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PRO-GEST GROUP

Financial Highlights H1 2019

11th September, 2019

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Agenda

- H1 2019 overview
 - Key developments
 - Economic impact of Mantova Plant
 - Market update
 - Results update
 - Revenues Performance
 - Cost structure
 - Breakdown of capital expenditure
 - Cash flow
 - Debts repayment
- Management forecasts
- Recent updates

H1 2019 - Key developments

Highlights

- Total revenues are equal to €227.7m as at June 30, 2019.
- EBITDA adjusted amounts to €43.5m (not considering above €39.5m of provision related to the fine of €47.5m imposed by Italian Competition Authority).
- EBITDA adjusted % in H1 2019 is equal to 19.1%.

Key operational elements

- The market in H1 2019, in particular in last three months, is characterized by low receptivity related to the unfavorable economic conditions in Italy and abroad. It's reflected in a contraction in sales prices that lead to a reduction in consolidated revenues.
- The Group continues to focus on margins. This strategy has led to an increase in inventories of finished products (+€22.4m in H1 2019).

Financial Position

- Closed H1 2019 with Net Financial Indebtedness of €431.9m.

H1 2019 - Economic impact of Mantova Plant

EBITDA

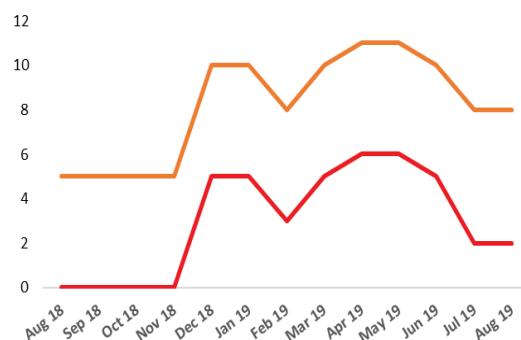
(€m)	H1 2019
Increase in finished goods	15,7
Raw materials	(19,1)
Services	(5,9)
Labour	(1,6)
EBITDA	(11,0)

- The impact of Mantova plant is substantial in the first half of 2019 with a negative EBITDA of €11.0m and explains much of the decline in margins.

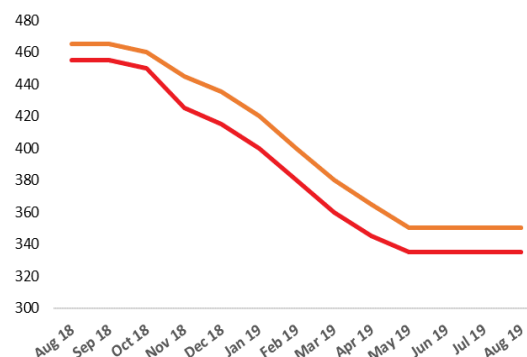
Market update

Wholesale prices – min/max

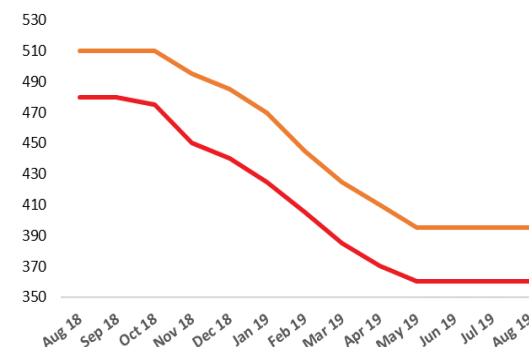
Waste paper (€/ton)



Medium carton for corrugators in rolls (€/ton)



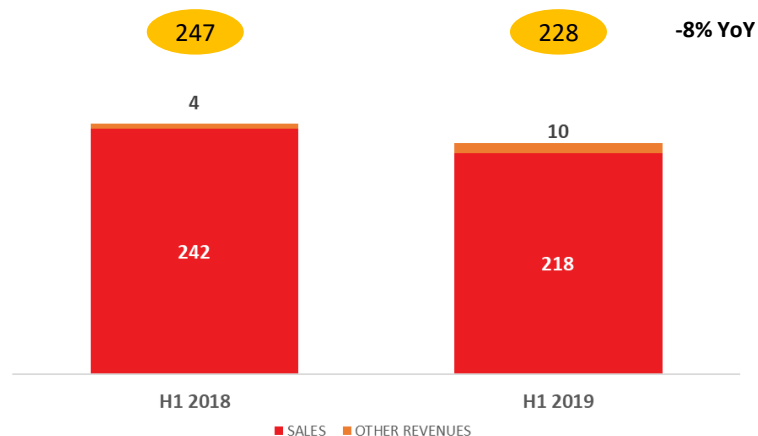
Testliner Avana (€/ton)



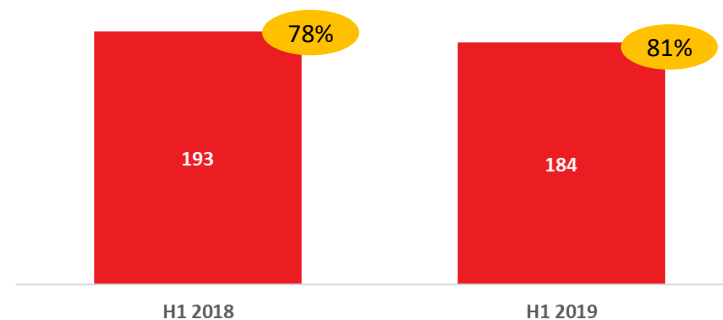
In last few months prices of main finished products are stable after months of continuing fall.

H1 2019 - Results update

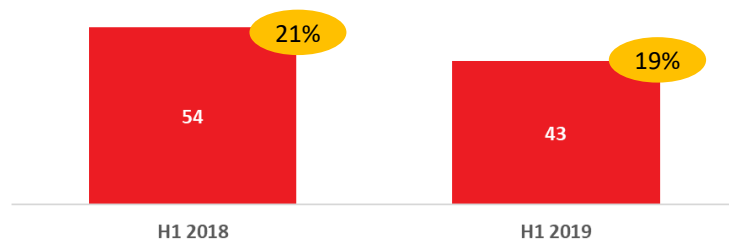
Total Revenues (€m) and Var % YoY



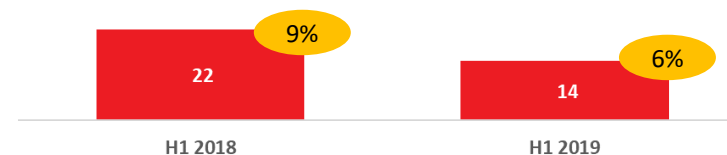
Operating expenses (€m, excluding D&A)* and % on Tot. Rev.



EBITDA Adj (€m) and EBITDA Adj %

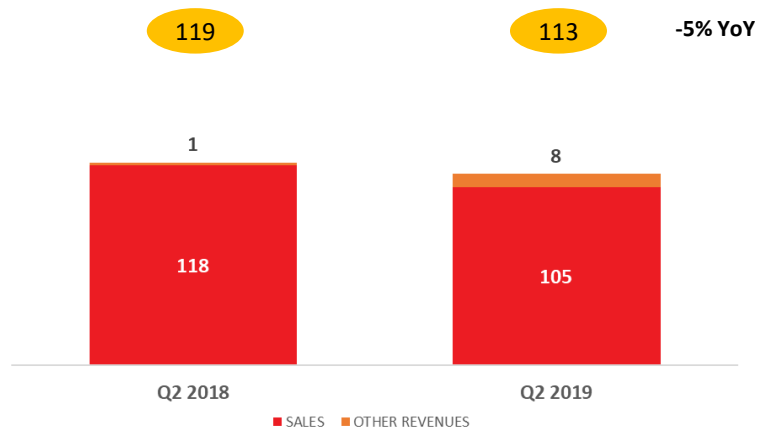


Net Income Adj (€m) and Net Income Adj%

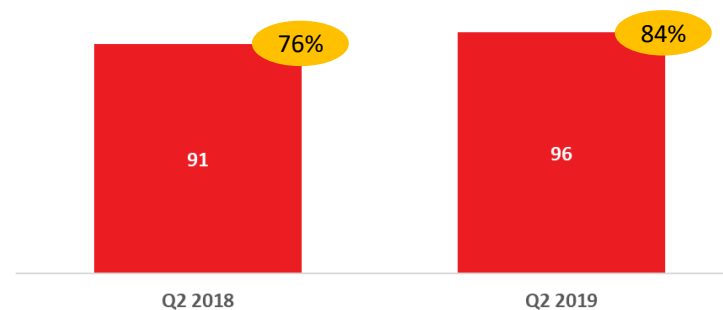


Q2 2019 - Results update

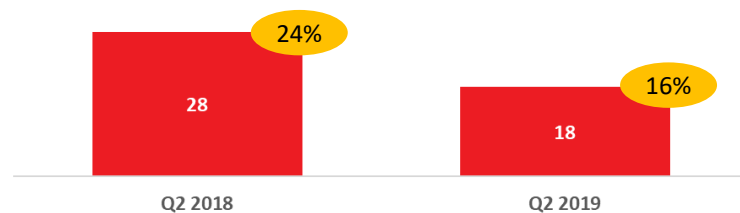
Total Revenues (€m) and Var % YoY



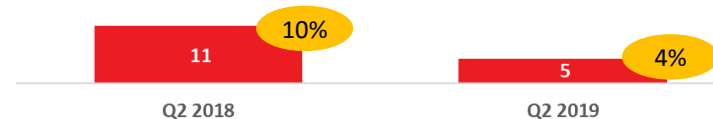
Operating expenses (€m, excluding D&A)* and % on Tot. Rev.



EBITDA Adj (€m) and EBITDA Adj %

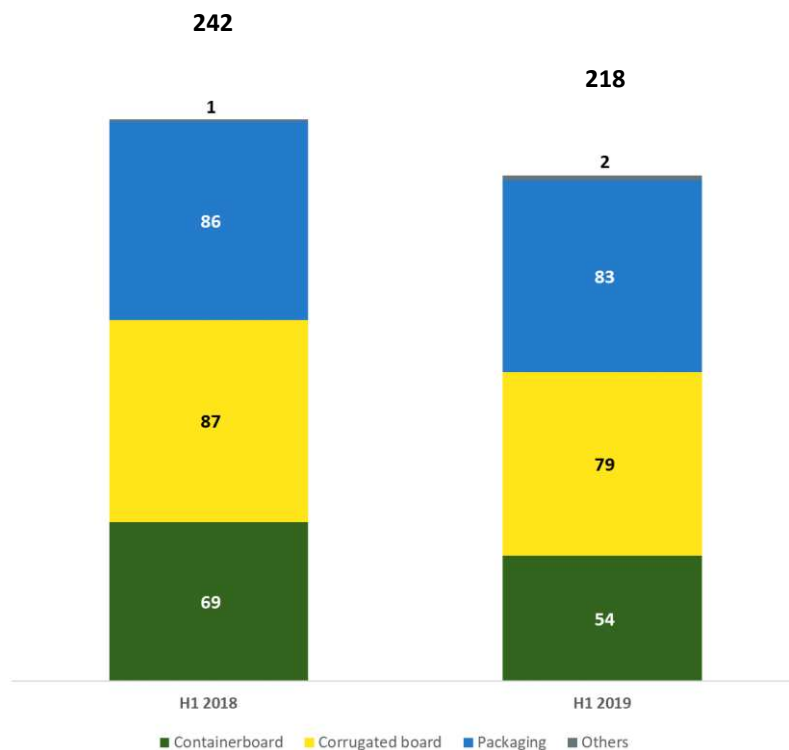


Net Income Adj (€m) and Net Income Adj%

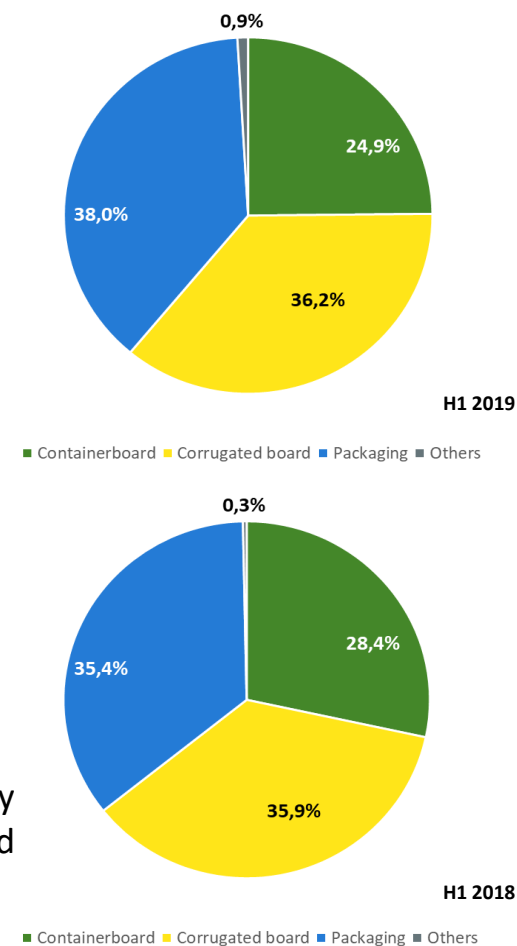


H1 2019 - Revenues Performance

Sales (€m)



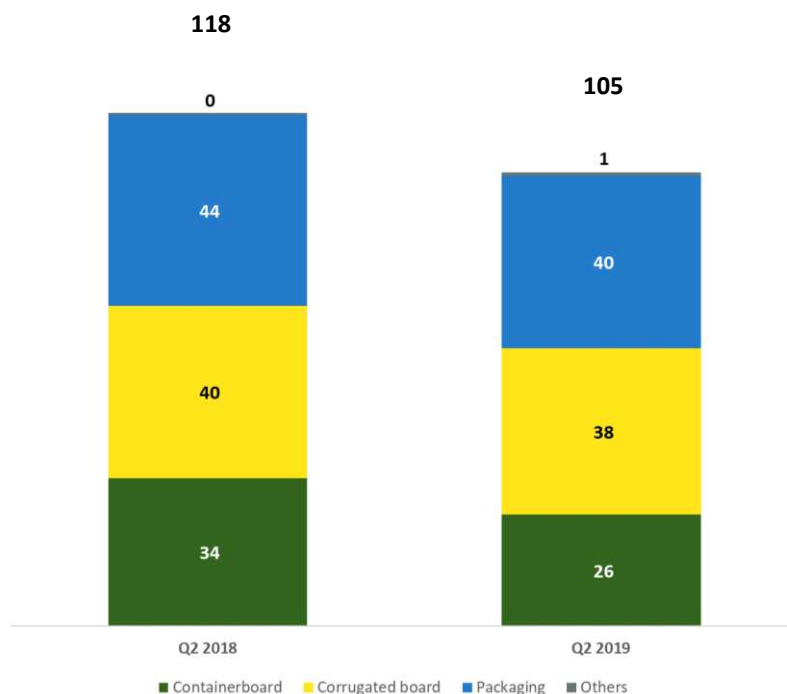
Sales % by division



- Sales decreased to €218m in H1 2019 compared to €242m in H1 2018, mainly due to adverse market trends on containerboard (-€15m) and corrugated board (-€8m).

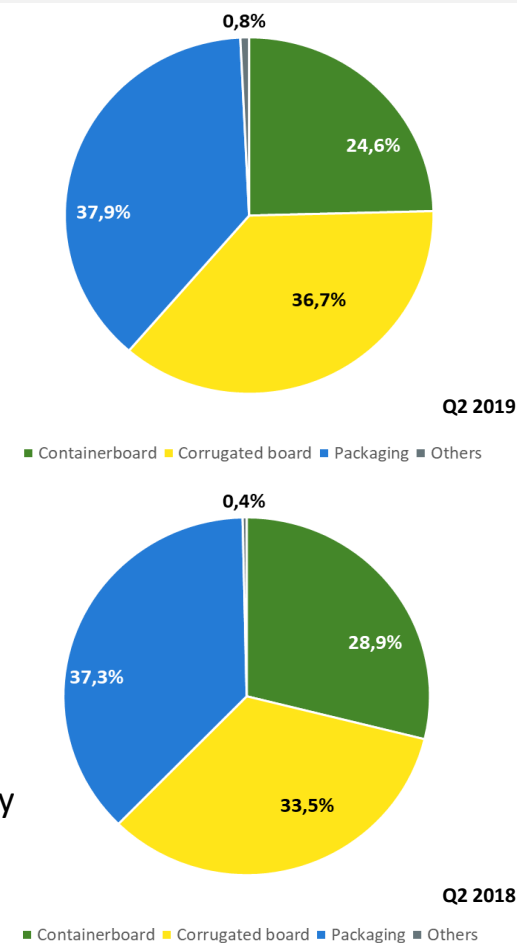
Q2 2019 - Revenues Performance

Sales (€m)



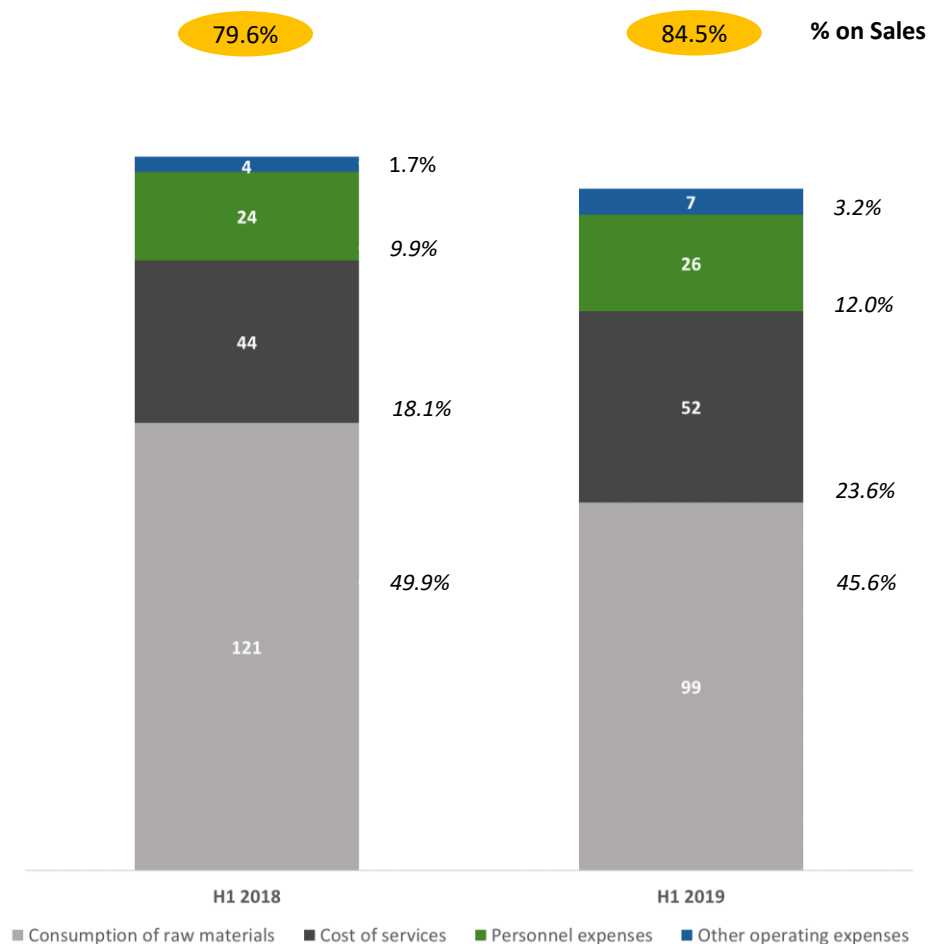
- Sales decreased to €105m in Q2 2019 compared to €118m in Q2 2018, mainly due to adverse market trends on containerboard (-€8m) and packaging (-€4m).

Sales % by division



H1 2019 - Cost structure

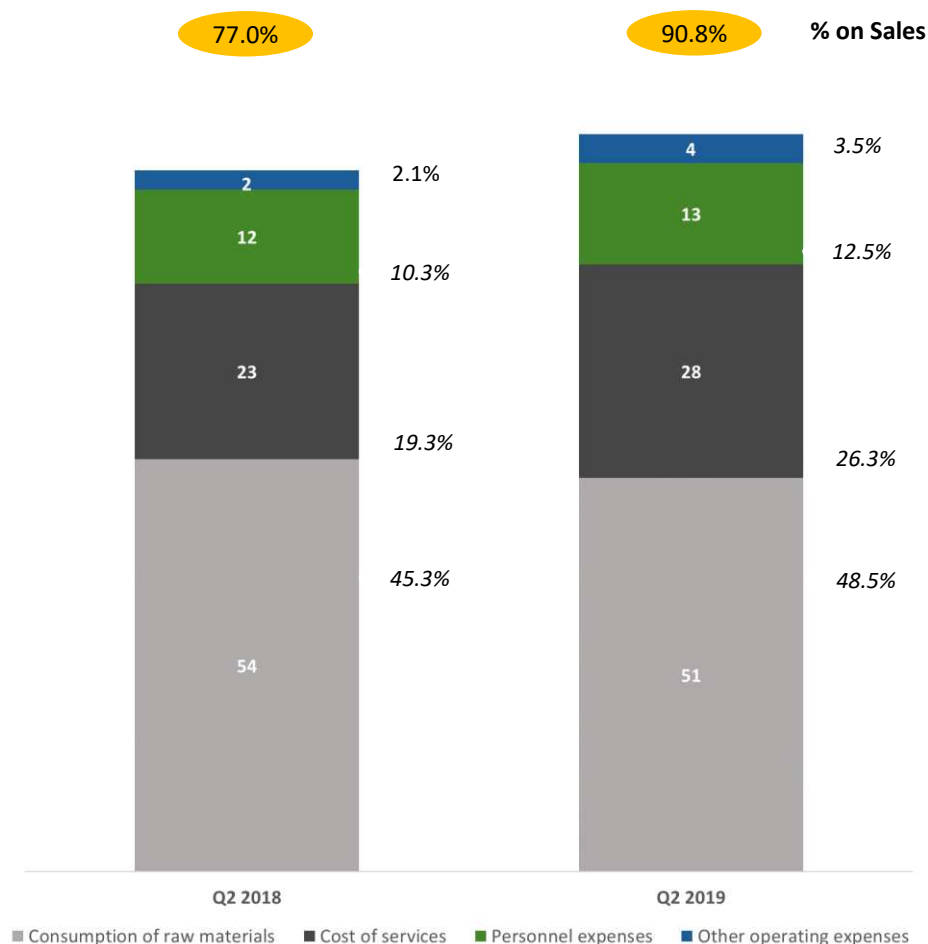
Operating expenses evolution (€m, excluding D&A)



- The operating expenses, as percentage on sales, increased by about 4.9% compared to H1 2018.
- Consumption of raw materials:
 - ✓ equal to 45.6% on sales, with a relevant decrease compared to H1 2018 (49.9%).
- Cost of services:
 - ✓ increased by €7.7m related mainly to €5.9m of ramp up costs of Mantova plant.
- Personnel costs:
 - ✓ increased by €2.0m of which €1.6m of labour cost in Mantova plant.
- Other operating expenses:
 - ✓ increased by €2.9m in H1 2019 of which €1.8m related to emission costs (not present in H1 2018).

Q2 2019 - Cost structure

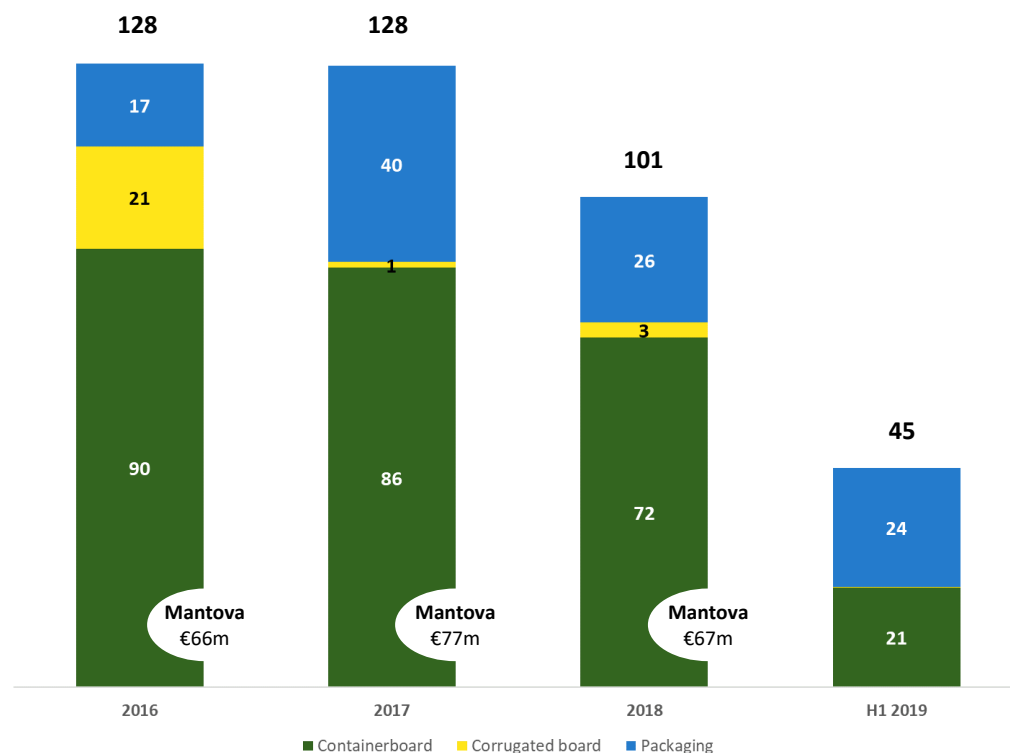
Operating expenses evolution (€m, excluding D&A)



- The operating expenses, as percentage on sales, increased by 13.8% compared to Q2 2018.
- Consumption of raw materials:
 - ✓ equal to 48.5% on sales, with a relevant increase compared to Q2 2018 (45.3%).
- Cost of services:
 - ✓ increased by €4.9m related mainly to €3.1m of ramp up costs of Mantova plant.
- Personnel costs:
 - ✓ increased by €1.0m of which €0.8m of labour cost in Mantova plant.
- Other operating expenses:
 - ✓ increased by €1.2m in Q2 2019 of which €0.9m related to emission costs (not present in Q2 2018).

Breakdown of capital expenditure

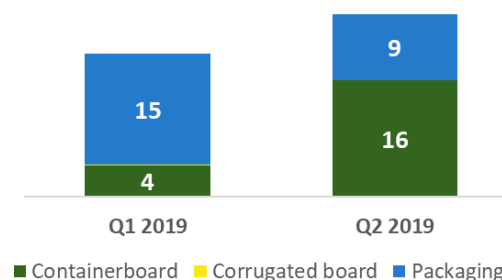
Expansion Capex (€m)



■ Investments in containerboard concern the purchase of Papergroup S.p.a. assets (€14m) and ancillary works in Mantova Paper mill (€2m).

■ The investments in the packaging sector (€9m) in Q2 2019 are related to:

- ✓ €3m Pro-Gest: construction of a new factory in Grezzago (near Milan) for Cartonstrong.
- ✓ €6m Trevikart: purchase of new machinery.



H1 2019 - Cash flow

EBITDA to cash flow bridge

(€m)	H1 2019
EBITDA Adj	43
Change in working capital	(86)
Other cash flow items	(1)
Operating cash flow	(43)
Capex	(49)
Cash flow after expansion Capex	(92)

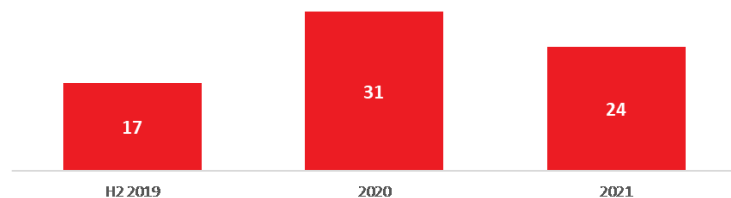
■ Change in working capital is influenced by:

- ✓ inventories increase (+€37m, of which €16m related to Mantova Plant)
- ✓ trade receivables increase (+€9m)
- ✓ trade payables decrease (-€28m) partially related to the payment of fixed asset suppliers for Mantova plant

Debts repayment

Reimbursement

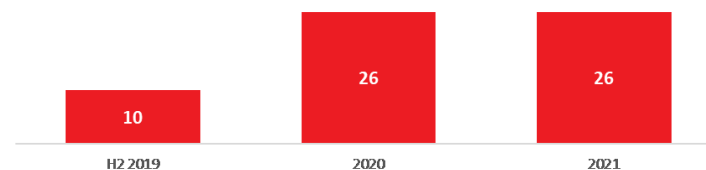
Long term loans (€m)



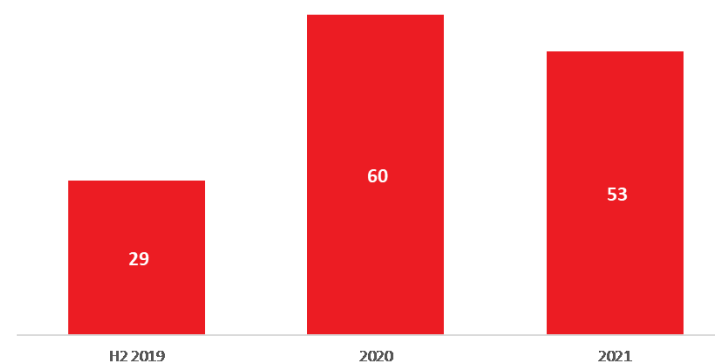
Financial lease (€m)



Bonds (€m)



TOTAL (€m)



Management forecasts

Sales

- The Group expects sales performance in H2 2019 aligned to the results of H1 2019. In addition Pro-Gest expects a positive impact in terms of sales and EBITDA in H2 2019 from the new facilities (ex Papergroup).

Raw Materials

- Price of raw materials is expected stable in next months.

EBITDA

- On this bases, the Group estimates, prudentially, the profitability of H2 in line with H1 2019.

Recent updates

Italian Competition Authority fine

- On August 6, 2019 the Italian Competition Authority notified the decision containing the amount of the fine, €47.5m.
- The Group doesn't agree part of the conclusions of the provision and intends to adopt every initiative to protect its own reasons, indeed has mandated a primary law firm to appeal.
- Pro-gest is also considering to request an installment payment.

Outlook of Mantova Plant

- On May 16, 2019, the Province of Mantova issued an order for immediate suspension of activities at the plant of Cartiere Villa Lagarina S.p.A.
- On September 13, 2019, there will be the Conference of Services called by the Province of Mantova concerning the release of the Environmental Impact Assessment.