Quarterly report

Third quarter 2005

Reno De Medici S.p.A.
Registered office: Via dei Bossi 4, Milan
Corporate headquarters:
Via G. De Medici 17, Pontenuovo di Magenta (MI)
Fully paid share capital: € 148,342,940.35
Fiscal code and VAT no. 00883670150

INDEX[1]

[1] This document is an English translation from Italian. The Italian original shall prevail in case of difference in interpretation and/or factual errors.

COMPANY BODIES

Board of Directors

Giovanni Dell'Aria Burani	Honorary chairman
Giuseppe Garofano (*)	Chairman
Carlo Peretti (*)	Deputy chairman
Ugo Dell'Aria Burani (*)	Deputy chairman
Ignazio Capuano (*)	Managing director
Marco Baglioni	Director
Piergiorgio Cavallera	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

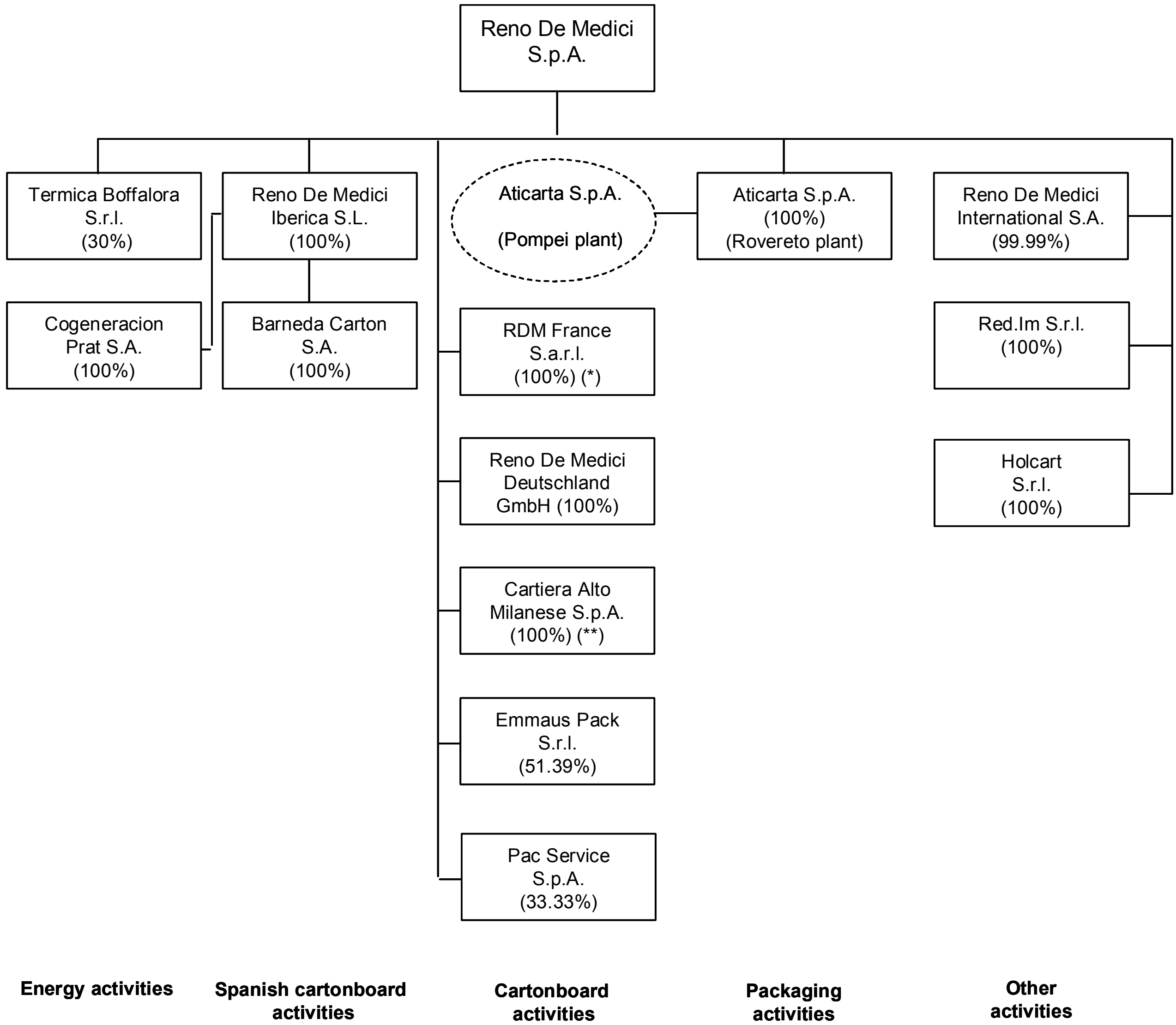
Sergio Pivato	Chairman
Carlo Tavormina	Standing auditor
Gabriele Tosi	Standing auditor
Michele Tosi	Substitute auditor
Gaudenzio Gadda	Substitute auditor

Independent auditors

PRICEWATERHOUSECOOPERS S.p.A.

OPERATING COMPANIES OF THE RDM GROUP AT 30 SEPTEMBER 2005

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



(*) Reno De Medici S.p.A. 99.58% - Cartiera Alto Milanese S.p.A. 0.42%
(**) Reno De Medici S.p.A. 8% - Holcart S.r.l. 92%

COMMENTS OF THE DIRECTORS ON OPERATIONS

Foreword

To allow for a better understanding of the consolidated profit-and-loss results contained in this Quarterly Report, the following should be noted.

The consolidated Gross Operating Margin (EBITDA) of about 33.3 million euro registered in the first nine months of 2004 included a 9-million euro non-recurring net income from the subsidiary Alicarta S.p.A., resulting from the finalization of contractual relations with BAT Italia S.p.A. at the end of September 2004.

Net of these items, the EBITDA for the first nine months of 2004 would be about 24.3 million euro (approximately 7.8% of net revenues).

The consolidated Gross Operating Margin at September 2005 amounts to about 22.9 million euro (approximately 8% of net revenues).

It is further noted that the EBITDA for the first nine months of 2005 takes into account the negative performance of a number of units that the Group has already scheduled in its strategic plans to close down or divest. Reference is here made specifically to the Prat site (Barcelona, Spain) and to some activities of the Parent Company, as well as the reconversion of the Pompeii site owned by the subsidiary Aticarta S.p.A.

EBITDA at 30 September 2005 includes as well some non-recurring operating costs linked mainly to the restructuring process underway (consulting, severance, etc.)

Net of these items (totalling about 1.5 million euro), the consolidated Gross Operating Margin of core activities would amount to 24.4 million euro.

Consolidated results

The Reno De Medici Group has achieved net revenues of approximately 288 million euros in the period from January to September 2005, compared to net revenues of approximately 312 million euros in the corresponding period of 2004[2]. In particular, net revenues reached 87 million euros in the third quarter of 2005 compared to the 94 million euros recorded in the third quarter of 2004.

The fall in net revenues of 7.8% compared to those of the previous year is principally due to lower unit sales prices, and to lower sales volumes due also as a result of stopping production at the Pompeii factory (owned by Aticarta S.p.A.) in June 2004.

[2] Cf. Consolidated financial schedules of the RDM Group at 30 September 2005

Sales volumes for the third quarter of 2005 are in line with those of the corresponding period of the previous year.

EBITDA reached Euro 22.9 million at a consolidated level by the end of September 2005, compared to Euro 33.3 million at September 2004 (which included non recurrent income for about 9 million euros, as stated above).

Consolidated EBITDA reached Euro 4.8 million in the third quarter of 2005, compared to 12.1 million euros recorded in the third quarter of 2004 (which included non recurrent income for about 9 million euros, as stated above).

As already discussed in the Half Year Report for 2005, the drop in the ordinary margin over the nine months is due to the combined effect of the reduction in sales prices and the increase in energy costs at the same time, partially compensated by further savings in other manufacturing costs, both variable and fixed.

Consolidated EBIT is negative for about Euro 10.3 million and includes write-downs for a total of Euro 9.2 million, relating to plant and machinery at the Pompeii facility owned by Aticarta S.p.A. for Euro 7 million and to the subsidiary Cartiera Alto Milanese S.p.A. for Euro 2.2 million, already recognised at June 2005.

The consolidated net loss for the period of Euro 7.1 million includes other expense of Euro 15.7 million which relates principally to the alignment of the carrying value of the receivable from Grupo Torra S.A. to the value implicit in the sentence issued by the Court of Madrid last September[3] and the contribution made by the operating activities discontinued as a result of the sale of the holding in Europoligrafico S.p.A. in June 2005.

The consolidated net loss for the third quarter of 2005 amounted to Euro 6.7 million, compared to a profit of 0.8 million euros in the third quarter of 2004, which reflected the effect of the positive non-recurring components discussed previously.

The Group made investments in productive assets of Euro 6.2 million in the first nine months of 2005 (Euro 11 million at September 2004), which regarded mainly extraordinary maintenance work at the principal facilities, modifications made to the cover line at Villa Santa Lucia and work on the pulping unit at the Santa Giustina facility.

Consolidated net financial debt at the end of September 2005 amounted to Euro 192 million compared to that of Euro 248 million at the end of December 2004. The decrease is due mainly to the disposal of Europoligrafico S.p.A. at the end of June 2005, which led to net proceeds of Euro 33 million stated after a vendor loan made to

[3] Cf. Half Year Report 2005

the purchaser of Euro 3 million, and to the deconsolidation of Euro 13 million of financial debt.

In particular, the gross short-term exposure amounting to Euro 209 million includes the remaining debentures of Euro 145 million which will be repayable in May 2006, the portion of long-term loans which is due in the coming 12 months amounting to Euro 15 million, and short-term bank debt of Euro 49 million, made up principally of bank advances on receivables due from customers.

Repayments of Euro 12 million on long term loans were made in the first nine months of 2005.

Segment information

As a result of the sale of Europoligrafico S.p.A., the remaining packaging activities carried out by the Group do not reach the threshold requiring the reporting of the cardboard and packaging sectors as separate business segments under International Financial Reporting Standards.

As a consequence, the geographical format has been selected for segment reporting, based on the location at which the related operations are carried out. The geographical areas are identified as Italy, Spain and, for the remaining countries, “Other”. Included in this latter category are the operations headed by the French subsidiary RDM France S.a.r.l., the German subsidiary RenoDeMedici Deutschland GmbH and the Luxembourg subsidiary Reno De Medici International S.A..

Analysis by geographical area

The following tables set out Gross Operating Profit by geographical area for the third quarter of the current and previous years and for the first nine months of 2005 and 2004.

Profit and loss account for the 3rd quarter 2005	Italy	Spain	Other	Eliminations	Consolidated
Euro/000					
Revenues from sales	73,383	15,547	378	(2,072)	87,236
Other revenues	969	1,135	3	(18)	2,089
Changes in stocks of finished goods	(5,125)	(565)	0	0	(5,690)
Cost of raw materials and services	(48,572)	(13,784)	(170)	2,113	(60,413)
Staff costs	(12,928)	(2,970)	(193)	0	(16,091)
Other operating costs	(1,830)	(221)	(14)	8	(2,057)
Income (expense) from non-current assets held for sale	(189)	0	0	0	(189)
Unusual income (expense)	12	(63)	(4)	0	(55)
Gross Operating Profit (EBITDA)	**5,720**	**(921)**	**0**	**31**	**4,830**

Profit and loss account for the 3rd quarter 2004	Italy	Spain	Other	Eliminations	Consolidated
Euro/000					
Revenues from sales	79,954	17,402	487	(3,351)	94,492
Other revenues	9,898	22	1	0	9,921
Changes in stocks of finished goods	(3,315)	(444)	0	0	(3,759)
Cost of raw materials and services	(59,781)	(13,415)	(157)	3,351	(70,002)
Staff costs	(13,901)	(3,310)	(244)	0	(17,455)
Other operating costs	(760)	(223)	(18)	0	(1,001)
Income (expense) from non-current assets held for sale	(33)	0	0	0	(33)
Unusual income (expense)	137	(167)	0	0	(30)
Gross Operating Profit (EBITDA)	**12,199**	**(135)**	**69**	**0**	**12,133**

The EBITDA of Euro 5.7 million for Italian operations for the third quarter of 2005 compares with a corresponding figure of Euro 12.2 million for the third quarter of 2004 which, as discussed previously, included a non-recurring gain of Euro 9 million.

Excluding this components, the Gross Operating Profit of Italian operations increased by 2.5 million euros in the quarter, mainly as a result of the increased operating margins achieved by the Parent Company and by distribution operations, against which must be set the worsening of the results of the subsidiary Aticarta S.p.A.. In particular, part of the increase of the Parent Company's EBITDA reflects the revision of contractual relations with Termica Boffalora S.r.l. regarding the supply of thermal energy to the Magenta facility (cf. Significant matters).

The improvement in the operating margins of Italian operations is essentially set off by the worsening in Spanish operations. As indicated in the Half Year Report for 2005, agreements are being finalised with the representatives of the Spanish trades unions for the closure in advance of the Prat (Barcellona) facility by the end of this year, originally planned for the end of 2006.

EBITDA margin on net revenues of the Italian operations, for the nine months from January to September 2005, increases to approx. 9.5% compared to the EBITDA margin of about 8.8% reached in the same period of last year and stated net of the non-current income referred to above.

Profit and loss account for the nine months ended 30 September 2005	Italy	Spain	Other	Eliminations	Consolidated
Euro/000					
Revenues from sales	241,907	52,159	1,345	(7,799)	287,612
Other revenues	3,920	1,287	38	(69)	5,176
Changes in stocks of finished goods	(2,978)	(82)	0	0	(3,060)
Cost of raw materials and services	(173,423)	(43,022)	(567)	7,784	(209,228)
Staff costs	(41,760)	(9,269)	(633)	0	(51,662)
Other operating costs	(4,352)	(776)	(31)	18	(5,141)
Income (expense) from non-current assets held for sale	(243)	0	0	0	(243)
Unusual income (expense)	(115)	(394)	(3)	0	(512)
Gross Operating Profit (EBITDA)	**22,956**	**(97)**	**149**	**(66)**	**22,942**

Profit and loss account for the nine months ended 30 September 2004	Italy	Spain	Other	Eliminations	Consolidated
Euro/000					
Revenues from sales	264,686	57,714	1,693	(12,114)	311,979
Other revenues	12,373	435	6	(80)	12,734
Changes in stocks of finished goods	(1,045)	(282)	0	0	(1,327)
Cost of raw materials and services	(193,745)	(44,446)	(678)	12,194	(226,675)
Staff costs	(46,493)	(10,200)	(679)	0	(57,372)
Other operating costs	(3,444)	(2,179)	(41)	0	(5,664)
Income (expense) from non-current assets held for sale	(111)	0	0	0	(111)
Unusual income (expense)	(53)	(167)	0	0	(220)
Gross Operating Profit (EBITDA)	**32,168**	**875**	**301**	**0**	**33,344**

The cardboard sector and related activities

The revenues of the cardboard sector are set out in the following table by geographical area; as already indicated in the Half Year Report, data for the cardboard sector also include those for the cogeneration operations, given the high level of interdependence between the two.

The Italian and European markets continued to be the reference points for the cardboard sector in the first nine months of 2005, contributing respectively to 49.6% of revenues (49.8% in the first nine months of 2004) and 40.4% of revenues (41% in the first nine months of 2004).

Cartonboard sector - sales revenues	1st Jan - 30th Sept 2005	1st Jan - 30th Sept 2004
Euro/000		
Italy	134,513	146,058
European Union - other	109,385	120,331
Outside the European Union	27,151	26,902
Total sales revenues	**271,049**	**293,291**

Significant matters

The following matters are noted as being of significance.

On 26 September 2005 the productive assets of the Rovereto facility owned by Aticarta S.p.A. and dedicated to the production of packaging items for the tobacco sector were contributed into a newly established company. The conferee, ATI Packaging S.r.l., is wholly owned by Aticarta S.p.A.. The contribution became effective on 1 October 2005.

On the same date, an agreement was signed by Reno De Medici S.p.A. and Termica Boffalora S.r.l. which revises the contractual terms for the supply of thermal energy to the Magenta facility and determines the various contractual relationships with this associated company. In summary, Reno De Medici S.p.A. will benefit from a revised purchase prices it pays for steam supplied by Termica Boffalora S.r.l. and from an extended tenor of the supply contract (up to December 2009).

Again at the end of September 2005 an agreement protocol relating to the Pompeii facility was signed between representatives of central and local government, trades union representatives and the subsidiary Aticarta S.p.A.. The protocol supports a plan for the conversion of this production unit and included in its terms is an application for CIGS lay-off measures pursuant to law no. 223/91 for a period of twelve months starting from 18 October 2005, the clearance from the facility of all materials and plant that are auxiliary and complementary to the manufacture of virgin fibre cardboard and a series of commitments made by the signing parties aimed at promoting a reskilling programme for the employees at the facility, in order for them to be redeployed in the new activities which will be located at the site.

On 3 October 2005 the subsidiary Holcart S.r.l. was placed in liquidation. Subsequently, on 24 October 2005, an extraordinary meeting of the shareholders of the subsidiary Cartiera Alto Milanese S.p.A. was held at which shareholders resolved to cover the losses at 30 June 2005 and to reinstate share capital through a capital increase. This increase was entirely subscribed by Reno De Medici S.p.A., which in this way became the company's sole shareholder.

Outlook

Sales volumes in the third quarter of 2005 substantially held up compared to those for the third quarter of 2004, showing a gradual upturn with respect to the initial trend of the current year.

Sales prices, which in the first half of 2005 were progressively decreasing, remained more or less constant in the third quarter. Considering production costs, raw material prices have barely moved, whereas there have been notable increases in energy costs both in Italy, where these have reached peaks of 25% in 2005 according to the most recent Assocarta estimates, and in other countries, although to varying degrees.

In this context, the major European cardboard manufacturers, including Reno De Medici, have announced increases in sales prices effective from January 2006. An acceleration of orders is therefore foreseeable in the fourth quarter of 2005 in order to forestall the announced increase, which in any event will need to be confirmed by the market in the coming year.

The Group reorganization and restructuring actions, that focus on the production of cardboard from recycled fibre, allow to forecast that by year end the turnaround will be complete and that in 2006 higher margins will be posted, providing no changes occur in the market. Thanks to the improved efficiency of the Group's production facilities, it will be possible to take advantage of the higher demand for consumer goods expected for the next financial year.

FINANCIAL SCHEDULES OF THE RDM GROUP AT 30 SEPTEMBER 2005

Consolidated profit and loss account	3rd quarter 2005	3rd quarter 2004
Euro/000		
Revenues from sales	87,236	94,492
Other revenues	2,089	9,921
Changes in stocks of finished goods	(5,690)	(3,759)
Cost of raw materials and services	(60,413)	(70,002)
Staff costs	(16,091)	(17,455)
Other operating costs	(2,057)	(1,001)
Income (expense) from non-current assets held for sale	(189)	(33)
Unusual income (expense)	(55)	(30)
Gross Operating Profit (EBITDA)	**4,830**	**12,133**
Depreciation and amortisation	(7,223)	(8,674)
Write-downs	(60)	0
Operating Profit (Loss) (EBIT)	**(2,453)**	**3,459**
Net financial expenses	(3,632)	*(4,173)*
Gain on purchase of RDM International debentures	0	0
Present value adjustment of Grupo Torras receivable	56	*301*
Financial income (expense), net	(3,576)	(3,872)
Income from equity investments	184	535
Other income (expense)	0	0
Taxation	(890)	(125)
Profit (loss) for the period before discontinued operations	**(6,735)**	**(3)**
Net gain from Europoligrafico sale	0	*0*
Result for the period of Europoligrafico	0	*829*
Discontinued operations	0	829
Profit (loss) for the period	**(6,735)**	**826**
Attributable to:		
Profit (loss) for the period attributable to the Group	(6,853)	677
Profit (loss) for the period attributable to minority interest	118	149

Consolidated profit and loss account	1 Jan - 30 Sept 2005	1 Jan - 30 Sept 2004
Euro/000		
Revenues from sales	287,612	311,979
Other revenues	5,176	12,734
Changes in stocks of finished goods	(3,060)	(1,327)
Cost of raw materials and services	(209,228)	(226,675)
Staff costs	(51,662)	(57,372)
Other operating costs	(5,141)	(5,664)
Income (expense) from non-current assets held for sale	(243)	(111)
Unusual income (expense)	(512)	(220)
Gross Operating Profit (EBITDA)	**22,942**	**33,344**
Depreciation and amortisation	(23,986)	(25,934)
Write-downs	(9,233)	0
Operating Profit (Loss) (EBIT)	**(10,277)**	**7,410**
Net financial expenses	(10,925)	(11,419)
Gain on purchase of RDM International debentures	0	1,430
Present value adjustment of Grupo Torras receivable	666	876
Financial income (expense), net	(10,259)	(9,113)
Income from equity investments	1,365	1,706
Other income (expense)	(15,728)	0
Taxation	(2,723)	(1,590)
Profit (loss) for the period before discontinued operations	**(37,622)**	**(1,587)**
Net gain from Europoligrafico sale	27,259	
Result for the period of Europoligrafico	3,313	884
Discontinued operations	30,572	884
Profit (loss) for the period	**(7,050)**	**(703)**
Attributable to:		
Profit (loss) for the period attributable to the Group	(7,412)	(1,113)
Profit (loss) for the period attributable to minority interest	362	410

Consolidated balance sheet	30 September 2005	31 December 2004
Euro/000		
ASSETS		
Non-current assets		
Tangible fixed assets	228,179	267,193
Investment property	1,284	1,284
Goodwill	759	1,297
Other intangible fixed assets	3,662	4,739
Investments accounted for under the equity method	13,705	17,825
Deferred tax assets	0	0
Derivative financial instruments	0	5,183
Available-for-sale financial assets	233	256
Trade receivables	161	262
Other receivables	13,693	28,086
Non-current assets held for sale	4,919	8,883
Total non-current assets	**266,595**	**335,008**
Current assets		
Stocks	107,527	119,613
Trade receivables	115,928	141,755
Other receivables	13,177	6,925
Derivative financial instruments	2,130	2,105
Available-for-sale financial assets	193	144
Financial assets with fair value adjusted in profit and loss	0	0
Cash and cash equivalents	54,761	25,003
Total current assets	**293,716**	**295,545**
TOTAL ASSETS	**560,311**	**630,553**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Group interest in equity	148,100	155,512
Minority interest in equity	630	560
Shareholders' equity	**148,730**	**156,072**
Non-current liabilities		
Bank loans and other financial liabilities	39,943	198,751
Derivative financial instruments	20	1,247
Other payables	7,409	553
Deferred tax liabilities	4,867	3,314
Employees' leaving entitlement	25,576	29,823
Non-current provisions for contingencies and charges	20,061	22,069
Liabilities directly attributable to non-current assets held for sale	0	981
Total non-current liabilities	**97,876**	**256,738**
Current liabilities		
Bank loans and other financial liabilities	209,100	71,979
Derivative financial instruments	2,825	2,859
Trade payables	76,433	108,024
Other payables	22,404	33,461
Current taxation	2,943	1,420
Total current liabilities	**313,705**	**217,743**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**560,311**	**630,553**

Consolidated net financial position	30 September 2005	30 June 2005	31 December 2004
Euro/000			
Cash and cash equivalents and short-term financial receivables	60,491	64,446	25,137
Short-term financial payables	(214,652)	(212,323)	(77,092)
Valuation of current portion of derivatives	(695)	(692)	(754)
Short-term financial position	**(154,856)**	**(148,569)**	**(52,709)**
Cash and cash equivalents and long-term financial receivables	3,000	0	0
Long-term financial payables	(39,943)	(41,057)	(198,751)
Valuation of non-current portion of derivatives	(20)	(25)	3,936
Net financial position	**(191,819)**	**(189,651)**	**(247,524)**

COMMENTARY

The quarterly report of the Reno De Medici Group at 30 September 2005 has been prepared on the basis of article 82, first paragraph, of the Regulation for Issuers adopted by Consob in its Resolution no. 11971 of 14 May 1999 and subsequent amendments and supplements.

This quarterly report has not been audited by independent auditors.

The financial and economic situation at 30 September 2005 is presented in a reclassified form consistent with that included in the half year report at 30 June 2005. Starting with that half yearly report, the Reno De Medici Group has adopted International Financial Reporting Standards (IFRS) for the preparation of its consolidated financial statements. As a result, the comparative amounts for 2004 have been redetermined and are re-presented in accordance with those standards.

The consolidation scope has changed from that as of 31 December 2004 as follows:

- through the sale of 100% of Europoligrafico S.p.A. in June 2005;
- through the sale of 100% of Beobarna S.A. by its holding company Reno De Medici Iberica S.L. in June 2005.

In this context, following the sale of Europoligrafico S.p.A. referred to above, the contribution made by that company to the Group result has been reclassified as discontinued operations. In this item for the first nine months of 2005 are the net result of Europoligrafico S.p.A. for the first half of 2005, the gain arising from the sale and the accessory costs of the operation. For the first nine months of 2004 and for the third quarter of 2004 this item consists solely of the result of the period for that company. The assets and liabilities of Europoligrafico S.p.A. have not been consolidated in the balance sheet at 30 September 2005 while they are consolidated in the balance sheet at 31 December 2004.

Accounting principles and policies

The accounting principles and policies used in the preparation of the Quarterly Report are the same as those used in the preparation of the 2005 Half Year Report.

Such principles and policies are in line with the International Accounting Standards referred to and adopted by the European Commission and may differ from the provisions of IFRS which will be in force at 31 December 2005, due to new positions which may be taken in the future by the European Commission or to new interpretations which may be made by either 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 approved by the European Union. Such IFRS include all the revised International Accounting Standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee ("SIC").

The preparation of the financial statements in accordance with International Financial Reporting Standards requires that estimates and assumptions be made that affect the reported amounts of assets and liabilities and the disclosures relating to contingent assets and liabilities at the balance sheet date. The actual values could differ from the estimates made. Estimates are used to determine the collectibility of receivables, stock obsolescence, depreciation and amortisation, the write-down of assets, employee benefits, restructuring provisions, taxation and other accruals and provisions. Estimates and assumptions are periodically reviewed and the effects of all changes are immediately recognized in income.

The consolidated financial statements are prepared in thousands of euros; the financial statement items are presented in that currency as it represents the prevailing currency of the principal economies in which the Reno De Medici Group operates.

Workforce

At 30 September 2005, the Group had a workforce of 1,779 employees (2,172 at 31 December 2004 and 2,224 at 30 September 2004).