Half-year financial report

First half 2008

Reno De Medici S.p.A.
Registered office: Via Durini 16/18, Milan
Share capital: Euro 185,122,487.06 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

Board of Directors

Giuseppe Garofano	Chairman
Bernard Lemaire	Deputy Chairman
Ignazio Capuano	Managing Director
Riccardo Ciardullo	Director
Christian Dubé	Director
Sergio Garribba	Director
Laurent Lemarie	Director
Mirko Leo	Director
Vincenzo Nicastro	Director
Carlo Peretti	Director
Emanuele Rossini	Director

Board of Statutory Auditors

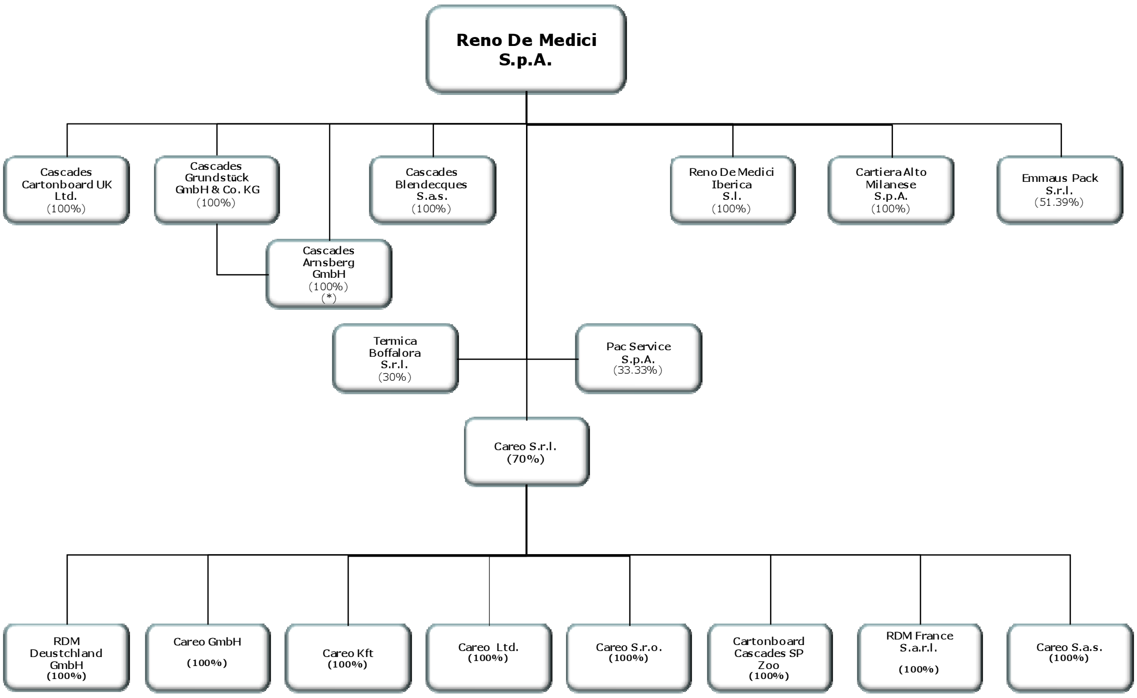
Sergio Pivato	Chairman
Marcello Priori	Standing auditor
Carlo Tavormina	Standing auditor
Giovanni Maria Conti	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

2. Operating companies of the Reno De Medici Group at 30 June 2008

The following chart excludes non-operating companies and companies in liquidation of the Reno De Medici Group (the “RDM Group” or the “Group”).



(*) Subsidiary company held by Reno De Medici S.p.A. at 94% and by Cascades Grundstück GmbH & Co. KG to 6%

3. Half-year financial report of the Reno De Medici Group

Introduction

The Group's merger with the recycled cartonboard production sector of Cascades S.A. was completed during the half-year; Cascades S.A. is wholly owned by Cascades Inc. and the merged sector consists of the production units at Arnsberg (D) and Blendecques (F) and the cutting centre at Wednesbury (UK).

The deed for the merger of Cascades Italia S.r.l. into Reno De Medici S.p.A. was signed on 26 February 2008, with the merger becoming effective on 1 March 2008; Cascades Italia S.r.l. owned, directly or indirectly, 100% of Cascades Arnsberg GmbH, Cascades Blendecques S.a.s. and Cascades Cartonboard UK Ltd.. As a consequence the consolidated results of the RDM Group include the results of these companies from that date.
As a result of the above-mentioned merger the following took place at the effective date:
a) Reno De Medici S.p.A. increased its share capital from Euro 132,160,074.13 to Euro 185,122,487.06;
b) Cascades S.A. purchased 30.6% of the share capital of Reno De Medici S.p.A..
Following the finalisation of the merger, Reno De Medici S.p.A. and Cascades S.A. respectively hold a call option exercisable during 2010 and a put option exercisable during 2011 on the European operations of Cascades S.A. in the virgin fibre cartonboard production sector, which is currently concentrated in the production facilities at La Rochette in France and Djupafors in Sweden. The provision regarding the assignment of these options had already been determined as part of the preliminary agreements for the merger.

Again as part of the operations above-mentioned, on 28 March 2008, to the company Careo S.r.l. (already Reno Cascades Sales S.r.l.) was contributed by Reno De Medici S.p.A. and by the new partner Cascades S.A. their sales division, through capital stock increase from Euro 10 thousand to Euro 100 thousand of which Reno De Medici S.p.A. holds 70% and Cascades S.A. 30%. Careo S.r.l. (definable Joint Venture in order to statutory governance articles) carries on marketing and selling services of all goods produced in the factories of RDM Group (recycled fibre) and Cascades S.A. (virgin fibre). During the first three months of operations Careo has almost completely reorganised its commercial structure by combining and rationalising the structures contributed by the two groups.

Demand is experiencing a weak phase at both a domestic and European level, resulting from the generally negative performance of the demand for consumer goods in the continent as a whole. In addition, at a sector level, a general reduction in average stock levels has had a negative effect. There was a further drop in business sentiment in the Euro zone in July with confidence generally low in all of the leading European countries and with the index in Italy reaching its lowest level since October 2001. Forecasts of market performance for the second half-year have been prepared with a certain amount of prudence, given the continuing uncertain situation on the demand side and trends of the waste paper and energy prices together with the trend of the exchange rate Euro/USD.

In terms of volumes sold, despatches totalled 447 thousand tonnes in the first six months of 2008 (including 121 thousand tonnes relating to the new mills) compared to 360 thousand tonnes for the first half of 2007. On the sales price front average revenues per tonne for despatches in the first half-year rose by 5% over the corresponding period of 2007.

The first half of 2008 is accordingly characterised by a contraction in demand in Europe and the resulting increase in sales to non-EU markets, with lower than average prices. A policy of adjusting supply to demand was adopted during the half-year, carried out by reducing the extent to which plant was employed, and this additionally served to contain net working capital levels.

Consolidated results

The following table sets out the highlights of the profit and loss accounts for the six months ended 30 June 2008 and 2007:

Consolidated profit and loss account	30 June 2008	30 June 2007 (*)
Euro/000		
Revenues from sales	**241.248**	**181.081**
EBITDA	**33.012**	**17.409**
EBIT	**23.712**	**7.886**
Result of operating activities before taxes	**16.903**	**3.606**
Current and deferred taxes	*(2.462)*	*(633)*
Result of operating activities after taxes	**14.441**	**2.973**
Discontinued operations	*(1.696)*	*(781)*
Profit (Loss) for the period	**12.745**	**2.192**

(*) Comparative figures for 2007 have been restated to take into account treatment of actuarial gains and losses in the calculation of the employees' leaving entitlement.

The RDM Group achieved net revenues of Euro 241.2 million in the first half of 2008, compared to Euro 181.1 million in the corresponding period of the previous year (up 33.2%). The increase registered was attributable for Euro 68.4 million to the new facilities.

Consolidated EBITDA reached Euro 33 million in the first half of 2008 compared to Euro 17.4 million in the corresponding period in 2007. This increase is mainly attributable to “Non-recurring income (expense)” of Euro 16.1 million, which consists of the negative goodwill of Euro 16.6 million emerging as the excess over cost of the aggregate of the fair values of the assets, liabilities and contingent liabilities identified on a provisional basis at 30 June 2008, less non-recurring charges connected with reorganisation activities amounting to Euro 0.5 million.

As a result EBITDA arising from current operations, meaning exclusive of non-operational components having a non-recurring nature, amounted to 16.9 million euros, compared to 17.6 million euros in the first half of 2007.

The performance of EBITDA reflects the positive contribution produced by the new production units and the negative effect of lower sales volumes and the energy prices increases.

Operating profit (EBIT) amounted to Euro 23.7 million for the six months ended 30 June 2008 against Euro 7.9 million for the corresponding period of 2007, which also take advantage of non recurring income above-mentioned.

Pre-tax current profit[2] amounted to Euro 16.9 million compared to the corresponding figure of Euro 3.6 million for the for the corresponding period of 2007.

Profit for the period, as at 30 June 2008 amounted to Euro 12.7 million, compared to Euro 2.2 million for the same period in 2007, and includes costs from discontinued operation of Euro 1.7 million resulting from write-down of Board Machine 1 at the Magenta facility to align its carrying amount to its estimated realisable value.

The Group made capital expenditure of Euro 4.7 million during the six months ended 30 June 2008 compared to Euro 6.2 million on June 2007.

Consolidated net financial debt at 30 June 2008 amounted to Euro 114.4 million, compared to Euro 128.4 million at 31 March 2008 and to Euro 114.1 million at 31 December 2007.

More specifically, gross financial debt at 30 June 2008, measured at amortized cost amounted Euro 126.2 million (compared to Euro 123.2 million at December 2007) and consisted of the non-current portion of long-term loans for about Euro 64.8 million, the current portion of long-term loans for about Euro 10.3 million and bank credit facilities and other financial liabilities of about Euro 51.1 million, consisting mostly of use of commercial facilities.

Derivative instruments acquired for cash flow hedging purposes are recognized in the financial statements as an asset with a carrying amount of Euro 1.4 million.

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

At 30 June 2008, cash and cash equivalents and financial receivables having a due date not exceeding 12 months amounted to Euro 10.4 million (compared to Euro 8.4 million at 31 December 2007) and include a restricted balance of Euro 3.5 million relating to the engagement signed up by RDM Iberica during the month of June for machines and installation purchasing. The amount of Euro 5 million previously deposited in a restricted account has been released in June as a consequence of settling the dispute with Grupo Torras.

Related party and infragroup transactions

Transactions between group companies, including those with the parent company, are executed at arm's length conditions and have not been qualified as atypical nor unusual, falling under the normal course of Group operations. Disclosure on related-party transactions, including those required pursuant to the CONSOB Communication of 28 July 2006, is given in note 4.6 of the consolidated financial statements at 30 June 2008.

Significant events

As described in the introduction, on 26 February 2008 the deed was signed by which Cascades Italia S.r.l. was merged into Reno De Medici S.p.A.; the merger became effective on 1 March 2008.

On 28 March 2008, in accordance with an agreement reached with the Cascades Group, the businesses consisting of the commercial and marketing activities of the RDM Group and the Cascades Group were contributed to the Italian registered company Careo S.r.l.. RDM holds 70% and Cascades S.A. 30% of this Joint Venture, which became operative on 1 April 2008, and whose activity is the sale of Group products.

In addition the dispute with Grupo Torras S.A. was settled in May under an agreement by which each party relinquished the legal action it had in progress. As part of this agreement the Group received Euro 5.5 million and was also able to release a balance of Euro 5 million previously lodged as a guarantee by Reno De Medici Iberica S.L. in favour of the Court of Madrid and to recognise income of Euro 0.6 million, net of the costs connected directly with the operation.

During the month of May, the investment of 30% of the share capital hold by Termica Boffalora S.r.l. has been decided to put on sale. As a consequence of this, the value of this investment has been reclassified on item “Non-current assets held for sale” at its estimated realisable value.

Regarding discontinued operations the dispute between Aticarta and the Milan Tax Revenue Office was concluded in June through a court settlement. Aticarta recharged the costs connected with settling this dispute to Reno De Medici as stipulated in the agreement for the sale of the company; these costs had already been provided by Reno De Medici in its accounts.

Risk factors and business outlook for current year

The way in which the market has been performing in July and the first days of August is confirmation that we currently find ourselves in the midst of a weak period and it is difficult to envisage that there will be a turnaround in trends on the demand side in the short term. The synergies to be achieved in the second half of the year as a consequence of the combination with the Cascades Group will enable us to contain the predictable increase in energy costs to an extent that will however not allow the Group to obtain an increase in its margins.
This will be dealt with by carrying out a further rationalisation of industrial operations aimed at achieving an additional retrieval of efficiency, and by taking steps at the same time to raise sales prices. In all events, given the situation as it has been described and owing to the uncertainties which will be a feature of the remaining months of the year, above all on the demand side and as regards energy costs, it is difficult to foresee a pick-up in earnings from operations this year. It is reasonable to assume that the planned measures will have their effects in the first half of 2009.

4. Consolidated financial statements at 30 June 2008

4.1 Consolidated profit and loss

Consolidated profit and loss account	Note	30 June 2008	30 June 2007
Euro/000			
Revenues from sales	**1**	241,248	181,081
Other revenues		902	818
Changes in stocks of finished goods		2,964	(6,135)
Cost of raw materials and services	**2**	(188,560)	(131,990)
Staff costs		(37,179)	(24,456)
Other operating costs		(2,480)	(1,666)
Non recurring income (expense)	**3**	16,117	(243)
Gross Operating Profit (EBITDA)		**33,012**	**17,409**
Depreciation and amortisation	**4**	(9,300)	(9,523)
Operating Profit (EBIT)		**23,712**	**7,886**
Financial expense		(5,190)	(4,900)
Exchange differencies		(307)	(14)
Financial income		233	265
Net Financial income (expense)		(5,264)	(4,649)
Income (expense) from investments	**5**	(2,122)	395
- of which non recurring write-down of Termica Boffalora S.r.l.		*(994)*	-
Other income (expense)		577	(26)
Taxation	**6**	(2,462)	(633)
Profit (loss) for the period before discontinued operations		**14,441**	**2,973**
Discontinued operations	**7**	(1,696)	(781)
Profit (loss) for the period		**12,745**	**2,192**
Attributable to:			
Profit (loss) for the period pertaining to the group		12,596	2,072
Profit (loss) for the period pertaining to minority interests		149	120
Basic earnng per share (Euros)		0.04	0.01
Basic earnng per share before discontinued operations (Euros)		0.04	0.01
Diluted earnings per share (Euros)		0.04	0.01
Diluted earning per share before discontinued operations (Euros)		0.04	0.01

4.2 Consolidated Balance Sheet

Consolidated balance sheet	Note	30 June 2008	31 December 2007
Euro/000			
ASSETS			
Non-current assets			
Tangible fixed assets	**8**	264.012	174.702
Goodwill		63	146
Other intangible assets		1.116	1.388
Investments and financial transactions currently	**9**	1.211	13.134
Deferred tax assets		1.782	1.681
Derivative financial instruments	**10**	998	418
Financial assets held for sale		437	482
Other receivables	**11**	2.354	5.321
Total non-current assets		**271.973**	**197.272**
Current assets			
Stocks		97.337	64.624
Trade receivables		134.848	101.511
Group trade receivables		1.575	951
Other receivables	**10**	1.731	4.702
Derivative financial instruments	**10**	403	331
Liquid funds	**10**	9.730	8.248
Total current assets		**245.624**	**180.367**
Non-current assets held for sale	**12**	**10.000**	**5.583**
TOTAL ASSETS		**527.597**	**383.222**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity attributable to the group		181.902	114.770
Minority interests		457	546
Shareholders' equity		**182.359**	**115.316**
Non-current liabilities			
Bank loans and other financial liabilities	**10**	64.801	70.002
Other payables		1.069	627
Deferred tax liabilities	**13**	30.094	6.311
Employees' leaving entitlement	**14**	24.935	14.780
Non-current provisions for contingencies and charges	**15**	7.321	6.174
Total non-current liabilities		**128.220**	**97.894**
Current liabilities			
Bank loans and other financial liabilities	**10**	60.634	52.544
Trade payables		126.439	93.964
Group trade payables		6.518	3.754
Other payables		16.117	19.142
Current taxation		7.310	608
Total current liabilities		**217.018**	**170.012**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**527.597**	**383.222**

4.3 Changes in shareholders’ equity

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 31 December 2006	**132,160**	**-**	**-**	**4,872**	**14,374**	**(12,082)**	**(19,098)**	**(252)**	**(124)**	**(4,872)**	**114,978**	**576**	**115,554**
Changes in accounting principle	**-**	**-**	**-**	**-**	**-**	**(2,092)**	**631**	**-**	**-**	**-**	**(1,461)**	**-**	**(1,461)**
Shareholders' equity at 31 December 2006 adjusted	**132,160**	**-**	**-**	**4,872**	**14,374**	**(14,174)**	**(18,467)**	**(252)**	**(124)**	**(4,872)**	**113,517**	**576**	**114,093**
Increase in share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	-	(292)	(292)
Changes in accounting principle	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation at fair value	-	-	-	-	-	-	-	36	934	-	970	-	970
Cover of 2006 losses	-	-	-	-	(14,374)	(963)	15,337	-	-	-	-	-	-
Changes in accounting principle	-	-	-	-	-	631	830	-	-	-	1,461	-	1,461
Profit (loss) for the period	-	-	-	-	-	-	611	-	-	-	611	120	731
Shareholders' equity at 30 June 2007	**132,160**	**-**	**-**	**4,872**	**-**	**(13,045)**	**(3,150)**	**(216)**	**810**	**(4,872)**	**116,559**	**404**	**116,963**
Changes in accounting principle	**-**	**-**	**-**	**-**	**-**	**(1,461)**	**1,461**	**-**	**-**	**-**	**-**	**-**	**-**
Shareholders' equity at 30 June 2007 adjusted	**132,160**	**-**	**-**	**4,872**	**-**	**(14,506)**	**(1,689)**	**(216)**	**810**	**(4,872)**	**116,559**	**404**	**116,963**

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 31 December 2007	**132,160**	**-**	**-**	**4,872**	**-**	**(18,267)**	**576**	**(258)**	**559**	**(4,872)**	**114,770**	**546**	**115,316**
Increase in share capital	52,962	-	-	(4,872)	1,150	-	-	-	-	4,872	54,112	-	54,112
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	-	(238)	(238)
Changes in accounting principle	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation at fair value	-	-	-	-	-	-	-	(41)	465	-	424	-	424
Distribution of profit and loss	-	-	5	-	-	571	(576)	-	-	-	-	-	-
Profit (loss) for the period	-	-	-	-	-	-	12,596	-	-	-	12,596	149	12,745
Shareholders' equity at 30 June 2008	**185,122**	**-**	**5**	**-**	**1,150**	**(17,696)**	**12,596**	**(299)**	**1,024**	**-**	**181,902**	**457**	**182,359**

4.4 Consolidated cash flow statement

Consolidated cash flow statement	30 June 2008	30 June 2007
Euro/000		
Profit (loss) for the period before discontinued operations and befor	16.903	3.606
Badwill	(16.665)	
Depreciation and amortisation	9.300	9.523
(Gains) losses from investments	2.122	(395)
Financial (income) expense	5.264	4.649
Gains (losses) on the disposal of fixed assets	-	4
Change in the employees' leaving entitlement, other provision fund	(1.340)	(2.629)
Change in stocks	(3.776)	6.395
Change in trade receivables	5.600	(11.336)
Change in trade payables	(7.752)	5.674
Change in total working capital	(5.928)	733
Gross cash flows	**9.656**	**15.491**
Interest paid in the period	(4.661)	(4.377)
Taxes paid in the period	(4)	-
Cash flows from operating activities	**4.991**	**11.114**
Sale (purchase) of financial assets held for sale	-	3
Investments	(4.882)	(6.283)
Divestments	36	191
Business combination	(1.644)	-
Dividends received	1.200	1.090
Cash flows from discontinued operations	2.651	4.653
Cash flows from investing activities	**(2.639)**	**(346)**
Draw-down (repayment) of short-term bank borrowings and long-term loans	(870)	(11.276)
Cash flows from financing activities	**(870)**	**(11.276)**
Change in restricted liquid funds	**(1.520)**	**(29)**
Change in unrestricted liquid funds	**3.002**	**(479)**
Unrestricted liquid funds at beginning of period	**3.248**	**4.507**
Unrestricted liquid funds at end of period	**6.250**	**4.028**
Liquid funds at end of period		
Unrestricted liquid funds	6.250	4.028
Restricted liquid funds	3.480	5.000
Total liquid funds at end of period	**9.730**	**9.028**

4.5 Illustrative notes

4.5.1 Accounting principles and policies

The Group's half-year report at 30 June 2008 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 (August 2008); and with all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), formerly known as the Standing Interpretations Committee ("SIC"), in particular condensed interim financial statements have been prepared as permitted by IAS 34.
The accounting principles used by RDM on the half-report are the same as those used in the Annual Report and financial statements at 31 December 2007.

IFRIC Interpretation 11 *IFRS 2 - Group and Treasury Share Transactions* became applicable on 1 January 2008; this interpretation provides additional guidance to IFRS 2 on share-based payment arrangements. The interpretation had no effect on the preparation of the half-year financial report. Reno De Medici Group haven't used new accounting principles, already approved by European Union which will became applicable after 31 December 2008.

Compared to Half-report 2007 RDM used the same accounting principles with the exception of the way in which actuarial gains and losses on the recognition of Employees' Leaving Entitlement which are fully recognised in the profit and loss account until 31 December 2007 (previously the corridor method was used by RDM).

The following table provides a revised presentation of the comparative figures for this change in accounting principle:

Changes Accounting Principle	31 December 2006	Adjustment	31 December 2006 Adjusted
Euro/000			
Retained earnings (losses) brought forward	(12,082)	(2,092)	(14,174)
Employees' leaving entitlement	17,235	1,461	18,696
Profit (loss) for the period	(19,098)	631	(18,467)

Changes Accounting Principle	30 June 2007	Adjustment	30 June 2007 Adjusted
Euro/000			
Retained earnings (losses) brought forward	(13,045)	(1,461)	(14,506)
Employees' leaving entitlement	16,743	-	16,743
Profit (loss) for the period	(3,150)	1,461	(1,689)

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 intercompany transactions of a commercial or financial nature not yet realised with third parties;
- 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 investments 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.

Business combinations

Business combinations are accounted for using the "purchase method", in accordance with IFRS 3 *Business Combinations*. This standard requires the cost of a business combination to be allocated to the identifiable assets, liabilities and contingent liabilities of the purchased entity measured at their respective fair values. Any difference arising in this way between the cost of a business combination and the acquiring entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is accounted for as goodwill if positive and classified as a non-current asset, while if the difference is negative (badwill) it is immediately recognised in profit or loss. The cost of a business combination consists of the total sum of the fair values, at the acquisition date, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the acquiring entity in exchange for the control of the entity acquired, and in addition any costs directly attributable to the business combination.

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 includes 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 intercompany 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.

Joint ventures and joint controlled companies

Joint ventures or jointly controlled companies are those companies for which the Group's power to govern the financial and operating decisions requires the unanimous consent of the parties sharing control.

Interests in joint ventures or jointly controlled companies are recognised using the equity method, applying the same accounting standards adopted by the Group.

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	2,50% - 3%
	Small constructions	5%
Plant and machinery		
	General plant and machinery	4% - 20%
	Specific plant and machinery	4% - 20%
Industrial and commercial equipment		
	Sundry equipment	20% - 25%
Other tangible assets		
	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 re-measurement 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.

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 profit and loss 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 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.

4.5.2 Financial risk management policy

Risk Management

The following information is reported also pursuant to Article 2428, paragraph 3, sub-section 6-second 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,

during the period, 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.

4.5.3 Scope of consolidation

The interim consolidated financial statements of the Group at 30 June 2008 consist of the interim financial statements of the Parent Company and the interim financial statements of the subsidiaries, all consolidated on a line-by-line basis, excluding non-operatives companies. The following table sets out details of the subsidiaries companies with the shareholding percentage:

Company name	Registered office	Activity	Share capital	Shareholding			
				30.06.2008		31.12.2007	
				Direct	Indirect	Direct	Indirect
Reno De Medici Iberica S.L.	Prat de Llobregatt (E)	Manufacturing	39,061	100.00%	-	100.00%	-
Cascades Cartonboard UK L.t.d.	Wednesbury (GB)	Manufacturing	12,433	100.00%	-	-	-
Cascades Arnsberg GmbH	Arnsberg (D)	Manufacturing	5,113	94.00%	6.00%	-	-
Cascades Blendecques S.a.s.	Blendecques (F)	Manufacturing	1,037	100.00%	-	-	-
Cartiera Alto Milanese S.p.A.	Milano (I)	Sales	200	100.00%	-	100.00%	-
Emmaus Pack S.r.l.	Milano (I)	Manufacturing	200	51.39%	-	51.39%	-
Cascades Grundstück GmbH & Co. KG	Arnsberg (D)	Services	5	100.00%	-	-	-
RDM France S.a.r.L.	Tramblay en France (F)	Sales	96	-	-	100.00%	-
RenoDeMedici Deut.GmbH	Bad Homburg (D)	Sales	473	-	-	100.00%	-

The deed for the merger of Cascades Italia S.r.l. into Reno De Medici S.p.A. was signed on 26 February 2008, with the merger becoming effective on 1 March 2008; Cascades Italia S.r.l. fully owned directly or indirectly Cascades Arnsberg GmbH, Cascades Blendecques S.a.s., Cascades Grundstück GmbH & Co. KG and Cascades Cartonboard UK Ltd..

As a consequence the consolidated results of the RDM Group include the results of these companies from that date.

The investments in RDM France S.a.r.l. and RDM Deutschland GmbH formed part of the contribution of the sales sector of RDM to Careo S.r.l. on 1 April 2008 and accordingly left the consolidation scope on that date.

The following investments in associates and jointly controlled companies are accounted for in the consolidated financial statements using the equity method:

Company name	Registered office	Activity	Share capital	Shareholding			
				30.06.2008		31.12.2007	
				Direct	Indirect	Direct	Indirect
Careo S.r.l.	Milano (MI)	Sales	100	70.00%	-	100.00%	-
Pac Service S.p.A.	Vigonza (PD)	Manufacturing	1,000	33.33%	-	33.33%	-
Termica Boffalora S.r.l.	Milano (MI)	Manufacturing	14,220	-	-	30.00%	-

As consequence of the decision to put on sale the participation held on Termica Boffalora S.r.l., have been proceeded to reclassify the investment in the item “Non-current assets held for sale”.

4.5.4 Notes to the consolidated financial statements for the first half year 2008

Business combination

The merger with the Cascades Group referred to earlier gave rise to a business combination in accordance with IFRS 3 *Business Combinations* and as such has been accounted for using the purchase method.

As permitted by that standard the business combination has been accounted for on a provisional basis as the limited time available between the acquisition date and the preparation of this half-year report was not sufficient for all of the activities required to complete the business combination to be finalised. Accounting for this business combination will be completed on the preparation of the financial statements of the RDM Group for the year ending 31 December 2008, within twelve months from the acquisition date as required by IFRS 3. As a consequence the amount of negative goodwill arising from the final accounting may differ from that recognised provisionally at 30 June 2008.

The information relating to the business combination required by IFRS 3 is provided below.

Entities taking part in the business combination

The following table provides a summary of the entities acquired together with the percentage of equity instruments with voting rights acquired directly and indirectly by the RDM Group:

Company name	Registered office	Activity	Share capital	Shareholding 30.06.2008	
				Direct	Indirect
Cascades Cartonboard UK L.t.d.	Wednesbury (GB)	Manufacturing	12,433	100.00%	-
Cascades Arnsberg GmbH	Arnsberg (D)	Manufacturing	5,113	94.00%	6.00%
Cascades Blendecques S.a.s.	Blendecques (F)	Manufacturing	1,037	100.00%	-
Cascades Grundstück GmbH & Co. KG	Arnsberg (D)	Services	5	100.00%	-

Cost of the business combination

The cost of the business combination, amounting in total to Euro 58.2 million, consists of the total of the fair values of the equity instruments issued and assigned and the costs directly attributable to the business combination, as estimated at 30 June 2008.

Cost of Business Combination	
	Euro/000
Business combination price (*)	54,112
Costs directly pertaining to business combination	4,103
Total cost of business combination	**58,215**

(*) The price has been calculated on the basis of 108,086,557 shares issued and 7,513,443 treasury shares assigned to Cascades S.A. at 0.4681 euros each, being the official stock market quotation on 29 February 2008.

Fair value of the assets, liabilities and contingent liabilities acquired

The net fair value of the assets acquired, calculated and accounted for on a provisional basis, totalled to Euro 74.9 million and may be analysed as follows:

Business combination	
	Euro/000
	Estimated Fair Value
Non current assets	93,837
Stocks	28,937
Receivables and Liabilities	(12,221)
Deferred taxes	(23,386)
Provision for risks and Employees' leaving entitlement	(13,052)
Liquid funds	765
Net assets	**74,880**

Badwill arising from the business combination

Provisional badwill of Euro 16.6 million arose as the difference between the cost of the business combination and the acquirer’s interest in the net fair value of the assets, as set out in the following table:

Badwill	
	Euro/000
Net assets fair value at the combination date	74,880
Cost of business combination	58,215
Estimated badwill	**(16,665)**

As discussed earlier the cost of the business combination and the net fair value of the assets acquired have been calculated on a provisional basis. As a consequence, the amounts that result from the final calculation and the balance assigned to badwill could differ from those accounted for on a provisional basis at 30 June 2008.

Segment information

The Group has adopted a geographical format as the means of reporting segment information, based on the location in which activities or services are produced.

The separate geographical segments that have been identified are Italy, Spain, Germany, France and United Kingdom.

The following tables set out on a geographical basis the profit and loss account for the first half of 2008, down to gross operating profit (EBITDA), with the respective comparative figures.

Profit and Loss 1st Half 2008	Italy	Spain	Germany	France	Uk	Other (*)	Eliminitations	Consolidated
Euro/000								
Revenues from sales	163,019	7,931	38,216	27,471	4,798	-	3,679	245,114
Operating costs	(149,450)	(7,546)	(33,653)	(28,998)	(4,893)	-	(3,679)	(228,219)
Non recurring income (expense)	(268)	-	-	(280)	-	16,665	-	16,117
Gross Operating Profit (EBITDA)	**13,301**	**385**	**4,563**	**(1,807)**	**(95)**	**16,665**	**-**	**33,012**

(*) Badwill not allocated on anyone area

Profit and Loss 1st Half 2007(**)	Italy	Spain	Germany	France	Uk	Other	Eliminitations	Consolidated
Euro/000								
Revenues from sales	162.683	24.352	-	-	-	-	(11.271)	175.764
Operating costs	(146.218)	(23.165)	-	-	-	-	11.271	(158.112)
Non recurring income (expense)	(243)	-	-	-	-	-	-	(243)
Gross Operating Profit (EBITDA)	**16.222**	**1.187**	**-**	**-**	**-**	**-**	**-**	**17.409**

(**) Comparative figures for 2007 have been restated to take into account treatment of actuarial gains and losses in the calculation of the employees' leaving entitlement

– (1) Revenues from sales

The following table provides an analysis by geographical area of net revenues generated by sales of cartonboard.

Revenues by geographical area	30 June 2008	%	30 June 2007	%
Euro/000				
Italy	89,808	37.3%	94,125	52.0%
European Union	127,947	53.0%	70,337	38.8%
Extra European Union	23,493	9.7%	16,619	9.2%
Revenues from sales	**241,248**	**100%**	**181,081**	**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	30 June 2008	% Production value (*)	30 June 2007	% Production value (*)
Euro/000				
Raw materials	98,173	40.2%	68,585	39.2%
Services	89,158	36.5%	62,597	35.8%
Use of third party assets	1,229	0.5%	808	0.5%
Cost of raw materials and services	**188,560**	**77.2%**	**131,990**	**75.5%**

(*) Production value = Revenues from sales plus change in stocks of finished goods

The change in the item "Raw materials" mainly reflects the higher revenues, consequence of the business combination which took place during the first quarter of 2008.

The percentage incidence rise "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 costs for paper pulp, partially compensated with price increase.

The increase of services costs incidence on the production value is principally referred to energetic costs increase.

- **(3) Non recurring income (expenses)**

This item consists of the negative goodwill resulting from the excess of the fair value of the assets, liabilities and contingent liabilities identified on a provisional basis at 30 June 2008 and the cost of the business combination, amounting to 16.6 million euros, net of non-recurring costs of 0.5 million euros connected with reorganisation activities.

- **(4) Amortization and depreciation**

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

Amortization and depreciation	30 June 2008	30 June 2007	Variation
Euro/000			
Depreciation of tangible fixed assets	8,795	8,936	(141)
Amortization of intangible fixed assets	505	587	(82)
Amortisation and depreciation	**9,300**	**9,523**	**(223)**

- **(5) Income (expense) from investments**

Expense from investments in the six months ended 30 June 2008 consists mainly of an adjustment to the equity value of the investment in Termica Boffalora S.r.l., for an amount of Euro 0.7 million, and of the investment in Careo S.r.l., for Euro 0.4 million and a non recurring write down of the investment in Termica Boffalora S.r.l. referring to the adjustment of its carrying amount to net realisable value.

- **(6) Taxes**

The table below details the subdivision between current and deferred taxes at 30 June 2008:

Taxation	30 June 2008	30 June 2007	Variation
Euro/000			
Current taxation	2,086	1,180	906
Deferred taxation	376	(547)	923
Total	**2,462**	**633**	**1,829**

- **(7) Discontinued operations**

Discontinued operations reflect a negative result amounting to Euro 1.7 million, compared with the corresponding negative data amounting to approximately Euro 0.8 million at 30 June 2007.

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

Discontinued operations	30 June 2008	30 June 2007
Euro/000		
MC1 Magenta	(1,700)	-
Aticarta S.p.A.	4	(781)
Total	**(1,696)**	**(781)**

The MC1 costs relate to the adjustment of the carrying amount of the board machine to its estimated realisable value.

- **(8) 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	72,170	426,654	1,979	11,787	4,343	539,580
Accumulated depreciation/write-downs	-	(31,583)	(320,101)	(1,860)	(11,334)	-	(364,878)
Net book value at 31.12.07	**22,647**	**40,587**	**106,553**	**119**	**453**	**4,343**	**174,702**
Variations of the period:							
Change in consolidation scope (cost)	3,726	18,207	153,072	11,755	4,126	325	191,211
Change in consolidation scope (acc. dep.)	-	(9,187)	(78,946)	(6,157)	(3,475)	-	(97,765)
Increases	-	185	3,746	13	38	709	4,691
Decreases	-	-	(2,742)	-	(74)	-	(2,816)
Reclassification of cost	-	196	3,967	-	-	(4,163)	-
Revaluation/ write-down	-	-	-	-	-	-	-
Depreciation for the period	-	(1,381)	(7,185)	(114)	(110)	(5)	(8,795)
Write-down	-	-	-	-	-	-	
Other changes (cost)	-	-	-	(1)	-	(1)	(2)
Other changes (acc. dep.)	-	-	-	-	-	-	-
Utilisation of accumulated depreciation	-	-	2,742	-	44	-	2,786
Reclassification of accumulated depreciation	-	-	-	-	-	-	-
Value at 30.06.2008							
Cost	26,373	90,758	584,697	13,746	15,877	1,213	732,664
Accumulated depreciation/write-down	-	(42,151)	(403,490)	(8,131)	(14,875)	(5)	(468,652)
Net book value at 30.06.08	**26,373**	**48,607**	**181,207**	**5,615**	**1,002**	**1,208**	**264,012**

The increases of item "Plant and machinery" consist of the investment in progress in the Villa Santa Lucia facility.

- **(9) Investments and financial transactions currently**

The change in this item is principally due to the reclassification of the investment in Termica Boffalora S.r.l. (Euro 9.4 million at 31 December 2007) and to the non-current financial assets outstanding at the end of 2007 connected with the above-mentioned combination (euro 2.3 million at 31 December 2007). Reference should be made to note 12 for further details of the changes in the investment in Termica Boffalora S.r.l..

- **(10) Net financial position**

The net consolidated financial indebtedness at 30 June 2008 amounts to Euro 114.4 million (Euro 114.1 million at 31 December 2007).

The breakdown for the net financial position is as follows:

Net financial position	30 June 2008	31 December 2007	Variation
Euro/000			
Cash	16	8	8
Funds available at banks	6,234	3,240	2,994
Restricted funds at banks	3,480	5,000	(1,520)
A. Cash and cash equivalents	**9,730**	**8,248**	**1,482**
Other current financial receivables	692	153	539
Derivatives - current financial assets	403	331	72
B. Current financial receivables	**1,095**	**484**	**611**
1. Bank overdrafts and short-term loans	*50,341*	*42,875*	*7,466*
2. Current portion of medium- and long-term loans	*10,293*	*10,367*	*(74)*
3. Other current financial liabilities	*789*	*-*	*789*
C. Current financial debt	**61,423**	**53,242**	**8,181**
D. Current financial debt, net (C - A - B)	**50,598**	**44,510**	**6,088**
Derivatives - non-current financial liabilities	998	418	580
E. Non-current financial debt	**998**	**418**	**580**
Other non-current financial receivables	64,801	70,002	(5,201)
F. Non-current financial receivables	**64,801**	**70,002**	**(5,201)**
G. Non-current financial debt, net (F - E)	**63,803**	**69,584**	**(5,781)**
H. Financial net debt (D + G)	**114,401**	**114,094**	**307**

Cash and cash equivalents include unrestricted deposits amounting to approximately Euro 6.2 million and restricted deposits totalling Euro 3.5 million. This deposit regards an irrevocable commitment made by the RDM Group for the purchase of tangible fixed assets deriving from the signing of a put option agreement.

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 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
Euro/000				
M.I.C.A. - due 13 February 2016	127	560	477	1.164
M.I.C.A. - due 16 October 2013	139	587	154	880
Intesa San Paolo - due 15 June 2011	2.075	4.480	-	6.555
Intesa San Paolo - due 15 December 2011	3.018	8.182	-	11.200
Intesa San Paolo - due 6 April 2016	-	4.912	950	5.862
Intesa San Paolo fin.pool - tranche A - due 6 April 2016	4.500	18.000	13.500	36.000
Intesa San Paolo fin. pool - tranche B - due 6 April 2011	-	10.000	-	10.000
Banca Pop.Emilia Romagna - due 15 May 2016	620	2.480	1.860	4.960
Unicredit - due 1 June 2009	133	-	-	133
Unicredit - due 2 November 2009	150	75	-	225
Total payables at nominal value	**10.762**	**49.276**	**16.941**	**76.979**
Effect of amortized cost	**(469)**	**(1.180)**	**(236)**	**(1.885)**
Total payables valued with amortized cost	**10.293**	**48.096**	**16.705**	**75.094**

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 2008 complied with the contracts.

In relation to the guarantees, the RDM Loan establishes 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 Euro 120 million, 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 Euro 120 million, overall.

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 Euro 14.7 million, overall, on 21 December 2006; and a total of 5.9 million euros has been disbursed until now in this respect. 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 Euro 29.4 million, overall. Furthermore, special privileges were granted, by way of surety, on the plant and machinery located in the same facilities amounting to Euro 29.4 million, overall.

Derivative hedging agreements have been entered into (Interest Rate Swaps) for a notional residual value amounting to Euro 41 million 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 2008:

Company	Counterparty	Currency	Maturity	Nominal value (€/000)	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	24,000	4,11% fixed / Euribor 6m	Six monthly	832
Reno De Medici S.p.A.	Unicredit Banca d'Impresa S.p.A.	Eur	06.04.2016	12,000	4,11% fixed / Euribor 6m	Six monthly	416
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	15.05.2016	4,960	4,15% fixed / Euribor 6m	Six monthly	153
				40,960			**1,401**

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.

- **(11) Other receivables**

The decrease in "Other receivables" at 30 June 2008 is mainly the consequence of having collected the balance due from Grupo Torras.

- **(12) Non-current assets held for sale**

"Non-current assets held for sale" amount to 10 million euros (5.6 million euros at 31 December 2007) and consist of the estimated realisable value of the Magenta board machine 1 of 3.5 million euros and the estimated realisable value of the investment in Termica Boffalora S.r.l. of 6.5 million euros.

Comparing the balance at 30 June 2008 with that at 31 December 2007, the carrying amount of the Magenta board machine has been written down by 1.7 million euros to its revised estimated realisable value and the investment in Termica Boffalora S.r.l. has been reclassified to this item following the Group's decision to sell its holding in this company, with its carrying amount then being adjusted to its estimated realisable value, leading to a write-down of 1 million euros.

The movement of the period of investment in Termica Boffalora S.r.l. is detailed in the table below:

Termica Boffalora S.r.l.	Euro/000
Book value at 31 December 2007	**9,435**
Dividends distributed	(1,200)
Shareholders' equity adjusted 1 january - 30 June	(741)
Sub total	*7,494*
Adjustment at estimated value	(994)
Book value to 30 June 2008	**6,500**

- **(13) Deferred taxes**

The increase in this item relates mainly to the tax calculated on the difference between the fair value and the fiscal value of the tangible fixed assets of Cascades Arnsberg GmbH.

- **(14) Employees' benefits**

Employees' benefits	30 June 2008	31 December 2007	Variation
Euro/000			
Employees' leaving entitlement	14,015	14,780	(765)
Other employees' benefits	10,920	-	10,920
Total	**24,935**	**14,780**	**10,155**

The increase in the item “Employees’ benefits” is due to the enlargement of the consolidation scope.

– (15) Provisions for contingencies and charges

Provisons for contingencies and charges	31 December 2007	Change in scope of consolidation	Charge	Utilisation	30 June 2008
Euro/000					
Provision for future charges	5,268	2,253	697	(1,631)	6,587
Agents' termination indemnity	877	-	281	(610)	548
Taxation	29	-	-	-	29
Provision for losses on investments	-	-	101	-	101
Total	**6,174**	**2,253**	**1,079**	**(2,241)**	**7,265**

The change in the item “Provision for future charges” mainly relates to the measurement at fair value of the contingent liabilities identified provisionally at 30 June 2008 in respect of the new companies included in the consolidation scope at that date.

The increase in the item “Provision for future charges” arises mainly from a provision of Euro 0.4 million for CO_2 quotas and a provision of Euro 0.3 million for disputes. Utilisations relate to the settlement of outstanding disputes.

The utilisation of the “Agents’ termination indemnity” provision is connected with the contribution of the sales sector of Careo S.r.l.; the remaining balance at 30 June 2008 relates to the agency contracts terminated by RDM prior to that contribution.

– 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. 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 June 2008	30 June 2007
Earnings (losses) per share	0.04	0.01
Earnings (losses) per share before discontinued operations	0.04	0.01

Diluted earnings per share	30 June 2008	30 June 2007
Earnings (losses) per share	0.04	0.01
Earnings (losses) per share before discontinued operations	0.04	0.01

- **Non-recurring transactions**

There are no recurrent transactions to report besides the transactions described in note 12 and in note 3.

4.6 Related party transactions

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.

In the half-year financial report the transactions with related parties had been concerned:

a) subsidiaries not consolidated line by line;
b) associated companies;
c) other related companies.

Transactions between Reno De Medici S.p.A. and its consolidated subsidiaries have been eliminated in the preparation of the interim consolidated financial statements and are not disclosed in this note.

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:

- relations of a commercial nature with the shareholder Cascades S.A. regarding the purchase of virgin fibre cartonboard produced in the factory at La Rochette (F) and transactions resulting from the merger carried out during the first half-year. Highlighted in particular amongst these latter transactions is the sale by RDM of the customer list relating to the production of virgin fibre cartonboard at a price of Euro 1 million, as provided in the agreements signed on defining the combination with the Cascades Group. The full amount for this sale was collected by RDM during the half-year. This balance has not been not recognised as revenue, since as party to the call option relating to the purchase of the companies owned by Cascades S.A. operating in the virgin fibre cartonboard production sector RDM retains "continuing involvement" as defined by IAS 18, and the amount has accordingly been accounted for as "Other non-current payables". In addition to this transaction it is also noted that RDM has received payment for the net financial debt in the merged companies at 1 March 2008, the effective date of the merger. Included in the agreements with Cascades S.A. was an undertaking by that company to settle any negative net financial position in the companies merged into RDM; this commitment was satisfied during the half-year and led to the payment of Euro 6.2 million from Cascades S.A. to Reno De Medici S.p.A.;

- relations of a commercial nature with Cascades Asia Ltd., a trading company belonging to the Cascades Group and operating mainly on the Asian market, relating to the sale of cartonboard;
- 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 and tran sport and ancillary services;
- commercial relations with Termica Boffalora S.r.l., 30% owned by RDM, referring to the purchase of steam. During the period RDM provided the foregoing company with water supply and electric power services and has received dividend amounting to Euro 1.2 millions;
- commercial relations with Pac Service S.p.A., 33% owned by RDM, related to the sale of cartonboard;
- commercial and financial relations with Careo S.r.l. relating to the provision of consultancy services of a commercial nature by that company and those arising from the cash pooling relationship between Careo S.r.l. and RDM;
- payments made by Cascades Arnsberg GmbH and Cascades Blendecques S.a.s. to Cascades Europe S.A., a financial company belonging to the Cascades Group having cash pooling functions. Relations with that company ceased on 1 March 2008, the effective date of the merger.

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	Goup trade receivables	Trade payables	Goup trade payables
Euro/000				
Anste Autotrasporti S.r.l.	-	-	122	-
Careo S.a.s	-	-	-	39
Careo S.r.l.	-	551	-	1.837
Cascades Asia Ltd	2.132	-	1	-
Cascades Djupafors A.B.	151	-	770	-
Cascades Inc.	-	-	13	-
Cascades Rollpack SA France	18	-	5	-
Cascades S.A.	274	-	1.809	-
Immobiliare Anste S.r.l.	-	-	65	-
Norampac Avot-Valleé S.a.s France	33	-	-	-
Pac Service S.p.A.	-	978	-	-
RDM Deutschland GmbH	-	-	-	398
RDM France S.a.r.l.	-	-	-	475
Termica Boffalora S.r.l.	-	46	-	3.769
Total	**2.608**	**1.575**	**2.785**	**6.518**
Incidence on the total of the item	**1,9%**	**100,0%**	**2,2%**	**100,0%**

Outflows and inflows of cash due to related parties	Inflows			Outflows		
	Trade receivables	Group trade receivables	Other receivables	Trade payables	Group trade payables	Other payables
Euro/000						
Anste Autotrasporti S.r.l.	-	-	-	272	-	-
Careo GMBH	-	-	-	-	19	-
Careo Kft	-	-	-	-	1	-
Careo S.a.s.	-	360	-	-	181	-
Careo S.r.l.	-	2	-	-	-	-
Careo S.r.o.	-	-	-	-	3	-
Cartonboard Cascades OOO (Russia)	-	-	-	14	-	-
Cartonboard Cascades SP zoo	-	-	-	-	21	-
Cascades Asia Ltd	1,927	-	-	4	-	-
Cascades Djupafors A.B.	106	-	-	638	-	-
Cascades Europe S.A.	-	-	-	71	-	8,614
Cascades Inc	-	-	-	150	-	-
Cascades Rollpack SA France	33	-	-	8	-	-
Cascades S.A.	1,527	-	6,243	1,671	-	-
Immobiliare Anste S.r.l.	-	-	-	130	-	-
Itaca S.r.l.	11	-	-	246	-	-
Norampac Avot-Valleé S.a.s France	32	-	-	-	-	-
Pac Service S.p.A	-	1,174	-	-	-	-
RDM Deutschland Gmbh	-	-	-	-	129	-
RDM France S.a.r.l.	-	-	-	-	347	-
Termica Boffalora S.r.l.	-	1,200	-	-	2,909	-
Total	**3,636**	**2,736**	**6,243**	**3,204**	**3,610**	**8,614**

Revenues	Revenues for sale	Financial income
Euro/000		
Careo S.r.l.	**-**	2
Cascades Asia Ltd	3,483	-
Cascades Djupafors A.B.	131	-
Cascades Rollpack SA France	-	24
Cascades S.A.	230	10
Pac Service S.p.A.	830	-
Termica Boffalora S.r.l.	20	-
Total	**4,694**	**36**
Incidence on the total of the item	**1.9%**	**15.5%**

Costs	Cost of raw materials and services	Financial charges
Euro/000		
Anste Autotrasporti S.r.l.	205	-
Careo S.a.s	39	-
Careo S.r.l.	1,621	-
Cascades Asia Ltd	7	2
Cascades Djupafors A.B.	598	-
Cascades Inc.	7	-
Cascades Rollpack S.A.	10	-
Cascades S.A.	1,376	-
Immobiliare Anste S.r.l.	109	-
Itaca S.r.l.	205	-
RDM Deutschland Gmbh	111	10
RDM France S.a.r.l.	219	11
Termica Boffalora S.r.l.	2,202	-
Total	**6,709**	**23**
Incidence on the total of the item	**3.6%**	**0.4%**

The remuneration of the period of members of the Board of Directors and members of the Board of Statutory Auditors of the Company amounts, respectively, to Euro 243 thousands and Euro 77 thousands. The Managing Director has also received a remuneration of Euro 50 thousands as General Manager.

4.7 Legal and arbitration proceedings

Disputes in course

Included amongst legal and arbitration proceedings in course are the following situations for which details are provided.

- Dispute with Grupo Torras S.A.

As discussed in the Half-year financial report the dispute with Grupo Torras was settled in May.

- Dispute with haulage companies

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

In their court appearance RDM and Reno Logistica in liquidation raised a series of exceptions of a preliminary nature and in regard to the merit of the cases. These cases remain pending and the next hearings are expected to be held in the second half of the year.

The RDM Group has made provisions for these disputes which are considered appropriate in the circumstances.

- Discontinued operations

The dispute between Aticarta and the Milan Tax Revenue Office was ended in June through a judicial settlement. Aticarta recharged the costs of this settlement to Reno De Medici as envisaged by the agreement for the sale of that company; Reno De Medici had already made provision for these costs.

4.8 Subsequent events

No events occurred subsequent to the balance sheet date of the half-year financial statements that need to be reported.

5. List of investments in subsidiary companies and associates

Investments at 30 June 2008 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 - Barcelona - Spain
Direct ownership 100%

Cascades Arnsberg GmbH
Arnsberg – Germany
Direct ownership 94%
Indirect ownership 6% (through Cascades Grundstück GmbH & Co.KG).

Cascades Blendecques S.a.s
Blendecques – France
Direct ownership 100%

Cascades Cartonboard UK Ltd
Wednesbury, – United Kingdom
Direct ownership 100%

Emmaus Pack S.r.l.
Milan - Italy
Direct ownership 51.39%

Cartiera Alto Milanese S.p.A.
Milan - Italy
Direct ownership 100%

Pac Service S.p.A.
Vigonza - Padua - Italy
Direct ownership 33.33%

Energy sector

Termica Boffalora S.r.l.
Milan - Italy
Direct ownership 30%

Service sector
Cascades Grundstück GmbH & Co.KG
Arnsberg – Germany
Direct ownership 100%

Reno Logistica S.r.l*. in liquidation*
Milan – Italy
Direct ownership 100%

Careo Italia S.r.l.
Milan – Italy
Direct ownership 70%

Careo S.a.s
La Fayette – France
Indirect ownership 70% (through Careo Italia S.r.l.)

Careo GmbH
Krefeld – Germany
Indirect ownership 70% (through Careo Italia S.r.l.)

Careo S.r.o.
Prague – Czech Republic
Indirect ownership 70% (through Careo Italia S.r.l.)

Careo KFT
Budapest – Hungary
Indirect ownership 70% (through Careo Italia S.r.l.)

Careo Ltd
Wednesbury – United Kingdom
Indirect ownership 70% (through Careo Italia S.r.l.)

Cartonboard Cascades SP z.o.o.
Warsaw – Poland
Indirect ownership 70% (through Careo Italia S.r.l.)

RenoDeMedici Deutschland GmbH
Bad Homburg – Germany
Indirect ownership 70% (through Careo Italia S.r.l.)

RDM France S.à.r.l.
Tremblay en France – Paris – France

Indirect ownership 70% (through Careo Italia S.r.l.)

Careo Spain S.L.
Prat de Llobregat - Barcelona - Spain
Indirect ownership 70% (through Careo Italia S.r.l.)

REPRESENTATION

ON THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS PREPARED IN CONSOLIDATED FORMAT PURSUANT TO ARTICLE 154-BIS PARAGRAPH 5 OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 AND SUBSEQUENT AMENDMENTS AND ADDITIONS AND PRESENTED PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Ignazio Capuano, in his capacity as “Managing Director”, and Maurizio Fusetti, in his capacity as “Manager-in-charge of the preparation of the corporate accounting records” of Reno De Medici S.p.A., represent, taking also into account the requirements of article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, that the administrative and accounting procedures in place for the preparation of the condensed consolidated financial statements for the period from 1 January to 30 June 2008:

   a) were adequate in relation to the characteristics of the business and

   b) were effectively applied.

2. In this respect no significant matters emerged.

3. Representation is further given that:

3.1. the condensed consolidated financial statements for the half-year ended 30 June 2008:

   a) correspond to the accounting books and records;
   b) have been prepared in accordance with the applicable international accounting standards recognised by the European Union pursuant to regulation EC 1606/2002 of the European Parliament and Council of 19 July 2002 and to the best of our knowledge and belief are suitable for providing a true and fair view of the financial position and results of operations of the issuer and the set of companies included in the consolidation;

3.2. the interim report of the directors on the Group’s operations contains at a minimum reference to the significant events that occurred during the first six months of the year and their effect on the condensed half-year consolidated financial statements and a description of the principal risks and uncertainties for the second half of the year. The interim report additionally contains information on significant related party transactions regarding Reno De Medici S.p.A. as issuer with Italy as its Member State of origin.

4. This representation is provided pursuant to and to the effects of article 154-bis, paragraphs 2 and 5, of Legislative Decree no. 58 of 24 February 1998 and subsequent amendments and additions.

Milan, 27 August 2008

Managing Director	Manager-in charge of the preparation of the accounting records
Ignazio Capuano	Maurizio Fusetti

AUDITORS' REPORT ON THE REVIEW OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

To the Shareholders of
Reno De Medici SpA

1 We have reviewed the consolidated condensed interim financial statements of Reno De Medici SpA and subsidiaries (Reno De Medici Group) as of 30 June 2008 and for the six months then ended, comprising the balance sheet, the income statement, statements of changes in shareholders' equity and cash flows and related explanatory notes. Reno De Medici SpA's Directors are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the consolidated condensed interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and 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 an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the consolidated condensed interim financial statements.

Regarding the amounts of the consolidated financial statements of the prior year presented for comparative purposes, reference should be made to our report dated 11 April 2008. As illustrated in the notes to the consolidated condensed interim financial statements, the Directors have retrospectively adjusted comparative data related to the consolidated interim financial statements of the prior year, on which we have issued our limited review report on 18 September 2007. The methods used for the retrospective adjustment of the corresponding data of the prior year and the information presented in the notes to the consolidated financial statements have been examined by us for the purpose of issuing this report.

3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of Reno De Medici Group as of 30 June 2008 and for the six months then ended have not been prepared, in all material respects, in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union.

Milan, 28 August 2008

PricewaterhouseCoopers SpA

Signed by

Giorgio Greco
(Partner)

This report has been translated into the English language solely for the convenience of international readers.