Proportional demerger of real estate assets of Reno De Medici S.p.A.
Sale of Aticarta S.p.A.
Credit facilities

Pontenuovo di Magenta, 20 December 2005

The Board of Directors of Reno De Medici S.p.A. has today taken the decision to carry out a series of operations aimed at the repayment of the bonds of Euro 145 milioni becoming due in May 2006.

In particular, the following decisions have been approved:

1. **the proportional demerger of the real estate assets of Reno De Medici S.p.A. and the establishment of RDM Realty S.p.A. – for which a listing application will be made – with a positive cash effect for Reno De Medici S.p.A. of Euro 40 million;**
2. **the sale of Aticarta S.p.A.;**
3. **the setting up of new medium term loans of Euro 60 million required for the completion of the financial restructuring of the Reno De Medici Group**

The establishment of RDM Realty S.p.A. will enable the shareholders of Reno De Medici S.p.A. to partecipate directly in the creation of value by the property assets, which have a notable potential for appreciation both through the development of the former industrial areas of Reno De Medici S.p.A. in Barcelona and Magenta and by the extension of its earnings activities through structures dedicated to sport, leisure and free time.

The shareholders of Reno De Medici S.p.A. will as a result be able to hold one listed share of Reno De Medici S.p.A. (the demerging company) and one share of RDM Realty S.p.A. (the recipient company) for which a listing will be requested.

<u>Introduction</u>

In a meeting held today the Board of Directors of Reno De Medici S.p.A. (referred to in the following as “RdM” or the “Company”) approved a series of operations whose aim amongst others is the refinancing of the bonds amounting to Euro 145 million[1] issued by Reno De Medici International S.A. and becoming due for repayment on 4 May 2006 (referred to in the following as the “Bonds”). In particular, the Board of Directors approved:

[1] This amount is stated net of bonds having a nominal value of Euro 5 million previously repurchased by Reno De Medici S.p.A. and subsequently sold to the issuer for cancellation.

- the partial and proportional demerger of the Company (referred to in the following as the “Operation” or the “Demerger”) with the following objectives:

  - to generate available funds for RdM (the demerging company) of Euro 40 million to be used for the repayment of the Bonds;
  - to enable shareholders to partecipate directly in the creation of value by the property assets, which have a notable potential for appreciation both through the development of the former industrial areas of RdM in Barcelona and in Magenta and by the extension of its earnings activities through structures geared to the tourist and entertainment sectors;

- the sale of 100% of the share capital of Aticarta S.p.A. (referred to in the following as “Aticarta”) to the Colleoni Group, with an overall net financial effect (resulting from cash and reduction of debt) which is estimated in around Euro 15 million;

- the setting up of two credit facilities, of which one of Euro 60 million in favour of RdM (referred to in the following as the “RdM Loan”) and the other of Euro 40 million in favour of Red. Im. S.r.l. (referred to in the following as the “Red. Im. Loan”), of which Euro 20 million is a loan secured on land and a second Euro 20 million is a bridging loan to be repaid with the funds from the capital increase of RDM Realty S.p.A.. Both of these loans have already been approved by Sanpaolo IMI S.p.A., Banca Intesa S.p.A. and Unicredit Banca d’Impresa S.p.A. or approval will be given this week

Proportional demerger of real estate assets of Reno De Medici S.p.A.

The operation approved by the Board of Directors today consisted of the partial and proportional demerger of RdM into a newly established joint stock corporation named RDM Realty S.p.A. (referred to in the following as “Realty”), through the assignment to the existing shareholders of RdM of one ordinary share of Realty for each ordinary or savings share of RdM held.

The purpose of the Demerger is to enable those property holdings of the Reno De Medici Group (referred to in the following as the “Group”) which do not form part of the Group’s industrial activities to create value for the Group; these assets consist of land and buildings relating to a closed factory in Cirič in the province of Turin, non-industrial areas situated next to the Magenta factory in the province of Milan and other real estate assets in Barcelona currently undergoing a valuation process which is being carried out in collaboration with the Spanish company Espais Promocions Immobiliaries E.P.I. S.A. (referred to in the following as “Espais”).

The Demerger may only proceed if Borsa Italiana S.p.A. approves the listing of the ordinary shares of Realty on one of the markets that are under its regulation and administration and if Consob provides its authorisation (“*nulla osta*”) to proceed with the issue of the listing prospectus.

The Operation is preferable to the sale of the properties which are to be demerged as it will enable all the shareholders of RdM to take part in the expected creation of value which will follow the implementation of the developments planned. In addition, it would be difficult to realise in full the creation of value through the sale of the properties whilst the town planning procedures are still in course, given the short period of time available for respecting the due date of the Bonds.

Realty will be a company dedicated to the development of industrial and non-industrial areas undergoing a redefinition of their use under town planning regulations and to the development and administration of properties for the service sector (such as logistics, tourism, commercial activities and entertainment); it will be equipped with a management having financial and property administration skills who will coordinate internal resources and a network of technical consultants and partners.

The Demerger relates to the land and buildings of the Ciriè factory referred to above, 100% of the quota capital of Red.Im. S.r.l. (referred to in the following as "Red.Im.") and amounts of approximately Euro 12.4 million due by Red.Im. to RdM.

RdM's equity will decrease by a total of Euro 14,759,000 as a consequence of the Demerger, and in particular its share capital will decrease by Euro 16,182,866.22, with the establishment at the same time of a reserve of Euro 1,423,866.22 resulting from the rounding of the nominal value of the shares..The share capital of RdM after the Operation will be Euro 132,160,074.13, represented by 269,714,437 shares, of which 269,200,159 ordinary shares and 514,278 savings shares, each having nominal value of Euro 0.49. The share capital of Realty will be Euro 14,759,000 represented by 269,714,437 ordinary shares not having a nominal value.

Red. Im., which already owns non-business land and buildings located in the Magenta municipality, has already finalised a series of operations with other Group companies whose aim was the concentration in that company of properties not operative in the production of cardboard. In particular, RdM has sold certain non-industrial property assets adjacent to the Magenta factory (for a total amount of approx. Euro 3.6 million against a book value, as of 30 September 2005, of about Euro 0.5 million) and a preliminary agreement has been signed between Reno De Medici Iberica S.L. (referred to in the following as "RdM Iberica") and Red.Im. for the sale of real estate assets which will be located in Barcelona (Spain) and will be handed over by Espais to RdM Iberica as a requirement of the agreement signed on 16 December 2003 (the amount to be paid by Red. Im., according to such agreement, is Euro 32 million).

With regard to those operations, the Red. Im. Loan is currently being put into place and is expected to be used to repay the debt of Red. Im. vs. the Group arising the transactions described earlier. These funds would be used in full by the Group to repay the Bonds.

In order to ensure that Realty has a financial and equity structure which is in line with its development aims, it is planned that the company's management following the Demerger will approve an increase in capital, by way of a rights issue, up to an amount to be determined but not exceeding Euro 40 million, as permitted by its corporate bylaws (referred to in the following as the "First CapInc"), and will also approve an integration process with other real estate companies whose activities are already under way and income-producing.

Receipts of Euro 20 Million from the First CapInc will be used as a partial repayment of Red.Im. Loan. The majority shareholder of RdM, Alerion Industries S.p.A (referred to in the following as "Alerion"), which owns about 25% of RdM, has agreed to underwrite Euro 20 million of the First CapInc, confirming at the same time its availability to fulfil the obligation to launch a mandatory tender offer which may become necessary as a result of providing this guarantee.

In addition, as the RdM Loan provides for the undertaking of Alerion to become the controlling shareholder of Red. Im. in order to deconsolidate its financial indebtedness if the

Demerger is not finalised by 31 December 2006, the Board of Directors of RdM has also delegated the Board of Directors of Red. Im. to proceed with an increase in capital to be set specifically aside for the conversion of an interest-bearing loan of Euro 20 million. This loan, which Alerion has agreed to grant to Red. Im., will be drawn down in the event that the Demerger has not yet been effected by 15 April 2006 and will be repayable on 31 December 2006.
Accordingly the terms of this loan will include the mandatory requirement that it be converted into the capital of Red. Im. as the sole alternative if the Demerger has not yet been effected by 31 December 2006. The transfer of powers to the Board of Directors of Red. Im. will include the requirement that the capital increase be carried out at an overall price, including any premium, which is in line with the economic value of the company's capital.

Savings shareholders who do not vote in favour of the Demerger may, within the terms of the law, exercise their right of withdrawal up to the number of Realty shares assigned to them as part of the Operation. The repayment price will be notified at least 15 days prior to the special meeting of savings shareholders and will be calculated as the average closing price of RdM savings shares during the previous six months, taking into account the ratio of the net equity assigned to Realty and that remaining in RdM. Alerion has already expressed its availability to guarantee the purchase of those shares for which shareholders exercise their right to withdraw.

The process of integrating Realty with other real estate companies was referred to earlier; in this context RdM has made an irrevocable conditional offer to the shareholders of Adriatica Turistica S.p.A. (referred to in the following as "Adriatica") to purchase 100% of the company (referred to in the following as the "Offer") which they have accepted. The ultimate owner of Adriatica is the Piovesana family, which owns 3.35% of Alerion as well as being a member of a shareholders' agreement relating to that company. No member of the Piovesana family holds corporate or functional office within the Alerion group.

The integration with Adriatica is in line with the objective to diversify Realty's activities into the tourist/entertainment sector, furnishing the company with operations which are already under way and income-producing. Adriatica is currently the owner of a tourist port on the upper Adriatic coast and a thermal spa complex on the Adriatic coast in the province of Venice.

The agreed price for the purchase of 100% of the share capital of Adriatica is Euro 40.0 million (referred to in the following as the "Price"). The Price, which is susceptible to adjustment before the acquisition date (referred to in the following as the "Closing") as the result of the normal due diligence procedures, will be paid in the following manner:

- Euro 20 million at Closing in Realty shares, resulting from a capital increase of the same amount specifically set aside (referred to in the following as the "Second CapInc");
- Euro 5 million in cash at Closing;
- Euro 10 million in cash within 45 days from the Closing;
- the balance, in cash, within 360 days from the Closing, subject to verification that the Gross Operating Margin of Adriatica is at least Euro 4.0 million; if Gross Operating Margin is lower, an adjustment will be negotiated in good faith between the parties to lower the outstanding balance to be paid.

The issue price of the Second CapInc will be determined by the Board of Directors of Realty with the support of an advisor appointed specifically for the purpose and will be subject to a fairness opinion to be issued by Realty's auditors in accordance with legislative and regulatory provisions..

The Closing is planned to take place within 90 days of the completion of the Demerger and will be subject to the following conditions:

- a demerger resolution approved by RdM's shareholders by 28 February 2006;
- the completion of the Demerger by 31 December 2006;
- a positive outcome of the due diligence in the incontestable opinion of Realty;
- certification of the value attributed to 100% of Adriatica by the expert appointed by the court, in accordance with the applicable legislative and regulatory provisions.

The Board of Directors has mandated separately the Chairman and the Managing Director to call an Extraordinary Shareholders' Meeting, leaving to them the decision as to the date and the agenda of the meeting, and to proceed with the filing of the relevant documentation within the timescale and by the means provided in prevailing legislation.

Sale of Aticarta

RdM has today signed a binding purchase and sale agreement for the sale of 100% of the share capital of Aticarta (referred to in the following as the "Aticarta Sale").

RdM was advised by Mediobanca – Banca di Credito Finanziario S.p.A. and Banca IMI S.p.A., who have assisted the Board of Directors of RdM in determining the assets value of Aticarta and the sales conditions with the various parties involved in the sale procedure and with the party which is the consequent purchaser.

The purchaser is Colleoni S.A. (referred to in the following as the "Purchaser"), a Luxembourg company controlled by Gastone Colleoni. Gastone Colleoni is the Chairman of the Board of Directors of Aticarta and ATI Packaging S.r.l. (referred to in the following as "Atipackaging"), a company which is wholly controlled by Aticarta. In addition, Gastone Colleoni is Chairman of the Board of Directors of Alerion and is a shareholder of Alerion owning approximately 3,65% of its share capital and is a member of the shareholders' agreement relating to Alerion.

The Chairman of RdM, Ing. Garofano, has advised the Board of Directors that he is Honorary Chairman of Alerion, although is not a member of that company's board, and for this reason he abstained from the resolution taken by the Board of Directors of RdM for the sale of Aticarta to Colleoni S.A.. The resolution was passed unanimously by the remaining board members.

The following information relating to the Aticarta Sale is provided.

The Aticarta Sale forms part of steps currently being implemented by RdM to dispose of those assets which are not used in the production of recycled cardboard, and to obtain funds to repay the Bonds.

As stated, the Aticarta Sale regards its entire share capital; Aticarta wholly owns Atipackaging. Aticarta is the owner of the factory located at Pompei, currently inoperative, and in relation to which a protocol was signed in September 2005 with the central and local government authorities and the appropriate trade union representatives for the industrial conversion of the manufacturing site. Aticarta has contributed the production assets of the factory at Rovereto to Atipackaging with effect from 1 October 2005; these assets are used in the production of packaging articles for the tobacco sector. As a result of this contribution, the carrying value of Atipackaging in Aticarta is 16 million euros. Aticarta had a turnover of about 49 million euros for the year ended 31 December 2004 and closed with a more or less breakeven operating result of 0.1 million euros and a net loss of approximately 4.5 million euros; these figures include operations relating to the assets subsequently contributed to Atipackaging. Aticarta's net financial debt at 31 December 2004 was 21.3 million euros.

The price for the sale of 100% of the capital of Aticarta (referred to in the following as the "Sales Price") has been agreed between the parties in 3 million euros and was determined on the basis of the balance sheet of Aticarta at 1 October 2005. In particular, the Sales Price reflects the values attributed by the parties to Aticarta's major assets, less liabilities and estimated provisions. In order to determine the value of Aticarta's land and buildings and plant and machinery, RdM took into account appraisals made previously by external valuers. In addition, the Sales Price was determined by recognising the investment in Atipackaging at its carrying value of 16 million euros, which is in line with the results of frequently used valuation techniques such as discounted cash flows, market multipliers and similar transactions. The Sales Price will be reduced in the case of an increase in Aticarta's net financial debt during the period from 1 October to 31 December 2005. At 30 September 2005, Aticarta's net financial debt was 19.6 million euros, of which approximately 15 million euros was due to RdM and approximately 4.6 million euros was due to banks.

The purchase and sales agreement contains amongst others the following principal undertakings.

On the Purchaser's part:

(i) a payment on account of 20% of the Sales Price on signing the agreement (already done) and the payment of the balance of 80% on the endorsement of the transfer the shares, which is expected to take place by the end of December 2005;

(ii) the undertaking to arrange that Aticarta and Atipackaging extinguish their loan balances with RdM at 31 December 2005 by 31 March 2006;

(iii) the delivery of a first-demand banking guarantee of 7.4 million euros to guarantee the commitment described in paragraph (ii) above.

On RdM's part:

(a) the undertaking to purchase Aticarta's plant and machinery by 31 March 2006 at an agreed price of 3.5 million euros (an amount in line with the appraisals referred to earlier);

(b) the undertaking to purchase Aticarta's inventory by 31 March 2006 at a price which will be adjusted on the basis of the sales of inventory made by Aticarta in the period from 1 October to 31 December 2005;

(c) the undertaking to acquire by 31 March 2006 the receivables generated by Aticarta from the sales of inventory in the period from 1 October to 31 December 2005 and not yet cashed-in by 28 February 2006.

The maximum overall payment that can be borne by RdM as a result of the undertakings referred to in paragraphs (b) and (c) above may be estimated in 4.1 million euros.

On the basis of the figures at 1 October 2005, the Aticarta Sale will lead to a gain by RdM of about 7.5 to 8 million euros at a consolidated level and a loss of about 2.5 million euros in the company's statutory accounts. Furthermore, the financial effect on the consolidated balance sheet should be to reduce net financial debt by an amount estimated in about 15 million euros.

Finally, it should be noted that the remuneration due to the Managing Director of RdM,who presently is also director of Aticarta and Atipackaging, includes a bonus linked, amongst other things, to the disposal of the non-strategic assets of the Group, of which the Aticarta Sale forms part.

RdM has been assisted in this transaction also by Studio Libonati Jaeger as legal advisor.

Credit Facilities

The Board of Directors of RdM has mandated separately the Chairman and the Managing Director to negotiate and agree, with Sanpaolo IMI S.p.A., Unicredit Banca d'Impresa S.p.A and Banca Intesa S.p.A., the terms and conditions of a long-term loan of an overall amount of 60 million euros (RdM Loan), to sign the loan agreement and to take to the operation to completion. This loan has already been approved by these banks or is at the approval stage.

The RdM Loan will be utilised by RdM to repay the Bonds, together with the proceeds already received and to be received from the disposal of non-core assets and the funds which will be generated by the Demerger.

Furthermore, as part of the Demerger project, the Board of Directors of RdM has mandated separately the Chairman of RdM and the Managing Director of Red. Im. to negotiate and agree with Banca Intesa S.p.A., in the interest of the subsidiary Red. Im., the terms and conditions of the loans required by Red. Im. to carry out the operations referred to previously (Red.Im. Loan).

Additional information may be obtained by contacting the following persons:

Reno De Medici S.p.A.
Guido Vigorelli
Tel. +39/02/979601
E-mail: investor.relations@renodemedici.it

Bonaparte 48
Alessandro Iozzia - Monica Strigelli
Tel. +39/02/8800971 Fax +39/02/72010530
Alessandro.iozzia@bonaparte48.com
Monica.strigelli@bonaparte48.com