Quarterly report

Second quarter 2006

Reno De Medici S.p.A.
Registered office: Via dei Bossi 4, Milan
Corporate headquarters:
Via G. De Medici 17, Pontenuovo di Magenta (MI)
Share capital: Euro € 132,160,074.13 fully paid
Fiscal code and VAT no. 00883670150

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CORPORATE BODIES

Board of Directors

Giovanni Dell'Aria Burani	Honorary Chairman
Giuseppe Garofano (*)	Chairman
Carlo Peretti (*)	Deputy Chairman
Ignazio Capuano (*)	Managing Director
Marco Baglioni	Director
Mario Del Cane	Director
Giancarlo De Min (*)	Director
Michael Groller	Director
Vincenzo Nicastro	Director
Ambrogio Rossini	Director

(*) member of the executive committee

Board of Statutory Auditors

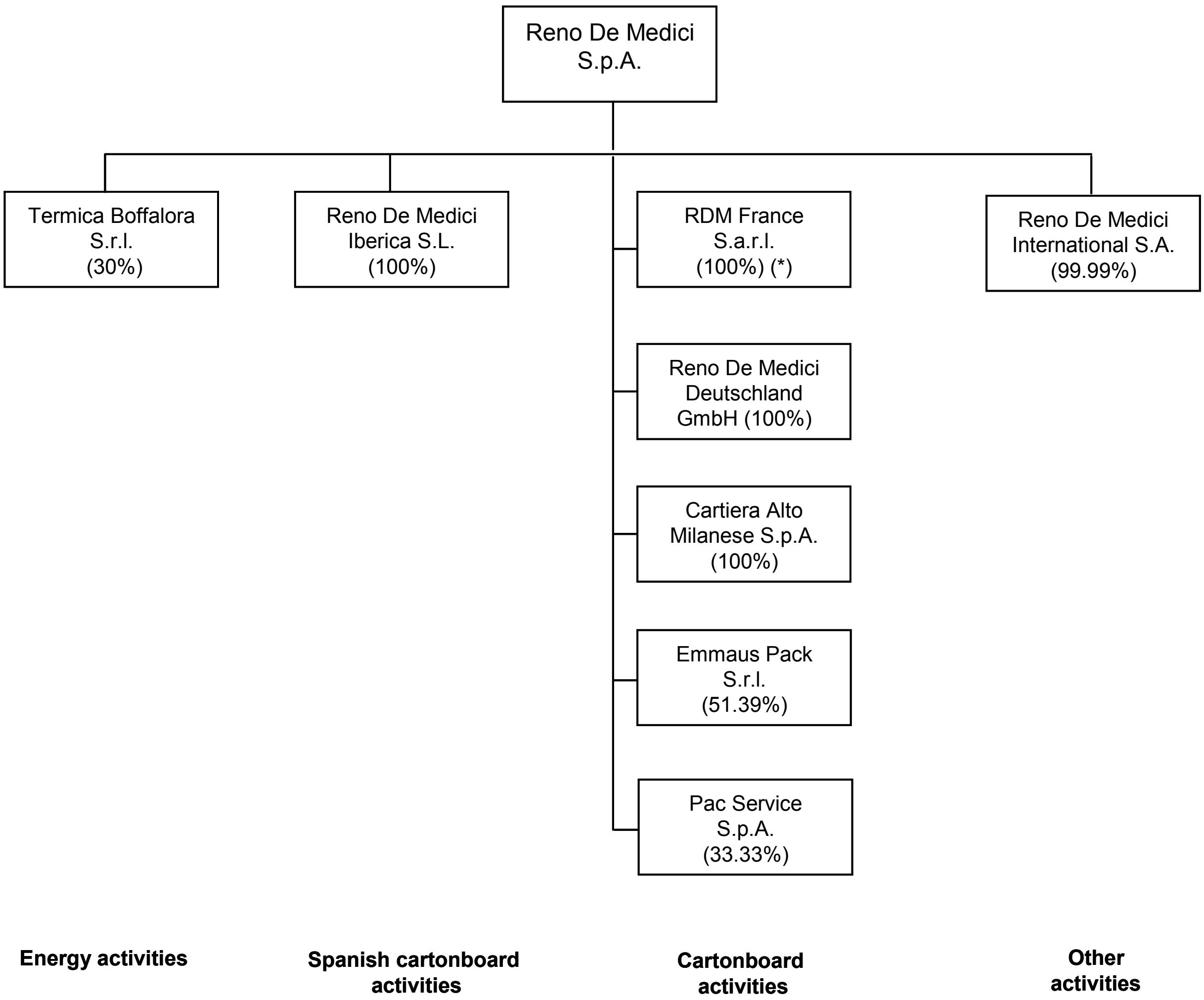
Sergio Pivato	Chairman
Marcello Priori	Standing auditor
Carlo Tavormina	Standing auditor
Giovanni Maria Conti	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

OPERATING COMPANIES OF RENO DE MEDICI GROUP AT 30 JUNE 2006

The following table excludes non-operating Group companies and companies in liquidation.



(*) Reno De Medici S.p.A. 99.58% - Cartiera Alto Milanese S.p.A. 0.42%

COMMENTS OF THE DIRECTORS ON OPERATIONS

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].

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.

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.

[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'.

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)**
Current and deferred taxes	*(2,685)*	*(1,783)*
Result of operating activities after taxes	**(2,153)**	**(20,692)**
Discontinued operations and non recurrent expenses	*(4,180)*	*20,377*
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 1006; 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 Europoligafico 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 allocation of the interest-bearing debt of Red.Im S.r.l., which amounted to 40 million euros, to RDM Realty S.p.A. pursuant to 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).

Furthermore, 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 fair value of derivative instruments principally linked to the RDM International S.A. bond, which were terminated in May 2006 on the redemption of the bond. At 30 June 2006., instead, there is a negative net effect of 0.2 million euros from the fair value of some cash flow hedge derivative instruments entered into by the RDM Group.

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.

Segment information

The Group has adopted a geographical format as the means of reporting segment information, based on the location in which activities are carried out. The separate geographical areas identified are Italy, Spain and the residual category "Other". Included in the residual category are the activities headed by the French subsidiary RDM France S.a.r.l., by the German subsidiary RenoDeMedici Deutschland GmbH and by the Luxembourg subsidiary Reno De Medici International S.A..

The following tables set out the profit and loss account, down to gross operating profit, on a geographical basis for the first half of 2006 and 2005.

The contribution made by Spain relates to operations at the Almazan facility (owned by RDM Iberica) and the marketing of cartonboard manufactured in the Parent Company's factories.

Profit and loss account for the 1st half 2006	Italy	Spain	Other	Eliminations	Consolidated
Euro/000					
Revenues from sales	151,788	17,265	937	(6,717)	163,273
Other revenues	1,126	-	10	(24)	1,112
Changes in stocks of finished goods	5,609	(592)	-	-	5,017
Cost of raw materials and services	(117,306)	(13,640)	(460)	6,744	(124,662)
Staff costs	(23,303)	(2,661)	(456)	-	(26,420)
Other operating costs	(1,377)	(29)	(24)	-	(1,430)
Income (expense) from non-current assets held for sale	(371)	-	-	-	(371)
Unusual income (expense)	(92)	56	263	(3)	224
Gross Operating Profit (EBITDA)	**16,074**	**399**	**270**	**-**	**16,743**

Profit and loss account for the 1st half 2005	Italy	Spain	Other	Eliminations	Consolidated
Euro/000					
Revenues from sales	139,150	15,457	967	(4,444)	151,130
Other revenues	1,832	-	35	(51)	1,816
Changes in stocks of finished goods	2,093	264	-	-	2,357
Cost of raw materials and services	(100,950)	(12,932)	(397)	4,379	(109,900)
Staff costs	(23,813)	(2,515)	(440)	-	(26,768)
Other operating costs	(2,227)	(103)	(17)	19	(2,328)
Income (expense) from non-current assets held for sale	(54)	-	-	-	(54)
Unusual income (expense)	(127)	(67)	1	-	(193)
Gross Operating Profit (EBITDA)	**15,904**	**104**	**149**	**(97)**	**16,060**

The following tables provide an analysis of economic data by geographical area for the second quarters of 2006 and 2005.

Profit and loss account for the 2nd quarter 2006	Italy	Spain	Other	Eliminations	Consolidated
Euro/000					
Revenues from sales	72,520	7,649	471	(2,540)	78,100
Other revenues	200	-	3	(24)	179
Changes in stocks of finished goods	3,432	(249)	-	0	3,183
Cost of raw materials and services	(55,626)	(5,666)	(275)	2,567	(59,000)
Staff costs	(11,414)	(1,351)	(231)	-	(12,996)
Other operating costs	(772)	(23)	(13)	-	(808)
Income (expense) from non-current assets held for sale	16	-	-	-	16
Unusual income (expense)	(32)	(1)	263	(3)	227
Gross Operating Profit (EBITDA)	**8,324**	**359**	**218**	**-**	**8,901**

Profit and loss account for the 2nd quarter 2005	Italy	Spain	Other	Eliminations	Consolidated
Euro/000					
Revenues from sales	70,472	7,950	482	(2,678)	76,226
Other revenues	835	(2)	7	(47)	793
Changes in stocks of finished goods	1,156	(125)	-	-	1,031
Cost of raw materials and services	(51,699)	(6,432)	(207)	2,615	(55,723)
Staff costs	(12,142)	(1,276)	(223)	-	(13,641)
Other operating costs	(1,340)	(27)	(9)	13	(1,363)
Income (expense) from non-current assets held for sale	72	-	-	-	72
Unusual income (expense)	(130)	(4)	(1)	-	(135)
Gross Operating Profit (EBITDA)	**7,224**	**84**	**49**	**(97)**	**7,260**

Finally, the following table provides an analysis by geographical area of net revenues generated by sales of cartonboard.

Geographic areas	1st half 2006	1st half 2005
Euro/000		
Italy	91,576	83,797
European Union - other	56,057	50,774
Outside the European Union	15,640	16,559
Total sales revenues	**163,273**	**151,130**

The Italian market accounts for around 56.1% of consolidated net revenues (around 55.4% in 2005), the European market accounts for around 34.3% (33.6% in 2005) and countries outside the European Union account for 9.6 % (down from 11% in 2005).

Significant 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.

A the 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.

For the purposes of completeness, it is additionally noted that on 1 May 2006 Reno De Medici Iberica S.L. ("RDM Iberica") acquired the business of its wholly-owned subsidiary Barneda Carton S.A. at its book value; the subsidiary is dedicated to cutting and commercial activities. Subsequently, on 17 May 2006, RDM Iberica sold its equity holding in Barneda Carton S.A. to third parties for an amount of 200 thousand euros.

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 OF RENO DE MEDICI GROUP AT 30 JUNE 2006

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**
Financial expense	(6,325)	(7,428)
Exchange differences	(152)	390
Financial income	642	1,109
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)**
Gains (losses) from disposals, net	-	27,259
Loss for the period	(4,180)	(6,882)
Discontinued operations	(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	2nd quarter 2006	2nd 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)**
Financial expense	(2,718)	(3,733)
Exchange differences	(107)	149
Financial income	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)**
Gains (losses) from disposals, net	-	27,259
Loss for the period	(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**

NOTES

The quarterly report of Reno De Medici Group at 30 June 2006 has been prepared on the basis of article 82, first paragraph, of the Regulations for Issuers adopted by Consob in resolution no. 11971 of 14 May 1999 and subsequent amendments and supplements.

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

The consolidated balance sheet at 30 June 2006 and the consolidated profit and loss account for the quarter then ended are presented in a format that is consistent with that used in the consolidated financial statements at 31 December 2005.

The scope of consolidation has changed with respect to that at 31 December 2005 as the result of the following:

(i) the finalisation of the partial and proportional demerger of RDM into RDM Realty on 21 June 2006, with the result that Red.Im S.r.l. has left the scope of consolidation;

(ii) the sale of Barneda Carton S.A. by Reno De Medici Iberica S.L. on 17 May 2006.

As a consequence, the results of Red.Im S.r.l. for the periods ended 30 June 2006 and 2005 have been classified under the item "Discontinued operations", together with the costs connected with the demerger operation and the listing of RDM Realty S.p.A.. It should be noted that following the sales of Europoligrafico S.p.A., Aticarta S.p.A. and Cogeneracion Prat S.A. in 2005, the results of these companies for the period ended 30 June 2005 have also been classified as "Discontinued operations".

The results (meaning by this the net operating result) of the Prat facility and the Magenta MC1 line, which both ceased activities in 2005, have also been classified as 'Discontinued operations' for the first half of both 2005 and 2006. The non-current assets (plant and machinery) of those facilities are presented separately in the consolidated balance sheet under the item "Non-current assets held for sale".

Accounting principles

The quarterly report has been prepared on the basis of the same accounting principles used in preparing the consolidated financial statements at 31 December 2005.

These principles are the International Accounting Standards adopted by the European Commission, and could differ from the International Financial Reporting Standards (IFRS) that will be effective at 31 December 2006 as the result of new or changed positions taken by the Commission or due to the issue of new accounting standards or new interpretations by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated financial statements are prepared in accordance with the IFRS issued by the International Accounting Standards Board and ratified by the European Union. IFRS also include all the previous International Accounting Standards revised by the Board (referred to as "IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions which affect the carrying values of the assets and liabilities in the consolidated balance sheet and the disclosures relating to contingent assets and liabilities at the balance sheet date. The actual results could differ from these estimates. In particular, estimates are used to determine the result contributed by discontinued operations, in the making of provisions for the collection risk for receivables and inventory obsolescence, in the calculation of depreciation, amortisation, impairment, employee benefits, restructuring provisions, taxation and other accruals and provisions and in the measurement of derivative instruments. Estimates and assumptions are reviewed periodically and the effects of any changes are recognised immediately in the profit and loss account.

The consolidated financial statements are prepared in thousands of euros and amounts are stated in that currency, which represents the money of account of the main economies in which the Reno De Medici Group operates.

Workforce

The Group had 1,242 employees at 30 June 2006 compared to 1,488 employees at 30 June 2005 (this figure excludes the personnel of the companies sold in 2005).