

08 Sep 2023



PRO·GEST GROUP

paper back to life

PRO-GEST

INVESTOR PRESENTATION Q2-2023

- 1) Market Highlights
- 2) Q2-2023 Pro-Gest Topics
- 3) Current Trading Jul-Aug 2023



CONFERENCE CALL SYSTEM: CISCO WEBEX

- Please note that the Pro-Gest conference call will be made using the Cisco Webex system
- This is a different system than the one previously used: each participant will have the opportunity to interact with the Pro-Gest management sending questions exclusively in writing form, through the Cisco Webex Q&A chat, at any time during the call
- At the end of the presentation, Pro-Gest management will answer all the main and most relevant questions received through the Cisco Webex Q&A chat (requests received by e-mail will not be considered)
- The adoption of this new system, which no longer provides for the direct voice question session as in the past, will allow Pro-Gest to:
 - provide the financial community with broader and more widespread information
 - answer all the main written questions received from the participants during the conference call, as long as they are relevant
 - improve the quality of information for the financial markets
 - give all participants, on an equal position, the effective opportunity to ask Pro-Gest management questions on the published documentation
- The meeting with the financial community is scheduled for Sep 8th, 2023 at 10:30 am CEST through a conference call at the following link: <https://progest.webex.com/progest-it/j.php?MTID=ma06d1bba99cca05693c739c984e5a155>
- It is recommended you check in advance the correct functioning of your computer system with the Cisco Webex platform

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MARKET HIGHLIGHTS

MARKET TOPICS Q2-2023



MARKET SCENARIO AND TRENDS

- The first six months of the year have been characterized by a delicate economic situation with the entire packaging sector involved in a reduction in sales volumes mainly linked to a weak domestic demand due to the persisting very uncertain economic climate
- The high inflation, although decreasing compared to the previous months, and a restrictive monetary policy which led to multiple interest rate increases, deeply changed the national and European economic climate, thus negatively influencing consumption and investment decisions by households and businesses
- Contrary to the year 2022, which presented important economic performances, although profoundly different during the year, Pro-Gest Group had to face an internal market which recorded a continuous decrease in sales prices, more markedly in the first months of 2023, mainly due to the reduction in natural gas prices and a drop in domestic demand
- These effects have therefore turned into a reduction in turnover following the reduction in sales prices and a reduction in stocks by our customers, something historically cyclical in the packaging sector
- Istat estimated a decline in GDP in the second quarter slightly higher than the most recent internal estimates, attributable to the fall in the industry value added, while services continued to grow albeit at a more moderate pace
- The results were influenced, in particular, by the decline in the international industrial cycle, the rise in interest rates and the impact that these had on the purchasing power of households in Italy, as well as in the rest of Europe

MARKET TOPICS Q2-2023

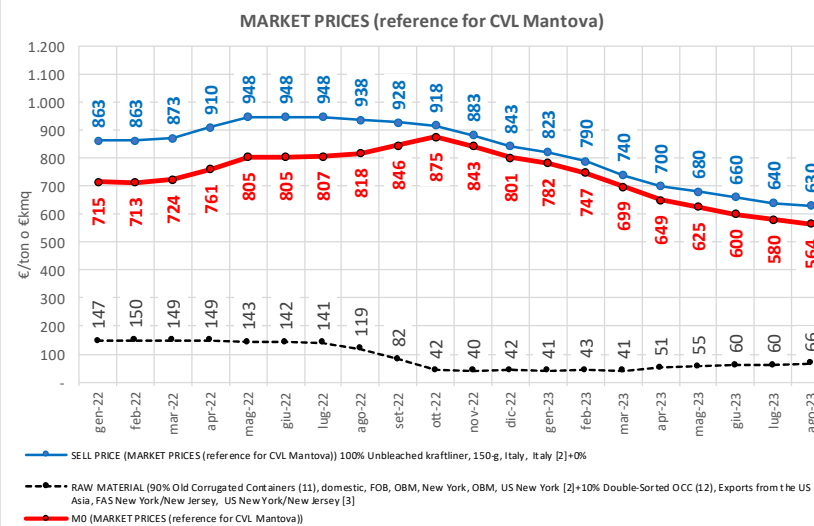
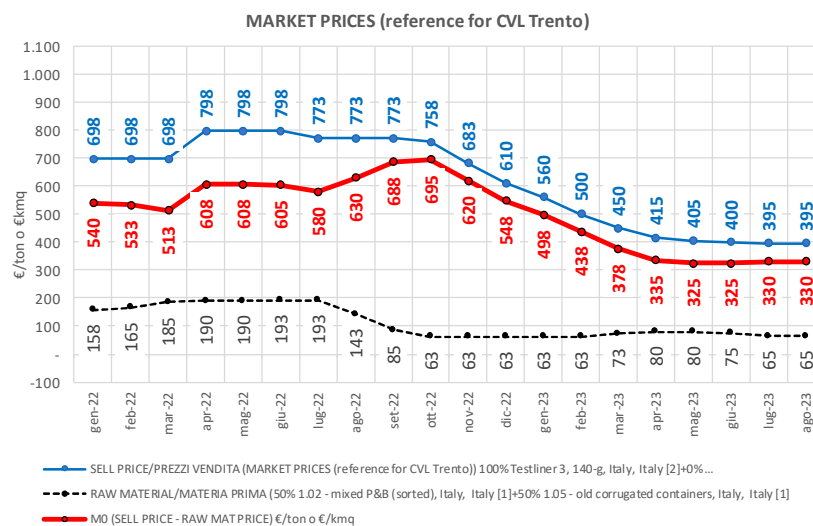
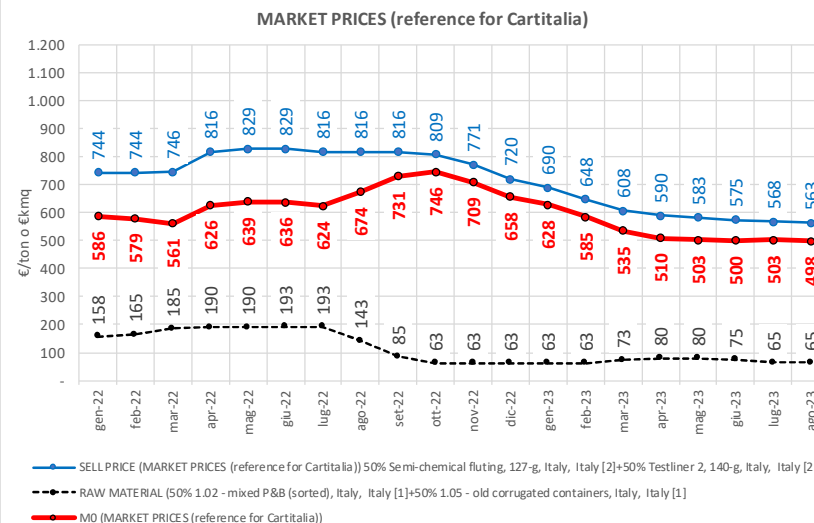
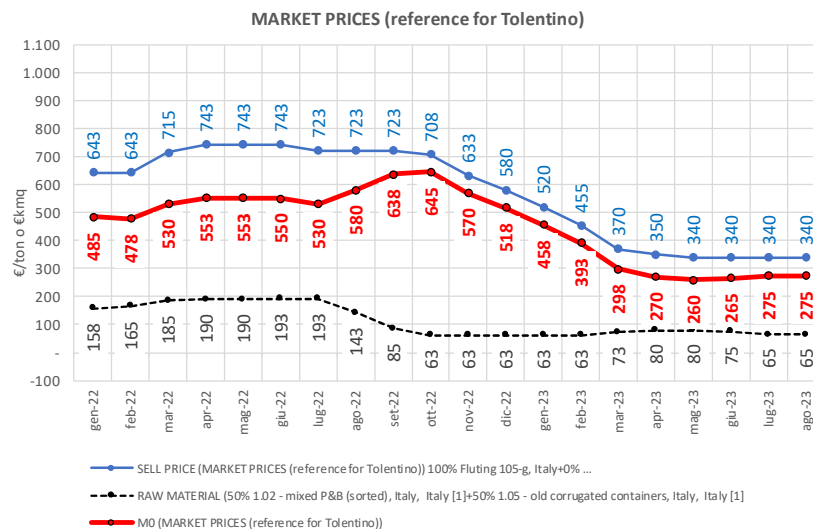


MARKET SCENARIO AND TRENDS – PRO-GEST PERFORMANCE

- The **market trend** showed in H1-23 (vs H1-22): a significant reduction of selling prices of about -30% with an inflation rate of 6-7% (source: internal analysis on Risi data). Market performance also negatively impacted by strong customers destocking activity after high accumulation of products in the first half of 2022
- Pro-Gest was able to maintain market shares and EBITDA margin (%) in a declining market. **H1-23 consolidated turnover** is equal to € 320 million and shows a contraction compared to the budget (-13%) and to 2022 (-35%); the market continued to be very soft, affected by inflation and consumption, in line with the market trend and the competitor performance (source: company data)
- The **trend of paper mills show sales slightly** lower than budget and down vs 2022, due to the market and the mix of price and consumption trend (see next slides for details)
- The **corrugators/packaging segment** shows sales lower than budget due to the inflation rate and the increase of cost of money which generated a negative impact on general consumptions and consequently on GDP
- The price of **waste paper** remained around 65 €/ton, significantly lower than the prices during H1-2022 (equal to 172 €/ton). The price of **gas** in H1-23 was around 63 €/smc (equal to 157 €/ton), at a lower level than budget (about 225 €/ton); the gas government contribution in the second quarter has been equal to 10% of gas bill (about € 5 million which has generated tax credit for the same amount)
- **Normalized EBITDA** in H1-2023 is equal to about € 62m (19,3% on revenues) vs €76m budget (20,7%) and historical data equal to € 103m (21,1%) mainly due to the market dynamics described above. The profitability margin confirms capability of Pro-Gest to implement the pass-through strategy toward customer base
- The **Net Financial Position** at the end of June was equal to about € 532m, worsening compared to the end of 2022 but stable vs the end of March due to a low recovery of profitability despite interest expenses (€ 25m) and capex (€ 18m)

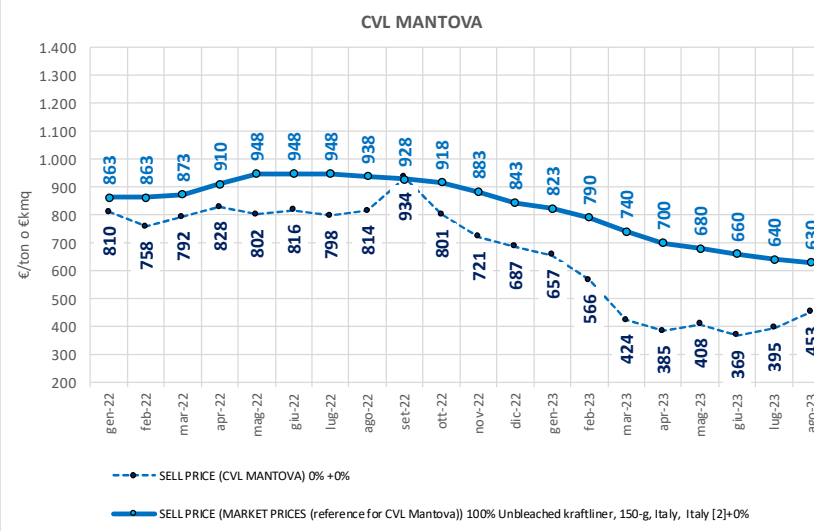
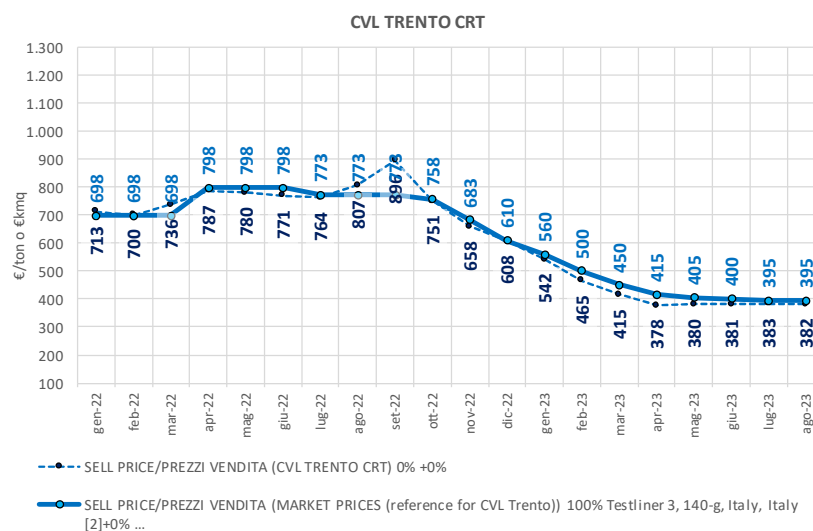
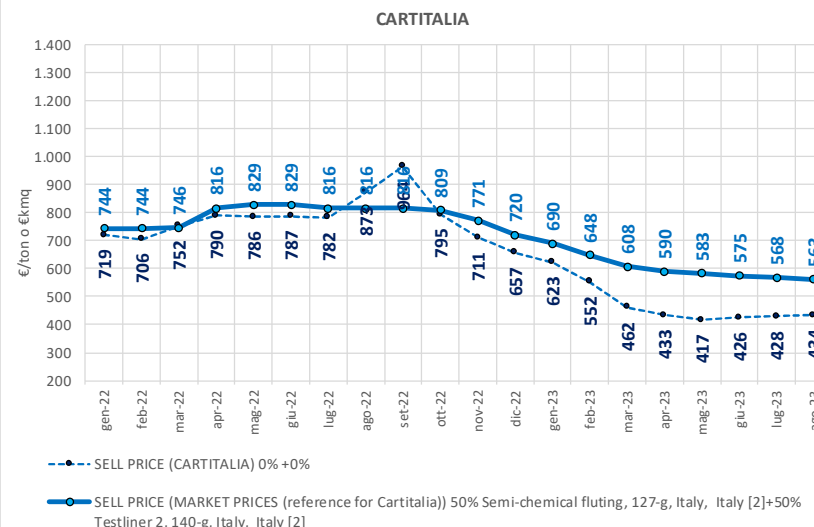
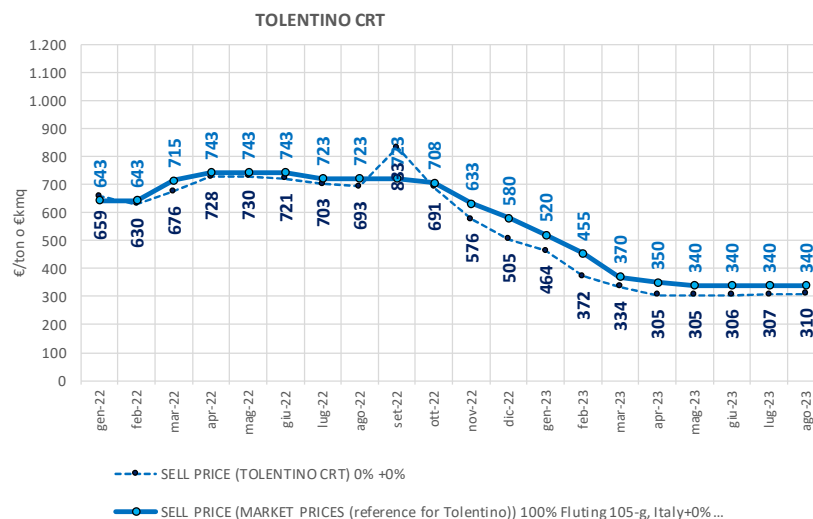
PRICE TREND UP TO AUG 2023

PREZZI DI VENDITA/SELLING PRICES - PREZZI ACQUISTO MATERIE PRIME/RAW MATERIAL PRICES - DIFFERENZA/SPREAD
(RIFERIMENTO/BENCHMARK PER PRO-GEST CORRUGATED INDUSTRY) - Fonte/Source: RISI (www.risiinfo.com)

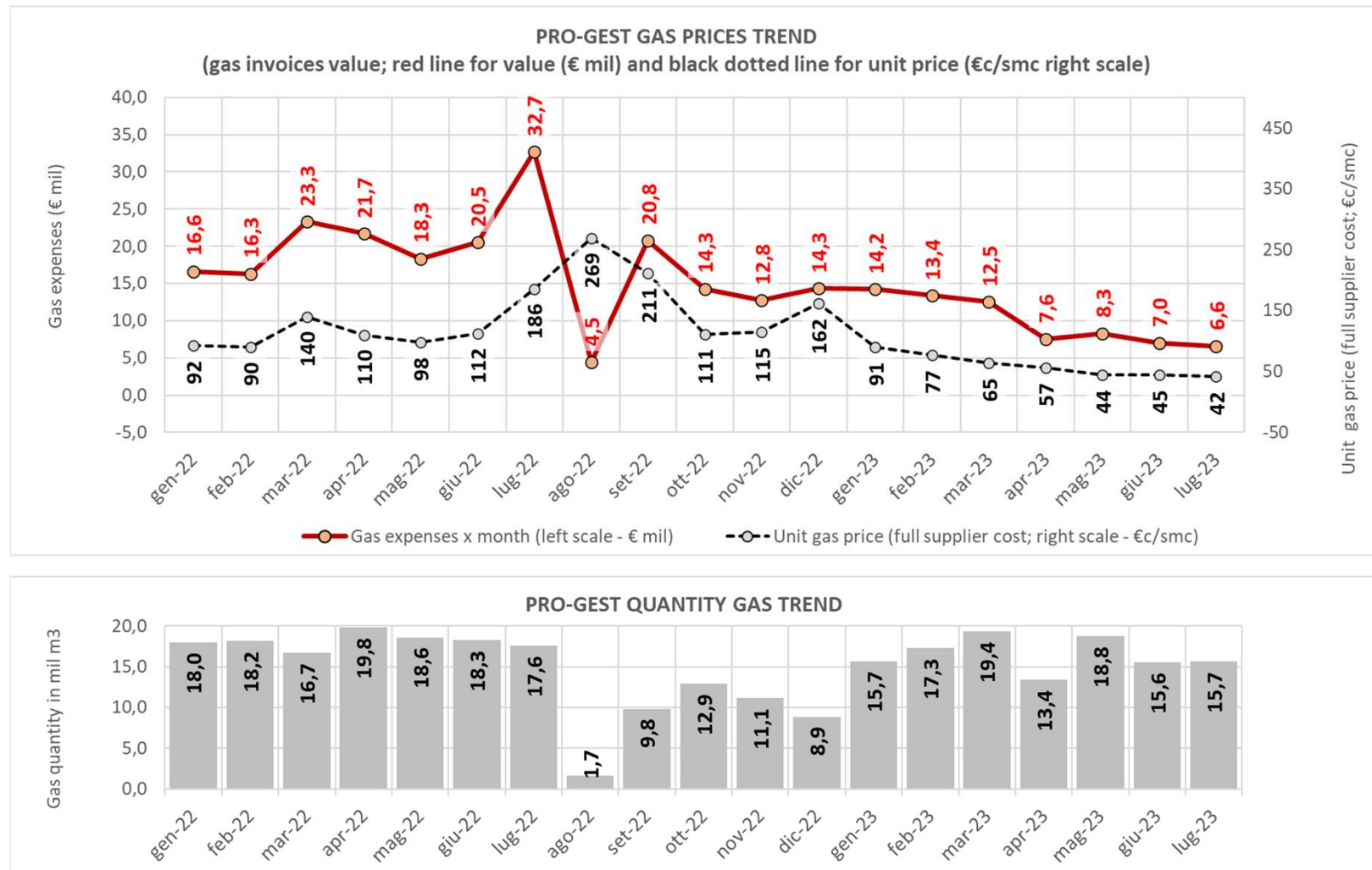


PRICE TREND UP TO AUG 2023

PREZZI DI VENDITA / SELLING PRICES DEL MERCATO DI RIFERIMENTO (linea blu/blue line) vs PREZZI DI VENDITA / SELLING PRICES DI PRO-GEST
(riga blu tratteggiata/blue dotted line) - Fonte/Source: RISI (www.risiinfo.com)



FOCUS ON GAS PRICES TREND UP TO JUL-2023



- Pro-Gest acquires gas in the spot market and has secured supply for the next 3 months through “deposito cauzionale” of about € 13m at the end of Q2-2023
- Q2-2023 **gas cost** is equal to € 23 million (this cost does not consider gas contribution)

PRO-GEST TOPICS
Q2-2023
FINANCIALS

H1-2023 FINANCIALS – EXECUTIVE SUMMARY

consolidated YEAR TO DATE data (€ mil) dati PROGRESSIVI consolidati alla data (€ mil)	Jun-2023 prel	Jun-2023 bdg	act vs bdg change in %	act vs bdg change in val	Jun-2022 act	act vs prev change in %	act vs prev change in val
PROFIT & LOSS							
TOTAL SALES A1+A5 (excluded capital gains)	319,8	367,2	-12,9%	-47,4	489,8	-34,7%	-170,0
EBITDA operating	52,6	76,1		-23,5	92,4	-43,1%	-39,8
EBITDA normalization	9,0	-		+9,0	10,8	-16,7%	-1,8
OPERATING EBITDA NORMALIZED	61,6	76,1	-19,0%	-14,5	103,2	-40,3%	-41,6
in % total sales	19,3%	20,7%			21,1%		
SALES A5 (capital gains)	-	-		-	-		-
(depreciation, amortization and others)	-35,8	-38,6		+2,8	-35,8		+0,0
(interest expense)	-25,0	-30,4		+5,4	-18,9		-6,1
(others)	-	-		-	0,1		-0,1
INCOME BEFORE TAX NORMALIZED	0,8	7,1	-88,5%	-6,3	48,6	-98,3%	-47,8

- **H1-23 EBITDA margin** (19,3%) is substantially in line with budget and historical data which confirms the capability of the Group to manage the pass-through effect to the customers. The total value is lower than budget and historical data due to the softness of the market, both in term of volumes and prices, as anticipated in the previous slides

H1-2023 FINANCIALS – EXECUTIVE SUMMARY

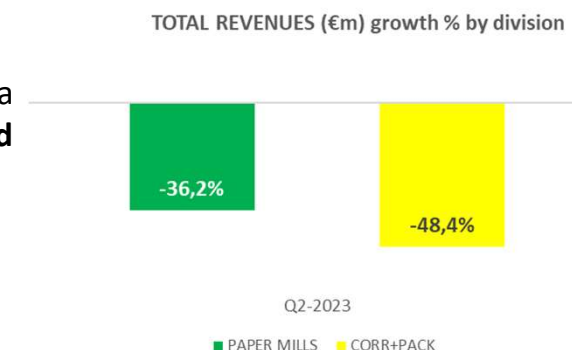
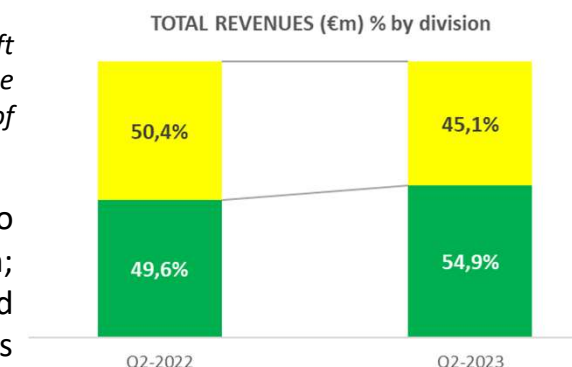
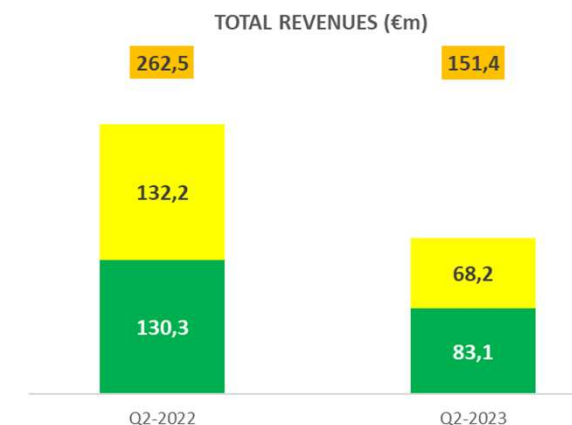
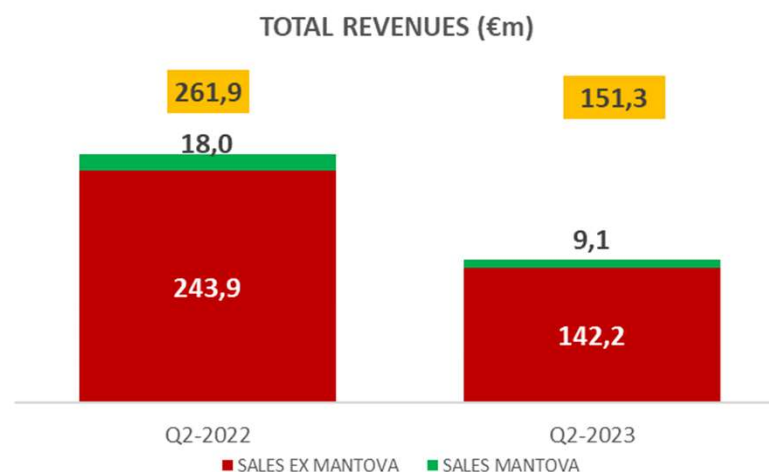
consolidated data €mil (EOP) (1)	Jun-2023 prel	Jun-2023 bdg	act vs bdg change in %	act vs bdg change in val	Dec-2022 Act	23 vs 22 change in %	23 vs 22 change in value
BALANCE SHEET							
NET INVESTED CAPITAL	1.007,9	na			990,3		+17,6
NET EQUITY	476,3	na			486,3		-10,0
(GROSS FINANCIAL DEBT)	-580,6	na			-610,3		+29,7
LIQUIDITY (2)	49,0	na			106,2		-57,2
(NET FINANCIAL DEBT)	-531,6	na			-504,1		-27,5
PFN / EBITDA NORMALIZED	5,76x	na			3,46x		2,30x
PFN / EBITDA REPORTED	6,01x	na			3,75x		2,26x

(1) net of amortized debt issuance costs

(2) Including €13.4m of current financial assets, which consists of the deposit we have made upon request of gas suppliers in Italy to protect themselves from the risk of delinquent accounts as a result of the increase in natural gas prices

- **Net Financial Position (IAS39)** at 30.06.2023 is equal to €532m and the **ratio PFN / EBITDA normalized** is equal to 5,76x in line with the previous data
- **EBITDA normalized LTM** at 30.06.2023 is equal to about €92m (14% on LTM revenues; margin mainly affected by results of the second half of 2022 since first half of 2023 shows good profitability recover)
- See the following pages for detailed cash flow analysis

Q2-2023 FINANCIALS – REVENUES DETAIL



- The analysis proposed in this slide is relevant to the comparison between Q2-2023 (which was a soft period for the market) with Q2-2022 (which was the best quarter since many years). Consequently, the variances are obviously very high and not representing psychologically the real relative performance of the business in the market
- Total consolidated revenues** (A1+A5) in Q2-2023 amounted to €151m (compared to €262m in Q2-2022; the change is equal to -42% mainly due to the market condition; Mantova consolidated revenues is equal to €9m (vs €18m of Q2-2022) and consequently the LFL growth (excluding Mantova) is equal to -42%. Mantova has concentrated its activity on internal revenues since the market was very weak with consumption going down
- Paper mills consolidated** revenues (A1+A5) decreased by -36% vs Q2-2022 as a consequence on the above explanation, while **Corrugators/Packaging consolidated** revenues decreased -48% vs Q2-2022
- All the above confirms the softness of the market which has characterized Q2-2023

Note: A5 sales represents White certificates, other raw material sales, revenues other than products and 2022 Government gas subsidies

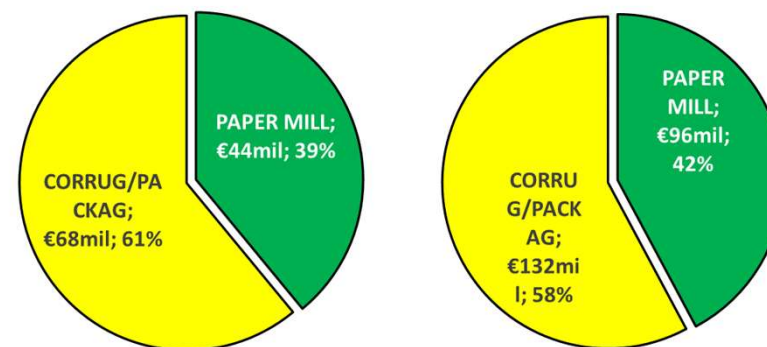
Q2-2023 FINANCIALS – EXECUTIVE SUMMARY

CONSOLIDATED DATA	value (€ mil, var %, var val)				quantity (k-ton o M-mq, var %, var val)				price (€/ton o €/kmq, var %, var val)			
YEAR TO DATE ANALYSIS GIU-2023 - CONSOLIDATED DATA	giu-23	giu-22	AC vs PY in %	AC vs PY in val (€mil)	giu-23	giu-22	AC vs PY in %	AC vs PY in Q.Tà (ton o mq)	giu-23	giu-22	AC vs PY in %	AC vs PY in val (€mil)
	AC consunt	AC storico			AC consunt	AC storico			AC consunt	AC storico		
PAPER MILL	43,6	96,5	-55%	-52,8	77,6	121,2	-36%	-43,6	562	796	-29%	-234
CORRUG/PACKAG	68,2	132,2	-48%	-64,0	120,2	184,0	-35%	-63,8	568	719	-21%	-151
TOTAL (A1 CORE)	111,9	228,7	-51%	-116,8								

giu-23

giu-22

- The analysis proposed in this slide is relevant to the comparison between Q2-2023 (which was a soft period for the market) with Q2-2022 (which was the best quarter since many years). Consequently, the variances are obviously very high and not representing psychologically the real relative performance of the business in the market



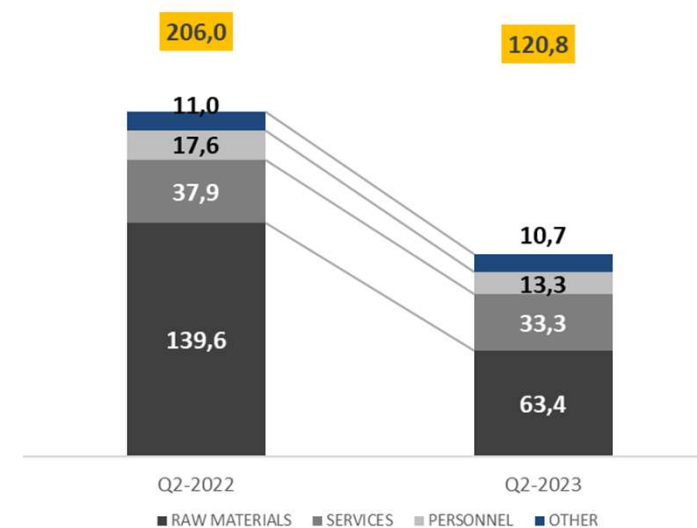
- The data show only “**A1 product**” sales (excluding A5/other sales) and a reduction in value of -51% vs same period of last year with a different performance between paper mills (-55%) and corrugator/packaging (-48%)
- The reduction of **paper mill quantity** are due to a paper mill production more oriented towards corrugator/packaging internal activity rather than sell directly to the market; the paper mill trend also affected by soft market conditions. The reduction is due to a reduction of volume (-36%) and prices (-29%), in line with market trends
- The reduction of **corrugator/packaging quantity** has been affected by soft market conditions with a volume reduction equal to -35% and a price reduction equal to -21%

Q2-2023 FINANCIALS – OPEX DETAILS

OPERATING EXPENSES (€m, excluding D&A) and % on revenues

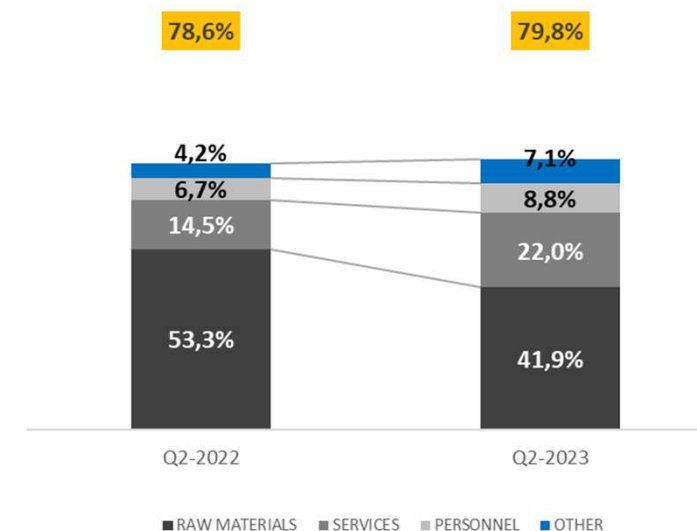


OPERATING EXPENSES EVOLUTION (€m, excluding D&A)

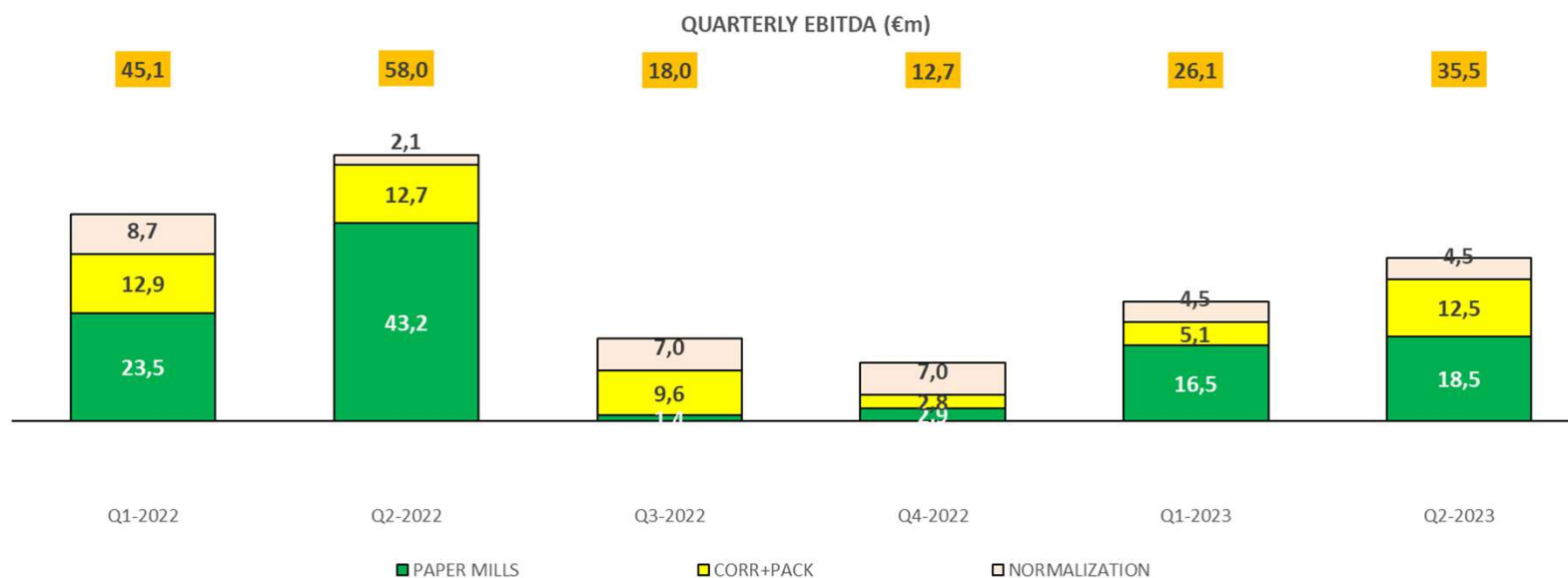


- **Operating expenses** in Q2-2023 were €121m (compared to €206m in Q2-2022) with a % on revenues equal to 80% (compared to 79% in Q2-2022)
- The main changes are:
 - The % of **cost of raw materials** (including gas costs) on revenues was 42% in Q2-2023 compared to 53% in Q2-2022; the gas cost (this item is included in raw materials data) in the period as % of revenues is equal to 15% vs 23% Q2-22
 - The % of **service costs** on revenues was 22% (vs 15% in Q2-2022); this increase is mainly due to the reduction of turnover.
 - The % of **personnel costs** on revenues was equal to 9% (compared to 7% in Q2-2022)
 - **Personnel count** is as follows:
 - 31.12.2022: 1.150
 - 30.06.2023: 1.098
- Scenario shows strong capability of the Group in managing raw material cost while a defensive approach in value has been adopted in other items, since they are mostly fixed costs

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

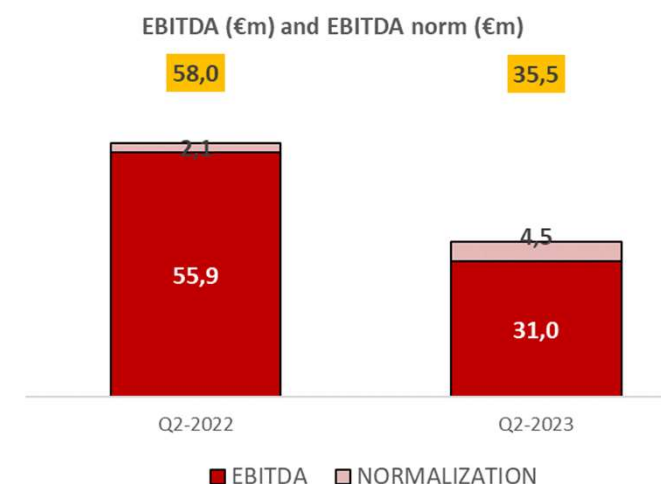


Q2-2023 FINANCIALS – EBITDA BY QUARTER



- The **Q2-2023 EBITDA normalized** is equal to €35,5m (23,5% on revenues) compared to €58m in Q2-2022 (22% on revenues); profitability of Q2-2023 has been impacted by the slowdown of market consumptions more than compensated by the capability of managing raw material costs, in a scenario of reduction of gas costs

- The quarterly EBITDA chart above shows the results from Q1-2022 to Q2-2023 and the **breakdown of Group EBITDA by business unit**:
 - in Q2-2023 the **paper mills EBITDA** normalized is equal to €18,5m (vs €43m of Q2-2022)
 - In Q2-2023 the **corrugator/packaging EBITDA** normalized is equal to €17,0m (vs €14,8m of Q2-2022) of which €4,5m of normalization related to the ramp-up period of Castelbelforte and Tuscany plants)

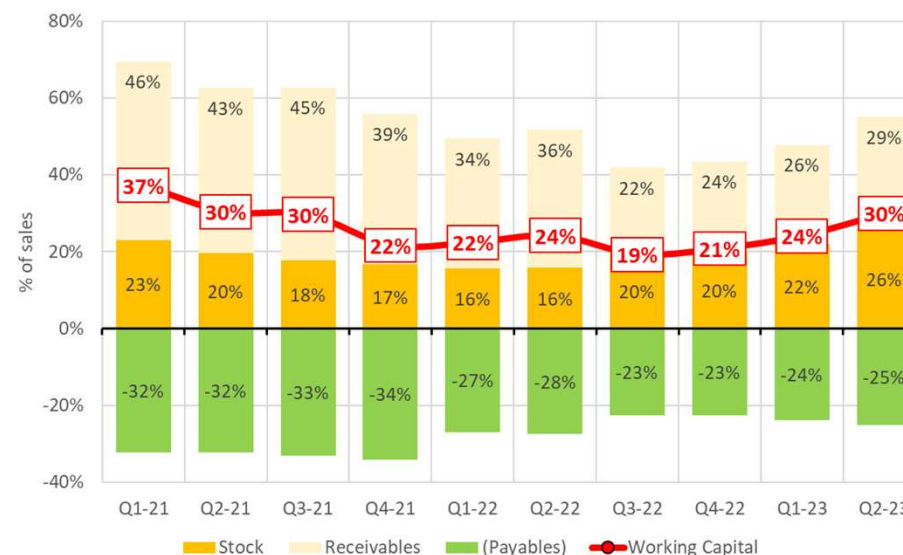


Q2-2023 FINANCIALS – OPERATING WORKING CAPITAL

OPERATING WORKING CAPITAL ANALYSIS (€m)



OPERATING WORKING CAPITAL ANALYSIS in % of sales

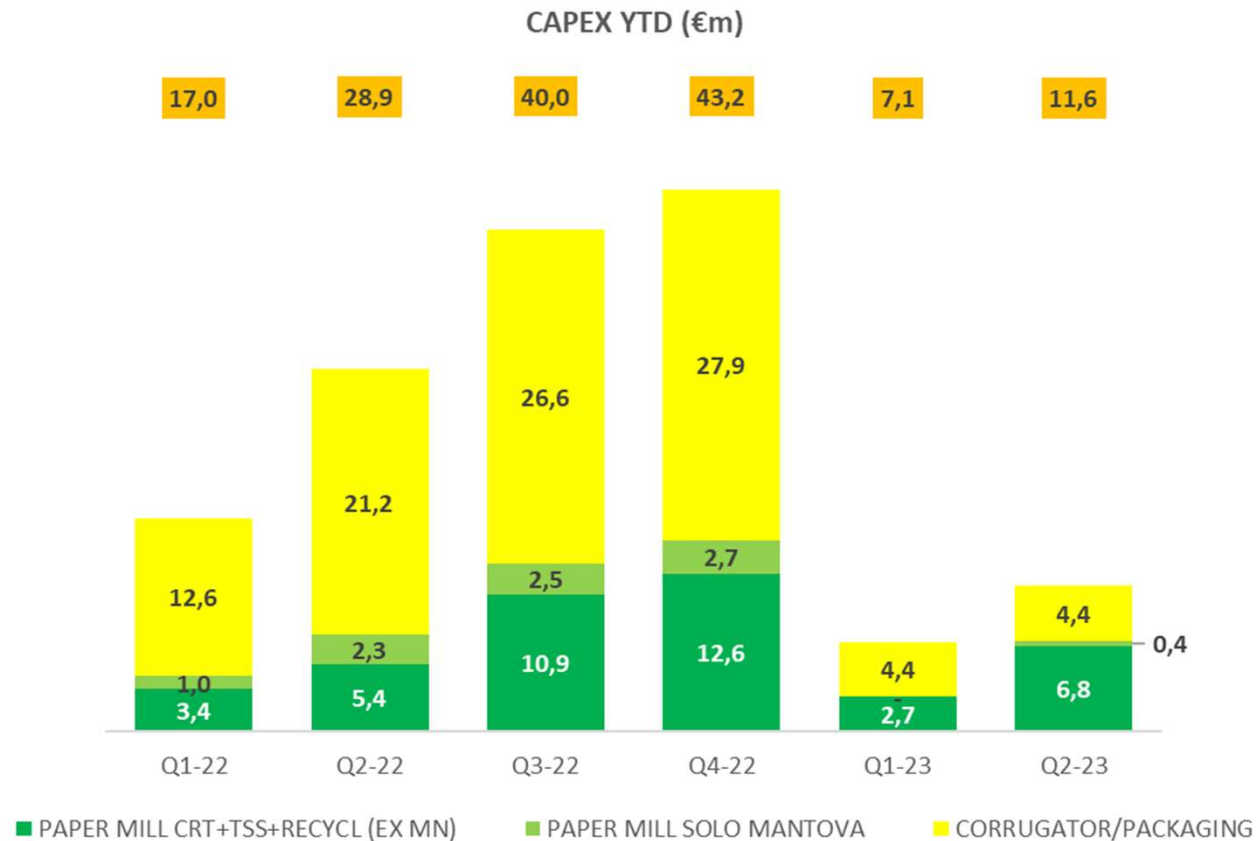


OPERATING WORKING CAPITAL ANALYSIS (incr) / decr of WC (var q/q)



- The operating working capital of Pro-Gest Group at 30.06.2023 is equal to € 196m (vs €172m at the end of FY-22) and the cash absorption from operating working capital during Q2-2023 has been equal to € 12m
- The incidence on sales at the end of Q2-23 is about 30%, higher than the previous quarter due to the slowdown of revenue and the dynamics of stocks and payables in value connected with slowdown of volumes

Q2-2023 FINANCIALS – TANGIBLE CAPEX



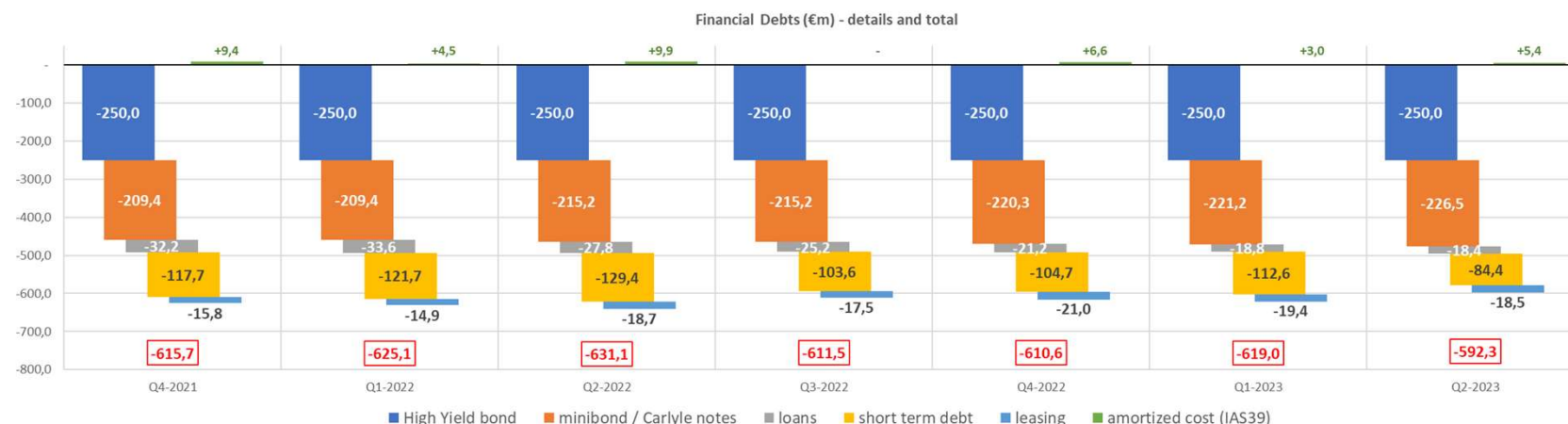
- The graph shows **year to date investments by quarter** from Q1-2022 to Q2-2023, divided by paper mill and corrugator/packaging business units
- Total investments at 30.06.2023 is equal to about € 18,7m, in line with the budget target

Q2-2023 FINANCIALS – EBITDA TO CASH FLOW BRIDGE

EBITDA TO CASH FLOW (€ mil)	Q4-21	Q1-22	Q2-2022	Q3-2022	Q4-2022	Q1-23	Q2-23
EBITDA (not normalized)	15,8	36,4	55,9	11,0	5,7	21,6	31,0
(increase) / decrease of operating working capital	25,6	-25,3	-34,5	48,2	1,2	-13,1	-11,6
(incr) / decr of other items of WC (included TFR)	0,3	-5,6	2,9	-35,5	-14,0	-18,2	2,0
Operating Cash Flow (OCF)	+41,7	+5,5	+24,3	+23,7	-7,0	-9,7	+21,5
(maintenance&growth capex tangible&intangible)	-72,3	-16,8	-12,6	-10,5	-3,2	-7,1	-11,1
Cash flow after capex	-30,6	-11,3	+11,7	+13,2	-10,3	-16,8	+10,4
(incr) / decr of financial invest/equity invest	19,8	0,0	-0,1	0,1	0,0	0,0	0,0
increase / (decrease) of other provisions (AGCM)	-4,5	-4,6	-4,6	-4,7	-5,9	-4,7	0,1
Cash flow after extraordinary items	-15,3	-16,0	+7,0	+8,6	-16,2	-21,4	+10,4
(taxes)	5,1	-0,8	-2,5	8,8	13,7	8,2	1,2
Operating Post-tax free cash flow	-10,2	-16,8	+4,5	+17,3	-2,5	-13,2	+11,6
(interest expenses)	-9,6	-9,6	-9,3	-15,7	-10,5	-12,7	-12,3
Cash Flow (CF)	-19,7	-26,4	-4,9	+1,7	-13,0	-25,9	-0,7
(NFP) at the beginning of the period	-441,6	-461,4	-487,7	-492,6	-490,9	-503,9	-529,8
(NFP) at the end of the period	-461,4	-487,7	-492,6	-490,9	-503,9	-529,8	-530,6
Change in NET FINANCIAL POSITION	-19,7	-26,4	-4,9	+1,7	-13,0	-25,9	-0,7

- **EBITDA** shown in the table never consider normalizations (i.e. equal to €4,5m in Q2-2023)
- The Q2-2023 EBITDA equal to €31m has been entirely absorbed by WC (€12m), capex (€11m) and interest expenses (€12m), thus no creating negative impact on NFP

Q2-2023 FINANCIALS – NET FINANCIAL POSITION



- **Net Financial Position (IAS39 net of amortized debt issuance costs)** at 30.06.2023 is equal to €531m; during the Q2-2023, as explained in the previous page, NFP has been affected by the softness of market, by the capex as well as interest expenses, but the creation of cash compensated this trend
- **There are no delays in payments / collections** from banks, suppliers, employees or other creditors
- The **short-term debt** equal to €84m represents approximately 50% of available credit lines

- Cash and NFP do not include related party securities (€12,5m) and bank bonds (€2,0m)

- **Liquidity is expressed including €12,4m of current financial assets**, which consists of the deposit we have made upon request of gas suppliers in Italy to protect themselves from the risk of delinquent accounts as a result of the increase in natural gas prices

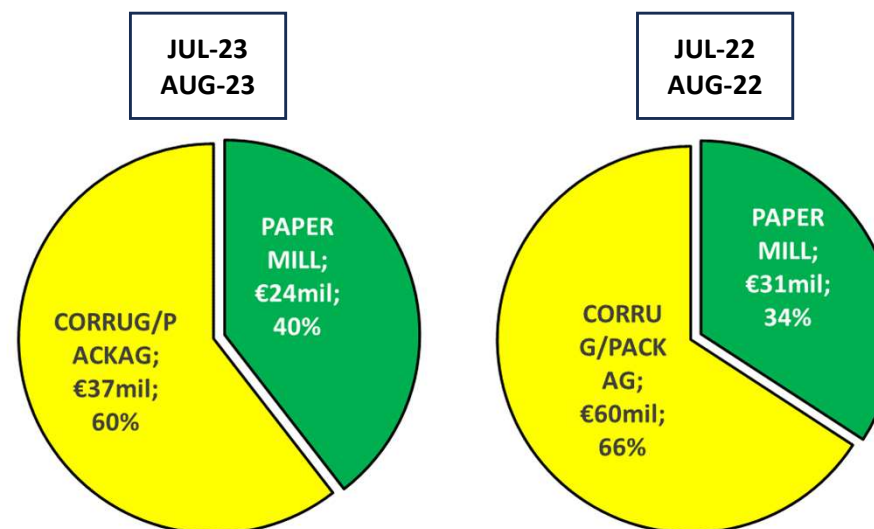
- In the Financial Debts graph the split of some lines could be slightly different from balance sheet representation; the data presented in this graphic are calculated, aggregated and qualified based on management assumptions and therefore might differ from the presentation in the financials statements of the Company"

CURRENT TRADING **JUL-AUG 2023**

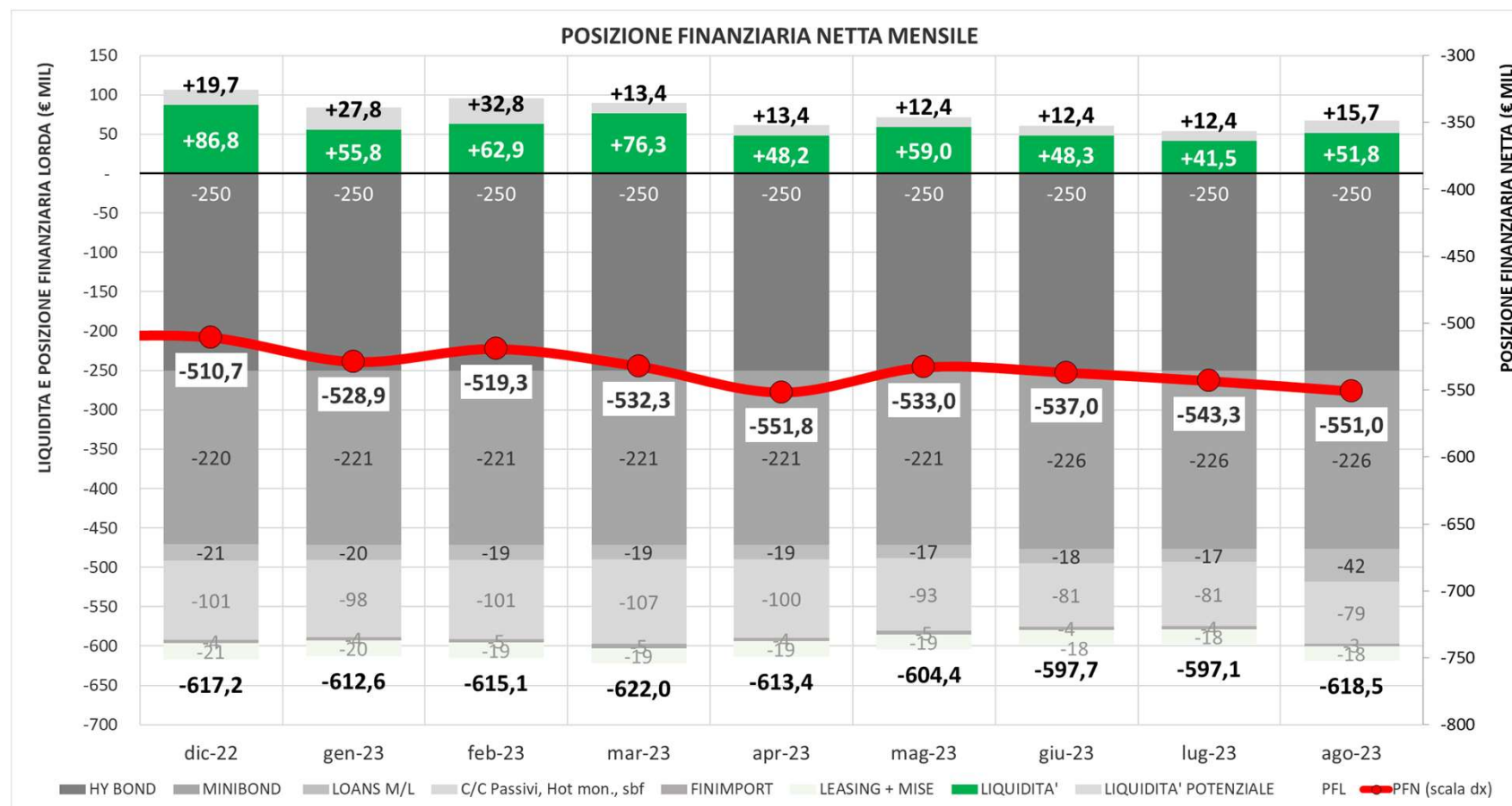
CURRENT TRADING – SALES JUL-AUG 2023 (2 months)

CONSOLIDATED DATA	value (€ mil, var %, var val)				quantity (k-ton o M-mq, var %, var val)				price (€/ton o €/kmq, var %, var val)			
YEAR TO DATE ANALYSIS AGO-2023 - CONSOLIDATED DATA	ago-23	ago-22	AC vs PY in %	AC vs PY in val (€mil)	ago-23	ago-22	AC vs PY in %	AC vs PY in Q.Tà (ton o mq)	ago-23	ago-22	AC vs PY in %	AC vs PY in val (€mil)
	AC consunt	AC storico			AC consunt	AC storico			AC consunt	AC storico		
PAPER MILL	23,9	30,9	-23%	-7,0	42,6	75,6	-44%	-33,0	561	409	+37%	152
CORRUG/PACKAG	36,6	59,5	-38%	-22,9	63,6	78,7	-19%	-15,2	576	756	-24%	-180
TOTAL (A1 CORE)	60,5	90,5	-33%	-29,9								

- **Total revenues** (the chart show sales of **A1 core products** only, excluded other sales, related to Jul-aug 2023 period, i.e. 2 months): total sales show slowdown due to the negative market consumptions affected by inflation rate and market conditions during July and August. In August 2022 started a slowdown of sales which then followed in the last part of 2022. During July-August 2023 period, the trend of sales vs 2022 has been much better than the trend of sales vs 2022 of the first six months of 2023
- In addition, we underline that during the entire period of 2023 **Italian market** was impacted by import of products, produced and sold at lower prices since based in countries which operate with better production conditions (energy costs in primis)



CURRENT TRADING – NFP AT 31.08.2023



- **Net Financial Position (1)** at the end of Aug 2023 is equal to about € 551m (compared to €511m at the end of December 2022)
- The **liquidity** is equal to €52m and it is lower than the past period due to the reduced utilization of short-term credit line
- **NFP** at 31.08.2023 has been affected:
 - (Positively) by the collection of “Q2-23 crediti di imposta” gas contribution (€5m) as well as the EBITDA of the period
 - (Negatively) by the impact of wc (€11m), capex (€12m) and interest expenses (€13mil)

Note (1): the data showed in this page are not expressed adopting IAS39 accounting standard (i.e. amortized cost) and consequently they are slightly different compared to the data reported in the annual financial statement and interim financial statements as well as in previous slides illustrating the quarterly trend of NFP

COMMENTS ON BP IMPLEMENTATION



- H1-2023 confirms **the softness of market scenario**, with a slowdown of consumptions, due to high inflation rate and financial market conditions (Central Banks interest rate) and destocking activity by customers. Based on the information currently available to us, we expect that the market conditions will stabilize/improve in the last quarter of the year
- The budget foresees the most **creation of value/EBITDA** in the second part of 2023 and we confirm at present this trend; infact EBITDA normalized of Q2-2023 has been much better than Q1-2023 (€ 36m vs € 26m). Good performance of July while August is in line with budget, but with limited activity due to maintenance planned period.
- **Projections for year end** shows good EBITDA margin (in %) with a turnover a bit lower than budget even in a recovering market
- In terms of value, **EBITDA (not normalized) for 2023** is expected close to the results of FY2022 (which was considered a good year)
- **Total liquidity** (cash + cash equivalent) around € 67m at the end of August will guarantee support for any business need
- No issues expected in the next months in payments / collections from banks, suppliers, employees or other creditors

COMMENTS ON BP IMPLEMENTATION



- We have recently received some questions from investors regarding our plans in respect of the **refinancing of our indebtedness**. As we have mentioned during our previous calls with bondholders, the company continues to **evaluate various options to refinance our existing indebtedness with its advisors and are closely monitoring relevant opportunities as they arise as well as market conditions**. At this stage, we do not currently have any specific update to provide to the market. We will continue to evaluate thoroughly all relevant options and we will communicate any updates to the market at the appropriate time
- Regarding the appeal against the **fine imposed by the Italian Competition Authority (“ICA”)**, the Council of State’s judgement has been published on March 22, 2023. The judgment partially upheld the appeal and as a result, in partial reform of the contested judgment, upheld the first instance appeal limited to the amount of the fine and delegated AGCM (i.e. the Italian Antitrust Authority) to redetermine it. We expect that the Progest Group will benefit from this recalculation for an amount that can not be quantified at the moment. As of today, Pro-Gest Group is still awaiting the new quantification of the fine and, as acknowledge by the ICA, starting from April 2023 the installment payments have been suspended until the definition of the procedure for the redetermination of the fine. It should be recalled that the Group has already paid approximately 70% of the amount of the fine in recent years, for a total of approximately € 31.8 million, of which € 4.6 million in this semester, plus the agreed interests. Furthermore, Pro-Gest has appealed the Council of State judgment for revocation (impugnazione per revocazione)



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