RENO DE MEDICI OUTPERFORM

Price (Eu): 0.22
Target Price (Eu): 0.33

SECTOR: Industrials

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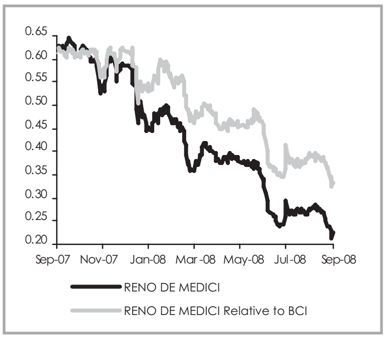
Paper is Strong Enough

- **H1 2008 results:** After the completion of the merger with Cascades in 1st march 2008, RdM closed H1 2008 results with sales to Eu241.2mn (+33.2% YoY), although under the same consolidation base as last year, sales came to Eu172.8mn (-4.6% YoY). In spite of the tough context and the dilutive impact of the merger with Cascades, EBITDA remained healthy. Net of the extraordinary component, adjusted EBITDA came out at Eu16.9mn, down 2.8% YoY.
- **Expected 30mn synergies in 2010:** The integration will allow RDM to improve its competitive position and to have a better geographical breakdown of sales. Strong indications have been provided on potential synergies: approximately Eu15mn in annualised synergies and another Eu15mn in efficiency improvements, as well as an asset clearing. No details have been yet disclosed on extra efficiency improvements. We expect more visibility for efficiency improvements in the next few quarters.
- **Market still tough,** but it could be lead by a concentration of the sector in the next 3 years, favouring the major players, especially Reno de Medici and Mayr Meinhof Karton. Competition in the cardboard market means that any potential increases in raw material prices are not easily swallowed by the end client. The price hike made in 2008 is expected to be around 4.7% in the year.
- **Our 2008 EBITDA forecast is virtually unchanged from last year (net of this extraordinary item): Eu29.2mn vs. Eu29.1mn in 2007.** Profitability goes from 8.5% in 2007 to 6.1% in 2008. Our estimates discount the impact of rising oil prices and production costs, which can be quantified in a loss of roughly 4%, and the lower profitability of the assets acquired from Cascades (4.5% vs. 6.9% for Reno de Medici's existing assets).
- **OUTPERFORM, target price 0.33 with a strong upside (57%).** Price book value 2008 is 0.51 per share and despite a very tough scenario for the next years we remain confident that new company structure will reach the target.

Key Figures	2006A	2007A	2008E	2009E	2010E
Sales (Eu mn)	314	343	481	495	509
Ebitda (Eu mn)	29	29	45	35	44
Net profit (Eu mn)	-18	1	12	3	14
EPS - New (Eu)	-0.05	0.01	-0.01	0.01	0.04
EPS - Old (Eu)	-0.05	0.01	-0.01	0.01	0.04
DPS (Eu)	0.00	0.00	0.00	0.00	0.00

Ratios & Multiples	2006A	2007A	2008E	2009E	2010E
P/E	nm	28.9	nm	26.3	6.2
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda	7.3	6.9	6.7	5.2	1.9
ROCE	2.0%	4.3%	9.8%	4.7%	7.5%

Reno de Medici - 12m Performance



Source: Thomson

RATING: Unchanged
TARGET PRICE (Eu): from 0.50 to 0.33

Change in EPS est:	2008E	2009E
	-0.0%	-0.0%

STOCK DATA

Reuters code:	RDM.MI
Bloomberg code:	RM IM

Performance	1m	3m	12m
Absolute	-19.5%	-34.4%	-63.3%
Relative	-15.4%	-24.0%	-30.6%
12 months H/L:			0.65/0.21

SHAREHOLDER DATA

No. of Ord. shares (mn):	378
Total No. of shares (mn):	378
Mkt Cap Ord (Eu mn):	85
Total Mkt Cap (Eu mn):	85
Mkt Float - ord (Eu mn):	51
Mkt Float (in %):	*60.4%*
Main shareholder:	
Cascades	30.6%

BALANCE SHEET DATA	2008
Book value (Eu mn):	204
BVPS (Eu):	0.53
P/BV:	0.4
Net Financial Position (Eu mn):	-110
Enterprise value (Eu mn):	195

RENO DE MEDICI - *KEY FIGURES*		2006A	2007A	2008E	2009E	2010E
	Fiscal year end	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010
PROFIT & LOSS (Eu mn)	Sales	314	343	481	495	509
	EBITDA	29	29	45	35	44
	EBIT	6	10	27	14	23
	Financial income (charges)	(11)	(8)	(10)	(9)	(7)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	(5)	2	1	5	16
	Taxes	(3)	1	(3)	(2)	(2)
	Tax rate (%)	-18.6%	-14.5%	-12.7%		
	Minorities & discontinue activities	0	(0)	(0)	0	0
	Net profit	-18	1	12	3	14
	Total extraordinary items	(9)	(2)	(2)	0	0
	Ebitda excl. extraordinary items	29	29	45	35	44
	Ebit excl. extraordinary items	6	10	27	14	23
	Net profit restated	(13)	2	(2)	3	14
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	270	270	378	378	378
	EPS stated fd	-0.07	0.00	0.03	0.01	0.04
	EPS restated fd	-0.05	0.01	-0.01	0.01	0.04
	BVPS fd	0.43	0.43	0.53	0.56	0.61
	Dividend per share (ord)	0.00	0.00	0.00	0.00	0.00
	Dividend per share (sav)	0.04	0.00	0.00	0.00	0.00
	Dividend pay out ratio (%)					
CASH FLOW (Eu mn)	Gross cash flow	5	20	31	24	36
	Change in NWC	23	9	(4)	(2)	(2)
	Capital expenditure	(11)	(15)	(20)	(21)	(20)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	28	28	27	22	34
	Acquisitions, divestments & others	40	0	0	0	1
	Dividend	0	0	0	0	0
	Equity financing/Buy-back	0	0	0	0	0
	Change in Net Financial Position	43	11	7	11	23
BALANCE SHEET (Eu mn)	Total fixed assets	191	190	277	276	276
	Net working capital	104	69	83	85	88
	Long term liabilities	(53)	(28)	(45)	(56)	(67)
	Net capital employed	242	231	314	306	296
	Net financial position	(127)	(115)	(110)	(99)	(76)
	Group equity	116	116	204	207	220
	Minorities	0	0	0	0	0
	Net equity	116	116	204	207	220
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	85	85	85	85	85
	Adjustments (associate & minorities)	0	0	0	0	220
	Net financial position	(127)	(115)	(110)	(99)	(76)
	Enterprise value	211	200	195	183	85
RATIOS(%)	EBITDA margin*	9.2%	8.5%	9.4%	7.2%	8.6%
	EBIT margin*	1.8%	2.9%	5.6%	2.9%	4.4%
	Gearing - Debt/equity	109.5%	98.9%	54.1%	47.8%	34.5%
	Interest cover on EBIT	0.5	1.3	2.7	1.6	3.4
	Debt/Ebitda	4.36	3.95	2.43	2.79	1.74
	ROCE*	2.0%	4.3%	9.8%	4.7%	7.5%
	ROE*	-14.2%	0.7%	7.7%	1.6%	6.3%
	EV/CE	0.8	0.8	0.7	0.6	0.3
	EV/Sales	0.7	0.6	0.4	0.4	0.2
	EV/Ebit	37.6	19.8	18.2	12.7	3.7
	Free Cash Flow Yield	33.6%	33.6%	31.7%	25.7%	-25.2%
GROWTH RATES (%)	Sales	6.3%	9.1%	40.4%	3.0%	2.7%
	EBITDA*	4.4%	0.5%	55.5%	-21.8%	23.1%
	EBIT*	218.7%	79.5%	165.8%	-46.1%	56.7%
	Net profit	nm	nm	1366.2%	-73.9%	321.3%
	EPS restated	nm	nm	nm	nm	321.3%

** Excluding extraordinary items*

Source: Intermonte SIM estimates

1H08 Results

Reno de Medici - 1H08

	First Half				Year End (Estimates)			
	Total RdM		Cascades	RdM	Total RdM		Cascades	RdM
	H1 2007A	H1 2008A	H1 2008A	H1 2008A	2007A	2008E	2008E	2008E
Sales	181.1	241.2	68.4	172.8	342.5	480.9	166.8	314.2
Yoy Growth		*33.2%*		*-4.6%*		*40.4%*		*-8.3%*
EBITDA	**17.4**	**33.0**			**29.1**	**45.3**		
Margin %	*9.6%*	*13.7%*						
EBITDA adj	17.4	16.9	3.3	13.6	29.1	29.2	7.6	21.6
Margin %	*9.6%*	*7.0%*	*4.8%*	*7.9%*	*8.5%*	*6.1%*	*4.5%*	*6.9%*
YoY Growth		-2.8%				0.2%		-25.7%
EBIT	**7.9**	**23.7**			**10.1**	**26.8**		
Margin %	*4.3%*	*9.8%*						
YoY Growth		*201.0%*						
EBIT adj	7.9	7.6			10.1	10.7		
Margin %	*4.3%*	*3.2%*			*2.9%*	*2.2%*		
YoY Growth		*-3.4%*						
Pre Tax	3.6	16.9			2.5	16.8		
YoY Growth		*n.a.*						
Pre Tax adj	3.6	0.8			2.5	0.7		
YoY Growth		*-77.6%*						
Tax	-0.6	-2.5			0.8	-2.6		
Discontued operations	-0.8	-1.7			-2.1	-1.7		
Minorities	-0.1	-0.1			-0.3	-0.2		
NP	**2.0**	**12.6**			**0.8**	**12.3**		
YoY Growth		*n.a.*						
NP adj	2.0	-1.8			0.8	-2.1		
	Total RdM		**Cascades**	**RdM**	**Total RdM**		**Cascades**	**RdM**
	H1 2007A	**H1 2008A**	**H1 2008A**	**H1 2008A**	**2007A**	**2008E**	**2008E**	**2008E**
Volumes	**360.0**	**447.0**	**121.0**	**326.0**	**664.0**	**890.6**	**305.0**	**585.6**
		24.2%		*-9.4%*		*34.1%*		*-11.8%*
Price per Tonn	**503**	**540**	**565**	**530**	**516**	**540**	**547**	**536**
		7.3%		*5.4%*		*4.7%*		*4.0%*

Source: Company data and Intermonte estimates

Reno de Medici suffered a tough 1H08 due to a slowdown in demand and margin erosion caused by further hikes in energy prices.

Half yearly figures are affected by negative goodwill (coming to Eu16.1mn) generated by the merger between Reno de Medici and Cascades Italia being booked at EBITDA.

Sales came to Eu241.2mn (+33.2% YoY), although under the same consolidation base as last year, sales came to Eu172.8mn (-4.6% YoY). The remainder of the turnover came from the assets acquired, as of 1st March 2008, from Cascades Italia (Eu68.4mn).

The volumes recorded during the first six months of the year amounted to 447,000 tonnes, of which 121,000 relate to the new plants. Comparing the figure net of the new plants sales volumes were down 9.4%.

The company reacted to rising energy prices by lifting sales prices by around 5%, bringing the average price to Eu530/ton from Eu503/ton. Sales from the Cascades business had a higher average price (Eu565/ton).

In spite of the tough context and the dilutive impact of the merger with Cascades, EBITDA remained healthy. Net of the extraordinary component, adjusted EBITDA came out at Eu16.9mn, down 2.8% YoY.

Profitability also fell YoY, with the 1H08 margin coming in at 7% vs. 9.7% recorded the previous year.

This is largely due to both rising production costs and lower profitability from the newly acquired plants (4.8% vs. 7.9% for the existing business).

Adjusted net profit came to Eu12.6mn vs. Eu2.0mn in 1H07. Net of extraordinaries there would have been a net loss of Eu-1.8mn.

The net financial position remained in the black (to the tune of Eu114.4mn), largely unchanged from 31st December 2007.

Financials

As far as the business is concerned, the company operates in a highly cyclical sector. Turnover is heavily affected by consumption dynamics and the GDP trend.

The scenario encountered during 1H08 discounts the impact of an extremely negative macroeconomic environment. This was also demonstrated by the analysis carried out by Assocarta in the report it published on 8th August 2008.

"Following the declining trend shown in the first quarter (-2.7%), in the April-June period paper and carton production has shrunk once again compared to the same period of 2007, with the decrease coming to -2.1%. The summary of the first six months of the year shows that volumes sold by the sector were even lower, 2.4% below the same period in 2007, […]"

"[…] the climate forecast for demand trends of sector products in the current quarter inevitably suffers from the worsening in the second quarter of the year of the already troubled macroeconomic picture, both on a national basis, with declines in GDP, industrial production and orders; and in Europe as a whole, incorporating the impact of the German train hitting the buffers (German GDP is expected to drop by at least 0.8% in 2Q), record oil prices, and the ongoing strength of the euro which hampers exports".

Reno de Medici is focused on the European market, and especially Italy, where it generates 37% of turnover. The remainder of turnover is divided between Eu countries (53%) and other (10%).

Growth expectations for the company are largely linked to an increase in volumes, in 2008 the extraordinary deal, which took effect from 1st March 2008, led to a significant increase in turnover (+Eu68.4mn as at 30th June 2008).

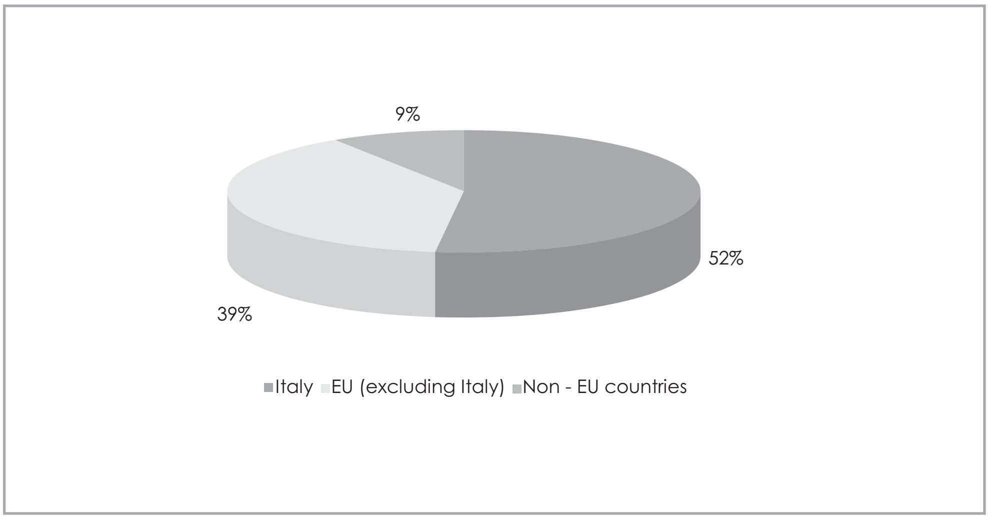
Visibility on 2008 turnover remains low, and the unfavourable trend induces us to remain cautious with our 2008-10 estimates. Implicitly, we forecast Eu239.7mn of turnover in 2H08 (made up of Eu141,4mn from the former RdM business and Eu98.4mn from the new business) vs. Eu161.4mn in 2H07.

Our forecast of increased volumes in 2008 are entirely based on the merger with Cascades (estimated contribution of around 305 tons, or +34.1%), while on a like for like basis volumes would come to 585.6 tons (-11.8% YoY).

Competition in the cardboard market means that any potential increases in raw material prices are not easily swallowed by the end client. The price hike made in 2008 is expected to be around 4.7% in the year.

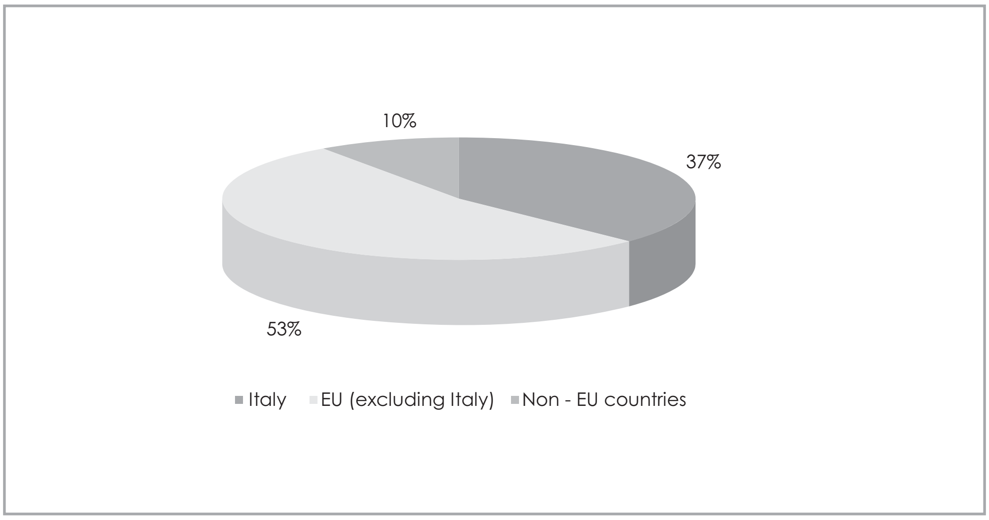
All the same, the troubles being encountered by the market could lead to a concentration of the sector, favouring the major players, especially Reno de Medici and Mayr Meinhof Karton.

Reno de Medici - Pre Merger



Source: Intermonte estimates based on company data

Reno de Medici - Post Merger



Source: Intermonte estimates based on company data

Another heavily penalising factor for the stock is the oil price trend, which has a direct influence on production costs. Specifically, energy and transport costs make up 26% of turnover. Our estimates forecast an increase of roughly 4% in these costs compared to the previous year.

The merger has led to the booking of Eu16.1mn of extraordinary income in 1H08, which boosted EBITDA. This capital gain relates to the difference between the price of the acquisition of the company (Eu54.1mn) plus the costs directly attributable to the aggregation (Eu4.1mn) and the value of the assets acquired from Cascades Italia (Eu74.8mn). According to IFRS, this difference (negative goodwill) must be booked on the P&L in the year in which the acquisition is completed, and is a non-cash item.

Our 2008 EBITDA forecast, net of this extraordinary item, is virtually unchanged from last year: Eu29.2mn vs. Eu29.1mn in 2007. Profitability goes from 8.5% in 2007 to 6.1% in 2008.

Our estimates discount the impact of rising oil prices and production costs, which can be quantified in a loss of roughly 4%, and the lower profitability of the assets acquired from Cascades (4.5% vs. 6.9% for Reno de Medici's existing assets).

Reno de Medici/Cascades Merger

Merger with Cascades European assets definitively approved. The merger finally took place on 1st March 2008, after the green light from the Antitrust Authority. The deal was carried out through the exchange of 115.6mn shares, 108.1mn shares were issued, while 7.5mn treasury shares were assigned to the transaction. As a result the post-merger share capital of Reno De Medici amounts to 377.3mn. Following the deal, Cascades became the leading shareholder with 30.6% of the capital. The acquired asset will bring Eu166.8mn of additional sales and Eu7.6mn of extra EBITDA.

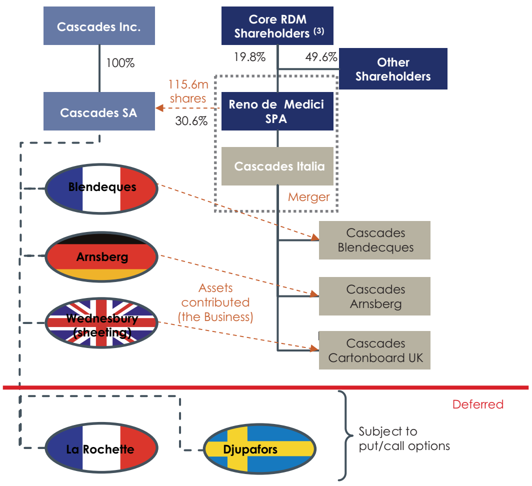
The transaction involved the integration of two production facilities into the RDM Group, one in France and one in Germany, as well as a cutting and distribution centre in England. This integration, especially considering the fact that the agreements provide for the conferral of the three companies without recourse to financial debt, will allow the future RDM Group to be able to face the European market with financial and asset strength such that it may be considered to be a market player of primary importance.

The Canadian company transferred its facilities in Blendecques (France), in Wednesbury (UK) and in Arnsberg (Germany) for a total output of around 350,000 tonnes per year. No debt was transferred to RDM. The proposed second step, starting from 2009, is to make the acquisition of virgin fibre cardboard assets: two in France and one in Sweden.

Reno de Medici - Combination with Cascades

COMBINATION WITH CASCADES

Illustrative Transaction Structure



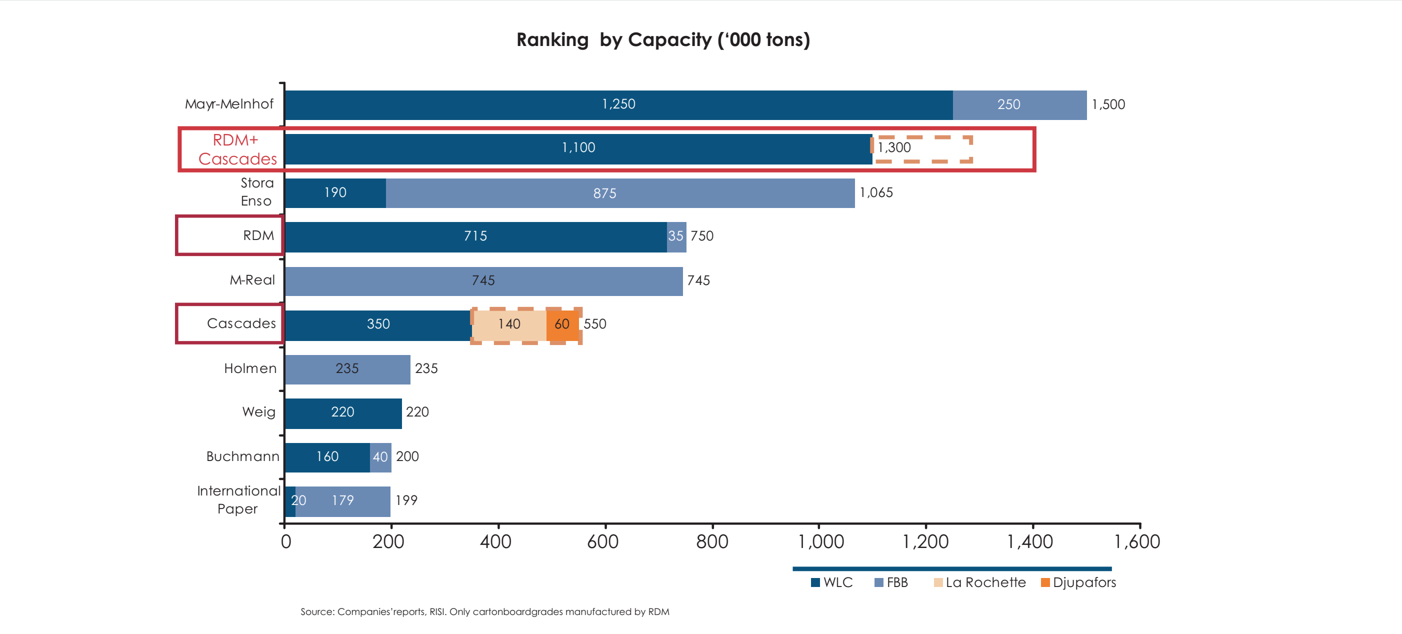
(1) Cascades SA assigned with c. 7mn treasury shares and c. 109mn newly issued shares
(2) Including convertible saving shares
(3) Defined as Alerion Industries, Eurinvest Finanza Stabile and Industria della costruzione

- Combination of RDM with the recycled cartonboard business of Cascades SA (the “Business”)
- The Business transferred cash and debt free to a NewCo (Cascades Italia), then merged into RDM
- 115.6 million shares assigned to Cascades SA[1] as part of the merger, resulting in30.60% of the share capital[2] and 30.64% of voting rights
- The Parties havealso agreed on:
  - Assignment of their respective sales networks to a new corporate entity (“RCS”) owned 70% by RdM and 30% by Cascades
  - Transfer of all RdM’s customer accounts for virgin paperboard to Cascades
  - Put/call agreement on the remaining two virgin assets of Cascades SA, (La Rochette and Djupafors facilities) at established EBIT DA multiples

Source: Company presentation

The deal brought RdM’s capacity up to 1.1 million tons, from the existing 750k tons. RdM will be the second largest player in recycled cardboard in Europe after Meyr Melnhof (1.250mn tons).

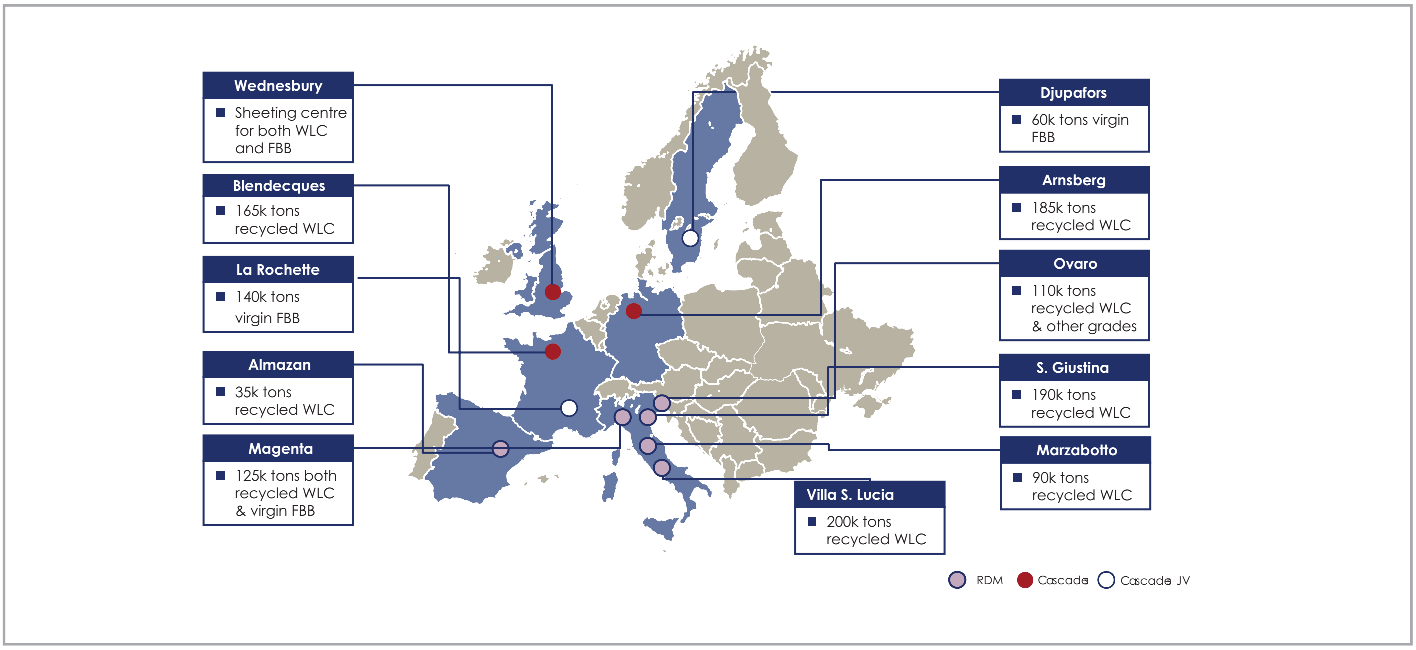
Reno de Medici - Pan-European Market Presence



Source: Company presentation

The integration has allowed RDM to improve its competitive position and to have a better geographical breakdown of sales: the weight of Italy dropped from 52% to 35%. The geographical risk diversification with the two new Blendecques mills (165k tons of recycled WLC) and Arnsberg (185k tons recycled WLC) should allow RDM to reduce the lead time (according to the company 2 days less due to the positioning of mills closer to clients). Clients will be better served, allowing strong savings. RDM management expects to reduce transport costs by around Eu50 per ton, which should be translated into Eu5mn.

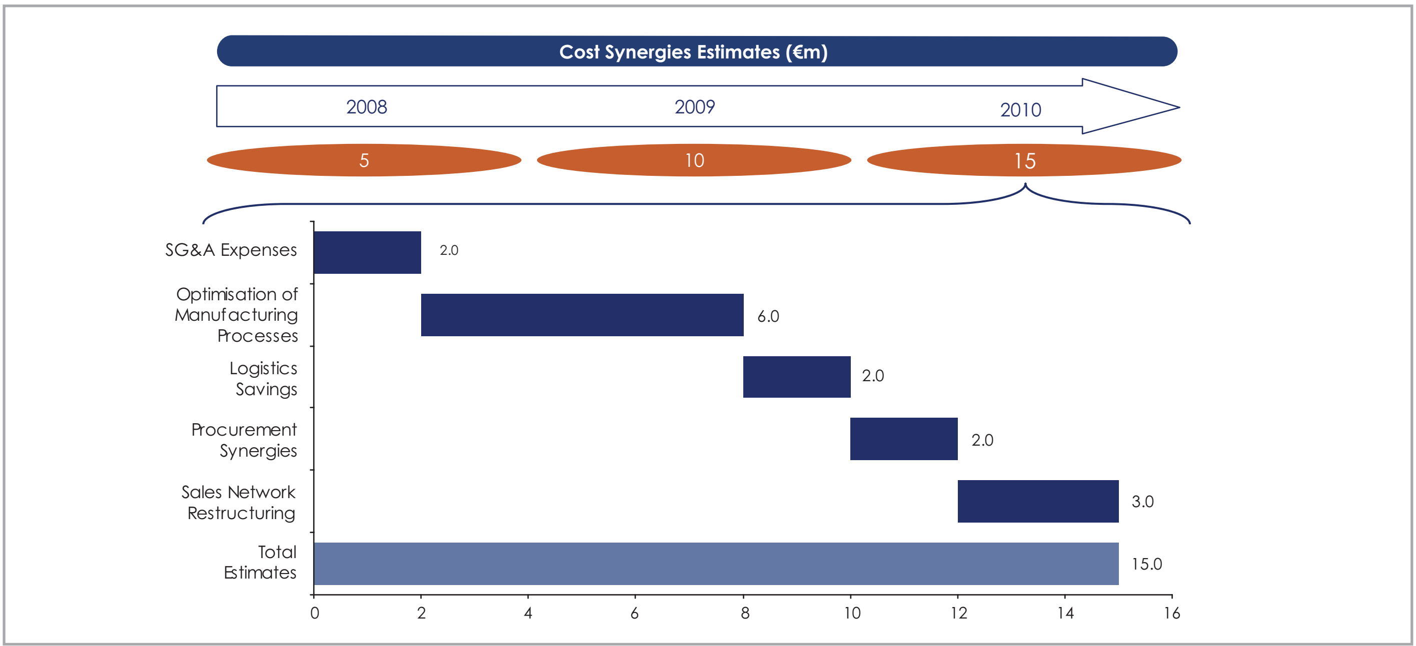
Reno de Medici - Geographical Risk Diversification



Source: Company presentation

Synergies indicated at Eu15mn. Strong indications have been provided on potential synergies. The new company would achieve approximately Eu15mn in annualised synergies, beginning in 2008, from the optimisation of value chain processes resulting in lower operating costs and reduced logistics and procurement costs.

Reno de Medici - Value Creation Through Synergies



Source: Company presentation

Valuation

The model used is based on the following assumptions:

Sales are estimated at Eu480.9mn (+40% YoY), made up of:

- Eu314.2mn from the Reno de Medici business as it was prior to the merger, with production volumes of 586.5k tons (-11.8% YoY) and an average price of Eu536 per ton (+4% YoY);
- Eu166.8mn from the former Cascades assets, with production volumes coming to 305k tons and an average price of Eu547 per ton.

The EBITDA margin, adjusted for the extraordinary item outlined above, is expected flat (Eu29.2mn), with profitability lower than last year at 2.4%.

Forecasts for profitability by business are outlined below.

Reno de Medici: Eu21.6mn of EBITDA at a margin of 6.9%. Profitability revised downwards from last year to take into account the continued rise in energy prices (which we estimate at 4% YoY). Production costs are estimated at Eu169/ ton, +1% vs. last year.

Ex-Cascades: EBITDA of Eu6.6mn, with profitability at 4.5%. Production costs estimated at Eu208/ton. A further Eu1mn is estimated as an impact of the merger, made up of Eu5mn from synergies and Eu4mn in restructuring costs.

Net profit is up YoY /to Eu12.3mn, vs. Eu0.8mn last year) due to the impact of the booking of the negative goodwill on the P&L, equating to Eu16.1mn. Net profit adjusted for this extraordinary item would be in the red to the tune of Eu-2.1mn.

DCF: our assumptions are as follows: WACC in the last year comes to 7.9%, terminal growth 0%, beta of 1, financial leverage estimated at 34%.

The fair value comes out at Eu0.34 per share.

EV/ROACE: using the same assumptions as in the previous valuation model, the fair value comes out at Eu0.32 per share.

(see tables on the next page)

Reno de Medici - DCF

(Eu mn)	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	Term. Y
Consolidated net sales	**342.5**	**480.9**	**495.3**	**508.7**	**518.9**	**526.7**	**534.6**	**539.9**	**545.3**	**545.3**
YoY growth rate		*40.4%*	*3.0%*	*2.7%*	*2.0%*	*1.5%*	*1.5%*	*1.0%*	*1.0%*	*0.0%*
Ebitda	**29.1**	**29.2**	**35.4**	**43.6**	**49.8**	**50.6**	**51.3**	**51.8**	**52.4**	**52.4**
Ebitda margin (%)	*8.5%*	*6.1%*	*7.2%*	*8.6%*	*9.6%*	*9.6%*	*9.6%*	*9.6%*	*9.6%*	*9.6%*
Ebit	**10.1**	**10.7**	**14.4**	**22.6**	**28.4**	**28.8**	**29.3**	**29.5**	**29.8**	**29.8**
Ebit margin (%)	*2.9%*	*2.2%*	*2.9%*	*4.4%*	*5.5%*	*5.5%*	*5.5%*	*5.5%*	*5.5%*	*5.5%*
Change in Working Capital	**8.5**	**-4.0**	**-2.5**	**-2.3**	**-1.8**	**-1.4**	**-1.4**	**-1.0**	**-1.0**	**0.0**
Net working capital	69.4	82.7	85.2	91.6	93.4	94.8	96.2	97.2	98.2	98.2
Capex	-15.2	-19.9	-20.6	-22.9	-23.4	-23.7	-24.1	-24.3	-24.5	-22.5
as a % of net sales	*4.4%*	*4.1%*	*4.2%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.1%*
Tax Rate	*40.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*
Taxes on EBIT	-4.0	-2.1	-2.9	-4.5	-5.7	-5.8	-5.9	-5.9	-6.0	-6.0
Operating Free Cash Flow	18.4	3.1	9.4	13.9	19.0	19.7	20.0	20.7	20.9	23.9
Discounting Factor	100.0%	100.0%	92.2%	85.0%	78.4%	72.3%	66.6%	61.4%	56.7%	52.6%
Discounted Free Cash Flow	18.4	3.1	8.7	11.8	14.9	14.2	13.3	12.7	11.8	12.5

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
WACC	*7.0%*	*8.3%*	*8.5%*	*8.5%*	*8.5%*	*8.5%*	*8.5%*	*8.5%*	*8.5%*	*8.4%*
Net Cash (Debt)	-115.1	-110.2	-98.9	-85.0	-66.0	-51.8	-38.6	-24.8	-11.0	5.8
Debt Weight	*49.7%*	*35.4%*	*32.0%*	*32.0%*	*32.0%*	*32.0%*	*32.0%*	*32.0%*	*32.0%*	*34.0%*
Net debt	*-115.1*	*-110.2*	*-98.9*	*-85.0*	*-66.0*	*-51.8*	*-38.6*	*-24.8*	*-11.0*	*5.8*
Cost of debt	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*
Tax Rate	*40.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*
Kd	*4.2%*	*5.6%*	*5.6%*	*5.6%*	*5.6%*	*5.6%*	*5.6%*	*5.6%*	*5.6%*	*5.6%*
Risk Free	*4.8%*	*4.8%*	*4.8%*	*4.8%*	*4.8%*	*4.8%*	*4.8%*	*4.8%*	*4.8%*	*4.8%*
Risk Premium	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Beta	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*
Ke	*9.8%*	*9.8%*	*9.8%*	*9.8%*	*9.8%*	*9.8%*	*9.8%*	*9.8%*	*9.8%*	*9.8%*
Discounting Factor	1.0	1.0	0.9	0.9	0.8	0.7	0.7	0.6	0.6	0.5

Actual Value Free Cash Flow	**90.587**
Terminal Value	285.14
Actual Terminal Value	149.87
Enterprise Value	240.46
(+) net debt 2008	-110.25
(+) Financial Assets	0
(+) minorities	-2
Total Value	128.21
N. of shares (mn):	377.75
Fair value per share (Eu):	**0.34**

Source: Intermonte SIM estimates

Reno de Medici - Roace

(Eu mn)	2008E	2009E	2010E
CE	314.0	305.8	296.5
avg CE	***272.7***	***309.9***	***301.1***
Ebit	10.7	14.4	22.6
Ebit post tax	**9.6**	**12.5**	**18.1**
Roace post tax	3.5%	4.0%	6.0%
Wacc post tax	8.3%	8.5%	8.5%
Enterprise Value	175.6	191.3	275.9
(+) Net Debt	-110.2	-98.9	-76.0
(+/-) Minorities /Associates	-2.0	-2.0	-2.0
Fair Equity Value (Eu mn)	**65.3**	**92.4**	**199.9**
Number of shares (mn)	377.8	377.8	377.8
Fair Value per share (Eu)	0.2	0.2	0.5
Average fair value per share (€)			**0.32**

Source: Intermonte SIM estimates

Company Description

The Reno de Medici group was born out of the merger of Safa and Reno de Medici in 1997. At the time of the merger, the group became the largest manufacturer of cardboard for packaging sourced from recycled material in Italy, and the second largest in Europe.

The company expanded until it had six plants. 5 in Italy and one in Spain, with a total production capacity of 750,000 tons per year. In June 2003, the group was acquired by Alerion Industries, which launched a restructuring that saw the company breakeven in 2007.

At the end of the restructuring programme, taking effect from March 2008, the company executed an important merger by incorporation of Cascades Italia, a company of the Cascades Inc. group, which operates in the manufacture of cardboard from new and recycled materials.

The deal involved a further expansion of the production capacity, with two new plants: Blendecques (France) and Arnsberg (Germany), as well as a cutting and distribution centre in Wednesbury (UK).

The deal saw the full subscription of a 115.6mn share rights issue by the new shareholder Cascades SA, which brought about the following change to the shareholder structure: Cascades became the leading shareholder with 30.6%, while the previous main shareholder, Alerion Industries, went down to 9%.

With the completion of the deal between the two companies, Reno de Medici and Cascades SA reserved an option on Cascades' two plants using newly produced paper (La Rochette and Djupafors) that could be exercised in 2010 for Reno de Medici (call option) or in 2011 for Cascades SA (put option).

The company's stated objective is to become the second largest manufacturer of cardboard (in tons) in Europe, with a production capacity of 1.3mn tons per year.

Short selling: CONSOB adopts new disposition (press release dated 22nd September 2008).

The National Commission for Companies and the Stock Exchange (CONSOB) has today decided that in ***the sale of shares in banks and insurance companies*** *listed and traded on regulated Italian markets the ordering party must have the shares at its disposal at the time of the order and until the date of the completion of the operation. The company managing compensation and liquidation systems will apply punitive sanctions in the event of any violations. This disposition takes effect from 00.00 of 23rd September 2008 and remains in effect until 24.00 on 31st October 2008.*

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Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period ;

UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

The stock price indicated is the reference price on the day prior to the publication of the report.

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OUTPERFORM:26.49%
NEUTRAL: 26.81%
UNDERPERFORM: 19.21%
SELL: 1.32%

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NEUTRAL: 33.33%
UNDERPERFORM: 0.0%
SELL: 0.0%

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DETAILS ON STOCK RECOMMENDATION

Stock	**RENO de MEDICI**		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	0.33	Previous Target (Eu):	0.50
Current Price (Eu):	0.22	Previous Price (Eu):	0.37
Date of Report:	26/09/2008	Date of Last Report:	31/03/2008

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Further information is available