PRO·GEST

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PRO-GEST GROUP

Financial Highlights Q1 2019

12th June, 2019

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Agenda

- Q1 2019 overview
  - Key developments
  - Results update
  - Revenues Performance
  - Cost structure
  - Breakdown of capital expenditure
  - Cash flow
  - Summary of Net Financial Indebtedness
  - Debts repayment
- Market update
- Management forecasts
- Recent updates

Q1 2019 - Key developments

Highlights

- Achieved total revenues of €114m (-10% compared to €127m in Q1 2018) and EBITDA of €26m (+2% compared to €25m in Q1 2018).

- EBITDA % is equal to 23% (compared to 20% in Q1 2018).

Key operational elements

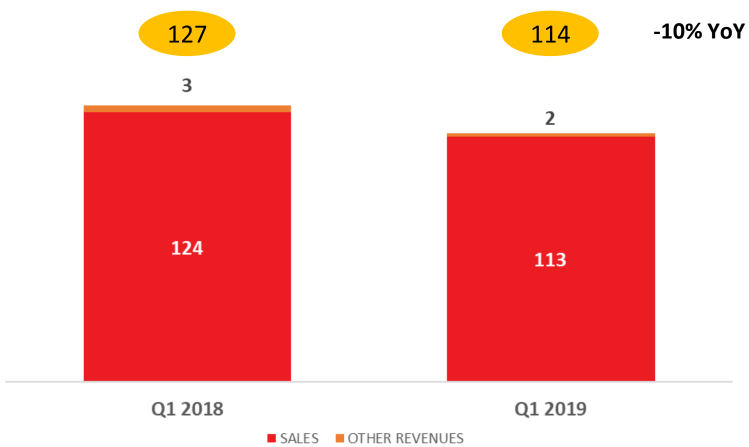
- As expected the economic context has changed with a decline in selling prices. However, the Group has preferred to implement a careful policy on margins, with a relative reduction in sales value for containerboard and corrugated.
- This strategy has led to an increase in inventories of finished products (+€19m compared to 2018 values).

Financial Position

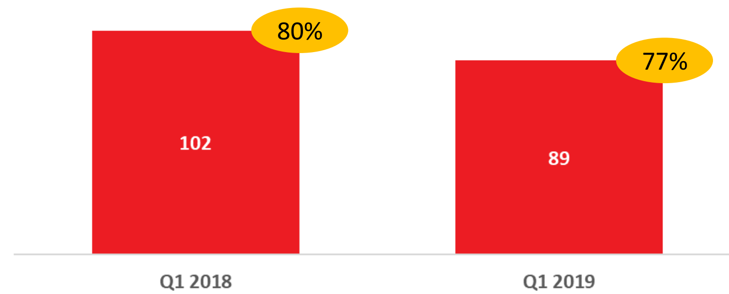
- Closed Q1 2019 with Net Financial Indebtedness of €380m.

Q1 2019 - Results update

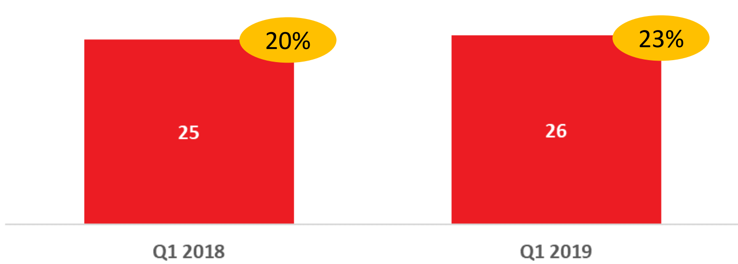
Total Revenues (€m) and Var % YoY



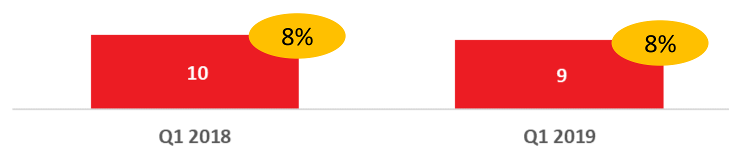
Operating expenses (€m, excluding D&A)* and % on Tot. Rev.



EBITDA (€m) and EBITDA%



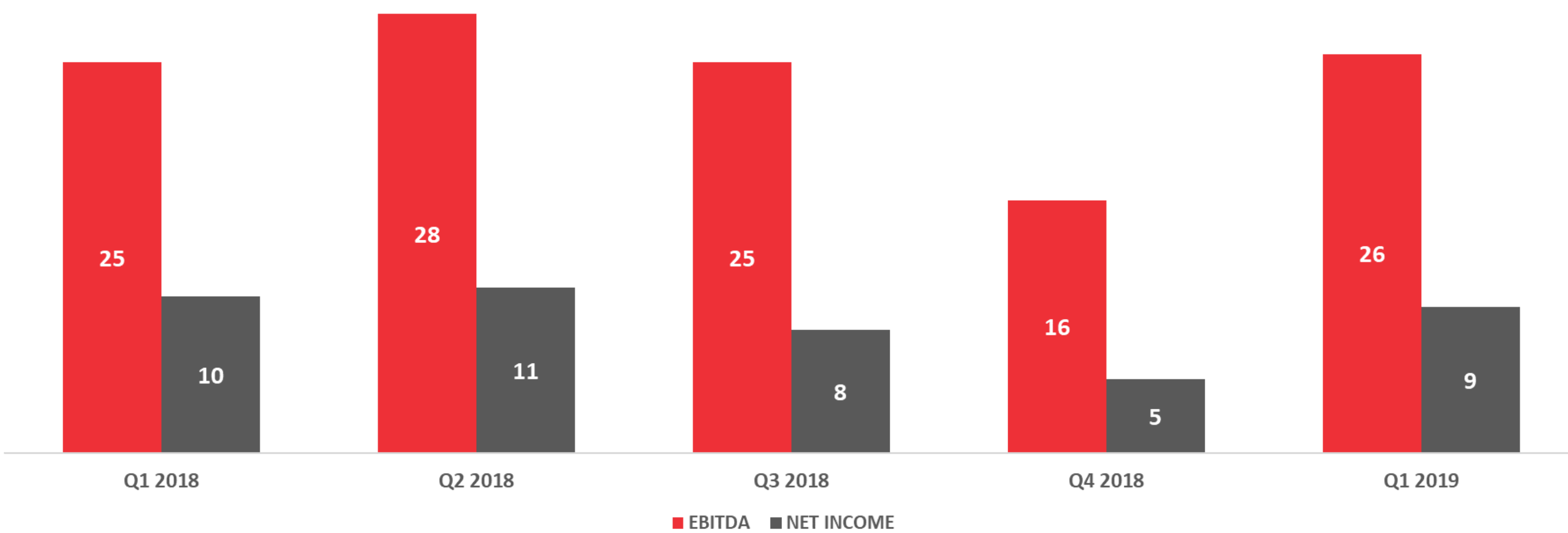
Net Income (€m) and Net Income %



Q1 2019 - Results update

Results by quarter Q1 2018 – Q1 2019

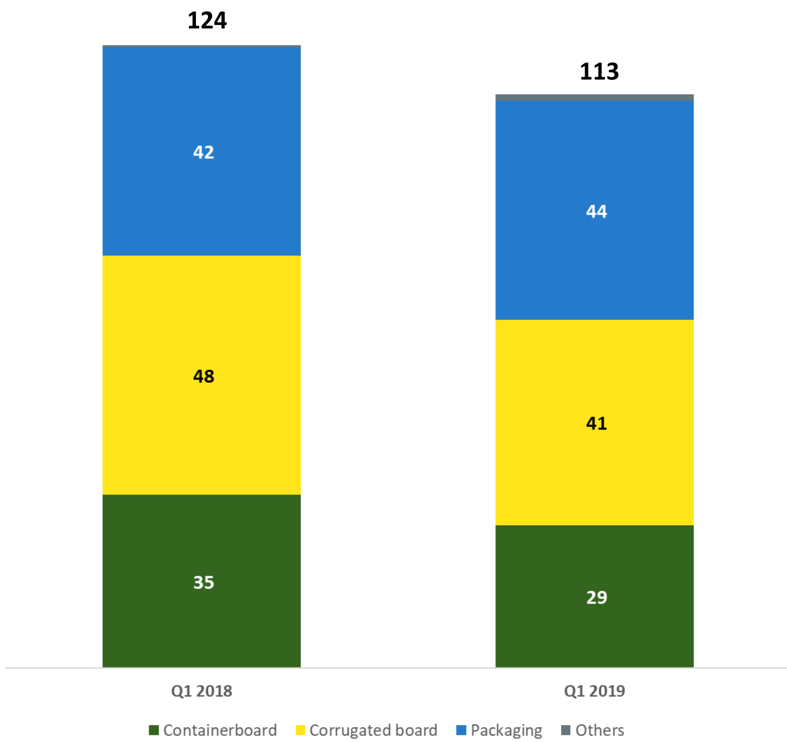
EBITDA and NET INCOME (€m)



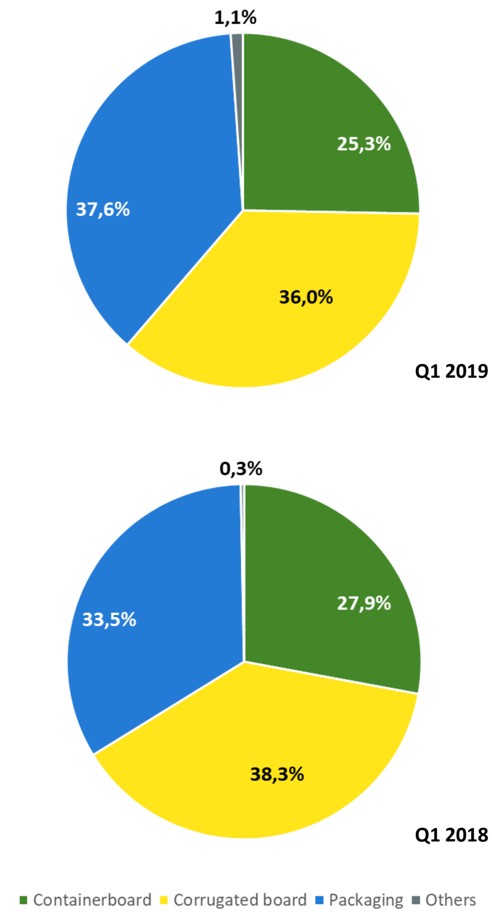
- Values of Q4 2018 reflect the impact of €6m of Mantova ramp up costs and €4m related to emission costs.

Q1 2019 - Revenues Performance

Sales (€m)



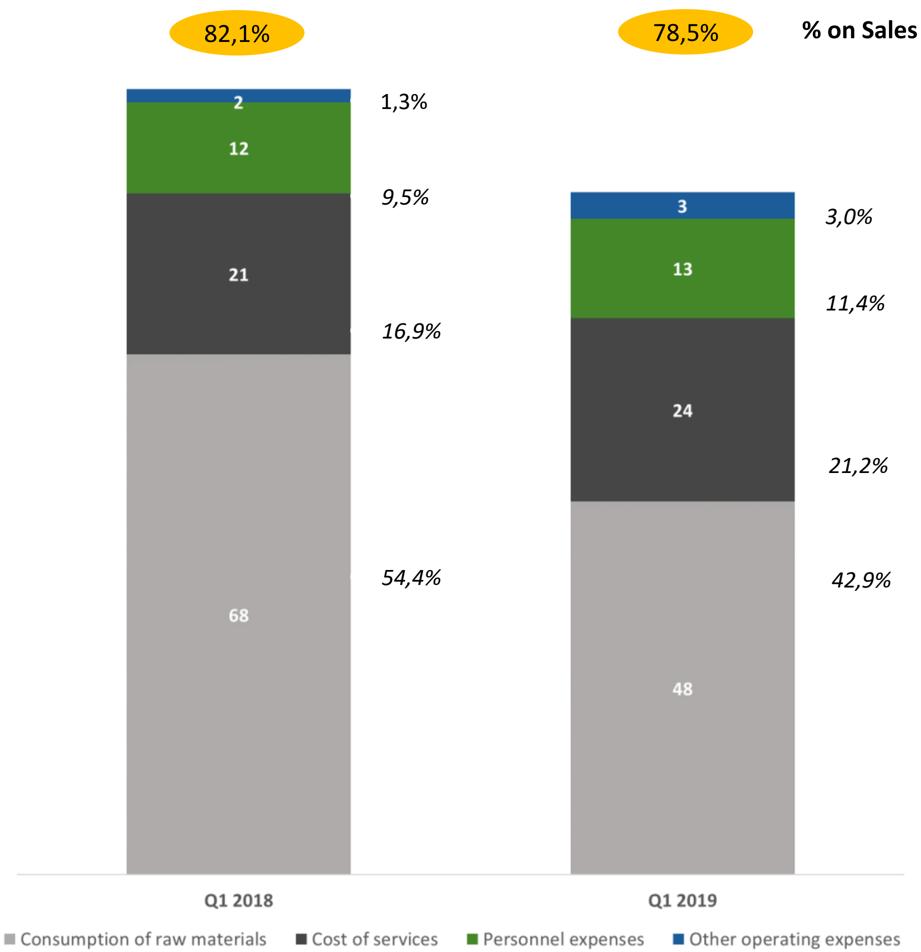
Sales % by division



- Sales decreased to €113m in Q1 2019 compared to €124m in Q1 2018, due to policy on margins, mainly driven by:
  - ✓ Adverse market trends on containerboard (-€6m) and corrugated board (-€7m)
  - ✓ Increase in packaging sales (+€2m)

Q1 2019 - Cost structure

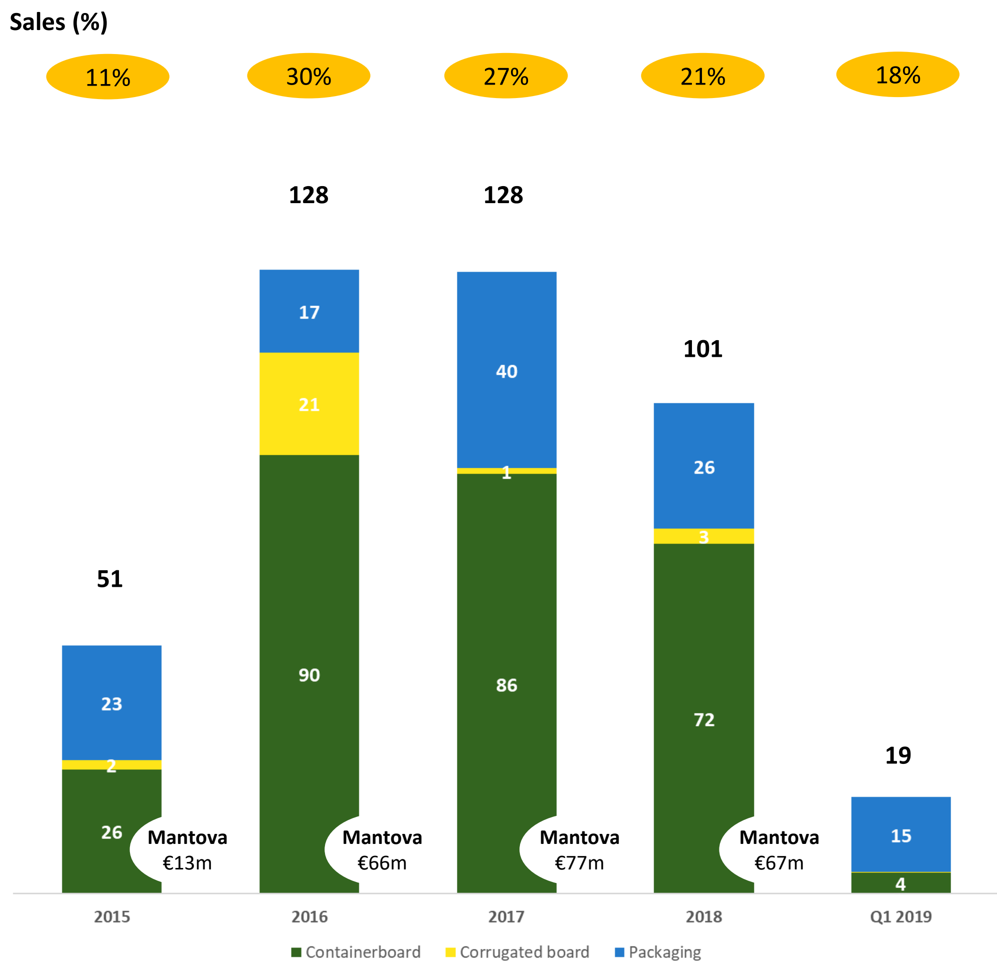
Operating expenses evolution (€m, excluding D&A)



- The operating expenses, as percentage on sales, decreased by about 3,5% compared to Q1 2018.
- Consumption of raw materials:
  - ✓ equal to 43,0% on sales, with a substantial decrease compared to Q1 2018.
- Cost of services:
  - ✓ increased by €3m related mainly to €3m of ramp up costs of Mantova plant.
- Personnel costs:
  - ✓ increased by €1m due to about €1m of labour cost in Mantova plant.
- Other operating expenses:
  - ✓ equal to €3.4m in Q1 2018, of which €0.9m related to emission costs (not present in Q1 2018).

Q1 2019 - Breakdown of capital expenditure

Expansion Capex (€m)



- The investments in the packaging sector (€15m) are related to:
  - ✓ €6m Pro-Gest: extension of an industrial building (12,000 square) and offices in Group's headquarter and construction of a new factory in Grezzago (near Milan) for Cartonstrong.
  - ✓ €9m Trevikart: advances for packaging machinery relating to Istrana (€6m) and Modugno plants (€3m).
- Investments in containerboard concern ancillary works in Mantova Paper mill.

Q1 2019 - Cash flow

EBITDA to cash flow bridge

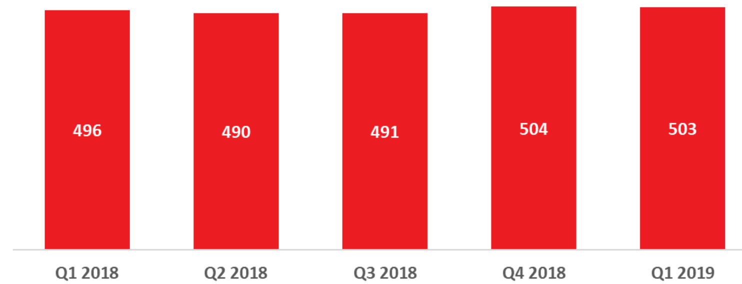
(€m)	Q1 2019
EBITDA	**25,9**
Change in working capital	(47,0)
Other cash flow items	(3,5)
Operating cash flow	**(24,6)**
Capex	(19,0)
Cash flow after expansion capex	**(43,6)**

- Change in working capital is influenced by the decrease in trade payables (-€22m), related to the payment of fixed asset suppliers for Mantova plant.

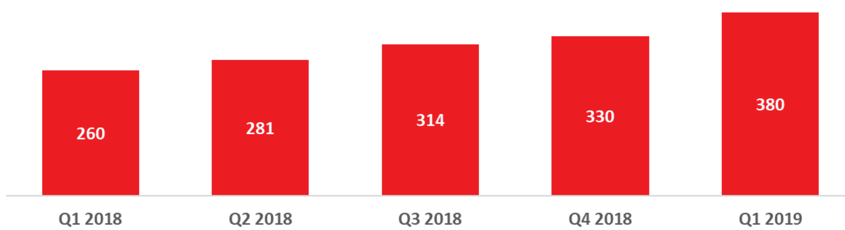
Q1 2019 - Summary of Net Financial Indebtedness

Cash (€m)*

Financial Debts (€m)



Net Financial Indebtedness (€m)*

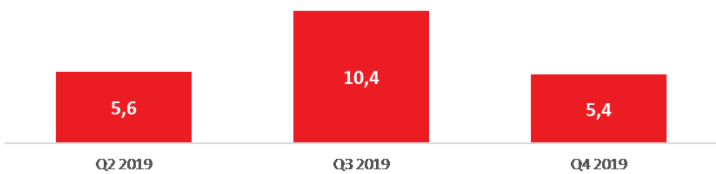


* Not included securities (€14m) regarding related parties and bank bonds (€2m)

Debts repayment

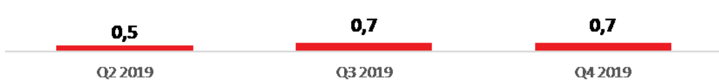
Reimbursement for quarter

Long term loans (€m)

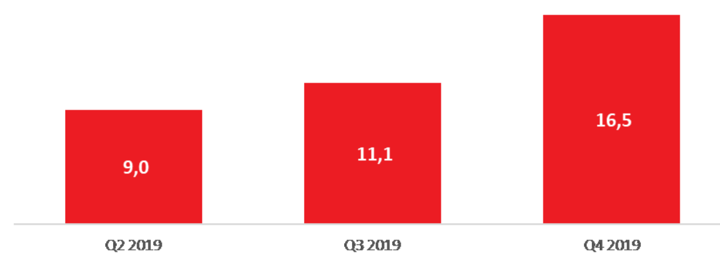


Bonds (€m)

Financial lease (€m)



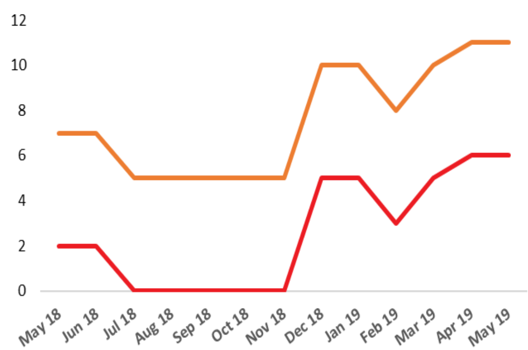
TOTAL (€m)



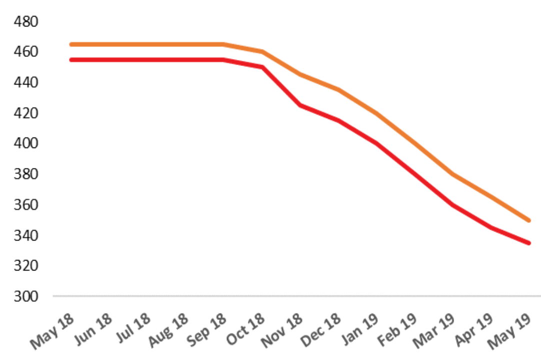
Market update

Wholesale prices – min/max

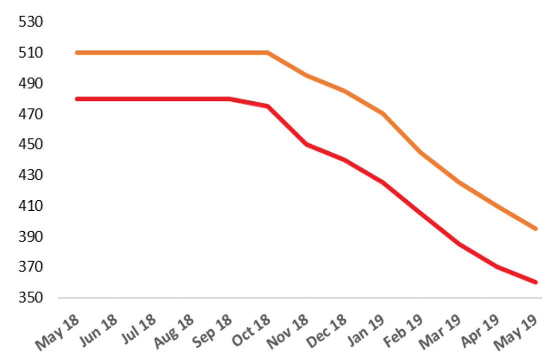
Waste paper (€/ton)



Medium carton for corrugators in rolls (€/ton)



Testliner Avana (€/ton)



The wholesale prices of the raw material (waste paper) show a large increase during last six months, while the prices of the main finished products decrease.

Source: Chamber of Commerce of Milan

Management forecasts

Strategy

- Three main strategic lines pursued by the group are:
  - ✓ **Start-up of Mantova Plant**, the Group is working to solve bureaucratic problems as soon as possible;
  - ✓ **Stability of profitability**;
  - ✓ **Attention to market opportunity** (i.e. Papergroup's assets purchase).

Sales

- The April turnover exceeded positively projecting sales expectations in Q2 2019.
- The Group expects a rise in market demand in the second half of the year.

Raw Materials

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

EBITDA

- On this bases, the Group estimates the profitability of Q2 in line with Q1 2019, with a possible increase in the second half of the year. However, the Group continues to pursue a careful policy on margins.

Recent updates

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.

- The Group is working to resolve this issue as soon as possible.

Purchase of Papergroup S.p.a. assets

- In May, the Group, with the subsidiary Tolentino S.r.l., has acquired (at a bankruptcy procedure) the assets of the company named **Papergroup** S.p.A. for the production of **tissue paper** deriving from virgin fibers. The price of the acquisition is € 14,4 million, already paid, which includes the buildings and all the machineries.

- The investment in Papergroup assets is strategic as is aimed to enhance the Group's presence in the tissue market, which is countercyclical as opposed to cardboard market which is affected by economic trends.

- Previously the Group owned two paper machines for tissue production, with an annual production of 40-50 ktons. With the acquisition of Papergroup assets, which includes two additional paper machines, the Group expects to reach an annual production of 100 ktons of tissue.

- Regarding the revenues of the acquired plants the Group estimates a value of production of €4m per month for the first year, but the future prospective is to reach a value up to €5m per month (€60m annually) with an EBITDA of around 15/20%.