Reno De Medici

Half-Year Report

30062014

NET REVENUES: €238.9 MILLION
(COMPARED TO €241.5(*) MILLION AS OF JUNE 30, 2013)

GROSS OPERATING PROFIT (EBITDA): €25.8 MILLION
(COMPARED TO €16.7(*) MILLION AS OF JUNE 30, 2013)

OPERATING PROFIT (EBIT): €13.7 MILLION
(COMPARED TO €4.4(*) MILLION AS OF JUNE 30, 2013)

NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF €9.2 MILLION
(PROFIT OF €0.2(*) MILLION AS OF JUNE 30, 2013)

NET FINANCIAL DEBT: €72.8 MILLION
(COMPARED TO €73.5 MILLION AS OF DECEMBER 31, 2013)

(*) Following the shut-down of operations of RDM UK and the resulting reclassification of its profit for the period under discontinued operations, as required by IFRS 5, the figures as of June 30, 2013 were reclassified to make them comparable to those as of June 30, 2014.

Reno De Medici S.p.A.
Viale Isonzo 25, Milan
Share capital €185,122,487.06
Tax code and VAT number 00883670150

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1. BOARD OF DIRECTORS AND AUDITORS

Board of Directors

Robert Hall	Chairman
Ignazio Capuano	CEO
Enrico Giliberti	Director
Laura Guazzoni	Director
Laurent Lemaire	Director

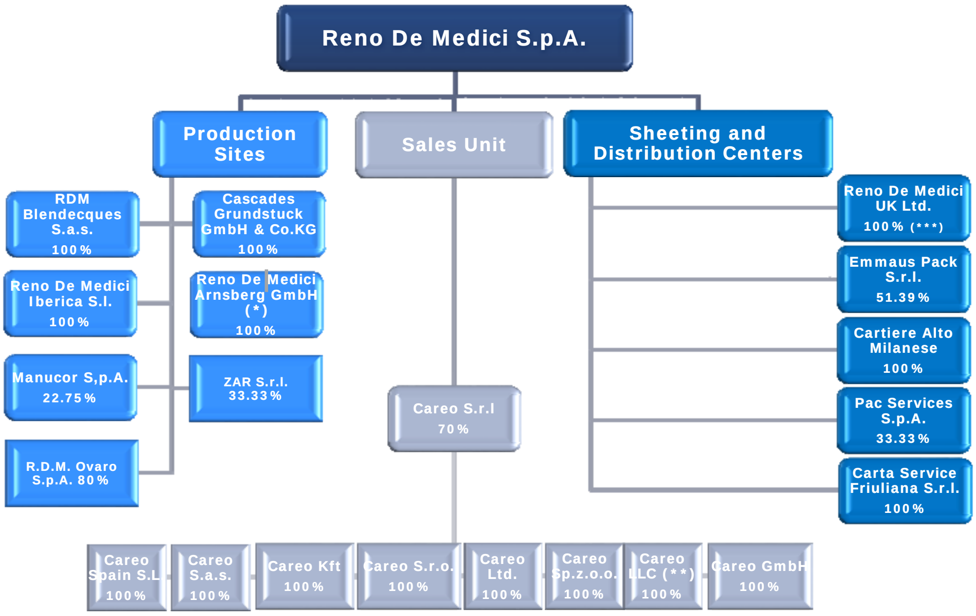
Board of Statutory Auditors

Carlo Tavormina	Chairman
Giovanni Maria Conti	Acting statutory auditor
Tiziana Masolini	Acting statutory auditor
Domenico Maisano	Deputy statutory auditor

Independent Auditors

Deloitte & Touche S.p.A.

2. GROUP OPERATING COMPANIES AS OF JUNE 30, 2014



(*) Company 94% owned by Reno De Medici S.p.A. and 6% owned by Cascades Grundstück GmbH & Co.KG.
(**) Company in liquidation
(***) Company presented as required by IFRS 5

3. Introduction

This half-year report as of June 30, 2014 was prepared pursuant to Legislative Decree 58/1998 as amended, as well as the Issuers' Regulations issued by Consob.
The condensed consolidated half-year financial statements were prepared in keeping with 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"), including those issued previously by the Standing Interpretations Committee and presented in accordance with IAS 34 – Interim Financial Statements, applying the same accounting standards adopted in preparing the Consolidated Financial Statements as of December 31, 2013.

4. Interim report on operations

Reno De Medici closes a positive first half of 2014 recording an EBITDA of €25,8 million, a relevant growth compared the €16.7 million of the same period of previous year. Net profit rises to €9.2 million, vs. €245 thousand recorded in 2013.

Although the evolution of the general macroeconomic scenario confirms the positive trend observable since the second half of 2013, when the first signs of recovery from the long crisis started at the end of 2008 appeared, the upturn remains slow and moderate, exposed to temporary decelerations. Actually the first half of 2014 shows in the first months a noticeable slow-down, and the world trade in the first quarter decreased by -2.8% on an annual basis; in the lasts months the world economy seemed to grow again, even if moderately, and with sensible differences among the main geographical areas.
The most recent OECD projections predict for 2014 a global growth of +3.4%, compared with +2.8% in 2013; however, such projection does not factor the strong contraction of the USS GDP in the first quarter of the year.
Growth remains driven by advanced economies, by the US in particular, after the temporary slow-down of the first quarter.
In emerging countries the situation seems to have stabilized, after a sharp deceleration in the course of 2013; however, the prospects for 2014 envisage lower growth rates compared to 2013 (excepting India). On the one hand, the Chinese GDP recovered in the second quarter (+7.5% over the same period of 2013), due to the incentives to stimulate capital expenditures, and the stronger demand from advanced economies; on the other hand, some countries (such as Brazil and Russia) still suffer from both their own structural weaknesses, as well as from contingent critical situations.

For the Euro Area, OECD predicts for 2014 a very limited growth of +1.2%; however, after the minimal growth recorded in the first quarter (+0.2% over the previous quarter), and the stagnation in the second quarter, projections might have to be slightly adjusted downward. Within the Area, the performance of the different countries confirms the strong differentiations existing between the positive trend of Germany and the moderate but steady recovery in Spain on the one hand, and the substantial stagnation still featured by France and Italy.

Specifically, as regards Italy, the most recent data and assessment of the Bank of Italy (July 2014) depict a situation of persisting stagnation, with some positive sign the significance of which is only perspective. The Italian GDP decreased slightly in the first quarter of the year, and remain stable in the second quarter. However, it has to be also pointed out that capital expenditures in industrial equipment have reverted to grow (+0.5%) after ten quarters of uninterrupted decline; the family spending also returned to grow slightly, for the first time since the beginning of 2011, and unemployment seems to have stabilized.

The performance of the sector in which the Reno De Medici Group operates is in line with the evolution of the general macroeconomic scenario, and shows a slight slow-down. In the first quarter of 2014 the European demand for packaging white-lined chipboard decreased somewhat (-1.1%) compared to the same period of previous year, but the negative deviation is stronger in the second quarter, reaching -4.5%. Among major countries, only Spain shows positive variations in both comparisons, whilst even Germany shows negative variations. The trend also reflects a very prudent attitude of industrial operators, in light of the uncertainties that characterize both the present and the perspectives of the near future.

However, for the time being order flow and backlog still remain satisfactory, both for the sector and the Reno De Medici Group.

The tons sold by the Reno De Medici Group in the first half of 2014 amount to 449 thousand, basically in line with the 455 thousand of previous year; also revenues from sales, that amounted to €238.9 million, confirm the €241.5 million of previous year. The order flow remained satisfactory and all the mills operated at full production capacity.

As regards the main factors of production, basically the prices of recycled fibers have remained stable since September 2013 to date, whilst the cost of energy showed a steady downward trend in all its main components (natural gas, coal and electricity).

The price of natural gas has gone down compared to the end of 2013, in a scenario characterized by stable oil quotations and lavish gas availability at European hubs. The comparison with the average prices of the first half of previous year also shows a sensitive drop, particularly in Italy.

The price of coal, the main source of energy of the Arnsberg's mill decreased as well, as a consequence of lower demand in China, and of the output growth in some of the main producing countries (Australia, Russia e North-America). Average prices in the period went down significantly compared to previous year.

Personnel costs decreased from €36.3 million of the first half of 2013 down to €35.6 million. The savings generated by the reduction of headcount (-91 units compared to June of previous year) more than compensated contractual salary raises and the adjustment by €430 thousand of the provision for the redundancies at the Magenta mill, following the revision of the agreement with the Unions.

The EBITDA recorded in the period reached €25.8 million, a remarkable growth vs. €16.7 million of previous year. The improvement results from the savings achieved thanks to the higher production efficiency (better use of recycled fibers, lower fixed costs of the mills) and the lower cost of energy, and from the award of EEC – Energy Efficiency Certificates for a value of €3.8 million, that were obtained for the implementation of the projects aimed at improving the energy efficiency of the production facilities.

Consolidated Operating Profit amounted to €13.7 million and also improved compared to €4.4 million recorded in the first half of 2013.

Net Financial Expenses amounted to €2.8 million and decreased compared to €3.3 million of 2013, mainly due to the lower net financial indebtedness (€72.8 million at June 30, 2014 vs. €87.9 million at June 30, 2013).

Consolidated Result before Taxes was positive by €11.3 million, vs. €1.2 million of previous year.

The Capital Expenditures made in the period by the Reno De Medici Group amounted to €3.4 million (€5.6 million in the first half of 2013).

The Consolidated Net Financial Indebtedness at June 30th, 2014 was €72.8 million, slight decrease compared to €73.5 million at December 31st, 2013. The positive performance of operations offset the negative impact on indebtedness that resulted from the down-sizing of factoring programs; actually the German subsidiary terminated its program, as short collection terms currently applied in that market and the consequent specifically complex administrative operation dramatically reduced the advantages and effectiveness of factoring.

Results for the first half of 2014

The following table summarizes the key income statement indicators as of June 30, 2014 and 2013.

(thousands of Euros)	6/30/2014	6/30/2013 (*)
Revenues from sales	**238,877**	**241,545**
GROSS OPERATING PROFIT (EBITDA) (1)	**25,777**	**16,715**
EBIT (2)	**13,665**	**4,390**
Pre-tax income (3)	**11,259**	**1,245**
Current and deferred taxes	*(1,829)*	*(735)*
Profit (loss) for the period before discontinued operations	**9,429**	**510**
Discontinued operations	**(272)**	**(265)**
Profit (loss) for the period	**9,157**	**245**

(*) Following the shutdown of operations of RDM UK and the resulting reclassification of its profit for the period under discontinued operatins, as required by IFRS 5, the figures as of June 30, 2013 were reclassified to make them comparable to those as of June 30, 2014.

1) See “Gross operating profit” in the Consolidated Financial Statements of the RDM Group
2) See ‘Operating profit’ in the Consolidated Financial Statements of the RDM Group
3) See ‘Profit (loss) for the period’ – ‘Taxes’ in the Consolidated Financial Statements of the RDM Group

Revenues from sales in the first half of 2014 for the RDM Group were €238.9 million, compared with €241.5 million recorded in the corresponding period of the previous year. This reduction is due largely to lower sales volumes: specifically, tons sold decreased from 455,000 in the first half of 2013 to 449,000 tons sold during the same period of 2014.

The following table provides a geographical breakdown of sales revenues:

	6/30/2014	% increase	6/30/2013	% increase
(thousands of Euros)				
Italy	84,220	35.3%	87,352	36.2%
EU	117,126	49.0%	118,539	49.0%
Non-EU	37,531	15.7%	35,654	14.8%
Revenues from sales	**238,877**	**100%**	**241,545**	**100%**

Main risks and uncertainties to which the Reno de Medici Group is exposed

In the course of its business activities, the Reno de Medici Group is exposed to external risks and uncertainties, deriving from exogenous factors associated with the general or specific macroeconomic context of the operating sector in which such activities are carried out, as well as risks deriving from strategic choices and internal operational risks.
For a detailed analysis of the risks, see section 5.6.2 of this report on operations, as well as the "Outlook" section.

Key events

Note that from February 28, 2014, RDM UK ceased production activities. As a result, as required by IFRS 5, the result for the period was reclassified under the Net result from discontinued operations.

At the end of May the agreement was signed with the Union, with the approval of the Lombardia Regional Agency for Education, Training and Labor, that finalized the 'mobility' procedure relevant to the redundancies at the Magenta mill. As a consequence and in application of such agreement, in the month of June, at the end of the CIGS period, the concerned employees have been collectively laid off.

Outlook

After the closing of the period, the order flow has continued to be satisfactory, and the cost of the main production factors has not shown appreciable variations.
It can be presumed that this course will continue in the near future, although the evolution of demand remains uncertain and exposed to the risks and slow-downs of a fragile and very moderate recovery.
The costs of the principal factors of production are not expected to grow in the short-term; however, the prices of recycled fibers might raise somewhat in Italy, to the effect of the new speculative features that now characterize the auction mechanism, with consequent higher volatility.

The expected trend of the cost of energy appears to be more stable, after the continuous price-drop that was recorded since the beginning of 2013, but possible upsurges cannot be ruled out due to the tense geopolitical situation in the principal production regions. In any case, the supply contracts in place protect Reno De Medici from significant price increases that might occur in the forthcoming quarters, even beyond the end of the current fiscal year.

As regards the financial outlook, the new easing measures that were decided in June by the European Central Bank, such as the application of a negative interest rate on the banks' deposits at the Eurosystem, should enhance the granting of credit to corporations. The first effects are already visible: interest rates decreased, and the flow of capitals toward the countries of the Euro Area gained strength. However, Italian enterprises are still penalized compared to the Euro Area by the higher average cost of new loans. In any case, the evolution of the financial factors is obviously linked to the general macroeconomic environment.

Intragroup and related party transactions

As far as related-party transactions are concerned, including intragroup transactions, note that these do not qualify as either atypical or unusual, since they fall under the normal course of business for the Group companies. These transactions are governed by arm's length conditions.

Information on related-party transactions, including the information required by the Consob Notice of July 28, 2006, is presented in Note 5.7 to the condensed consolidated half-year financial statements as of June 30, 2014.

Reno De Medici Group

Condensed consolidated half-year financial statements

as of June 30, 2014

5. Condensed consolidated half-year financial statements as of June 30, 2014

5.1. Consolidated income statement

	Note	30.06.2014	30.06.2013(*)
(thousands of Euros)			
Revenues from sales	1	238,877	241,545
- of which related parties		*3,186*	*4,174*
Other revenues and income	2	8,071	5,025
- of which related parties		*382*	*496*
Change in inventories of finished goods	3	(1,815)	(2,344)
Cost of raw materials and services	4	(181,188)	(188,608)
- of which related parties		*(9,203)*	*(9.514)*
Personnel costs	5	(35,640)	(36,301)
Other operating costs		(2,528)	(2,602)
Gross operating profit		**25,777**	**16,715**
Depreciation and amortization	6	(11,700)	(12,325)
Write-downs		(412)	
Operating profit		**13,665**	**4,390**
Financial expense		(2,987)	(3,384)
Gains (losses) on foreign exchange		141	(38)
Financial income		48	105
Net financial income (expense)	7	(2,798)	(3,317)
Gains (losses) from investments	8	391	172
Taxes	9	(1,829)	(735)
Profit (loss) for the period before net result from discontinued operations		**9,429**	**510**
Net result from discontinued operations	**10**	(272)	(265)
Profit (loss) for the year		**9,157**	**245**
Total profit (loss) for the period attributable to:			
- Group		9,075	60
- Minority interests		82	185
Basic earnings (loss) per ordinary share (Euros)		0.02	0.001
Diluted earnings (loss) per ordinary share (Euros)		0.02	0.001
Basic earnings (loss) per ordinary share before discontinued operations (Euros)		0.03	0.001
Diluted earnings (loss) per ordinary share before discontinued operations (Euros)		0.03	0.001

(*) Following the shutdown of operations of RDM UK and the resulting reclassification of its profit for the period under discontinued operations, as required by IFRS 5, the figures as of June 30, 2013 were reclassified to make them comparable to those as of June 30, 2014.

5.2. Consolidated statement of comprehensive income

	30.06.2014	30.06.2013
(thousands of Euros)		
Profit (loss) for the period	**9,157**	**245**
Other components of comprehensive income (loss)		
Components that could be reversed in future periods in the income statement	*108*	*143*
Change in fair value of cash flow hedges	*125*	*214*
Profit (loss) on translation of financial statements of foreign investee companies	*(17)*	*(71)*
Components that will not be reversed in future periods in the income statement	*0*	*0*
Total other components of comprehensive income (loss)	**108**	**143**
Total comprehensive income (loss)	**9,265**	**388**
Total comprehensive income (loss) attributable to:		
- Group	9,183	203
- Minority interests	82	185

5.3. Consolidated statement of financial position

	Note	30.06.2014	31.12.2013
(thousands of Euros)			
ASSETS			
Non-current assets			
Tangible fixed assets	11	202,738	211,204
Goodwill		63	63
Intangible assets	12	2,075	2,377
Intangible assets with an indefinite useful life		3,293	3,293
Equity investments	13	1,853	1,826
Deferred tax assets		3,883	3,837
Trade receivables	14	41	41
Other receivables		841	958
Total non-current assets		**214,787**	**223,599**
Current assets			
Inventories	15	74,360	77,944
Trade receivables	14	82,037	66,902
- of which related parties		*776*	*491*
Receivables from associates and joint ventures	14	667	701
Other receivables	16	7,461	14,495
Other receivables from associates and joint ventures		90	90
Cash and cash equivalents	17	4,082	2,716
Total current assets		**168,697**	**162,848**
TOTAL ASSETS		**383,484**	**386,447**

(thousands of Euros)	Note	30.06.2014	31.12.2013
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		185,122	185,122
Other reserves		(2,496)	(2,638)
Retained earnings (losses)		(43,242)	(44,983)
Profit (loss) for the period		9,075	1,775
Shareholders' equity attributable to the Group		**148,459**	**139,276**
Minority interests		507	668
Total shareholders' equity	18	**148,966**	**139,944**
Non-current liabilities			
Payables to banks and other lenders	17	24,100	32,322
Derivative instruments	17	164	297
Other payables		*209*	*234*
Deferred taxes		12,255	13,351
Employee benefits	21	26,887	27,557
Non-current provisions for risks and charges	21	6,882	6,906
Total non-current liabilities		70,497	80,667
Current liabilities			
Payables to banks and other lenders	17	49,889	42,728
Derivative instruments	17	330	430
Trade payables	*22*	*88,083*	*98,878*
- of which related parties		*477*	*1,104*
Payables to associates and joint ventures	22	3,205	7,016
Other payables	*19*	*15,266*	*13,936*
Other payables from associates and joint ventures		2,731	615
Current taxes		3,731	1,288
Employee benefits	20	786	945
Total current liabilities		**164,021**	**165,836**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**383,484**	**386,447**

5.4. Statement of changes in consolidated shareholders’ equity

(thousands of Euros)	Share	Legal reserve	Other reserves	Retained earnings (losses)	Profit (loss) for the period	Hedging reserve	Actuarial gain (loss) reserve	Shareholders’ equity attributable to the Group	Total shareholders’ equity attributable to minority interests	Total shareholders’ equity
Shareholders’ equity at 12.31.2012	**185,122**	**408**	**1,054**	**(32,649)**	**(12,334)**	**(563)**	**(4,876)**	**136,162**	**560**	**136,722**
Dividends distributed									(146)	(146)
Allocation of profit (loss) for the period				(12,334)	12,334					
Profit (loss) for the period					60			60	185	245
Other components of comprehensive income (loss)			(71)			214		143		143
Total comprehensive income (loss)			**(71)**		**60**	**214**		**203**	**185**	**388**
Shareholders’ equity at 06.30.13 (*)	**185,122**	**408**	**983**	**(44,983)**	**60**	**(349)**	**(4,876)**	**136,365**	**599**	**136,964**

(*) Figures as of June 30, 2012 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

(thousands of Euros)	Share	Legal reserve	Other reserves	Retained earnings (losses) (**)	Profit (loss) for the period	Hedging reserve	Actuarial gain (loss) (**) reserve	Shareholders’ equity attributable to the Group	Total shareholders’ equity attributable to minority interests	Total shareholders’ equity
Shareholders’ equity at 12/31/2013	**185,122**	**408**	**989**	**(44,983)**	**1,775**	**(197)**	**(3,838)**	**139,276**	**668**	**139,944**
Dividends distributed									(243)	(243)
Allocation of profit (loss) for the period		34		1,741	(1,775)					
Profit (loss) for the period					9,075			9,075	82	9,157
Other components of comprehensive income (loss)			(17)			125		108		108
Total comprehensive income (loss)			**(17)**		**9,075**	**125**		**9,183**	**82**	**9,265**
Shareholders’ equity at 30.06.14	**185,122**	**442**	**972**	**(43,242)**	**9,075**	**(72)**	**(3,838)**	**148,459**	**507**	**148,966**

5.5. Consolidated statement of cash flows

(thousands of Euros)	Note	First half of 2014	First half of 2013 (*)
Profit (loss) for the period before tax		11,259	1,245
Depreciation and amortization		11,700	12,350
Write-downs		404	0
Losses (gains) from investments		(391)	(172)
Financial (income) expense		2,939	3,290
Capital losses (gains) on sale of fixed assets		(208)	(344)
Change in provisions for employee benefits and in other provisions, including the provision for bad and doubtful receivables		(708)	(352)
Change in inventories		3,584	5,832
Change in trade receivables		(8,354)	(1,546)
- of which related parties		*(251)*	*54*
Change in trade payables		(13,156)	(16,882)
- of which related parties		*(4,438)*	*259*
Change in total working capital		**(17,926)**	**(12,596)**
Gross cash flows		**7,068**	**3,421**
Interest paid in the year		(2,205)	(2,537)
- of which related parties			*(34)*
Interest received in the period		12	46
- of which related parties		*12*	*46*
Taxes paid in the period		(720)	(828)
Net result from discontinued operations		(272)	(265)
Cash flows from operating activities		**3,859**	**(163)**
Other equity investments			(1)
Investment net of disinvestment in tangible and intangible assets		(3,002)	(1,060)
Investments in associates and joint ventures		(25)	(197)
Dividends received		335	
Cash flows from investing activities		**(2,692)**	**(1,258)**
Dividends paid		(243)	
Change in other financial assets and liabilities and short-term payables to banks		10,823	(845)
- of which related parties		*2,116*	*(1,582)*
Change in medium- and long-term loans		(10,368)	2,145
Cash flows from financing activities		**212**	**1,300**
Translation differences		**(15)**	**(71)**
Change in unrestricted cash and cash equivalents		**1,365**	**(192)**
Unrestricted cash and cash equivalents at the beginning of the period		**2,716**	**3,137**
Unrestricted cash and cash equivalents at the end of the period		**4,082**	**2,945**

(*) Following the shutdown of operations of RDM UK and the resulting reclassification of its profit for the period under discontinued operations, as required by IFRS 5, the figures as of June 30, 2013 were reclassified to make them comparable to those as of June 30, 2014.

5.6. Notes to the financial statements

RDM is a company which is established as a legal person under Italian law. The RDM Group operates mainly in Europe. The business of the Group is the production and distribution of cartonboard made from recycled fibers. The joint venture, Careo S.r.l., is responsible for commercial activities.

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 condensed consolidated half-year financial statements of the RDM Group were approved and authorized for publication by the Board of Directors of RDM on August 1, 2014.

5.6.1 Accounting standards and valuation criteria

The condensed consolidated half-year financial statements were prepared according to the going concern assumption. The directors believe that, despite the existence of a difficult economic and financial context, no material uncertainties (as defined in paragraph 25 of IAS 1) exist in respect of business continuity.

The condensed consolidated half-year financial statements were prepared according to IAS 34 – Interim financial statements, applying the same accounting standards used to prepare the consolidated financial statements as of December 31, 2013, except as may be described in the next section "IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet applicable except on an early adoption basis".
On January 1, 2014, the new IFRS 12 went into effect. The introduction of the new standard affected the information provided in the notes to the Group's consolidated financial statements as reported in greater detail in Note 13.
In addition, on January 1, 2014 the new standards IFRS 10 and IFRS 11 went into effect. Their adoption had no impact on the Group's scope of consolidation.

The condensed half-year financial statements were prepared on the basis of the general principle of historic cost, except for derivative financial instruments, which are recognized at fair value, and financial liabilities, which are recognized on the basis of the amortized cost method. The carrying amount of hedged assets and liabilities which qualify for hedge accounting is adjusted to take into account changes in the fair value of the hedged risks.

The Group has chosen to present the structure and content of its consolidated financial statements in the following manner:

- the consolidated statement of 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, non-current or held for sale;
- the consolidated income statement is presented in a vertical format with items broken down by nature, as this provides reliable and more relevant information than a classification by function;
- the consolidated statement of comprehensive income is presented separately from the consolidated income statement, and each item is shown net of the tax effect;
- the consolidated statement of cash flows is presented using the indirect method;
- the consolidated statement of changes in shareholders' equity is presented by showing the profit or loss for the period separately from any income and expense not recognized directly on the income statement, but charged directly to equity on the basis of specific IAS/IFRS accounting standards, and is presented showing transactions with shareholders separately.

Preparing the interim financial statements requires management to make assumptions that have an effect on the amounts of revenues, costs, assets and liabilities on the financial statements and on the information regarding potential assets and liabilities on the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment, should prove outdated due to differing trends in the operational context than those forecast, these would be consequently modified in the period during which the changes became manifest. For a broader description of the Group's most relevant valuation procedures, see the section "Estimates and valuations" in the consolidated financial statements as of December 31, 2013.

It is also noted that some valuation procedures, especially more complex ones such as the determination of possible impairment losses on non-current assets, are generally carried out in a more complete manner only for the annual financial statements, when all the detailed information is available, as well as in cases in which there are impairment indicators requiring an immediate valuation of any impairment losses.

The balance sheet, income statement and financial situation are presented in thousands of Euros.

IFRS and IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

- IFRS 9 – Financial Instruments;
- IFRS 14 – Regulatory Deferral Accounts;
- Amendment to IAS 16 – Property, Plant and Equipment, and to IAS 38 – Intangible Assets;
- Amendment to IFRS 11 – Joint Arrangements;
- IFRS 15 – Revenue from Contracts with Customers

Impairment Tests

Every six months, the Group reviews the carrying amount of its tangible and intangible assets and investments to determine whether there are any indicators that these assets have suffered impairment. If any such indicators exist, the recoverable amount of such assets is estimated to determine the write-down amount.

No goodwill has been allocated to the Reno de Medici CGUs, meaning there is no need for a specific annual impairment test.
However, the current global economic and financial crisis, which has caused heavy losses on the major regulated markets in the last three years, has created uncertainty regarding possible future national and global economic scenarios.

Furthermore, as a result of the crisis in the financial markets, the Group's market capitalization stood at an average level lower than shareholders' equity. This gap, which mainly started to appear in the second half of 2008, just as the effects of the global financial crisis began to take hold, has decreased considerably.

Based on the recommendations contained in Joint Document No. 4 of March 4, 2010 by Bank of Italy, Consob and ISVAP, the Group had described in detail the main assumptions used to calculate the recoverable amount (value in use) as of December 31, 2013, regarding estimated operating cash flows, the discount rate and the final growth rate, and it has prepared sensitivity analyses on test results with respect to changes in the basic assumptions for determining the value in use of the cash generating units, finding impairment indicators in the cases of the Marzabotto and Almazan facilities. In order to assess the recoverable amount of the mills in question, rather than value in use, the fair value method was used, deducting selling costs (current market value), as determined by appraisals conducted by an independent expert.

Based on the foregoing, the directors believe that the cautious medium/long-term valuations used for purposes of the impairment tests, in terms of foreseeable business trends until 2016, are to be considered valid to date, although it cannot be ruled out that current valuations may need to be reviewed should the crisis continue or deepen.

5.6.2 Financial risk management policy

As in the case of other industrial operators, the Company and Group are exposed to risks associated with the current economic crisis, which is now in its fifth year.
Most importantly, this economic situation generates a risk related to sales volume, and although this risk cannot be eliminated, it can be contained through the Group's actions aimed at adjusting production levels to actual demand.
In this context, other risk factors related to the overall economic situation are associated with lending (see immediately below) and energy prices. The latter are exposed to critical situations that may occur in countries that play a key role in the production and distribution of energy resources (North Africa in 2012 and now, Ukraine). However, the situation is being continuously and closely monitored by the designated company functions.
Another risk factor is tied to changes in pulp raw material prices. These changes are mainly affected by the volume of exports to China, which in turn are also dependent upon that country's economic growth rate. However, this risk should be considered relatively modest due to projected price changes during the rest of the year, but mainly since pulp raw material price changes normally translate into a corresponding change in the sales price of chipboard packaging.

Risks related to the Group's results
It should be stated that there are no specific risks associated with the structure and/or the nature of the RDM Group.

Risks related to the requirement for financial resources
The Group currently has sufficient financial resources available to meet reasonably foreseeable requirements for the next 12 months.

Risks related to interest rates
The exposure to the risk related to interest rates involves both medium/long-term lines of credit and short-term lines of credit. Medium/long-term debt as of June 30, 2014 stood at €36.9 million. Of this amount, €24 million is variable-rate and not protected by hedging. Short-term lines of credit, used at June 30, 2014 in an amount equal to €37.3 million, are all variable-rate.
Interest rate movements in 2014 point to a slight decrease in interest rates in the first half with a downward trend which should continue into the second half of the year, particularly as a result of measures recently introduced by the ECB.

Liquidity Risk
Liquidity risk is defined as the risk of not managing to fulfill obligations associated with liabilities.

Prudent management of liquidity risk entails maintaining adequate cash and cash equivalents and the possibility of accessing loans needed to support operating activities.

To deal with this risk, the Group's treasury division ensures a flexible supply of funds through access to diversified sources of credit.

As of June 30, 2014, the RDM had a net financial position showing debt of €72.8 million with a decrease of €0.7 million compared with the figure of €73.5 million as of December 31, 2013.

Credit risk

As noted at the beginning of this section, credit risk consists of the exposure of the Company and Group to the insolvency of their customers, and especially those in countries like Italy that are suffering most from the current crisis.

The Reno De Medici Group employs several tools to effectively manage this risk. Insurance agreements have been entered into with a leading loan insurance company, and several agreements have also been signed for the non-recourse sale of receivables.

Any positions that are uninsured and/or cannot be insured, are monitored constantly by the appropriate Corporate Functions, including with the support of external sources of information and monitoring with respect to Italian customers.

To contain this risk, the Group has a policy aimed at carefully and promptly monitoring problematic positions.

Even though the policies adopted to date have made it possible to contain receivable losses, this risk cannot be eliminated since it is mainly linked to the continuing general economic crisis.

Foreign exchange risk

This risk is related to the exposure of the Company and the Group to fluctuations in exchange rate costs and revenues denominated in currencies other than the Euro. As far as the Group is concerned, this exposure relates particularly to fluctuations in the US dollar, a currency in which a portion of revenues from overseas markets is denominated and, as far as costs are concerned, purchases of certain raw materials and sources of energy. Given the expected volumes of costs and revenues denominated in dollars, it is felt that the net exposure is not significant in relation to the global dimensions of the business.

Capital risk

It is felt that the Company is adequately capitalized in relation to the reference market and its dimensions.

5.6.3 Scope of consolidation

The financial position, results and cash flows of the RDM Group include the financial position, results and cash flows of Reno De Medici S.p.A. and of the companies over which it has the right to exercise control. The definition of control is not based solely on the concept of legal ownership.
IFRS 10 introduced a clearer definition of control, based on the following three elements: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; (c) the ability to use power over the investee to affect the amount of the investor's returns. IFRS 10 requires that an investor, in order to assess whether it has control or not on an acquired company, must focus on the activities that influence materially the returns of such company, and must consider only the substantial rights, that is the rights that can be exercised in the practice when important decisions have to be taken on the acquired company.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is acquired until the date that such control ceases to exist. The shares of equity and profit or loss 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 main consolidation principles adopted are as follows:

- the carrying amount of each investment 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 to those of the Parent Company, regardless of the size of the investment; the shares of subsidiaries' capital and reserves and of subsidiaries' profit or loss attributable to minority interests are shown separately in the consolidated statement of financial position and the consolidated income statement;
- the acquisition of subsidiaries is accounted for using the purchase method as required by IFRS 3 Revised;
- 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 realized with third parties;
- any increases or decreases in a subsidiary's equity arising from its post-acquisition results are recorded upon elimination in the equity reserve "Retained earnings (losses)";
- dividends distributed by Group companies are eliminated from the income statement upon consolidation.

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

Corporate name	Registered office	Activity	Share capital (Eur/1000)	Control percentage 30.06.2014 direct	Control percentage 30.06.2014 indirect	Control percentage 31.12.2013 direct	Control percentage 31.12.2013 indirect
Reno De Medici Iberica S.L.	Prat de Llobregatt (E)	Industrial	7,467	100.00%		100.00%	
Reno De Medici UK Limited	Wednesbury (GB)	Industrial	11,871	100.00 %		100.00%	
Reno De Medici Arnsberg GMBH	Arnsberg (D)	Industrial	5,113	94.00%	6.00%	94.00%	6.00%
RDM Blendecques S.a.s.	Blendecques (F)	Industrial	1,037	100.00%		100.00%	
Cartiera Alto Milanese S.p.A.	Milan (I)	Commercial	200	100.00%		100.00%	
Emmaus Pack S.r.l.	Milan (I)	Industrial	200	51.39%		51.39%	
Cascades Grundstück GmbH & Co. KG	Arnsberg (D)	Services	5	100.00%		100.00%	
Carta Service Friulana	Milan (I)	Industrial	60	100.00%		50.00%	
R.D.M. Ovaro S.p.A.	Milan (I)	Industrial	12,500	80.00%		80.00%	

During the period, the remaining 50% of shares in Carta Service Friulana were purchased, and thus, this company was consolidated on a line-by-line basis.

The following investments in associates and joint ventures are included in the condensed consolidated half-year financial statements according to the equity method:

Corporate name	Registered office	Activity	Share capital (Eur/1000)	Control percentage 30.06.2014 direct	Control percentage 30.06.2014 indirect	Control percentage 31.12.2013 direct	Control percentage 31.12.2013 indirect
Associates							
Pac Service S.p.A.	Vigonza (I)	Industrial	1,000	33.33%		33.33%	
Joint ventures							
Careo S.r.l.	Milan (I)	Commercial	100	70.00%		70.00%	
ZAR S.r.l.	Silea (I)	Industrial	90	33.33%		33.33%	
Manucor S.p.A.	Milan (I)	Industrial	10,000	22.75%		22.75%	

The financial statements of each Group company are prepared in the currency of the economic area in which it mainly operates (the functional currency). For purposes of the consolidated financial statements, the financial statements of each entity are expressed in Euro, which is the Group's functional currency and the currency in which the condensed consolidated half-year financial statements are presented.

The exchange rates used to translate into euros the financial statements of companies within the scope of consolidation are set out in the table below.

Currency	Start of period exchange rate	Average exchange rate	Exchange rate at period end 06.30.2014
GBP	0.8337	0.8213	0.8015

5.6.4. Notes to the financial statements for the first half of 2014

Segment information

As provided for by IFRS 8 on segment reporting, the segments identified and the respective information included under segment information are based on the reports used and analyzed by company management to evaluate results and adopt key strategic decisions.

Segments have been sub-divided geographically according to the location of the Group's mills and its cutting and/or distribution centers.

The reports used by management show results by individual mill and cutting and/or distribution center. The data are then aggregated into four geographical segments: Italy, Spain, Germany, and France.

The Italian segment includes the production plants of Ovaro, Marzabotto, Villa Santa Lucia, Santa Giustina and Magenta, as well as cutting and/or distribution centers like Emmaus Pack S.r.l. and Cartiera Alto Milanese S.p.A.; the Spanish segment includes the Almazan production plant and the cutting and/or distribution center of Llica de Vall, as well as smaller centers; the German segment includes the Arnsberg production plant; the French segment includes the Blendecques production plant.

The only difference in the following segment information from the last annual report involves the segment related to the United Kingdom which, following its shut down, has been represented in accordance with the requirements of IFRS 5.

The economic measurement of the results achieved by each operating segment is the profit or loss for the period, within which operating profit and gross operating profit are specifically identified.

There is no need to reconcile the segment valuations contained in this section with the figures included in the financial statements in this report, as all the displayed income components are measured using the same accounting policies adopted for the preparation of the Group's condensed half-year financial statements. “Unallocated items and adjustments” include amounts deriving from intersegment transactions.

The following table provides operating information by geographical area for the first half of 2014 and the first half of 2013:

Income statement 06.30.2014	Italy	Spain	Germany	France	Unallocated items & adjustments	Consolidated
(thousands of Euros)						
Revenues from sales	**154,043**	**17,436**	**58,245**	**28,285**	**(19,133)**	**238,877**
Intragroup revenues from transactions with other segments	(18,991)		(130)	(12)	19,133	
Net revenues from external customers	**135,052**	**17,436**	**58,115**	**28,274**		**238,877**
Gross operating profit	**18,558**	**631**	**6,670**	**(12)**	**(70)**	**25,777**
Depreciation and amortization	(6,526)	(372)	(4,525)	(351)	74	(11,700)
Write-downs					(412)	(412)
Operating profit	**12,032**	**259**	**2,145**	**(363)**	**(408)**	**13,665**
Net financial income (expense)	(2,286)	(50)	(185)	(169)	(108)	(2,798)
Gains (losses) from investments	760				(369)	391
Taxes	(1,072)		(629)	(55)	(73)	(1,829)
Profit (loss) for the period before discontinued operations	**9,434**	**209**	**1,331**	**(587)**	**958**	**9,429**
Net result from discontinued operations					(272)	(272)
Profit (loss) for the period	9,434	209	1,331	(587)	(1,230)	9,157
Share of profit (loss) attributable to equity-accounted investments	391					
Total assets as of 30.06.14	**363,154**	**14,595**	**103,476**	**20,477**	**(118,218)**	**383,484**
Total assets as of 31.12.13	**365,937**	**16,825**	**106,098**	**18,410**	**(119,995)**	**387,275**

Total investments	**2,831**	**40**	**307**	**256**		**3,434**

Income statement 06.30.2013	Italy	Spain	Germany	France	Unallocated items & adjustments	Consolidated
(thousands of Euros)						
Revenues from sales	**156,280**	**17,610**	**58,602**	**31,482**	**(22,430)**	**241,544**
Intragroup revenues from transactions with other segments	(21,620)		(507)	(303)	22,430	
Net revenues from external customers	**134,660**	**17,610**	**58,095**	**31,179**		**241,544**
Gross operating profit	**11,815**	**572**	**4,376**	**(212)**	**164**	**16,715**
Depreciation and amortization	(7,232)	(376)	(4,478)	(312)	73	(12,325)
Write-downs						
Operating profit	4,583	196	(102)	(524)	237	4,390
Net financial income (expense)	(2,670)	(129)	(197)	(200)	(121)	(3,317)
Gains (losses) from investments	182				(10)	172
Taxes	**(676)**		**90**	**(61)**	**(88)**	**(735)**
Profit (loss) for the period before discontinued operations	1,418	**67**	**(209)**	**(785)**	**18**	**510**
Net result from discontinued operations					**(265)**	**(265)**
Profit (loss) for the period	**1,418**	**67**	**(209)**	**(785)**	**(247)**	**245**
Share of profit or loss of businesses valued using the Shareholders' Equity method	**172**					
Total assets as of 30.06.13	**371,785**	**18,410**	**106,777**	**19,213**	**(116,560)**	**399,625**

Total investments	**3,659**	**79**	**1,370**	**459**		**5,567**

Notes

Following the shutdown of operations of RDM UK and the resulting reclassification of its profit for the period under the item Net result from discontinued operations, the figures as of June 30, 2013 in the following tables, relating to RDM UK, were also reclassified under the item Net result from discontinued operations to make them comparable to those as of June 30, 2014.

1. Revenues from sales

The following table provides a breakdown of net revenues from the sale of cartonboard by geographical area of customers.

	30.06.2014	30.06.2013	Change	%
(thousands of Euros)				
Italy	84,220	87,352	(3,132)	(3.6%)
EU	117,126	118,539	(1,413)	(1.2%)
Non-EU	37,531	35,654	1,877	5.3%
Total revenues from sales	**238,877**	**241,545**	**(2,668)**	**(1.1%)**

Revenues from sales in the first half of 2014 for the RDM Group were €238.9 million, down from the €241.5 million recorded in the corresponding period of the previous year. This reduction is due largely to lower sales volumes: specifically, tons sold decreased from 455,000 in the first half of 2013 to 449,000 tons sold during the same period of 2014.

2. Other revenues and income

At June 30, 2014, other revenues and income mainly consisted of revenues from joining the energy “interruption” scheme (€1.8 million); from the allotment of TEEs (Energy Efficiency Certificates), related to work done at plants to improve energy efficiency (€3.8 million); income from the sale of electricity in the first half of 2014 in mills in Italy and Germany (€0.3 million); from ordinary contributions received from the Comieco consortium (€0.1 million) in relation to the use of waste paper from public separated waste collection; insurance reimbursements (€0.5 million) and capital gains (€0.2 million).

3. Change in inventories of finished goods

The change in inventories during the first half of 2014 is due mainly to the decrease in physical stocks.

4. Cost of raw materials and services

The following table itemizes the costs incurred for raw materials and services:

	30.06. 2014	% Value of production (*)	30.06. 2013	Value of production
(thousands of Euros)				
Cost of raw materials	104,674	44.2%	106,324	44.5%
Cost of services	75,474	31.8%	81,114	33.9%
Costs for use of third-party assets	1,040	0.4%	1,171	0.5%
Total	**181,188**	**76.4%**	**188,609**	**78.9%**

(*) Value of production = Revenues from sales plus changes in inventories of finished products

"Cost of raw materials" refers mainly to the purchase of products used to make the mixture (waste paper, wood paste, cellulose and chemicals) and used for packaging.

The reduction in these costs is due to both production levels and the improved efficiency of production processes.

The "Cost of services" was down compared to figures reported at June 30, 2013 due to savings generated from renegotiating gas contracts, in a more favorable market context, and to greater efficiency achieved in the production process, specifically for manufacturing fixed costs.

5. Personnel cost

In the first half of 2014, the cost of labor dropped slightly from the previous year from €36.3 million to €35.6 million. The savings from staff reductions (91 fewer employees than in June 2013) neutralized the impact of contractual increases and the €430,000 adjustment to the fund established to cover layoff costs at the Magenta plant following the new agreement signed with union organizations.

6. Depreciation and amortization

The following table sets out details of the item “Depreciation and amortization”:

	30.06.2014	30.06.2013	Change
(thousands of Euros)			
Amortization of intangible assets	310	326	(16)
Depreciation of tangible assets	11,390	11,999	(609)
Total	**11,700**	**12,325**	**(625)**

The change from the previous year was due to the fact that the balance at June 30, 2013 mainly included the first five months of depreciation for the Magenta paper machine that was sold in June 2013.

7. Net financial income (expense)

The following table itemizes net financial income and expense:

	30.06.2014	30.06.2013	Change
(thousands of Euros)			
Financial income	**48**	**105**	**(57)**
Interest and other financial income	26	68	(42)
Income from derivative financial instruments	22	37	(15)
Financial expense	**(2.987)**	**(3.382)**	**395**
Interest paid to banks	(1.026)	(1.262)	236
Losses on derivative financial instruments	(201)	(184)	(17)
Financial expense on defined-benefit plans	(401)	(398)	(3)
Expenses, commission and other financial charges	(1.358)	(1.538)	180
Foreign-exchange differences	**141**	**(40)**	**181**
Foreign-exchange gains	386	720	(334)
Foreign-exchange losses	(245)	(760)	515
Total	**(2.798)**	**(3.317)**	**519**

Net financial expense amounted to €2.8 million as of June 30, 2014, down from €3.3 million during the same period of the previous year. The improvement was mainly due to the reduction in expenses incurred for less factoring transactions carried out in the period, the improvement in foreign exchange differences and the reduction in bank interest following the decrease in bank debt.

8. Gains (losses) from investments

As of June 30, 2014, income from investments totaled €391,000 and was mainly due to the adjustment of the investment in the associate Pac Service S.p.A. (€207,000) and the adjustment of the investment in the joint venture Careo S.r.l. (€184,000).

9. Taxes

The following table shows the subdivision between current and deferred taxes on June 30, 2014:

	30.06.2014	30.06.2013	Change
(thousands of Euros)			
Deferred taxes	1.188	867	321
Current taxes	(3.017)	(1.602)	(1.415)
Total	**(1.829)**	**(735)**	**(1.094)**

Note that effective January 1st, 2014, the IRAP rate has been decreased from 3.9% to 3.5%, with a positive impact on the Profit & Loss of the period amounting to €85 thousand.

10. Discontinued operations

On February 28, the cutting operations carried out at the Wednesbury (UK) mill were terminated. This entailed the reclassification of all the UK subsidiary's costs and revenues for the period in a single line of the income statement "Net result from discontinued operations."

Below is the income statement of RDM UK:

	30.06.2014	30.06.2013
(thousands of Euros)		
Revenues from sales	1.576	3.279
Other revenues	88	449
Change in inventories of finished goods	(1.098)	(259)
Cost of raw materials and services	(643)	(3.297)
Personnel costs	(147)	(356)
Other operating costs	(21)	(43)
Revenues from non-current assets held for sale	(6)	
Depreciation and amortization		(25)
Net financial income (expense)	(21)	(13)
Taxes	0	0
Discontinued operations	**(272)**	**(265)**

Below is the Cash Flow of RDM UK:

(thousands of Euros)	First half of 2014	First half of 2013
Cash Flow from operating activities	(196)	(17)
Cash flows from investing activities	109	
Cash Flow from financing activities		
Net Cash Flow	(87)	(17)

11. Tangible fixed assets

The following table shows the change in tangible fixed assets:

(thousands of Euros)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under development	Total
Historical cost	23.858	101.073	565.999	2.293	14.279	5.989	713,491
Accumulated depreciation/write-downs	(1.120)	(62.710)	(422.304)	(2.106)	(14.048)		(502,288)
Net book value at 12.31.13	**22.738**	**38.363**	**143.695**	**187**	**231**	**5.989**	**211,203**
Increases	2	118	326		11	2.977	3,434
Decreases		(1.166)	(2.069)	(309)	(174)		(3,718)
Reclassification of cost			1.684			(1.684)	
Other			27				27
Depreciation for the period		(1.557)	(9.756)	(34)	(43)		(11,390)
Other changes (acc. depr.)			(23)				(23)
Write-downs		(40)	(364)				(404)
Decrease of acc. depr.		1.166	1.960	309	174		3,609
Value at 06.30.2014							
Historical cost	23.860	100.025	565.967	1.984	14.116	7.282	713,234
Accumulated depreciation/write-downs	(1.120)	(63.141)	(430.487)	(1.831)	(13.917)		(510,496)
Net book value at 06.30.14	**22.740**	**36.884**	**135.480**	**153**	**199**	**7.282**	**202,738**

The main investment during the period was the refurbishment of the wet area at the Santa Giustina mill. Benefits are expected from quality improvements and cost reductions.

As of June 30, 2014, the Llica De Val cutting center was written down by €364,000 in consideration of the sale contract for the actual center which was completed in July 2014.

For the purpose of determining possible impairment losses, it is noted that no impairment indicators emerged such as to modify the valuations made as of December 31, 2013. For further details, see the "Impairment tests" section.

12. Intangible assets

Intangible assets totaled €2,075 thousand. The reduction of €302,000 from December 31, 2013 was largely due to amortization.

13. Equity investments

The change in equity investments was mainly due to the adjustment to equity of the value of investments held in the joint venture Careo S.r.l. and in the associate Pac Service S.p.A. to the pro-rata share of equity of these companies.

As regards Manucor S.p.A., it has to be reminded that at December 31st, 2013, Reno De Medici wrote off the investment entirely following the decision not to subscribe the capital increase that had been envisaged at the time, for a maximum amount of €15 million.
On June 16th, 2014 an agreement has been signed between Manucor S.p.A. and its Shareholders that provides, inter alia, for the partial conversion of the credit claimed by IntesaSanpaolo into 'Participating Equity Instruments'; based on this agreement Manucor issued, and IntesaSanpaolo subscribed, participating equity Instruments for a total amount of €15 million.
Reno De Medici S.p.A. believes that, based on the present knowledge, and also considering the loss that Manucor recorded in the first half of 2014, the necessary premises to revaluate the investment do not yet subsist.

Below is the information required by the new IFRS 12, which entered into force on January 1, 2014, for equity-accounted investments.

The value of equity-accounted investments in the balance sheet is as follows:

	30.06.14	31.12.13
(thousands of Euros)		
Associates	1,262	1,390
Joint ventures	401	247
Total	**1,663**	**1,637**

The impact on the income statement for the period of measuring equity investments using the equity method is as follows:

(thousands of Euros)	30.06.14	30.06.13
Associates	207	273
Joint ventures	184	(101)
Total	**391**	**172**

Investments in joint ventures

Company	Country	% held	Nature of relationship	Measurement method
Careo S.r.l.	Italy	70%	Note 1	Equity

Note 1: Careo S.r.l. provides sales promotion and marketing services to the Group. It is a capital-based company that is unlisted on regulated markets.

There are no contingent liabilities related to the Group's investment in this company.

Below is a summary of financial information for Careo S.r.l. used for measurement using the equity method.

(thousands of Euros)	30.06.14	31.12.13
Current assets		
Cash and cash equivalents	443	359
Other current assets	6,350	8,008
Total current assets	**6,793**	**8,367**
Current liabilities		
Bank debt	4	
Other current liabilities	4,204	5,957
Total current liabilities	**4,208**	**5,957**
Non-current assets		
Assets	**777**	**761**
Non-current liabilities		
Liabilities	2,833	2,904
Shareholders' equity	**529**	**267**

Summary income statement information for Careo S.r.l. is provided below.

	30.06.14	30.06.13
(thousands of Euros)		
Revenues	6,941	6,938
Operating costs	(6,491)	6,573
Gross operating profit	**450**	**365**
Depreciation and amortization	(19)	(26)
Operating profit	**431**	**339**
Financial income (expense)	**(41)**	**(81)**
Profit (loss) before taxes	**390**	**258**
Taxes	(79)	(100)
Net profit	**311**	**158**

	30.06.14	31.12.13
(thousands of Euros)		
Shareholders' equity at January 1	267	(138)
Profit for the period	311	116
Capital increase		281
Foreign exchange differences	48	(6)
Statement of comprehensive income		14
Shareholders' equity	**530**	**267**
% held	70%	70%
Value of equity investment	**371**	**187**

14. Trade receivables and receivables from associates and joint ventures

The table below shows a breakdown of current and non-current trade receivables totaling €82,7 million:

	30.06.2014	31.12.2013	Change
(thousands of Euros)			
Trade receivables	41	41	0
Non-current trade receivables	**41**	**41**	**0**
Trade receivables	82,037	66,902	15,135
Receivables from associates and joint ventures	667	701	(34)
Current trade receivables	**82,704**	**67,603**	**15,101**

Trade receivables, which are stated net of provisions for bad and doubtful receivables totaling €6.1 million, amounted to €82.7 million, representing an increase of €15.1 million compared to December 31, 2013 mainly due to the reduction in receivable factoring programs noted above.

"Receivables from associates and joint ventures" includes both trade-related transactions with Cascades S.A.S. and the provision of services by the Group to Careo S.r.l. and some of its subsidiaries, as well as trade-related transactions with Pac Service S.p.A.

15. Inventories

The change in inventories of €3,584 thousand is due primarily to the decrease in physical stocks.

16. Other receivables (current portion)

As of June 30, 2014 "Other receivables (current portion) totaled €7.5 million. The €7 million change from the previous year was mainly due to the collection of the remaining receivable generated from the sale of the Magenta paper machine (€0.8 million), the reduction in the receivable from a factoring company after the reduction in receivables sold to it (€2 million) and the receipt of funds from the sale of Energy Efficiency Certificates (TEPs) (€4 million).

17. Net financial position

The Company had consolidated net financial debt of €72.8 million at June 30, 2014 (compared with €73.5 million at December 31, 2013).

The net financial position consisted of the following:

	30.06.2014	31.12.2013	Change
(thousands of Euros)			
Cash	20	104	(84)
Funds available from banks	4,062	2,612	1,450
A. Cash and cash equivalents	**4,082**	**2,716**	**1,366**
Other receivables from associates and joint ventures	90	90	
Derivatives - current financial assets	263	115	148
B. Current financial receivables	**353**	**205**	**148**
1. Current payables to banks	*37,282*	*25,441*	*11,841*
2. Current portion of medium- and long-term loans	*12,428*	*14,315*	*(1,887)*
3. Other current financial liabilities	*179*	*2,971*	*(2,792)*
Payables to banks and other lenders (1+2+3)	49,889	42,727	7,162
Other payables from associates and joint ventures	2,731	615	2,116
Derivatives - current financial liabilities	330	430	(100)
C. Current financial debt	**52,950**	**43,772**	**9,178**
D. Net current financial debt (C - A - B)	**48,515**	**40,851**	**7,664**
Payables to banks and other lenders	24,100	32,322	(8,222)
Derivatives - non-current financial liabilities	164	297	(133)
E. Non-current financial debt	**24,264**	**32,619**	**(8,355)**
F. Net financial debt (D+E)	**72,779**	**73,470**	**(691)**

Non-current "Payables to banks and other lenders" comprise medium/long-term loans granted by banks (valued according to the amortized cost method).

The table below shows outstanding medium- and long-term loans, broken down by due date and recorded at nominal value:

(thousands of Euros)	within 12 months	over 12 months	over 60 months	total
M.I.C.A. - due February 13, 2017	153	324		477
M.I.C.A. - due October 16, 2014	154			154
San Paolo Imi fin.pool - tranche A - due 6/4/2016	4,839	4,839		9,678
San Paolo Imi fin.pool - tranche B - due 6/4/2016	2,000	2,000		4,000
MCFVG -FRIE 1	185	1,480	1,295	2,960
MCFVG -FRIE 2	813	3,250	2,031	6,094
Friulia (Ovaro Transaction)		2,776		2,776
FRIULIA	393	1,729		2,122
Banca Pop. Emilia Romagna - due 15/5/2016	620	620		1,240
DRESDNER BANK – due December 2015	714	357		1,071
M.I.T.C. - due October 1, 2025		62	141	203
Leasing Caterpillar - due April 25, 2016	14	13		27
Caja Duero - due April 21, 2019	125	546		671
Intesa San Paolo S.p.A. due 16/4/2016	2,706	2,706		5,412
Total nominal debt	**12,716**	**20,702**	**3,467**	**36,885**
Amortized cost effect	**(288)**	**(69)**		**(357)**
Total debt using amortized cost method	**12,428**	**20,633**	**3,467**	**36,528**

RDM is bound by certain restrictions and commitments for the syndicated loan that are normal for syndicated loans of this nature; among these are limitations on assuming additional debt, distributing dividends, granting guarantees (a negative pledge), disposing of core assets, and restrictions on making investments and carrying out extraordinary financial transactions.

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

- Net financial position/Shareholders' equity;
– Net financial position/Adjusted gross operating profit (Adjusted EBITDA);
– Adjusted gross operating profit (Adjusted EBITDA) /Net financial expense.

These financial ratios are calculated every six months on the basis of the figures stated in the Group's consolidated annual and condensed half-year financial statements, as from December 31, 2006.

The half-year calculations of the Group's adjusted gross operating profit and net financial expense are based on the 12-month period ending on the last day of the relevant half year.

In the event of non-compliance with the financial covenants, the lending banks may terminate the loan agreement.

In 2008, the Reno De Medici Arnsberg GmbH subsidiary entered into a €5 million loan agreement that requires, among other things, compliance with certain financial parameters to be verified half-yearly, a change of control clause, and the obligation to inform the bank if new loans are taken out.

The Parent Company, with reference to the Group covenants reported above, and the German subsidiary, were both in compliance with the above financial covenants at June 30, 2014.

With reference to guarantees, note that with regard to the loans reported above, mortgages were registered for the Ovaro, Marzabotto, Magenta, Santa Giustina, Villa Santa Lucia and partly Arnsberg for a total amount of €172.2 million.
Special privileges were also granted as a guarantee for the plant and machinery of Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia for a total amount of €167.9 million.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as of June 30, 2014:
The table below shows the main features of the derivative financial instruments outstanding as of June 30, 2014:

Company	Counterparty	Currency	Due	Notional value (€/000)	Interest	Interest payment	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	06.04.2016	6,000	4.11% fixed Euribor 6m	Half-yearly	(267)
Reno De Medici S.p.A.	Unicredit Banca d'impresa S.p.A.	Eur	06.04.2016	3,000	4.11% fixed Euribor 6m	Half-yearly	(134)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	15.05.2016	1,240	4.15% fixed Euribor 6m	Half-yearly	(59)
Reno De Medici Arnsberg GmbH	Dresdner Bank AG	Eur	31.12.2015	1,071	3.59% fixed Euribor 6m	Half-yearly	(34)
				11,311			**(494)**

Below is the hierarchy of levels for the measurement of the fair value of derivatives:

• Level 1: inputs used in measurements are represented by quoted prices in active markets for identical assets and liabilities to those subject to measurement;

• Level 2: inputs other than quoted prices included in Level 1 that are observable for the financial asset or liability, both directly (prices) and indirectly (derived from prices);
• Level 3: in the event that observable inputs are not available, and therefore market activity is light or nonexistent for the asset or liability subject to measurement, the inputs are non-observable.

	Classification	30.06.2014	Fair value as at the date of the financial statements based on:		
			Level 1	Level 2	Level 3
(thousands of Euros)					
Derivative instruments on interest rates	Non-current derivative instruments	164		164	
Derivative instruments on interest rates	Current derivative instruments	330		330	

18. Shareholders' Equity

The share capital, which stood at €185 million as of June 30, 2014, breaks down as follows:

	Number	Unit par value	Total value
Ordinary shares	377,509,870	€0.49	184,979,836.3
Savings shares	291,124	€0.49	142,650.76
Total	377,800,994		185,122,487.06

With reference to the savings shares, the RDM articles of association require that if a dividend of less than 5% of the par value of the share (€0.49) is assigned to the savings shares in a financial year, the difference is calculated as an increase in the privileged dividend in the next two financial years. In this regard, note that no dividends have been distributed in the last two financial years.

The shareholders' equity of minority interests is equal to €0.5 million (€0.7 million in the previous year) and refers to the share held by the minority interest in the subsidiary Emmaus Pack S.r.l.

19. Other current payables

The current portion of other payables stands at €15.3 million (€13.9 million as of December 31, 2013). This item essentially includes payables to employees for deferred compensation, payables to the Treasury for contributions on compensation, payables for the Treasury for VAT, payables to directors and statutory auditors.

20. Employee benefits

The non-current portion of "Employee benefits" at June 30, 2014 includes the liability for post-employment benefits.

As of June 30, 2014, the RDM Group's staff consisted of 1,328 employees, compared to 1,405 employees as of December 31, 2013.

21. Provisions for risks and charges

No significant changes are noted compared to December 31, 2013.

22. Trade payables and current payables to associates and joint ventures

The balance at June 30, 2014 was as follows:

(thousands of Euros)	30.06.2014	31.12.2013	Change
Trade payables	88.084	98.878	(10.794)
Payables to associates and joint ventures	3.204	7.016	(3.812)
Total	**91.288**	**105.894**	**(14.606)**

"Trade payables" were recognized in the financial statements for a total of €91.3 million (€105.9 million at December 31, 2013) and are all due in less than 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparty.
"Payables to associates and joint ventures," amounting to €3.2 million (€7.0 million at December 31, 2013), relate mainly to trade payables to Careo S.r.l. and ZAR S.r.l.

23. Non-recurring transactions

The Group's income, financial position, and cash flow were not influenced by non-recurring significant events and transactions as defined by Consob Notice No. DEM/6064293.

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

Regarding the main existing disputes, see section 5.8.

Commitments and guarantees given to third parties include:

- sureties of €4.1 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- a surety of €421,000 issued in favor of the Region of Lazio regarding the landfill site at the Villa Santa Lucia (FR) mill;
- sureties of €2.5 million issued to the Comieco consortium;

- sureties of €67,000 issued in favor of the customs authorities;
- a surety of €108,000 issued in connection with property leases;
- a surety of €177,000 issued in favor of Stogit S.p.A.;
- sureties of €228,000 issued in favor of Terna S.p.A.;
- a surety of €520,000 issued in favor of the revenue agency for Carta Service Friulana S.r.l. and Cartiera Alto Milanese;
- a surety of €268,000 issued in favor of "GSE";
- a surety of €8.7 million issued in favor of Andritz;
- a surety of €90,000 issued in favor of the Province of Milan;
- a surety of €386,000 issued in favor of the Province of Frosinone;
- a surety of €88,000 issued in favor of Mrgiuno S.r.l.;
- a surety of €72,000 issued in favor of the Polytechnic Institute of Milan.

With reference to transactions between Manucor shareholders, see the description in section 13 "Equity Investments."

5.7 Related-party Transactions

During the half-year, there were no transactions with related parties or other parties that were atypical or unusual or extraneous to normal business operations or such as to cause harm to the Group's income, financial position or cash flow. It is noted that starting on January 1, 2011, the new "Regulations for Related-party Transactions" went into effect, approved by the Board of Directors on November 8, 2010 and revised on August 3, 2011, in accordance with the provisions of the regulations on the matter adopted by Consob Resolution No. 17221 of March 12, 2010, as amended and supplemented.

In the condensed consolidated half-year financial statements, related-party transactions were in existence with:

- subsidiaries not fully consolidated;
- the parent company;
- associates;
- joint ventures;
- other related parties.

Transactions between Reno De Medici S.p.A. and its consolidated subsidiaries were eliminated from the condensed consolidated half-year financial statements and are therefore not shown in these notes.

The transactions carried out with the related parties identified above are part of normal business operations in the usual area of activity of each party involved from time to time, and are governed according to arm’s length conditions.

Related-party transactions include:

- trade-related transactions with Cascades S.A.S. related to the purchase of virgin fiber cartonboard produced at the La Rochette (France) mill;
- commercial transactions for the sale of cartonboard with Cascades Asia Ltd, a commercial company belonging to the Cascades group and operating primarily in the Asian market;
- commercial transactions with Pac Service S.p.A., a 33%-owned subsidiary of RDM, for the sale of cartonboard, and with Zar S.r.l. for the purchase of scrap paper;
- general and administrative services provided by companies of the Reno De Medici Group to the Careo group;
- financial services (cash pooling) provided by Reno De Medici S.p.A. to joint venture Careo S.r.l.;
- sales promotion and marketing services provided by Careo S.r.l.

Note that under the scope of the sale of the Ovaro plant to RDM Ovaro S.p.A., Reno De Medici S.p.A. and FRIULIA S.p.A. respectively obtained a call option, which can be exercised between June 27, 2014 and June 27, 2017, and put option which can be exercised in the period between June 27 2015 and June 27, 2017, on FRIULIA S.p.A.’s stake in RDM Ovaro S.p.A.

Pursuant to Consob Resolution No. 15519 of July 27, 2006, the transactions described above are shown in the tables below:

Receivables and payables with related parties

	Current assets						
	Trade receivables	Receivables from associates and joint ventures	Other receivables from associates and joint ventures	Trade payables	Payables to associates and joint ventures	Other payables from associates and joint ventures	Other payables
(thousands of Euros)							
Careo S.a.s.		124			38		
Careo Spain S.L.		16			22		
Careo S.r.l.		404			2,375	2,731	
Cascades Asia Ltd	744						
Cascades S.A.S.	32			476			
Cascades Groupe Produits				1			
Pac Service S.p.A.		123					
ZAR S.r.l.			90		770		
Total	**776**	**667**	**90**	**477**	**3,205**	**2,731**	
Share of item total	**0.9%**	**100%**	**100%**	**0.5%**	**100%**	**100%**	

Revenues and costs deriving from related-party transactions

	Revenues from sales	Other revenues	Financial income
(thousands of Euros)			
Careo GmbH		8	
Careo Ltd			
Careo S.A.S.	193	20	
Careo Spain S.L.	46		
Careo S.r.l.		354	12
Cascades Asia Ltd	965		
Cascades Djupafors A.B.			
Cascades S.A.S.		**1**	
Pac Service S.p.A.	1,981		
Total	3,186	382	12
Share of item total	**1.3%**	**4.7%**	**25%**

(thousands of Euros)	Cost of raw materials and services	Financial expense
Careo S.A.S.	24	
Careo S.r.l.	5.531	1
Careo Spain	8	
Cascades S.A.S.	756	
ZAR S.r.l.	2.864	
Red. Imm. S.r.l.	**20**	
Total	**9.203**	**1**
Share of item total	**5.1%**	

The compensation due to the directors and statutory auditors of Reno de Medici S.p.A. for the performance of their duties amounted to €362,000 and €83,000, respectively. The CEO has received compensation of €172,000 and remuneration of €121,000 as General Manager.

5.8. Lawsuits and arbitration proceedings

Existing disputes and risks.

With regard to the dispute which began in 2008 with some employees from French subsidiary RDM Blendecques S.a.s. following the termination carried out as a part of the complex restructuring process involving the French company, it should be noted that the court of first instance issued an initial ruling on February 6, 2012, ordering the company to pay compensation; this ruling was confirmed in the court of second instance on June 27, 2014.

5.9. Subsequent events

In July, as a part of the partial reorganization of the operations of the Spanish subsidiary Reno De Medici Iberica S.L., cutting operations carried out by the Llicà de Val center were outsourced with the resulting disposal of the related assets. The Llicà de Val center will continue to provide cutting services to the Group.

6. Equity investments in subsidiaries and associates

Pursuant to Article 126 of Consob Resolution No. 11971 of May 14, 1999, as subsequently amended and supplemented, below is the list of equity investments held at June 30, 2014 in companies with unlisted shares or in limited-liability companies, exceeding 10% of the capital.

LIST OF SUBSIDIARIES 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 80%

Carta Service Friuliana S.r.l.
Milan – Italy
Direct ownership 100%

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

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

Reno De Medici UK Limited
Wednesbury – UK
Direct ownership 100%

Service sector

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

LIST OF EQUITY-ACCOUNTED INVESTMENTS

Cartonboard sector

Manucor S.p.A.
Caserta - Italy
Direct ownership 22.75%

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

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

Service sector

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

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

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

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

Careo Ltd
Wednesbury – UK
Indirect ownership 70% (through Careo S.r.l.)

Careo S.r.o.

Prague – Czech Republic

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

Careo KFT

Budapest - Hungary

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

Careo SP z.o.o.

Warsaw - Poland

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

Careo LLC in liquidation

Russia

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

CERTIFICATION

of the condensed half-year financial statements, in compliance with article 81-*ter* of Consob Regulation No. 11971 of May 14, 1999, as subsequently amended and supplemented

1. We, the undersigned, Ignazio Capuano and Stefano Moccagatta, respectively CEO and CFO of Reno De Medici S.p.A., hereby certify, also taking into account the provisions of article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

a) the suitability for the characteristics of the business and

b) the effective implementation,

of the administrative and accounting procedures pertaining to the preparation of the condensed half-year financial statements for the period from January 1, 2014 to June 30, 2014.

2. No significant issues have emerged in this regard.

3. We further certify that:

3.1. the condensed half-year financial statements as of June 30, 20.14:

a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002;

b) are consistent with the figures reported in the relevant accounting books and records;

c) present fairly the financial position, the results and the cash flows of the issuer and of all of the companies included in the consolidation.

3.2. The interim report on operations includes a reliable analysis with reference to important events occurring during the first six months of the year and their effect on the condensed half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of information on material related-party transactions.

Milan, August 1, 2014

Chief Executive Officer

Chief Financial Officer

Ignazio Capuano

Stefano Moccagatta

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

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

1. We have reviewed the half-year condensed consolidated financial statements, consisting of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flow, the statement of changes in consolidated Shareholder's equity, and the related illustrative notes as of June 30, 2014 of Reno De Medici S.p.A. and its subsidiaries (the "Reno De Medici Group"). These half- year condensed consolidated financial statements, prepared in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union, are the responsibility of Reno De Medici S.p.A.'s Directors. Our responsibility is to issue a report on these half-year 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-year condensed consolidated financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the half-year condensed consolidated financial statements, 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 verification 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 our auditors' report on the year-end consolidated financial statements, we do not express an audit opinion on the half-year condensed consolidated financial statements.

   As far as comparative figures related to the year ended December 31, 2013 and the six – month period ended June 30, 2013 are concerned, reference should be made to our auditors' report and our auditors' review report dated April 4, 2014 and August 2, 2013 respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the half-year condensed consolidated financial statements of Reno De Medici Group as of June 30, 2014 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 4, 2014

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