Reno De Medici

RdM GROUP

Half-year financial report

First half 2010

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 and independent auditors

Board of Directors

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

Board of Statutory Auditors

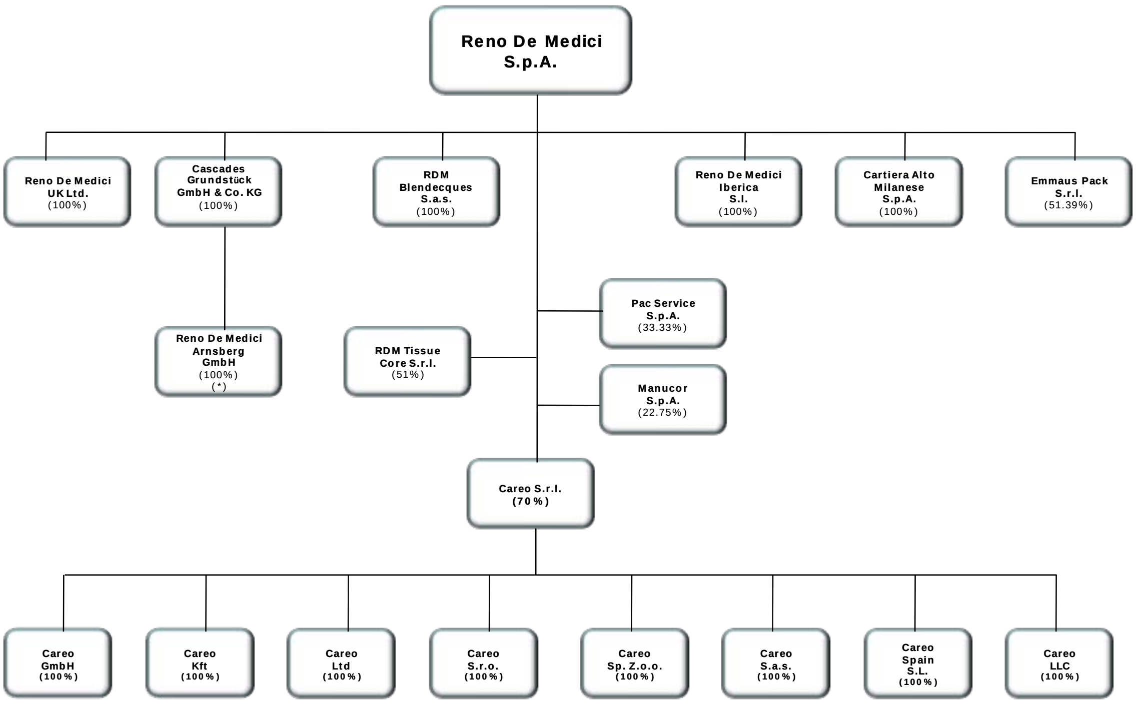
Sergio Pivato	Chairman
Giovanni Maria Conti	Standing auditor
Carlo Tavormina	Standing auditor
Domenico Maisano	Substitute auditor
Myrta de' Mozzi	Substitute auditor

Independent Auditors

PricewaterhouseCoopers S.p.A.

2. Operating companies of the Reno De Medici Group at 30 June 2010

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. Report of the Board of Directors

Introduction

The first half of 2010 saw the Reno de Medici Group return to profit with net earnings for the period reaching Euro 892 thousand compared with the loss of Euro 726 thousand incurred in the corresponding period of the previous year.

EBITDA closed at 18.1 million, substantially in line with that of the prior year but with quarterly movements expressing a different trend. The two quarters were essentially balanced in the first half of 2009, while there was a distinct pick-up in the second quarter of 2010 over the first quarter that was penalised by an unexpected and rough rise in the cost of raw material mixture.

The results of the second quarter were therefore satisfactory in relation to the overall macro-economic situation, and this enabled the loss of Euro 1.9 million incurred in the previous quarter to be fully recovered. This result benefited from a considerable decrease in financial expenses compared to 2009, due to the fall in interest rates and the exchange gains generated by the strengthening of the dollar , to which should be added the income arising from the disposal of a property.

The main contribution to this renewed equilibrium in earnings arrived primarily from an increase in manufacturing efficiency, achieved thanks to a good level of orders enabling an improvement in ***operating rate*** to be achieved and also to the specific steps taken at certain facilities to obtain a general improvement in efficiency, an optimisation of the use of raw materials and energy and a reduction in costs.

As stated, the demand for the Group's products went beyond expectations, driven by a slight increase in European industrial demand that was geared towards rebuilding stocks and in certain countries also by a pick-up in end consumption; in fact the economic recovery seen in the main Far Eastern countries also led to favourable effects arising in Europe and the Middle East, in particular favouring exports.

In terms of tonnes sold, the demand for coated cartonboard produced from recycled raw materials rose by more than 8% at a European level over the first half of 2009, a growth to be found in all the main European countries including the Iberian peninsular, with the sole exception of France.

Trends in sales prices were also positive in the second quarter thanks to the introduction of the increases that the Group had announced in October 2009. These increases substantially offset, though late, the unfavourable effects caused by the rise in the price of raw material mixture in

Europe and North America, which after the fall in 2009 underwent significant increases during the first semester of 2010 as the result of the pick-up in demand in the paper industry and the increase in purchases by China and in Europe and the United States. The contribution from sales made on the ***overseas*** markets was of more than small importance; this benefited from both the reduced commercial aggression of Chinese competitors and the strengthening of the dollar.

In terms of costs, the continuing significant rise in **raw material mixture** prices, a key feature of the first part of the year, slowed down in June, due amongst other things to the reduced request for waste by Chinese manufacturers. In the meantime this has had a significant negative effect considering that prices have doubled or tripled, depending on the various types of product, over June 2009.

Energy prices showed a generally upwards trend during the half year, in line with the quotation in dollars of crude oil, the main reference product, which reached a peak for the previous 18 months in a situation that was also affected by variables of a financial nature: first and foremost the strengthening of the dollar, but also the upwards trend generated by expectations that the crisis, not to speak of the present real levels of industrial and domestic demand, would shortly come to an end.

Energy prices therefore rose appreciably during the quarter, especially in the case of gas where there was an increase over the end of 2009 that may be estimated in around 25%. The rise in electricity costs was more contained as it continued to be affected by a constant excess of supply.

The **Group's production** reached 469 thousand tonnes during the half year compared with 429 thousand tonnes in the corresponding period in 2009.

In terms of **volumes sold**, quantities shipped amounted to 474 thousand tonnes in the half year compared with 419 thousand tonnes in the first half of 2009.

The **Group's Net Financial Position** improved, decreasing from Euro 130.8 million at 31 December 2009 to Euro 117.5 million at 30 June 2010. This result is due to the Group's overall good performance in terms of economics and working capital management **-** the process of factoring the Parent Company's receivables became operational during the half year.

Results of the first half of 2010

The following table sets out the highlights of the profit and loss accounts for the six months ended on 30 June 2010 and 2009:

	30.06.2010	30.06.2009
(thousands of Euros)		
Revenues from sales	**241,586**	**214,066**
EBITDA ***(1)***	**18,061**	**18,035**
EBIT ***(2)***	**4,640**	**4,750**
Result of operating activities before taxes ***(3)***	**1,905**	**393**
Current and deferred taxes	*(1,013)*	*(1,119)*
Profit (loss) for the period	**892**	**(726)**

(1) Cfr. Consolidated income statement of RDM Group, "Gross Operating Margin"
(2) Cfr. Consolidated income statement of RDM Group, "Operating Profit "
(3) Cfr. Consolidated income statement of RDM Group, "Profit (loss) for the period" - "Taxation"

The RDM Group in the first half of 2010 achieved net revenues of Euro 241.6 million, compared to Euro 214.1 million in the corresponding period of the previous year.
Consolidated EBITDA in the first half of 2010 reached Euro 18.1 million compared to Euro 18.0 million in the corresponding period in 2009.

Operating profit (EBIT) for the six months ended 30 June 2010 amounted to Euro 4.6 million, versus Euro 4.7 million for the corresponding period of 2009.

Pre-tax current profit is positive to Euro 1.9 million, compared to Euro 0.4 million for the corresponding period of 2009.

The profit at June 30, 2010 amounts to Euro 0.9 million.

The Group during the six months ended June 30, 2010 made capital expenditure of Euro 5.7 million, compared to Euro 7.4 million on 30 June 2009.
The consolidated net financial indebtedness at June 30, 2010 amounted to Euro 117.5 million, compared to Euro 130.8 million at December 31, 2009.

More specifically, the gross financial indebtedness at June 30, 2010, measured at amortized cost amounted to Euro 117.4 million (compared to Euro 131.0 million at December 2009) and consisted of the non-current portion of long-term loans for Euro 60.6 million, the current position of long term loans for about Euro 7.1 million and bank credit facilities and other financial liabilities of about Euro 49.7 million, consisting mainly of credit lines based trade accounts receivables.

Derivative instruments are recognized in the financial statements as a liability with a carrying amount of Euro 2.4 million.

At June 30, 2010, cash and financial receivables with maturity within 12 months equaled Euro 2.3 million (compared with Euro 2.1 million in December 2009).

Related parties and infragroup transactions

Related party transactions, including those of an infragroup nature, form part of the normal operations of Group companies and do not qualify for consideration as either abnormal or unusual. These transactions are carried out at market conditions.

Disclosure on related-party transactions, including those required pursuant to the CONSOB Communication of 28 July 2006, is given in note 4.7 of the consolidated condensed interim financial statements at 30 June 2010.

Significant events

There are no relevant significant events.

Risk factors and business outlook

In a macro-economic situation in Europe where clear strong signals of a recovery in terms of end consumption have yet to be seen and which instead continues to present considerable elements of uncertainty, the outlook for the remaining part of the year appears for the moment to be in line with the Group's performance in June, excluding any seasonal phenomena that are a feature of the second half year and in particular production stoppages, which as usual are planned for the summer period and at year end at the southern European factories.

Trends in the market and orders at the end of July confirm the positive tendency of previous months. Given the high order ***backlog*** this is likely to extend also during the quarter following in terms of revenues and earnings. The order level should remain at current levels for the final months of the year: a slight pick up in the economy and end consumption should offset the effects linked to the replenishment of stocks disappear.
As far as movements in the price of raw material mixture are concerned, although the prices of cellulose (which reached the record of Euro 1,000/tonne in June) and waste are considered to have reached their highest levels, further increases are still possible.
Energy costs for the remainder of the year ought not to move far from their current levels unless there are significant fluctuations in the quotation of the dollar.

In terms or components of a financial nature, liquidity risk is hedged by available credit facilities in relation to trends in reasonably foreseeable cash flows.
The exposure to interest rate risk regards the unhedged portion of medium-long term credit facilities amounting to Euro 25.6 million; to this should be added short-term credit facilities, of which Euro 46.8 million had been utilised at 30 June 2010. It is however expected that interest rates will remain at their present levels in the second half of the year.
Currency risks relate mostly to the quotation of the dollar, which presents an extremely wide range of possible variations both upwards and downwards. In this respect a further strengthening of the dollar would most likely benefit the Group's results, due above all to the favourable effect on the ***overseas*** component of revenues, although this might be partially absorbed by a possible rise in energy prices.

Reno De Medici Group

Consolidated Condensed Interim Financial Statements

30 June 2010

4. Consolidated condensed interim financial statements at 30 June 2010

4.1 Consolidated income statement

	Note	30.06.2010	30.06.2009
(thousands of Euros)			
Revenues from sales	1	241,586	214,066
- of which related parties		*5,969*	*2,331*
Other revenues	2	7,634	9,283
- of which related parties		*859*	*816*
- of which non recurring		*959*	*-*
Changes in stocks of finished goods		1,958	46
Cost of raw materials and services	3	(190,933)	(164,925)
- of which related parties		*(10,491)*	*(7,625)*
Staff costs		(39,652)	(38,067)
Other operating costs		(2,532)	(2,368)
Gross Operating Margin		**18,061**	**18,035**
Depreciation and amortisation	4	(13,421)	(12,802)
Recovery of value and write-downs of assets		-	(483)
Operating Profit		**4,640**	**4,750**
Financial expense		*(3,799)*	*(4,807)*
Exchange rate differences		*1,245*	*393*
Financial income		*12*	*57*
Financial income (expenses), net	5	(2,542)	(4,357)
Income (loss) from investments		(193)	-
Taxation	6	(1,013)	(1,119)
Profit (loss) for the period		**892**	**(726)**
Attributable to:			
Profit (loss) for the period pertaining to the Group		500	(862)
Profit (loss) for the period pertaining to minority interests		392	136
Earnings (loss) per ordinary share (Euros)		0.002	(0.002)
Earnings (loss) per ordinary share diluted (Euros)		0.002	(0.002)

4.2 Consolidated statement of comprehensive income

	30.06.2010	30.06.2009
(thousands of Euros)		
Profit (loss) for the period	**892**	**(726)**
Cash Flow Hedge	*(317)*	*(233)*
Fair value gains on available-for-sale financial assets	*-*	*31*
Current translation differences	*127*	*165*
Total comprehensive profit (loss)	**702**	**(763)**
Total comprehensive profit (loss) attributable to:		
- Owners of the company	310	(899)
- Minority interest	392	136

4.3 Consolidated statement of financial position

ASSETS	Note	30.06.2010	31.12.2009
(thousands of Euros)			
Non-current assets			
Tangible fixed assets	7	248,500	256,231
Goodwill		63	63
Other intangible assets		6,218	6,243
Investments		6,497	6,690
Deferred tax assets		1,454	1,473
Financial assets held for sale		190	193
Trade receivables	8	81	81
Other receivables		668	364
Total non-current assets		**263,671**	**271,338**
Current assets			
Stocks		78,617	74,313
Trade receivables	8	120,664	106,835
- of which related parties		*1,717*	*1,384*
Group trade receivables	8	3,242	3,582
Other receivables		4,396	4,454
Other Group receivables	9	519	346
Financial assets held for sale	9	-	188
Liquid funds	9	1,768	1,707
Total current assets		**209,206**	**191,425**
TOTAL ASSETS		**472,877**	**462,763**

LIABILITIES	Note	30.06.2010	31.12.2009
(thousands of Euros)			
Shareholders' equity			
Share capital		185,122	185,122
Other reserves		(78)	112
Retained earnings (losses) brought forwards		(31,090)	(24,145)
Profit (loss) for the period		500	(6,945)
Shareholders' equity attributable to the Group		**154,454**	**154,144**
Minority interests		729	677
Total shareholders' equity		**155,183**	**154,821**
Non-current liabilities			
Bank loans and other financial liabilities	9	60,605	62,672
Derivative financial instruments	9	1,459	846
Other payables		1,892	1,872
- of which related parties		*1,204*	*1,204*
Deferred tax liabilities		26,591	27,407
Employee benefits	10	25,350	24,632
Non-current provisions for contingencies and charges	11	3,984	3,562
Total non-current liabilities		**119,881**	**120,991**
Current liabilities			
Bank loans and other financial liabilities	9	54,074	64,901
Derivative financial instruments	9	956	1,069
Trade payables	12	119,310	100,739
- of which related parties		*3,485*	*2,397*
Group trade payables	12	2,744	1,944
Other payables		15,183	12,713
Other Group payables	9	2,716	3,406
Current taxation		2,093	1,340
Current provisions for contingencies and charges	13	737	839
Total current liabilities		**197,813**	**186,951**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**472,877**	**462,763**

4.4 Statement of changes in consolidated shareholders' equity

	Share capital	Legal reserve	Other reserves	Retained earnings (losses) brought forwards	Profit (loss) for the year	Fair value reserve	Hedging reserve	Shareholders' equity attributable to Group	Minority interest	Total shareholders' equity
(thousands of Euros)										
Shareholders' equity at 31.12.2008	**185,122**	**5**	**797**	**(17,696)**	**(6,449)**	**(398)**	**(715)**	**160,666**	**566**	**161,232**
Distribution of dividends	-	-	-	-	-	-	-	-	(243)	(243)
Appropriation of Profit (loss) 2008	-	-	-	(6,449)	6,449	-	-	-	-	-
Profit (loss) for the period	-	-	-	-	(862)	-	-	(862)	136	(726)
Components of comprehensive profit (loss)	-	-	165	-	-	31	(233)	(37)	-	(37)
Total comprehensive profit (loss)	**-**	**-**	**165**	**-**	**(862)**	**31**	**(233)**	**(899)**	**136**	**(763)**
Shareholders' equity at 30.06.2009	**185,122**	**5**	**962**	**(24,145)**	**(862)**	**(367)**	**(948)**	**159,767**	**459**	**160,226**

	Share capital	Legal reserve	Other reserves	Retained earnings (losses) brought forwards	Profit (loss) for the year	Fair value reserve	Hedging reserve	Shareholders' equity attributable to Group	Minority interest	Total shareholders' equity
(thousands of Euros)										
Shareholders' equity at 31.12.2009	**185,122**	**5**	**903**	**(24,145)**	**(6,945)**	**-**	**(796)**	**154,144**	**677**	**154,821**
Distribution of dividends	-	-	-	-	-	-	-	-	(340)	(340)
Appropriation of Profit (loss) 2009	-	-	-	(6,945)	6,945	-	-	-	-	-
Profit (loss) for the period	-	-	-	-	500	-	-	500	392	892
Components of comprehensive profit (loss)	-	-	127	-	-	-	(317)	(190)	-	(190)
Total comprehensive profit (loss)	**-**	**-**	**127**	**-**	**500**	**-**	**(317)**	**310**	**392**	**702**
Shareholders' equity at 30.06.2010	**185,122**	**5**	**1,030**	**(31,090)**	**500**	**-**	**(1,113)**	**154,454**	**729**	**155,183**

4.5 Consolidated cash flow statement

	Note	30.06.2010	30.06.2009
(thousands of Euros)			
Profit (loss) for the period before taxation		1,905	393
Depreciation and amortisation	4	13,421	13,285
Losses (gains) from investments		193	-
Financial (income) expense	5	2,542	4,357
Capital loss (gains) on non-current assets	2	(959)	-
Change in the employees' leaving entitlement, other provision fund including provision for bad and doubtful debts		1,033	(395)
Change in stocks		(4,304)	5,052
Change in trade receivables		(13,964)	(2,049)
- of which related parties		*141*	*(2,360)*
Change in trade payables		21,722	(11,722)
- of which related parties		*1,889*	*4,462*
Change in total working capital		3,454	(8,719)
Gross cash flows		**21,589**	**8,920**
Interests paid in the period		(3,562)	(4,804)
- of which related parties		*(5)*	*(1)*
Interests received in the period		2,223	1,305
- of which related parties		*2*	*36*
Taxes paid in the period		(1,100)	(2,673)
Cash flows from operating activities		**19,150**	**2,748**
Sale (purchase) of financial assets held for sale		191	-
Investments and disinvestments in non current assets		(4,706)	(7,728)
Business combination		-	(114)
Investments in joint venture		(192)	(51)
Cash flows from discontinued operations	13	(101)	(1,761)
Cash flows from investing activities		**(4,808)**	**(9,654)**
Change in financial assets and liabilities and short-term bank borrowings		(12,119)	7,350
- of which related parties		*(863)*	*(62)*
Change in long-term bank borrowings		(2,289)	(3,497)
Cash flows from financing activities		**(14,408)**	**3,853**
Exchange difference from convertion		**127**	**165**
Change in unrestricted liquid funds	9	**61**	**(2,887)**
Unrestricted liquid funds at beginning of the period	9	**1,707**	**4,314**
Unrestricted liquid funds at end of period		**1,768**	**1,427**

4.6 Illustrative notes

RDM is a company which is established as a corporate person under the legislation of the Republic of Italy. The RDM Group carries out its activities principally in Europe. These activities consist in the production and distribution of cartonboard for packaging made of recycled fiber. The commercial operations are carried out through a network of agents led by the joint-venture Careo S.r.l..

RDM has its registered office in Milan, Italy.

RDM's shares are listed on the Star segment of Borsa Italiana S.p.A. and on the Madrid and Barcelona stock exchanges.

The consolidated condensed interim financial statements of RDM Group were approved by the Board of Directors of RDM on 3 August 2010 which approved them for publication.

4.6.1 Accounting principles and policies

This half year financial report as at 30 June 2010 was written for purposes of Italian Decree Law 58/1998 as subsequently modified, as well as of the Rules for Issuers issued by Consob.
The Consolidated condensed interim Financial Statements at 30 June 2010 was prepared in conformity to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and those of its predecessor, the Standing Interpretations Committee ("SIC"), and was written according to IAS 34 – Interim Financial Reporting, by applying the same accounting standards adopted for the Consolidated Financial Statement at 31 December 2009.

Income taxes are calculated on the basis of the best estimate of the weighted average rate forecast for the entire financial year.

The following accounting principles, amendments, and interpretations, effective from 1 January 2010, specify the accounting for circumstances and events that have not found in the Group at the date of these half-year financial report cut, or that no impact on this circumstances, which could have accounting effects on future transactions or agreements:

- IFRS 3 (Revised 2008) – Business Combination;
- Improvement to IFRS 5 – Non-current assets held for sale and discontinued operations;
- Amendments to IAS 28 – Investments in associates and to IAS 31 – Interests in joint ventures, consequential to the amendment to IAS 27;
- Improvement to IAS/IFRS (2009);
- Amendments to IFRS 2 – Share-based Payment: Group cash-settled share-payment transactions;
- IFRIC 17 – Distributions of non-cash assets to owners;
- IFRIC 18 – Transfers of assets from customers;
- Amendments to IAS 39 – Financial Instruments: Recognition and Measurement – eligible hedged items.

The Reno De Medici Group has not adopted in advance the accounting principles, amendments, and interpretations already approved by the European Union but not yet in effect.

The consolidated condensed interim financial statements of the RDM Group are presented in Euros (rounded to the nearest thousand).

The consolidated condensed interim financial statements was written based on the general standard of historical cost, with the exception of derivatives and financial assets intended for sale, which were recorded at fair value, and of financial liabilities, which were recorded according to the straight-line method. The book value of recorded assets and liabilities subject to hedging transactions, for which conditions exist for the application of hedge accounting, was adjusted to account for changes in fair value attributable to the risks subject to hedging.
The Group has chosen to present the structure and content of its consolidated condensed interim financial statements in the following manner:

• the statement of consolidated financial position is presented with separate sections for assets, liabilities and shareholders' equity. Assets and liabilities are then presented on the basis of their classification as current, noncurrent or held for sale;
• the consolidated income statement is presented in a vertical format with items analysed using a classification based on their nature, as this provides reliable and more relevant information compared to a classification based on their function;
• the statement of consolidated comprehensive income is presented separately from consolidated income statement and each figures are exposed net of fiscal effect;
• the consolidated cash flow statement is presented using the indirect method;

• the statement of changes in consolidated shareholders' equity is presented by showing separately the profit or loss for the period and any gains and losses recognised directly in equity and not in profit or loss, in accordance with any specific IAS/IFRS requirements and it is prepared by showing separately the transactions with shareholders.

Preparation of the semi-annual report requires management to make estimates and assumptions that influence the values of revenues, costs, assets and liabilities, as well as the disclosure regarding potential assets and liabilities as of the date of the report. If such estimates and assumptions, which are based on management's best assessment, should in the future become obsolete due to a different course of events in operations compared to forecasts, they will be modified in the period in which such changes take place. For a more complete description of the most significant evaluation processes for the Group, see the chapter "Use of estimates and measurement in specific situations" in the Consolidated Financial Statements at 31 December 2009.

In addition, some assessment processes (especially more complex ones such as the calculation of possible value losses of non-current assets) are generally conducted in a more complete form only during preparation of the annual financial statement when detailed information is available, as well as in cases where there may be impairment indicators that require an immediate assessment of possible value losses.

Impairment Testing

At each balance sheet date the Group reviews the carrying amount of its tangible and investments to assess whether there is any indication that these assets may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of such assets to determine any impairment loss.

No goodwill has been allocated to the Reno de Medici CGUs and therefore no specific impairment test is required to be carried out each year.

However, the current economic and financial crisis that is being felt worldwide, with the consequent heavy losses recorded in the major regulated markets over the last 24 months, indicates a situation of total uncertainty insofar as the possible future economic scenarios, whether at a global or a domestic level, although signs of a pick-up can be seen.

In addition, the Group's market capitalization has experienced a downwards trend over the past 30 months as a consequence of the crisis in the financial markets, settling at an average level that is lower than balance sheet equity. This gap originally appeared at the beginning of 2008 when the business combination with the European operations of the Cascades Group led to an increase in equity that was not accompanied by a corresponding increase in capitalization. It is clear, though, that this business combination will produce its benefits in full in the medium term. From the second half of 2008 the gap then widened as the effects of the world financial crisis began to appear.

On the basis of the recommendations contained in joint document no. 4 of the Bank of Italy, Consob and ISVAP of 4 March 2010, the Group had provided ample details of the assumptions used for calculating the recoverable amount (value in use) at 31 December 2009, which regarded the estimate of operating flows, the discount rate and the final growth rate, and had additionally prepared sensitivity analyses on the results of the testing with respect to changes in the basic assumptions that affected the value in use of the cash generating units, identifying impairment loss indicators for the facilities at Magenta, Marzabotto and Blendecques. Instead of using value in use to measure the recoverable amount for these manufacturing units the Group used the method of fair value less costs to sell (current market value), determined from appraisals made by an independent valuer. The results obtained did not identify the need for any impairment losses to be recognised.

On the basis of the above and also taking into consideration the consolidated results at 30 June 2010, in line with the expectations, the directors believe that the cautious assumptions made for the foreseeable trend in operations until 2015, valid only for the purpose of impairment testing, continue to hold true as of today, although it cannot be excluded that the continuation of the crisis or a further deterioration may lead to the need to revise the present valuations in the future.

SEASONAL FACTORS AFFECTING REVENUES

The trend of revenues for the sale of cartonboard for packaging is a function of the general tendency of the economies of the markets in which sales are made and in particular of the trend in the demand for consumer goods; it is not affected by specific seasonal factors during the year.

There are, however, seasonal effects in the production and sale of products as a result of factors connected with the calendar, such as for example if there is a high number of public holidays or periods of vacation in one month or accounting period rather than another (such as for example in August and December) that may typically recur in the main countries supplied.

4.6.2 Financial risk management policy

Risk Connected with General Economic Conditions

In common with all manufacturers the Company and the Group are clearly exposed to the risks connected with the present economic crisis; while there are signs of recovery, these still appear moderate and irregular.

As matters currently stand the present level of orders and the changes made to sales prices enable the Group to be able to forecast a satisfactory earnings performance for the next few months.

On the other hand the final months of the year present the greatest uncertainties.

The Group observes market trends very carefully and is in a position to take all the steps that may be needed to keep production capacity aligned with demand on a timely basis, and to adjust sales prices as production factor costs vary.

Risk relating to Group's Results

There are no specific risks linked to the nature and structure of the RDM Group.

Risk relating to funding requirements

The Group currently has funds sufficient to face the requirements it may reasonably be expected to have to satisfy; in particular, the rescheduling of its two main long-term loans in 2009 assures it of the financial stability required to carry out the extraordinary investments that need to be made to complete the rationalisation of its production plant.

Risk relating to Interest Rate

The risks in this area relate mainly to unhedged variable rate loans, meaning all short-term loans and a portion of long-term loans, which amount in total to Euro 71.8 million at 30 June 2010.

However, in view of the general trend on the interest rates, that in the last months has recorded significant reduction, we believe that no significant negative linked to fluctuation of interest rates will occur in 2010.

Liquidity Risk

The liquidity risk is defined as the risk not to be able to meet the obligations associated to the financial liabilities.

A prudent management of the liquidity risk requires the availability of adequate financial cash balances, the possibility to accede to adequate financings, and the capability to liquidate positions on the market.

In order to face such risk, the Group's Treasury Department makes sure that the provision of funds is sufficiently flexible, also by acceding to diverse and diversified lines of credit.

As of June 30, 2010, the consolidated Net Financial Position is negative by Euro 117.5 million, with a decrease of Euro 13.3 million compared to the Euro 130.8 million at December 31, 2009.

Credit Risk

The Credit Risk is basically linked to the exposure of the Company and of the RDM Group to the possible insolvency of its customers. RDM manages the risk by insuring a substantial portion of the receivables of the Group with primary Insurance Companies.

The non-insured and non-insurable positions are constantly monitored by the competent Corporate Offices.

Capital Risk

We believe that the RDM Group is adequately capitalized, with reference to the relevant market and its own dimensions.

Currency Risk

The Group generates a part of its revenues in currencies other than the Euro, mainly U.S. dollars and British pounds, thus producing a long position in these currencies. To reduce the risk of these positions the Group has carried out export funding transactions in pounds.

During first semester the operation, formalized with Intesa Sanpaolo SpA, consisted of the purchase by RDM of a "Call Euro – Put US$" option on a total amount of Euro 6,050,000, to be exercised in 6 monthly installments from July to December 2010 should the US$/Euro exchange rate exceed a contractual ratio. In such case RDM would cash-in the differential between the US$/Euro exchange rate on such dates, and the contractual exchange rate.

The operation complies with corporate policy on hedging operations.

4.6.3 Scope of consolidation

The consolidated condensed interim financial statements include the interim financial statements of all the subsidiary Companies with the exception of the non-operational companies from the date on which control is acquired until the date that such control ceases.

The following table provides a list of subsidiaries with the respective percentage holdings.

Company name	Registered office	Activity	Share capital (€/1000)	Shareholding 30.06.2010 Direct	Shareholding 30.06.2010 Indirect	Shareholding 31.12.2009 Direct	Shareholding 31.12.2009 Indirect
Reno De Medici Iberica S.L.	Prat de Llobregatt (E)	Manufacturing	39,061	100.00%	-	100.00%	-
Reno De Medici UK Limited	Wednesbury (GB)	Manufacturing	12,433	100.00%	-	100.00%	-
Reno De Medici Arnsberg GMBH	Arnsberg (D)	Manufacturing	5,113	94.00%	6.00%	94.00%	6.00%
RDM Blendecques S.a.s.	Blendecques (F)	Manufacturing	1,037	100.00%	-	100.00%	-
Cartiera Alto Milanese S.p.A.	Milan (I)	Sales	200	100.00%	-	100.00%	-
Emmaus Pack S.r.l.	Milan (I)	Manufacturing	200	51.39%	-	51.39%	-
Cascades Grundstück GmbH & Co. KG	Arnsberg (D)	Services	5	100.00%	-	100.00%	-

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

Company name	Registered office	Activity	Share capital (€/1000)	Shareholding 30.06.2010 Direct	Shareholding 30.06.2010 Indirect	Shareholding 31.12.2009 Direct	Shareholding 31.12.2009 Indirect
Associated Companies							
Pac Service S.p.A.	Vigonza (I)	Manufacturing	1,000	33.33%	-	33.33%	-
Jointly-controlled Companies (Joint Venture)							
Careo S.r.l.	Milan (I)	Sales	100	70.00%	-	70.00%	-
RDM Tissue core S.r.l.	Milan (I)	Manufacturing	100	51.00%	-	51.00%	-
Manucor S.p.A.	Milan (I)	Manufacturing	10,000	22.75%	-	22.75%	-

There are not changes in the scope of consolidation compare to December 31, 2009.

The economics and financial data of each Group companies are prepared in the currency of the primary economics environment in which it operates (the functional currency). For each purposes of preparing the consolidated financial statements, the financial statements of each foreign entity are expressed in Euros, the Group's functional currency and the currency in which the consolidated condensed interim financial statements are presented.

The exchange rates used to translate into Euros the financial statements of companies forming part of the scope of consolidation are set out in the following tables:

Currency	Weight-exchange 2010 (*)	End-exchange rate 30.06.2010 (**)
Sterling Great Britain	0.8700	0.8175

(*) UIC (Italian Exchange Office) January – June 2010

(*) UIC (Italian Exchange Office) June 30, 2010

4.6.4. Notes to the consolidated financial statements for the first half year 2010

Segment information

According to the provisions of IFRS 8 relevant to the segment information, the identification of the operating segments and the relevant information reported in the segment information was based on the basis of the reports that management uses and reviews to assess performance and to take its main strategic decisions.

A geographical format has been adopted as the means of reporting segment information, based on the location of the Group's manufacturing facilities and its cutting and/or distribution centres.

The reports used by management provide details of results by individual manufacturing facility and cutting and/or distribution centre. The data are then aggregated into five geographical segments: Italy, Spain, Germany, France and the United Kingdom.

This segment information does not include differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit and loss.

The Group assesses the performance of its operating segments on the basis of gross operating profit, operating profit and the profit/(loss) for the year.

A reconciliation between the segment valuations contained in these disclosures and the figures included in the financial statements in this report is not necessary as all the components of income presented are measured in accordance with the accounting policies used in the preparation of the Group's consolidated condensed interim financial statements. Unallocated items and adjustments include intersegment balances.

The following table provides profit and loss data by geographical segment for the 2010 half-year financial report and 2009 half-year financial report:

Profit and Loss 30 June 2010	Italy	Spain	Germany	France	Uk	Unallocated items & adjustments	Consolidated
(thousands of Euros)							
Revenue from sales	**161,661**	**19,324**	**51,885**	**27,797**	**5,698**	**(24,779)**	**241,586**
Revenues from transactions with other segments	(23,233)	-	(1,306)	(237)	(3)	24,779	-
Revenues from external customers	**138,428**	**19,324**	**50,579**	**27,560**	**5,695**	**-**	**241,586**
Gross operating profit	**14,407**	**528**	**4,072**	**(1,320)**	**374**	**-**	**18,061**
Depreciation and amortization	(8,611)	(400)	(4,597)	(176)	(29)	392	(13,421)
Operating profit	**5,796**	**128**	**(525)**	**(1,496)**	**345**	**392**	**4,640**
Financial income (expense), net	(2,886)	(15)	323	(8)	1	43	(2,542)
Income (loss) from investments	2,166	-	-	-	-	(2,359)	(193)
Taxation	(954)	-	54	23	-	(136)	(1,013)
Profit (loss) for the period	**4,122**	**113**	**(148)**	**(1,481)**	**346**	**(2,060)**	**892**
Interest in profit/(loss) of joint venture and associates accounted for by equity method	(193)	-	-	-	-		
Total Assets at 30 June 2010	**452,249**	**50,657**	**132,385**	**22,477**	**6,148**	**(191,039)**	**472,877**
Total Assets at 31 December 2009	**442,767**	**50,304**	**133,708**	**18,204**	**4,065**	**(186,285)**	**462,763**

Profit and Loss 30 June 2009	Italy	Spain	Germany	France	Uk	Unallocated items & adjustments	Consolidated
(thousands of Euros)							
Revenue from sales	**135,160**	**19,253**	**49,863**	**26,732**	**3,705**	**(20,647)**	**214,066**
Revenues from transactions with other segments	(19,968)	-	(367)	(311)	(1)	20,647	-
Revenues from external customers	**115,192**	**19,253**	**49,496**	**26,421**	**3,704**	**-**	**214,066**
Gross operating profit	**12,870**	**860**	**6,402**	**(1,732)**	**(163)**	**(202)**	**18,035**
Depreciation and amortization	(7,675)	(415)	(4,515)	(82)	(29)	(86)	(12,802)
Recovery of value and write-down of assets	(483)	-	-	-	-	-	(483)
Operating profit	**4,712**	**445**	**1,887**	**(1,814)**	**(192)**	**(288)**	**4,750**
Financial income (expense), net	(4,333)	(59)	(99)	(135)	(10)	279	(4,357)
Income (loss) from investments	757	-	-	-	-	(757)	-
Taxation	(554)	-	(555)	(31)	-	21	(1,119)
Profit (loss) for the period	**582**	**386**	**1,233**	**(1,980)**	**(202)**	**(745)**	**(726)**
Interest in profit/(loss) of joint venture and associates accounted for by equity method	-	-	-	-	-		
Total Assets at 30 June 2009	**442,991**	**50,942**	**135,097**	**18,676**	**4,226**	**(180,083)**	**471,849**

Notes

1. Revenues from sales

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

	30.06.2010	Inc. %	30.06.2009	Inc. %
(thousands of Euros)				
Italy	86,618	35.9%	71,780	33.5%
EU	119,373	49.4%	119,071	55.6%
Extra EU	35,595	14.7%	23,215	10.9%
Revenues from sales	**241,586**	**100%**	**214,066**	**100%**

The above analysis by geographical area highlights the increase in revenues achieved on the domestic and above all ***overseas*** markets, where the considerable growth on the Turkish market can be seen in particular; to this should be added that arising in certain countries in North Africa, the Middle East and the Far East.

2. Other revenues

Other revenues may be analysed as follows:

	30.06.2010	30.06.2009	Variations
(thousands of Euros)			
Grants	368	1,241	(873)
Indemnities	120	530	(410)
Recharge of costs	73	58	15
Revenues from sales of energy	4,153	5,830	(1,677)
Other revenues	2,920	1,624	1,296
Total	**7,634**	**9,283**	**(1,649)**

"Grants" consist principally of ordinary grants received from Comieco that relate to the use of waste paper deriving from urban waste differentiation schemes.

"Revenues from sales of energy" relate to amounts granted to the Group by certain energy supplies for joining the "interruption" scheme and income arising from the sale of electricity by the factories in Italy, France and Germany during the first semester 2010.

"Other revenues" for the period ended 30 June 2010 relate mainly to prior period items and services provided to associates, and in addition include a gain of Euro 959 thousand resulting from the sale by the Parent Company of a building and a piece of land during the first half of 2010 for an amount of Euro 1.1 million.

3. Cost of raw materials and services

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

	30.06.2010	% Value of production (*)	30.06.2009	% Value of production (*)
(thousands of Euros)				
Cost of raw materials	108,623	44.6%	84,290	39.4%
Cost of services	80,575	33.1%	78,899	36.8%
Cost for third parties goods	1,735	0.7%	1,736	0.8%
Total	**190,933**	**78.4%**	**164,925**	**77.0%**

(*) Value of production = Revenues from sales plus change in stocks of finished goods

The "Cost of raw materials" refers mainly to the purchase of the products use to make the mixture (waste paper, wood paste, cellulose and chemicals) and of those used for packaging.
As described in the "Report of the Board Directors" the continuing significant rise in raw material mixture prices, a key feature of the first part of the year, slowed down in June, due amongst other things to the reduced request for waste by Chinese manufacturers. In the meantime this has had a significant negative effect considering that prices have doubled or tripled, depending on the various types of product, over June 2009.

"Cost of services" rise in total by 2.1% compared the previous period, amounting to about 33.1% of value of production (36.8% on June 30, 2009).

"Cost for third parties goods" at 30 June 2010 are in line with the figures at 30 June 2009.

4. Depreciation and Amortization

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

	30.06.2010	30.06.2009	Variation
(thousands of Euros)			
Amortisation of intangible assets	243	94	149
Depreciation of tangible assets	13,178	12,708	470
Total	**13,421**	**12,802**	**619**

5. Financial income (expenses), net

The following table provides details of financial income and expenses, net:

	30.06.2010	30.06.2009	Variations
(thousands of Euros)			
Financial income	**12**	**57**	**(45)**
Interest and other financial income	12	57	(45)
Financial expenses	**(3,799)**	**(4,807)**	**1,008**
Bank interest	(2,423)	(3,314)	891
Financial charge from derivative instruments	(579)	(308)	(271)
Financial charge on defined benefits plans	(490)	(794)	304
Expenses, commissions and other financial charges	(307)	(391)	84
Exchange differences	**1,245**	**393**	**852**
Exchange gains	2,211	1,227	984
Exchange losses	(966)	(834)	(132)
Total	**(2,542)**	**(4,357)**	**1,815**

There has been a reduction of Euro 1.8 million in net financial expense. This is due to a significant extent to the downwards trend in interest rates that occurred in 2009 and, as a consequence, to the decrease in interest payable to banks for the Company's variable rate medium – and long-term loans, and the exchange gains generated by the strengthening of the dollar.

6. Taxation

The table below details the subdivision between current and deferred taxes at 30 June 2010:

	30.06.2010	30.06.2009	Variation
(thousands of Euros)			
Deferred taxation	696	996	(300)
Current taxation	(1,709)	(2,115)	406
Total	**(1,013)**	**(1,119)**	**106**

7. Tangible fixed assets

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

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction	Total
(thousands of Euros)							
Cost	27,642	92,061	626,633	13,960	14,493	4,321	779,110
Accumulated depreciation/ Write-down	-	(47,435)	(452,351)	(9,111)	(13,982)	-	(522,879)
Net book value at 31.12.09	**27,642**	**44,626**	**174,282**	**4,849**	**511**	**4,321**	**256,231**
Variations of the period:							
Increases	-	46	2,759	17	112	2,838	5,772
Decreases	(143)	(275)	(175)	-	-	-	(593)
Reclassification of cost	-	-	3,041	-	-	(3,041)	-
							-
Depreciations for the period	-	(1,105)	(11,565)	(335)	(173)	-	(13,178)
Other changes (cost)	-	-	-	-	-	-	-
Other changes (acc. Dep.)	-	146	(352)	41	781	-	616
Utilisation of accumulated depreciation	-	-	138	-	210	-	348
Value at 30.06.2010							
Cost	27,499	91,832	632,258	13,977	14,605	4,118	784,289
Accumulated depreciation/ Write-down	-	(48,394)	(464,406)	(9,405)	(13,584)	-	(535,789)
Net book value at 30.06.10	**27,499**	**43,438**	**167,852**	**4,572**	**1,021**	**4,118**	**248,500**

The increases in the item "Plant and machinery" mainly regard investments made at the plant in Arnsberg, Germany and at the plants in Villa Santa Lucia and Santa Giustina, Italy.

For purposes of calculating possible value losses, no impairment indicators have emerged that could change the evaluations made at 31 December 2009, for more details, please see the paragraph of "Impairment testing".

8. Trade receivables and Group trade receivables

The following table presents an analysis of trade receivables between current and non-current balances, whose total amounted to Euro 124.0 million:

(thousands of Euros)	30.06.2010	31.12.2009	Variation
Trade receivables	81	81	-
Non-current trade receivables	**81**	**81**	**-**
Trade receivables	120,664	106,835	13,829
Group Trade receivables	3,242	3,582	(340)
Current trade receivables	**123,906**	**110,417**	**13,489**

The rise in trade receivables over 31 December 2009 reflects the increase in turnover in the second part of the half year, which arises amongst other things from the increase in sales prices, partially offset by the commencement of a factoring programme (the sale of receivables without recourse). During the first semester Parent Company signed a contract of loan sale pro-soluto than trade receivables due over 30 June 2010 disinvested for a total amount of Euro 4.4 thousands.

The current portion of "Trade receivables" is stated net of a provision for bad and doubtful debts of Euro 5.6 million.

"Group trade receivables" include both the relations that the Parent Company maintains with Careo S.r.l. related to the services provided, and the relations that the Parent Company maintains with Pac Service S.p.A. and RDM Tissue Core S.r.l. related to the trade relations.

9. Net financial position

The net consolidated financial indebtedness at 30 June 2010 amounts to Euro 117.5 million, compared to Euro 130.8 million at 31 December 2009.
The breakdown for the net financial position is as follows:

(thousands of Euros)	30.06.2010	31.12.2009	Variation
Cash	54	104	(51)
Funds available at banks	1,714	1,603	111
A. Cash and cash equivalent	**1,768**	**1,707**	**61**
Other Group receivables	519	346	173
B. Current financial receivables	**519**	**346**	**173**
1. Bank overdraft	*46,937*	*57,815*	*(10,878)*
2. Current portion of medium and long term loans	*6,780*	*6,652*	*128*
3. Other current financial liabilities	*357*	*434*	*(77)*
Bank loans and other financial liabilities (1+2+3)	54,074	64,901	(10,827)
Other Group payables	2,716	3,406	(690)
Derivatives - current financial liabilities	956	1,069	(113)
C. Current financial debt	**57,746**	**69,376**	**(11,630)**
D. Current financial debt, net (C - A - B)	**55,459**	**67,323**	**(11,864)**
Bank loans and other financial liabilities	60,605	62,672	(2,067)
Derivatives - non-current financial liabilities	1,459	846	613
E. Non-current financial payables	**62,064**	**63,518**	**(1,454)**
F. Financial debt, net (D + E)	**117,523**	**130,841**	**(13,318)**

The Group's Net Financial Position improved, decreasing from Euro 130.8 million at 31 December 2009 to Euro 117.5 million at 30 June 2010. This result is due to the Group's overall good performance in terms of economics and working capital management - the process of factoring the Parent Company's receivables became operational during the half year.

The non-current "Bank loans and other financial liabilities" includes long 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 normal value, are detailed below:

(thousands of Euros)	Due within one year	Due after more than one year	Due after more than five years	Total
M.I.C.A. - due 13 February 2016	137	602	165	904
M.I.C.A. - due 16 October 2013	145	454	-	599
San Paolo Imi - due 15 June 2011	2,297	-	-	2,297
San Paolo Imi - due 15 December 2011	3,308	1,715	-	5,023
San Paolo Imi - due 6 April 2016	-	11,082	-	11,082
San Paolo Imi fin.pool - tranche A - due 6 April 2016	-	25,200	6,300	31,500
San Paolo Imi fin.pool - tranche B - due 6 April 2016	-	8,000	2,000	10,000
Banca Pop.Emilia Romagna - due 15 May 2016	620	2,480	620	3,720
DRESDNER BANK - due Dicembre 2015	714	2,857	357	3,928
Total payables at nominal value	**7,221**	**52,390**	**9,442**	**69,053**
Effect of amortized cost	**(441)**	**(1,222)**	**(5)**	**(1,668)**
Total payables valued with amortized cost	**6,780**	**51,168**	**9,437**	**67,385**

RDM is bound by certain restrictions and commitments with thresholds for the pool funding that are normal for syndicated loans of this nature; amongst these are limitations on obtaining additional debt, on distributing dividends, on granting guarantees (a negative pledge), on the disposal of core activities, constrains on making investments and on carrying out financial transactions of an extraordinary nature.

In particular, this loan requires certain financial covenants to be respected that are based on the following ratios:

– Net financial position/Equity;
– Net financial position/Gross operating profit;
– Gross operating profit/Net financial expense.

These ratios must be calculated every six months on the basis of the figures stated in the Group's consolidated financial statements and consolidated condensed interim financial statements, starting from 31 December 2006.

The half year calculations of Gross operating profit and net financial expense are based on the twelve month period ending on the last day of the half year concerned.

The eventual failure to respect the loan agreement covenants can be grounds for the lending banks to terminate the arrangement.

Moreover, the subsidiary Reno De Medici Arnsberg Gmbh subscribed during the 2008 a loan agreement for Euro 5 million that also provides, besides other clauses, for certain financial parameters to be verified semi-annually, a "change of control" clause, and the obligation to inform the bank, in case new loans are assumed.

It should be note that Parent company and Germany subsidiary respect at 30 June 2010 the financial parameters.

The following table sets out the main features of the derivative financial instruments at 30 June 2010, analysed between interest rate swap agreements and commodities agreements.

Company	Counterparty	Currency	Maturity	Nominal value (Euro/000)	Interest	Payement of interest	Fair value of the derivative (Euro/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	06.04.2016	18,000	4,11% fixed Euribor 6m	Six monthly	(1,320)
Reno De Medici S.p.A.	Unicredit Banca d'Impresa S.p.A.	Eur	06.04.2016	9,000	4,11% fixed Euribor 6m	Six monthly	(660)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	15.05.2016	3,720	4,15% fixed Euribor 6m	Six monthly	(265)
Reno De Medici Arnsberg GmbH	Dresdner Bank AG	Eur	31.12.2015	3,928	3,59% fixed Euribor 6m	Six monthly	(171)
				34,648			**(2,416)**

In terms of guarantees the agreement requires RDM to provide first mortgages on the Ovaro, Marzabotto, and Arnsberg factories and second mortgages on those at Magenta, Santa Giustina and Villa Santa Lucia, for an overall total of Euro 120 million.
Special first-degree liens on the Ovaro and Marzabotto's plant and machinery, and second-degree liens on the Magenta, Santa Giustina and Santa Lucia's plant and machinery are granted as guarantees, for a total amount of Euro 120 million.

10. Employees' leaving entitlement

	30.06.2010	31.12.2009	Variation
(thousands of Euros)			
Employee benefits	11,430	11,067	363
TFR Pension Fund	12,764	13,061	(297)
Incentive plans	1,156	504	652
Total	**25,350**	**24,632**	**718**

At 30 June 2010, the item "Employees' leaving entitlement" was in line with the information presented at 31 December 2009.

"Incentive plans" includes both a liability relating to incentive plan for management and a liability relating to incentive plan for the employees.

In determining the fair value of the management incentive plan based on Performance Phantom Shares the calculator available in FinCadXL software was used to measure the Asian options by means of a Monte Carlo simulation. The input data used for the valuation were the one year historical volatility rate and price of the Reno De Medici share at 30 June 2010 and the relative Euro interest rate curve at 30 June 2010, calculated by starting from the rates for deposits, futures and swaps.

It should be note that the evaluation of "Incentive Scheme open to RDM Group employees in 2010-2011", has been maintained the same hypothesis utilized at 31 December 2009 (hypothetical adhesion of 10%). For more details, see the section "Report of the Board of Directors" of the Annual report and financial statements 2009.

At 30 June 2010 the RDM Group's workforce consisted of 1,571 employees, compared of 1,618 employees at 31 December 2009.

11. Non-current provisions for contingencies and charges

	31.12.2009	Charge	Utilisation	30.06.2010
(thousands of Euros)				
Agents' termination indemnity	186	10	-	196
Provision for future charges	3,202	467	(55)	3,614
Provision for losses on investments	174	-	-	174
Total	**3,562**	**477**	**(55)**	**3,984**

The charge for the period of Euro 0.4 million to the "Provision for future charges" regards outstanding litigation and the adjustment of the mobility provision.

12. Trade payables and Group trade payables

The balance at 30 June 2010 is made up as follows:

	30.06.2010	31.12.2009	Variation
(thousands of Euros)			
Trade payables	119,310	100,739	18,571
Group Trade payables	2,744	1,944	800
Total	**122,054**	**102,683**	**19,371**

"Trade payables" amount to Euro 122.0 million (Euro 102.7 million at 31 December 2009) and are all due within 12 months. Balances are stated net of trade discounts and are adjusted for any returns or rebates agreed with the seller.

The rise in trade payables over 31 December 2009 reflects the increase in purchases required to support the growth of the business, but is also connected with the increase in the purchase prices of raw materials and energy and the deferral of certain payments.

The item "Group trade payables" amounting to Euro 2.7 million (Euro 1.9 million at 31 December 2009) relate to balances of a trading nature with Careo S.r.l. and Careo S.a.s..

13. Current provisions for contingencies and charges

This item relates to the residual liability due to personnel who were made redundant in connection with the discontinuation of the business line at the French factory at Blendecques and to outstanding litigation with former employees at this factory.

The decreasing of the period relates to the utilization of the existing fund as at December 31, 2009, as a consequence of charges incurred by french subsidiary.

14. Non-recurring transactions

The effects of any non-recurring transactions, as the term is defined in Consob communication no. DEM/6064293, are provided in the statement of income statement and in the notes to which reference should be made.

With the exception of the matters described in that note the RDM Group 's financial position and results have not been affected by any non–recurring events or significant transactions. Non-recurring significant transactions are transactions or events that do not occur frequently as part of operations.

15. Contingent liabilities and commitments and other guarantees given to third parties

Reference should be made to the section 4.8 of this report for a discussion of the principal disputes in which the Company is involved.

Commitments and guarantees to third parties include the following:

- sureties of Euro 2.3 million provided in favour of the Veneto Region and the Province of Belluno regarding the landfill located at the Santa Giustina (BL) facility;
- a surety of Euro 432 thousand provided to the Comieco consortium;
- sureties of Euro 100 thousand provided in favour of the customs authorities;
- sureties of Euro 110 thousand provided in favour of the Lombardy Region;
- a surety of Euro 110 thousand given in connection with the leasing of property.

Furthermore, within the combination agreement Reno De Medici S.p.A. and Cascades S.A. have retained, respectively, a call option to be exercised in 2010 and a put option to be exercised in 2011, on the European operations of Cascades SA in the virgin fiber carton board sector, presently located in the mills of La Rochette in France, and of Djupafors in Sweden.

Reference should be made in the consolidated financial statements at December 31, 2009 regarding to the relations with Manucor's shareholders.

4.7 Related party transaction

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 consolidated condensed interim financial statements the transactions with related parties had been concerned:

a) Subsidiaries not consolidated line by line;
b) Associated companies;

c) Joint venture;
d) Other related companies.

Transactions between Reno De Medici S.p.A. and its consolidated subsidiaries have been eliminated in the preparations of the consolidated condensed interim 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 acquisition finalized during the 2008;
- 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's family that owns 49% of Emmaus Pack S.r.l., related to lease rentals and transport and ancillary services;
- Commercial relations with Pac Service S.p.A., 33% owned by RDM, related to the sale of cartonboard;
- Supply of business consulting services by Careo S.r.l. and its subsidiaries;
- Supply of administrative and cash pooling services by Reno De Medici S.p.A. and its Subsidiaries to companies in the Careo Group, and by Reno De Medici S.p.A. to RDM Tissue Core S.r.l..

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

(thousand of Euros)	Current assets			Current liabilities			Non-current liabilities
	Trade receivables	Group trade receivables	Other Group Trade receivables	Trade payables	Group trade payables	Other Group trade payables	Other Payables
Anste Autotrasporti S.r.l.	-	-	-	168	-	-	-
Careo Gmbh	-	-	135	-	-	-	-
Careo Ltd.	-	35	-	-	-	-	-
Careo S.a.s	-	281	-	-	585	-	-
Careo Spain S.L.	-	298	-	-	-	-	-
Careo S.r.l.	-	906	-	-	2,159	2,716	-
Cascades Asia Ltd	1,431	-	-	-	-	-	-
Cascades Canada Inc.	-	-	-	1	-	-	-
Cascades Djupafors A.B.	148	-	-	540	-	-	-
Cascades Groupe Produits	-	-	-	12	-	-	-
Cascades Inc.	-	-	-	8	-	-	-
Cascades S.A.S.	107	-	-	2,682	-	-	1,204
Immobiliare Anste S.r.l.	-	-	-	67	-	-	-
Norempac Avot Valee	1	-	-	7	-	-	-
Pac Service S.p.A.	-	1,118	-	-	-	-	-
RDM Tissue core S.r.l.	-	604	-	-	-	-	-
Red. Imm. S.r.l.	30	-	-	-	-	-	-
Renologistica S.r.l.	-	-	384	-	-	-	-
Total	**1,717**	**3,242**	**519**	**3,485**	**2,744**	**2,716**	**1,204**
Incidence on the total of the item	**1.4%**	**100.0%**	**100.0%**	**2.9%**	**100.0%**	**100.0%**	**63.6%**

(thousand of Euros)	Revenues from sales	Other income	Financial incomes
Careo GmbH	-	8	-
Careo Ltd	-	87	-
Careo S.a.s.	464	29	-
Careo Spain S.L.	-	75	-
Careo S.r.l.	-	307	2
Cascades Asia Ltd	3,794	-	-
Cascades Djupafors A.B.	-	223	-
Cascades S.A.S.	-	120	-
Norampac Avot Vallee	-	1	-
Pac Service S.p.A	1,151	-	-
RDM Tissue Core S.r.l.	560	9	-
Total	**5,969**	**859**	**2**
Incidence on the total	**2.5%**	**11.3%**	**17.0%**

(thousand of Euros)		Raw material and services costs	Financial charges
Anste Autotrasporti S.r.l.		291	-
Careo GmbH		-	4
Careo S.a.s.		13	-
Careo S.r.l.		5,881	1
Cascades Asia Ltd		-	-
Cascades Canada Inc.		6	1
Cascades Djupafors A.B.		788	-
Cascades Groupe Produits		12	-
Cascades Inc.		7	-
Cascades S.A.S.		3,380	-
Immobiliare Anste S.r.l.		112	-
Norampac Avot Vallee		6	-
RDM Deutschland GmbH		-	-
Red. Imm. S.r.l.		(5)	-
	Total	**10,491**	**6**
	Incidence on the total	**5.5%**	**0.2%**

Cash flow	30.06.2010
(thousands of Euros)	
Revenues and income	6,828
Cost and charge	(10,491)
Financial income	2
Financial expenses	(6)
Income from domestic tax consolidation	97
Change in trade receivables	141
Change in trade payables	1,889
Change in total working capital	2,030
Cash flows from operating activities	**(1,540)**
Change in other financial assets and liabilities	(863)
Cash flows from financing activities	**(863)**
Cash flows for the period	**(2,403)**

The remunerations 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 384 thousands and Euro 90 thousands. The Managing Director has also received a remunerations of Euro 221 thousands as General Manager.

4.8 Legal and arbitration proceedings

Current risks and litigation

The following is a brief summary of principal and significant judicial and arbitration proceedings currently in progress.

RDM/ Atradius Credit Insurance N.V.

On 31 May 2010, RDM and Atradius Credit Insurance N.V. (hereafter Atradius) signed a settlement agreement to close off their litigation.
This matter regards an action begun by Reno De Medici S.p.A. against Atradius that is being heard before the Ordinary Court of Milan, with the objective of having the court declare that the defendant has failed to respect the commitments it undertook in its insurance contract.

There are no other significant cases or disputes to be reported.

4.9 Subsequent events

There are no subsequent events to be reported.

5. List of investments in subsidiary companies and associates

Investments at 30 June 2010 in unlisted share capital companies or companies with limited liabilities 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).

LIST OF SUBSIDIARY COMPANIES CONSOLIDATED ON A LINE BY LINE BASIS

Cartonboard sector

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

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

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

Reno De Medici Arnsberg GmbH
Arnsberg – Germany
Direct ownership 94%
Indirect ownership 6% (throught Cascades Grundstück Gmbh & Co.KG)

Reno De Medici Iberica S.L.
Prat de Llobregat – Barcelona - Spain
Direct ownership 100%

Reno De Medici UK Ltd
Wednesbury, – Great Britain
Direct ownership 100%

Service sector

Cascades Grundstück Gmbh & Co.KG

Arnsberg – Germany

Direct ownership 100%

LIST OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Cartonboard sector

Manucor S.p.A.

Caserta – Italy

Direct ownership 22.75%

Pac Service S.p.A.

Vigonza – Padova – Italy

Direct ownership 33,33%

RDM Tissue Core S.r.l.

Milan – Italy

Direct ownership 51%

Service sector

Reno Logistica S.r.l. in liquidation

Milan – Italy

Direct ownership 100%

Careo S.r.l.

Milan – Italy

Direct ownership 70%

Careo Gmbh

Krefeld – Germany

Indirect ownership 70% (throught Careo S.r.l.)

Careo S.a.s

La Fayette – France

Indirect ownership 70% (throught Careo S.r.l.)

Careo Spain S.L.

Prat de Llobregat – Barcelona – Spain

Indirect ownership 70% (throught Careo S.r.l.)

Careo Ltd

Wednesbury – Great Britain

Indirect ownership 70% (throught Careo S.r.l.)

Careo S.r.o.

Praga – Czech Republic

Indirect ownership 70% (throught Careo S.r.l.)

Careo KFT

Budapest - Hungary

Indirect ownership 70% (throught Careo S.r.l.)

Careo SP z.o.o.

Warsaw - Poland

Indirect ownership 70% (throught Careo S.r.l.)

Careo LLC

Russia

Indirect ownership 70% (throught Careo S.r.l.)

CERTIFICATION

OF CONDENSED INTERIM FINANCIAL STATEMENTS FOR PURPOSES OF ART. 81-TER OF CONSOB RULE NO. 11971 OF 14 MAY 1999 AS MODIFIED AND SUPPLEMENTED

1. The undersigned Ignazio Capuano, in his capacity as "Managing Director," and Stefano Moccagatta, in his capacity as "Manager responsible for drawing up corporate accounting documents," of Reno De Medici S.p.A., hereby certify, pursuant to the requirements of Art. 154-bis, paragraphs 3 and 4, of Italian Decree Law no. 58 of 24 February 1998:

a) the adequacy, in relation to the company's characteristics, and

b) the bona fide application,

of administrative and accounting procedures for the drawing up of the condensed interim financial statements in the period from 1 January 2010 to 30 June 2010.

2. No significant aspects have come to light with regard thereto.

3. It is also hereby certified that:

3.1. the condensed interim financial statements as at 30 June 2010:

a) has been drawn up in conformity to applicable international accounting standards recognised by the European Union for purposes of EC Rule no. 1606/2002 of the European Parliament and Council dated 19 July 2002;

b) corresponds to the results of the company's accounting books and records;

c) truthfully and correctly presents the statement of assets and liabilities and the economic and financial status of the issuer and of the group of companies included in the consolidation area.

3.2. The interim report includes a reliable analysis of significant events in the first six months of the financial year and of their influence on the condensed interim financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year. The interim report also includes a reliable analysis of information regarding significant transactions with related parties.

Milan, 3 August 2010

Managing Director	Manager responsible for drawing up corporate accounting documents
Ignazio Capuano	Stefano Moccagatta
Signed	Signed

AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 at 30 June 2010, which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in shareholders' equity, the consolidated cash flow statement and related illustrative 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 n° 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 and the consolidated condensed interim financial statements of the prior year presented for comparative purposes, reference should be made to our reports dated 9 April 2010 and dated 6 August 2009, respectively.

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 at 30 June 2010 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, 5 August 2010

PricewaterhouseCoopers SpA

Signed by
Andrea Brivio
(Partner)

This report has been translated into the English language from the original which was issued in Italian, solely for the convenience of international readers.
We have not examined the translation of the consolidated condensed interim financial statements referred to in this report.