



MERGER BY ABSORPTION

of

R.D.M. MARKETING S.R.L.

With and into

RENO DE MEDICI S.P.A.

**REPORT OF THE BOARD OF DIRECTORS OF
RENO DE MEDICI S.P.A.**

of 15 February 2017



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1. INTRODUCTION

The purpose of this report is to illustrate the merger transaction (hereinafter the Merger) by incorporation into Reno De Medici S.p.A. (hereinafter RDM or the Acquiring Company) of R.D.M. Marketing S.r.l. (hereinafter RDM Marketing or Absorbed Company) a company wholly-owned by RDM in accordance with the terms and conditions indicated below.

The Merger will be achieved through the simplified procedure for mergers of wholly-owned companies pursuant to Article 2505 of the Italian Civil Code, which, among other things, absolves the Board of Directors from the obligation of preparing the report required by Article 2501-*quinquies* of the Italian Civil Code. The Board of Directors has, however, deemed it appropriate to prepare this report voluntarily, in order to provide its shareholders and the market with the widest-ranging and most complete information possible with regard to this Merger transaction.

This Report has been prepared in conformity with Article 70, paragraph 2 of Regulation no 11971 of 14 May 1999 (the Issuers' Regulation) and subsequent amendments and supplements and Annex 3A of the same Regulation.

2. ILLUSTRATION OF THE TRANSACTION

As was disclosed to the market, the RDM Board of Directors met on 15 February 2017 and approved the merger of the Absorbed Company into RDM. This resolution was passed after a detailed analysis conducted by RDM's Board of Directors involving a plan for the rationalisation and simplification of the RDM Group corporate structure presently only involving RDM Marketing, which will then be extended to include other foreign subsidiaries (and therefore companies controlled indirectly by RDM).



The reasons for this merger, which is only the first step towards implementing the rationalisation and simplification plan mentioned above, are included in the wider integration project with the Cascades Group's European activities begun in 2008 with the signing of the Combination Agreement and which was definitively concluded on 30 June 2016 through the acquisition by RDM of Cascades s.a.s.

In 2008, as there were two different legal entities (RDM and Cascades) operating on the market with very distinct brands and products, it was deemed appropriate to create a third entity (Careo now RDM Marketing) to which to exclusively entrust the product marketing operations of each entity.

In the light of the acquisition by RDM of Cascades s.a.s. (now R.D.M. La Rochette s.a.s.) the purpose for which RDM Marketing (formerly Careo S.r.l.) was established ceased to exist because all the companies belonging to RDM operate under the same brand. This became even more obvious since, as of 1 January 2017, the entire RDM Group is distinguished by unique and new Brands and Logos.

RDM is currently a single Group, a single brand, with a single strategy and a more streamlined management team, working together even harder to create value for all stakeholders.

The following Company is the one subject to merger by incorporation into RDM:

- R.D.M. Marketing S.r.l., a company with a sole shareholder, with its registered office in Milan, 25 Viale Isonzo, share capital €200,000.00, Milan Companies Register and Tax Code no. 05945190964, subject to management and coordination by RDM.

The Merger, as already indicated, will take place in a simplified form and benefits from the exemptions of Article 2505, paragraph 1 of the Italian Civil Code since the Absorbed Company is directly wholly-owned by the Acquiring Company.

By virtue of the above:



- i. Since the Acquiring Company directly holds the entire share capital of the Absorbed Company, the Merger will take place without an exchange, in other words without the granting of RDM share in exchange for shares of the Absorbed Company owned by it which will therefore be cancelled at the effective date of the Merger. There are no plans for any cash settlement for the same reasons.
- ii. Pursuant to Article 2505 of the Italian Civil Code:
 - the merger plan is not required to provide the information pursuant to Article 2501-*ter*, paragraph 1 of the Italian Civil Code, numbers 3), 4), 5),
 - it is not necessary to acquire an expert report or fairness opinion on the exchange ratio pursuant to Article 2501-*sexies* of the Italian Civil Code, since there will be no exchange;
 - and – there is no need for the administrative body to prepare a report which, in any event, as indicated in the introduction, the Board of Directors deemed it appropriate to prepare voluntarily in this document in order to provide its shareholders and the market with the widest-ranging and most complete information possible with regard to the merger;
- iii. The Merger Plan will be filed for registration at the Milan Companies Register as well as published on RDM's Internet site pursuant to Article 2501-*ter*, paragraph 3, of the Italian Civil Code.

Pursuant to and in accordance with the combined provision of Articles 2501- *septies* and 2501-*ter* of the Italian Civil Code, the following will be filed at the registered office of each company during the 30 days prior to the decision about the Merger:

- The Merger Plan and this Board of Directors' Report; and
- the financial statements for the last three financial years of the Companies participating in the Merger, with the reports of those responsible for the administration and statutory auditing, stating that the financial statements as at 31 December 2016 are required to serve as the reference statement of financial



position in conformity with Article 2501-*quarter*, paragraph 2 of the Italian Civil Code.

The Merger Plan, this report and the additional documentation relating to the Merger will be made available to the public, in accordance with the procedures laid down by Article 65-*quinquies*, 65-*sexies* and 65-*septies* of the Issuers' Regulation at least 30 days prior to the date of the Shareholders' Meeting called on first call to resolve with regard to the Merger.

Pursuant to Article 2503, paragraph 1, of the Italian Civil Code, the Merger can only be implemented 60 days after the latest registration required by Article 2502-*bis*, paragraph 1 of the Italian Civil Code, save as application of one of the exemptions set out in said Article 2503, paragraph 1 of the Italian Civil Code. By the above-mentioned deadline, creditors of the Companies participating in the Merger prior to the registration of the merger plan in the companies register may object pursuant to Article 2503, paragraph 2 of the Italian Civil Code.

Note that the Merger does not involve the obligation to publish the information document set out in Article 70, paragraph 4 of the Issuers' Regulation nor do the related provisions regarding related-party transactions apply, except as far as Article 5, paragraph 8 of the Regulation is concerned, which contains the provisions regarding related-party transactions adopted by Consob through resolution 17221 of 12 March 2010, and subsequent amendments, in conformity with the provisions of the procedure adopted by RDM, pursuant to the same Regulation.

3. REASONS FOR THE TRANSACTION

As already pointed out, since 30 June 2016, through the acquisition of Cascades s.a.s. (now R.D.M. La Rochette s.a.s.) the process begun in 2008 was concluded by combining



two large businesses producing cardboard in Europe, Cascades and Reno De Medici, and creating Careo.

To date, the RDM Group has been operating under a single leadership and is represented by a single new brand which characterises what the Group has become.

As a result, the purpose for which RDM Marketing (formerly Careo) and its Group were created has ceased to exist.

The purpose of the merger is to rationalise and simplify the corporate structure of the RDM Group in order to be made consistent with the new reality.

4. INFORMATION PURSUANT TO ARTICLE 2501-BIS, PARAGRAPH 3 OF THE ITALIAN CIVIL CODE

The prerequisites for the application of Article 2501-*bis*, paragraph 3 of the Italian Civil Code do not exist since no recourse to debt was made for the acquisition of control of the companies participating in the Merger;

5. INFORMATION ABOUT THE SHARE EXCHANGE AND ALLOCATION PROCEDURES.

Since the Acquiring Company directly owns all the shares of the Absorbed Company, the Merger will take place without an exchange or cash settlement and therefore no exchange rate will be calculated and RDM will not approve any share capital increase to service the Merger.

The shares of the Absorbed Company will be cancelled on the effective date of the Merger.



6. START DATE OF THE EFFECTS OF THE MERGER AND START DATE FROM WHICH THE TRANSACTIONS OF THE ABSORBED COMPANY WILL BE RECORDED IN THE FINANCIAL STATEMENTS OF THE ACQUIRING COMPANY.

Without prejudice to what is reported in the previous paragraph 2, with regard to the Acquiring Company and the Absorbed Company, the Merger will take effect for statutory purposes, pursuant to and in accordance with Article 2504-*bis*, paragraph 2 of the Italian Civil Code, when the last entry of the related deed of merger will be completed pursuant to Article 2504 of the Italian Civil Code, or from the date established in the deed of merger.

For accounting purposes, the transactions of RDM Marketing will be recorded in the financial statements of RDM from the first financial year in which the Merger takes statutory effect. The tax effects will also begin on the same date pursuant to Article 172, paragraph nine of Presidential Decree 917/1986.

7. TAX-RELATED OBSERVATIONS ON THE COMPANIES PARTICIPATING IN THE MERGER.

For the purpose of income tax, the corporate Merger is governed by Article 172 of Presidential Decree 917/1986.

From a tax perspective, the merger between companies does not result in either the distribution of capital gains or capital losses from the assets of the Absorbed Company. From the date that the Merger takes effect, the Acquiring Company takes over the rights and duties of the Absorbed Company with regard to income taxes, except for the provisions of paragraphs 5 and 7 of the above-mentioned article of Presidential Decree 917/1986.



RDM Marketing adhered to RDM's tax consolidation scheme, while the companies did not take advantage of the Group's VAT settlement procedure.

The Merger does not constitute a significant transaction for VAT purposes pursuant to the provisions of Article 2, paragraph 3, letter F) of Presidential Decree 633/1972 and the deed of merger is subject to a fixed registration fee.

8. PROJECTIONS ON THE COMPOSITION OF THE SIGNIFICANT SHARE OWNERSHIP AS WELL AS THE CONTROL STRUCTURE OF THE ACQUIRING COMPANY FOLLOWING THE TRANSACTION.

The Merger does not involve any change to the composition of the share ownership or the control structure of the Acquiring Company.

9. EFFECTS OF THE MERGER ON THE SIGNIFICANT SHAREHOLDERS' AGREEMENTS PURSUANT TO ARTICLE 122 OF LEGISLATIVE DECREE 58/1994.

There are no significant shareholders' agreements involving either the Acquiring Company or the Absorbed Company.

10. EVALUATIONS OF THE ADMINISTRATIVE BODY OF ANY RECOURSE TO THE RIGHT OF WITHDRAWAL IF THE MERGER INVOLVES THE EXCLUSION FROM LISTING PURSUANT TO ARTICLE 2437-QUINQUIES OF THE ITALIAN CIVIL CODE.

The Merger will not involve the exclusion from listing of RDM shares and therefore the prerequisites for exercising the right of withdrawal pursuant to Article 2437-*quinquies* of the Italian Civil Code do not exist.



15 February 2017

On behalf of the Board of Directors

The Chairman

Signed by Robert Hall