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Burgo Group: Debt reduction in the first half 2007; increase in net sales but profitability influenced by the rise in energy and raw material costs.

In the first half 2007, Burgo Group, the leading Southern European producer of graphic paper, increased its turnover and production. However profitability declined due to the 10.6% increase in raw materials and energy costs.

Compared to the same period in 2006, despite the increase in net sales from €1,148.7 million to €1,184.7 million, gross operating margin decreased from €112.6 million to €81.3 million and operating income from €53.3 million to €18.8 million. However, pre-tax income increased from €46 million in 2006 to €65 million, boosted by realised extraordinary gains on listed shares during the period. Financial debt was noticeably reduced from €1,209.8 million at year-end 2006 to €1,056.4 million.

Chief Executive Officer Girolamo Marchi comments, "To reduce the impact of rising costs, the company invested €43.7 million, largely allocated to technology upgrading and energy generation."

Sales in Italy accounted for 47.3% of turnover (48.2% in 2006), the rest of Europe 44.6% (43.4%), and other countries 8.1% (8.4%). The company produced 1,458,400 tonnes of paper, a 1.5% increase, and sold 1,420,579 tonnes vs. 1,420,270 in H1 2006, for a 0.8% increase in net sales to €1,025.9 million. The energy business area increased 40.7% and its ratio to total turnover rose from 6.6% to 9%.

As illustrated in the Interim Report, approved by the Board of Directors on 27 September, for the second half of the year the company expects to achieve an increase in capacity utilisation and some increase in graphic paper prices due to application timing and the constant increase in energy and raw materials costs, making an improvement in the net sales/cost ratio unlikely before the start of 2008.