Progroup

Interim Financial Short Report

31 December / Fourth Quarter 2017

pro group

The Power of Innovation

Key Figures

Key operating figures (in € thousands)	**October – December 2017**	**October – December 2016**	**January – December 2017**	**January – December 2016**
Sales	211,805	176,778	804,256	733,228
Reported EBITDA [(1)]	57,832	33,048	180,354	154,679
Reported EBITDA margin (in % of net sales)	27.3%	18.7%	22.4%	21.1%
EBIT [(2)]	45,373	21,129	130,321	107,307
Consolidated net income for the period	26,046	11,744	72,412	61,404
Cash flows from operating activities	30,454	34,210	122,706	152,564
Cash flows from investing activities	-15,013	-8,802	-47,735	-23,201
Free cash flow [(3)]	15,441	25,408	74,971	129,363

Key balance sheet figures (in € thousands)	**31/12/2017**	**31/12/2016**
Total assets	946,356	836,815
Equity	277,314	259,609
Cash in hand, bank balances	117,946	37,370
Financial liabilities (bonds, bank loans, finance leases and accrued interest)	540,465	458,799

Key financial figures (in € thousands)	**31/12/2017**	**31/12/2016**
Net leverage [(4)]	2.3	2.5
LTM EBITDA	180,354	170,725 [(5)]
Net financial debt [(6)]	422,519	421,428

(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 31 December 2017 and 2016, respectively, by adjusted EBITDA for the last twelve months (LTM) ended on the relevant date.
(5) To ensure period-to-period comparability, we have adjusted LTM EBITDA (not a German GAAP measure) for the year ended 31 December 2016 to exclude the negative effect of €16.0 mn in „items of exceptional size or incidence" related to the longer than scheduled shutdown of the combined heat and power plant (CHP) in 2016.
(6) 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 fourth quarter of 2017 again saw a strong overall performance, mainly driven by ongoing favourable market conditions and a continuous substantial contribution of our new production site PW10 in Trzcinica, Poland, which has reached full capacity through adding a third shift in the third quarter of 2017.
- Sales increased by 9.7% year-on-year, reaching €804.3 mn in the financial year 2017. Sales in the fourth quarter of 2017 jumped by 19.8% to €211.8 mn, after €176.8 mn in the fourth quarter of 2016. The increases in sales in the fourth quarter and for the financial year are attributable to steady increasing prices and volumes during the course of 2017.
- Sales volume of corrugated board continued to grow strongly throughout the financial year 2017, hitting the 1-million ton mark for the first time in company history. Volumes grew by 8.7% in the financial year and by 10.1% in the fourth quarter of 2017, compared to 2016. In the financial year as well as in the fourth quarter of 2017, sales volume in the containerboard business declined by 2.3% and 2.5%, respectively, compared to the relevant period in previous year. The declines are mainly attributable to program-related lowered capacity.
- Integration between our corrugated board and the containerboard business increased on a high level throughout the financial year 2017. The integration level, including swap agreements, amounted to 89% in the fourth quarter of 2017, up from 81% in the fourth quarter of 2016.
- While prices for recycled paper experienced an anticipated decline in the fourth quarter of 2017 after reaching a peak during the third quarter, price levels for both corrugated board and containerboard continued to rise compared to the previous year. By passing on price developments to customers, price increases for our main products had a significant effect on the fourth quarter of 2017.
- In the financial year of 2017, EBITDA increased by 16.6% to €180.4 mn from €154.7 mn in 2016. The strong performance is driven by the increased sales volume of corrugated board as well as effective price increases throughout the financial year. In the fourth quarter of 2017 alone, EBITDA reached a record-high of €57.8 mn, compared to €33.0 mn in the fourth quarter of 2016. This represents an increase of 75%. The performance in the fourth quarter of 2016 has to be viewed in light of the unplanned CHP shutdown extension in order to improve its run-time, which affected returns.
- In the financial year 2017, the EBITDA margin reached 22.4%, remaining well above the three-year average. The EBITDA margin in the fourth quarter of 2017 climbed to 27.3% (fourth quarter of 2016: 18.7%), only slightly below the record-high margin of 27.8% in the fourth quarter of 2015.
- Net financial debt remained broadly stable at €422.5 mn on 31 December 2017, after €421.4 mn on 31 December 2016. Following the higher EBITDA, net leverage further decreased from 2.5 to 2.3 at the end of 2017, representing an all-time low since the first issuance of capital market bonds in April 2015.
- As the strong operational performance throughout the financial year 2017 has proven the success of our strategy, offering best-in-class corrugated board products and services, we intend to continue our well-established greenfield strategy in 2018 and beyond. Beside the two upcoming newest corrugated board production sites in Italy and the United Kingdom, we plan to establish up to four further corrugated board production sites in Central Europe between 2019 and 2021. This is a strategic move intended to maintain and further strengthen our position as a leading, corrugated board producer in Europe and to allow us to retain our cost leadership and to meet expected market growth and customer requirements. Furthermore, we began to actively pursue the realisation of a potential further paper machine project (PM3) with an estimated annual containerboard capacity in a total amount of approximately 750,000 tons, which we currently expect to commence production in 2021. This move is aimed at further expanding our ability to internally source consistently high-quality containerboard in a cost-efficient and highly flexible manner as well as in sufficient quantities.

Content

Overall Assessment of Business Performance

We are a leading European producer of containerboard and corrugated board, focusing on processing standardised small batch series for small- and medium-sized customers in a broad range of end-markets. With a total of approximately 1,100 employees and eleven production sites across six countries, we are headquartered in Landau, Germany.

We are pleased to share our interim short report for the fourth quarter and the financial year 2017 with you. It is our strong commitment to promptly inform you about our current business development, particularly in light of the very strong performance we achieved in 2017.

During 2017, we enjoyed increasingly favourable market conditions. Prices for both corrugated board and containerboard saw a steady upward development, while prices for recycled paper experienced some volatility throughout the year with an anticipated decline towards the end of the financial year. On average, prices for both corrugated board and containerboard were above the previous year's levels. By passing on price developments to customers, price increases for our main products had a positive effect on our sales and earnings performance in the financial year 2017. In addition, supported by our new production site PW10 in Trzcinica, Poland, providing additional volumes, sales continued on a strong growth path, increasing by 9.7% in the financial year 2017. Sales volume of our main growth driver corrugated board grew strongly by 8.7% throughout the financial year 2017, continuing a significant increase in growth compared to the 11.1% increase in sales volume 2016. For the first time in our company's history, we surpassed the 1-million ton mark in sales volume of corrugated board in the financial year 2017. Following this development we already acomplished one of our long-standing strategic goals and have already been operating at the top end of our long-term target corridor with regard to the level of integration between Propapier and Prowell (including swap agreements with other containerboard suppliers, integration amounted to approximately 89% in the fourth quarter of 2017). In total, sales volume of containerboard declined by 2.3% in the financial year 2017, mainly attributable to program-related lowered capacity.

Consolidated sales increased by 9.7%, reaching €804.3 mn in the financial year 2017, compared to €733.2 mn in the previous financial year. Sales in the fourth quarter of 2017 jumped by 19.8% to €211.8 mn, after €176.8 mn in the fourth quarter of 2016. The sales increase for the full year is primarily based on higher volumes, partially due to the start of production of PW10, and higher prices. In contrast to the financial year 2017, the sales increase in the fourth quarter was mainly driven by increasing prices over a steady volume growth.

In the financial year of 2017, EBITDA grew by 16.6% to €180.4 mn from €154.7 mn in 2016. The strong performance is driven by an increased sales volume of corrugated board as well as effective price increases throughout the financial year. In the fourth quarter of 2017 alone, EBITDA reached a record-high of €57.8 mn compared to €33.0 mn in the fourth quarter of 2016. This represents a strong increase of 75%. However, it is worth mentioning that the performance in the fourth quarter of 2016 was affected by the unplanned CHP shutdown extension in order to improve its run-time.

The EBITDA margin reached 22.4% in the financial year 2017, remaining well above the three-year average. The EBITDA margin in the fourth quarter of 2017 climbed to 27.3% (fourth quarter of 2016: 18.7%). It stood only slightly below the record-high margin of 27.8% in the fourth quarter of 2015.

Due to our very strong EBITDA performance throughout the year, consolidated net income continued on a sound growth path, reaching €72.4 mn in the financial year 2017 after an increase of 17.9% compared to €61.4 mn in 2016. In the fourth quarter of 2017 however, consolidated net income surged by 121.8% from €11.7 mn in 2016 to €26.0 mn in 2017, as result of the record-high EBITDA, fuelled by beneficial price effects and further supported by higher sales volumes.

Free cash flow declined to €75 mn throughout the financial year 2017, compared to €129.4 mn in 2016. The decline is mainly attributable to an increase in net working capital as a result of increasing business activities and higher sales prices for our corrugated board products at year-end 2017, a deliberate build-up of our containerboard inventories ahead of a planned extended maintenance shutdown of our paper machine PM1 as well as a higher cash outflows for investments in our new Prowell projects under construction. Our net financial debt remained broadly stable at €422.5 mn as at 31 December 2017, after €421.4 mn as at 31 December 2016. As a result of our strong EBITDA in 2017, leverage further decreased from 2.5 to 2.3 at the end of 2017. This marks an all-time low since the first issuance of capital markets bonds in April 2015.

In March 2017, we successfully issued €150 mn in aggregate principal amount of new floating rate notes due 2024 and used a portion of the proceeds to redeem the remaining €75 mn in aggregate principle amount of our floating rate notes due 2022. In December 2017, we further entered into amendment and restatement agreements relating to our super senior revolving credit facility and our senior secured PLN facilities. In addition to various technical amendments and improvements, pursuant to the terms of these amendment and restatement agreements, the covenant schedule of each of the super senior revolving credit facility and the senior secured PLN facilities will be amended and restated so that the relevant restrictive covenants will more closely track those contained in the conditions of issue of our new floating rate notes due 2024. Furthermore, the super senior revolving credit facility will generally have significantly improved terms and allow us greater flexibility, including through the option to increase the total commitments under the super senior revolving credit facility from currently €50 mn to up to €80 mn. Concurrently with the entry into the amendment and restatement agreements, we further entered into a €38.5 mn senior secured EUR facility with IKB Deutsche Industriebank AG and a £70 mn senior secured GBP facility with Goldman Sachs Bank USA. The effectiveness of the amendment and restatement agreements and the utilisation of the new senior secured EUR facility and the new senior secured GBP facility are subject to certain conditions precedent. For more detail, see “Recent Developments – Financing Activities” starting on page 18 below.

As the strong operational performance throughout the financial year 2017 has proven the success of our strategy, offering best-in-class corrugated board products and services, we plan to continue our well-established greenfield strategy in 2018 and beyond. Beside the two upcoming newest corrugated board production sites in Italy (PW11) and the United Kingdom (PW12), we plan to establish up to four further corrugated board production sites in Central Europe between 2019 and 2021. This is a strategic move intended to maintain and further strengthen our position as a leading corrugated board producer in Europe in the long term and to allow us to retain our cost leadership and to meet expected market growth and customer requirements. These requirements are geared towards supply certainty and product quality. Meanwhile, both our newest sites are well within schedule, with PW11 to start test operations in February 2018 and PW12 by the end of the third quarter of 2018, leading to a total capacity of Prowell amounting to approximately 3,000 million m²/year. Including the four projects planned for 2019–2021 our corrugated board capacity is expected grow to approximately 4,200 million m²/year.

In addition, we began to actively pursue the realisation of a potential further paper machine project (PM3) in Germany, providing an additional annual containerboard capacity in a total amount of approximately 750,000 tons. We currently expect production to commence in 2021. This move is aimed at further expanding our ability to internally source consistently high-quality containerboard in a cost-efficient and highly flexible manner as well as in sufficient quantities. The completion of PM3 will result in an increase of the total annual containerboard capacity of Progroup from currently approximately 1,100,000 tons to approximately 1,850,000 tons.

Disclaimer

Financial Information

The unaudited consolidated financial information of Progroup AG ("Progroup") as at and for the period ended 31 December 2017 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

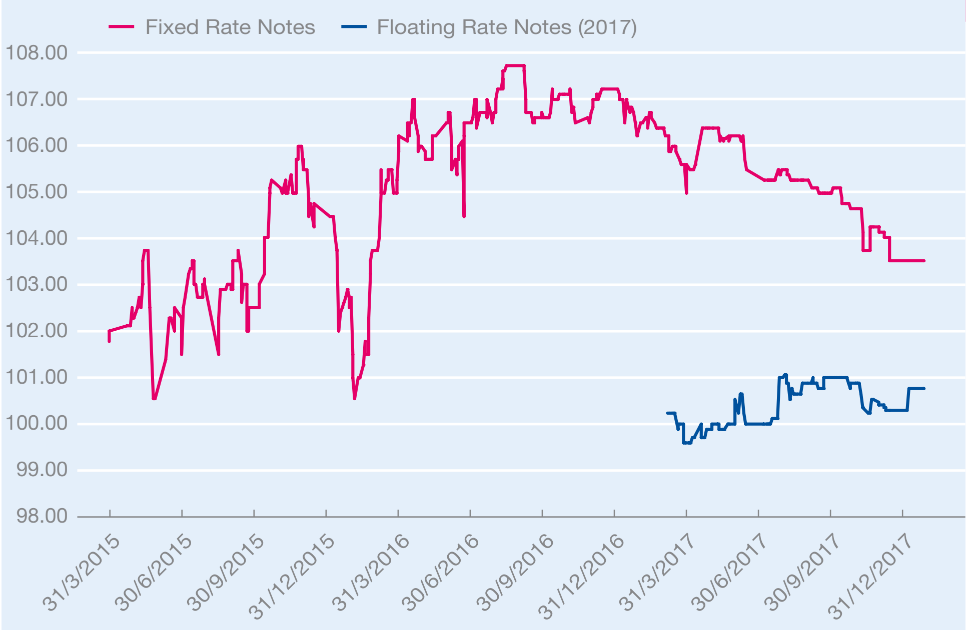
An overview of the features of our senior secured fixed rate notes due 2022 and our senior secured floating rate notes due 2024 and their market performance as at 31 December 2017 is presented below.

Capital market activities Progroup AG

ISIN	DE000A161GD1 (144A)/ DE000A161GC3 (Reg S)	DE000A2E4YZ7 (144A) / DE000A2E4YY0 (Reg S)
Issue	Senior Secured Fixed Rate Notes	Senior Secured Floating Rate Notes
Issuer	Progroup AG	Progroup AG
Listing	Luxembourg EURO MTF	Luxembourg EURO MTF
Distribution	144A/Reg S	144A/Reg S
Amount issued	€345,000,000	€150,000,000
Amount outstanding	€345,000,000	€150,000,000
Currency	EUR	EUR
Issue date	30 April 2015/8 December 2015	27 March 2017
Final maturity	1 May 2022	31 March 2024
Optional redemption	from 1 May 2018: 102.563%	from 31 March 2018: 101.000%
	from 1 May 2019: 101.281%	from 1 May 2019 and thereafter: 100.000%
	from 1 May 2020 and thereafter: 100.000%	
Issue price	100% of face amount/105% (tap)	100% of face amount
Coupon	5.125%	Three-month EURIBOR (subject to a zero-floor) plus 2.50%
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
Paying Agent	Deutsche Bank AG	Deutsche Bank AG
Security Agent	Wilmington Trust (London) Limited	Wilmington Trust (London) Limited
Ratings		
S&P	BB-	BB-
Moody's	Ba3	Ba3

In March 2017, Progroup successfully issued senior secured floating rate notes due 2024 in an aggregate principal amount of €150 mn. A portion of the proceeds from the Offering was used to redeem the remaining €75 mn outstanding principal amount of floating rate notes due 2022 on 2 May 2017.

Progroup Senior Secured Notes Prices



Source of price data: Deutsche Bank AG

Under the relevant conditions of issue governing our senior secured fixed rate notes and the PIK toggle notes of JH-Holding Finance SA, we and JH-Holding Finance SA, respectively, have the option to early redeem all or a part of the senior secured fixed rate notes and the PIK toggle notes. We continue to explore options to use a portion of our cash in hand, together with potential new indebtedness, to early redeem and/or repurchase all or a part of the senior secured fixed rate notes and/or to declare a potential special cash dividend to enable JH-Holding GmbH and JH-Holding Finance SA to redeem, repurchase, cancel, defease or otherwise discharge all or a portion of the PIK toggle notes. However, any final decision with regard to any such potential early redemption and/or repurchases and/or special dividend will be made based on then prevailing market conditions, our operating performance, our liquidity situation and projected capital requirements as well as other factors we consider relevant at the time. We may therefore decide to early redeem and/or repurchase a smaller or larger amount of the senior secured fixed rate notes and/or the PIK toggle notes than currently anticipated, delay any potential redemption and/or repurchases or decide not to redeem or repurchase any senior secured fixed rate notes or PIK toggle notes.

Recent Developments

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) will start test operations this month and our new mega-corrugated sheetboard plant in Ellesmere Port (United Kingdom) is scheduled to commence production at the end of the third 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 to 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.

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 thinking is that the start of production for the new, state-of-the-art paper machine is set for 2021 and, following a start-up phase, it will provide a further production capacity of around 750,000 tonnes 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 tonnes to around 1,850,000 tonnes.

Financing Activities

On 21 December 2017, we entered into amendment and restatement agreements relating to our super senior revolving credit facility and our senior secured PLN facilities (the "Amendment and Restatement Agreements"). In addition to various technical amendments and improvements, pursuant to the terms of the Amendment and Restatement Agreements, the covenant schedule of each of the super senior revolving credit facility and the senior secured PLN facilities will be amended and restated so that the relevant restrictive covenants will more closely track those contained in the conditions of issue of our senior secured floating rate notes. Furthermore, the super senior revolving credit facility, as amended and restated by the relevant Amendment and Restatement Agreement, will generally have significantly improved terms and allow the Issuer greater flexibility. In particular, among other amendments (i) Goldman Sachs International Bank and J.P. Morgan Securities plc will become new, additional lenders under the super senior revolving credit facility, (ii) the final maturity date of the super senior revolving credit facility will be extended to the date falling six (6) years after the effective date of the relevant Amendment and Restatement Agreement, (iii) the super senior revolving credit facility will have an uncommitted "accordion feature" which will give us the option to increase the total commitments under the super senior revolving credit facility from currently €50 mn to up to €80 mn, (iv) there will be no more restrictions on the use of any amounts borrowed under the super senior revolving credit facility, (v) there will be no more requirements for a "clean down", (vi) there will be no more limit on the amount of undrawn commitments under the super senior revolving credit facility that may be made available by way of ancillary facilities, (vii) the change of control provision will be amended to more closely track those contained in the conditions of issue for the Notes, (viii) there will be no more requirements for mandatory prepayments and related cancellation of commitments in connection with the receipt of certain net insurance proceeds or certain listing proceeds, (ix) the margin for borrowings under the super senior revolving credit facility will be reduced from currently 3.00% per annum to 2.00% per annum, (x) the current springing consolidated net leverage ratio financial covenant will be replaced with a more flexible springing interest cover ratio financial covenant, which will also include a so-called "mulligan", (xi) the current note purchase condition in the super senior revolving credit facility will be replaced with a more flexible purchase condition, which will give us more flexibility in connection with potential future refinancings and/or debt repayments, and (xii) the guarantor coverage test in the super senior revolving credit facility will be amended so that it will become an EBITDA test only and include additional and longer grace periods. Concurrently with the entry into the Amendment and Restatement Agreements on 21 December 2017, we further entered into a €38.5 mn senior secured EUR facility with IKB Deutsche Industriebank AG and a £70 mn senior secured GBP facility with Goldman Sachs Bank USA. The effectiveness of the Amendment and Restatement Agreements and the utilisation of the new senior secured EUR facility and the new senior secured GBP facility are subject to certain conditions precedent.

Unaudited Consolidated Interim Financial Information

31 December / Q4 2017

Consolidated Balance Sheet

Assets

	Assets (in € thousands)	31/12/2017*	31/12/2016
A.	**Fixed assets**		
I.	**Intangible assets**		
1.	Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	19,774	22,352
		19,774	**22,352**
II.	**Tangible assets**		
1.	Land and buildings including buildings on leasehold land	184,497	175,005
2.	Technical equipment and machinery	397,049	409,967
3.	Other equipment, factory and office equipment	6,904	6,254
4.	Prepayments and constructions in process	32,720	26,239
		621,169	**617,466**
III.	**Financial assets**		
1.	Shares in affiliated companies	37	37
		37	**37**
		640,980	**639,855**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials, consumables and supplies	53,985	51,480
2.	Work in process	27,671	18,396
3.	Finished goods	5,061	4,038
4.	Prepayments	147	29
		86,864	**73,944**
II.	**Receivables and other assets**		
1.	Trade receivables	78,859	59,562
2.	Receivables from affiliated companies	39	52
3.	Other assets	19,893	19,757
		98,791	**79,370**
III.	**Cash in hand, bank balances**	**117,946**	**37,370**
		303,602	**190,685**
C.	**Prepaid expenses**	**917**	**1,189**
D.	**Deferred taxes**	**857**	**5,086**
	Total assets	**946,356**	**836,815**

* Unaudited consolidated interim financial information

Consolidated Balance Sheet
Equity and Liabilities

Equity and Liabilities (in € thousands)		31/12/2017*	31/12/2016
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	-454	-3,267
5.	Consolidated net retained profits	193,358	178,466
		277,314	**259,609**
B.	**Investment grants for fixed assets**	**2,685**	**2,937**
C.	**Provisions**		
1.	Provisions for pensions	173	35
2.	Tax provisions	13,732	8,104
3.	Other provisions	47,628	38,953
		61,533	**47,092**
D.	**Liabilities**		
1.	Bonds	495,000	420,000
2.	Bank loans	42,519	26,275
3.	Trade payables	51,524	58,020
4.	Other liabilities	12,161	18,188
		601,204	**522,483**
E.	**Deferred income**	**3,620**	**4,695**
	Total equity and liabilities	**946,356**	**836,815**

* Unaudited consolidated interim financial information

Consolidated Income Statement

Consolidated Income Statement (in € thousands)		October – December 2017*	October – December 2016*	January – December 2017*	January – December 2016
1.	Sales	211,805	176,778	804,256	733,228
2.	Increase/decrease in finished goods and work in process	7,890	-2,119	10,298	-6,554
3.	Other own work capitalised	651	343	2,637	1,116
4.	Other operating income	5,353	4,214	17,603	14,713
5.	Costs of materials				
a)	Costs of raw materials, consumables and supplies	-95,114	-78,003	-361,659	-309,632
b)	Costs of purchased services	-13,336	-14,942	-68,822	-61,918
		-108,450	-92,945	-430,481	-371,550
6.	Personnel expenses				
a)	Wages and salaries	-16,824	-13,107	-58,294	-52,627
b)	Social security and pensions	-2,782	-2,103	-10,032	-8,795
		-19,606	-15,210	-68,326	-61,423
7.	Amortisation and depreciation of fixed intangible and tangible assets	-12,459	-11,919	-50,032	-47,372
8.	Other operating expenses	-42,182	-37,719	-160,425	-154,293
9.	Other interest and similar income	32	34	65	144
10.	Interest and similar expenses	-6,001	-5,696	-23,678	-25,334
11.	Taxes on income	-10,618	-3,648	-28,058	-19,793
12.	**Earnings after taxes**	**26,415**	**12,115**	**73,861**	**62,883**
13.	Other taxes	-369	-371	-1,449	-1,479
14.	**Consolidated net income for the period**	**26,046**	**11,744**	**72,412**	**61,404**
15.	Consolidated unappropriated retained earnings brought forward			120,947	117,062
16.	**Consolidated net retained profits**			**193,358**	**178,466**

* Unaudited consolidated interim financial information

Consolidated Cash Flow Statement

	Consolidated Cash Flow Statement (in € thousands)	October – December 2017*	October – December 2016*	January – December 2017*	January – December 2016
1.	**Cash flows from operating activities**				
	Consolidated net income for the period	26,047	11,744	72,412	61,404
	Amortisation and depreciation of fixed assets	12,459	11,919	50,032	47,372
	Increase (+)/decrease (-) in provisions	-4,255	-7,576	6,183	-6,709
	Other non-cash expenses (+)/income (-)	-1,280	585	-1,228	-496
	Increase (-)/decrease (+) in inventories, trade receivables and other assets**	-1,763	2,623	-32,056	3,049
	Increase (+)/decrease (-) in trade payables and other liabilities**	-16,263	5,110	-10,431	9,983
	Gain (-)/loss (+) on disposal of fixed assets	0	510	0	510
	Interest expenses (+)/income (-)	5,970	5,663	23,613	25,190
	Expenditure (+)/income (-) of exceptional size or incidence	2,740	13,989	6,240	14,835
	Income tax expenses (+)/income (-)	10,618	3,648	28,058	19,793
	Cash payments (-) relating to expenditure of exceptional size or incidence	0	-11,736	-2,178	-11,736
	Income taxes paid (-)	-3,819	-2,269	-17,939	-10,631
	Cash flows from operating activities	**30,454**	**34,210**	**122,706**	**152,564**
2.	**Cash flows from investing activities**				
	Proceeds (+) from disposal of intangible and tangible fixed assets	0	66	150	144
	Payments (-) to acquire intangible fixed assets	-97	-197	-176	-472
	Payments (-) to acquire tangible fixed assets	-14,936	-8,700	-47,762	-22,976
	Interest received (+)	20	29	53	103
	Cash flows from investing activities	**-15,013**	**-8,802**	**-47,735**	**-23,201**
3.	**Cash flows from financing activities**				
	Proceeds (+) from the issuance of bonds and borrowings	0	0	173,187	2,081
	Cash repayments (-) of bonds and borrowings	-4,873	-80	-83,642	-75,847
	Proceeds (+) from grants received	0	0	0	313
	Cash payments (-) relating to expenditure of exceptional size or incidence	-959	0	-3,317	-4,109
	Interest paid (-)	-10,944	-10,225	-24,891	-26,473
	Dividends paid to shareholders of the parent entity (-)	-2,504	0	-57,519	-6,222
	Cash flows from financing activities	**-19,280**	**-10,305**	**3,818**	**-110,257**
4.	**Cash funds at end of period**				
	Net change in cash funds	-3,839	15,103	78,789	19,106
	Effect on cash funds of exchange rate movements	1,399	-1,051	1,787	-2,498
	Cash funds at beginning of period	120,386	23,318	37,370	20,762
	Cash funds at end of period	**117,946**	**37,370**	**117,946**	**37,370**
5.	**Composition of cash funds**				
	Cash and cash equivalents	117,946	37,370	117,946	37,370
	Cash funds at end of period	117,946	37,370	117,946	37,370

* Unaudited consolidated interim financial information
** Not attributable to investing or financing activities

Additional Explanatory Information

Accounting policies

The unaudited consolidated interim financial information of Progroup AG as at and for the period ended 31 December 2017 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 2016.

Please refer to the notes to the audited consolidated financial statements for the year ended 31 December 2016 for a detailed description of our significant accounting policies.

Scope of consolidation

In the period ended 31 December 2017, the newly founded Prowell S.r.l. (Italy) was added to the scope of consolidation.

Information on material risks

As at 31 December 2017, there are no significant changes with regard to the risks for Progroup AG compared with the year ended 31 December 2016 and described in the respective annual financial statements.

Prowell corrugated board plant with packaging park in Trzcinica, Poland

Legal Notice and Information

www.progroup.ag

www.ir.progroup.ag

Progroup AG
Horstring 12
76829 Landau
Germany

Phone: +49 (0) 6341 / 55 76-0
Fax: +49 (0) 6341 / 55 76-109

ir@progroup.ag
www.ir.progroup.ag

Court:
Amtsgericht Landau, HRB Nr. 2268

Board:
Jürgen Heindl (CEO, Chairman)
Dr. Volker Metz (CFO)
Maximilian Heindl (Deputy Member of the Executive Board)
Philipp Kosloh (Deputy Member of the Executive Board)

Issue date of this report:
15/02/2018

pro group

The Power of Innovation