

INVESTOR PRESENTATION

FINANCIAL HIGHLIGHTS

H1-2020



- Executive Summary
- Covid-19 Health Emergency
- Mantova plant
- AGCM fine
- Financials
- Update on capital structure



11.09.2020

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AGENDA

- Executive Summary
- Covid-19 Health Emergency
- Mantova plant
- AGCM fine
- Financials
- Update on capital structure

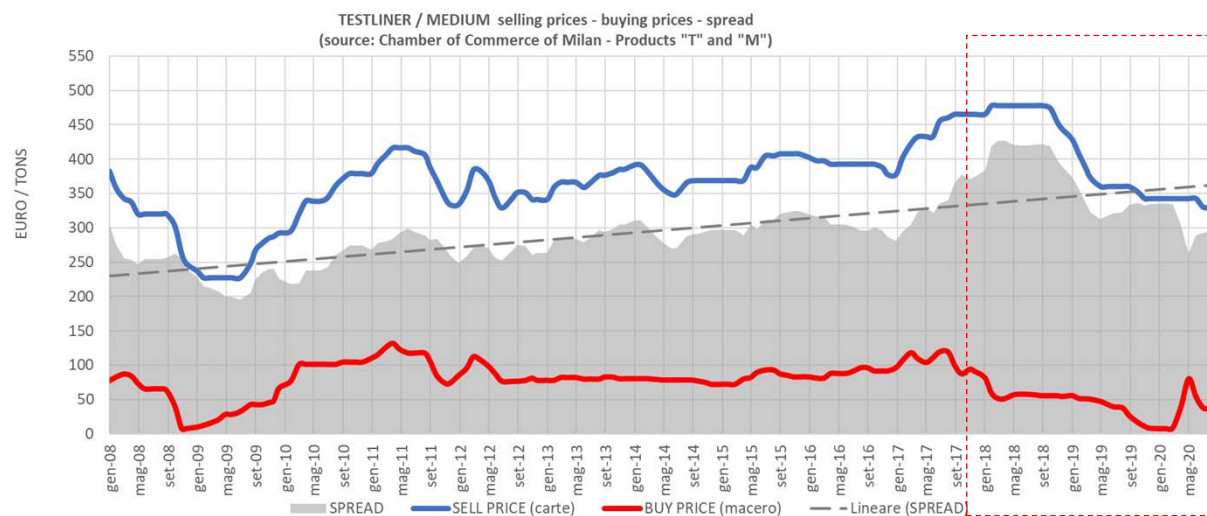


EXECUTIVE SUMMARY

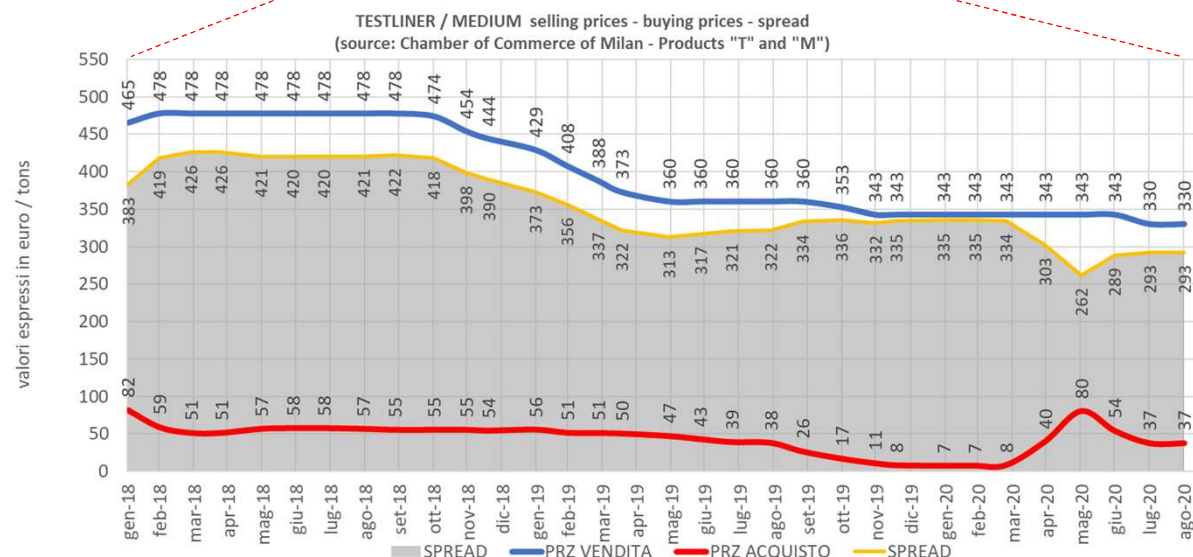
GENERAL SITUATION AND MARKET TREND

- The Covid-19 in the first half of 2020 has changed all the world economic scenarios. Nevertheless, in these first months of the year all the production sites were fully operational as they operate inside strategic industry (food and beverage), therefore, they continued to produce enough regularly during the lockdown.
- In the half period there were no receivable insolvencies, the customers continued to pay regularly and all our suppliers, all the expected debts towards banking institutions, as well as all the other debts (social security, tax, etc.), were paid regularly.
- The effects of Covid-19 in the first quarter had a modest impact only in the last two weeks of March; the impact of Covid-19 had a higher impact in April and in May, but since June however the quantities sold had been substantially stable and equal to pre Covid-19 levels.
- The reference prices of the corrugated cardboard market (see graphs in next slide) are lower compared to the same period of the previous year, but the quantities produced are substantially stable; Pro-Gest Group, therefore, confirmed its market positions during H1-20.
- The raw material prices recorded new highs in April and May (see graphs in next slide) due to the shortage in the market and in June, with the almost end of the Covid-19 lockdown, the prices slowed down again.
- In addition, the new gas supplies contracts signed by Management for the current year, show a significant decrease in costs equal to €6,0m compared to the previous year, thus improving the margins and therefore the performance of H1-2020.
- The plant of Cartiere Villa Lagarina S.p.A. located in Mantova, which will be operating in October, recorded also for this quarter a negative EBITDA of €1,2m for a total impact of €2,9m in the H1-20, mainly due to the costs necessary to keep the machinery efficient and ready to run.

EXECUTIVE SUMMARY



- The Camera di Commercio data show a slowdown of spread (difference between selling prices and raw material prices)
- Pro-Gest has been able to keep profitability through flexibility in prices and cost control



EXECUTIVE SUMMARY

FINANCIAL PERFORMANCE H1-2020 *

- Revenues: €223,9m
 - -1,7% vs €227,7m in H1-2019
 - H1-2020 revenues considers the Q1-20 sale of a machine owned by the former Cartiera di Voghera (€ 2,9 million) and the Q1-20 real estate sale made by Cartiera di Carbonera (€5,4 million)
- Ebitda Adjusted: €44,4m
 - +2,1% vs €43,5m in H1-2019
 - 19,8% on H1-2020 revenues
 - The figure is influenced by the capital gains indicated above, equal to € 8,3 million
- Ebitda Adjusted Normalized: €47,9m
 - -7,9% vs €52,0m in H1-2019
 - 21,4% on H1-2020 revenues
 - Ebitda adjusted normalized considers Mantova impact (€2,9m) and the breakdown of a machine in Villa Lagarina plant (€0,6m)
- Net profit: €16,3m
 - vs - €25,3m in H1-2019
 - 7,3% on H1-2020 revenues

** Please consider that any differences between the data expressed in all this document and the official data are connected exclusively to a different reclassification of some balance sheet items. The differences are negligible and do not reduce the quality of the analyzes presented on these slides and in general on this document*

EXECUTIVE SUMMARY

- **KEY OPERATIONAL ELEMENTS**

- The Mantova plant suffered a stoppage since April 2019
- The Mantova plant had a negative Ebitda H1-2020 impact equal to €2,9m, due to the costs for the maintenance of the non operating activity of Mantova plant
- After the positive conclusion of the works of the Conferenza dei Servizi with the issue of the final executive order of the Province of Mantova, all the procedures and qualifications necessary for the construction and the operation of the plant is concluded definitively.
- Since then, a positive working environment has been established with the local Authorities who need to issue several minor authorizations within the framework of the approved AIA; this might have a minor influence on the startup date (max 30 days)
- The Company is engaged in interventions and completion works and is planning the start of production in October, subject to above

- **INVESTMENTS**

- Capex H1-2020: €10,6 of which:
 - €8,0m for the completion of new buildings in Grezzago, Pro-Gest Headquarters and Villa Lagarina
 - €2,8m for new machine for Cartonstrong
 - €4,0m for other investments (no capex on Mantova plant during H1-2020)
 - - €4,2m for asset disposal

EXECUTIVE SUMMARY

NET FINANCIAL POSITION

- PFN: € 435,9m (a decrease of € 3,0m vs € 438,9m in Q1-2020 and a decrease of € 30,0m vs € 465,9m in FY-2019)
 - Financial Debts: € 488,6m (vs € 502,1m in Q1-2020 and vs € 527,3m in FY-2019; the H1-2020 net reimbursement is equal to €38,7m) of which:
 - € 250m HY Bond (due to dec-2024)
 - € 51,9m for minibonds
 - € 85,9m for loans (of which € 61,5m under covenants)
 - € 100,8m short term debts (this figure considers leasing)
 - Liquidity: € 52,7m (€ 63,2m in Q1-2020 e € 61,4m in FY-2019)
- Interest expenses: € 7,9m (vs € 8,7m in H1-2019; the average cost of money is equal to 3,2% annualized)

COVID-19 HEALTH EMERGENCY

UPDATE

- The effects of Covid-19 had a revenues impact in Q2-2020, with a -7,9% change vs the same period of Q2-2019
- The effect of Covid-19 in H1-2020 period is described by a -1,7% revenues change vs the same period of H1-2019
- This result remains slightly better than the revenues forecast of the Group for the first half of 2020 (source: budget 2020)

NEXT STEPS

- The sector in which the Group operates can be defined as strategic in this emergency, being part of the food, pharma and sanitation chains
- In this particular contest, any other forecast remains difficult to do because everything can change substantially
- The Group remains however confident that the economic environment of the second part of 2020 will improve

MANTOVA MILL PLANT

UPDATE

- Mantova mill started testing phase in early 2019
- In mid-May 2019, the Province of Mantova issued an order for the immediate suspension of testing activities
- Main concern for the civil Society and the Municipality is the incineration plant (there is a single authorization for the mill and the incinerator)
- A preventive denial of the EIA was issued by the Province of Mantova on 11 October 2019
- Subsequently, Pro-Gest made a new proposal whereby it gave away the possibility to construct the incinerator in order to resolve the matter
- On October 31 2019, the Province of Mantova announced that the new proposal made by Pro-Gest could have «important and positive effects on the environmental impacts already assessed»
- On November 12 2019, the technical documentation necessary to support the completion of the new assessments of environmental impacts and public health, was presented. In particular, the Group confirmed and formalized its intention to renounce the possibility of building a new waste-to-energy plant
- On 30 April 2020, the fourth session of the Conferenza dei Servizi took place. All the authorities expressed a favorable opinion and the Conferenza dei Servizi consequently considered that there are the conditions for expressing a positive opinion on the environmental compatibility of the project
- On May 22, 2020 the Conferenza dei Servizi concluded positively its job, with the authorization to double the capacity of the mill to 400.000 tonnes/year
- On May 29, 2020 The Province of Mantova issued the final executive, as expected (Valutazione di Impatto Ambientale (V.I.A.) and the Autorizzazione Integrata Ambientale - AIA)
- The Company has completed interventions and completion works requested by the local authorities at the end of H1-2020 and now is planning **the start of production in October** (a positive working environment has been established with the authorities who need to issue several minor authorizations within the framework of the approved AIA; this might have a minor influence on the startup date - max 30 days)
- This restart will therefore be the turning point in the Group's industrial policy and, finally, the Mantova plant will be able to contribute positively to the Group's economic results

AGCM FINE

UPDATE

- The Italian Competition Authority (AGCM) imposed cartel fines of €287m on 30 major corrugated companies
- Pro-Gest collaborated with the authorities and as a result was charged a reduced fine of €47,5m, of which €39,5m set aside in 2019 and €8m set aside in the previous year
- A comprehensive compliance structure has been put in place to ensure that such an event does not repeat itself. Compliance process has been signed off by the AGCM as part of their verdict
- Pro-Gest has appealed to the Regional Administrative Court (T.A.R.) the fine with the support of a leading law firm and has requested a precautionary suspension of the payments and the possibility of paying in 30 instalments
- On November 5, the AGCM granted the possibility to pay the fines in 20 monthly instalments of equal amount
- On November 7, the T.A.R. suspended the payment of the fines provided that Pro-Gest gave a guarantee within 60 days
- Pro-Gest asked for an extension of time to provide the guarantee of €47,5m
- On February 13, Pro-Gest has prudentially already paid the first instalment, while waiting the decision on the extension of the suspension
- Due to Covid-19 emergency,
 - Two Government decrees established that all the tax and sanctionary deadlines have been suspended from 23 February until 15 May
 - On March 30, Pro-Gest filed to the AGCM a request to obtain 30 instalments (instead of the 20 instalments already granted)
 - On April 14, Pro-Gest filed to the T.A.R. for a precautionary suspension of instalments payments until the final decision of the Administrative Tribunal regarding the appeal
 - On May 7, the T.A.R. granted Pro-Gest the suspension of all the instalments until the decision of the T.A.R..
- On May 28, Pro-Gest received the notification of the decision of the AGCM that granted the maximum allowable extension of the payment by current regulations (30 monthly instalments)

AGCM FINE

UPDATE

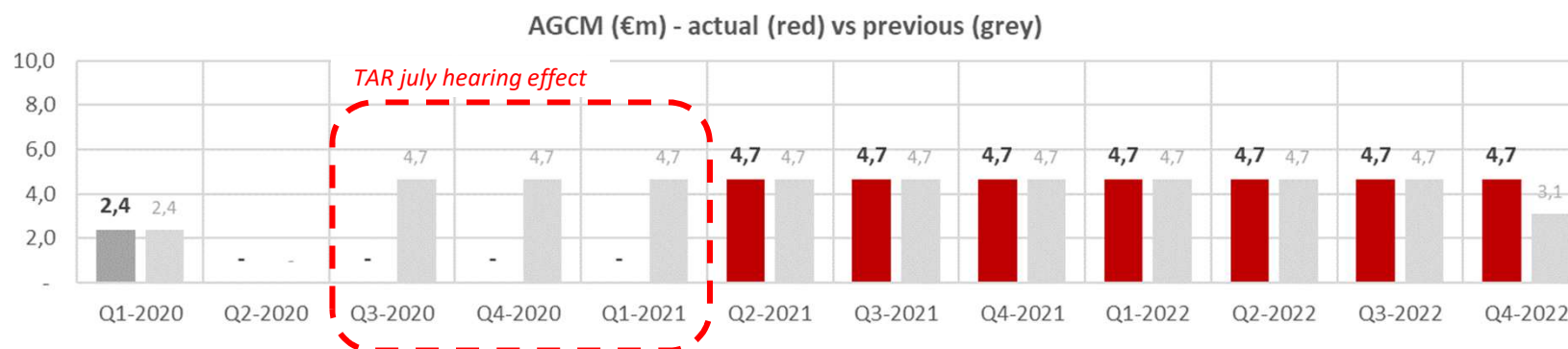
- Consequently, the AGCM recalculated the amortization plan of the overall remaining amount of the pecuniary fines, considering the first and only instalment already paid in February 2020 prudentially.
- On July 8, 2020, the T.A.R. of Lazio postponed the continuation of the discussion on the merits to the hearing of March 10, 2021. The T.A.R. is expected to decide on the merits of the appeal after the hearing of March 10, 2021.
- As a reminder:
 - Pro-Gest will not be required to pay any instalment of the amortization plan until the decision of the T.A.R. on the appeal of the fines.
 - The suspension of the payment is not subject to the issue of a guarantee in favor of the AGCM.

NEXT STEPS

- Next hearing on the merits of the appeal is scheduled for **March 10, 2021**

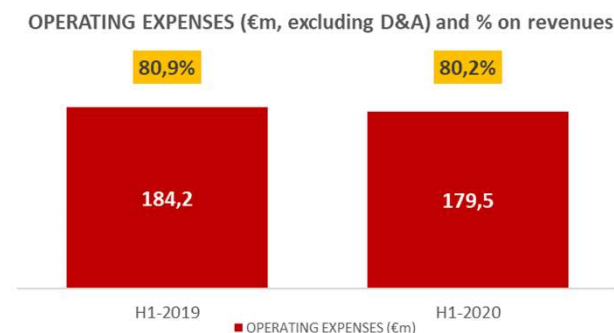
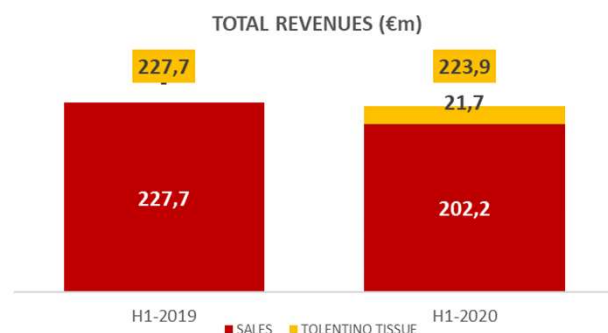
REPAYMENT PLAN

- The graph shows the forecasted repayment plan.
- Pro-Gest is recently granted by AGCM to increase the number of instalments up to 30 (instead of 20 instalments already granted) and, after July hearing, is now granted to postpone the first payment after next hearing scheduled in March 2021.
- As a consequence (being understood that it will be necessary to wait for the March 2021 decision of the TAR and considering that Pro-Gest has already paid one first instalment in February) and considering that each instalment is now equal to about €1,6m, the positive impact in the 2020-2021 period (in term of less financial outflows) will be:
 - €9,3m in 2020 (6 instalments less than previous assumption)
 - €4,7m in 2021 (3 instalments less than previous assumption)

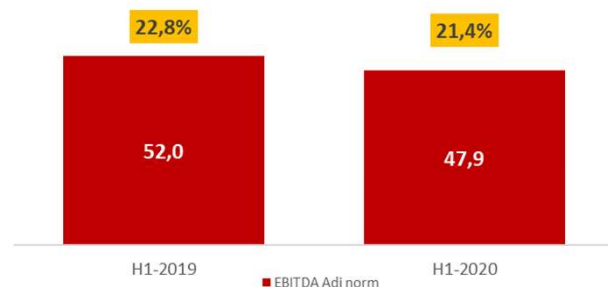


- Note that Pro-Gest remains confident that the TAR, after the next hearing now scheduled on March 2021, should decide in favour of appeal and so the total amount of fine (and consequently each instalment of the repayment plan) could be significantly lower

FINANCIALS H1-20 – REVENUES/EBITDA BY QUARTER

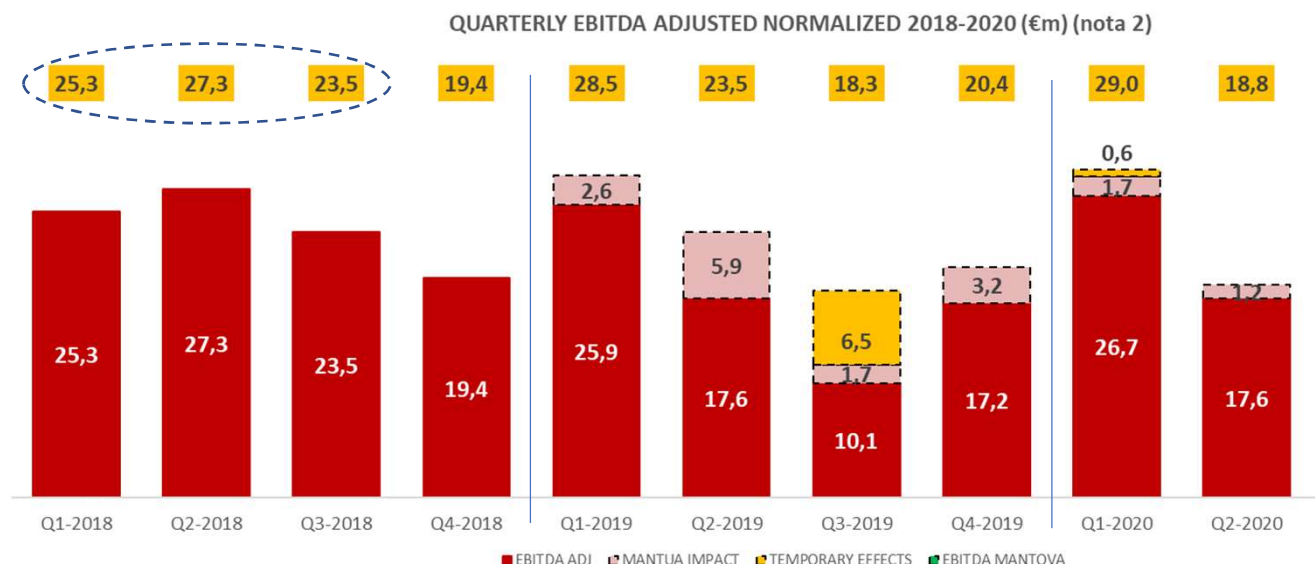


EBITDA Adj norm (€m) and EBITDA Adj norm % on revenues (nota 1)



- The revenues is equal to €223,9m in H1-2020 vs €227,7m in H1-2019, with a decrease of 1,7%. The revenues coming from the new Tolentino plants (Ex Papergroup) that were not present in the previous year, can be quantified at €21,7m for the period. On a like-for-like basis, therefore, the reduction in turnover can be estimated at around 11,0%, mainly due to the price effect.
- The market prices showed a significant decrease since the second half of 2018: -19% in H1-19 vs H1-18 and -11% in H1-20 vs H1-19 and a totally -28% in H1-20 vs H1-18; this trend can be considered a normal cyclical trend of the paper sector, prolonged by Covid-19 emergency.

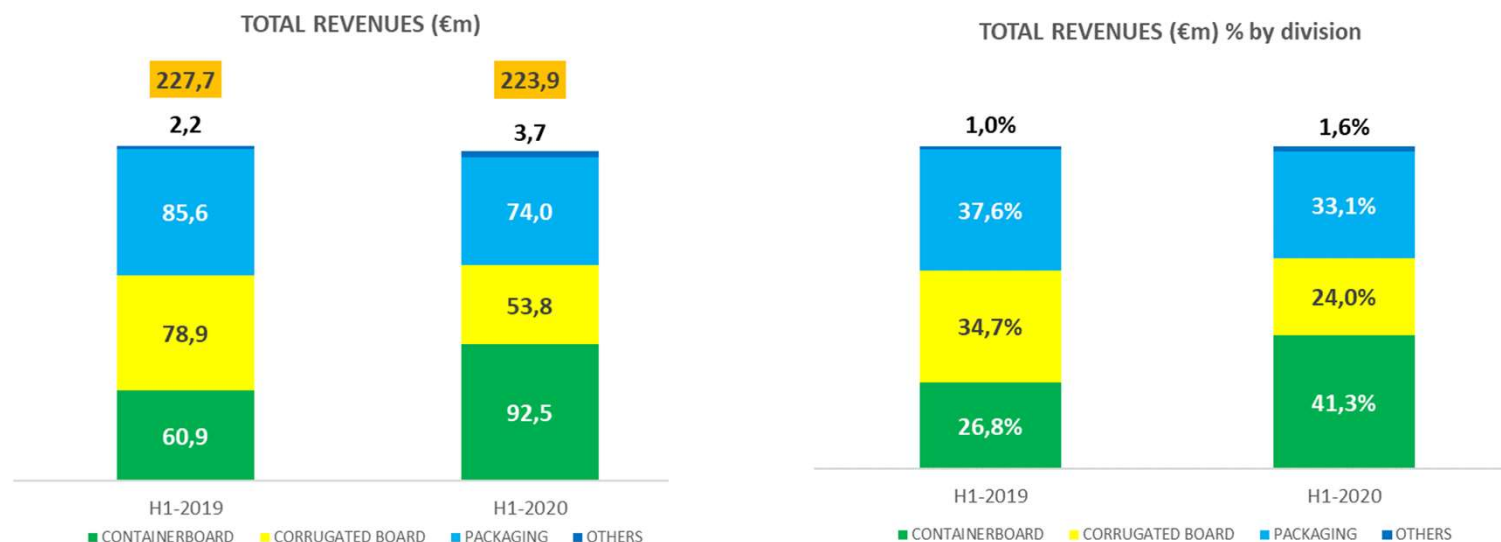
FINANCIALS H1-20 – REVENUES/EBITDA BY QUARTER



- EBITDA normalized (1) is equal to €47,9m in H1-2020 (21,4% as a % of revenues) vs €52,0m in H1-2019 (22,8% as a % of revenues); excluding Mantova and Villa Lagarina breakdown impacts, EBITDA reported is equal to €44,4m in H1-2020 vs €43,5m in H1-2019 (2,1%); this figure is influenced by the capital gains relating to the sale of a machine owned by the former Cartiera di Voghera for an amount of € 2,9 million and to the real estate sale made by Cartiera di Carbonera S.p.A. with a € 5,4 million.
- The price impact on margins coming from the combination of selling prices recorded on the market (testliner and medium products) and raw material prices (waste paper and cardboard) is equal to -19% in H1-19 vs H1-18, a -8% in H1-20 vs H1-19 and a totally -26% in H1-20 vs H1-18).

(2) Q1-Q3 2018 Ebitda % reflected the highest market selling prices (see the graph page 5)

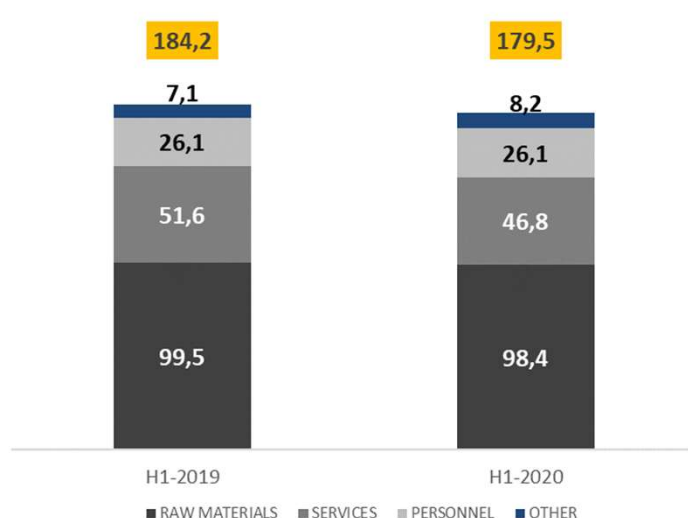
FINANCIALS H1-20 – REVENUES DETAILS



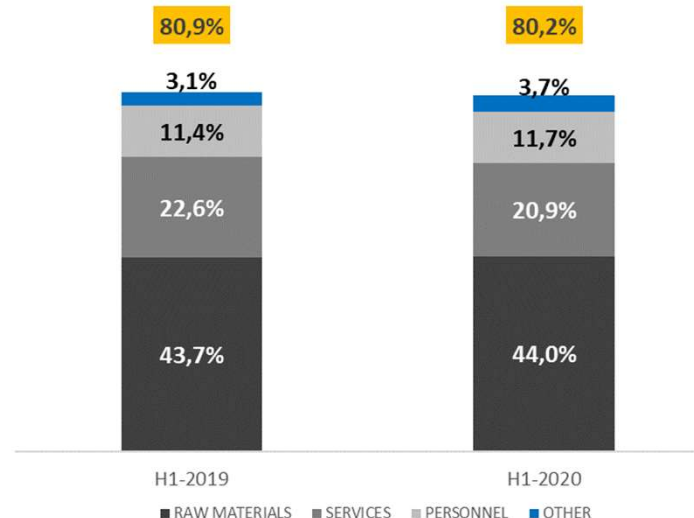
- The H1-2020 Containerboard revenues without the impacts coming from Tolentino revenues, Cartiera di Carbonera capital gain and Villa Lagarina plant breakdown (all already explained) are equal to €64,9m; the increase vs €60,9m in H1-2019 is mainly related to the fact that at the beginning of 2019 (as already explained in our past Investor Presentation and showed in our Q2-2019 interim consolidated financial statements) the Group increased the inventories of finished goods.
- The H1-2020 Corrugated and Packaging revenues are 22% lower than Q1-2019 due to the price effect already mentioned in the previous slides and reflected in the graph of page 5 and to the Covid-19 Apr-May impact
- The LFL total revenues % by division, excluding Tolentino Tissue (included in containerboard), would be equal: 33% containerboard, 27% corrugated board and 38% packaging

FINANCIALS H1-20 – OPEX DETAILS

OPERATING EXPENSES EVOLUTION (€m, excluding D&A)

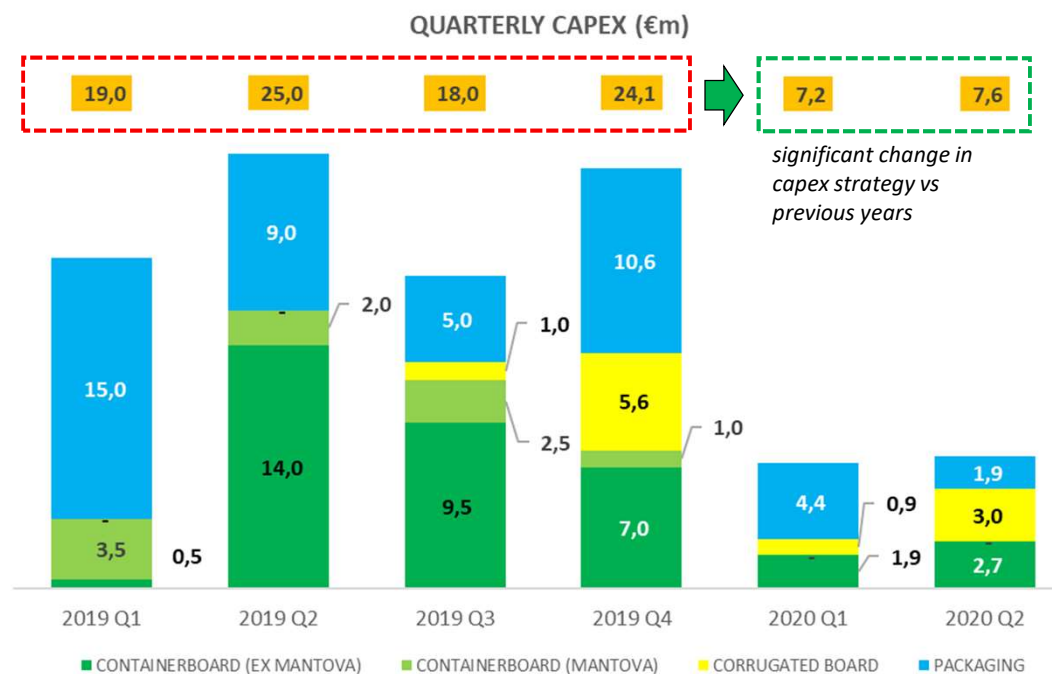


OPERATING EXPENSES EVOLUTION (excluding D&A) % on revenues



- The H1-2020 consumption of raw materials is equal to €98,4m vs €99,5m in H1-2019, with a decrease of 1,1%; excluding Tolentino Tissue (€13,7m), the consumption would have been 14,8% less than the previous year, confirming the decrease in the purchase prices of recycled raw materials compared to the previous period.
- The costs for services, leases and rentals are equal to €46,8m in H1-2020 vs €51,6m in H1-2019, with a decrease of 9,3%.
- Labour cost is equal to €26,1m in H1-2020, stable vs H1-2019

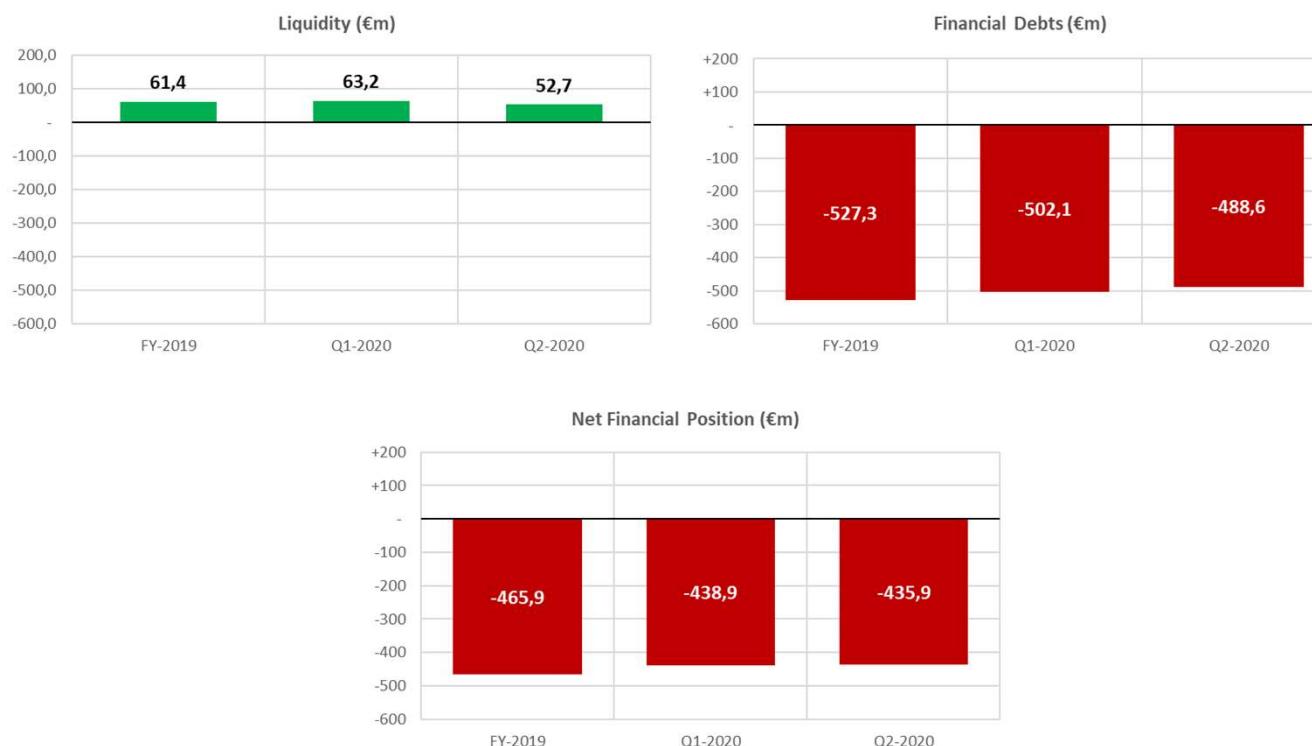
FINANCIALS H1-20 - CAPEX



- The graph shows quarterly capex from Q1-2019 to Q2-2020.
- Capex in Q2-2020 is equal to €7,6 of which:
 - €2,7m Containerboard
 - €3,0m Corrugated (of which the major part is related to a new machine for Cartonstrong)
 - €1,9m Packaging
 - The total amount does not consider asset disposal during the period
- FY-2020 capex forecast would be in the area of €23-25m, due to final minor investments in Mantova and some extraordinary maintenance in other plants

FINANCIALS H1-20 - NET FINANCIAL POSITION

- The Q2-2020 net financial position is substantially equal to the end of Q1-2020 result; it confirms that the business in Q2-2020, although the Covid-19 impact, has not absorbed liquidity, in a situation in which, above all, there are no overdue payables toward banks, suppliers, employees or other creditors
- The Q2-2020 amount of financial debts is equal to €488,6m from €502,1m at the end of Q1-2020 (due to the normal amortization effect) and the liquidity at the end of Q2-2020 is equal to €52,7m from €63,2m



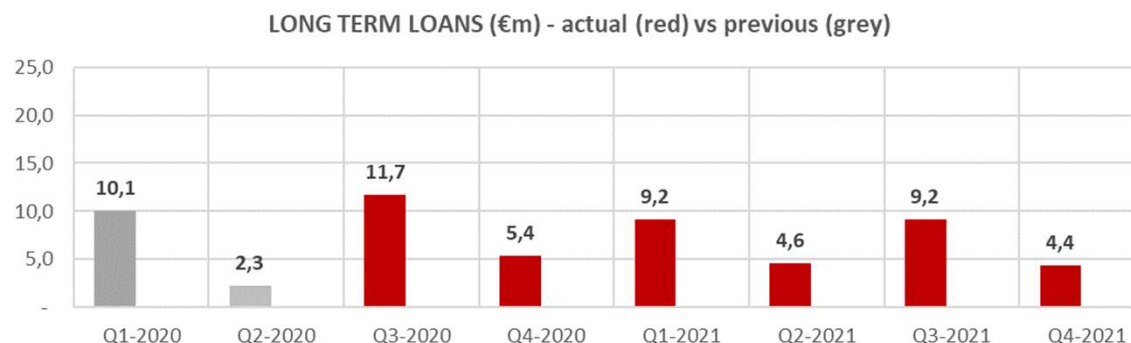
- About financial debts, the short term debt is equal to €88,6m and represents the 48% of the total short term debt the Group can use; note that, as usual in Italian financial market, 100% of these lines are revolving and uncommitted

Note: Liquidity and NFP do not include securities (€26,5) regarding related parties and bank bonds (€2,0m)

FINANCIALS H1-20 – DEBT REPAYMENT PLANS

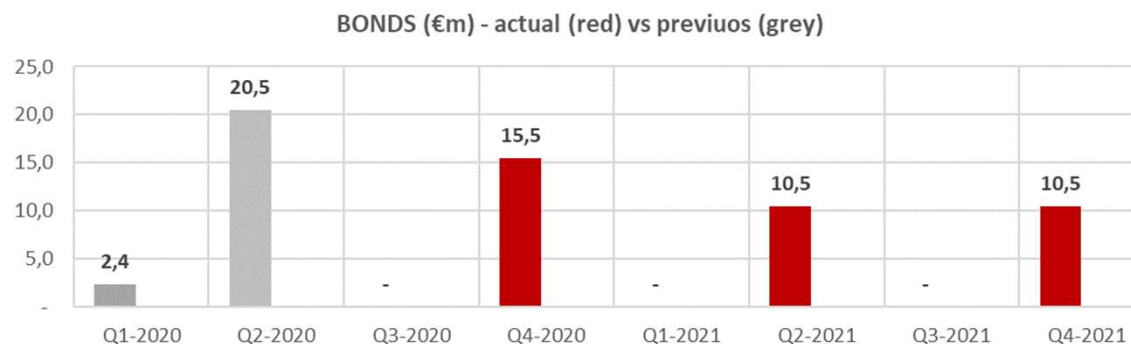
LOANS

- The loan outstanding at the end of Q2-2020 is equal to €85,9m of which €17,1m due in H2-2020, €27,4m in 2021 (€12,4m is the amount already repaid during H1-2020).
- The next graph shows its quarterly evolution



BONDS

- The bond outstanding at the end of Q2-2020 was equal to €51,9m of which €15,5 in H2-2020 and €21,0m in 2021 (€22,9m is the amount already repaid during H1-2020)
- The next graph shows its quarterly evolution (the bond repayment plan considers the effects of waiver renegotiations)



FINANCIALS H1-20 – EBITDA TO CASH FLOW BRIDGE

(€/m)	H1-2020
EBITDA adjusted	44,4
(increase) / decrease of working capital	9,2
(increase) / decrease of other items	-0,7
Operating cash flow	52,8
(capex)	-10,6
Cash flow after capex	42,2
(increase) / decrease of financial investment	0,9
increase / (decrease) of AGCM fine / TFR / others	-2,4
(increase) / decrease of other asset / investment	0,0
Cash flow after extraordinary items	40,8
(taxes)	-2,7
Operating Post-tax free cash flow	38,0
(interest)	-7,9
Cash flow	30,1
(PFN) at the beginning of the period	-465,9
(PFN) at the end of the period	-435,9
Variation	30,1

(€/m)	H1-2020
increase / (decrease) of PFL	-38,8
increase / (decrease) of EQUITY	0,0
increase / (decrease) of LIQUIDITY	-8,7
LIQUIDITY at the beginning of the period	61,4
LIQUIDITY at the end of the period	52,7
Variation	-8,7

- Ebitda H1-2020 is equal to €44,4m (vs €43,5m in H1-2019)
- The operating cash flow is equal to €52,8 due to a positive effect coming from a reduction of working capital
- Cash flow after capex is equal to €42,2m in line with the change of capex strategy
- Net cash flow is equal to €30,1m; this generation has been used to reimburse loans and bond in H1-20 period (€38,8m) using also €8,7m of liquidity
- After the reimbursement, the liquidity is equal to €52,7m

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UPDATE ON CAPITAL STRUCTURE

- ProGest, together with its advisor Credit Suisse, continues to evaluate opportunities on how to strengthen the Group's capital structure by the end of 2020