Half-year report

First half 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.

1. Company bodies

<u>Board of Directors</u>

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

<u>Board of Statutory Auditors</u>

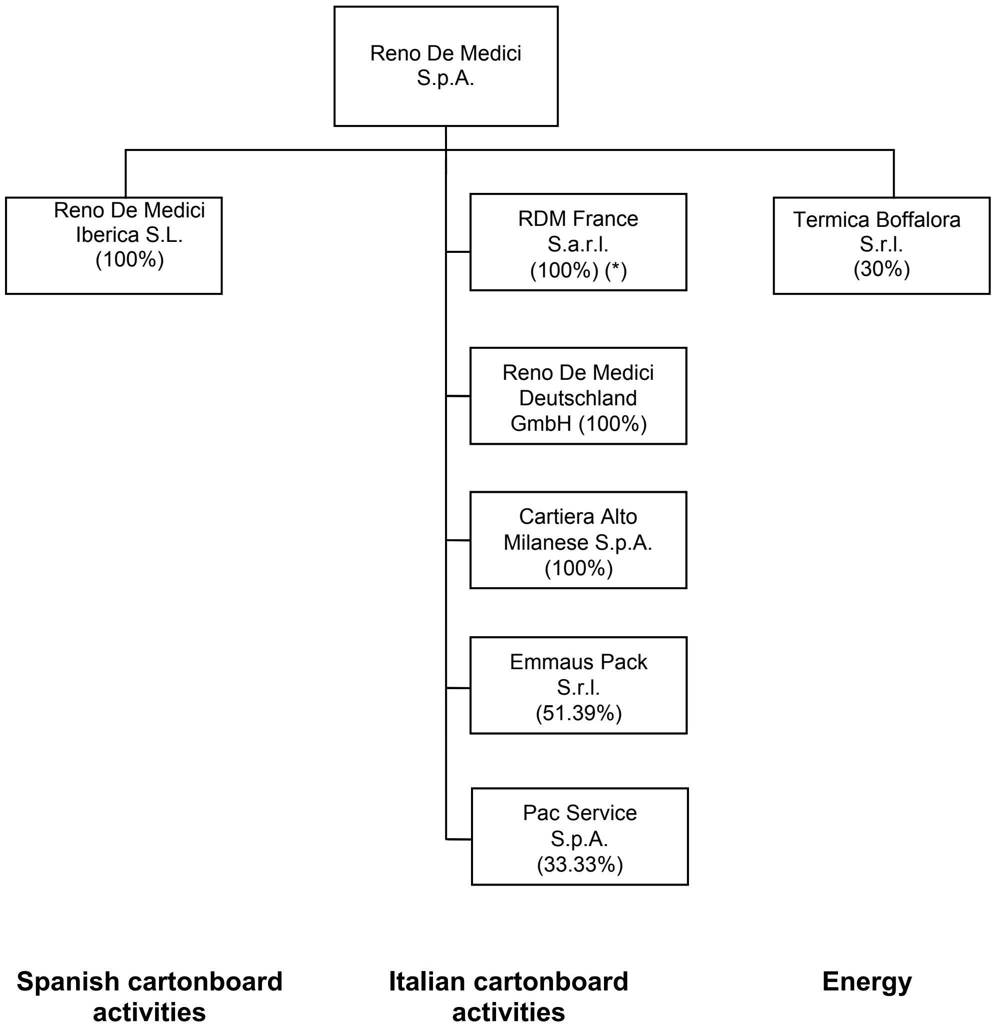
Sergio Pivato	Chairman
Marcello Priori	Standing auditor
Carlo Tavormina	Standing auditor
Giovanni Maria Conti	Substitute auditor
Myrta de’ Mozzi	Substitute auditor

<u>Independent Auditors</u>

PricewaterhouseCoopers S.p.A.

2. Operating companies of the Reno De Medici Group at 30 June 2007

The following chart 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%

3. Comments of the Directors on the Operations of the Reno De Medici Group

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.

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.

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.

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[2] See the consolidated financial statements of the RDM Group – "Revenues from sales" plus "Changes in stocks of finished goods".
[3] See the consolidated financial statements of the RDM Group – "Profit (loss) for the period before discontinued operations" less "Taxation".

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 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.

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.

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

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

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.

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.

Business outlook for current year

July confirmed the positive demand dynamics; in particular the orders received represent significantly increased volumes (+25%), with the average selling prices increasing by approximately 5%, compared with July 2006, and by approximately 3%, compared with the average for the first half-year 2007. The orders received in August confirm the above trend, even though less significant in terms of volumes, reflecting price increases which exceeded 10% compared with August 2006 and exceeding 3.8% compared with the average for the first half-year 2007.

These dynamics enable a significant improvement in margins to be considered reasonable in the second half year 2007.

4. Consolidated financial statements

Consolidated profit and loss account	Note	First half 2007	First half 2006
Euro/000			
Revenues from sales	**1**	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	**2**	(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)	**3**	(243)	224
Gross Operating Profit (EBITDA)		**15.948**	**16.743**
Depreciation and amortisation	**4**	(9.523)	(11.615)
Recovery of value and write-downs of assets			
Operating Profit (EBIT)		**6.425**	**5.128**
Financial expense		*(4.900)*	*(6.325)*
Exchange differencies		*(14)*	*(152)*
Financial income		*265*	*642*
Financial net income (expense)		(4.649)	(5.835)
Income from investments		395	996
Other income (expense)		(26)	-
Taxation	**5**	(633)	(2.685)
Profit (loss) for the period before discontinued operations		**1.512**	**(2.396)**
Gains (losses) from disposals, net		-	
Loss for the period		*(781)*	*(4.180)*
Discontinued operations	**6**	(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
Earnings (loss) per share (Euros)		0,00	(0,03)
Diluted earnings (loss) per share (Euros)		0,01	(0,01)

Consolidated balance sheet	Note	30.06.2007	31.12.2006
	Euro/000		
ASSETS			
Non-current assets			
Tangible fixed assets	**7**	174.669	177.571
Goodwill		146	146
Other intangible assets		1.763	2.338
Investments accounted for under the equity method		10.015	10.818
Deferred tax assets		1.403	892
Derivative financial instruments	**8**	962	83
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	**8**	4.847	9.106
Derivative financial instruments	**8**	289,00	77,00
Financial assets held for sale		5	8
Liquid funds	**8**	9.028	9.536
Total current assets		**210.525**	**209.260**
Other non-current assets held for sale	**9**	**8.475**	**11.392**
TOTAL ASSETS		**413.564**	**418.016**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity attributable to the group		116.559	114.978
Minority interests		404	576
Shareholders' equity		**116.963**	**115.554**
Non-current liabilities			
Bank loans and other financial liabilities	**8**	73.984	80.789
Derivative financial instruments	**8**	0	14
Other payables		32.732	32.759
Deferred tax liabilities		8.121	7.699
Employees' leaving entitlement	**10**	16.743	17.235
Non-current provisions for contingencies and charges	**11**	4.878	6.175
Total non-current liabilities		**136.458**	**144.671**
Current liabilities			
Bank loans and other financial liabilities	**8**	53.010	57.481
Derivative financial instruments	**8**	0	350
Trade payables		92.142	86.560
Other payables		14.227	13.368
Current taxation		764	32
Total current liabilities		**160.143**	**157.791**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**413.564**	**418.016**

Statement of changes in consolidated shareholders' equity	Share capital	Share premium reserve	Legal reserve	Reserve for own shares	Other reserves	Retained earnings (losses) brought forward	Profit (loss) for the period	Fair Value reserve	Hedging reserve	Own shares	Shareholders' equity attributable to group	Minority interest	Total Shareholders' equity
Euro/000													
Shareholders' equity at 1 January 2006	**148.343**	**7.797**	**6.462**	**5.296**	**3.235**	**(10.247)**	**(13.261)**	**-**	**-**	**(5.374)**	**142.251**	**759**	**143.010**
Increase in share capital					-						-		-
Distribution of dividends					-						-	(438)	(438)
Change in accounting principle					-						-		-
Reclassifications				(424)	424					502	502		502
Changes in the scope of consolidation	(16.183)				(373)	8.255			71		(8.230)		(8.230)
Value adjustments recognised directly in equity					-			243	(140)		103		103
Cover of 2005 losses		(7.797)	(6.462)		11.088	(10.090)	13.261				-		-
Profit (loss) for the period					-		(6.746)				(6.746)	170	(6.576)
Shareholders' equity at 30 June 2006	**132.160**	**-**	**-**	**4.872**	**14.374**	**(12.082)**	**(6.746)**	**243**	**(69)**	**(4.872)**	**127.880**	**491**	**128.371**
Increase in share capital					-						-		-
Distribution of dividends					-						-		-
Change in accounting principle					-						-		-
Reclassifications					-						-		-
Changes in the scope of consolidation					-						-		-
Value adjustments recognised directly in equity					-			(495)	(55)		(550)		(550)
Cover of 2005 losses					-						-		-
Profit (loss) for the period					-		(12.352)				(12.352)	85	(12.267)
Shareholders' equity at 31 December 2006	**132.160**	**-**	**-**	**4.872**	**14.374**	**(12.082)**	**(19.098)**	**(252)**	**(124)**	**(4.872)**	**114.978**	**576**	**115.554**
Increase in share capital					-						-		-
Distribution of dividends					-						-	(292)	(292)
Change in accounting principle					-						-		-
Reclassifications					-						-		-
Changes in the scope of consolidation					-						-		-
Value adjustments recognised directly in equity					-			36	934		970		970
Cover of 2006 losses					(14.374)	(963)	15.337				-		-
Profit (loss) for the period					-		611				611	120	731
Shareholders' equity at 31 December 2006	**132.160**	**-**	**-**	**4.872**	**-**	**(13.045)**	**(3.150)**	**(216)**	**810**	**(4.872)**	**116.559**	**404**	**116.963**

Consolidated cash flow statement	First half 2007	First half 2006
Euro/000		
Profit (loss) for the period before discontinued operations and before taxation	2.145	289
Depreciation and amortisation	9.523	11.615
Write-downs	-	
(Gains) losses from investments	(395)	(796)
Financial (income) expense	4.649	5.835
Gains (losses) on the disposal of fixed assets	4	(119)
Change in trade receivables	(12.142)	(1.512)
Change in stocks	6.395	2.633
Change in trade payables	5.582	(551)
Change in other receivables	806	(2.568)
Change in other payables	92	(8.629)
Change in the employees' leaving entitlement	(885)	(694)
Change in other provisions and deferred taxation	(283)	(994)
Gross cash flows	**15.491**	**4.509**
Interest paid in the period	(4.377)	(5.503)
Taxes paid in the period	-	(166)
Cash flows from operating activities	**11.114**	**(1.160)**
Sale (purchase) of financial assets held for sale	3	3
Investments	(6.283)	(3.119)
Divestments	191	1.907
Dividends received	1.090	1.001
Effetto attività operative cessate		
a. Gains on disposal of discontinued operations		
b. Result for the period of discontinued operations		
c. Change in assets and liabilities of discontinued operations		
d. Change in other receivables/other payables of disposals		
Cash flows from discontinued operations	4.653	7.715
Change in scope of consolidation	-	-
Cash flows from investing activities	**(346)**	**7.507**
Draw-down (repayment) of short-term bank borrowings and long-term loans	(11.276)	(51.052)
Dividends paid	-	(438)
Change in other financial liabilities	-	(412)
Cash flows from financing activities	**(11.276)**	**(51.902)**
Change in restricted liquid funds	**(29)**	**(5.190)**
Change in unrestricted liquid funds	**(479)**	**(40.365)**
Unrestricted liquid funds at beginning of period	**4.507**	**44.807**
Unrestricted liquid funds at end of period	**4.028**	**4.442**
Liquid funds at end of period		
Unrestricted liquid funds	4.028	4.442
Restricted liquid funds	5.000	6.782
Total liquid funds at end of period	**9.028**	**11.224**

5. Notes to the consolidated financial statements

5.1 Accounting principles and policies

The Group's half-year report at 30 June 2007 has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union, in force when this report was prepared (September 2007); in particular condensed interim financial statements have been prepared as permitted by IAS 34. The accounting principles adopted to prepare the Consolidated Financial Statements at 31 December 2006 were also applied to prepare and present the Half-year report. Furthermore, it is important to note that no other accounting principles or interpretations were reviewed or issued, effective from 1st January 2007, with a significant impact on this periodic information.

The financial and economic position is presented in thousands of euros.

Accounting Principles

Consolidation principles

The financial and economic position of the Reno De Medici Group includes the financial and economic position of Reno de Medici S.p.A. and those enterprises over which the Company has the right to exercise control. The definition of control is not based solely on the concept of legal ownership. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain the related benefits. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The equity and result attributable to minority interests are shown separately in the consolidated balance sheet and profit and loss account respectively.

Subsidiaries in liquidation and insignificant enterprises are not consolidated on a line-by-line basis as their effect on the Group's total assets, total liabilities, financial position and result is immaterial, being overall less than 1%.

Subsidiaries which are excluded from the scope of consolidation are accounted for using the equity method and are included in the item "Investments accounted for under the equity method".

The more significant consolidation policies adopted are as follows:

- the carrying value of investments consolidated on a line-by-line basis is eliminated against the corresponding equity. The assets, liabilities, costs and revenues of the subsidiaries are fully consolidated independent of the Group's holding;
- all significant balances and transactions with group companies are eliminated, as are any gains or losses arising from intragroup transactions of a commercial or financial nature not yet realised with third parties; unrealised losses are eliminated only to the extent that they do not represent an actual lower value of the asset sold;

- acquisitions of subsidiaries are accounted for by the Group using the cost method. The cost of an acquired company is considered to be the fair value of the assets transferred by the seller, the fair value of the liabilities assumed and the fair value of instruments representing issued capital, at the date on which control is transferred, in exchange for gaining control of the company acquired. All directly attributable costs of acquisition are added to cost obtained in this way. The excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. If the cost of acquisition is lower than the identifiable net assets acquired, the difference is recognised in the profit and loss account;
- the share of the investee's equity held by minorities is determined on the basis of the current values of assets and liabilities at the date on which control was obtained, excluding any related goodwill;
- any increases or decreases in a subsidiary's equity arising from its post-acquisition results are recorded on consolidation in an equity reserve denoted "Retained earnings (losses) brought forward";
- dividends distributed by Group enterprises are eliminated from the profit and loss account on consolidation.

Investments accounted for under the equity method

This item includes investments in unconsolidated subsidiaries and associates, which are accounted for under the equity method. Losses in excess of equity are accounted for to the extent to which the investor has a commitment to the investee to abide by legal or constructive requirements or in any other way to cover its losses.

Associates refer to those companies in which the Group exercises a significant influence over the company but does not hold control or joint control over its financial and operating policies. The consolidated financial statements include the share pertaining to the Group of the results of associates, accounted for under the equity method, from the date that significant control commences until the date that it ceases. The Group's share of intragroup profits as yet unrealised with third parties is eliminated. The Group's share of unrealised losses is eliminated only to the extent that they do not represent an actual lower value of the asset sold.

Tangible fixed assets

Tangible fixed assets are stated at their original cost of purchase, production or contribution, including those direct accessory purchase costs required to bring an asset into a condition for use. Cost is reduced by accumulated depreciation and any impairment losses.

Borrowing costs relating to investments in assets are fully recognised in the profit and loss account in the year in which they are incurred.

Ordinary maintenance and repair costs are charged to profit and loss in the year in which they are incurred; these costs are capitalised if they increase the value or economic life of the asset to which they relate.

Assets acquired under finance leases, which assign to the Group substantially all the risks and rewards of ownership, are recognised as tangible assets at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as financial debt.
Depreciation is calculated on a straight-line basis over the estimated useful lives of assets, determined on the basis of the period during which the asset will be used by the Group. Land is not depreciated, even if acquired together with buildings.
The annual depreciation rates used are as follows:

Category		Rate %
Buildings		
	Factory buildings	3%
	Small constructions	5%
Plant and machinery		
	General plant and machinery	5% - 20%
	Specific plant and machinery	5% - 20%
Industrial and commercial equipment		
	Sundry equipment	20% - 25%
Altri beni		
	Furniture and ordinary office machinery	8% - 12%
	Electronic office machinery	16,67% - 20%
	Internal vehicles	20%
	Motor vehicles	16,67% - 25%

The Group reviews, at least annually, if there is any indication that assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss.
Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
The recoverable amount of an asset is the higher of the fair value less disposal costs and its value in use. In assessing its value in use, the estimated future cash flows generated from the use of the asset and its disposal at the end of its useful life are discounted to their present value. The discount rate used reflects the implicit risk of the specific sector in which the asset operates. An impairment loss is recognised when the recoverable amount is lower than the carrying amount. When an impairment loss subsequently reverses, the carrying value of an asset is restated to the lower of its recoverable amount and its preceding carrying value and the adjustment is accounted for in the profit and loss account.

Non-current assets held for sale
Non-current assets held for sale consist of non-current assets whose carrying value will be recovered principally through a sale transaction rather than through continuing use.

Assets held for sale are stated at the lower of their carrying amount and their fair value less disposal costs and are not depreciated.

Goodwill

Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with IAS 36, Impairment of Assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Other intangible assets

Other intangible assets consist of identifiable assets not having physical substance, controlled by the Group and from which future economic benefits are expected.

Other intangible assets are recognised when the cost of an asset can be measured reliably, in accordance with IAS 38, Intangible Assets.

Other intangible assets having a finite life are measured at cost and amortised on a straight-line basis over their useful lives, estimated on the basis of the period during which the asset will be used by the Group.

The annual amortisation rates used are as follows:

Category		Rate %
Concessions, licences, trade marks and similar rights		
	Software licences	20%
Other intangible assets		
	Non-competition agreement	20%
	Market share	20%
	Sundry deferred charges	8% - 20%

Derivative financial instruments

Derivative financial instruments consist of assets and liabilities measured at fair value.

In accordance with IAS 39, derivative financial instruments only qualify for hedge accounting if all of the following apply:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of the hedged assets or liabilities (a fair value hedge; an example is the hedging of the fair value of assets or liabilities yielding or bearing a fixed rate), the instrument is measured at fair value and any gain or loss on remeasurement is recognised in the profit and loss account. In a consistent manner, any gain or loss on the hedged assets or liabilities attributable to the hedged risk adjusts the carrying value of the hedged item;

- where a derivative financial instrument is designated as a hedge of the exposure to variability in the cash flows of the hedged assets or liabilities (a cash flow hedge; an example is the variation in cash flows of assets or liabilities due to variations in exchange rates), the changes in fair value of the instrument are initially recognised in equity and are subsequently recognised in the profit and loss account in a manner consistent with the recognition in the profit and loss account of the effects of the hedged transaction.
- If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in the profit and loss account.

Own shares

Own shares are measured at cost and are shown as a reduction in equity.

Available-for-sale financial assets

Non-current available-for-sale financial assets, consisting of investments in other companies and other non-current financial assets, are measured at fair value with any effects recognised directly in equity. When there is objective evidence that assets are impaired, the impairment loss is recognised directly in equity even if the financial asset has not been sold. If fair value cannot be reliably measured, the investments are measured at cost adjusted for any losses in value.

The current portion consists of securities with short-term maturities or marketable securities which represent a temporary investment of liquid funds.

Trade receivables and other receivables

Trade receivables and other receivables are initially recognised at the fair value of the consideration to be received in exchange. Subsequent adjustments are made to account for any write-downs. Non-current trade receivables and other receivables are measured at amortised cost.

Stocks

Stocks are stated at the lower of purchase or production cost, determined on a weighted average basis, and estimated realisable value, determined from market trends.

In the case of raw materials market value means replacement cost; for finished goods and semi-finished goods market value means net realisable value, representing the amount that the Group would expect to obtain from the sale of these goods as part of its normal activities.

Liquid funds

Liquid funds consist of available cash on hand and bank deposits, shares in liquid funds and other highly liquid investments which can be readily converted into cash and which are subject to an insignificant risk of changes in value.

Employee benefits

The benefits arising from the employment relationship are defined on the basis of programmes, which are differentiated in “defined contributions” programmes and “defined benefits” programmes, depending on their characteristics. The Company's obligation in the case of the defined contributions programmes is limited to paying the contributions to the Government or to an equity or to a legally separate entity (so-called fund), and is determined on the basis of the contributions due and payable, reduced by the amount already paid, if applicable.

The defined benefits programmes represent schemes for benefits after the employment relationship has terminated and differ from the defined contributions programmes.

The 2007 Budget Law and the related implementation decrees introduced significant changes to the Employees' Leaving Entitlement (TFR), starting from 1st January 2007, including the worker's choice, to be made within 30th June 2007, regarding the intended use of its accruing individual Employees' Leaving Entitlement (TFR). In particular, the new Employees' Leaving Entitlement TFR flows may be assigned by the employer to pre-selected forms of pension scheme or remain with the company (in which case the company shall pay the Employees' Leaving Entitlement (TFR) contributions to the treasury account set up with the INPS - Italian National Social Security Institute).

Following these changes, the Employees' Leaving Entitlement (TFR) provision accrued up to the date of the choice made by the employee is deemed to be a defined benefits programme. The liability relating to the defined benefits programmes, net of any assets servicing the plan, is determined on the basis of actuarial assumptions and reported in the financial year on an accrual accounting basis consistent with the working period necessary to obtain such benefits; the liability is measured by independent actuaries, excluding the component related to future salary increases. The difference resulting from the new calculation compared with the previous regime is treated as a ‘curtailment’, in compliance with the provisions defined in paragraph 109 of IAS 19 and consequently reported in the first half 2007 profit and loss account, including any previous unreported actuarial gains and losses by applying the corridor approach.

The accrued Employees' Leaving Entitlement (TFR) quotas commencing from the date of the choice made by the employee, and however from 30th June 2007, are deemed to be equivalent to a “defined contributions” programme and therefore the accounting treatment is assimilated to the accounting treatment adopted for all the other contribution payments.

Provisions for contingencies and charges

The Group records provisions when it has an obligation, legal or constructive, arising from a past event, for which it is probable that a cost will be incurred to satisfy that obligation and when a reliable estimate of the amount can be made. Provisions are measured at the best estimate of the amount that at the balance sheet date the Group would rationally pay to settle the obligation or transfer it to a third party.

The amount provided for the agents' termination liability is determined using actuarial techniques, measured by independent actuaries.

Changes in estimates are recognised in the profit and loss account of the period in which the change occurs.

The costs which the Group expects to incur to carry out restructuring programmes are recognised in the period in which the Group formally defines the programme and in which it has created a valid expectation in the parties affected that the restructuring will take place.

Bank loans and other financial liabilities

This item consists of financial liabilities made up of bank loans, debenture loans and financial amounts due to others, including amounts due to lessors in respect of finance leases, all of which are measured at amortised cost.

Trade payables and other payables

This item consists of trade payables and other liabilities, excluding financial liabilities shown under bank loans and other financial liabilities. These liabilities are initially recognised at the fair value of the consideration to be paid. Subsequently trade payables and other payables are measured at amortised cost using the effective interest method.

Revenues and costs

Revenues from sales and from the provision of services are recognised when the risks and rewards characteristic of the ownership of the goods or the fulfilment of the services are effectively transferred.

Costs are recognised at the time of recognition of the corresponding goods or services sold or used during the period; costs having use over more than one period are deferred and attributed to the different periods on a systematic basis.

Revenues and costs are stated net of returns, discounts, allowances and settlement discounts.

Taxation

Current income taxes are determined on the basis of an estimate of taxable income for the period. Income tax liabilities are recognised in the item "Current taxation" in the balance sheet, net of the corresponding amounts paid on account and withholding taxes. Current tax assets and liabilities are determined using tax rates and tax legislation and regulations in force.

Deferred tax assets and liabilities reflect the effect of temporary differences between the accounting value and tax value of assets and liabilities.
The item “Deferred tax liabilities” represents liabilities to taxation arising from temporary differences which give rise to taxation in future periods in accordance with prevailing tax legislation.
The item “Deferred tax assets” represents taxation relating to the accounting income or expense of future periods but which refers for fiscal purposes to the current period, and for which it is probable that sufficient taxable income will be generated in future periods for its recovery.
The effect in the profit and loss account of these balance sheet captions is recognised in the item “Taxation”.
Deferred tax assets relating to the carry forward of tax losses are recognised to the extent that it is probable that sufficient taxable income will be generated in future periods against which they can be utilised.

Discontinued operations

Discontinued operations consist of important, autonomous parts of the Group’s activities - in a business or geographical sense or which are part of a coordinated, single divestment programme - that have been discontinued or are held for sale, and subsidiaries acquired exclusively for resale.
The results of discontinued operations, which are represented by the total profits or losses of the operations themselves together with any gains or losses on sale, are reported in a separate line in the profit and loss account, net of the tax effect. For comparative purposes, the results of these activities in prior years are similarly reclassified.

Exchange differences

Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into Euros at the balance sheet date at the exchange rate prevailing at that date; exchange differences arising in this way are recognised in the profit and loss account.

Dividends

Dividends are recognised at the date on which their distribution is approved by shareholders.

Use of estimates

The preparation of financial statements and related disclosures that conform to International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Estimates are used in many areas, including accounting for bad debts provisions for accounts receivable, stock obsolescence, depreciation, asset impairment, employee benefits, restructuring provisions, taxation, other accruals, provisions and the valuation of derivative instruments. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected immediately in the profit and loss account.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss for the period attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated while giving effects to all diluitive potential ordinary shares. In the specific case the amount is the same of the Basic Earnings per share.

5.2 Financial risk management policy

Risk Management

The following information is reported also pursuant to Article 2428, paragraph 2, sub-section 6-bis of the Italian Civil Code. Please refer to the section referring to the net financial position in the accounting schedules reported in the Explanatory Notes for details of the estimated fair value for derivative instruments.

As part of its activities RDM is exposed to various market risks and in particular the risk of fluctuations in foreign exchange rates, interest rates and the price of commodities, liquidity risk and customer credit risk.

In order to minimise part of these market risks, RDM enters arrangements to hedge specific operations (such as those affected by interest rate fluctuations) and to hedge the overall exposure (for example to foreign exchange rate fluctuations) using financial instruments offered by primary national or international banks. RDM does not enter hedging arrangements for speculative reasons, as defined in the current policy and duly approved by the Board of Directors.

Exchange rates

The RDM Group generates a part of its revenues in currencies other than the euro, principally the US dollar and the British pound, thereby taking a long position in these currencies. In order to reduce the exchange rate risk arising from this situation, RDM often enters forward currency sales contracts. These arrangements are always set up with the notional amount and maturity date equal to those of the expected cash flows (if the amounts are significant), in order that every change in the cash flows resulting from the forward sales due to the rise or fall in the value of the euro compared to other currencies is substantially balanced by a corresponding change in the cash flows expected from the underlying business operations.

The current hedging policy defines the maximum exposure levels, which differ according to the various currencies, and excludes recourse to complex profile derivative transactions.

Interest rates

The RDM Group uses a variety of debt instruments as a function of the nature of its borrowing needs. In particular, it uses short-term debt to finance its working capital needs and medium-long term debt to cover the investments made which are linked to its core business.

The technical instruments mostly used consist of the following:

- advances for the short-term segment;
- loans for the medium-long term segment. The majority of these instruments, for which agreements are entered into with leading banks, are indexed to floating rates which are revised on a three/six monthly basis.

RDM's present Risk Management policy is aimed at reducing its exposure to the variable element of its debt interest and the related effect on the profit and loss account. Its objectives in managing risk are accordingly to stabilise the cash flows associated with its debt servicing costs in line with the estimates made in preparing the Group's budget.

RDM pursues this objective from an operative point of view by acquiring Interest Rate Swap (IRS) derivatives.

The RDM Group has decided to hedge its exposure through the use of cash flow hedging, consistent with the characteristics of the operations it carries out and its risk management objectives. This form of hedging has the purpose of reducing volatility in cash flows that are linked to interest expense on short- and long-term debt.

Hedging relations are set up to convert floating rate interest loans to fixed rate loans. This is carried out through Interest Rate Swap (IRS) transactions by which RDM receives cash inflows from its counterparty bank based on floating rates reflecting those incurred on its debt, with cash outflows for payments based on a fixed interest rate. As a result, the combined position (debt + IRS) takes the form of fixed rate debt, for which the amount of the interest borne is certain (being the objective of a cash flow hedge).

RDM's policy is to maintain the level of medium/long-term, fixed-rate indebtedness between a 50% minimum and 75% maximum threshold and the short-term, fixed interest rate level of indebtedness at a 50% maximum, in relation to the foreseen market trend.

The current hedging policy excludes recourse to complex profile derivative transactions.

Liquidity

Under RDM's management policies liquidity risk is monitored on a continuous basis. The Company's objective is to mitigate this risk both by holding sufficient liquid funds or short-term deposits with primary institutions and by employing short-term credit facilities backed by the trade receivables of Italian and foreign customers.

Trade receivables

As a general rule, the policy followed for the management of commercial risk provides for the insurance of this risk through insurance companies specialised in receivables from foreign customers, while any uninsured or only partially insured balances require the specific authorisation of RDM’s management, depending on the amount. There are specific credit control procedures for Italian customers, again depending on the amount, under which approval must be obtained from the various levels of management. Under RDM’s management policies, Italian and foreign trade receivables are monitored on a continuous basis and the appropriate recovery procedures are put into action in the event of non-payment.

Supplies

As a result of the structure and type of its costs, RDM is mainly exposed to fluctuations in energy prices (natural gas and electricity), fluctuations in the price of certain chemical products, including those that are petroleum-based (such as latex) and changes in the price of fibrous raw materials.

RDM’s management policies require that annual supply agreements for natural gas and electricity contain clauses under which prices are determined on the basis of moving averages of market prices or indices that are revised on a quarterly basis and linked to a basket of fossil fuels or their derivatives or on fixed-price annual agreements. Furthermore, the possibility of engaging in hedging transactions to stabilise the cost of particular energy sources is foreseen.

For the purchase of chemical products and fibrous raw materials, RDM aims at having the widest possible range of suppliers and supply markets with the dual purpose of being able to monitor the various purchase terms on a constant basis and to encourage competition between suppliers. It is not practicable to formalise framework supply agreements for these types of purchases.

The current hedging policy excludes recourse to complex profile derivative transactions, after having established the issues associated with their management. Therefore, it has been deemed appropriate to adopt technical forms of hedging negotiated on a bilateral basis with primary banking counterparties.

5.3 Scope of consolidation

The interim consolidated financial statements of the Group at 30 June 2007 consist of the interim financial statements of the Parent Company and the interim financial statements of the following subsidiaries, all consolidated on a line-by-line basis:

Company name	Registered office	Activity	Share capital	Shareholding			
				30.06.07		31.12.06	
				Direct	Indirect	Direct	Indirect
Reno De Medici Iberica S.L.	Prat de Llobregatt (E)	Manufacturing	39.061	100,00%	-	100,00%	-
Cartiera Alto Milanese S.p.A.	Milano (I)	Sales	200	100,00%	-	100,00%	-
RDM France S.a r.l.	Tramblay en France (F)	Sales	96	99,58%	0,42%	99,58%	0,42%
Reno De Medici Deut. GmbH	Bad Homburg (D)	Sales	473	100,00%	-	100,00%	-
Emmaus Pack S.r.l.	Milano (I)	Manufacturing	200	51,39%	-	51,39%	-

Investments in associated companies are accounted for using the equity method:

Company name	Registered office	Activity	Share capital	Shareholding			
				30.06.06		31.12.05	
				Direct	Indirect	Direct	Indirect
Termica Boffalora S.r.l.	Sesto San Giovanni (MI)	Manufacturing	14.220	30,00%	-	30,00%	-
Pac Service S.p.A.	Vigonza (PD)	Manufacturing	1.000	33,33%	-	33,33%	-

The area of consolidation has remained unchanged compared with 31 December 2006.

5.4 Notes to the consolidated financial statements for the first half year 2007

1. 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 operating profit (EBIT), with the respective comparative figures.

Consolidated profit and loss account First Half 2007	Italy	Spain	Eliminations	Group
Euro/000				
Revenues from sales	168.304	24.048	(11.271)	181.081
Other revenues	661	157,00	-	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**
Depreciation and amortisation	(9.109)	(414)	-	(9.523)
Operating Profit (EBIT)	**5.652**	**773**	**-**	**6.425**

Consolidated profit and loss account First Half 2006	Italy	Spain	Eliminations	Group
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**
Depreciation and amortisation	(11.325)	(290)	-	(11.615)
Operating Profit (EBIT)	**5.019**	**109**	**-**	**5.128**

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

Revenues by geographical area	First half 2007	%	First half 2006	%
Euro/000				
Italy	94.125	52,0%	91.576	56,1%
European Union	70.337	38,8%	56.057	34,3%
Outside the European Union	16.619	9,2%	15.640	9,6%
Total	**181.081**	**100%**	**163.273**	**100%**

2. Cost of raw materials and services

The following table provides details of the costs incurred for raw materials and services:

Cost of raw materials and services	First half 2007	% Production value (*)	First half 2006	% Production value (*)
Euro/000				
Raw materials	68.585	39,2%	64.242	38,2%
Services	62.597	35,8%	59.723	35,5%
Use of third party assets	808	0,5%	697	0,4%
Cost of raw materials and services	**131.990**	**75,4%**	**124.662**	**74,1%**

(*) Production value = Sales plus change in stock of finished goods

The change in the item "Raw materials" mainly reflects the higher charges to purchase paper pulp, due to price increases on the supply markets. In particular, the increase in costs for services was influenced by increased transport costs and costs for industrial services (in particular, for waste disposal) attributable to the greater volumes of sales; this increase was compensated partially by the savings achieved in the general and administrative services.

3. Unusual income (expenses)

This item includes the provision for restructuring costs associated with implementing the procedure for staff reductions involving 80 persons employed by the Parent Company.

4. Depreciation and amortization

The following table provides details of the "Amortization" item:

Depreciations and write-downs	First half 2007	First half 2006	Variation
Euro/000			
Depreciation of tangible fixed assets	8.936	11.037	(2.101)
Amortisation of intangible fixed assets	587	578	9
Amortisation and depreciation	**9.523**	**11.615**	**(2.092)**

It is important to note that the RDM Group reviewed the estimate for the useful working life of plant and machinery during the current financial year, to reflect more accurately the expected useful working life of the depreciable assets used in the production process. The assets included in the "General plant" and "Specific plant" categories have been analysed, these assets were divided on the basis of their expected useful working life. The useful working life was subsequently adjusted to the period of time over which the individual assets are deemed to be used in the production process.

The effect of the changes in this estimate (reduced depreciation amounting to 1.4 million Euros during the first six months of the year) was reported in the half-year economic results.

5. Taxes

The table below details the subdivision between current and deferred taxes at 30 June 2007:

Taxation	30.06.2007	30.06.2006	Variation
Deferred taxation	(1.180)	(1.057)	(123)
Current taxation	547	(1.628)	2.175
Total	**(633)**	**(2.685)**	**2.052**

6. Discontinued operations

Discontinued operations reflect a negative result amounting to 0.8 million Euros, compared with the corresponding negative data amounting to approximately 4.2 million Euros at 30 June 2006.

The detailed breakdown for "Discontinued operations" is as follows:

Discontinued operations	1 Half 2007	1 Half 2006
Euro/000		
MC1 Magenta	-	(763)
Prat	-	(1.126)
Demerger and listing expenses for RDM Realty	-	(1.762)
Expenses related to the sale of Europoligafico S.p.A.	-	(240)
Expenses related to the sale of Aticarta S.p.A.	(781)	(289)
Total	**(781)**	**(4.180)**

The charges reported in the first half 2007 are due mainly to additional costs associated with the disposal of plants in the Pompeii facility. These charges are associated with the facility seizure procedure ordered by the Public Prosecutor's Office of Torre Annunziata that prevented completion of the shipping operations in the timeframes originally foreseen and entailed the need to extend the lease agreement for the facility. Please refer to the details provided in the section "Legal and arbitration procedures" for further information.

The discontinued operations at 30 June 2006 included the result for the period (in terms of operating result) attributable to the Prat facility and to the continuous machine 1 (CM1) situated in the Magenta facility, the net economic contribution up to 21 June 2006 made by the assets accruing to the beneficiary of the RDM Realty S.p.A. spin-off, including the result for the period referable to Red.Im S.r.l., the costs relating to the spin-off operations and the subsequent listing of RDM Realty S.p.A., as well as a number of additional ancillary costs relating to the assignments of Europoligrafico S.p.A. and Aticarta S.p.A.

7. Tangible fixed assets

The movement in tangible fixed assets is detailed in the table below:

Tangible fixed assets	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction	Total
Cost	22.647	70.719	413.763	1.963	11.839	5.638	526.569
Accumulated depreciation/write-downs	-	(29.279)	(306.686)	(1.799)	(11.234)	-	(348.998)
Net book value at 31.12.06	**22.647**	**41.440**	**107.077**	**164**	**605**	**5.638**	**177.571**
Variations of the period:							
Change in consolidation scope (cost)	-	-	-	-	-	-	-
Change in consolidation scope (acc. dep.)	-	-	-	-	-	-	-
Increases	-	784	1.242	13	25	4.165	6.229
Decreases	-	-	(1.453)	-	(107)	-	(1.560)
Reclassification of cost	-	56	5.159	-	11	(5.226)	-
Depreciation for the period	-	(1.131)	(7.673)	(29)	(103)	-	(8.936)
Other changes (cost)	-	-	-	-	-	-	-
Other changes (acc. dep.)	-	-	-	-	-	-	-
Utilisation of accumulated depreciation	-	-	1.261	-	104	-	1.365
Reclassification of accumulated depreciation	-	-	-	-	-	-	-
Value al 30.06.2007							
Cost	22.647	71.559	418.711	1.976	11.768	4.577	531.238
Accumulated depreciation/write-down	-	(30.410)	(313.098)	(1.828)	(11.233)	-	(356.569)
Net book value at 30.06.07	**22.647**	**41.149**	**105.613**	**148**	**535**	**4.577**	**174.669**

The increases include the investment in progress in the Santa Giustina facility regarding the changes in the presses area (2.7 million Euros at 30 June 2007, compared with a total foreseen investment of approximately 5.5 million Euros), which is expected to become operational during the next half-year.
The cost reclassifications include the effects arising from completion during the half-year of the investment in progress at 31 December 2006; in particular, this includes the projects involving the Villa Santa Lucia facility, mainly designed to improve the drying section and the industrial process waste management system, amounting to 2.7 million Euros, overall.

8. Net financial position

The net consolidated financial indebtedness at 30 June 2007 amounts to 114.9 million Euros (127.1 million Euros at 31 December 2006). The improvement in the net financial position is due essentially to the working cash flow generated during the period (please refer to the cash flow statement for the detailed breakdown of this item).

The breakdown for the net financial position is as follows:

Net financial position	30 June 2007	31 December 2006	Variation
Euro/000			
Cash	17	9	8
Funds available at banks	4.011	4.498	(487)
Restricted funds at banks	5.000	5.029	(29)
A. Cash and cash equivalents	**9.028**	**9.536**	**(508)**
Other current financial receivables	1.853	1.853	-
Derivatives - current financial assets	289	77	212
B. Current financial receivables	**2.142**	**1.930**	**212**
Bank overdrafts and short-term loans	*42.785*	*47.069*	*(4.284)*
Current portion of medium- and long-term loans	*10.225*	*10.412*	*(187)*
Other current financial liabilities	53.010	57.481	(4.471)
Derivatives - current financial liabilities	-	351	(351)
C. Current financial debt	**53.010**	**57.832**	**(4.822)**
D. Current financial debt, net (C - A - B)	**41.840**	**46.366**	**(4.526)**
Non-current payables to banks	-	-	-
Derivatives - non-current financial liabilities	962	83	879
E. Non-current financial debt	**962**	**83**	**879**
Other non-current financial receivables	73.984	80.789	(6.805)
Derivatives - non-current financial liabilities	-	14	(14)
F. Non-current financial receivables	**73.984**	**80.803**	**(6.819)**
G. Non-current financial debt, net (F - E)	**73.022**	**80.720**	**(7.698)**
H. Financial net debt (D + G)	**114.862**	**127.086**	**(12.224)**

Cash and cash equivalents include unrestricted deposits amounting to approximately 4 million Euros and restricted deposits totalling 5 million Euros, restricted with reference to a guarantee requested by the Court of Madrid in relation to a dispute with Grupo Torras (unchanged compared with 31 December 2006).

The breakdown for current financial receivables mainly include amounts owed by Cogeneracion Prat S.A. totalling 1.7 million Euros due and payable on 31 December 2007.

The variation in the value of derivatives is associated with the measurement of the fair value of the derivatives in question at the reference date; the increase in interest rates entailed an increase in the market value of the Interest Rate Swaps entered into by the RDM Group for hedging purposes.

The item “other current financial liabilities” refers to the use of commercial type lines of credit associated with the divestment of trade receivables and to the current part of medium and long term investments represented by the quotas becoming due in the following 12 months (measured in accordance with the amortised cost method).

The breakdown for the non-current “other financial liabilities” includes long and medium-term loans granted by banks (measured in accordance with the amortised cost method).

The current medium and long-term loans, subdivided by due date, reported at the nominal value, are detailed below:

Loans	due within one year	due after more than one year	due after more than five years	total
M.I.C.A. - due 13 February 2016	123	539	625	1.287
M.I.C.A. - due 16 October 2013	136	575	305	1.016
M.I.C.A. - due 28 May 2008	54	-	-	54
Intesa San Paolo - due 15 June 2011	1.975	6.555	-	8.530
Intesa San Paolo - due 15 December 2011	2.884	11.201	-	14.085
Intesa San Paolo - due 6 April 2016	-	1.638	1.796	3.434
Intesa San Paolo fin.pool - tranche A - due 6 April 2016	4.667	18.666	18.667	42.000
Intesa San Paolo - tranche B - due 6 April 2011	-	10.000	-	10.000
Banca Pop.Emilia Romagna - due 15 May 2016	620	2.480	2.480	5.580
Unicredit - due 1 June 2009	133	134	-	267
Unicredit - due 2 November 2009	150	225	-	375
Total payables at nominal value	**10.742**	**52.013**	**23.873**	**86.628**
Effett of amortized cost	**(517)**	**(1.487)**	**(415)**	**(2.419)**
Total payables valued with amortized cost	**10.225**	**50.526**	**23.458**	**84.209**

The pool loan agreement entered into with Intesa Sanpaolo S.p.A. and Unicredit Banca d'Impresa S.p.A. during 2006, foresees restraints and commitments undertaken by RDM, subject to the related tolerance thresholds, usual in the case of syndicated loans of this kind, including limitations to further borrowing, the distribution of dividends, the concession of guarantees (negative pledge), the arrangement of core assets, the execution of investments and extraordinary finance transactions.
In particular, the loan establishes compliance with the financial parameters based on the following indicators:

- Net Financial Position/Shareholders' Equity
- Net Financial Position/Gross Operating Margin
- Gross Operating Margin/Net Financial Charges

These financial parameters are calculated half-yearly, based on the results of the Group's Consolidated Financial Statements and on the Group's Consolidated half-year reports commencing from 31 December 2006.
The half year assessments of the Group's Gross Operating Margin and Net Financial Charges are referred to the twelve month period that ends with the last day of the half year considered. It is important to note that the loan agreement may be terminated by the financing banks if the covenants established in the agreement fail to be honoured.
The parameters at 30 June 2007 complied with the contracts.

In relation to the guarantees, the RDM Loan establishes, inter alia, that RDM grants Tier 1 mortgages referred to the Ovaro and Marzabotto facilities and Tier 2 mortgages referred to the Magenta, Santa Giustina and Villa Santa Lucia facilities, amounting to 120 million Euros, overall. Moreover, special Tier 1 privileges are granted by way of surety referred to the Ovaro and Marzabotto plant and machinery and Tier 2 special privileges referred to the Magenta, Santa Giustina and Villa Santa Lucia plant and machinery amounting to 120 million Euros, overall.

After having collected the ‘Vendor Loan’ in December 2006, 3 million Euros of the loan were repaid early during the half-year, as established in the contractual terms and conditions.

Furthermore, it is important to note that the variable rate loan agreement entered into with Banca Popolare dell’Emilia Romagna, due on 15th May 2016, for which repayment is foreseen by half-yearly instalments, establishes the concession of mortgages on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia facilities amounting to 22.4 million Euros, overall.

The Parent Company raised a loan with Intesa Sanpaolo S.p.A. amounting to 14.7 million Euros, overall, on 21st December 2006; a further 1.2 million Euros was granted during 2007 in relation to this loan agreement. It is important to note that this loan establishes the same restraints applicable to the pool loan. As regards the guarantees, these establish, inter alia, that RDM establishes mortgages on the Ovaro and Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia facilities amounting to 29.4 million Euros, overall. Furthermore, special privileges were granted, by way of surety, on the plant and machinery located in the same facilities amounting to 29.4 million Euros, overall.

Derivative hedging agreements have been entered into (Interest Rate Swaps) for a notional value amounting to 66.1 million Euros (including, 46.1 million Euros referred to medium and long-term loans) in relation to the loans raised by the RDM Group, to reduce the variable nature of the financial charges referred to the debt. The table below highlights the principal features of the derivative instruments in place at 30 June 2007:

Type of coverage:	Cash flow hedge on Interest						
Derivative instrument:	Interest Rate Swap						
Company	**Counterparty**	**Currency**	**Maturity**	**Nominal value**	**Interest**	**Payment of interest**	**Fair value of the derivative (€/000)**
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	06.04.2016	27.000	4,11% fixed / Euribor 6m	Six monthly	644
Reno De Medici S.p.A.	Unicredit Banca d'Impresa S.p.A.	Eur	06.04.2016	13.500	4,11% fixed / Euribor 6m	Six monthly	322
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	15.05.2016	5.580	4,15% fixed / Euribor 6m	Six monthly	113
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	30.06.2008	10.000	3,57% fixed / Euribor 3m	Three monthly	86
Reno De Medici S.p.A.	Banca Popolare di Milano S.p.A.	Eur	30.06.2008	10.000	3,57% fixed / Euribor 3m	Three monthly	86
				66.080			**1.251**

It is important to note that mortgages were raised on the Magenta, Santa Giustina and Villa Santa Lucia facilities, amounting to 57,8 million Euros, in addition to privileges for the same amount referred to the production plants, by way of surety for pre-existing loans.

9. Non-current assets to be disposed

This item amounts to 8.5 million Euros (11.4 million Euros at 31 December 2006).
The item includes the residual portion of the production plant and machinery referred to the Pompeii (NA) facilities, in the process of being disposed of, the Prat facilities (Spain) and the CM1 in the Magenta (MI) facility.
The decrease for the period is referable mainly to the sale of plant in the Pompeii facility, for which the dispatch of approximately 60% of the overall value was completed during the half-year period and the corresponding measurement thereof at the realisable value, based on the estimated costs to complete the disposal operations. The economic effects generated by the sales are included under the item "Discontinued operations", please refer to the corresponding note 6 for more detailed information in this regard.

10. Employees' Leaving Entitlement (TFR) provision

The calculation by an independent actuary, performed on the basis of information provided by the Group was adopted for the actuarial measurement of the "Employees' Leaving Entitlement Provision" at 30 June 2007, based on IAS 19.

The actuary adopted the following demographic assumptions for the calculation:

- the ISTAT (Italian Statistics Institute) records referred to 2002 for the Italian population, distinguished by sex, regarding the probability of death;
- the choices expressed in the INPS (Italian National Social Security Institute) form for projections up to 2010, regarding non-eligibility probabilities;
- meeting the first of the pensionable age eligibility requirements valid for Mandatory General Insurance has been assumed for the retirement period referred to the general asset;
- 5.00% annual frequencies were considered as regards the exit probabilities for reasons other than death;
- a year over year value amounting to 3.00% was assumed as regards the probabilities of advances referable to the Employees' Leaving Entitlement (TFR).

The economic and financial assumptions adopted for measurement purposes are described in the table below:

Economic and financial assumptions	
Annual discount rate	5,00%
Annual inflation rate	2,00%
Annual increase in employees' leaving entitlement	3,00%

The Budget Law and the related implementation decrees introduced significant changes to the Employees' Leaving Entitlement (TFR) discipline starting from 1st January 2007, including the worker's choice, as regards the intended use of its accruing individual Employees' Leaving Entitlement (TFR). The RDM Group updated the actuarial calculation at 30 June 2007, on the basis of the choices expressed by the workers. The difference resulting from the new calculation compared with the previous position has been considered as a ‘curtailment’, in compliance with the provisions defined in paragraph 109 of IAS 19, and consequently reported in the first half 2007 profit and loss account (including any previously unreported actuarial gains and losses by adopting the corridor approach).

The movement in the liability during the period closed at 30 June 2007 is reported below:

Movements in the actuarial value of the liability	
Actuarial value at 31.12.2006	**17.235**
Service cost	445
Interest cost	393
Services rendered	(786)
Movements arising from labour reform	(1.369)
Write off actuarial gain (loss)	825
Actuarial value at 30.06.2007	**16.743**

11. Provisions for contingencies and charges.

Provisons for contingencies and charges	31.12.2006	Charge	Utilisation	30.06.2007
Provision for future charges	5.051	1.000	(2.026)	4.025
Agents' termination indemnity	793	31	-	824
Taxation	29	-	-	29
Provision for losses on investments	302	-	(302)	-
Total	**6.175**	**1.031**	**(2.328)**	**4.878**

The item 'Provisions for future charges" refers mainly to the provisions for future contractual charges in relation to the Prat facility, disputes in progress, as well as reporting the costs to be sustained in relation to the costs to close the Santa Giustina waste disposal tip, currently in use.

The variation during the period is mainly attributable to uses required to sustain the charges associated with the discontinued operations at Prat, Ciriè and Pompeii, as well as to sustain the decontamination costs for the waste disposal lot referred to the Santa Giustina facility the use of which has terminated.

12. Earnings per share

The earnings per share are established by the ratio between the Group's net income (adjusted to take into account the minimum result to be allocated to saving shares) and the weighted average of the number of outstanding shares during the financial year, excluding own shares. The earnings per share and the earnings per share before discontinued operations in the basic and diluted versions are reported below:

Basic earnings per share	30.06.2007	30.06.2006
Earnings (losses) per share	0,00	(0,03)
Earnings (losses) per share before discontinued operations	0,01	(0,01)

Diluted earnings per share	30.06.2007	30.06.2006
Earnings (losses) per share	0,00	(0,03)
Earnings (losses) per share before discontinued operations	0,01	(0,01)

13. Non-recurrent transactions

There are no recurrent transactions to report besides the transactions associated with the discontinued activities described in note 6 and the unusual transactions described in note 3.

5.5 Relations with related parties

Relations with related parties

It is important to mention that there were no operations with related parties of an atypical and unusual nature, differing from the Company's normal operations or operations which may prejudice the Group's economic, equity and cash flow position.

The operations engaged in with the related parties form part of the company's normal operations in the framework of the typical business activities of each party involved, and are disciplined by normal market terms and conditions.

The foregoing operations include the following:

- services received from IBI S.p.A. (a company controlled by the shareholder Alerion), referred to the principal extraordinary operations executed by RDM during 2005 and 2006. In relation to this mandate, the balance position payable to IBI S.p.A. at 30 June 2007 amounts to 900 thousand Euros. Payments were made to IBI S.p.A during the period amounting to 1,080 thousand Euros.
- commercial relations between the subsidiary Emmaus Pack S.r.l. and Immobiliare ANSTE S.r.l. and ANSTE Autotrasporti S.r.l., both companies are referable to the Oldani family that owns 49% of Emmaus Pack S.r.l., related to lease rentals amounting to 107 thousand Euros and transport and ancillary services amounting to 262 thousand Euros, respectively. The balance position of commercial payables at 30 June 2007 amounts to 64 thousand Euros due to Immobiliare ANSTE S.r.l. and 153 thousand Euros due to ANSTE Autotrasporti S.r.l. Payments amounting to 129 thousand Euros were made to Immobiliare ANSTE S.r.l. and 297 thousand Euros were made to ANSTE Autotrasporti S.r.l. during the first half 2007.
- commercial relations with Termica Boffalora S.r.l., 30% owned by RDM, referring to the purchase of steam. The costs sustained during the period amounted to 2,228 thousand Euros, the payments made totalled 2,451 thousand Euros, while the payables amounted to 1,667 thousand Euros at 30 June. RDM provided the foregoing company with water supply and electric power services during the period amounting to 20 thousand Euros, overall, the credit position at 30 June amounts to 23 thousand Euros.
- commercial relations with Pac Service S.p.A., 33% owned by RDM, related to the sale of cartonboard. The sales achieved during the half-year amounted to 1,238 thousand Euros, the amounts collected totalled 1,177 thousand Euros, while receivables amounted to 1,280 thousand Euros at 30 June.

A table summarising the relations described above is reported, pursuant to Consob resolution No. 15519 dated 27th July 2006:

Receivables and payables due to related parties	Current assets	Current liabilities
	Trade receivables	Trade payables
IBI S.p.A.	-	900
Termica Boffalora S.r.l.	23	1.667
Pac Service S.p.A.	1.280	-
Anste Autotrasporti S.r.l.	-	153
Immobiliare Anste S.r.l.	-	64
Total	**1.303**	**2.784**
Incidence on the total of the item	**1,2%**	**3,0%**

Outflows and inflows of cash due to related parties	Outflows	Inflows
	Trade payables	Trade receivables
IBI S.p.A.	-	1.080
Termica Boffalora S.r.l.	-	2.451
Pac Service S.p.A.	1.177	-
Anste Autotrasporti S.r.l.	-	129
Immobiliare Anste S.r.l.	-	297
Total	**1.177**	**3.957**

Revenues	Revenues for sales
Termica Boffalora S.r.l.	20
Pac Service S.p.A.	1.238
Total	**1.258**
Incidence on the total of the item	**0,7%**

Costs	Cost of raw materials and services
Termica Boffalora S.r.l.	2.288
Anste Autotrasporti S.r.l.	107
Immobiliare Anste S.r.l.	262
Total	**2.657**
Incidence on the total of the item	**2,0%**

The fees paid to Directors accruing to the first half 2007 amount to 0.4 million Euros, overall.

5.6 Legal and arbitration proceedings

Principal disputes in course

Amongst the current legal and arbitration proceedings, details are provided of the following:

- Dispute with Grupo Torras S.A.

The dispute with Grupo Torras S.A. relates to an accumulation of situations which go back to February 1991 and regard the former Saffa Group, which today is part of the RDM Group.

Details as to the origins and evolution of the dispute may be found in the reports included with the financial statements of previous years. In summary, it is recalled that in 2001 arbitrators found in favour of the RDM Group and required Grupo Torras S.A. to pay an amount of approximately Euro 48 million plus interest; on the appeal of the counterparty, the Appeals Court of Madrid overturned such decision in 2003 on the basis that the arbitrators did not have judicial competence in the matter without, however, providing its opinion on the merits of the case. As a result, the RDM Group took the decision to initiate civil proceedings at the Court of Madrid.

On 8 September 2005, the Court of Madrid lodged its sentence in which it only partially upheld the RDM Group's claim. In particular, Grupo Torras S.A. was sentenced to purchase from RDM Iberica 1,115,400 shares of Torraspapel S.A. for which it was obliged to pay an amount of Euro 50.7 million, excluding the dividends received by RDM Iberica from these shares.

The Court of Madrid of the first level deemed it necessary to reduce the above amount by the percentage employed in the creditors' arrangement (suspensiòn de pagos) for 1992 to 1998 in which Grupo Torras S.A. was the debtor. As a consequence, as the effect of the reduction due to the creditors' arrangement to which the counterparty was bound in connection with subsequent operations with the Saffa Group, the Court of Madrid of the first level required that the creditors' agreement rate of approximately 11% be applied to the amount of Euro 50.7 million originally recognised.

As a result of these events, the carrying amount of the receivable from Grupo Torras S.A. was prudently aligned to that implicit in the sentence of the Court of Madrid of the first level, both in the separate financial statements of RDM Iberica and in the consolidated financial statements.

On 18 September 2006, the Appeals Court of Madrid passed judgement and notified sentence no. 114 on the appeal made by Reno De Medici S.p.A and Reno De Medici Iberica S.L. against sentence no. 43 of the Court of Madrid of the first level notified on 8 September 2005. In their ruling, the Appeals Court rejected the appeals made by both parties and thereby confirmed the ruling established at the first level.

As a consequence of this, RDM and RDM Iberica lodged an appeal with the Supreme Court on 9 January 2007.

- Disputes with road hauliers

RDM and Reno Logistica in liquidation were summonsed to appear in court following claims made by certain transport hauliers on the premise that the two Group companies did not respect the minimum transportation tariffs pursuant to Law no. 298/74.

RDM and Reno Logistica in liquidation have appeared in Court to raise a series of exceptions both of a preliminary nature and as regards the merits. The legal actions have been pending and the next hearings are foreseen to be held during the next half year. With reference to one of the principal proceedings it is important to note that the hearings intended to examine the expert reports filed with the Court are foreseen during next September and October 2007.

The RDM Group has made provision deemed suitable in respect of these disputes.

- Criminal proceedings

On 10 March 2005, the Public Prosecutor of the Republic of Italy at the Court of Turin informed the heads of factory at the Ciriè facility from 1977 to 1993, subsequently replaced with the passage of time, by means of a formal “Notification to a Person Under Investigation Pursuant to Articles 369 and 369 bis of the Italian Criminal Code Procedure”, that criminal proceedings had been commenced against them (number 5110/05 R.G. notification of a criminal act) to ascertain whether they have any responsibility as heads of the factory responsibility for the death through alleged illness of two former employees at the Ciriè facility during the performance of their professional duties from 1971 to 1993.

On 3 March 2007, the Turin Public Prosecutor’s judge ruled that in the situation of one of the two former employees there is insufficient evidence to proceed with the case.

- Discontinued operations

On 16 May 2006 the Trento Inland Revenue Office commenced a tax audit of Aticarta S.p.A. for the period from 1 January to 31 December 2003, acting under instruction from the Milan Inland Revenue Office. The Dispute Notice issued on completion of the audit disallowed costs for a total of Euro 7.2 million, almost all of which relates to depreciation added back to taxable income on the grounds that the company allegedly did not keep a fixed asset register in accordance with tax laws and regulations.
A formal assessment was notified to Aticarta S.p.A. on 22 November 2006 by the Milan Inland Revenue Office, in which the tax authorities state their reasoning as based on

the Dispute Notice and assess the company to additional taxes of Euro 735 thousand plus penalties and interest.
On 4 December 2006, Colleoni S.A., the purchaser of Aticarta S.p.A., formally notified RDM of that assessment pursuant to the terms and conditions of the sales agreement. In its own turn, given that the issue raised by the Inland Revenue Office also regards fiscal years that precede the purchase by RDM of Aticarta S.p.A. from ATI S.p.A. which took place in 2001, RDM formally notified ATI S.p.A. of the situation, as provided by the original purchase agreement.
The preliminary phase of the dispute was managed by the professional duly appointed by Aticarta S.p.A. and assisted by RDM, for the purpose of demonstrating the substantial correctness of the activities engaged in by the company and consequently the groundless nature of the observations, and entailed the preparation of an assessment settlement proposal, which due to a lack of sufficient time, unfortunately failed to lead to an agreement in accordance with the terms and conditions established by law applicable to the assessment settlement process.
Therefore, Aticarta S.p.A. proceeded to file a petition to the Milan Provincial Tax Commission, through the duly appointed professional, in accordance with the proceedings to oppose the foregoing assessment notice. An application to cancel tax assessments was also presented last 3rd August 2007, supplemented by the assets register reconciliation documentation, intended, subordinately, to enable the Inland Revenue to prepare a legal conciliation proposal, with the aim of reaching an early settlement of the current dispute, before the hearing in the Provincial Tax Commission.
RDM is confident of a positive outcome of the principal issue, in view of the considerations expressed together with the appointed professional and the documentation produced to-date by Aticarta S.p.A. during the course of the proceedings. However, it has been deemed it appropriate to allocate the costs necessary to defend the Company in the proceedings, as well as to assign the taxes and sanctions corresponding to a number of minor reversal items included in the Report of Findings, in relation to which reaching a settlement is deemed expedient and appropriate.
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.

5.7 Subsequent events

An agreement to sell continuous machine 5 located at Prat was signed on 23rd August, amounting to 1.6 million Euros in line with the book value. The agreement becomes effective subject to the buyer receiving a letter of guarantee. The disassembly phase is expected to be completed within 2007.

6. Financial statements of the Parent Company

Profit and loss account	30.06.2007	30.06.2006
Euro		
Revenues from sales to third parties	*136.593.265*	*125.873.052*
Revenues from sales to subsidiary companies	*28.859.651*	*22.875.691*
Revenues from sales	165.452.916	148.748.743
Other revenues	739.455	1.103.100
Changes in stocks of finished goods	(6.207.221)	1.297.118
Cost of raw materials and services	(122.109.548)	(111.635.297)
Staff costs	(22.713.635)	(22.996.540)
Other operating costs	(1.265.766)	(1.214.308)
Income (expense) from non-current assets held for sale	-	(370.351)
Unusual income (expense)	(243.360)	(93.367)
Gross Operating Profit (EBITDA)	**13.652.841**	**14.839.098**
Depreciation and amortisation	(10.300.959)	(12.362.771)
Recovery of value and write-downs of assets	-	0
Operating Profit (EBIT)	**3.351.882**	**2.476.327**
Financial expense	*(5.363.139)*	*(5.472.361)*
Exchange differences	*(16.704)*	*(130.377)*
Financial income	*117.297*	*426.145*
Financial income (expense), net	(5.262.546)	(5.176.593)
Income (expense) from investments	2.431.880	798.188
Other income (expense)	-	-
Taxation	(376.916)	(991.386)
Profit (loss) for the year before discontinued operations	**144.300**	**(2.893.464)**
Gains (losses) from disposals, net	-	0
Loss for the period	*(781.324)*	*(2.750.597)*
Discontinued operations	(781.324)	(2.750.597)
Profit (loss) for the year	**(637.024)**	**(5.644.061)**

Balance sheet	30.06.2007	31.12.2006
Euro		
ASSETS		
Non-current assets		
Tangible fixed assets	174.398.601	178.499.976
Goodwill	-	-
Investimenti immobiliari		
Other intangible assets	889.710	1.207.323
Shares in subsidiary companies	64.379.067	64.354.067
Shares in associate companies	7.742.970	7.742.970
Imposte anticipate	-	-
Derivative financial instruments	961.776	82.643
Available-for-sale financial assets	478.913	443.000
Trade receivables	-	76.245
Other receivables	907.471	918.786
Total non-current assets	**249.758.508**	**253.325.010**
Current assets		
Stocks	47.162.008	53.843.895
Trade receivables	76.590.144	67.521.890
Trade receivables due to subsidiary companies	20.350.724	22.846.924
Trade receivables due to associates	1.303.382	801.222
Other receivables	1.803.858	3.280.112
Derivative financial instruments	288.764	76.833
Attività finanziarie disponibili per la vendita	-	-
Attività finanziarie con fair value rilevato a conto economico	-	-
Liquid funds	1.309.385	2.043.718
Total current assets	**148.808.265**	**150.414.594**
Other non-current assets held for sale	**6.810.750**	**9.661.923**
TOTAL ASSETS	**405.377.523**	**413.401.527**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholder's equity	**117.404.542**	**117.070.959**
Non-current liabilities		
Bank loans and other financial liabilities	73.625.155	80.288.317
Payables due to subsidiary companies	32.000.000	32.000.000
Derivative financial instruments	-	14.393
Other payables	599.185	599.185
Deferred tax liabilities	11.301.733	11.372.809
Employees' leaving entitlement	16.641.088	17.133.264
Non-current provisions for contingencies and charges	3.627.558	3.946.391
Passività direttamente attribuibili ad attività non correnti destinate alla dismissione	-	-
Total non current liabilities	**137.794.719**	**145.354.359**
Current liabilities		
Bank loans and other financial liabilities	52.034.855	57.163.581
Derivative financial instruments	-	351.077
Trade payables due to third party	83.286.341	78.404.779
Payables due to subsidiary companies	1.879.189	4.062.837
Payables due to associates payables	1.666.753	1.363.223
Other payables	10.618.828	9.630.712
Current taxation	692.296	-
Total current liabilities	**150.178.262**	**150.976.209**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**405.377.523**	**413.401.527**

Statement of changes in consolidated shareholders' equity	Share capital	Share premium reserve	Legal reserve	Reserve for own shares	Extraordinary reserve	Reserve for the purchase of own shares	Reserve for the rounding of nominal value	IFRS Reserve	Retained earnings (losses) brought forward	Profit (loss) for the period	Fair Value reserve	Hedging reserve	Own shares	Total Shareholders' equity
Euro/000														
Shareholders' equity at 1 January 2006	**148.343**	**7.797**	**6.462**	**5.296**	**77**	**6.584**	**-**	**(3.426)**	**-**	**(16.921)**	**-**	**-**	**(5.374)**	**148.838**
Increase in share capital														**-**
Distribution of dividends														**-**
Change in accounting principle														**-**
Reclassifications													502	**502**
Demerger	(16.183)						900	(1.273)						**(16.556)**
Value adjustments recognised directly in equity											243	(69)		**174**
Cover of 2005 losses		(7.797)	(6.462)		(77)	(6.584)		17.749	(13.750)	16.921				**-**
Profit (loss) for the period										(5.644)				**(5.644)**
Shareholders' equity at 30 June 2006	**132.160**	**-**	**-**	**5.296**	**-**	**-**	**900**	**13.050**	**(13.750)**	**(5.644)**	**243**	**(69)**	**(4.872)**	**127.314**
Increase in share capital														**-**
Distribution of dividends														**-**
Change in accounting principle														**-**
Reclassifications				(424)	424									**-**
Demerger														**-**
Value adjustments recognised directly in equity											(495)	(55)		**(550)**
Cover of 2005 losses														**-**
Profit (loss) for the period										(9.693)				**(9.693)**
Shareholders' equity at 31 December 2006	**132.160**	**-**	**-**	**4.872**	**424**	**-**	**900**	**13.050**	**(13.750)**	**(15.337)**	**(252)**	**(124)**	**(4.872)**	**117.071**
Increase in share capital														**-**
Distribution of dividends														**-**
Change in accounting principle														**-**
Reclassifications														**-**
Demerger														**-**
Value adjustments recognised directly in equity											36	935		**971**
Cover of 2006 losses					(424)		(900)	(13.050)	(963)	15.337				**-**
Profit (loss) for the period										(637)				**(637)**
Shareholders' equity at 30 June 2007	**132.160**	**-**	**-**	**4.872**	**-**	**-**	**-**	**-**	**(14.713)**	**(637)**	**(216)**	**811**	**(4.872)**	**117.405**

Cash flow statement	30.06.2007	30.06.2006
Euro/000		
Profit (loss) for the period before discontinued operations and before taxat	521	(1.902)
Depreciation and amortisation	10.301	12.362
Write-downs	-	666
(Gains) losses from investments	(2.432)	(1.464)
Financial (income) expense	5.263	5.177
Gains (losses) on the disposal of fixed assets	57	(119)
Change in trade receivables	(8.992)	(950)
Change in stocks	6.682	801
Change in trade receivables due to subsidiary companies	239	6.340
Change in trade receivables due to associates companies	(502)	(166)
Change in other receivables	1.252	(2.507)
Change in trade payables	4.882	1.369
Change in trade payables due to subsidiary companies	(303)	(1.460)
Change in trade payables due to associates companies	304	(339)
Change in other payables	771	(2.064)
Change in the employees' leaving entitlement	(881)	(493)
Change in other provisions and deferred taxation	(51)	(440)
Gross cash flows	**17.111**	**14.811**
Interest paid in the period	(4.874)	(4.956)
Taxes paid in the period	-	(52)
Cash flows from operating activities	**12.237**	**9.803**
Investments	(6.119)	(2.396)
Divestments	138	1.610
Dividends received	1.990	1.464
Cash flows from discontinued operations	2.127	9.345
Cash flows from investing activities	**(1.864)**	**10.023**
Repayment (draw-down) of intragroup receivables	2.257	(1.288)
Draw-down (repayment) of intragroup payable	(1.573)	(147.358)
Draw-down (repayment) of short-term bank borrowings and long-term loans	(11.792)	88.356
Change in other financial liabilities	-	(1.170)
Cash flows from financing activities	**(11.108)**	**(61.460)**
Change in restricted liquid funds	**-**	**-**
Change in unrestricted liquid funds	**(735)**	**(41.634)**
Unrestricted liquid funds at beginning of period	**2.044**	**43.208**
Unrestricted liquid funds at end of period	**1.309**	**1.574**
Liquid funds at end of period		
Unrestricted liquid funds	1.309	1.574
Restricted liquid funds	-	-
Total liquid funds at end of period	**1.309**	**1.574**

7. Reconciliation of consolidated shareholders' equity and consolidated net profit with those of the Parent Company

The following reconciliation between consolidated shareholders' equity and consolidated net profit with those of the Parent Company is presented pursuant to Consob Communication no. 6064293 of 28 July 2006.

	Shareholders' funds at 30 June 2007	Profit (loss) for the period ended at 30 June 2007
Reno De Medici S.p.A.	117.405	(637)
Difference between the carrying value of subsidiary companies and associates and the corresponding share of their shareholder's funds	7.627	1.571
Dividends received from subsidiary companies	-	(1.208)
Reversal of capital gains from sales to group companies	(4.256)	-
Reversal of allocations of merger difference	(4.092)	999
Other consolidation adjustments	(125)	(114)
Consolidated financial statements	**116.559**	**611**

8. List of investments in subsidiary companies and associates

Investments at 30 June 2006 in unlisted share capital companies or companies with limited liability and exceeding 10% of capital are as follows (pursuant to article 126 of Consob Regulation no. 11971 of 14 May 1999 and subsequent supplements and amendments):

Cartonboard sector

Reno De Medici Iberica S.L.
Prat de Llobregat - Barcellona - Spagna
Direct ownership 100%

Emmaus Pack S.r.l.
Milano - Italia
Direct ownership 51,39%

Cartiera Alto Milanese S.p.A.
Milano - Italia
Direct ownership 100%

RDM France S.à.r.l.
Tremblay en France – Parigi - Francia
Direct ownership 99,58%
Indirect ownership 0,42% (through Cartiera Alto Milanese S.p.A.)

RenoDeMedici Deutschland GmbH
Bad Homburg - Germania
Direct ownership 100%

Pac Service S.p.A.
Vigonza - Padova - Italia
Direct ownership 33,33%

Energy sector

Termica Boffalora S.r.l.
Sesto S. Giovanni - Milano - Italia
Direct ownership 30%

Service sector

Reno Logistica S.r.l. in liquidation
Milano - Italia
Direct ownership 100%

Statement of the Manager in charge of the preparation of the company's accounting records in accordance with the provisions of article 154 bis, paragraph 2, of Italian Legislative Decree no. 158/1998 (the Consolidated Finance Act - TUF)

The undersigned Maurizio Fusetti in his capacity as the manager in charge of the preparation of the company's accounting records declares in accordance with the provisions of the second paragraph of article 154 bis of the "Consolidated Finance Act" regarding matters concerning financial intermediation that, to the best of his knowledge and belief, the Half-Year Report of Reno De Medici S.p.A. at 30 June 2007 corresponds to the underlying documents, books and accounting entries.

Pontenuovo di Magenta, 13 September 2007

Maurizio Fusetti

Manager in charge

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PricewaterhouseCoopers SpA

AUDITORS' REPORT ON THE LIMITED REVIEW OF INTERIM FINANCIAL REPORTING FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007 PREPARED IN ACCORDANCE WITH ARTICLE 81 OF CONSOB REGULATION APPROVED BY RESOLUTION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

To the shareholders of
Reno De Medici SpA

1 We have performed a limited review of the consolidated interim financial reporting consisting of balance sheet, income statement, statement of changes in shareholders' equity and cash flows (hereinafter "accounting statements") and related explanatory and supplementary notes included in the interim financial reporting of Reno De Medici SpA for the six month period ended at 30 June 2007. The interim financial reporting is the responsibility of Reno De Medici SpA's directors. Our responsibility is to issue this report based on our limited review. We have also checked the part of the notes related to the information on operations for the sole purpose of verifying the consistency with the remaining part of the interim financial reporting.

2 Our work was conducted in accordance with the criteria for a limited review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with resolution n° 10867 of 31 July 1997. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial reporting and about the consistency of the accounting principles utilized therein as well as the application of analytical review procedures on the data contained in the interim financial reporting. The limited review excluded certain auditing procedures such as compliance testing and verification or validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.

3 Regarding the comparative data of the prior year consolidated financial statements and of the prior year interim financial reporting presented in the accounting statements, reference should be made to our reports dated 11 April 2007 and 5 October 2006 respectively.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel 08136181 – **Padova** 35137 Largo Europa 16 Tel 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel 0403480781 - **Udine** 33100 Via Poscolle 43 Tel 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel 0458002561

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4. Based on our review, no significant changes or adjustments came to our attention that should be made to the consolidated accounting statements and related explanatory and supplementary notes, identified in paragraph 1 of this report, in order to make them consistent with the international accounting standard IAS 34 and with the criteria for the preparation of interim financial reporting established by Article 81 of the CONSOB Regulation approved by Resolution n° 11971 of 14 May 1999 and subsequent amendments and integrations.

Milan, 18 September 2007

PricewaterhouseCoopers SpA

Signed by

Giorgio Greco
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Consolidated Interim Financial Reporting refer to the Consolidated Interim Financial Reporting in original Italian and not to its translation.