

San Mauro Torinese, 31 March 2008

Burgo Group. Financial Statements 2007: turnover increased by 4.1%, but net income decreased due to cost rises

The Board of Directors of Burgo Group, during a meeting held today at San Mauro Torinese (Turin), approved the consolidated financial statements for 2007, showing consolidated net sales of € 2,382 million (+4.1 compared to 2006), operating income before depreciation, amortisation and non-recurring charges (EBITDA) of € 157 million (€ 195.1 million in 2006), pre-tax income of € 13.8 million (€ 41.4 million) and net income of € 13.3 million (€ 21 million). Operating expenses rose to € 2,317 million (€ 2,186.1 million) due to the rise in the cost of raw materials, energy, transport and other materials related to oil prices.

A total of € 5.7 million was allocated to provisions for future restructuring charges. In 2007, capital expenditure amounted to € 118 million.

Again this year, results of the Group were influenced by the ongoing imbalance between demand and production capacity. In a situation of fairly stable demand (+1.8% in Europe), sale prices of graphic papers have not caught up with the continuing increases in costs, especially energy, raw materials, and transport, while overseas exports were affected by the Euro/US dollar exchange rate. Some signs of improvement in demand began to emerge in the second half of the year, mainly in the area of uncoated and coated mechanical papers.

All the subsidiaries reported positive performance, especially the energy business which increased its sales by 40.6% year-on-year and accounted for 8.6% of overall Group sales.

The entire European paper industry is moving towards a generalised restructuring process, which includes streamlining and downsizing the production units.

After closing the Marzabotto plant and PM7 in Villorba, Burgo has revised the goals set out in its strategic plan, with a view to improving competitiveness and Group performance. Key actions include making technological upgrades of the systems, increasing production of de-inked and mechanical pulp, curtailing the costs of raw materials and energy, bolstering energy production and marketing.

For the year 2008, the continued volatility of the main cost variables makes it difficult to accurately forecast income results, despite the slight improvement in the trends of both demand and prices.

Statement of Income		Consolidated Financial Statements	
€/mln		2006	2007
Net sales		2,288.2	2,381.7
EBITDA		195.1	156.6
	<i>% of sales</i>	8.5%	6.6%
Operating result - EBIT		70.6	7.8
	<i>% of sales</i>	3.1%	0.3%
Pre-tax income		41.4	13.8
	<i>% of sales</i>	1.8%	0.6%
Net income		21.0	13.3
	<i>% of sales</i>	0.9%	0.6%

Cash Flow		Consolidated Financial Statements	
€/mln		2006	2007
Net financial debt at year-start		(1,215.0)	(1,209.8)
Cash flows from operating activities		85.9	245.7
Investments in fixed assets		(90.7)	(121.1)
Technical divestments		1.4	5.0
Divestments of shareholdings		17.3	125.1
Dividend pay-outs		(8.7)	
Change in net financial debt			
Net financial debt at year-end		(1,209.8)	(955.1)

Balance Sheet and Financial Position at 31 December		Consolidated Financial Statements		
€/mln		2006	2007	Change
Net fixed assets		1,359.2	1,336.1	(23.1)
Operating working capital		474.5	296.6	(178.0)
Other assets and liabilities for the year		129.3	7.9	(121.4)
Working capital		603.8	304.5	(299.3)
Invested capital, net of liabilities		1,963.0	1,640.6	(322.4)
Leaving indemnities and other provisions relating to personnel		(95.8)	(83.5)	12.3
Invested capital net of liabilities and leaving indemnities		1,867.3	1,557.1	(310.1)
Shareholders' equity		657.5	602.0	(55.5)
Net financial debt		1,209.8	955.1	(254.7)
Total coverage		1,867.3	1,557.1	(310.1)