

RenoDeMedici



**THE PROJECT FOR THE MERGER BETWEEN RENO DE MEDICI S.P.A. AND
CASCADES ITALIA S.R.L. IS APPROVED**

Pontenuovo di Magenta, 13 September 2007

- ♦ **Integration with Cascades Italia under the terms and conditions of the Letter of Intent communicated to the market on 20 June;**
- ♦ **The merger will be carried out on the basis of an exchange of 115.6 million ordinary shares of Reno De Medici for the single quota representing the entire capital of Cascades Italia, of which 108,086,557 will be newly issued shares and 7,513,443 ordinary treasury shares held by Reno De Medici;**
- ♦ **The Merger Project will be submitted to the shareholders of Reno De Medici and Cascades Italia for approval in extraordinary general meetings to be held during the last ten days of October, with the merger to become effective at the beginning of 2008.**

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The Board of Directors of Reno De Medici today approved the project to merge Cascades Italia S.r.l. (hereafter “**Cascades Italia**”) into Reno De Medici S.p.A. (hereafter the “**Company**”), (hereafter the “**Merger**”), following the completion of reviews and negotiations carried out after the signing of a letter of intent with the Cascades group as communicated to the market on 20 June.

The company to be merged, Cascades Italia, has recently been set up and hold the total share capital of the entities heading the Cascade group’s European operations in the recycled cartonboard production sector.

The Merger will see the emergence of a new leader in the recycled cartonboard sector: on concluding the combination with Cascades Italia’s operations, Reno de Medici, with a production capacity exceeding one million tonnes a year, will hold a key position in the global market and will become a leader in the European recycled cartonboard market, in this way approaching the current world leader. The Merger will additionally allow Reno de Medici to gain production bases in France and Germany and a commercial presence in the United Kingdom which taken with the group’s strong presence on the Italian and Spanish markets, will make Reno De Medici an operator of pan-European dimensions. The company that will

emerge from the operation, which will be sounder from both a financial and operational standpoint, will therefore be able to take advantage of a critical mass capable of challenging global competition more effectively.

In particular synergies will arise in the following areas: (i) the reorganisation of the selling process by an improvement in the country/customer mix; (ii) a reduction in freight costs and, more generally, logistics costs, by allocating production to the factories closest to the customers concerned; (iii) the implementation of the best business policies and, therefore, the amalgamation of major operating activities; (iv) the specialisation of the portfolio of manufacturing plant towards a more profitable mix for each plant; and (v) the harmonization of the corporate activities.

The Board of Directors also approved the signing of a Combination Agreement, which took place today and which - in addition to governing certain expectations concerning the Merger timetable and the related formal requirements, including the need to obtain the consent of lenders and other counterparties where envisaged by underlying agreements - regulates the following matters in accordance with the letter of intent communicated to the market:

- a possible second stage of the combination relating to the European operations of Cascades in the virgin fibre cartonboard production sector and concentrated on the manufacturing facilities at La Rochette (France) and Djupafors (Sweden) (the “**Virgin Assets**”). In this respect the agreement between the parties provides for the Company and Cascades to be assigned, respectively, a call option that may be exercised in 2010 (the “**Call**”) and a put option that may be exercised in 2011 (the “**Put**”), both on the Virgin Assets, without any financial debt. The Call may be exercised on the base of results of the Virgin Assets of the first half of 2010, together with an auditor’s report, at a price equal to 6.5 times EBITDA, annualized; the Put may be exercised on the base of results of the Virgin Assets of the first half of 2011, together with an auditor’s report, at a price equal to 6 times EBITDA, annualized. If requested by Cascades, full or part payment may be effected by means of new issue Reno De Medici shares;
- the establishment of a joint venture in the context of the Merger, and also in the perspective of a possible second stage of the combination, to manage their respective distribution networks in the “virgin” and “recycled” paper sectors in a coordinated and centralised manner. In this respect the agreements reached by the parties envisage that before the finalisation of the Merger a limited liability company will be established (Reno De Medici – Cascades Sales - “**RCS**”), held by the Company as to 70% and by Cascades S.A. as to 30%, in which the two quotaholders will have equal representation in the new company’s management body; the Company and Cascades S.A. will each contribute the business comprising their respective distribution operations on the effective date of the Merger;
- the termination by the Company of the production of virgin fibre cartonboard and the relative transfer, at a price proportionate to the tonnes transferred, to the Cascades group and then distributed through the RCS network.

1. Details of the Merger

With the aim of carrying out the combination in the most efficient and functional manner possible, avoiding the complications and obstacles that would otherwise result from a crossborder demerger operation, the parties evaluated and came to an agreement over the opportunity of implementing the letter of intent by reorganising the European operations of the Cascades group in advance, with the scope of separating off in Cascades Italia S.r.l. the companies and businesses to be combined with Reno De Medici. More precisely, Cascades S.A. ensured that its wholly owned companies (i) Cascades Blendecques S.A.S., (ii) Cascades Cartonboard UK Ltd and (iii) Cascades Arnsberg GmbH were the sole owners of the previously mentioned European recycled paper sector operations of the Cascades group. These wholly owned subsidiaries were then contributed to Cascades Italia on 10 September. The companies now under the control of Cascades Italia employ approximately 700 staff and in the first half of 2007 achieved a turnover of around 97 million euros, with EBITDA in the order of 5 million euros.

The merger of Cascades Italia into the Company will take place on the basis of an exchange of 115,600,000 ordinary shares of the Company for the single quota representing the entire capital of Cascades Italia.

In determining this exchange ratio, the following net asset situations were used pursuant to article 2501-*quater* of the Italian civil code:

- the net asset situation of the Company as of 30 June 2007 as approved by its Board of Directors in today's date;
- the net asset situation of Cascades Italia as of 31 August 2007 as approved by its Board of Directors in today's date, together with a pro-forma financial position as at that date which takes into account assets acquired through the contribution on 10 September.

The share exchange will be carried out by assigning to Cascades S.A. as the sole quotaholder of Cascades Italia:

- (i) n. 108,086,557 newly issued ordinary shares to service the Merger resulting from a capital increase of Euro 52,962,412.93 that the shareholders of the Company will be called to approve in an extraordinary general meeting;
- (ii) n. 7,513,443 ordinary treasury shares held by the Company.

2. Corporate Governance

Cascades S.A. on the one hand, as the future principal shareholder of the Company following the Merger, and Alerion Industries S.p.A., Eurinvest Finanza Stabile S.r.l. and IC (Industria della Costruzione) S.p.A. on the other, have communicated that as a consequence of the approval of the Merger by the Boards of Directors of the Company and of Cascades Italia they have signed a shareholders' pact that constitutes a functional and instrumental element in realising the industrial project underlying the Merger (the "**Pact**").

The Pact has a three year term and will become effective on the effective date of the Merger, simultaneously with the mutually agreed termination of the current shareholders' pact signed

on 27 March 2007 by Alerion Industries, Eurinvest Finanza Stabile and IC (Industria della Costruzione (jointly the “**Current Pact Members**”).

The parties to the Pact have established certain rules regarding the Company’s post-Merger corporate governance structure to ensure unity in the direction in which the Company is managed and in their mutual relationship as shareholders of the Company, with the aim of guaranteeing the stability of the future ownership structure.

The main provisions included in the Pact, which will obviously be subject to the publicity requirements of the law, envisage the following:

- equal representation for the Cascades group on one side and the Current Pact Members on the other in the Company’s managing and control bodies;
- a qualified majority to pass resolutions of especial importance;
- a lock-up period of eighteen months from the effective date of the Merger, together with reciprocal pre-emption and co-sale rights for the remaining period of the Pact’s term.

On the basis of the exchange ratio the shareholders party to the Pact will hold the following percentages of the Company’s ordinary capital after the Merger:

Shareholder	% of voting share capital
Cascades S.A.	30,64
Alerion Industries S.p.A.	8,98
Eurinvest Finanza Stabile S.r.l.	5,51
Industria della Costruzione S.p.A.	5,30
Total	50,43

Being an integral and inseparable part of the operation, as well as being a functional and indispensable element in realising the industrial project underlying the Merger, the Pact, together with the Merger, falls within the scope of the exemption of the obligation to make a public tender offer as provided in article 49, paragraph 1(f) of Consob Regulation n. 11971/1999.

3. Timetable

The operation is subject to obtaining the necessary authorisations from the competent Italian national antitrust authority and to the requirement that Consob and/or the Comisión Nacional del Mercado de Valores do not communicate that the Merger and/or the establishment of the Pact give rise to the obligation to make a public tender offer for the shares of the Company on the Italian and/or Spanish regulated markets.

It is envisaged that the Merger will be submitted for approval to the shareholders of the Company and of Cascades Italia in extraordinary general meetings to be held during the last ten days of October and that it will become effective at the beginning of 2008.

The documents relating to the Merger required by article 2501 *septies* of the Italian civil code will be made available to shareholders and to the market 30 days prior to the shareholders’

meetings called to approve the Merger. In addition, the information document relating to the operation will be made public at least 10 days before these meetings, pursuant to article 70 of Consob Regulation n. 11971/1999.

*Reno De Medici and Cascades availed themselves of respectively Merrill Lynch International and Société Générale Corporate & Investment Banking as financial advisors.
Studio Legale Carbonetti is acting as legal advisor to Reno De Medici and Jones Day as legal advisor to Cascades.*

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