Half-year financial report

30062012

NET REVENUES: EURO 237.5 MILLION
(COMPARED TO EURO 278.6 MILLION AT 30 JUNE 2011)

GROSS OPERATING PROFIT (EBITDA): EURO 14.0 MILLION
(COMPARED TO EURO 21.2 MILLION AT 30 JUNE 2011)

OPERATING PROFIT (EBIT): EURO 0.9 MILLION
(COMPARED TO EURO 8.2 MILLION AT 30 JUNE 2011)

PROFIT (LOSS) FOR THE PERIOD: EURO (3.9) MILLION
(COMPARED TO EURO 3.2 MILLION AT 30 JUNE 2011)

NET FINANCIAL INDEBTEDNESS: EURO 84.5 MILLION
(COMPARED TO EURO 86.6 MILLION AT 31 DECEMBER 2011)

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

CONTENTS[1]

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[1] This documenti s 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
Giulio Antonello	Director
Robert Hall	Director
Sergio Garribba	Director
Laurent Lemaire	Director
Vincenzo Nicastro	Director
Carlo Peretti	Director

Board of Statutory Auditors

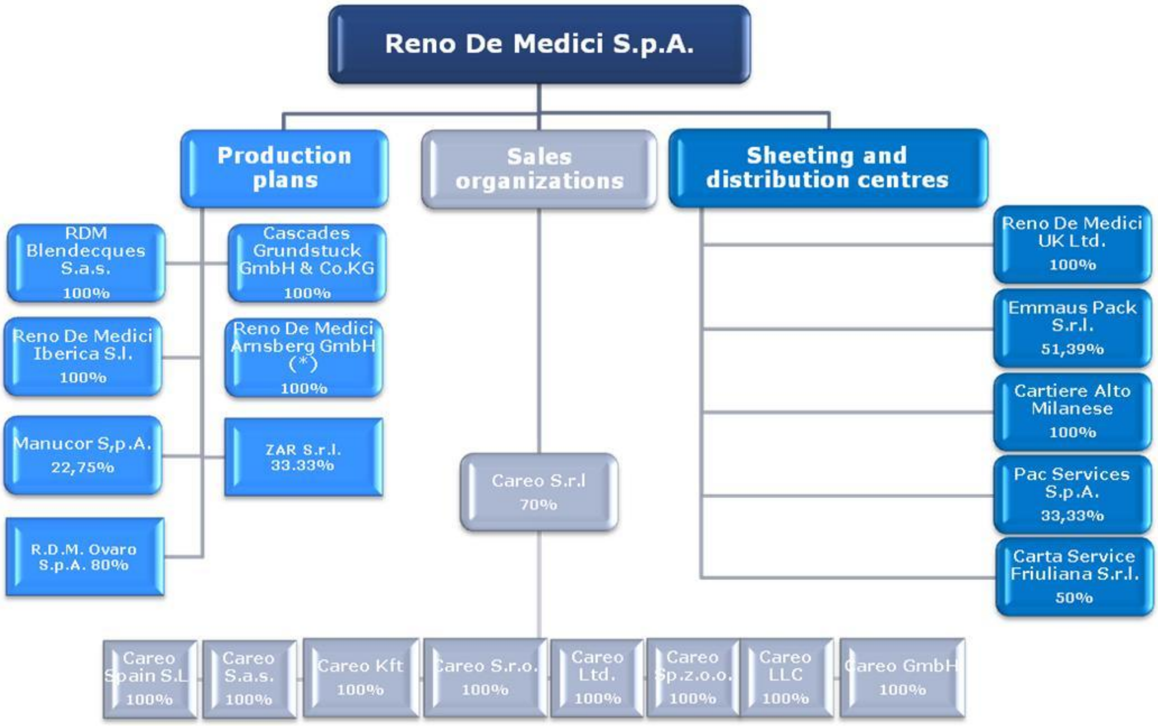
Carlo Tavormina	Chairman
Giovanni Maria Conti	Standing auditor
Laura Guazzoni	Standing auditor
Domenico Maisano	Substitute auditor
Tiziana Masolini	Substitute auditor

Independent Auditors

Deloitte & Touche S.p.A.

2. OPERATING COMPANY OF THE GROUP AT 30 JUNE 2012

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. at 6%.

3. Introduction

This half year financial report as at 30 June 2012 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 2012 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 2011, expect as described in the paragraph "Accounting principles and policies" in the section "Amendaments, improvements and interpretations".

4. Interim report of management

The overall scenario, in the second quarter of 2012 remains critical, especially in Europe. International demand remains weak: the 1.5% increase in GDP in the United States is still too low to reverse the trend, and even China's GDP is slowing below the critical 8% level. In general, the macroeconomic situation remains alarming, and demand for consumer and semi-durable goods is contracting. Consequently, demand for packaging has fallen as well.
With specific reference to the folding box board sector, the most positive sign is the end of destocking, which characterised the second half of 2011 and augmented the effects of the overall crisis. There has been a slight recovery in the flow of orders in 2012, which have effect on the scheduling and production efficiency.
In this scenario, European demand for folding box board fell 3.6% in the first half of 2012 compared to the previous year, which had not yet suffered the full effects of the crisis that deteriorated especially in the second half.
It should be noted that, in the second quarter, the negative shift in demand was reduced to –1.8% in the second quarter compared to the same period in the previous year (compared to –5.3% in the first quarter), confirming a contrasting trend in the two years: progressive deterioration in 2011 against a slight recovery expected for 2012.

Sales on overseas markets dropped in the first half of the year compared to 2011, due to the political and financial turbolence of the North-African countries. The second quarter was more positive than the first, confirming a progressive return to normality on most of such markets.

Reno De Medici Group had revenues of Euro 237 million in the first half of 2012 (compared to 279 million in the first half of 2011). This drop is essentially attributable to lower sales volumes (423 thousand tonnes sold in 2012 compared to 485 thousand tonnes in the same period of the previous year). This reduction was due to the suspension of production at the Magenta plant and to 3 days of production stop at all plants due to interrupted gas supplies.

With regard to the trend in principal production factors in the first half, January and February were marked by an increase in the price of pulp, which stabilised at medium-high levels in later months, with consequent erosion of the spread, i.e., the difference between unit selling prices and unit costs of fibrous raw materials. This upward trend seems to have halted at the end of the first half, with the prices of some materials slightly lower (but not yet sufficient to restore the revenue balance).

Energy components were essentially unchanged in the second quarter compared to the first, with confirmation of significantly higher prices in the first half compared to the same period of the previous year and to late 2011. The price of natural gas, the main source of energy, is considerably higher in Italy than in other European countries, which seriously penalises domestic production. In the first half of 2012, the price of gas on the Italian market was 25% higher than in the same period of the previous year, as opposed to European markets, where the price of gas remained largely stable.

The cost of labour dropped from Euro 38.8 million in the first half of 2011 to Euro 36.5 million in the same period of 2012. This is essentially attributable to domestic operations (specifically to the suspension of activities at the Magenta plant) and, to a lesser extent, to a reduced workforce.

The increase in the cost of natural gas, about Euro 5 million in Italy compared 2011, and, to a lesser extent, reduced sales volumes, are in part offset by lower fixed costs at the Magenta plant, which reduced EBITDA to Euro 14.0 million (compared to 21.2 million in the first half of 2011).

Consolidated net financial indebtedness was Euro 84.5 million at 30 June 2012, substantially in line with the figure of Euro 86.6 million at 31 December 2011 and improved compared to Euro 95.5 million at 31 March 2012. This improvement derives from the Euro 2.5 million capital contribution of Friulia S.p.A. in RDM Ovaro S.p.A. from approximately Euro 1.3 million due to greater use of factoring.

Results of the first half of 2012

The following table sets out the highlights of the profit and loss accounts for the six months ended on 30 June 2012 and 2011:

	30.06.2012	30.06.2011
(thousands of Euros)		
Revenues from sales	**237,456**	**278,594**
EBITDA (1)	**14,020**	**21,222**
EBIT (2)	**888**	**8,162**
Results of operating activities before taxes (3)	**(3,205)**	**4,405**
Current and deferred taxes	*(685)*	*(1,235)*
Profit (loss) for the period	**(3,890)**	**3,170**

(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"

RDM Group had sales revenues of Euro 237.5 million in the first half of 2012, down from 278.6 million in the same period of the previous year. This drop is essentially attributable to lower sales volumes (423 thousand tonnes sold in the first half of 2012 compared to 485 thousand tonnes in the same period of the previous year).

The following table provides a geographical analysis of sales revenues of cartonboard:

	30.06.2012	Inc. %	30.06.2011	Inc. %
(thousands of Euros)				
Italy	80,556	33.9 %	93,641	33.6 %
UE	115,600	48.7 %	130,865	47 %
Extra EU	41,300	17.4 %	54,088	19.4 %
Revenues from sales	**237,456**	**100 %**	**278,594**	**100 %**

A comparison with 2011 reveals the dynamics on individual markets, and specifically the reduced weight of sales on extra-European markets.

Consolidated EBITDA at June 30, 2012 amounted to Euro 14.0 million compared to Euro 21.2 million in the corresponding period in 2011.

Consolidated Operating Profit (EBIT) at June 30, 2012 is positive for Euro 0.9 million, compared to Euro 8.2 million in the corresponding period in 2011.

Net Financial Indebtedness was Euro 3.1 million at 30 June 2012, compared to Euro 3.9 million in the same period of the previous year. The improvement is mainly attributable to exchange rate differences due to revaluation of the US dollar, the currency in which sales are expressed on **Overseas** markets.

Investments were written down by Euro 1,025 thousands, mainly due to the adjustment to equity of the equity interest in Manucor S.p.A. for an amount of Euro 799 thousands, and in Careo S.r.l. for an amount of Euro 210 thousands.

There was a pre-tax current loss of Euro 3.2 million compared to a profit of Euro 4.4 million in the previous period.

The Group as at June 30, 2012 made capital expenditures of Euro 5.8 million (Euro 13.2 million at 30 June 2011).

The gross financial indebtedness at June 30, 2012, measured at amortized cost amounted to 94.8 (compared to Euro 88.7 million at December 2011) and consisted of the non-current portion of long-term loans for Euro 41.0 million, the current position of long term loans for about Euro 13.2 million and bank credit facilities and other financial liabilities of about Euro 40.6 million, consisting mainly of credit lines based trade accounts receivables.

Derivatives instruments entered into in order to provide cash flow hedge have been noted on the balance sheet for a total negative amount of Euro 1.6 million.

As at June 30, 2012 liquidity and financial credits due within 12 months amount of Euro 11.9 million (compared with Euro 3.8 million in December 2011).

Principal risk and uncertainties to which Reno De Medici S.p.A. and the Group are exposed

In performing its activities, the Reno de Medici Group is exposed to risks and external uncertainties determined by exogenous factors related to the macroeconomic context or specific to the industry where such activities are developed, as well as risks arising from strategic choices and company operations.
A detailed analysis of the risks and remedial actions is available in paragraph 4.6.2 of this Report on operations, to which reference is made, and in the section “Business Outlook”.

Significant events

On 22 June 2012, a series of operations were finalised regarding the Reno De Medici S.p.A. plant in Ovaro (Udine). The operations were conducted to consolidate the independence of the plant by transferring it to an independent company so that the new entity may act as an industry aggregation engine both in Italy and abroad.

The finalised operation regarded the transfer for consideration (transfer price: Euro 10 million) from Reno De Medici S.p.A. to RDM Ovaro of the company branch consisting of the Ovaro plant.

The net invested capital of the branch consisting of the Ovaro plant amounts to Euro 21.6 million, netting the financial liabilities for an amount of euro 11.6 million, on the effective date of the transfer. The transfer agreement provides the starting date of term of effectiveness from 1 July 2012 and a termination clause consisting of the failure to obtain consent to cancellation of the lien on the assets subject to transfer in favour of Banca Intesa San Paolo S.p.A. and of Unicredit S.p.A..

On 22 June 2012, following the transfer of the company branch, the Shareholders Meeting of RDM Ovaro also resolved to increase the share capital by a total of 12,500,000 euro through the issuance of 9,975,000 ordinary shared subscribed by Reno De Medici S.p.A. and 2,500,000 preferred shares sudscribed by Finanziaria Regionale Friuli-Venezia Giulia – Società per Azioni – FRIULIA S.p.A ("Friulia"), that, at the conclusion of the transaction, holds 20% of the share capital of RDM Ovaro. Also this operation is subjected to the above termination clause.
By means of this transaction, RDM Group will strengthen its presence in Italy thanks to Friulia's experience and know-how, counting on a balanced and reinforced economic and financial structure and a significant contribution of medium-term industrial financings.

It has to be notice that this is an operation with related parties, and as a consequence Information Document concerning the Transaction with related Party Transaction has been filed on June 26th 2012 and it is available in the Company's web-side. For further information on the operation please consult such document.

In June, following Cascades's transmission of the "Virgin Assets[1] Financials at 31 December 2011" as required by Art. 3.3.1 of the Combination Agreement signed on 13 September 2007 and modified on 12 June 2009, and for which adequate disclosure was provided, the Company began the evaluation process with regard to the Call Option provided in such Combination Agreement.
The grant of such Call Option, and the Put Option attributable to Cascades s.a.s., was part of the Combination Agreement with the Cascades Group dated 13 September 2007, thereby preceding the merger of March 2008.

1. The Virgin Assets are the Plants located in La Rochette (France) and Djupafors (Sweden), specialising in the production of cartonboard from virgin fibre. Both Plants are owned by Cascades s.a.s.

Such Combination Agreement was eventually amended on 12 June 2009 (Annex B) in relation to the rescheduling of the Loan Agreements signed in 2006.
It should be note that the elements for calculation of the exercise price were defined in 2007 (i.e., EBITDA of the Virgin Assets at 31.12.2011 multiplied by 6.5), on the basis of the evaluation done at the time of the Combination, and the Company has 120 days after transmission of the Virgin Assets Financials to communicate whether or not it will exercise the Call Option. In addition, for purposes of Art. 5 of the Procedure for Related-Party Transactions, this transaction was presented to the Related-Party Committee at its 20 June 2012 meeting. At the time this document was approved, the decisions of the Related-Party Committee and of the Board of Directors regarding the Call Option are not known, and will be announced as required by law.

Business outlook

The economic and financial context regarding the demand for consumer goods, to which the packaging market is closely connected, is expected to be difficult for the second half of 2012 as well, and should confirm the slight positive signs noted in the first half, with clearer signs of recovery expected only in 2013.

Moreover, there is a high risk of relapse into recession, not linked to the specific sector but to the economic and financial situation in general; therefore, the short-term outlook remains characterized by high volatility.

With specific reference to the folding box board sector, positive signs derive (as mentioned above) mainly from conclusion of the destocking policy adopted for the entire second half of 2011 by customers and converters, with consequent return to a normal flow of orders to the benefit of production efficiency.

With reference to the production factors, the greatest element of uncertainty foreseen in the second half regards the price of pulp raw materials and, specifically, confirmation of the trend seen at the end of the first half, with slightly lower prices.
On the other hand, no significant reductions in energy costs are expected.

Related parties and infragroup transactions

With regard to relations with related parties, the most significant transaction is described in the following paragraph, “Significant events”. With respect to related-party transactions, including infragroup transactions, such transactions are not qualifiable as atypical or unusual, and are part of the normal activities of Group companies.

Disclosure on related-party transactions, including those required pursuant to the CONSOB Resolution of 28 July 2006, is given in note 4.7 of the consolidated condensed interim financial statements at 30 June 2012.

Reno De Medici Group

Consolidated condensed interim financial statements

30 June 2012

5. Consolidated condensed interim financial statements at 30 June 2012

5.1 Consolidated income statement

	Note	30.06.2012	30.06.2011
(thousands of Euros)			
Revenues from sales	1	237,456	278,594
- of which related parties		*4,065*	*4,819*
Other revenues and income	2	7,730	7,765
- of which related parties		*835*	*792*
Changes in stock of finished goods	3	1,513	7,460
Cost of raw materials and services	4	(193,764)	(231,240)
- of which related parties		*(7,752)*	*(10,269)*
Staff costs	5	(36,471)	(38,841)
Other operating costs		(2,444)	(2,516)
Gross Operating Profit		**14,020**	**21,222**
Depreciation and amortisation	6	(13,132)	(13,060)
Operating Profit		**888**	**8,162**
Financial expense		*(3,505)*	*(3,633)*
Exchange rate differences		*360*	*(398)*
Financial income		*77*	*132*
Financial income (expenses), net	7	(3,068)	(3,899)
Income (loss) from investments	8	(1,025)	142
Taxation	9	(685)	(1,235)
Profit (loss) for the period		**(3,890)**	**3,170**
Total profit (loss) for the period attributable to:			
- Owners of the company		(4,030)	2,927
- Minority interests		140	243
Profit (loss) per ordinary share (Euros)		(0.011)	0.008
Profit (loss) per ordinary share diluted (Euros)		(0.011)	0.008

5.2 Consolidated statement of comprehensive income

	30.06.2012	30.06.2011
(thousands of Euros)		
Profit (loss) for the period	**(3,890)**	**3,170**
Other components of comprehensive profit (loss)		
Other variations	(289)	
Cash Flow Hedge	44	297
Current translation differences	69	(98)
Total other components of comprehensive profit (loss)	**(176)**	**199**
Total comprehensive profit (loss)	**(4,066)**	**3,369**
Total comprehensive profit (loss) attributable to:		
- Owners of the company	(4,206)	3,126
- Minority interest	140	243

5.3 Consolidated statement of financial position

	Note	30.06.2012	31.12.2011
(thousands of Euros)			
ASSETS			
Non-current assets			
Tangible fixed assets	10	232,691	239,831
Goodwill		63	63
Intangible assets		2,642	2,476
Intangible assets with an indefinite useful life		3,590	3,590
Investments	11	4,831	5,810
Deferred tax assets		432	399
Financial assets held for sale		194	195
Trade receivables	12	41	82
Other receivables		296	328
Total non-current assets		**244,780**	**252,774**
Current assets			
Stock	13	78,621	77,982
Trade receivables	12	93,945	92,289
- of which related parties		*832*	*886*
Associated companies and joint ventures trade receivables	12	2,384	1,547
Other receivables		6,908	5,392
Other associated companies and joint ventures receivables	14	436	1,192
Cash and cash equivalent	14	11,431	2,564
Total current assets		**193,725**	**180,966**
Non-current assets held for sale			**1,290**
TOTAL ASSETS		**438,505**	**435,030**

Reno De Medici

	Note	30.06.2012	31.12.2011
(thousands of Euros)			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		185,122	185,122
Share premium			
Other reserves		528	504
Retained earnings (losses) brought forwards		(33,251)	(29,926)
Profit (loss) for the period		(4,030)	(3,125)
Shareholders' equity attributable to the Group		**148,369**	**152,575**
Minority interests		572	713
Total Shareholders' equity		**148,941**	**153,288**
Non-current liabilities			
Bank loans and other financial liabilities	14	41,022	45,934
Derivative financial instruments	14	874	1,022
Other payables	15	3,943	1,543
- of which related parties		*1,204*	*1,204*
Deferred tax liabilities		16,761	18,399
Employee benefits	16	24,352	24,363
Non-current provisions for contingencies and charges	17	6,391	6,716
Total non-current liabilities		**93,343**	**97,977**
Current liabilities			
Bank loans and other financial liabilities	14	53,825	42,764
Derivative financial instruments	14	686	601
Trade payables	18	117,568	116,813
- of which related parties		*1,840*	*1,416*
Associated companies and joint ventures trade payables	18	6,925	7,066
Other payables		15,911	15,899
Current taxation		1,224	358
Employee benefits		82	264
Total current liabilities		**196,221**	**183,765**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**438,505**	**435,030**

5.4 Consolidated statement of changes in equity

	Share capital	Legal reserve	Other reserves	Retained earnings (losses) brought forwards	Profit (loss) for the year	Hedging reserve	Shareholders' equity attributable to Group	Minority interest	Total shareholders' equity
(thousands of Euros)									
Shareholders' equity at 31.12.2010	**185,122**	**5**	**965**	**(31,090)**	**1,367**	**(804)**	**155,565**	**1,010**	**156,575**
Distribution of dividends								(617)	(617)
Appropriation of Profit (loss)		203		1,164	(1,367)				
Profit (loss) for the period					2,927		2,927	243	3,170
Other components of comprehensive profit (loss)			(98)			297	199		199
Total comprehensive profit (loss)			**(98)**		**2,927**	**297**	**3,126**	**243**	**3,369**
Shareholders' equity at 30.06.2011	**185,122**	**208**	**867**	**(29,926)**	**2,927**	**(507)**	**158,691**	**636**	**159,327**

	Share capital	Legal reserve	Other reserves	Retained earnings (losses) brought forwards	Profit (loss) for the year	Hedging reserve	Shareholders' equity attributable to Group	Minority interest	Total shareholders' equity
(thousands of Euros)									
Shareholders' equity at 31.12.2011	**185,122**	**208**	**1,000**	**(29,926)**	**(3,125)**	**(704)**	**152,575**	**713**	**153,288**
Distribution of dividends		200		(3,325)	3,125			(281)	(281)
Appropriation of Profit (loss)									
Profit (loss) for the period					(4,030)		(4,030)	140	(3,890)
Other components of comprehensive profit (loss)			**(220)**			**44**	**(176)**		**(176)**
Total comprehensive profit (loss)			**(220)**		**(4,030)**	**44**	**(4,206)**	**140**	**(4,066)**
Shareholders' equity at 30.06.2012	**185,122**	**408**	**780**	**(33,251)**	**(4,030)**	**(660)**	**148,369**	**572**	**148,941**

5.5 Consolidated statement of cash flow

	Note	30.06.2012	30.06.2011
(thousands of Euros)			
Profit (loss) for the period before taxation		(3,205)	4,405
Depreciation and amortisation		13,133	13,060
Losses (gains) from investments		1,025	(142)
Financial (income) expense		3,428	3,899
Losses (gains) on disposal of non-current assets		(212)	
Change in the employees' leaving entitlement, other provision fund including provision for bad and doubtful debts		(1,188)	26
Change in stocks	13	(554)	(11,153)
Change in receivables	12	(4,197)	(2,303)
- of which related parties		*(570)*	*(339)*
Change in payables	18	2,524	13,311
- of which related parties			*1,409*
Change in total working capital		**(2,227)**	**(145)**
Gross cash flows		**10,754**	**21,103**
Interests paid in the period		(2,555)	(4,223)
- of which related parties		(19)	(15)
Interests received in the period		48	1,297
- of which related parties		48	3
Taxes paid in the period		(898)	(2,164)
Cash flows from operating activities		**7,349**	**16,013**
Sale (purchase) of financial assets held for sale			(3)
Investments and disinvestments in non current assets	10	(6,158)	(13,017)
Investments and disinvestments in non current assets held for sale	10	1.416	
Discontinued operations			(35)
Investments in joint venture		(30)	
Other variations		(289)	
Cash flows from investing activities		**(5,061)**	**(13,055)**
Change in financial assets and liabilities and short-term bank borrowings	14	11,578	3,625
- of which related parties		756	(2,601)
Change in long-term bank borrowings	14	(5,069)	(4,965)
Cash flows from financial activities		**6,509**	**(1,340)**
Exchange difference from convertion		**70**	**(98)**
Change in liquid funds	14	**8,867**	**1,520**
Liquid funds at beginning of the period		**2,564**	**2,210**
Liquid funds at end of the period	14	**11,431**	**3,730**

5.6 Illustrative notes

Reno De Medici Spa 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 Spa 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 2 August 2012 which approved them for publication.

5.6.1 Accounting principles and policies

The condensed interim financial statements is prepared on the going concern assumption. In this respect, despite operating in an economic and financial environment that continues to be difficult, the Group'd Directors assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern.

The Consolidated condensed interim Financial Statements at 30 June 2012 was written according to IAS 34 – Interim Financial Reporting, by applying the same accounting standards adopted for the Consolidated Financial Statement at 31 December 2011, expect as described in the paragraph "Accounting principles and policies" in the section "Amendaments, improvements and interpretations".

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 consolidated statement of comprehensive income is presented separately from consolidated income statement and each figures are exposed net of fiscal effect;

• the consolidated statement of cash flow is presented using the indirect method;

• consolidated statement of changes in 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 half-year 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 2011.

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.

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

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

Accounting standards and amendments not yet applicable and not early adopted by the Group

- Amendament to IAS 1 – Presentation of Financial Statement;
- Amendament to IAS 19 – Employee Benefits.

In addition, as of this half-year financial report, the competent bodies of the European Union had not yet cmpleted the endorsement process necessary for the adoption of the following IFRSs nd amendments:

- IFRS 9 – Financial Instruments;
- Amendaments to IAS 12 – Income taxes;
- IFRS 10 – Consolidated financial statements;
- IAS 27 – Consolidated and separate financial statements;
- IFRS 11 – Joint arrangmentes;
- IFRS 12 – Disclosure of interests in other entities;
- IFRS 13 – Fair value measurement;
- Amendments to IAS 32 - Financial Instruments: Presentation, Classification of Rights Issues;
- Amendments to IFRS 7 – Financial Instruments: Disclosures;

On 17 May 2012, the IASB issued a set of Improvements to IFRSs – 2009-2011, which will be applicable retrospectively.

Impairment Testing

At each half-year financial statement 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 36 months, indicates a situation of total uncertainty insofar as the possible future economic scenarios, whether at a global or a domestic level.

In addition, the Group's market capitalization has experienced a downwards trend, settling at an average level that is lower than balance sheet equity. This gap originally appeared 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 2011, 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 2012, in line with the expectations, the directors believe that the cautious assumptions made for the foreseeable trend in operations until 2015, 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.

5.6.2 Financial risk management policy

Risk Connected with General Economic Conditions

As are all industrial companies, the Company and the Group are exposed to risks linked to the course of the current economic crisis, which worsened in the second half of 2011. Although the crisis continued into early 2012, there are also some weak signs of recovery that should become more evident only in 2013.

The crisis generates a risk linked to sales volumes. Although this risk cannot be eliminated, it can be reduced with appropriate steps that the Group takes to adjust production levels to real demand.

With specific reference to the packaging board sector, risks linked to continuation of the recession are mitigated by reducing inventories at converters and final customers, with consequent need to restock.

Another risk factor in this context is linked to credit, due to the growing difficulties that many customers are experiencing with regard to making punctual payments. This difficulty is also linked to the restrictive policy applied by Banks with respect to granting loans. Moreover, recent measures adopted by the ECB should have ensured the banking system the liquidity needed to loosen the restrictive policy adopted so far, although this result has not yet been achieved.

Another risk factor is linked to the evolution of prices for raw materials for pulp, which is expected to be slightly less critical in light of the downward trend in prices seen in the latter part of the first half. This trend should continue in the rest of the year.

On the other hand, there is a continued risk linked to energy prices, which are expected remain at current (high) prices in the second half of 2012. This risk includes a component linked to the exchange rate of the US dollar, since energy prices (especially for natural gas and coal) are directly or indirectly linked to oscillations in the price of oil and in the exchange rate. The situation is constantly and closely monitored by specific Company departments.

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 for 2012.

Risk relating to Interest Rate

Exposure to interest rate risk regards both medium-term and short-term credit lines. At 30 June 2012, medium/long-term indebtedness amounted to Euro 54.8 million. Of this, Euro 30.6 million are variable-rate and not covered by Swaps. Short-term credit lines, used for Euro 40.6 million at 30 June 2012, are all variable-rate.

After the rise in interest rates in 2011, the current trend implies that in 2012 there will be no significant negative events linked to their fluctuation, even if the forecast remains uncertain, especially in light of the current crisis in the banking industry.

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, 2012, the consolidated Net Financial Position is negative by Euro 84.5 million, with a decrease of Euro 2.1 million compared to the Euro 86.6 million at December 31, 2011.

Credit Risk

As mentioned above, credit risk regards the Company's and the Group's exposure to their customers' insolvency. To efficiently manage this risk, RDM has stipulated insurance contracts with a principal credit insurance company. Any uninsured and/or uninsurable positions are constantly monitored by specific Company departments.

In addition, in 2010 the Parent Company stipulated a factoring agreement pursuant to which trade receivables amounting to approximately Euro 15.7 million were unfrozen as of 30 June 2012.

To reduce this risk, the Group has also adopted a restrictive customer credit policy that calls for careful monitoring of positions considered at risk. Such policy has succeeded in containing credit losses, although there has been a general deterioration of the credit situation on the whole, especially in countries most affected by the economic crisis.

Exchange risk

This risk regards Company's and the Group's exposure to fluctuation of the exchange rate for costs and revenues expressed in currencies other than the Euro. For the Group, this exposure is linked especially to fluctuation of the US dollar (the currency in which a significant part of Overseas revenue is expressed) and, with regard to costs, to purchases of some raw materials and energy. Given the expected volumes of costs and revenues expressed in US dollars, net exposure is not considered significant in relation to the total size of the business.

Capital Risk

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

5.6.3 Scope of consolidation

The financial and economic position of the RDM Group comprises the financial and economic position of Reno De Medici S.p.A. and those enterprises over which it 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. Control is generally presumed to exist when the Group holds, directly or indirectly, more than half of the voting rights, also taking into consideration any potential voting rights that are immediately exercisable. 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 statement of financial position, consolidated income statement, and consolidated statement of comprehensive income respectively.

The more significant consolidation policies adopted are as follows:

- the carrying amount of investments consolidated on a line-by-line basis is eliminated against the related equity, with the assets, liabilities, income and expense of the subsidiary being added together with those of the parent, regardless of the size of the investment; share capital and minorities reserve of subsidiaries and minorities profit and loss of subsidiaries are presented in consolidated statement of financial position and in consolidated income statement;
- The acquisition of subsidiaries is accounted for using the purchase method as required by IFRS 3 revised (see “Business Combinations”);
- all balances and significant transactions between Group companies are eliminated, as are any profits and losses (unless losses indicate an impairment of the sold asset requiring recognition) arising from commercial or financial intragroup transactions not yet realised with third parties;
- 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 companies are eliminated from the profit and loss account on consolidation.

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

Company name	Registered office	Activity	Share capital (Eur/1000)	Shareholding			
				30.06.2012		30.06.2011	
				Direct	Indirect	Direct	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 %	
R.D.M. Ovaro S.p.A.	Milan (I)	Manufacturing	12,500	80.00 %			

Compared to 31 December 2011, the scope of consolidation has changed as a result of the entrance of the new company R.D.M. Ovaro S.p.A. For details, see the paragraph “Significant events.”

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

Company name	Registered office	Activity	Share capital (Eur/1000)	Shareholding			
				30.06.2012		30.06.2011	
				Direct	Indirect	Direct	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 %	
Carta Service Friuliana S.r.l.	Milan (I)	Manufacturing	60	50.00 %		51.00 %	
ZAR S.r.l.	Silea (I)	Manufacturing	90	33.33 %		33.33 %	
Manucor S.p.A.	Milan (I)	Manufacturing	10,000	22.75 %		22.75 %	

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	Open-exchange	Weight-exchange	End-exchange rate 30.06.2012
Sterlina G.Bretagna	0.8353	0.8225	0.8068

5.6.4. Notes to the consolidated financial statements for the first half year 2012

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 period.

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 2012 half-year financial report and 2011 half-year financial report:

Profit and loss 30.06.2012	Italy	Spain	Germany	France	Uk	Unallocated items & adjustments	Consolidated
(thousands of Euros)							
Revenues from sales	**142,483**	**18,632**	**62,592**	**30,728**	**3,342**	**(20,321)**	**237,456**
Revenues from transactions with other segments	(19,419)		(582)	(317)	(2)	20,321	
Revenues from external customers	**123,064**	**18,632**	**62,010**	**30,411**	**3,340**		**237,456**
Gross operating profit	**8,808**	**493**	**4,855**	**140**	**(276)**		**14,020**
Depreciation and amortization	(7,644)	(368)	(5,250)	(296)	(31)	457	(13,132)
Operating profit	**1,164**	**125**	**(395)**	**(156)**	**(307)**	**457**	**888**
Financial income (expense), net	(3,066)	144	(39)	(116)	9		(3,068)
Income (loss) from investments	(246)					(779)	(1,025)
Taxation	(539)		82	(87)		(141)	(685)
Profit (loss) for the year	**(2,687)**	**269**	**(352)**	**(359)**	**(298)**	**(463)**	**(3,890)**
Interest in profit/(loss) of joint venture and associates accounted for by equity method	(1,009)						
Total Assets on June 30, 2012	**436,303**	**51,983**	**118,250**	**23,659**	**5,077**	**(196,767)**	**438,505**
Total Assets on December 31, 2011	**409,536**	**49,544**	**121,616**	**21,674**	**4,769**	**(172,109)**	**435,030**

Profit and loss 30.06.2011	Italy	Spain	Germany	France	Uk	Unallocated items & adjustments	Consolidated
(thousands of Euros)							
Revenues from sales	**182,182**	**21,298**	**65,133**	**32,894**	**4,207**	**(27,120)**	**278,594**
Revenues from transactions with other segments	(26,149)		(705)	(264)	(2)	27,120	
Revenues from external customers	**156,033**	**21,298**	**64,428**	**32,630**	**4,205**		**278,594**
Gross operating profit	**15,899**	**546**	**5,493**	**(759)**	**43**		**21,222**
Depreciation and amortization	(7,696)	(370)	(4,785)	(254)	(29)	74	(13,060)
Recovery of value and write-down of assets							
Operating profit	**8,203**	**176**	**708**	**(1,013)**	**14**	**74**	**8,162**
Financial income (expense), net	(3,224)	82	(406)	(340)	(14)	3	(3,899)
Income (loss) from investments	(764)					906	142
Taxation	(903)		(117)	(92)		(123)	(1,235)
Profit (loss) for the year	**3,312**	**258**	**185**	**(1,445)**		**860**	**3,170**
Interest in profit/(loss) of joint venture and associates accounted for by equity method	142						
Total Assets	**459,639**	**51,856**	**131,647**	**24,569**	**5,566**	**(187,032)**	**486,245**

Notes

1. Revenues from sales

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

	30.06.2012	30.06.2011	Variations	%
(thousands of Euros)				
Italy	80,556	93,641	(13,085)	(14 %)
UE	115,600	130,865	(15,265)	(11.7 %)
Extra UE	41,300	54,088	(12,788)	(23.6 %)
Total revenues from sales	**237,456**	**278,594**	**(41,138)**	**(14.8 %)**

RDM Group had sales revenues of Euro 237.5 million in the first half of 2012, down from 278.6 million in the same period of the previous year. This drop is essentially attributable to lower sales volumes (423 thousand tonnes sold in the first half of 2012 compared to 485 thousand tonnes in the same period of the previous year).

2. Other revenues and income

Other revenues and income for the first half of 2012 consist principally of proceeds recognised by some energy suppliers for participation in the interruption service (euro 3.8 million), proceeds from the supply of electrical energy by the mills in Italy, France and Germany during the first half of 2012 (euro 1.3 million), of ordinary grants received from Comieco (euro 0.2 million) that relate to the use of waste paper deriving from urban waste differentiation schemes, from insurance recoveries (euro 0.3 million) and contingency asset (euro 0.7 million).

3. Change in stocks of finished goods

The change in stocks during the first half of 2012 is attributable mainly to the increase in physical inventories.

4. Cost of raw materials and services

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

	30.06.2012	% Value of production (*)	30.06.2011	% Value of production (*)
(thousands of Euros)				
Cost of raw material	110,612	46.3 %	135,909	47.5 %
Cost of service	81,332	34.0 %	93,506	32.7 %
Use of third party assets	1,820	0.8 %	1,825	0.6 %
Total	**193,764**	**81.1 %**	**231,240**	**80.8 %**

(*) 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. Further information may be found in the "Interim report of management".

"Cost of services" drop in total by 12.6% compared the previous period, amounting to about 34% of value of production (32.7% on June 30, 2011).). The reduction compared to the previous year (Euro 12.2 million) is related to smaller volumes produced.

"Use of third party assets" at 30 June 2012 are in line with the figures at 30 June 2011.

5. Staff Costs

Staff Cost dropped by euro 2.3 million, from Euro 38.8 million in the first half of 2011 to Euro 36.5 million in the same period of 2012. This is essentially attributable to domestic operations (specifically to the suspension of activities at the Magenta plant) and, to a lesser extent, to a reduced workforce.

6. Depreciation and Amortization

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

	30.06.2012	30.06.2011	Variations
(thousands of Euros)			
Amortisation of intangible assets	312	293	19
Depreciation of tangible assets	12,820	12,767	53
Total	**13,132**	**13,060**	**72**

7. Financial income (expenses), net

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

	30.06.2012	30.06.2011	Variations
(thousands of Euros)			
Financial income	**77**	**132**	**(55)**
Interest and other financial income	72	10	62
Financial income from derivative instruments	5	122	(117)
Financial expense	**(3,505)**	**(3,633)**	**128**
Bank interest	(2,275)	(2,270)	(5)
Financial charge from derivative instruments	(272)	(388)	116
Financial charge on defined benefits plans	(528)	(562)	34
Expenses, commissions and other financial charges	(430)	(413)	(17)
Exchange differences	**360**	**(398)**	**758**
Exchange gains	1,249	1,165	84
Exchange losses	(889)	(1,563)	674
Total	**(3,068)**	**(3,899)**	**831**

Net Financial Indebtedness was Euro 3.1 million at 30 June 2012, compared to Euro 3.9 million in the same period of the previous year. The improvement is mainly attributable to exchange rate differences due to revaluation of the US dollar, the currency in which sales are expressed on **Overseas** markets.

8. Income (loss) from investments

Income from investments for an amount of Euro 1,025 thousands mainly relates to the evaluation of the investment in the joint venture Careo S.r.l. and Manucor S.pA. respectly for Euro 210 thousand and Euro 799 thousand, by using the equity method.

9. Taxation

The table below details the subdivision between current and deferred taxes at 30 June 2011:

	30.06.2012	30.06.2011	Variations
(thousands of Euros)			
Deferred taxation	1,088	557	531
Current taxation	(1,773)	(1,792)	19
Total	**(685)**	**(1,235)**	**550**

10. Tangible fixed assets

The table belew detail movement of tangible fixed assets:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Asset in course of construction	Total
(thousands of Euro)							
Cost	23,487	99,041	617,110	2,217	14,493	3,372	759,721
Accumulated depreciation/Write-down		(53,042)	(450,720)	(2,000)	(14,128)		(519,889)
Net Book value 31.12.11	**23,487**	**45,999**	**166,390**	**218**	**365**	**3,372**	**239,831**
Increases	31	53	1,984	23	10	3,674	5,775
Decreases			(1,585)		(329)	(100)	(2,014)
Reclassification of cost	5	24	115	(17)		(127)	
Other	(72)		24				(48)
Depreciation of the period		(1,612)	(11,100)	(25)	(83)		(12,820)
Other changes (acc. Depr.)		72	(9)				63
Utilization of the acc. Depr.			1,575		329		1,904
Reclassification of fund		(322)	305	17			
Value at 30.06.2012							
Cost	**23,451**	**99,118**	**617,648**	**2,223**	**14,174**	**6,819**	**763,434**
Accumulated depreciation/Write-down		(54,904)	(459,949)	(2,008)	(13,882)		(530,743)
Net Book value 30.06.12	**23,451**	**44,214**	**157,699**	**216**	**292**	**6,819**	**232,691**

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

For purposes of calculating possible value losses, no impairment indicators have emerged that could change the evaluations made at 31 December 2011, for more details, please see the paragraph of "Impairment test".

11. Investments

The variation of "investments" is mainly related to the evaluation of the investment in the joint venture Careo S.r.l. and Manucor S.pA. respectly for Euro 210 thousand and Euro 799 thousand, by using the equity method.

At 30 June 2012, Manucor S.p.A. had net borrowings of euro 67.5 million and, on the same date, it missed the payment of the instalment of about Euro 2.8 million required under the loan agreement with shareholder Intesa San Paolo S.p.A.. To this date, the Bank did not accelerate the repayment of all loans outstanding. Based on preliminary analyses, Manucor S.p.A.'s management feels that the company will be able to handle all future financial pressures with the tools available.

12. Trade receivables and associated companies and joint ventures trade receivables

The following table presents an analysis of trade receivables between current and non-current balances, whose total amounted to Euro 96.4 million:

	30.06.2012	31.12.2011	Variations
(thousands of Euros)			
Trade receivables	41	82	(41)
Non-current trade receivables	**41**	**82**	**(41)**
Trade receivables	93,945	92,289	1,656
Associated companies and joint ventures trade receivables	2,384	1,547	837
Current trade receivables	**96,329**	**93,836**	**2,493**

Trade receivables, net of a provision for bad and doubtful debts of Euro 5.8 million, over 31 December 2011 are in line. During the first semester the account receivables expiring after June 2012 that have been sold, pro-soluto, amounted to Euro 15.7 million (Euro 14.4 million at 31 December 2011).

"Associated companies and joint ventures trade receivables" include both the relations that the Group maintains with Careo S.r.l. and its subsidiaries related to the services provided, and the relations that the Parent Company maintains with Pac Service S.p.A. and Carta Service Friuliana S.r.l. related to the trade relations.

13. Stock

The change in stocks for an amount of Euro 639 thousand is attributable mainly to the increase in physical inventories.

14. Net financial position

The net consolidated financial indebtedness at 30 June 2011 amounts to Euro 84.5 million, compared to Euro 86.6 million at 31 December 2011.

The breakdown for the net financial position is as follows:

(thousands of Euros)	30.06.2012	31.12.2011	Variations
Cash	25	34	(9)
Funds available at banks	11,406	2,530	8,876
A. Cash and cash equivalent	**11,431**	**2,564**	**8,867**
Other associated companies and joint ventures receivables	436	1,192	(756)
B. Current financial receivables	**436**	**1,192**	**(756)**
1. Bank overdraft	40,610	29,557	11,053
2. Current portion of medium and long term loans	12,961	12,879	82
3. Other current financial liabilities	254	328	(74)
Bank loans and other financial liabilities (1+2+3)	53,825	42,764	11,061
Derivatives - current financial liabilities	686	601	85
C. Current financial debt	**54,511**	**43,365**	**11,146**
D. Current financial debt, net (C - A - B)	**42,644**	**39,609**	**3,035**
Bank loans and other financial liabilities	41,022	45,934	(4,912)
Derivatives - non-current financial liabilities	874	1,022	(148)
E. Non-current financial payables	**41,896**	**46,956**	**(5,060)**
F. Financial debt, net (D+G)	**84,540**	**86,565**	**(2,025)**

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 nominal value, are detailed below:

(thousands of Euros)	Due within on year	Due after more than one year	Due after more than five years	total
M.I.C.A. - due on February 13, 2016	148	477		625
M.I.C.A. - due on October 16, 2013	151	155		306
San Paolo Imi fin.pool - tranche A - due on April 6, 2016	6,280	18,842		25,122
San Paolo Imi fin.pool - tranche B - due on April 6, 2016	2,000	6,000		8,000
MCFVG - FRIE		1,450		1,450
Banca Pop.Emilia Romagna - due on May 15, 2016	620	1,860		2,480
DRESDNER BANK - due on December 2015	714	1,786		2,500
M.I.T.C. - due on Oct 1, 2025		238		238
Leasing Caterpillar - due on April 25, 2016	13	41		54
Caja Duero - due on April 21, 2019	97	809		906
San Paolo Imi - due on April 6, 2016	3,276	9,827		13,103
Total payables at nominal value	**13,299**	**41,485**		**54,784**
Effect of amortized cost	**(338)**	**(463)**		**(801)**
Total payables valued with amortized cost	**12,961**	**41,022**		**53,983**

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 adjusted (EBITDA adusted);
- Gross operating profit (EBITDA adusted)/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 adjusted 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 2012 the financial parameters.

In order to reduce the variability of financial charges on the indebtedness, interest rate swaps have been subscribed on the outstanding loans of 30 June 2012, following sets out the main features of the derivative financial instruments at 30 June 2012, analysed interest rate swap agreements.

Company	Counterparty	Currency	Maturity	Nominal Value (€/000)	Interest	Payment of interest	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	06.04.2016	12,000	4,11% fixed Euribor 6m	Six monthly	(836)
Reno De Medici S.p.A.	Unicredti Banca d'impresa S.p.A.	Eur	06.04.2016	6,000	4,11% fixed Euribor 6m	Six monthly	(418)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	15.05.2016	2,480	4,15% fixed Euribor 6m	Six monthly	(174)
Reno De Medici Arnsberg GmbH	Dresdner Bank AG	Eur	31.12.2015	2,500	3,59% fixed Euribor 6m	Six monthly	(132)
				22,980			**(1,560)**

In terms of guarantees the agreement requires RDM to provide first mortgages on the Ovaro, Marzabotto, and Arnsberg mills and second mortgages on those at Magenta, Santa Giustina and Villa Santa Lucia, for an overall total of Euro 166.4 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 149.5 million.

15. Other payables

Other payables amount to Euro 3,9 million (Euro 1,5 million at December 31, 2011). The increase is due to the posting of the value of the debt toward Friulia S.p.A., relevant to the consideration that has been agreed upon based on the put option granted by the company on 20% capital share subscribed by Friulia in the subsidiary RDM Ovaro S.p.A..

16. Employee benefits

The non-current portion of "Employee benefits" at 30 June 2012 included mainly the amount of the employee leaving entitlement (ItalianTFR).

At 30 June 2012 the RDM Group's workforce consisted of 1,460 employees, compared of 1,502 employees at 31 December 2011.

17. Non-current provisions for contingencies and charges

There are no changes compared to December 31, 2011

18. Trade payables and associated companies and joint ventures trade payables

The balance at 30 June 2012 is made up as follows:

	30.06.2012	31.12.2011	Variations
(thousands of Euros)			
Trade payables	117,568	116,813	755
Associated companies and joint ventures trade payables	6,925	7,066	(141)
Total	**124,493**	**123,879**	**614**

"Trade payables" amount to Euro 124.5 million (Euro 123.9 million at 31 December 2011) 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 item "Associated companies and joint ventures trade payables" amounting to Euro 6.9 million (Euro 7.1 million at 31 December 2011) relate to balances of a trading nature with Careo S.r.l..

19. Non-recurring transactions

Group's financial position ad results have not been affected by any other non-recurring transactions, as defined by Consob communication no. DEM/6064293.

20. 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 Province of Belluno regarding the landfill located at the Santa Giustina (BL) facility;
- surety of Euro 421 thousand provided in favour of Lazio Region;
- sureties of Euro 3.5 million provided to the Comieco consortium;
- sureties of Euro 69 thousand provided in favour of the customs authorities;
- a surety of Euro 90 thousand provided in favour of the Lombardy Region;
- a surety of Euro 108 thousand given in connection with the leasing of property;
- sureties of Euro 228 thousand provided in favour of Terna S.p.A.;
- a surety of Euro 750 thousand provided in favour of Valli S.p.A.;
- a surety of Euro 120 thousand provided in favour of Stogit S.p.A.;
- a surety of Euro 3,4 million provided in favour of Voith Paper;
- a surety of Euro 368 thousand provided in favour of GSE;
- a surety of Euro 148 thousand provided in favour of Tax Office for Carta Service Friulana S.r.l..

As to the cited put option granted to Cascades S.A.S., on Cascades S.A.S.'s European operations in the manufacture of virgin fibre cardboard - which is currently carried out in the plants of La Rochette, France, and Djupafors, Sweden - it is noted that the related exercise price is related to a non-financial variable which cannot be determined to this date.

Reference should be made in the consolidated financial statements at December 31, 2011 regarding to the relations with Manucor's shareholders.

5.7 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. The "Procedure for Related-Party Transactions", took effect on 1 January 2011, was formally approved by the Board of Directors on 8 November 2010, and revised on 3 August 2011, in conformity to the Rules adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently modified and supplemented.
The most significant transaction finalised in the period regarded the Reno De Medici S.p.A. plant in Ovaro. For details, see the paragraph "Significant events".

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.S. 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 with Pac Service S.p.A., 33% owned by RDM, related to the sale of cartonboard;
- Supply of business consulting services to Careo Group’s subsidiaries;
- Supply of administrative and cash pooling services by Reno De Medici S.p.A. and its Subsidiaries to companies in the Careo Group.

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

Receivables and payables with related parties

	Current assets			Current liabilities		Non-current liabilities
	Trade receivables	Associated companies and joint ventures trade receivables	Other associated companies and joint ventures trade receivables	Trade payables	Associated companies and joint ventures trade payables	Other payables
(thousands of Euros)						
Careo Ltd.		128				
Careo S.a.s.		231			37	
Careo Spain S.L.		938			5	
Careo S.r.l.		790	436		6,883	
Cascades Asia Ltd.	585					
Cascades Canada ULC.				20		
Cascades Djupafors A.B.	137			239		
Cascades Groupe Produits				1		
Cascades Inc.				5		
Cascades S.A.S.	110			1,575		1,204
Pac Service S.p.A.		170				
Carta Service Friuliana S.r.l.		127				
Total	**832**	**2,384**	**436**	**1,840**	**6,925**	**1,204**
Incidence on the total of the item	**0.9 %**	**100 %**	**100%**	**1.6 %**	**100 %**	**79.4 %**

Revenues and costs deriving from related party transactions

	Revenues from sales	Other revenues	Financial income
(thousands of Euros)			
Careo GmbH		8	
Careo Ltd.		104	
Careo S.a.s.	197	28	
Careo Spain S.L.		67	
Careo S.r.l.		354	48
Cascades Asia Ltd	1,984		
Cascades Djupafors A.B.		153	
Cascades S.A.S.		121	
Pac Service S.p.A.	1,884		
Total	**4,065**	**835**	**48**
Incidence on the total	**1.7 %**	**10.8 %**	**3.6 %**

(thousands of Euros)	Cost of raw material and service	Financial charge
Careo S.a.s.	10	
Careo S.r.l.	5,719	19
Careo Spain S.L.	6	
Cascades Canada ULC	19	
Cascades Djupafors A.B.	223	
Cascades Inc.	5	
Cascades S.A.S.	1,770	
Total	**7,752**	**19**
Incidence on the total	**4 %**	

Cash flow from related parties

(thousands of Euros)	30.06.2012
Revenues and income	4,900
Cost and charge	(7,752)
Financial income	48
Financial expenses	(19)
Change in trade receivables	(570)
Change in trade payables	
Change in total working capital	(570)
Cash flows from operating activities	**(3,393)**
Change in other financial assets and liabilities, and short term borrowings	756
Cash flows from financing activities	**756**
Cash flows for the year	**(2,637)**

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 374 thousands and Euro 83 thousands. The Managing Director has received a compensation of Euro 125 thousands, already booked in the previous financial reports. The Managing Director has also received a remunerations of Euro 102 thousands as General Manager.

5.8 Legal and arbitration proceedings

Current risks and litigation.

There are no changes compared the current risks and litigation compared to December 31, 2011

5.9 Subsequent events

There are no subsequent significant events to report other than as described in the paragraph "Significant events" regarding the effective date (1 July 2012) of the transfer of the Ovaro company branch.

6. List of investments in subsidiary companies and associates

Investments at 30 June 2012 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%

R.D.M. Ovaro S.p.A.
Milan – Italy
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

Carta Service Friulana S.r.l.
Milan – Italy
Direct ownership 50%

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%

ZAR S.r.l.
Silea – Italy
Direct ownership 33.33%

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 2012 to 30 June 2012.

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 2012:

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, 2 August 2012

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

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AUDITORS' REVIEW REPORT ON THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
RENO DE MEDICI S.p.A.

1. We have reviewed the half-yearly condensed consolidated financial statements of Reno De Medici S.p.A. and subsidiaries (the "Reno De Medici Group"), which comprise the consolidated statement of financial position as of June 30, 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flow, the consolidated statement of changes in equity for the six-month period then ended, and the related illustrative notes. The Company's directors are responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue a report on these half-yearly condensed consolidated financial statements based on our review.

2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike in the auditors' report on the year-end consolidated financial statements, we do not express an audit opinion on the half-yearly condensed consolidated financial statements.

   As far as comparative figures related to the year ended December 31, 2011 and the six-month period ended June 30, 2011 are concerned, reference should be made to the auditors' report and the auditors' review report issued by other auditors dated April 4, 2012 and August 4, 2011 respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the half-yearly condensed consolidated financial statements of Reno De Medici Group as of June 30, 2012 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Gasperini
Partner

Milan, Italy
August 3, 2012

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