



RenoDeMedici

Ordinary Shareholders' Meeting

26th April 2012 – 27th April 2012

Explanatory Report of the Board of Directors

**pursuant to article 3 of Ministerial Decree no. 437 of 5th November 1998 and article 125 *ter* of
Legislative Decree n. 58 of 24th February 1998**

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Item n. 1 of the agenda - Annual financial statements for the year ended 31 December 2011: related resolutions

Dear Shareholders,

With regard to the first item in the agenda, reference should hereon be made to the information provided in the financial report containing the statutory and consolidated financial statements for the year ended 31 December 2011, with the Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors and the proposal for the allocation of results.

The financial report containing the statutory and consolidated financial statements for the financial year ended 31 December 2011, with the Report of the Board of Director on operations, will be available to the public within the terms of law together with the Reports of the Board of Directors and the Board of Statutory Auditors. The report on corporate governance and ownership structures pursuant to article 123-bis of Legislative Decree no. 58 of 1998 (the "TUF") and in accordance with the guidelines issued by Borsa Italiana will be available to the public within the same terms.

Moreover, we will publish also the Social and Environment Report for year 2011.

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Item n. 2 of the agenda - Appointment of the Board of Statutory Auditors for the three years 2012-2013-2014

Dear Shareholders,

We inform you that, on the date of the ordinary Meeting convened on April 26, 2012 in first call and on April 27, 2012 in second call, the Board of Statutory Auditors of the Company, appointed by resolution of the ordinary Meeting of April 28, 2009 for the three years 2009-2010-2011, shall cease from office.

We therefore invite you to proceed to (3.1) appoint the three Statutory Auditors and the two Deputy Auditors; (3.2) appoint the Chairman of the Board of Statutory Auditors and (3.3) define the annual fee for the members of the Board of Statutory Auditors.

(2.1) APPOINTMENT OF THREE STANDING AUDITORS AND TWO SUBSTITUTE AUDITORS

Dear Shareholders,

As already indicated in the notice calling the shareholders' meeting published on Company's website and in the national daily newspaper Milano & Finanza on 15th March 2012, the appointment of the Statutory and Deputy Auditors must be made in compliance with the provisions of article 19 of the Company's Articles of Association.

In particular, we remind you that each shareholder may present or take part in the presentation of one single list and may only vote for one single list, including through an intermediate third party or a trustee company.

Any shareholders party to a shareholders' pact pursuant to article 122 of Legislative Decree no. 58/1998, the controlling entity, subsidiaries and companies under common control pursuant to article 93 of Legislative Decree no. 58/ 1998 may not present, or take part in the presentation of, nor by intermediate third party or trustee company, more than one single list, nor may they vote for any other list; no person may be a candidate in more than one list, failing which he or she shall be ineligible. The names of persons included in voting lists prepared in breach of the above and the votes cast in breach shall not be assigned to any list.

The Auditors shall be appointed as follows: the first two candidates on the list obtaining the highest number of votes are elected as standing auditors together with the first candidate on the list obtaining the second highest number of votes, which must not be connected, even indirectly, with the shareholders who presented or voted in favour of the list obtaining the highest number of votes.

The first candidate for the position as substitute auditor on the list obtaining the highest number of votes and the first candidate for the position as substitute auditor on the list obtaining the second highest number of votes pursuant to the preceding paragraph are elected as substitute auditors.

In the case of a tied vote between two or more lists, the eldest candidates shall be elected as statutory auditors until all the positions have been filled.

In the event that only one list is submitted and/or voted, or no list is submitted, the candidates named in the only list are appointed as Statutory and Deputy Auditors or, respectively, the Meeting shall adopt a resolution with the majority required by law.

In any case, the appointment of Board of Statutory Auditors shall be made in such a way the less-represented gender shall obtain at least one third of the regular members of the board of auditors in compliance with article number 148 of Legislative Decree n. 58/1998.

We remind you additionally that the Board of Statutory Auditors which you appoint will remain in office for the years 2012, 2013 and 2014 and that its term will expire at the ordinary shareholders' meeting called to approve the financial statements for the year ending 31 December 2014.

In the light of these matters, we accordingly invite you to proceed with the appointment of three standing Statutory Auditors and two substitute Statutory Auditors by casting your vote in favour of one of the lists presented.

(2.2) APPOINTMENT OF THE CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS

Dear Shareholders,

With regard to the appointment of the Chairman of the Board of Statutory Auditors, we remind you that pursuant to article 148, paragraph 2-bis, of Legislative Decree no. 58 of 24 February 1998, and pursuant to art. 19 of the Company's Articles of Association, the position as Chairman of the Board of Statutory Auditors is taken by the candidate on the list that obtains the second highest number of votes.

In the case that only one list is presented or in the case that no lists are presented at all, the candidates named in the single list shall be elected as standing and substitute auditors or, respectively, those voted into office by the General Shareholders' Meeting, on the assumption that they obtain the relative majority of the votes of such Meeting.

In compliance with the matters set out above we invite you to appoint the Chairman of the Board of Statutory Auditors.

(2.3) DETERMINATION OF THE ANNUAL FEES OF THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS

Dear Shareholders,

We remind you as a final point that you are required to determine the fees to be paid to the Board of Statutory Auditors. Pursuant to article 2402 of the Italian civil code, on appointing the Board of Statutory Auditors the shareholders' meeting must determine the annual fees due to the standing Statutory Auditors for their entire term of office.

We point out that the fees of the Board of Statutory Auditors currently in office are equal to Euro 70,000/year for the Chairman and Euro 45,000/year for the other Statutory Auditors.

The Board of Directors abstains from making specific proposals on this matter and invites you to adopt a resolution in this respect on the basis of any proposals which may be put forward by shareholders during the course of the meeting.

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Item n. 3 of the agenda - Appointment of Independent Auditors for the legal audit of the accounts for the nine-year period 2012-2020: related resolutions

We inform you that, on the date of the ordinary Meeting convened on April 26, 2012 in first call and on April 27, 2012 in second call, the engagement of PriceWaterhouseCoopers S.p.A., which has performed the work for nine consecutive years, shall cease from office.

We therefore invite you to proceed to appoint the new Independent Auditors for the legal audit of the accounts and to fix the fees due to the Auditor for such engagement.

On the basis of article 13 of Legislative Decree no. 39 of 27 January 2010, the Shareholders' meeting has to appoint the Independent Auditor basing on explained proposal prepared by the Board of Statutory Auditors.

RDM's Board of Statutory Auditors has made a report containing the explained proposal in order to appoint . Deloitte & Touche S.p.A. as the legal audit; that report is attached to this present report (Annex 1).

Reference should therefore be made to that report for a summary of the proposals drawn up by various auditing firms and the competitive procedure between the various proposals, together with a description of the proposal which is considered to be the most advantageous.

* * * *

Dear Shareholders,

Having taken vision of the Board of Statutory Auditors' explained proposal, we invite you to adopt the following resolution:

“Having taken vision of the Board of Statutory Auditors' substantiated proposal, the ordinary shareholders' meeting of Reno De Medici S.p.A.

resolves:

(A) pursuant to Legislative Decree no. 39/2010 to appoint Deloitte & Touche S.p.A., in respect of each of the years included in the period 2012-2020, as per the proposal of this auditing firm dated 30 November 2011: (i) to perform the legal audit of the separate annual financial statements and the consolidated financial statements as well as the review of the half-year report of the Company

and (ii) to verify that the Company's accounting records have been kept on a proper basis and that its operations have been correctly recorded in the accounting entries;

(B) to establish the auditors' annual fees in Euro 148,000.00 plus VAT and out-of-pocket expenses, with ISTAT inflation-indexing for years subsequent to the first and the possibility of adjusting these fees for any circumstances which may arise which lead to an increase in the estimated time, all of which as per the auditing firm's proposal of 30 November 2011, held in the Company's records and published on the website www.renodemedici.it under the section Shareholders' meetings;

(C) to grant to the Chairman and the Managing Director, separately, all the widest powers in order that they may, including by means of procurators and in compliance with the terms and means of the law, give execution to this resolution and carry out all the formalities and steps required by the applicable provisions of laws and regulations".

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Item 4 of the agenda - Report on Remuneration pursuant to art. 123 *ter* of Legislative Decree n. 58/98.

Dear Shareholders,

with the Annual Financial Statement, the Report on Remuneration pursuant to article 123 *ter* of Legislative Decree n. 58/98 shall be made available and we invite you to resolve in favour of the first section of mentioned Report.

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Milan, 13 March 2012.

Reno De Medici S.p.A.

On behalf of the Board of Directors

The Chairman

Signed by Christian Dubè

**JUSTIFIED PROPOSAL TO CONFIRM APPOINTMENT OF AUDITING FIRM
PURSUANT TO ART. 13 OF ITALIAN LEGISLATIVE DECREE 39/2010**

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To the shareholders of Reno De Medici Spa,

The Board of Statutory Auditors

WHEREAS

- with approval of the financial statements as at 31.12.2011, the term of the current auditing firm, PricewaterhouseCoopers S.p.A., appointed by shareholder resolution dated 3 May 2006, will expire;
- PricewaterhouseCoopers S.p.A. can no longer be re-appointed because the term of its appointment, conferred and subsequently renewed, has definitively lapsed;
- therefore, the Shareholders' Meeting must deliberate with regard to the appointment of an external auditing firm;
- on 7 April 2010, Italian Legislative Decree no. 39 of 27 January 2010, concerning "Implementation of Directive 2006/43/CE on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/CEE and 83/349/CEE and repealing Council Directive 84/253/CEE" (hereinafter, the "Decree") became effective;
- Art. 13 of the Decree provides that: "*Subject to the provisions of Article 2328, sub-section two, number 11), of the Civil Code, the Shareholders' Meeting, at the justified proposal of the control body, appoints the external auditing firm and determines the compensation of the external auditor or of the external auditing firm for the entire term as well as any criteria for adjustment of such compensation during the term*";

CONSIDERING

- that the Board of Statutory Auditors has received 3 separate proposals from auditing firms KPMG S.p.A., Reconta Ernst&Young S.p.A., and Deloitte &Touche S.p.A. for the appointment of the external auditing firm for purposes of Art. 14 of the Decree and of Articles 2409-bis et seq. of the Civil Code for the period 2012-2020;
- that with regard to the **subject matter** of the appointment, the above-mentioned proposals call for the following activities for each corporate year:
 - external auditing of the financial statements of Reno De Medici S.p.A., including an opinion regarding the consistency of the Directors’ Report, of the Report on Corporate Governance and ownership structures, and the signing of tax returns;
 - external auditing of the consolidated financial statements of Reno de Medici Group, including an audit of the consolidation procedure;
 - limited auditing of the abbreviated semi-annual financial statements;
 - verification of the proper maintenance of corporate accounts and proper representation of operations;
- that the annual fees specified in the above-mentioned proposals are as follows:
 - external auditing of the financial statements of Reno De Medici S.p.A. (including all activities required to audit proper maintenance of corporate accounts as per Art. 14 sub-section 1 letter b) of the Decree):

Auditing firm	Hours	Fees (Euro/000)
KPMG S.p.A.	2112	116.0
Reconta Ernst&Young S.p.A.	1250	97.7
Deloitte &Touche S.p.A.	1750	102.0

- for external auditing of the consolidated financial statements of Reno de Medici Group as per

Art. 14 of the Decree:

Auditing firm	Hours	Fees (Euro/000)
KPMG S.p.A.	480	30.0
Reconta Ernst&Young S.p.A.	450	34.7
Deloitte &Touche S.p.A.	450	24.0

- for limited auditing of the abbreviated semi-annual financial statements:

Auditing firm	Hours	Fees (Euro/000)
KPMG S.p.A.	360	30.0
Reconta Ernst&Young S.p.A.	500	38.6
Deloitte &Touche S.p.A.	370	22.0

for total annual compensation of:

- Euro 176,000.00 for 2952 hours/year according to the proposal of KPMG S.p.A.;
- Euro 171,000.00 for 2200 hours/year according to the proposal of Reconta Ernst&Young S.p.A.;
- Euro 148,000.00 for 2570 hours/year according to the proposal of Deloitte & Touche S.p.A.;
- that your Company's Board of Directors has deliberated to place assignment of the auditing firm, subject to the justified proposal of the Board of Statutory Auditors, on the agenda of the Meeting called to approve the financial statements for the year ended 31 December 2011,

CONSIDERING

- That on 7 March 2012 as consequence of an control about possible reasons of incompatibility, KPMG S.p.A. had withdraw its proposal as the external auditing firm due to professional relationship among Reno De Medeci's Sahreholder, Cascades Inc, and KPMG Canada able to compromise the necessary independence;
- That, therefore, this Board of Statutory Auditors has focused on the proposals of Reconta

Ernst&Young S.p.A and Deloitte & Touche S.p.A.;

HAVING VERIFIED

- that the above-mentioned proposals contain a description of the procedures for expressing a professional opinion on the financial statements and for conducting the external audit referred to in Art. 14 of the Decree, and that such procedures are deemed adequate;
- that the methods for conducting the external audit, described in each proposal, in consideration of the hours and professional resources required for same, are deemed adequate in relation to the scope and complexity of the assignment;
- that, based on the information in the individual proposals, both auditing firms have the requisites of independence required by law and there are no current situations of incompatibility;
- that both auditing firms that have formulated the proposals in question are registered in the special register of auditing firms and have adequate organisation and technical-professional qualification in relation to the scope and complexity of the assignment;

HAVING ALSO VERIFIED

- that both auditing firms present analogous and adequate requisites in terms of technical and professional qualification, existence of the requisite of independence, completeness of the proposed auditing programme, as well as organisation, with specific reference to the scope and complexity of the assignment;
- that, among other things, Deloitte & Touche has presented the most economically advantageous offer, with compensation determined in such a way as to guarantee the quality and reliability of the activities to be carried out in the appointment,

HEREBY PROPOSES

based on the above, to appoint Deloitte & Touche S.p.A., *with registered office at Via Tortona 25, Milan, Italy, VAT / Register of Companies / Taxpayer Code 03049560466 – Registered with CONSOB*, as

external auditing firm as described above for the period 2012-2020 for purposes of Art. 13 of the Decree,
i.e.:

- to conduct the external audit of the annual financial statements of Reno de Medici SpA (including all activities required to audit proper maintenance of corporate accounts as per Art. 14 sub-section 1 letter b) of the Decree), for a total fee of Euro 102,000 for each year, plus VAT, expenses, and ISTAT revaluation;
- to conduct the external audit of the consolidated financial statement of Reno de Medici Group as per Art. 14 of the Decree, for a total fee of Euro 24,000 for each year, plus VAT, expenses, and ISTAT revaluation;
- to conduct the limited audit of the abbreviated semi-annual financial statements, for a total fee of Euro 22,000 for each year, plus VAT, expenses, and ISTAT revaluation;

Milan, 12 March 2012

THE BOARD OF STATUTORY AUDITORS

Sergio PIVATO (Chairman)

Giovanni Maria CONTI

Carlo TAVORMINA