# Quarterly report

## Second quarter 2007

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

## CORPORATE BODIES

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Board of Directors

| | |
|---|---|
| Giuseppe Garofano | Chairman |
| Bruno Pavesi | Deputy Chairman |
| Carlo Peretti | Deputy Chairman |
| Emanuele Rossini | Managing Director |
| Ignazio Capuano | Director |
| Riccardo Ciardullo | Director |
| Giancarlo De Min | Director |
| Vincenzo Nicastro | Director |
| Francesco Zofrea | Director |

Board of Statutory Auditors

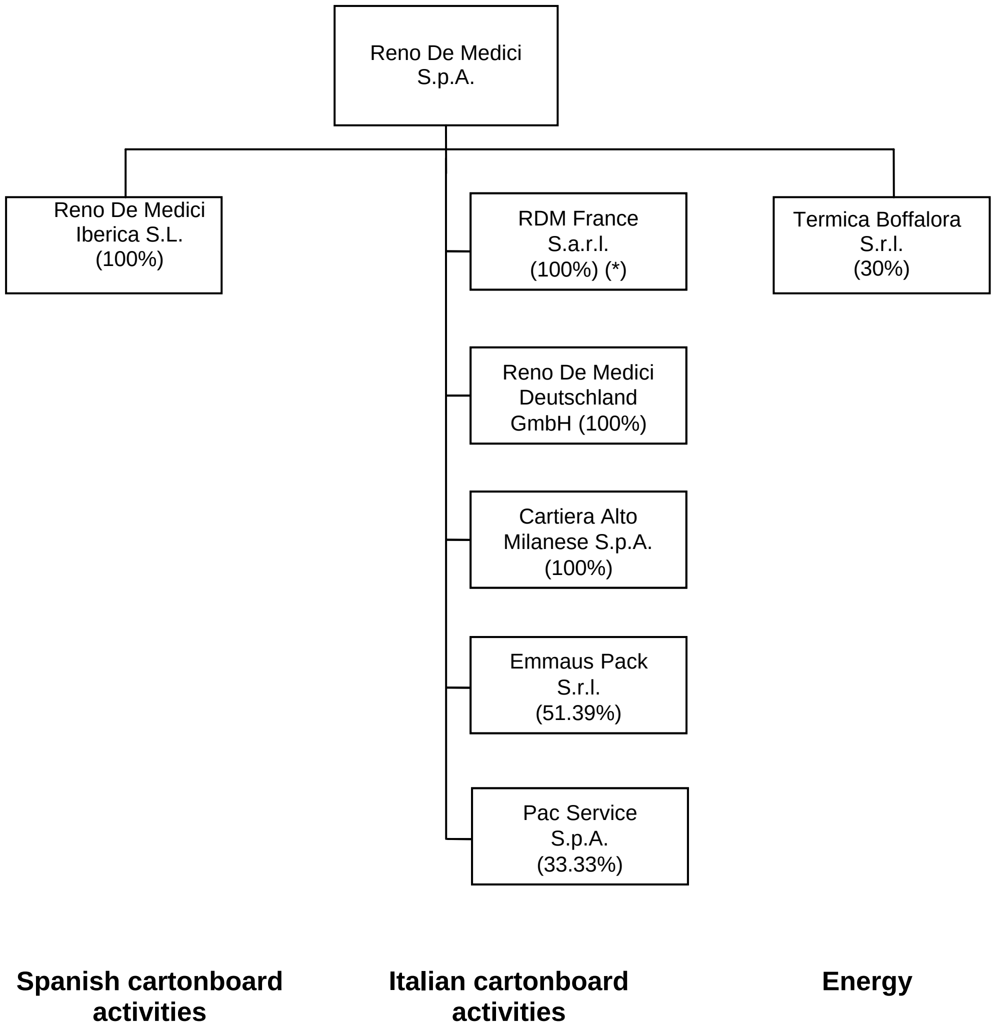
| | |
|---|---|
| Sergio Pivato | Chairman |
| Marcello Priori | Standing auditor |
| Carlo Tavormina | Standing auditor |
| Giovanni Maria Conti | Substitute auditor |
| Myrta de’ Mozzi | Substitute auditor |

Independent Auditors

PricewaterhouseCoopers S.p.A.

## OPERATING COMPANIES OF THE RENO DE MEDICI GROUP AT 30 JUNE 2007

The following figure excludes companies of the Reno De Medici Group (the “RDM Group” or the “Group”) that have been put into liquidation.




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

## COMMENTS OF THE DIRECTORS ON OPERATIONS

Following the substantial completion of the industrial and financial restructuring being carried out over the past three years, the RDM Group returned to profit in the first half of 2007 achieving net earnings of 0.7 million euros (compared to a net loss of 6.6 million euros for the first half of 2006).

The Group's first half results are a reflection of the favourable performance of the market in which it operates, distinguished on the revenues side by an increase in volumes and sales prices and on the expenses side by a notable rise in raw materials costs (in particular waste).

Volumes acquired by the Group increased by 17% in the period ended 30 June 2007 with sales prices rising by more than 4%. This upswing became especially strong in the second quarter of the year, with volumes and prices growing by 26% and 6% respectively compared to those of the second quarter of 2006.

The price of waste underwent considerable pressure during the period and this had a negative effect on operating profit.

The continuation of favourable trends in demand accompanied by a further increase in the price of deliveries, applied from the first of July, is enabling the Group to recover this rise in costs and improve margins for the year as a whole and in the future in general, unless drastic changes in the market occur.

### Consolidated results

The following table sets out the highlights of the profit and loss accounts for the six months ended 30 June 2007 and 2006:

| Consolidated profit and loss account | First half 2007 | First half 2006 |
|---|---|---|
| Euro/000 | | |
| **Revenues from sales** | **181,081** | **163,273** |
| **EBITDA** | **15,948** | **16,743** |
| **EBIT** | **6,425** | **5,128** |
| **Result of operating activities before taxes** | **2,145** | **289** |
| *Current and deferred taxes* | *(633)* | *(2,685)* |
| **Result of operating activities after taxes** | **1,512** | **(2,396)** |
| *Discontinued operations and non recurrent expenses* | *(781)* | *(4,180)* |
| **Result for the period** | **731** | **(6,576)** |

The RDM Group achieved net revenues of 181.1 million euros in the first half of 2007, compared to 163.3 million euros in the corresponding period of the previous year (up

10.9%). This increase in turnover was especially marked in the second quarter of the year in which net revenues amounted to 90.7 million euros compared to 78.1 million euros in the second quarter of 2006 (up 16.1%).

As regards volumes, despatches in the first half of 2007 totalled 360 thousand tonnes (including 179 thousand in the second quarter) compared to 338 thousand tonnes for the six months ended 30 June 2006 (which included 161 thousand in the second quarter).

On the price front, average revenues per tonne rose by 3.5% over the comparative period for 2006. It was not possible to take increases above this level despite the significant rise in raw material prices as commitments had already been made with customers up until 30 June 2007.

Consolidated EBITDA closed at 15.9 million euros for the half year compared to 16.7 million euros for the first half of 2006, showing a slight fall as a percentage of the value of production[2] compared to the corresponding period of the prior year.

The EBITDA trend is in particular linked to the rise in purchase prices of fibrous raw materials which led to cost increases of 5.2 million euros (up 12.6%) for the six month period ended 30 June 2007 over that ended 30 June 2006, gross of the efficiencies achieved. In addition, industrial margins continue to reflect the high cost of energy which has had a significant effect on the Group's profitability; more specifically energy costs led to increased outlays of 2.3 million euros (up 4.9%) compared to the first half year of 2006, gross of the efficiencies achieved.

The rise in net revenues discussed above only partially offset the increased costs incurred for supplies, mostly as the consequence of the difference in timing between changes in market prices for supplies and in those regarding sales.

EBITDA of 8.3 million euros was achieved in the second quarter of 2007 compared to 8.9 million euros in the second quarter of 2006.

Operating profit (EBIT) amounted to 6.4 million euros for the six months ended 30 June 2007 against 5.1 million euros for the corresponding period of 2006 (up 25.5%)

This performance reflects a reduction in the depreciation charge which amounted to 9.5 million euros for the first half of 2007 compared to 11.6 million euros for the first half of 2006.

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[2] See the consolidated financial statements of the RDM Group – "Revenues from sales" plus "Changes in stocks of finished goods".

Pre-tax current profit[3] amounted to 2.1 million euros compared to the corresponding figure of 0.3 million euros for the previous year.

This achievement is mainly due to the decrease in net financial expense, including exchange differences, which fell to 4.6 million euros in the period (5.8 million euros for the six months ended 30 June 2006), reflecting the improvement in the Group's net financial position compared to the same period of the previous year and the drop in taxation to 0.6 million euros in the period (2.7 million euros for the six months ended 30 June 2006).

Profit for the period includes costs from discontinued operations of 0.8 million euros mostly resulting from expenses incurred on the disposal of the plant at the Pompeii facility.

In addition, the result for the first half of 2006 included in discontinued operations the results of the Prat facility together with those of the Magenta MC1 board machine; the net economic contribution made by operations transferred as part of the demerger to the recipient company RDM Realty S.p.A. and the related costs for the demerger and the resulting listing of RDM Realty S.p.A.; and certain additional accessory costs connected with the sales of Europoligrafico S.p.A. and Aticarta S.p.A., which led in total to an overall charge for the item of 4.2 million euros.

Net profit after discontinued operations for the six months ended 30 June 2007 amounted to 0.7 million euros, compared to a net loss of 6.6 million euros for the first six months of 2006.

The second quarter of 2007 closed with a profit of 1.1 million euros against a loss of 3.6 million euros in the second quarter of 2006.

The Group made capital expenditure of 6.2 million euros during the six months ended 30 June 2007 (3 million euros in the corresponding period in 2006).

Consolidated net financial debt at 30 June 2007 amounted to 114.9 million euros compared to 128.8 million euros at 31 March 2007 and 127.1 million euros at 31 December 2006.

More specifically, gross financial debt at 30 June 2007 measured at amortised cost totalled 127 million euros (compared to 138.3 million euros at 31 December 2006) and consisted of the non-current portion of long-term loans for 74 million euros, the current portion of long-term loans for 10.2 million euros and bank credit facilities of 42.8 million euros, consisting mostly of advances on invoices issued to customers.

[3] See the consolidated financial statements of the RDM Group – "Profit (loss) for the period before discontinued operations" less "Taxation".

Derivative instruments acquired for cash flow hedging purposes are recognised in the financial statements as an asset with a carrying amount of 1.3 million euros.

Cash and cash equivalents and financial receivables having a due date not exceeding 12 months amounted to 10.8 million euros (compared to 11.4 million euros at 31 December 2006) and include a restricted balance of 5 million euros relating to the Grupo Torras dispute.

## 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 segments that have been identified are Italy and Spain.
Included in the segment denoted Italy are also the activities headed by the French subsidiary RDM France S.a.r.l. and by the German subsidiary RenoDeMedici Deutschland GmbH, whose operations consist of the distribution and sales of goods produced in the Italian factories. For ease of comparability the 2006 figures are reported on a basis consistent with 2007, since up to and including last year there was also a segment called “Other” which consisted of the activities headed by RDM France S.a.r.l., RenoDeMedici Deutschland GmbH and Reno De Medici International S.A. (wound up on 21 December 2006). The contribution made by Spain relates to operations at the Almazan facility (owned by RDM Iberica S.L.) and the marketing of cartonboard manufactured in the factories of the parent company Reno De Medici S.p.A..

The following tables set out on a geographical basis the profit and loss account for the first half of 2007, down to gross operating profit, with the respective comparative figures.

| **Profit and loss account 30.06.2007** | **Italy** | **Spain** | **Eliminations** | **Consolidated** |
|---|---|---|---|---|
| Euro/000 | | | | |
| Revenues from sales | 168,304 | 24,048 | (11,271) | 181,081 |
| Other revenues | 661 | 157 | - | 818 |
| Changes in stocks of finished goods | (6,282) | 147 | - | (6,135) |
| Cost of raw materials and services | (122,766) | (20,495) | 11,271 | (131,990) |
| Staff costs | (23,413) | (2,504) | - | (25,917) |
| Other operating costs | (1,500) | (166) | - | (1,666) |
| Income (expense) from non-current assets held for sale | - | - | - | - |
| Unusual income (expense) | (243) | - | - | (243) |
| **Gross Operating Profit (EBITDA)** | **14,761** | **1,187** | **-** | **15,948** |

| Profit and loss account 30.06.2006 | Italy | Spain | Eliminations | Consolidated |
|---|---|---|---|---|
| Euro/000 | | | | |
| Revenues from sales | 152,040 | 17,265 | (6,032) | 163,273 |
| Other revenues | 1,134 | - | (22) | 1,112 |
| Changes in stocks of finished goods | 5,609 | (592) | - | 5,017 |
| Cost of raw materials and services | (117,079) | (13,640) | 6,057 | (124,662) |
| Staff costs | (23,759) | (2,661) | - | (26,420) |
| Other operating costs | (1,401) | (29) | - | (1,430) |
| Income (expense) from non-current assets held for sale | (371) | - | - | (371) |
| Unusual income (expense) | 171 | 56 | (3) | 224 |
| **Gross Operating Profit (EBITDA)** | **16,344** | **399** | **-** | **16,743** |

The following tables provide an analysis of economic data by geographical area for the second quarters of 2007 and 2006.

| Profit and loss account 2th quarter 2007 | Italy | Spain | Eliminations | Consolidated |
|---|---|---|---|---|
| Euro/000 | | | | |
| Revenues from sales | 84,550 | 12,204 | (6,026) | 90,728 |
| Other revenues | 177 | 43 | - | 220 |
| Changes in stocks of finished goods | (1,876) | 367 | - | (1,509) |
| Cost of raw materials and services | (62,392) | (10,674) | 6,026 | (67,040) |
| Staff costs | (11,492) | (1,282) | - | (12,774) |
| Other operating costs | (905) | (133) | - | (1,038) |
| Income (expense) from non-current assets held for sale | - | - | - | - |
| Unusual income (expense) | (249) | (10) | - | (259) |
| **Gross Operating Profit (EBITDA)** | **7,813** | **515** | **-** | **8,328** |

| Profit and loss account 2th quarter 2006 | Italy | Spain | Eliminations | Consolidated |
|---|---|---|---|---|
| Euro/000 | | | | |
| Revenues from sales | 72,658 | 7,649 | (2,207) | 78,100 |
| Other revenues | 201 | - | (22) | 179 |
| Changes in stocks of finished goods | 3,432 | (249) | - | 3,183 |
| Cost of raw materials and services | (55,566) | (5,666) | 2,232 | (59,000) |
| Staff costs | (11,645) | (1,351) | - | (12,996) |
| Other operating costs | (785) | (23) | - | (808) |
| Income (expense) from non-current assets held for sale | 16 | - | - | 16 |
| Unusual income (expense) | 231 | (1) | (3) | 227 |
| **Gross Operating Profit (EBITDA)** | **8,542** | **359** | **-** | **8,901** |

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

| Geographic areas | 30.06.2007 | % | 30.06.2006 | % |
|---|---|---|---|---|
| Euro/000 | | | | |
| Italy | 94,125 | 52.0% | 91,576 | 56.1% |
| European Union - other | 70,337 | 38.8% | 56,057 | 34.3% |
| Outside the European Union | 16,619 | 9.2% | 15,640 | 9.6% |
| **Total sales revenues** | **181,081** | **100%** | **163,273** | **100%** |

**Significant events**

On 19 June 2007 Reno De Medici S.p.A. and Cascades Inc. signed a Letter of Intent for the negotiation, on an exclusive basis, of the terms and conditions for a possible combination of the RDM Group and the European recycled cartonboard business of Cascades S.A.[4].

This combination would create one of the leading players in the recycled cartonboard world market with a production capacity exceeding one million tonnes per annum.
If negotiations are successful it is planned that the combination would be carried out by the debt free contribution of the Cascades business in exchange for shares of the Reno De Medici compendium; it is expected that the combination would lead to the realisation of significant industrial and commercial synergies and also to the strengthening of the financial and operative structure of the RDM Group.

The combination is subject to reciprocal due diligence and the negotiation and signing of binding agreements which the parties expect to complete by the end of September 2007. The combination will then have to be approved by the respective Boards of Directors and shareholders of the two companies as well as by the antitrust regulatory authority, with approval having to be obtained that the transaction is not subject to the mandatory tender offer requirements for RDM shares as the result of a significant business combination ensuing at a European level in the cartonboard market.

As regards discontinued operations the dismantling and transporting of the plant at the Pompeii facility continued during the period; by 30 June 2007 the transportation of around 60% of the total amount had been completed.

At this point it needs to be mentioned that the Pompeii facility was placed under sequestration by the Torre Annunziata Public Prosecutor during June as the result of a request made by certain former employees in which they complained of alleged exposure to any environmental hazard. The consequence of this situation is that the Group has been unable to complete the transportation within the originally established timetable, which has led to the need to extend the term of the lease agreement for the facility. In this respect it is noted that an application has been filed to lift the sequestration order over the area and that tests on samples taken in July to determine the presence of any environmental hazard gave negative results. On 26 July 2007, therefore, the Public Prosecutor ordered the partial lifting of the sequestration order over the area. Considering the results of the tests on the samples taken it is expected that the sequestration order over the area will shortly be totally lifted and if so that could enable the work to be completed by the end of September. The estimated additional costs for the dismantling of the plant at the facility have been recognised in the economic contribution made by discontinued operations in the first half of 2007.

[4] Further details may be found in the press release issued on 20 June 2007.

Furthermore, as part of the steps being taken to reduce production costs and structural costs an agreement was reached on 20 July 2007 with the trades union representatives to terminate the employment contracts of 80 employees, mostly workers at the Magenta facility, under the *mobilità* lay-off scheme. In addition, on 2 May 2007 the Ministry of Employment and Social Security gave its approval for 48 employees of Reno De Medici S.p.A. to be laid off under a long-term *mobilità* scheme aimed at taking these workers through to retirement; in this respect it is expected that the plan for these employees to enter the long-term *mobilità* scheme will be completed by the end of the current year.

**Outlook for operations**

The favourable changes taking place on the demand side were confirmed in July; more specifically, there was a considerable increase in the volume of orders acquired, which rose by 25%, with average sales prices up by approximately 5% compared to July 2006 and by 3% compared to the average of the first half of 2007, and this enables us to have reasonable belief that there will be an appreciable improvement in margins in the second half of the year.

## CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AT 30 JUNE 2007

| Consolidated profit and loss account | 1st half 2007 | 1st half 2006 |
|---|---|---|
| Euro/000 | | |
| Revenues from sales | 181,081 | 163,273 |
| Other revenues | 818 | 1,112 |
| Changes in stocks of finished goods | (6,135) | 5,017 |
| Cost of raw materials and services | (131,990) | (124,662) |
| Staff costs | (25,917) | (26,420) |
| Other operating costs | (1,666) | (1,430) |
| Income (expense) from non-current assets held for sale | - | (371) |
| Unusual income (expense) | (243) | 224 |
| **Gross Operating Profit (EBITDA)** | **15,948** | **16,743** |
| Depreciation and amortisation | (9,523) | (11,615) |
| **Operating Profit (EBIT)** | **6,425** | **5,128** |
| *Financial expense* | *(4,900)* | *(6,325)* |
| *Exchange differences* | *(14)* | *(152)* |
| *Financial income* | *265* | *642* |
| Financial income (expense), net | (4,649) | (5,835) |
| Income from investments | 395 | 996 |
| Other income (expense) | (26) | - |
| Taxation | (633) | (2,685) |
| **Profit (loss) for the period before discontinued operations** | **1,512** | **(2,396)** |
| *Loss for the period* | *(781)* | *(4,180)* |
| Discontinued operations | (781) | (4,180) |
| **Profit (loss) for the period** | **731** | **(6,576)** |
| Attributable to: | | |
| Profit (loss) for the period pertaining to the group | 611 | (6,746) |
| Profit (loss) for the period pertaining to minority interests | 120 | 170 |

| Consolidated profit and loss account | 2nd quarter 2007 | 2nd quarter 2006 |
|---|---|---|
| Euro/000 | | |
| Revenues from sales | 90,728 | 78,100 |
| Other revenues | 220 | 179 |
| | | |
| Changes in stocks of finished goods | (1,509) | 3,183 |
| Cost of raw materials and services | (67,040) | (59,000) |
| Staff costs | (12,774) | (12,996) |
| Other operating costs | (1,038) | (808) |
| Income (expense) from non-current assets held for sale | - | 16 |
| Unusual income (expense) | (259) | 227 |
| | | |
| **Gross Operating Profit (EBITDA)** | **8,328** | **8,901** |
| | | |
| Depreciation and amortisation | (4,803) | (5,754) |
| | | |
| **Operating Profit (EBIT)** | **3,525** | **3,147** |
| | | |
| *Financial expense* | *(2,414)* | *(2,718)* |
| *Exchange differences* | *15* | *(107)* |
| *Financial income* | *140* | *244* |
| Financial income (expense), net | (2,259) | (2,581) |
| | | |
| Income from investments | 197 | 555 |
| Other income (expense) | (19) | - |
| Taxation | 394 | (1,581) |
| | | |
| **Profit (loss) for the year before discontinued operations** | **1,838** | **(460)** |
| | | |
| *Loss for the period* | *(781)* | *(3,121)* |
| Discontinued operations | (781) | (3,121) |
| | | |
| **Profit (loss) for the year** | **1,057** | **(3,581)** |
| | | |
| Attributable to: | | |
| Profit (loss) for the year pertaining to the group | 997 | (3,651) |
| Profit (loss) for the year pertaining to minority interests | 60 | 70 |

| Consolidated balance sheet | 30.06.2007 | 31.12.2006 |
|---|---|---|
| | Euro/000 | |
| **ASSETS** | | |
| | | |
| **Non-current assets** | | |
| Tangible fixed assets | 174,666 | 177,571 |
| Goodwill | 146 | 146 |
| Other intangible assets | 1,766 | 2,338 |
| Investments accounted for under the equity method | 10,015 | 10,818 |
| Deferred tax assets | 1,403 | 892 |
| Derivative financial instruments | 962 | 83.00 |
| Financial assets held for sale | 507 | 471 |
| Trade receivables | - | 76 |
| Other receivables | 5,099 | 4,969 |
| **Total non-current assets** | **194,564** | **197,364** |
| | | |
| **Current assets** | | |
| Stocks | 83,380 | 89,775 |
| Trade receivables | 112,976 | 100,758 |
| Other receivables | 4,847 | 9,106 |
| Derivative financial instruments | 289 | 77 |
| Financial assets held for sale | 5 | 8 |
| Liquid funds | 9,028 | 9,536 |
| **Total current assets** | **210,525** | **209,260** |
| **Other non-current assets held for sale** | **8,475** | **11,392** |
| **TOTAL ASSETS** | **413,564** | **418,016** |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| | | |
| **Patrimonio netto** | | |
| Shareholders' equity attributable to the group | 116,334 | 114,978 |
| Minority interests | 404 | 576 |
| **Shareholders' equity** | **116,738** | **115,554** |
| | | |
| **Non-current liabilities** | | |
| Bank loans and other financial liabilities | 73,984 | 80,789 |
| Derivative financial instruments | - | 14 |
| Other payables | 32,732 | 32,759 |
| Deferred tax liabilities | 8,121 | 7,699 |
| Employees' leaving entitlement | 16,743 | 17,235 |
| Non-current provisions for contingencies and charges | 4,878 | 6,175 |
| **Total non-current liabilities** | **136,458** | **144,671** |
| | | |
| **Current liabilities** | | |
| Bank loans and other financial liabilities | 53,010 | 57,481 |
| Derivative financial instruments | - | 350 |
| Trade payables | 92,142 | 86,560 |
| Other payables | 14,452 | 13,368 |
| Current taxation | 764 | 32 |
| **Total current liabilities** | **160,368** | **157,791** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **413,564** | **418,016** |

| Consolidated net financial position | 30.06.2007 | 31.03.2007 | 31.12.2006 |
|---|---|---|---|
| Euro/000 | | | |
| Cash and cash equivalents and short term financial receivables | 10,881 | 9,815 | 11,389 |
| Short term financial payables | (53,010) | (57,934) | (57,481) |
| Valuation of current portion of derivatives | 289 | (52) | (273) |
| **Short-term financial position** | **(41,840)** | **(48,171)** | **(46,365)** |
| Long term financial payables | (73,984) | (80,814) | (80,789) |
| Valuation of non-current portion of derivatives | 962 | 209 | 69 |
| **Net financial position** | **(114,862)** | **(128,776)** | **(127,085)** |

## COMMENTARY

The quarterly report of the RDM Group at 30 June 2007 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 2007 and the consolidated profit and loss account for the period then ended are presented in a format that is consistent with that used in the consolidated financial statements at 31 December 2006.

There have been no changes in the consolidation scope since 31 December 2006.

The net results included in the comparative figures differ from those reported in the quarterly report at 30 June 2006 as the consequence of the valuation at equity method of investments in associates in the half-year report at that date to bring them to the value of their net equities.

Non-current assets (plant and machinery) relating to the Prat and Pompeii facilities and the MC1 line at the Magenta facility are presented separately in the balance sheet in the line item “Non-current assets held for sale”. The item “Discontinued operations” consists of the economic contribution arising from the dismantling of the Pompeii plant and certain costs connected with the sale of the investment in Aticarta S.p.A..

### 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 2006.

The consolidated financial statements are prepared in accordance with the IFRSs issued by the International Accounting Standards Board and adopted by the European Union. IFRSs also include all the previous International Accounting Standards revised by the Board (referred to as “IASs”) 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. Estimates are used in measuring the result contributed by discontinued operations, in making 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 RDM Group has revised the useful lives of plant and machinery used in determining depreciation from the beginning of 2007 so as to reflect more accurately the expected useful lives of the assets employed in the production process. The effect of this change in estimate (being a lower depreciation charge of 1.4 million euros in the first six months of the year) has been recognised in the results for the first half year. This new criterion had not yet been applied in the preparation of the quarterly report at 31 March 2007 and as a consequence the sum of the results for the first and second quarters differs from the result for the full six month period.

Changes to the regulations governing the Italian employees' leaving entitlement (the "TFR") were introduced from 1 January 2007 by the Finance Act and implementing decrees, including a measure by which an employee may elect where his accruing benefit is to be invested.

The RDM Group has updated the actuarial calculation of its obligation at 30 June 2007 on the basis of the elections made by its employees. The difference between the original and revised calculations has been treated as a curtailment as the term is defined in paragraph 109 of IAS 19 and as a consequence has been recognised in the profit and loss account for the first half of 2007 (inclusive of any previous actuarial gains and losses not recognised for the effect of using the corridor method).

The Group's financial situation, results and cash flows are presented in thousands of euros.

**Workforce**

The RDM Group had 1,180 employees at 30 June 2007 compared to 1,198 employees at 31 December 2006.