsidiary Cogeneracion Prat S.A.. Such new segment reporting framework, which arises from the strong integration between the industrial operation of the Prat cartonboard mill and the cogeneration plant, differs from that utilised in the 2004 annual report.

Workforce

At 31 March 2005, the Group had a workforce of 2,175 employees (2,432 at 31 March 2004 and 2,172 at 31 December 2004).

Investments

The Group had capital expenditures of approximately 3 million euros in the first quarter of 2005 (approximately 2 million euros in the first quarter of 2004).