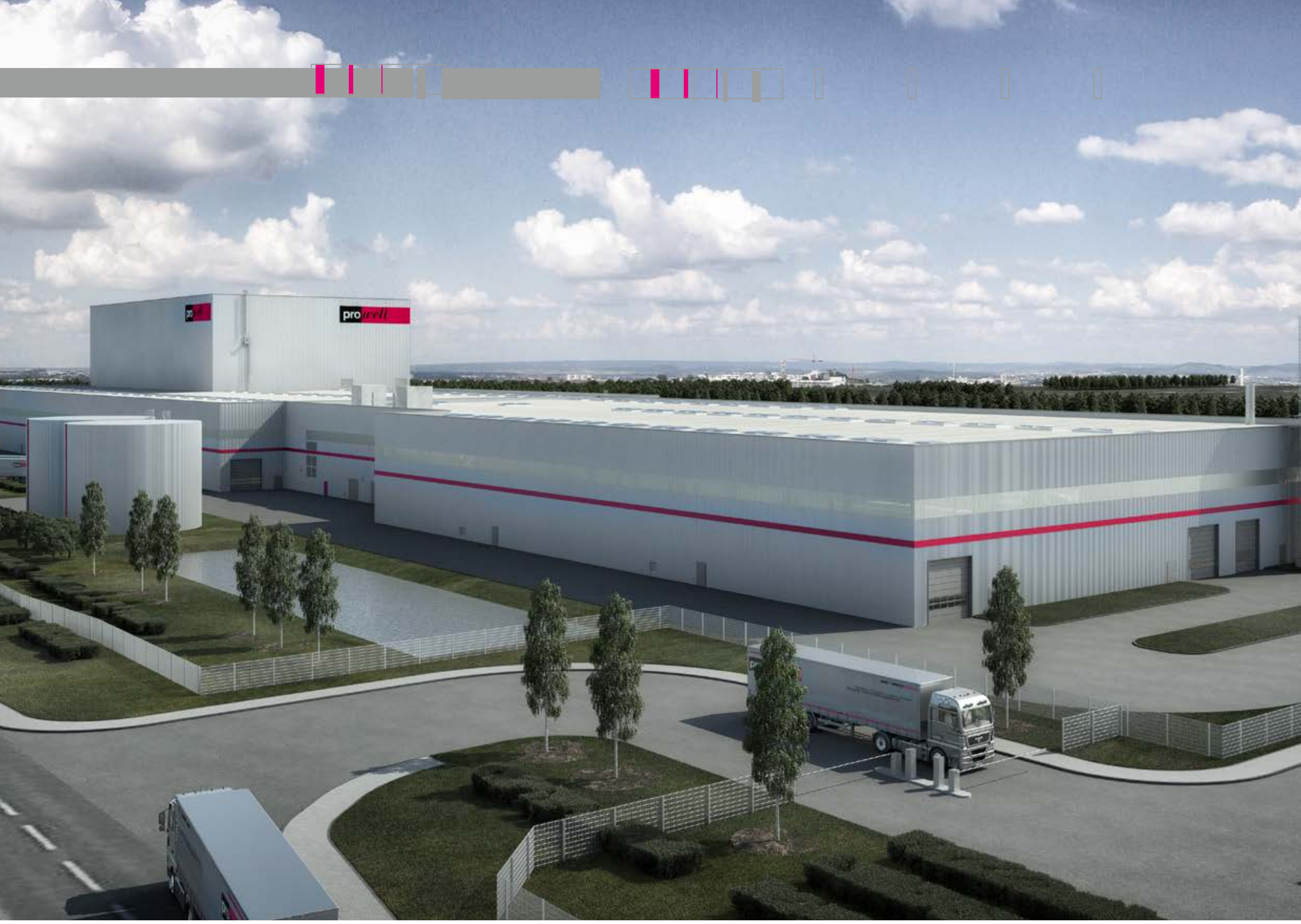


Progroup
Interim Financial Report
30 June / Second Quarter 2018

progroup
The Power of Innovation

Key Figures

Key operating figures (in € thousands)	April – June 2018	 2017	January – June 2018	 2017
Sales	246,431	190,956	490,218	384,473
Reported EBITDA (1)	70,863	41,822	140,643	82,137
Reported EBITDA margin (in % of net sales)	28.8%	21.9%	28.7%	21.4%
EBIT (2)	57,990	28,878	115,478	57,350
Consolidated net income for the period	29,480	16,149	61,761	30,933
Cash flows from operating activities	55,165	42,820	86,385	52,028
Cash flows from investing activities	-30,245	-7,930	-48,959	-19,616
Free cash flow (3)	24,920	34,890	37,426	32,412

Key balance sheet figures (in € thousands)	30/06/2018	31/12/2017
Total assets	1,035,125	946,356
Equity	250,049	277,314
Cash in hand, bank balances	125,577	117,946
Financial liabilities (bonds, bank loans, finance leases and accrued interest)	643,741	540,465

Key financial figures (in € thousands)	30/06/2018	31/12/2017
Net leverage (4)	2.2	2.3
LTM EBITDA	238,860	180,354
Net financial debt (5)	518,164	422,519

(1) Reported EBITDA (not a German GAAP measure) is calculated as sales, plus increase/decrease in finished goods and work in process, plus other own work capitalised, plus other operating income (excluding any extraordinary income), minus costs of materials, minus personnel expenses, minus other operating expenses (excluding any extraordinary expenses), minus other taxes.
(2) EBIT (not a German GAAP measure) is calculated as reported EBITDA minus amortisation and depreciation of fixed intangible and tangible assets.
(3) Free cash flow (not a German GAAP measure) is calculated as cash flows from operating activities plus cash flows from investing activities.
(4) Net leverage (not a German GAAP measure) is calculated by dividing net financial debt as at 30 June 2018 and 31 December 2017, respectively, by EBITDA for the last twelve months (LTM) ended on the relevant date.
(5) Net financial debt (not a German GAAP measure) is calculated as financial liabilities (bonds, bank loans, finance leases and accrued interest) minus cash in hand, bank balances.

Highlights

- The first half of 2018 marked yet another historic performance of Progroup, driven by a continued strong volume growth in the corrugated board business and a strong overall operating performance.
- Sales grew by 27.5% to €490.2 mn in the first six months of 2018, after €384.5 mn in 2017. The steep increase was based on continuously improved sales prices for both containerboard and corrugated board, added sales volume from the new production sites PW10 in Trzcinica, Poland, and PW11 in Drizzona, Italy, as well as a strong overall performance.
- Corrugated board sales volume increased by 17.4% in the first half of 2018, while the total sales volume of containerboard remained on a widely stable high level. As the level of integration between both businesses reached a new peak above 90%, internal sales of containerboard grew by 6.5%, while external sales diminished by 22.5%.
- Throughout the second quarter of 2018, the favourable price developments seen in the first quarter continued. Prices for recycled paper decreased further, while both corrugated board and containerboard prices continued on their upward trajectory. Currently, no material changes in the price developments are anticipated in the short-term.
- Caused by increased sales figures, EBITDA saw a steep growth of 71.2% to €140.6 mn in the first half of 2018, after €82.1 mn in the same prior-year period. Resulting from the strong EBITDA performance, EBITDA margin improved to a new all-time high of 28.7%. The three-year average margin further improved to 23.5%.

- Free cash flow increased to €37.4 mn in the first six months of 2018, after €32.4 mn in 2017. The increase resulted from a strong improvement of the operating cash flow.

- In order to optimise the financial structure of the entire group, Progroup AG successfully launched new €450 mn fixed rate notes in March with a coupon of 3% and a maturity of eight years. The proceeds were used to finance the redemption of the existing €345 mn fixed rate notes and to distribute a dividend of €86.5 mn to our shareholders to enable a full redemption of the remaining PIK toggle notes on the level of JH-Holding, which became debt free as a result of this transaction.

- Consequently, the successful placement of €450 mn in fixed rate notes and the dividend payment to our shareholders led to an increase in net financial debt from €422.5 mn on 31 December 2017 to €518.2 mn on 30 June 2018. However, driven by a substantially improved LTM EBITDA, net leverage diminished by 0.1 points to 2.2 at 30 June 2018. Net leverage remains well below the target corridor of 2.5 to 3.0.

- The new production site PW11 in Italy was successfully completed and test production started in March 2018. Since the second quarter the Drizzona plant is in the ramp-up and optimisation phase. Construction on PW12 in the UK commences according to our expectations, launch of test production is scheduled for the fourth quarter of 2018. Further, Progroup started with the planning phase for the construction of the next corrugated board production site, which will be located in Germany. The new site is expected to start test production at the end of 2019 or the beginning of 2020. Lastly, the construction of the additional paper machine PM3 in Germany remains on track. PM3 is scheduled to be launched in the second half of 2020.


Bank of Thailand

Content

Letter to Investors

Dear investors and business partners,

we are pleased to share with you our interim report for the first half of 2018. In March 2018, we successfully started production at our newest site PW11 in Italy. Production is currently in the ramp-up stage and a third shift was applied in the mid of June. Further, we successfully launched new €450 mn fixed rate notes carrying a coupon of 3%. The proceeds were used to optimise the financial structure of our entire group, including JH-Holding.

The first six months of 2018 saw continued favourable market conditions. Price levels for both of our products corrugated board and containerboard continued on their upward growth path, while prices for recycled paper were further reduced. In the short-term, we do not anticipate material changes to the current market conditions.

In the first half of 2018, sales volume increased substantially, driven by the additional production volume of our new production sites PW10 and PW11 as well as a strong overall performance of all of our facilities. Corrugated board sales volume grew by 17.4% compared to the first six months of 2017, while total sales volume of containerboard remained on a widely stable high level. In the second quarter of 2018, integration between our businesses, including swap agreements with other containerboard manufacturers, remained above 90%.

Driven by the increase in production capactiy and our strong sales performance, sales increased by 27.5% to €490.2 mn in the first six months of 2018, after €384.5 mn in the first half of 2017. Our EBITDA continued on its growth path and increased by 71.2% to €140.6 mn in the first half of 2018. Correspondingly, our last twelve months (LTM) EBITDA reached a new all-time high of €238.9 mn as at the end of June 2018, compared to €180.4 mn as at the end of December 2017. Going forward into the second half of 2018, the planned maintenance shutdowns of our combined heat and power (CHP) plant and the PM2 paper machine will constrain our performance.

In the first half of 2018, EBITDA margin reached a new all-time high of 28.7%, even surpassing the most recent record-high (28.6%) of the first quarter of 2018. The three-year average margin also further improved by 0.7 percentage points to 23.5%.

In the first six months of 2018, our consolidated net income continued to grow with a steep increase of 99.7% to €61.8 mn compared to €30.9 mn in the previous year's first half. The substantial growth resulted from our strong EBITDA, driven by our outstanding operational performance.

Our free cash flow developed positively and reached €37.4 mn in the first half of 2018, after €32.4 mn in 2017. This development was based on strong growth in operating cash flows, surpassing our increased cash outflows from investing activities.

With the successful issuance of €450 mn fixed rate notes with a coupon of 3% in March 2018, net financial debt increased to €518.2 mn as at the end of the first half 2018, compared to €422.5 mn as at 31 December 2017. Due to our strongly improved LTM EBITDA, our leverage still decreased by 0.1 points to 2.2 compared to the end of December 2017. We used the proceeds of the new fixed rate notes to repay our existing €345 mn fixed rate notes and distributed a special cash dividend of €86.5 mn to our share-holders to enable JH-Holding to redeem the remaining PIK toggle notes. As a consequence, JH-Holding became debt free.

Our strong performance in the first half of 2018 underlines the success of our strategy, offering best-in-class products and services in the direct vicinity to our clients. Following our well-established greenfield strategy, we continue to further expand our production capacities. In line with our strategy, construction works at our new production facility PW12 in the UK are commencing according to plan. We expect to launch test production in the fourth quarter of 2018. Additionally, we started the planning phase for the first of our four announced corrugated board production site projects. The new site will be located in Germany and the start of test production is expected for the end of 2019 or the beginning of 2020. Lastly, our project to realise a new additional paper machine (PM3) in Germany is commencing according to plan. Upon completion of the construction works, we expect PM3 to start trial production in the second half of 2020.

Yours sincerely,

Jürgen Heindl
Chief Executive Officer

Dr. Volker Metz
Chief Financial Officer

Maximilian Heindl
Deputy Member
of the Executive Board

Philipp Kosloh
Deputy Member
of the Executive Board

Disclaimer

Financial Information

The unaudited consolidated financial information of Progroup AG ("Progroup") as at and for the period ended 30 June 2018 included in this report, has been prepared in accordance with generally accepted accounting principles *(Grundsätze ordnungsgemässer Buchführung)* in the Ferderal Republic of Germany as in effect from time to time ("German GAAP"), which differ in certain respects from International Financial Reporting Standards as adopted by the European Union. Certain numerical figures included in this report have been rounded. Discrepancies or apparent inconsistencies between different amounts included in this report may occur due to such rounding.

Forward-Looking Statements

This report may contain forward-looking statements. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this report, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this report. Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as at the date on which the statements were made (and in any case no later than the date of this report). We undertake no obligation, and do not intend, to update or revise any forward-looking statements, whether as a result of new information, future events or developments or otherwise.

Industry and Market Data

This report may contain information, data and predictions about our markets and our competitive position. We operate in an industry for which it is difficult to obtain precise industry and market information. Any market data and/or economic and industry data and forecasts used, and statements regarding our position in the industry made in this report are based upon market research, government and other publicly available information, reports prepared by independent industry consultants and independent industry publications. Any such information in this report that has been sourced from third parties has been accurately reproduced and, as far as we are aware and able to ascertain from the information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. While we believe the statements included in such third party publications to be reliable, they have not been independently verified, and we do not make any representation or warranties as to the accuracy or completeness of such information set forth in this report. In addition, certain market share information and other statements in this report regarding our industry and our position relative to competitors reflect our management's best estimates, based on our experience and knowledge of our industry. We cannot assure you that these statements and information are accurate or that they correctly reflect the state and development of our position in the industry.

Non-GAAP Financial Measures

In this report, we present certain non-GAAP measures and ratios, including EBITDA, EBITDA margin, EBIT, free cash flow, net financial debt, net leverage and certain other financial data that are not required by, or presented in accordance with, German GAAP. Our management believes that the presentation of these non-GAAP measures is helpful for investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and financial position. However, you should not construe these non-GAAP measures as an alternative to net income determined in accordance with German GAAP or to cash flows from operating activities, investing activities or financing activities. In addition, the non-GAAP measures and ratios, including EBITDA, EBITDA margin, EBIT, free cash flow, net financial debt and net leverage presented by us may not be comparable to similarly titled measures used by other companies.

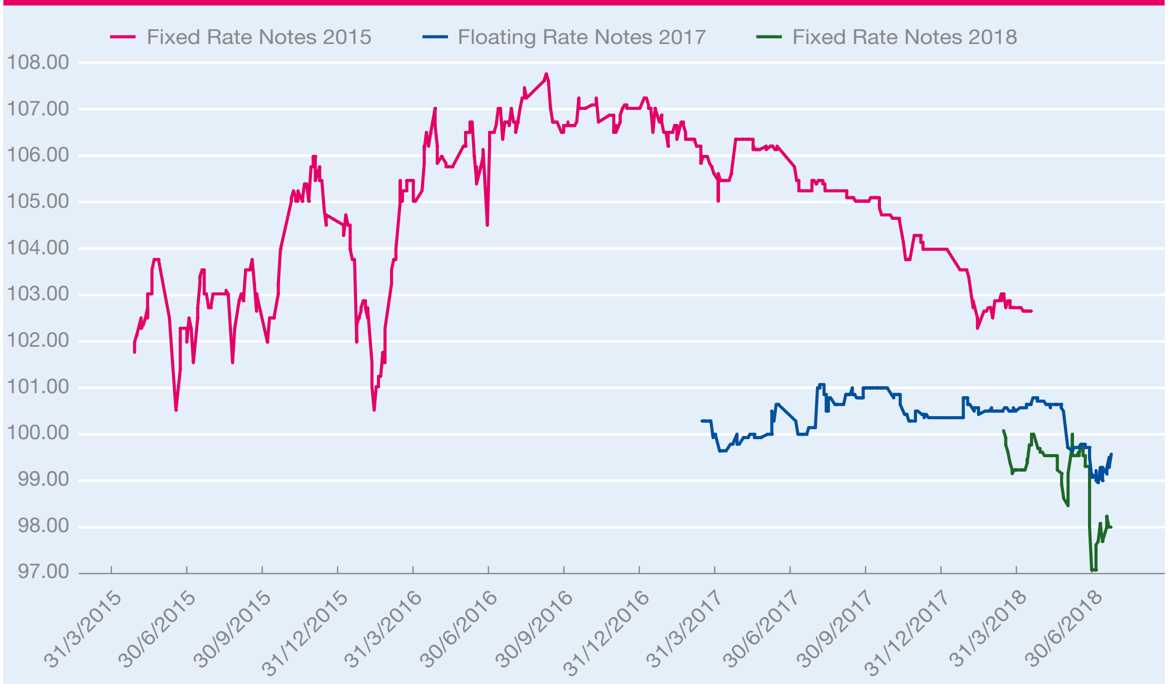
Capital Market Activities

An overview of the features of our senior secured fixed rate notes and our senior secured floating rate notes and their market performance as at 30 June 2018 is presented below.

Capital market activities Progroup AG			
ISIN	DE000A161GD1 (144A)/ DE000A161GC3 (Reg S)	DE000A2E4YZ7 (144A) / DE000A2E4YY0 (Reg S)	DE000A2G8WB1 (144A) / DE000A2G8WA3 (Reg S)
Issue	Senior Secured Fixed Rate Notes	Senior Secured Floating Rate Notes	Senior Secured Fixed Rate Notes
Issuer	Progroup AG	Progroup AG	Progroup AG
Listing	Luxembourg EURO MTF	The International Stock Exchange	The International Stock Exchange
Distribution	144A/Reg S	144A/Reg S	144A/Reg S
Amount issued	€345,000,000	€150,000,000	€450,000,000
Amount outstanding	€0	€150,000,000	€450,000,000
Currency	EUR	EUR	EUR
Issue date	30 April 2015/8 December 2015	27 March 2017	27 March 2018
Final maturity	1 May 2022	31 March 2024	31 March 2026
Optional redemption	from 1 May 2018: 102.563%	from 31 March 2018: 101.000%	from 31 March 2021: 101.500%
	from 1 May 2019: 101.281%	from 1 May 2019 and thereafter: 100.000%	from 31 March 2022: 100.750%
	from 1 May 2020 and thereafter: 100.000%		from 31 March 2023 and thereafter: 100.000%
Issue price	100% of face amount/105% (tap)	100% of face amount	100% of face amount
Coupon	5.125%	Three-month EURIBOR (subject to a zero-floor) plus 2.50%	3.000%
Interest payments	Semi-annually on 1 May and 1 Nov, commencing on 1 Nov 2015	Quarterly on 31 Mar, 30 Jun, 30 Sep and 31 Dec, commencing on 30 Jun 2017	Semi-annually on 31 Mar and 30 Sep, commencing on 30 Sep 2018
Paying Agent	Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG
Security Agent	Wilmington Trust (London) Limited	Wilmington Trust (London) Limited	Wilmington Trust (London) Limited
Ratings			
S&P	BB-	BB-	BB-
Moody's	Ba3	Ba3	Ba3

In March 2018, Progroup successfully issued senior secured fixed rate notes in an amount of €450 mn. The proceeds from the Offering were predominantly used to redeem in full the €345 mn outstanding principal amount of existing fixed rate notes due 2022 on 1 May 2018 and to pay a special cash dividend of €86.5 mn to JH-Holding and our minority shareholders for the purpose of enabling JH-Holding to redeem all of the remaining €81.1 mn outstanding principal amount of the PIK toggle notes on 1 June 2018.

Progroup Senior Secured Notes Prices



Source of price data: Deutsche Bank AG

Business

Progroup Headquarter
Landau, Germany

We are a leading, family-owned producer and supplier of containerboard and corrugated board in Central Europe and headquartered in Landau, Germany. By production capacity, we believe we are the third largest producer of corrugated board in Europe through our Prowell business ("Prowell") and the sixth largest producer of recycled containerboard in Europe through our Propapier business ("Propapier"). We focus on the highly efficient production and processing of standardised grades and customised small batch series of corrugated board sheets for our mostly family-owned box manufacturing customers. In this core market segment, we believe we are the market leader by volumes sold in Germany, Austria, Belgium, the Czech Republic and the Netherlands. We believe we differentiate ourselves from other market participants (i.e., fully integrated paper and packaging producers) through our strategic focus on those elements of the value chain that bring added-value to our customers in the packaging industry, in particular on the automated and integrated production of containerboard and corrugated board.

Our customers serve various end markets, including industrial/manufacturing, consumer durables, processed foods, non-food manufactured consumer goods and fresh food. Unlike many fully integrated market players, we do not produce boxes and therefore do not compete with our box manufacturing customers but instead focus solely on the production of container-board and corrugated board.

Prowell PW07 plant
Stryków, Poland

Through our large scale and highly flexible production, built up via a greenfield approach, we are able to realise significant economies of scale. Since we commenced operations in 1992, we have carefully selected the locations of our production sites and have grown organically by pursuing a primarily greenfield strategy to create an optimal geographic set-up of our production sites across the markets in which we operate. As a result, we benefit from a well-invested asset base and production sites with high technological standards, resulting in a relatively low cost base compared to many of our competitors and relatively low requirements for additional capital expenditures in the short- to medium-term. Given the high technological standards of

Propapier PM1 plant Burg, Germany

our production facilities, we believe we are well-positioned to benefit from major growth trends in our industry, such as (i) increasing demand for light-weight packaging, (ii) the increasing importance of small-size packaging due to the growing importance of e-commerce, and (iii) the general trend towards a more efficient and sustainable use of raw materials and energy, which can help reduce both costs and CO_2 emissions.

Our core business comprises Propapier and Prowell. The focus of Propapier's operations is highly flexible containerboard production using almost exclusively recycled paper, with high output volumes to increase cost efficiency and short delivery times. In 2015, 2016 and 2017, containerboard produced by Propapier accounted for most of the containerboard sourcing requirements of our corrugated board production within Prowell. We believe that a high degree of vertical integration and the ability of Prowell to internally source consistently high quality containerboard in a cost-efficient and highly flexible manner creates significant synergies for our business. In addition, our customers benefit from our integrated approach through short lead times, just-in-time delivery, online ordering and tracking options.

Propapier PM2 plant Eisenhüttenstadt, Germany

Propapier manufactures containerboard at our two paper mills in Germany, with an envisaged total annual production capacity of approximately 1,100,000 tons of containerboard. Our two paper machines, PM1 in Burg and PM2 in Eisenhüttenstadt, have complementary production layouts which allow us to produce brown containerboard with grammages between 60 and 230g/m^2 using almost exclusively recycled paper. This, in turn, allows us to internally source consistently high quality containerboard with the appropriate widths for Prowell's ten corrugated board production sites in the Czech Republic, France, Germany, Italy, Poland and the United Kingdom with a total annual production capacity of approximately 1,250,000 tons of corrugated board. Our historic greenfield location strategy ensures close customer proximity and high production flexibility.

Recent Developments

Redemption of existing Senior Secured Fixed Rate Notes and Dividend Payment in order to redeem PIK Toggle Notes

In March 2018, Progroup successfully issued senior secured fixed rate notes in an amount of €450 mn due 2026. The proceeds from the Offering were predominantly used to redeem in full the €345 mn outstanding principal amount of existing fixed rate notes due 2022 on 1 May 2018 and to pay a special cash dividend of €86.5 mn to JH-Holding and our minority shareholders for the purpose of enabling JH-Holding to redeem all of the remaining €81.1 mn outstanding principal amount of the PIK toggle notes on 1 June 2018.

Amendments to Intercreditor Agreement

Following the redemption of our 5.125% senior secured fixed rate notes due 2022, we further entered into an amendment and restatement agreement relating to the Intercreditor Agreement on 2 May 2018. In addition to various technical amendments that will not adversely affect the holders of our notes in any material respect, including the deletion of certain parent undertakings from the Intercreditor Agreement, we amended and restated the definition of "Credit Facility" and related terms in the Intercreditor Agreement to include, in addition to the Super Senior Revolving Credit Facility, certain credit facilities which are permitted by the terms of the Pari Passu Debt Documents (as defined in the Intercreditor Agreement) to receive priority to the Pari Passu Debt Liabilities (as defined in the Intercreditor Agreement) with respect to the proceeds of any enforcement of the Collateral. As a result, the total amount of Indebtedness under a Credit Facility that may be secured by Liens on a super priority basis increased from up to €50 mn to up to €80 mn. In addition, the Priority Hedging Limit (as defined in the Intercreditor Agreement) increased from up to €35 mn to up to €80 mn.

For more details on our various Group facilities and about the Intercreditor Agreement, as amended and restated, see also “Overview – The Refinancing and Certain Related Transactions” and “Description of Certain Financing Arrangements” in our annual report for the year ended 31 December 2017.

Resolution of the General Meeting of 26 April 2018: dividend payment of €11.40/share

The annual general meeting, held on 26 April 2018, resolved the payment of a dividend of €11.40/share. As all 7,588,236 shares are entitled to dividend, the total amount of distribution amounted to approximately €86.5 mn.

JH-Holding used this dividend to redeem all of the remaining €81.1 mn outstanding principal amount of the PIK toggle notes on 1 June 2018.

Start of commercial production of Prowell s.r.l.

After a construction period of less than one year, our new production site in Drizzona, Italy, started production in early March 2018. The plant successfully completed the trial runs in March and started with the ramp-up phase in April. In the mid of June, we applied the third shift according to the successful ramp-up.

Prowell PW12 plant Ellesmere Port, United Kingdom, 3D simulation

Four Additional Corrugated Board Production Sites between 2019 and 2021

After we announced the construction of two corrugated sheetboard plants in Italy and the United Kingdom at the beginning of 2017, our new corrugated sheetboard plant in Drizzona (Italy) started operations during the first quarter of 2018, while our new mega-corrugated sheetboard plant in Ellesmere Port (United Kingdom) is scheduled to commence production in the fourth quarter of 2018. This means that by the end of 2018 the production capacity for corrugated sheetboard will be approximately 3,000 million m²/year.

In order on the one hand to retain and consolidate our cost leadership and our position as one of the leading manufacturers of corrugated board in Europe and on the other hand to ensure that we continue to be able to maintain the expected level of market growth and meet our customers' requirements in respect of reliability of supply and the quality of products, we intend to open up four more corrugated sheetboard plants in Central Europe between 2019 and 2021, leading to an expected total capacity of approximately 4,200 million m²/year.

Next Corrugated Board Production Site in Germany

The first of the abovementioned projects already moves into the concrete implementation phase and will be build in Germany. According to the current schedule, we expect to commence trial production at the end of 2019 or the beginning of 2020.

Propapier PM2 plant
Eisenhüttenstadt, Germany

Additional State-of-the-Art Paper Machine

The increasing demand for consistently high-quality containerboard, owing to the growing production capacity for corrugated sheetboard at Prowell, is to be covered predominantly by cost-efficient and highly flexible production in-house. We have therefore begun to actively pursue the realisation of a potential further paper machine project in Germany. The current expectation is that the start of production for the new, state-of-the-art paper machine is set for the second half of 2020 and, following a start-up phase, it will provide a further production capacity of around 750,000 tons of containerboard. Together with the two paper machines PM1 in Burg and PM2 in Eisenhüttenstadt, which are already manufacturing products in Germany, the total annual production capacity of containerboard will then increase from 1,100,000 tons to around 1,850,000 tons. This project to establish a new additional paper machine (PM3) in Germany is well on track, proceeding according to plan. On 16 May, we announced our intention to build the new paper machine in Sandersdorf-Brehna/Germany. The final decision on the implementation of this project was taken in June 2018. Propapier has chosen Voith Paper to supply the new state-of-the-art paper machine.

Market Developments

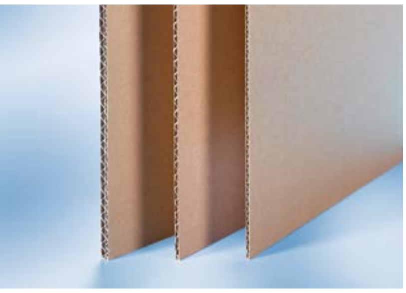
Recycled paper storage
Propapier PM2 plant
Eisenhüttenstadt, Germany

Demand for our products is generally driven by the level of economic growth and activity, since these factors typically result in higher per capita use of packaging materials through higher rates of consumption and transportation of goods. An increase in the use of packaging materials (including paper-based packaging materials) results in an increase in the demand for our recycled containerboard and corrugated board products.

Recycled paper is our main raw material for the production of recycled containerboard. After strong price increases for recycled paper in the first three quarters of 2017, prices declined again since the fourth quarter, mainly due to decreases in demand from outside Europe. Therefore, prices were lower during the first half of 2018 compared to the prior year's same period. The average price per ton for recycled paper grades we purchased was approximately €113 in the first half of 2018, compared to €148 in the same period of 2017. During the second quarter of 2018, the price level was approximately €102 per ton, after €122 in the first quarter (Q2 2017: €154).

Containerboard

Concerning the volume of Propapier's recycled containerboard sold externally, the average price was approximately €476 per ton in the first half of 2018, after an average of €388 per ton in the prior year's same period (for the overall product portfolio mix sold externally). After a continuously upward trend during the year of 2017, prices further increased in the first quarter of 2018. The average price level in the second quarter of 2018 was approximately €483 per ton, after €470 in the first quarter (Q2 2017: €411).



Corrugated board

Prices for corrugated board also continuously increased during 2017, following the recycled containerboard's price development. Since the containerboard prices further increased in the first quarter of 2018, prices for corrugated board products of Prowell typically followed this development. In the first half of 2018, Prowell's average price for corrugated board was approximately €723 per ton compared to €633 per ton in the first half of 2017. The average price level in the second quarter of 2018 was approximately €739 per ton, after €709 in the first quarter (Q2 2017: €654).

Results of Operations

Key operating figures (in € thousands)	April – June 2018	April – June 2017	January – June 2018	January – June 2017
Sales	246,431	190,956	490,218	384,473
Reported EBITDA	70,863	41,822	140,643	82,137
Reported EBITDA margin (in % of net sales)	28.8%	21.9%	28.7%	21.4%
EBIT	57,990	28,878	115,478	57,350
Consolidated net income for the period	29,480	16,149	61,761	30,933

Sales volume (in thousands of tons)	April – June 2018	April – June 2017	January – June 2018	January – June 2017
Corrugated board	**290.1**	**239.1**	**584.8**	**498.2**
Containerboard	**238.6**	**242.1**	**504.0**	**507.5**
– thereof external	44.2	59.0	98.0	126.3
– thereof internal	194.4	183.1	406.0	381.2

The corrugated board business is our main external sales driver. We were able to increase our sales volume of corrugated board by 21.4% (+51.0 thousand tons) in the second quarter of 2018, compared to the prior year's same quarter. Concerning the first half of 2018, we were able to increase our sales volume of corrugated board by 17.4% (+86.6 thousand tons), whereas slightly more than half of this increase came from the new production sites PW10 and PW11.

Total sales volume of containerboard in the second quarter of 2018 was close to the level of the prior year's same quarter. The increased volume of corrugated board sold led to a higher internal usage of containerboard (+6.1% or 11.3 thousand tons) and thus to a further decrease in the external volume sold (-24.9% or -14.8 thousand tons). In the first half of 2018 sales volume of containerboard was also close to the prior year's same period, also with increasing internal and declining external sales volume.

The level of integration of our containerboard business, including swap agreements, slightly increased to approximately 93% in the second quarter of 2018, after 91% in the first quarter.

Sales	**April – June**		**January – June**	
(in € thousands)	**2018**	**2017**	**2018**	**2017**
Corrugated board	214,284	156,339	423,033	315,186
Containerboard	21,357	24,240	46,622	49,014
Other	10,791	10,377	20,563	20,273
Total sales	**246,431**	**190,956**	**490,218**	**384,473**

Total sales increased significantly by 29.1% (€55.5 mn) to €246.4 mn in the second quarter of 2018, compared to €191.0 mn in the same quarter of the prior year. This increase in sales is attributable to further strong growth in our corrugated board sales (+37.1% or €57.9 mn) as a result of the higher volume sold and an increased price level. Our sales of containerboard decreased by 11.9% (€2.9 mn). The higher price level was more than offset by the lower volume sold. In the first half of 2018, total sales increased by 27.5% (€105.7 mn), also following the strong sales performance of our corrugated board business, while external containerboard sales also declined.

Other operating income	**April – June**		**January – June**	
(in € thousands)	**2018**	**2017**	**2018**	**2017**
Investment subsidies	63	63	126	126
Income from exchange rate differences	627	456	1,164	1,797
Income from other periods	3,534	1,006	4,158	3,661
Extraordinary income	248	0	248	0
Other income	191	691	540	1,016
Other operating income	**4,663**	**2,216**	**6,236**	**6,600**

Other operating income increased by 110.4% (€2.4 mn) to €4.7 mn in the second quarter of 2018, mainly resulting from higher income from other periods.

Costs of materials (in € thousands)	**April – June**		**January – June**	
	2018	**2017**	**2018**	**2017**
Costs of raw materials, consumables and supplies	100,583	87,893	198,432	171,264
Costs of purchased services	20,615	17,253	42,086	35,645
Costs of materials	**121,198**	**105,146**	**240,519**	**206,909**

Costs of materials increased by 15.3% (€16.1 mn) to €121.2 mn in the second quarter of 2018, primarily resulting from higher costs of raw material, consumables and supplies. This development was mainly driven by a higher quantity of externally purchased containerboard within the growth of our corrugated board business and a higher average price level for the externally purchased containerboard. Positive effects came from declining prices for recycled paper. Concerning the first half of 2018, costs of materials increased by 16.2% (€33.6 mn) to €240.5 mn, driven by the same facts.

Personnel expenses (in € thousands)	**April – June**		**January – June**	
	2018	**2017**	**2018**	**2017**
Wages and salaries	16,615	13,932	32,162	27,759
Social security and pensions	2,946	2,451	5,765	4,900
- thereof for pension expenses	73	71	122	136
Personnel expenses	**19,560**	**16,383**	**37,927**	**32,659**

Personnel expenses increased by 19.4% (€3.2 mn) to €19.6 mn in the second quarter 2018. This increase is mainly attributable to a higher average number of employees, primarily as a result of the new production site Drizzona (PW11), since the built up of a workforce started in the third quarter of 2017. Therefore, the increase of personnel expenses in the first half of 2018 (16.1% or €5.3 mn to €37.9 mn) is mainly due to the same reason. Furthermore, the number of administrative and group positions slightly increased according to our strong growth.

Other operating expenses (in € thousands)	**April – June** 2018	2017	**January – June** 2018	2017
Freight expenses	16,480	14,699	33,606	30,833
Maintenance and repair	11,724	8,306	19,366	16,647
Paper machine clothings	1,507	1,950	3,176	3,093
Rental and leasing costs	1,978	1,674	3,843	3,301
Legal and consulting fees	541	501	1,320	1,089
Expenses from exchange rate differences	1,842	532	2,622	1,363
Expenses from other periods	567	326	824	1,116
Extraordinary expenses	1	211	6,901	3,491
Others	6,035	7,631	11,372	14,123
Other operating expenses	**40,675**	**35,830**	**83,030**	**75,056**

Other operating expenses increased by 13.5% (€4.8 mn) to €40.7 mn in the second quarter 2018, primarily due to expenses for maintenance and repair in connection with the replacement of the sizer at our paper machine PM1 and a volume-based increase in freight expenses. In the first half of 2018, other operating expenses increased by 10.6% (€8.0 mn) to €83.0 mn, also mainly driven by the abovementioned reasons and furthermore by extraordinary expenses related to the senior secured notes offering in March 2018.

Results of operations (in € thousands)	**April – June** 2018	2017	**January – June** 2018	2017
EBITDA	**70,863**	**41,822**	**140,643**	**82,137**
Amortisation and depreciation of fixed assets	-12,872	-12,944	-25,165	-24,787
Net interest result	-16,128	-6,242	-22,124	-11,735
Extraordinary income/expenses (other operating income/expenses)	247	-211	-6,653	-3,491
Taxes on income	-12,629	-6,275	-24,940	-11,191
Consolidated net income for the period	**29,480**	**16,149**	**61,761**	**30,933**

In the second quarter of 2018, EBITDA increased significantly by 69.4% (€29.0 mn) to €70.9 mn, mainly driven by a further strong operating performance with growth in sales volume of corrugated board and a positive price/margin development compared to the previous year's second quarter. Since prices for recycled containerboard and corrugated board further increased during the first months of 2018, while prices for recycled paper decreased, the gross margin level in the second quarter of 2018 was significantly higher compared to the prior year's same period, representing the main impact on our EBITDA. Contrary effects on EBITDA came from a scheduled downtime of our paper machine PM1 for the replacement of the sizer. Concerning the first half of 2018, EBITDA increased by 71.2% (€58.5 mn) to €140.6 mn due to the abovementioned development of volume sold and price/margin level.

The net interest result declined by 158.4% (€9.9 mn) to €-16.1 mn in the second quarter 2018, mainly as a result of the early redemption fee in connection with the redemption of the €345 mn fixed rate notes in May.

Extraordinary expenses in the first half 2018 are related to the senior secured fixed rate notes offering in March 2018. In the prior year's same period, the extraordinary expenses were due to the senior secured floating rate notes offering in March 2017.

In the second quarter as well as in the first half of 2018, taxes on income increased in connection with the higher results.

Net Asset Position

The following statements describe the main changes in the balance sheet as at 30 June 2018 compared to 31 December 2017.

	Assets (in € thousands)	**30/06/2018**	**31/12/2017**
A.	Fixed assets	656,237	640,980
B.	Current assets	356,153	303,602
I.	Inventories	89,055	86,864
II.	Receivables and other assets	141,521	98,791
III.	Cash in hand, bank balances	125,577	117,946
C.	Prepaid expenses and deferred charges	22,736	917
D.	Deferred tax assets	0	857
	Total assets	**1,035,125**	**946,356**

	Equity and Liabilities (in € thousands)	**30/06/2018**	**31/12/2017**
A.	Shareholder's equity	250,049	277,314
B.	Investment grants for fixed assets	2,560	2,685
C.	Provisions	69,413	61,533
D.	Liabilities	708,126	601,204
I.	Bonds	600,000	495,000
II.	Bank loans	40,178	42,519
III.	Trade payables	53,502	51,524
IV.	Other liabilities	14,445	12,161
E.	Deferred income	3,083	3,620
F.	Deferred tax liabilities	1,894	0
	Total equity and liabilities	**1,035,125**	**946,356**

Fixed assets increased by €15.3 mn to €656.2 mn as at 30 June 2018, following the capital expenditures for the expansion projects PW11 and PW12 in the first half of 2018.

Inventories amounted to €89.1 mn as at 30 June 2018, which is slightly above the level as at 31 December 2017 (2.5% or €2.2 mn). An increase of raw materials and supplies, driven by a higher amount of spare parts was partly offset by a decrease of work in process caused by lower stocks of internal purchased containerboard at our Prowell plants.

Trade receivables increased by €48.7 mn or 61.8% to €127.6 mn as at 30 June 2018, following our sales growth and as a result of a lower forfaiting volume in the first six months due to an already high cash position.

Other assets decreased by €6.0 mn or 30.1% to €13.9 mn as at 30 June 2018, mainly in connection with lower receivables from forfaiting.

Prepaid expenses and deferred charges increased by €21.8 mn to €22.7 mn, primarily due to lump sum fee payments to JH-Holding and our minority shareholders in return for granting security over their shares in Progroup AG to secure our obligations under the Super Senior Revolving Credit Facility, the Senior Secured PLN Facilities, the Senior Secured EUR Facility, the Senior Secured GBP Facility and the Senior Secured Notes.

As at 30 June 2018, **deferred tax assets** decreased by €0.9 mn to €0 mn due to further reduction of our interest carryforwards in connection with the positive EBITDA development in recent years, netted against **deferred tax liabilities**, mainly from the acquisition of the combined heat and power plant. Following this development, a deferred tax liability was recognised in 2018 for the first time.

Shareholder's equity decreased by 9.8% from €277.3 mn as at 31 December 2017 to €250.0 mn as at 30 June 2018 as a result of dividend payments amounting to approximately €86.5 mn, partly offset by consolidated net income.

Tax provisions increased by €4.7 mn to €18.4 mn due to the higher taxes on income following our strong results.

Other provisions increased by €3.2 mn to €50.8 mn, mainly due to higher provisions for maintenance and repair as well as for outstanding invoices.

Bonds increased by €105.0 mn to €600.0 mn as at 30 June 2018. A further senior secured notes offering of €450 mn was partly used to redeem in full the €345 mn outstanding senior secured fixed rate notes (please also refer to the section “Capital Market Activities”).

As at 30 June 2018, **bank loans** decreased by €2.3 mn to €40.2 mn, mainly as a result of scheduled repayments of the Senior Secured PLN Facilities.

The increase in **trade payables** by €2.0 mn or 3.8% to €53.5 mn as at 30 June 2018 is mainly due to a higher external containerboard purchase to cover the raw material demand of our growing corrugated board business.

The increase in **other liabilities** by €2.3 mn to €14.4 mn as at 30 June 2018 is mainly related to higher sales tax liabilities and therefore partly due to reporting date factors.

Financial Position

Summary of cash flows (in € thousands)	April – June 2018	April – June 2017	January – June 2018	January – June 2017
Cash flows from operating activities	55,165	42,820	86,385	52,028
Cash flows from investing activities	-30,245	-7,930	-48,959	-19,616
Free cash flow	**24,920**	**34,890**	**37,426**	**32,412**
Cash flows from financing activities	-451,004	-144,925	-27,737	24,418

Cash flows from operating activities increased by €12.3 mn to €55.2 mn in the second quarter of 2018, mainly driven by a higher EBITDA as a result of our strong operating performance. Contrary effects resulted from an increase in working capital, predominantly driven by an increase in trade receivables. The same facts are also attributable to the development of cash flows from operating activities in the first half of 2018, whereas the impact of the working capital increase by trade receivables was significantly stronger.

Cash flows from investing activities amounted to €-30.2 mn in the second quarter of 2018 and are mainly attributable to the construction of our new corrugated board plants PW11 in Italy and PW12 in the United Kingdom. Furthermore, several smaller investments in different plants as part of our continuous maintenance capital expenditures were included.

Free cash flow for the second quarter, calculated as cash flows from operating activities plus cash flows from investing activities, decreased as a result of the higher cash outflows from investing activities. Concerning the first half of 2018, free cash flow increased compared to the prior year's same period.

Cash outflows from financing activities in the second quarter of 2018 were mainly related to the redemption of our existing senior secured fixed rate notes (€345 mn), a dividend payment to our shareholders (€86.5 mn) and interest paid. Concerning the first half of 2018, the abovementioned cash outflows from financing activities were predominantly offset by the senior secured notes offering (€450 mn) in March 2018. Furthermore, we had some cash outflows for cash payments relating to expenditure of exceptional size or incidence (€5.3 mn) due to extraordinary expenses in connection with the senior secured notes offering (transaction costs, advisory and professional fees and others). Interest paid contains interest for our senior secured notes as well as bank loans and lump sum fee payments (€19.3 mn) to JH-Holding and our minority shareholders in return for granting security over their shares in Progroup AG to secure our obligations under the Super Senior Revolving Credit Facility, the Senior Secured PLN Facilities, the Senior Secured EUR Facility, the Senior Secured GBP Facility and the Senior Secured Notes.

Cash funds (cash in hand, bank balances) increased by €7.6 mn and amounted to €125.6 mn as at 30 June 2018, compared to €117.9 mn as at 31 December 2017.

Unaudited Consolidated Interim Financial Information

30 June / Q2 2018

Consolidated Balance Sheet

Assets

	Assets (in € thousands)	30/06/2018*	31/12/2017
A.	**Fixed assets**		
I.	**Intangible assets**		
1.	Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	18,483	19,774
		18,483	**19,774**
II.	**Tangible assets**		
1.	Land and buildings including buildings on leasehold land	192,777	184,497
2.	Technical equipment and machinery	400,859	397,049
3.	Other equipment, factory and office equipment	7,103	6,904
4.	Prepayments and constructions in process	36,978	32,720
		637,716	**621,169**
III.	**Financial assets**		
1.	Shares in affiliated companies	37	37
		37	**37**
		656,237	**640,980**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials, consumables and supplies	58,518	53,985
2.	Work in process	24,955	27,671
3.	Finished goods	5,445	5,061
4.	Prepayments	138	147
		89,055	**86,864**
II.	**Receivables and other assets**		
1.	Trade receivables	127,592	78,859
2.	Receivables from affiliated companies	17	39
3.	Other assets	13,912	19,893
		141,521	**98,791**
III.	**Cash in hand, bank balances**	**125,577**	**117,946**
		356,153	**303,602**
C.	**Prepaid expenses and deferred charges**	**22,736**	**917**
D.	**Deferred tax assets**	**0**	**857**
	Total assets	**1,035,125**	**946,356**

* Unaudited consolidated interim financial information

Consolidated Balance Sheet

Equity and Liabilities

	Equity and Liabilities (in € thousands)	30/06/2018*	31/12/2017
A.	**Shareholder's equity**		
1.	Subscribed capital	7,588	7,588
2.	Capital reserve	75,414	75,414
3.	Revenue reserves	1,408	1,408
4.	Currency translation adjustment	-2,975	-454
5.	Consolidated net retained profits	168,613	193,358
		250,049	**277,314**
B.	**Investment grants for fixed assets**	**2,560**	**2,685**
C.	**Provisions**		
1.	Provisions for pensions	155	173
2.	Tax provisions	18,442	13,732
3.	Other provisions	50,816	47,628
		69,413	**61,533**
D.	**Liabilities**		
1.	Bonds	600,000	495,000
2.	Bank loans	40,178	42,519
3.	Trade payables	53,502	51,524
4.	Other liabilities	14,445	12,161
		708,126	**601,204**
E.	**Deferred income**	**3,083**	**3,620**
F.	**Deferred tax liabilities**	**1,894**	**0**
	Total equity and liabilities	**1,035,125**	**946,356**

* Unaudited consolidated interim financial information

Consolidated Income Statement

	Consolidated Income Statement (in € thousands)	April – June* 2018	April – June* 2017	January – June* 2018	January – June* 2017
1.	Sales	246,431	190,956	490,218	384,473
2.	Increase/decrease in finished goods and work in process	1,275	5,443	-2,333	1,657
3.	Other own work capitalised	525	717	2,046	1,265
4.	Other operating income	4,663	2,216	6,236	6,600
5.	Costs of materials				
a)	Costs of raw materials, consumables and supplies	-100,583	-87,893	-198,432	-171,264
b)	Costs of purchased services	-20,615	-17,253	-42,086	-35,645
		-121,198	-105,146	-240,519	-206,909
6.	Personnel expenses				
a)	Wages and salaries	-16,615	-13,932	-32,162	-27,759
b)	Social security and pensions	-2,946	-2,451	-5,765	-4,900
		-19,560	-16,383	-37,927	-32,659
7.	Amortisation and depreciation of fixed intangible and tangible assets	-12,872	-12,944	-25,165	-24,787
8.	Other operating expenses	-40,675	-35,830	-83,030	-75,056
9.	Other interest and similar income	17	11	28	21
10.	Interest and similar expenses	-16,145	-6,253	-22,152	-11,756
11.	Taxes on income	-12,629	-6,275	-24,940	-11,191
12.	**Earnings after taxes**	**29,831**	**16,511**	**62,462**	**31,657**
13.	Other taxes	-351	-362	-701	-724
14.	**Consolidated net income for the period**	**29,480**	**16,149**	**61,761**	**30,933**
15.	Consolidated unappropriated retained earnings brought forward			106,852	123,451
16.	**Consolidated net retained profits**			**168,613**	**154,384**

* Unaudited consolidated interim financial information

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement (in € thousands)		April – June*		January – June*	
		2018	2017	2018	2017
1.	**Cash flows from operating activities**				
	Consolidated net income for the period	29,480	16,149	61,761	30,933
	Amortisation and depreciation of fixed assets	12,872	12,944	25,165	24,787
	Increase (+)/decrease (-) in provisions	6,398	7,558	3,243	4,506
	Other non-cash expenses (+)/income (-)	952	-73	1,287	-1,435
	Increase (-)/decrease (+) in inventories, trade receivables and other assets**	-14,132	863	-48,242	-19,823
	Increase (+)/decrease (-) in trade payables and other liabilities**	5,197	-170	6,976	-553
	Gain (-)/loss (+) on disposal of fixed assets	30	0	30	0
	Interest expenses (+)/income (-)	16,128	6,242	22,124	11,735
	Expenditure (+)/income (-) of exceptional size or incidence	-247	211	6,653	3,491
	Income tax expenses (+)/income (-)	12,629	6,275	24,940	11,191
	Cash payments (-) relating to expenditure of exceptional size or incidence	0	0	0	-2,178
	Income taxes paid (-)	-14,143	-7,179	-17,552	-10,626
	Cash flows from operating activities	**55,165**	**42,820**	**86,385**	**52,028**
2.	**Cash flows from investing activities**				
	Payments (-) to acquire intangible fixed assets	-33	-1	-91	-39
	Payments (-) to acquire tangible fixed assets	-30,221	-7,936	-48,887	-19,593
	Interest received (+)	9	7	19	16
	Cash flows from investing activities	**-30,245**	**-7,930**	**-48,959**	**-19,616**
3.	**Cash flows from financing activities**				
	Proceeds (+) from the issuance of bonds and borrowings	3,420	0	453,420	173,187
	Cash repayments (-) of bonds and borrowings	-346,991	-77,449	-348,974	-78,769
	Cash payments (-) relating to expenditure of exceptional size or incidence	-1,489	-1,129	-5,348	-2,240
	Interest paid (-)	-19,438	-11,332	-40,329	-12,745
	Dividends paid to shareholders of the parent entity (-)	-86,506	-55,015	-86,506	-55,015
	Cash flows from financing activities	**-451,004**	**-144,925**	**-27,737**	**24,418**
4.	**Cash funds at end of period**				
	Net change in cash funds	-426,084	-110,035	9,689	56,830
	Effect on cash funds of exchange rate movements	-1,739	-400	-2,058	1,156
	Cash funds at beginning of period	553,400	205,791	117,946	37,370
	Cash funds at end of period	**125,577**	**95,356**	**125,577**	**95,356**
5.	**Composition of cash funds**				
	Cash and cash equivalents	125,577	95,356	125,577	95,356
	Cash funds at end of period	125,577	95,356	125,577	95,356

* Unaudited consolidated interim financial information

** Not attributable to investing or financing activities

Consolidated Statement
of Changes in Equity

Consolidated Statement of Changes in Equity (in € thousands)	Subscribed capital	Capital reserve	Consolidated equity generated		Currency translation adjustment	Group equity
			Revenue reserves	Consolidated net retained profits		
1 January 2018	**7,588**	**75,414**	**1,408**	**193,358**	**-454**	**277,314**
Consolidated net profit for the period	0	0	0	61,761	0	61,761
Distribution of profit	0	0	0	-86,506	0	-86,506
Other changes	0	0	0	0	-2,520	-2,520
30 June 2018*	**7,588**	**75,414**	**1,408**	**168,613**	**-2,975**	**250,049**

* Unaudited consolidated interim financial information

Additional Explanatory Information

Accounting policies

The unaudited consolidated interim financial information of Progroup AG as at and for the period ended 30 June 2018 included in this report has been prepared in accordance with generally accepted accounting principles (*Grundsätze ordnungsgemäßer Buchführung*) in the Federal Republic of Germany as in effect from time to time ("German GAAP"), which differ in certain respects from International Financial Reporting Standards as adopted by the European Union.

The accounting policies in the period under review generally correspond to those used for the audited consolidated financial statements for the year ended 31 December 2017.

Please refer to the notes to the audited consolidated financial statements for the year ended 31 December 2017 for a detailed description of our significant accounting policies.

Scope of consolidation

In the period ended 30 June 2018, the newly founded Propapier PM3 GmbH was added to the scope of consolidation.

Information on material risks

As at 30 June 2018, there are no significant changes with regard to the risks for Progroup AG compared with the year ended 31 December 2017 and described in the respective annual financial statements.

Prowell corrugated board plant in Ellesmere Port, United Kingdom, 3D simulation

Legal Notice and Information

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