Special Report

by

Progroup AG

to Holders of the

€250,000,000 5.125% Senior Secured Fixed Rate Notes due 2022

and the

€150,000,000 Senior Secured Floating Rate Notes due 2022

in connection with the proposed acquisition of the combined heat and power plant adjacent to its paper mill in Eisenhüttenstadt, Germany

December 8, 2015

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FORWARD-LOOKING STATEMENTS

This special report includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this special 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. In some cases, you can identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "ongoing", "plan", "potential", "predict", "projected", "seek", "should", "targets" or "will" or the negative of such terms or other variation or comparable terminology.

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 special report. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this special report, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- the level of economic growth and activity and fluctuations in the demand for our products,
- the cyclical nature of the containerboard and corrugated board industry and industry-wide production capacity,
- operational disruptions at our facilities,
- risks associated with the CHP Acquisition (as defined herein);
- pricing pressure, consolidation of our customers, product substitution and competition in the markets in which we operate,
- fluctuations in the costs of our raw materials and other input costs and our ability to pass on increases to our customers,
- our ability to secure a reliable supply of raw materials, including recycled paper,
- the availability of, and increases in the costs of, transportation,
- increases in energy costs and loss of financial privileges in this respect,
- failure to successfully continue our Continuous Improvement Program and to further improve our operational efficiency and asset utilization and to successfully implement our business strategy,
- adverse effects arising from costs and difficulties of acquiring and integrating complementary businesses,
- our ability to comply with numerous environmental, health and safety laws and regulations as well as changes to such laws and regulations,
- currency exchange rate fluctuations,
- insufficient insurance coverage,
- loss of key customers or key personnel,
- risks arising from uncertainties regarding the European Monetary Union,
- IT and communication system failure or data loss,
- tax risks attributable to previous tax assessment periods and risks associated with restrictions on the deduction of interest expense or forfeiture of interest carry forwards under German tax laws,

- our substantial leverage and debt service obligations,
- limited operating flexibility due to financial and restrictive covenants in our debt agreements,
- risks of a default under our debt agreements, which could result in an acceleration of repayment,
- risks associated with our capital structure and financial position and the terms of our indebtedness, and
- other factors discussed in "*Risk Factors*".

The risks described in the "*Risk Factors*" section of this special report are not exhaustive. Other sections of this special report describe additional factors that could adversely affect our business, financial condition and results of operations. Moreover, we operate in a highly competitive industry. New risks may emerge from time to time, and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We urge you to read carefully the section of this special report entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry and Competition*" and "*Business*" for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking statements described in this special report may not be accurate or occur at all.

Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made (and in any case no later than the date of this special report). In addition, from time to time, we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

We undertake no obligation, and do not intend, to update or revise any forward-looking statements or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this special report.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise in this special report (and except as otherwise defined in the "*Description of Certain Financing Arrangements*" for purposes of that section only):

- references to "**we**", "**us**", "**our**" and the "**Group**" are to Progroup AG together with its consolidated subsidiaries;
- references to "**British pounds**", "**GBP**" or "**£**" are to the lawful currency of the United Kingdom;
- references to "**CHP**" are to the combined heat and power plant adjacent to our paper mill in Eisenhüttenstadt, Germany;
- references to "**CHP Acquisition**" are to the proposed acquisition of the CHP Assets pursuant to the CHP Purchase Agreement;
- references to "**CHP Acquisition Completion Date**" are to the date on which the CHP Acquisition becomes effective in accordance with the terms of the CHP Purchase Agreement;
- references to "**CHP Assets**" are to (i) all shares in EnBW Propower GmbH, the current owner of the CHP, (ii) the network access ports linking our paper machine PM2 to the public electricity grid, (iii) the EnBW Intra-Group Loan and (iv) certain spare parts for the CHP, in each case as such assets are intended to be transferred to Progroup AG, EnBW Propower GmbH and Propapier PM2 GmbH, respectively, pursuant to the CHP Purchase Agreement;
- references to "**CHP Purchase Agreement**" are to the purchase, assignment and transfer agreement (*Vertrag über den Kauf und die Abtretung von Geschäftsanteilen an der EnBW Propower GmbH, den Kauf und die Übergabe von Netzanschlussanlagen sowie den Kauf und die Abtretung einer Darlehensforderung*) entered into by Progroup AG, Propapier PM2 GmbH, EnBW, Sales & Solutions GmbH, EnBW Propower GmbH and EZG Operations GmbH in relation to the CHP Acquisition on December 2, 2015;
- references to "**Company**" are to Progroup AG, a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Germany;
- references to "**Continuous Improvement Program**" are to the Continuous Improvement Program described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations—Continuous Improvement Program*";
- references to "**EnBW**" are to EnBW Energie Baden-Württemberg AG;
- references to "**EnBW Intra-Group Loan**" are to the €140,000,000 loan agreement dated June 18, 2013 made between EnBW as lender and EnBW Propower as borrower under which a principal amount of €126,000,000 is outstanding as of the date of this special report;
- reference to "**EnBW Propower**" are to EnBW Propower GmbH, a wholly-owned, indirect subsidiary of EnBW, which owns the CHP and which we will acquire as part of the CHP Acquisition;
- references to "**Executive Board**" are to the executive board of Progroup AG;
- references to "**EZG**" are to EZG Operations GmbH, an indirect, wholly-owned subsidiary of EnBW and current operator of the CHP;
- references to "**euro**", "**EUR**" or "**€**" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- references to "**Former JH-Holding Facility**" are to the Former JH-Holding Facility described under "*Management's Discussion and Analysis of Financial Condition and Results of Operation—The Refinancing*";
- references to "**Former Senior Credit Facility**" are to the Former Senior Credit Facility described under "*Management's Discussion and Analysis of Financial Condition and Results of Operation —The Refinancing*";
- references to "**German GAAP**" are to generally accepted accounting principles (*Grundsätze ordnungsmäßiger Buchführung*) in the Federal Republic of Germany as in effect from time to time;

- references to "**Hedging Obligations**" are to certain hedging obligations which will be secured by the Collateral pursuant to the terms of the Intercreditor Agreement;
- references to "**IFRS**" are to International Financial Reporting Standards as adopted by the European Union;
- references to "**Intercreditor Agreement**" are to the intercreditor agreement entered into on April 30, 2015 among, *inter alios*, Progroup AG and any other entity which accedes to the intercreditor agreement as a debtor, the Security Agent, the lenders under the Super Senior Revolving Credit Facility, the agent under the Super Senior Revolving Credit Facility and the Holders' Representative, which is described in more detail under "*Description of Certain Financing Arrangements—Intercreditor Agreement*";
- references to "**JH-Holding**" are to JH-Holding GmbH, a limited liability company *(Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany, the direct parent company of Progroup AG and our controlling shareholder;
- references to "**PLN**" or "**Polish zloty**" are to the lawful currency of the Republic of Poland.
- references to "**PIK Toggle Notes**" are to the €125 million aggregate principal amount of 8.25%/9.00% PIK Toggle Notes due 2022 of JH-Holding Finance SA, which are fully and unconditionally guaranteed by JH-Holding;
- references to "**Profund**" are to our activities related to the support, from time to time, of Prowell customers in obtaining funding for their own expansion projects;
- references to "**Progroup AG**" are to Progroup AG, a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Germany and the issuer of the Senior Secured Notes;
- references to "**Prologistik**" are to our own logistics operations, including a fleet of trucks we operate primarily to service the business operations of Propapier and Prowell;
- references to "**Propapier**" are to our containerboard production at our two paper mills in Burg and Eisenhüttenstadt (both located in Germany);
- references to "**Proservice**" are to marketing, communication and IT services in support of Propapier and Prowell;
- references to "**Prowell**" are to our corrugated board production at our eight corrugated board production sites in the Czech Republic, France, Germany, Poland and the United Kingdom;
- references to "**Refinancing**" are to the Refinancing, as defined under "*Management's Discussion and Analysis of Financial Condition and Results of Operation —The Refinancing*";
- references to "**Senior Secured PLN Facility**" are to the PLN 107,000,000 senior secured PLN facility agreement dated December 1, 2015, entered into among Progroup AG, as company and original guarantor, Prowell sp. z o.o, as borrower and original guarantor, the other existing Guarantors, as original guarantors, Commerzbank Aktiengesellschaft as mandated lead arranger, original lender and agent, and Wilmington Trust (London) Limited, as security agent;
- references to "**SSG**" are to Sales & Solutions GmbH, a wholly-owned subsidiary of EnBW and current shareholder of EnBW Propower;
- references to "**Super Senior Revolving Credit Facility**" are to our super senior revolving credit facility as defined in "*Description of Certain Financing Arrangements—Super Senior Revolving Credit Facility*";
- references to "**Supervisory Board**" are to the supervisory board of Progroup AG;
- references to "**United States**" or "**U.S.**" are to the United States of America; and
- references to "**U.S. Securities Act**" are to the U.S. Securities Act of 1933, as amended.

PRESENTATION OF FINANCIAL INFORMATION

Progroup AG Financial Statements

In this special report, the term "financial statements" refers to the audited consolidated financial statements and the notes thereto of Progroup AG and its consolidated subsidiaries as of and for the fiscal years ended December 31, 2012, 2013 and 2014 and the unaudited condensed consolidated interim financial statements and notes thereto of Progroup AG and its subsidiaries as of and for the nine-month period ended September 30, 2015 ("**2015 Unaudited Nine Months Condensed Consolidated Financial Statements**").

In addition, this special report includes certain unaudited consolidated financial information for the 12 months ended September 30, 2015. This information was derived by adding our consolidated financial information for the year ended December 31, 2014 derived from our audited consolidated financial statements to our unaudited consolidated financial information for the nine months ended September 30, 2015 and subtracting our unaudited consolidated financial information for the nine months ended September 30, 2014.

Our financial statements included in this special report have been prepared in accordance with German GAAP, which differs in certain significant respects from IFRS. For a discussion of significant differences between German GAAP and IFRS, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Summary of Significant Differences between German GAAP and IFRS*".

The financial information included in this special report is not intended to comply with the reporting requirements of the SEC.

Certain numerical figures set out in this special report, including financial data and operational volumes presented in million or thousand and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this special report may vary slightly from the actual arithmetic totals of such information. The financial information and financial statements included in this special report are presented in euro. Amounts presented in euro per ton are not part of the financial statements but are taken from the management reporting of the Group.

Progroup AG *Pro Forma* Financial Information

In this special report, Progroup AG *pro forma* financial information has been derived from:

- the unaudited *pro forma* consolidated balance sheet of Progroup AG as of June 30, 2015 and the notes thereto (the "***Pro Forma* Six Months 2015 Consolidated Balance Sheet**");
- the unaudited *pro forma* consolidated income statement of Progroup AG for the six months ended June 30, 2015 and the notes thereto (the "***Pro Forma* Six Months 2015 Consolidated Income Statement**"); and
- the unaudited *pro forma* consolidated income statement of Progroup AG for the financial year ended December 31, 2014 and the notes thereto (the "***Pro Forma* 2014 Consolidated Income statement**" and, together with the *Pro Forma* Six Months 2015 Consolidated Balance Sheet and the *Pro Forma* Six Months 2015 Consolidated Income Statement, the "**Progroup *Pro Forma* Financial Information**").

The unaudited Progroup *Pro Forma* Financial Information contained in this special report has been derived by applying *pro forma* adjustments to the following historical financial information of Progroup AG and EnBW Propower GmbH:

- the audited consolidated financial statements and the notes thereto of Progroup AG and its consolidated subsidiaries as of and for the fiscal year ended December 31, 2014 (the "**2014 Audited Consolidated Financial Statements**");
- the unaudited consolidated interim financial statements of Progroup AG and its consolidated subsidiaries as of and for the six-month period ended June 30, 2015 (the "**2015 Unaudited Six Months Consolidated Financial Statements**");
- the audited financial statements and the notes thereto of EnBW Propower GmbH as of and for the fiscal year ended December 31, 2014; and

- the unaudited interim financial statements of EnBW Propower GmbH as of and for the six-month period ended June 30, 2015.

The financial statements of EnBW Propower GmbH that were used for the preparation of the Progroup *Pro Forma* Financial Information are not included in this special report. We have not included any Progroup AG *pro forma* financial information as of or for the nine-month period ended September 30, 2015 in this special report, because EnBW Propower GmbH does not prepare reviewed interim financial statements as of and for the period ended September 30, 2015.

In addition, certain items and positions attributable to transactions between EnBW and its subsidiaries, on the one hand, and Progroup AG and its consolidated subsidiaries, on the other hand, were eliminated in connection with the *pro forma* consolidation of EnBW Propower GmbH. These items and positions relate to the existing framework and ancillary agreements with EnBW relating to the CHP as described in more detail under "*Management's Discussion and Analysis of Financial Condition and Results of Operations–Contractual Obligations–Framework and Ancillary Agreements with EnBW*".

The purpose of the Progroup *Pro Forma* Financial Information is to present Progroup AG's *pro forma* consolidated income statements for the year ended December 31, 2014 and for the six months ended June 30, 2015, in each case as if the CHP Acquisition had occurred as of January 1, 2014, and Progroup AG's *pro forma* consolidated interim Balance Sheet as if the CHP Acquisition had occurred as of June 30, 2015. Because of its nature, the Progroup *Pro Forma* Financial Information describes only a hypothetical situation and, therefore, does not indicate the future development of Progroup AG's financial condition, results of operation and cash flows.

The Progroup *Pro Forma* Financial Information should further be read in conjunction with the other financial information appearing elsewhere in this special report, including under "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

The CHP Acquisition will be accounted in accordance with section 301 of the German Commercial Code (*Handelsgesetzbuch, HGB*). The allocation of the preliminary purchase price as reflected in the Progroup *Pro Forma* Financial Information has been based upon preliminary estimates of the total consideration transferred for the CHP Acquisition and preliminary estimates of the fair value of the assets acquired and liabilities assumed. A final determination of the fair value of assets acquired and liabilities assumed in connection with the CHP Acquisition will be based on the actual assets and liabilities that are going to exist at the date of the acquisition. Such valuations could change significantly upon the completion of further analyses and asset valuations from those used in the Progroup *Pro Forma* Financial Information. The final valuation will be completed in succession of the acquisition date. The preliminary purchase price allocation in accordance with section 301 of the German Commercial Code is subject to change based on timing of the closing of the CHP Acquisition and the determination of the acquisition date. Any excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired in connection with the CHP Acquisition will be allocated to the fair value of the operation license and recognized as intangible assets in our consolidated financial statements.

The Progroup *Pro Forma* Financial Information is for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial position that would have been reported had the CHP Acquisition been completed as of the date presented, and should not be taken as representative of future consolidated results of operations or financial position. See "*Risk Factors—Risks Related to the CHP Acquisition—Pro forma financial information describes only a hypothetical situation and, therefore, may not reflect actual assets, financial position and results of operation of the Group upon closing of the CHP Acquisition*".

Non-GAAP Financial Measures

In this special report, we present certain non-GAAP measures and ratios, including total output, gross profit, EBITDA, consolidated net income/(net loss) before income tax, trade working capital, free cash flow, net cash flow, cash flow available for debt service, adjusted cash flow available for debt service, cash flow from change in trade working capital and cash flow from change in total working capital, capital expenditures, total financial debt, net financial debt as well as certain related *pro forma* financial measures and other *pro forma* 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 to 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 liquidity. 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 total output, gross profit, EBITDA, consolidated net income/(net loss) before income tax, trade working capital, free cash flow, net cash flow, cash flow available for debt service, adjusted cash flow available for debt service, cash flow from change in trade working capital and cash flow from change in total working capital, capital expenditures, total financial debt, net financial debt as well as certain related *pro forma* financial measures and other *pro forma* data presented by us may not be comparable to similarly titled measures used by other companies.

INDUSTRY AND MARKET DATA

We operate in an industry for which it is difficult to obtain precise industry and market information. Market data and certain economic and industry data and forecasts used, and statements regarding our position in the industry made, in this special report are based upon market research, government and other publicly available information, reports prepared by independent industry consultants and independent industry publications. These include information published by RISI, Inc. ("**RISI**"). The information in this special 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 neither we nor the Initial Purchasers make any representation or warranties as to the accuracy or completeness of such information set forth in this special report. Additionally, industry publications and such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. Some industry publications publish or provide projections or other forward looking statements that, by their very nature, involve inherent risks and uncertainties and past projections or forward looking statements have turned out to be inaccurate. See "*Forward-Looking Statements*". Neither we nor the Initial Purchasers can therefore assure you of the accuracy and completeness of such information as we have not independently verified such information.

In addition, certain information in this special report regarding our industry and our market position is not based on published statistical data or information obtained from independent third parties. Such information and statements reflect our estimates based upon information obtained from trade and business organizations and associations and other contacts within the industry in which we compete, internal surveys and assumptions we deem reasonable, as well as information published by our competitors. To the extent that information in this special report is identified as being our belief, that information is based on the following: (i) in respect of industry trends, our senior management's general business experience, as well as their experience in our industry and the markets in which we operate, and (ii) in respect of the performance of our operations, our internal analysis of our audited and unaudited financial and other information. As some of the foregoing information was compiled or provided by our management and is not publicly available, such information accordingly may not be considered to be as independent as that provided by other third party sources.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

In this special report, all references to "**euro**", "**EUR**" or "**€**" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, and all references to "**U.S. dollars**" and "**US$**" are to the lawful currency of the United States of America. All references to "**British pounds**", "**GBP**" or "**£**" are to the lawful currency of the United Kingdom, all references to "**CZK**" or "**Czech koruna**" are to the lawful currency of the Czech Republic and all references to "**PLN**" or "**Polish zloty**" are to the lawful currency of the Republic of Poland.

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of our financial statements and other financial information appearing in this special report. We do not make any representation that the euro amounts referred to in this special report have been, could have been or could, in the future, be converted into U.S. dollars at any particular rate, if at all.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the euro on December 4, 2015 was US$1.0879 per €1.00.

	U.S. dollars per €1.00			
	Period end	Average	High	Low
Year				
2010	1.3387	1.3266	1.4513	1.1923
2011	1.2959	1.3924	1.4830	1.2907
2012	1.3192	1.2860	1.3458	1.2061
2013	1.3743	1.3285	1.3804	1.2780
2014	1.2098	1.3285	1.3932	1.2098
Month				
June 2015	1.1147	1.1235	1.1359	1.0927
July 2015	1.0984	1.0999	1.1166	1.0825
August 2015	1.1211	1.1138	1.1618	1.0882
September 2015	1.1177	1.1237	1.1439	1.1120
October 2015	1.1007	1.1220	1.1474	1.0923
November 2015	1.0565	1.0742	1.1016	1.0565
December 2015 (through December 4, 2015)	1.0879	1.0726	1.0940	1.0565

For information on the impact of fluctuations in exchange rates on our operations, see "*Risk Factors—Risks Related to Our Industry and Our Business—We are exposed to currency exchange rate fluctuations*".

LETTER TO INVESTORS

Dear investors,

As already indicated in our letter to investors dated December 3, 2015, Progroup AG, our subsidiary Propapier PM2 GmbH, EnBW Energie Baden-Württemberg AG ("**EnBW**") and certain of EnBW's subsidiaries entered into a purchase, assignment and transfer agreement (the "**CHP Purchase Agreement**") for the proposed acquisition by Progroup AG of EnBW Propower GmbH ("**EnBW Propower**"), the combined heat and power plant (the "**CHP**") adjacent to our paper mill in Eisenhüttenstadt and certain related assets (the "**CHP Acquisition**") for an aggregate purchase price (subject to customary post-closing adjustments) of €183.9 million.

As promised in our letter to investors dated December 3, 2015, you can find more detail about the CHP Acquisition and the economic rationale for the CHP Acquisition under "*The CHP Acquistion*" in this special report. Although we are confident that the CHP Acquisition will allow us to significantly reduce our energy expenses, the CHP Acquisition also involves certain risks which are described in this special report under "*Risk Factors—Risks Related to the CHP Acquisition*".

In this special report, you can also find other, up-to-date information about our business, financial condition, results of operation, industry, shareholders, management and financing arrangements.

We plan to finance the CHP Acquisition through a combination of cash-in-hand and the incurrence of approximately €120 million of additional indebtedness, including through the full utlization of a PLN 107 million senior secured credit facility we entered into with Commerzbank Aktiengesellschaft on December 1, 2015 as described in more detail under "*Description of Certain Financing Arrangements—Senior Secured PLN Facility*" in this special report.

The CHP Acquisition remains subject to a number of conditions, including approval by the competent cartel authorities, but we hope to be able to complete the CHP Acquisition on or around December 31, 2015.

We thank you for your continuing support.

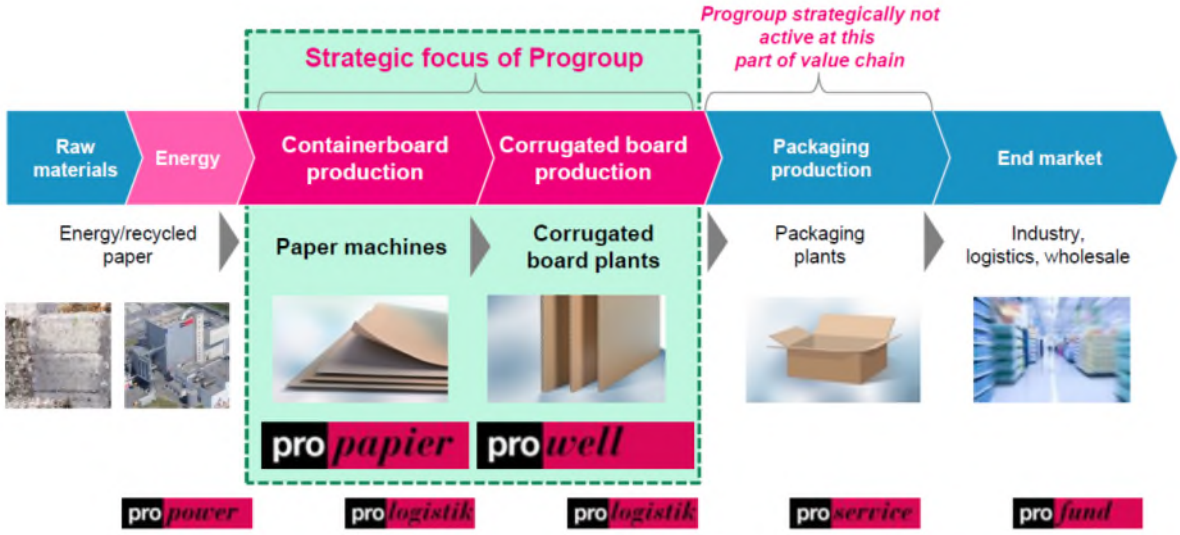
Jürgen Heindl	Frank Gumbinger
CEO and Chairman	CFO

OVERVIEW

The following overview is qualified in its entirety by, and should be read in conjunction with, the more detailed information, the historical financial information and the Progroup Pro Forma Financial Information appearing elsewhere in this special report. You should read carefully the entire special report to understand our business and the implications of the CHP Acquisition, including the risks discussed under the caption "Risk Factors".

OUR COMPANY

We are a leading, family-owned producer and supplier of containerboard and corrugated board in Central Europe and are headquartered in Landau, Germany. We believe we are the fourth largest producer of corrugated board in Europe (by production capacity) through our Prowell business ("**Prowell**") and the sixth largest producer of recycled containerboard in Europe (by production capacity) through our Propapier business ("**Propapier**"). We focus on the highly efficient production and processing of standardized grades and customized 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 in Germany, Austria, Belgium, the Netherlands and the Czech Republic. 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, *i.e.* 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 compete with our box manufacturing customers but instead focus solely on the production of containerboard and corrugated board.



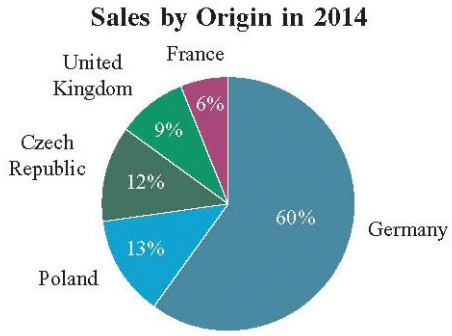
Through our large scale and highly flexible production, built up primarily via a greenfield approach, we are able to realize significant economies of scale. Since we commenced operations in 1992, we have carefully selected the locations of our production sites and have grown organically by pursuing primarily a 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 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.

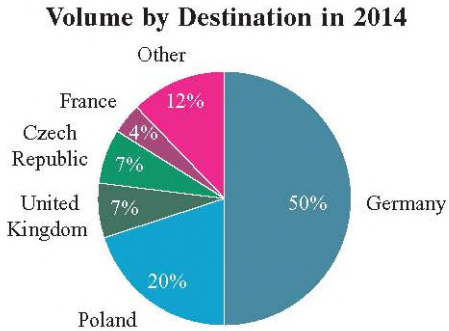
Our core business comprises Propapier and Prowell. The focus of Propapier's operations is highly flexible containerboard production using almost exclusively recycled paper, with high output volumes to increase cost efficiency and short delivery times. In 2014 and in the first nine months of 2015, containerboard 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 and online ordering and tracking options.

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 60-230g/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 eight corrugated board production sites in the Czech Republic, France, Germany, Poland and the United Kingdom, with a total annual production capacity of approximately 990,000 tons of corrugated board. Our historic greenfield location strategy ensures close customer proximity and high production flexibility. As part of our historic greenfield location strategy and to secure a reliable supply of energy to our paper machine PM2 at clearly defined prices, we entered into framework and ancillary agreements with EnBW for the construction and operation of a combined heat and power plant (the "**CHP**") adjacent to our paper mill in Eisenhüttenstadt. The CHP is currently owned by EnBW Propower GmbH ("**EnBW Propower**"), a wholly-owned, indirect subsidiary of EnBW. As described in more detail below, on December 2, 2015, we entered into the CHP Purchase Agreement for the proposed acquisition of EnBW Propower, the CHP and certain related assets. As a result thereof, we would start producing a significant portion of the energy required for the operation of our paper machine PM2 ourselves.

In 2014, we sold approximately 789,000 tons of corrugated board and approximately 392,000 tons of containerboard to external customers across Europe, generating external sales of €508.7 million (76.9% of total sales) and €142.8 million (21.6% of total sales), respectively. Our total sales and EBITDA in 2014 amounted to €661.3 million and €125.1 million, respectively. Sales in Germany (origin), our core market, accounted for 60.4% of total sales and 50.4% of sales by volume in 2014.





Primarily to support our core business, Propapier and Prowell, we have established our own logistics operations, including a fleet of currently 57 trucks ("**Prologistik**"), which generated most of our €9.9 million in other sales (1.5% of total sales) in 2014. We also provide marketing, communication and IT services, again primarily to support Propapier and Prowell ("**Proservice**"). Proservice did not generate any external sales in 2014 or the first nine months of 2015 and does not have any significant assets or liabilities, but provides value-add services to our customers.

Founded in 1991, we are indirectly majority-owned by Jürgen Heindl, our founder and chief executive officer.

OVERVIEW OF THE CHP ACQUISITION

On December 2, 2015, Progroup AG, Propapier PM2 GmbH, EnBW and its subsidiaries Sales & Solutions GmbH ("**SSG**"), EnBW Propower GmbH ("**EnBW Propower**") and EZG Operations GmbH ("**EZG**") entered into a purchase, assignment and transfer agreement (the "**CHP Purchase Agreement**") for the proposed acquisition by Progroup AG of EnBW Propower, the combined heat and power plant adjacent to our paper mill in Eisenhüttenstadt, Germany (the "**CHP**"), and certain related assets (such acquisition, the "**CHP Acquisition**") for an aggregate purchase price (subject to customary post-closing adjustments) of €183.9 million.

EnBW Propower GmbH and the CHP

The CHP is one of Germany's largest combined heat and power plants with an annual consumption of approximately 350,000 tons of refuse-derived fuels.

The CHP commenced operations in 2011 and is currently owned by EnBW Propower, an indirect subsidiary of EnBW. It was specifically designed to meet the steam requirements of our paper machine PM2 (the "**PM2**"). Under normal operating conditions, the CHP supplies 100% of the steam requirements of the PM2, but as a back-up solution during maintenance or other shutdowns of the CHP, a nearby power plant in Eisenhüttenstadt is used as an alternative steam supplier. The CHP has historically supplied approximately 84% of the total steam requirements of the PM2 on an annual average basis. To increase the share of the total steam requirements of the PM2 supplied by the CHP and to minimize the need for an external steam supply, we try to coordinate any scheduled maintenance shutdowns of the CHP and the PM2 as much as practicable. The electricity produced by the CHP is sold directly to the public electricity grid and mitigates the costs of our electricity purchases.

The CHP primarily uses processed household and commercial waste as well as rejects from our recycled paper processing operations and other refuse-derived fuels as fuel to heat a fluidized bed boiler (*Wirbelschichtkessel*) to meet base load requirements. To be able to meet peak load requirements, the CHP also has a large water boiler (*Grossraumwasserkessel*) which can be heated using fuel oil. Fuel oil is also used for starting up (*Anfahren*), shutting down (*Abfahren*) or co-firing (*Stützfeuerung*) the fluidized bed boiler.

EnBW Propower was originally established as a wholly-owned subsidiary of JH-Holding, our parent company and controlling shareholder. On December 18, 2008, all shares in EnBW Propower were transferred to EnBW Energy Solutions GmbH, a wholly-owned subsidiary of EnBW. At the time of the transfer, JH-Holding had already completed most of the design and planning stages for the CHP, but financial constraints at the time led us to enter into the existing contracting arrangement with EnBW for the financing, contruction and operation of the CHP. The CHP commenced commercial operations on April 15, 2011, and in 2013, EnBW Energy Solutions GmbH merged into SSG.

EnBW Propower currently owes EnBW approximately €126 million pursuant to an intra-group loan (the "**EnBW Intra-Group Loan**"). In addition, SSG owns the network access ports linking PM2 to the public electricity grid (the "**Network Access Ports**"). As part of the CHP Acquisition, we will also acquire the EnBW Intra-Group Loan and the Network Access Ports.

The CHP is currently operated and maintained by approximately 38 employees (the "**CHP Employees**"), which are employed by EZG, an indirect, wholly-owned subsidiary of EnBW.

Economic Rationale for the CHP Acquisition

Under the existing contracting arrangement with EnBW, we are already closely involved in the operation of the CHP and already bear a significant portion of the economic risks associated with the operation of the CHP. For example, under the existing contracting arrangement with EnBW, we are already responsible for supplying refuse-derived fuels and other fuels to the CHP, and we also bear the costs of disposing of the ash (*Ascheentsorgung*) generated by the CHP.

As of September 30, 2015, we had remaining (off-balance sheet) obligations of approximately €229 million under the contracting arrangement with EnBW. Under the existing contracting arrangement, we are required to make certain fee payments to EnBW, including approximately €42 million in annual payments as follows:

- annual payments of approximatley €30 million (*Grundpreis I*), which are the equivalent of capital charges for the CHP and which include both a repayment component and an interest component with an implied interest rate of 10.4%;
- a flat annual fee of approximately €10 million (*Grundpreis II*) to cover the general operating costs of the CHP, including personnel expenses, repair and maintenance costs as well as insurance costs; and
- annual payments of approximately €2 million pursuant to the Network Access Agreement, which similarly include components that are the equivalent of capital charges for the use of the Network Access Ports (approximately €1.5 million) as well as a component that covers the general operating costs of the Network Access Ports (approximately €0.3 million).

We currently record all these payments under cost of materials. Under the existing contracting arrangement, the payments that cover the general operating expenses of the CHP and the Network Access Ports, respectively, are inflation-adjusted, and we are required to make these fee payments, irrespective of any scheduled maintenance shutdowns or unscheduled shutdowns that individually last for less than eleven days. For the period between 2012 and 2014, we have consequently already borne the economic consequences of between four and six weeks of maintenance and other shutdowns of the CHP each year, including the costs of our back-up arrangement for the supply of production steam with the nearby power plant.

All these payment obligations will terminate upon termination of the existing contracting arrangement following the completion of the CHP Acquisition and, therefore, will no longer reduce our EBITDA and cashflow.

After the completion of the CHP Acquisition, we estimate that we will make approximately €19 million in corresponding annual payments consisting of:

- approximately €12-13 million for personnel expenses, repair and maintenance costs and insurance costs, compared to the flat annual fee of approximately €10 million (*Grundpreis II*) we are currently charged under the contracting arrangement with EnBW;
- approximately €1 million for certain capital investments; and
- interest expenses of approximately €5 million on the approximately €120 million of additional indebtedness we expect to incur to finance a portion of the purchase price for the CHP Acquisition, including through drawings under the Senior Secured PLN Facility.

This implies potential annual net cash savings as a result of the CHP Acquisition of up to €23 million.

However, there can be no guarantee that our actual annual cash savings as a result of the CHP Acquisition will match these estimated cash savings or that we will be able to realize any cash savings as a result of the CHP Acquisition at all. In particular, following completion of the CHP Acquisition, we will bear certain additional risks associated with the ownership and operation of the CHP that are currently being borne by EnBW. For example, there can be no guarantee that the actual annual personnel expenses, repair and maintenance costs and insurance costs for the CHP will not be higher than our current estimate of approximately €12-13 million, that these expenses will not increase further in the future or that the actual requirements for capital investments per annum will not be higher than our current estimate of approximately €1 million. In addition, the estimated cash savings described in the preceeding paragraph do not reflect any potential tax effects from the CHP Acquisition, any potential future increases in the working capital requirements for operating the CHP. Actual interest expenses from debt incurrence may also be higher than our current estimate. Furthermore, following completion of the CHP Acquisition, we will become directly responsible for, and will bear all risks related to, the ownership and day-to-day operation of the CHP, which includes the risk of unexpected repair costs, the risk of any shutdowns of the CHP, the operational risks associated with the disposal of the ash generated by the CHP (*i.e.*, that we are unable to procure the proper disposal of the ash and may therefore be forced to shut down the CHP) as well as certain other operational and regulatory risks. The approximately €12-13 million for personnel expenses, repair and maintenance costs and insurance costs also do not represent all of the annual operating expenses for the CHP. In particular, they do not include certain costs and expenses we already bear under the existing contracting arrangement with EnBW, such as the costs of fuel oil and the costs of ash disposal. There can be no guarantee that those other operating expenses will not also increase in the future. Finally, there can be no guarantee that we will not be required to make additional capital investments in the CHP in excess of the approximately €1 million in expected annual capital investments described above. See also "*Risk Factors–Risks Related to the CHP Acquisition*".

The CHP Purchase Agreement and Transitional Services Agreement

Pursuant to the CHP Purchase Agreement, the CHP Acquisition will be effected by way of (i) a transfer by SSG to Progroup AG of all shares in EnBW Propower, (ii) a transfer by SSG to Propapier PM2 GmbH of the Network Access Ports, (iii) a transfer by EnBW to Propapier PM2 GmbH of all rights under the EnBW Intra-Group Loan and (iv) a transfer to EnBW Propower of certain spare parts for the CHP. Immediately after the transfer of the EnBW Intra-Group Loan to Propapier PM2 GmbH on the CHP Acquisition Completion Date, Progroup AG will assume (*schuldbefreiende Schuldübernahme*) all liabilities under the EnBW Intra-Group Loan from EnBW Propower, and Progroup AG and Propapier PM2 GmbH will amend the EnBW Intra-Group Loan to prohibit any pre-payment or re-payment of the EnBW Intra-Group Loan for a period of 18 months following the CHP Acquisition Completion Date (as defined below).

In addition, as a result of the transactions contemplated by the CHP Purchase Agreement, EnBW Propower will become the operator of the CHP. As a result, all rights and duties under the existing employment relationships with the CHP Employees will, by operation of law, automatically be transferred to EnBW Propower, including all obligations and liabilities with regard to any accrued pension, holiday and bonus entitlements as well as social security contributions, voluntary health insurance premiums and overtime payments/accounts owed to or on behalf of the CHP Employees by EZG under the relevant employment agreements and/or collective bargaining agreements, in each case, except with regard to any CHP Employees that timely object to the transfer of their employment relationship. Under the CHP Purchase Agreement, EZG agrees to hold EnBW Propower harmless for any such obligations or liabilities relating to the time prior to the transfer, while EnBW Propower agrees to hold EZG harmless for any such obligations or liabilities relating to the time after the transfer.

In connection with the entry into the CHP Purchase Agreement, Progroup AG has also entered into a transitional services agreement with EnBW (the "**Transitional Services Agreement**") intended to ensure the uninterrupted operation of the CHP for a transitional period after the date on which the CHP Acquisition becomes effective in accordance with the terms of the CHP Purchase Agreement (the "**CHP Acquisition Completion Date**"), which is expected to be December 31, 2015.

For more detail, see "*The CHP Acquisition*".

OUR STRENGTHS

We believe we benefit from the following competitive strengths.

Differentiated business model with leading market positions in attractive market environment

Our founder, Jürgen Heindl, designed a business model differentiating us from our competitors. Through our strategic value chain positioning in containerboard and corrugated board production only, we do not compete with our targeted customers, who are primarily family-owned, small- and medium-sized businesses. Our core customers focus on packaging solutions for the end-customer and typically do not have their own corrugated board production capability. Many of our competitors are fully integrated and focus on serving larger end-customers in large batch sizes, including global consumer corporates. Our differentiated business model allows us to serve a higher number of customers, process a higher number of orders and maintain higher production volumes per production site (up to 350 million square meters per annum), thereby generating economies of scale. We are solely focused on the production process as opposed to many of our competitors, who also focus on more complex and customer-specific packaging requirements for a smaller number of larger customers and, hence, only have an average production output of typically 70-80 million square meters per production site per annum.

Over the past two decades since our foundation, we have achieved leading market positions in the countries in which we operate. We are among the top four corrugated board producers in Europe (by production capacity) and our market share in our specific segment, the corrugated sheet market in Europe, is approximately 16% according to an international industry consultant. In our core market segment, namely corrugated board sheets for small and medium-sized companies in Germany, Austria, Belgium, the Netherlands and the Czech Republic, we believe we are the market leader by production capacity and hold considerably higher market shares compared to our position in the overall European containerboard and corrugated board market. In containerboard production, we also have a market share of approximately 4% by production capacity, according to the same international industry consultant.

While we believe our differentiated business model, high reliability and quality of product supply, significant scale, internal sourcing and geographic coverage provide us with a competitive advantage in our core market segment, we also benefit from attractive market fundamentals of the overall industry.

The paper and packaging industry is experiencing overall growing demand from industrial economies in Central Europe, and we believe that Germany and Central Europe, our key markets, provide a positive economic outlook. From a product perspective, the increasing significance of light-weight paper and packaging solutions as well as small-size packaging and the increasingly online and mail order-driven retail sector is expected to further stimulate packaging growth. We believe our modern production facilities, particularly PM2, which is capable of producing light-weight paper grades economically on a commercial scale, position us well to benefit from these growth trends in the industry. Furthermore, production is driven by the strong increase in demand

from emerging economies, where production and packaging standards are adapting to the standards of developed countries, from which we also benefit with our production in Poland and the Czech Republic.

Uniquely designed, best-in-class and strategically located, low-cost production asset base built up via greenfield strategy

Since our foundation in 1991, we have carefully designed and selected our production operations and locations via a dedicated greenfield strategy to establish highly efficient, flexible and technologically advanced production facilities, which were ahead of the existing market standard at the time.

Designing our production set-up primarily via a greenfield strategy allowed us to invest in the best available production specifications and optimize the alignment and compatibility of our paper machines, PM1 and PM2, with our corrugated board production machines. The 2.5m, 2.8m and 3.3m trim widths of our various corrugated board plants can be very efficiently combined with the 5.8m trim width of PM1 (2 × 2.8m or 2.5m + 3.3m) and the 10.2m trim width of PM2 (4 × 2.5m or 3 × 3.3m), resulting in low volumes of cutting scrap and higher productivity.

Our corrugated board production sites have been purposefully located approximately 500 kilometers from each other. This footprint ensures close customer proximity with full regional coverage of our customers and limited overlap to limit the transportation distance in most circumstances to 250-300 kilometers. Our strategic footprint also allows us to achieve high production flexibility and reliable just-in-time delivery with short lead times. Furthermore, we are able to serve our customers from different locations, thereby optimizing transportation costs and capacity utilizations on a plant-by-plant basis, which is coordinated centrally from our headquarters in Landau following a “one mill approach”. We believe our location layout and organization give us a competitive advantage in terms of cost efficiency and customer orientation. On average, we serve approximately 50-80 customers per corrugated board production site and each of our production sites offers the entire range of customer services (e.g., 24 hour delivery and online ordering and tracking).

We believe that all of our plants are equipped with state-of-the-art technology, which is the foundation of our low-cost and efficient production. According to an international industry consultant, the asset quality of our paper machines is characterized as high and above comparable European containerboard and corrugated board producers. Performance metrics of PM1, such as capacity and technical age, are well above the industry average. PM2, which we believe to be among the world’s most advanced paper machines for recycled super-light-weight paper and which specializes in the production of super-light-weight to medium-weight containerboard with grammages of 60-130g/m^2, ranks best in class for all metrics and has set five new world records since its launch in 2010.

Unlike many of our competitors, who grew historically over many decades or had to integrate production infrastructures inorganically through acquisitions, we differentiate ourselves through our well-invested asset base and high-quality, complementary, modern and strictly aligned, high capacity production facilities placed purposefully in strategic locations. The CHP Acquisition will allow us to further expand our asset base with a tailor-made power plant that was specifically designed to meet the steam requirements of our paper machine PM2.

Strong, diversified and long-standing customer base

We have long-standing relationships with many of our customers, some of which date back to the start of our operations in 1992. We have grown with our large German customers as they have expanded across Europe and have successfully entered into new relationships with key customers outside of Germany. We currently supply 350 to 400 different Prowell customers, with a strategic focus on family-owned, small and medium-sized companies. Our top five Prowell customers accounted for approximately 6%, 5%, 5%, 3% and 2%, respectively, of our total corrugated board sales, by tons, in 2014, while our top five external Propapier customers accounted for approximately 15%, 10%, 7%, 6% and 5%, respectively, of our total external containerboard sales, by tons, in 2014.

We believe that our ability to provide reliable delivery of high-quality, cost-effective and tailor-made products and being a family-owned business have enabled us to foster strong partnerships of mutual dependence with our mostly family-owned customers, operating as a fundamental part of their supply chains by improving inventory management, security of supply and customer service. Our strong customer relationships are reinforced through a combination of our geographic reach, our manufacturing and logistics excellence, and the limited availability

of alternative suppliers with the capacity and geographic proximity to provide a competitive offering. At some of our corrugated board production sites, certain long-standing customers have established their own box manufacturing plants in immediate proximity to our site, either on our own land or on land adjacent to our site (so-called "packaging park"). As a variation of this traditional packaging park model, we commenced production in October 2015 at our newest corrugated board production site (PW9) in Plössberg, Germany, which we established in immediate proximity to an existing packaging plant of our customer, Liebensteiner Kartonagenwerk, on land owned by our customer. As a further variation of the packaging park model, we entered into an agreement with one of our large customers in Eastern Europe on December 1, 2015 for the proposed establishment of a further corrugated board production site (PW10) on land we would purchase from our customer adjacent to the customer's existing packaging plant. The realization of this further packaging park project, however, is still subject to a number of conditions, including the receipt of planning permissions for the proposed new site by our customer.

All versions of the packaging park model help us to further strengthen our relationships with key customers and benefit both us and the relevant customers. The high level of integration between our own corrugated board production and the box production of our customers also made possible through the packaging park model creates a number of efficiencies and largely eliminates freight and other logistics costs between Prowell and our packaging park customers. Our packaging park customers also typically purchase a very high percentage (up to 100%) of their corrugated board requirements for the relevant box plant from us, which means predictable, high volume orders and consistently high utilization levels for the relevant corrugated board production sites. Index pricing arrangements with our packaging park customers ensure a predictable pricing mechanism for all parties. It typically takes approximately two to three months for containerboard mills to pass on their raw material price increases to their customers, *i.e.* manufacturers of corrugated board. In turn, the manufacturers of corrugated board generally attempt to raise prices to recover containerboard cost increases. It generally takes approximately two to three months for corrugated board manufacturers, including us, to pass these increases on to their customers.

Technology and innovation leader

There are general industry trends towards lighter and more functional packaging and towards a more efficient use of resources. The trend towards "light paper" (*i.e.*, containerboard) has been particularly strong in Germany and has been further strengthened by the increasingly online and mail order-driven retail sector, which is expected to further stimulate demand growth for light packaging solutions. We believe that we are particularly well-positioned to capitalize on these trends with our paper mill in Eisenhüttenstadt, Germany, which specializes in the production of super-light-weight to medium-weight containerboard with grammages of 60-130g/m^2. As demand for super-light-weight containerboard (with a grammage below 90g/m^2) is increasing, we believe that PM2 gives us a significant advantage over many of our competitors, both in terms of efficiency and product quality. In addition, we continuously work to improve our product designs, optimize the utilization of our assets and explore new ways to further reduce our input costs. In particular, we are focused on further reducing the use of fibre (*i.e.*, recycled paper) in our products as well as the amount of energy required for our production processes and the shipment of our products, in order to both maintain a competitive cost position in our industry and to reduce emissions and waste.

We have invested significantly in the development of a "green" range of "next generation" products working in close cooperation with BHS Corrugated GmbH, one of our equipment suppliers, and a team of researchers at the University of Applied Sciences (*Hochschule für angewandte Wissenschaften*) in Regensburg, Germany. We market these products under our own brands next fibre®, next board® and next box®. All of these product innovations involve the use of super-light-weight containerboard produced by our paper machine PM2 as well as innovative flute designs of our corrugated board formats, intended to further reduce raw material input and thereby further reduce weight, input costs and CO_2 emissions.

Committed shareholder and experienced management team

Our company was founded in 1991 by Jürgen Heindl, our chief executive officer and controlling shareholder. We believe his strong personal and long-standing financial commitment ensures our focus on stability, long-term value generation and prudent investment strategies. Jürgen Heindl's expertise is supported by a strong management team with extensive international industry experience, including within our Group. Our management team has impressively demonstrated its abilities by creating one of Europe's leading containerboard and corrugated board players in less than 25 years while withstanding economic downturns and restructurings.

OUR STRATEGY

Achieving further synergies through further integration and expansion

In the first nine months of 2015, containerboard produced by Propapier accounted for approximately 80-85%, by volume, of the containerboard sourcing requirements of our corrugated board production within Prowell. Containerboard sales to Prowell also accounted for approximately 66% of the total sales, by volume, of Propapier in the first nine months of 2015, a share we intend to further increase, including through improved utilization of our existing corrugated board production sites and the addition of more corrugated board production capacity. With the launch of our newest corrugated board production site (PW9) in Plössberg, Germany, and the proposed realization of an additional packaging park project (PW10) as described below, we believe we have already taken significant steps towards achieving the optimum level of integration between Propapier and Prowell. We believe that further increasing the degree of vertical integration and making full use of the ability to internally source consistently high-quality containerboard in a cost-efficient and highly flexible manner will allow us to realize additional synergies for our business. At the same time, we believe that increasing the share of internal containerboard sales may help us stabilize or improve our overall Group margins by reducing our exposure to lower or more volatile margins (compared to corrugated board margins) of certain external containerboard sales. Our customers benefit from our integrated approach through short lead times, just-in-time delivery and online ordering and tracking options. Further vertical integration will allow us to further optimize our internal logistics and supply chain.

In continuation of our organic growth strategy, we intend to primarily achieve our goal of further vertical integration by pursuing further expansion opportunities via greenfield projects. We just commenced production in October 2015 at our newest corrugated board production site (PW9) in Plössberg, Germany, and on December 1, 2015, we entered into an agreement with one of our large customers in Eastern Europe for the proposed establishment of a further corrugated board production site (PW10) adjacent to the customer's existing packaging plant, subject to the receipt of planning permissions and a number of other conditions. In addition, we have already bought a corrugated board production line from a competitor, which we have dismantled and put into storage. The relevant equipment meets our high technological standards and was manufactured by the same equipment manufacturer as the main equipment we have installed at our existing corrugated board production sites. We plan to install this additional corrugated board production line in 2016 or 2017 and, with this corrugated board production line ready to be deployed, will be able to respond to future expansion opportunities with a limited amount of additional capital expenditure.

Finally, while we have historically only grown organically via greenfield projects, including the two packaging park projects (PW9 and PW10) described above, we are evaluating and will continue to evaluate opportunities to acquire attractive assets from competitors which would complement our existing network of production sites, further our goal of increasing our corrugated board production capacity and meet our other internal investment and financing criteria. In addition, in order to maintain and/or strengthen our relationships with certain large and long-standing customers, we will consider additional packaging park projects whereby we would establish corrugated board production sites at or in proximity to the packaging plants of the relevant customers.

With the launch of our corrugated board production site (PW9) in Plössberg and the proposed realization of another packaging park project with one of our large customers in Eastern Europe (PW10), we have already taken significant steps towards achieving our goal of further vertical integration.We will also consider opportunities to expand further our containerboard and corrugated production capacity in the mid- to long-term.

Maintain cost leadership through continuous efficiency and profitability improvements

In order to maintain profitability throughout the economic cycle, we have implemented a comprehensive profitability improvement program (the "**Continuous Improvement Program**") to ensure the long-term success of our Group. Our Continuous Improvement Program focuses on (i) improving the effectiveness of our sales and marketing activities, (ii) optimizing (*i.e.*, minimizing) our variable costs and (iii) stabilizing our specific fixed costs in order to achieve sales excellence and maintain our position as one of the cost leaders in our industry. Since 2012, our main focus in connection with our goal of achieving sales excellence has been on (i) growing our external sales in excess of the general growth in market volumes (and thereby increasing our market share), (ii) maximizing the impact of the introduction of our "next generation" products into the market and (iii) optimizing our sales portfolio. As part of our efforts to optimize our variable costs, we have focused on (i) reducing our consumption of raw materials, (ii) optimizing our energy consumption and energy costs, especially at our paper mill in Eisenhüttenstadt, and (iii) reducing the purchase prices of our key production

factors, such as recycled paper, starch and freight services. Overall, we have met or exceeded our targeted benefits through our Continuous Improvement Program. We intend to continue to implement our Continuous Improvement Program and identify and realize further improvement opportunities. The proposed CHP Acquisition constitutes a significant further step in our efforts to optimize our cost structure as we expect to be able to significantly reduce our energy costs as a result of the CHP Acquisition. See "*Overview–The CHP Acquisition–Economic Rationale for the CHP Acquisition*".

HISTORY

Our Group was founded in 1991, when Jürgen Heindl, our controlling shareholder and chief executive officer, established PROWELL Papierverarbeitung GmbH and launched our first plant (PW1) for the production of corrugated board in Offenbach a. d. Queich, Germany, in the following year. From the beginning, we intended to focus on the highly-efficient production of small batch sizes of sheet board for small and medium-sized customers based on high technological standards. In 1996, a second corrugated board production site (PW2) was established in Douvrin, France, and, in 1998, a third corrugated board production site (PW3) was launched in Burg, Germany.

Another key milestone in the development of our Group was the establishment of our first paper mill in Burg with our paper machine PM1 for the production of medium- to heavy-weight containerboard with grammages of 100-230g/m^2. At the time, PM1 introduced a number of new technological features, including a "2 gap former", a "drum pulper", a "speed sizer" and a closed water loop that minimizes the creation of waste water. PM1 represented a significant intermediate step towards the high-speed production of lighter containerboard.

In 2002 and 2005, respectively, we further expanded our corrugated board capacity by launching our fourth and fifth corrugated board production sites in Rokycany, Czech Republic (PW4) and in Schüttorf, Germany (PW5). The corrugators at those two production sites have a width of 3.3 meters, which represented a new technology standard for the industry at the time and resulted in significant productivity gains. In 2007, we established Europe's largest corrugated board production site in Offenbach a. d. Queich, Germany (PW6), replacing the original PW1 facility at the same site. In 2009, we realized another two greenfield projects with the construction of our corrugated board production sites in Strykow, Poland (PW7) and Ellesmere Port, United Kingdom (PW8).

Also in 2009, we commenced construction of our second paper mill in Eisenhüttenstadt, Germany, with our paper machine PM2 commencing production of super-light-weight to medium-weight containerboard in March 2010. To secure a portion of the necessary funding for our €420 million investment in our paper machine PM2, we raised additional equity in 2008 and 2009. In particular, Jürgen Heindl established JH-Holding, our controlling shareholder, in 2007. JH-Holding entered into the Former JH-Holding Facility and used a portion of the proceeds from its borrowings under the Former JH-Holding Facility to subscribe for additional shares in Progroup AG. In addition, Progroup AG issued preference shares to BWK GmbH Unternehmensbeteiligungsgesellschaft.

To secure a reliable supply of energy to our paper machine PM2, we entered into certain framework and ancillary agreements with EnBW Propower GmbH and its parent company Sales & Solutions GmbH (formerly EnBW Energy Solutions GmbH) in 2008 for the construction and operation of the CHP adjacent to our paper mill in Eisenhüttenstadt. The CHP commenced operation in 2011.

In July 2014, we announced a strategic investment in the construction of our latest corrugated board production site (PW9) in Plössberg, Germany adjacent to and connected with a packaging plant of our customer Liebensteiner Kartonagenwerk. This newest site commenced operations in October 2015. At our corrugated board productions sites in Burg, Offenbach and Schüttorf, some of our customers have established their own production sites in close proximity to, or even on, our production sites. With our newest corrugated board production site (PW9), we are following our customer and setting up our facility at the existing site of a customer.

In April 2015, we refinanced all then outstanding amounts under our Former Senior Credit Facility with the proceeds from the issuance of our Senior Secured Notes and also entered into the Super Senior Revolving Credit Facility. In addition, concurrently with the issuance of the Senior Secured Notes, JH-Holding Finance SA, a newly incorporated finance subsidiary of JH-Holding, Progroup AG's direct controlling shareholder, issued the PIK Toggle Notes, primarily to fund the acquisition of all rights under the Former JH-Holding Facility and to fund the acquisition of all preference shares in Progroup AG then held by BWK GmbH

Unternehmensbeteiligungsgesellschaft. For more information about the Refinancing, please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations–Key Factors Affecting our Results of Operations–The Refinancing*".

In 2007, we reorganized our corporate structure in order to streamline our organization and to better align our corporate structure with our business activities. Since then, Progroup AG has been the management holding company for our Group, responsible for centrally managing our business operations:

- **Progroup** refers to the centralized management and administration of the Group by Progroup AG from our headquarters in Landau, Germany.
- **Propapier** encompasses our containerboard production at our two mills in Burg and Eisenhüttenstadt (both located in Germany).
- **Prowell** encompasses our corrugated board production at our eight production sites in the Czech Republic, France, Germany, Poland and the United Kingdom.
- **Prologistik** encompasses our own logistics operations, including a fleet of trucks we operate primarily to service the business operations of Propapier and Prowell.
- **Proservice** provides marketing, communication and IT services in support of Propapier and Prowell.
- **Profund** has, at times, supported Prowell customers in obtaining funding for their own expansion projects.

Upon completion of the acquisition of EnBW Propower GmbH as part of the CHP Acquisition, which is expected to occur on or about December 31, 2015, we will finally start producing a significant portion of the energy required for the operation of our paper machine PM2 ourselves.

RECENT DEVELOPMENTS AND TRADING UPDATE

Recent Developments

New proposed corrugated board production site (PW10) in Eastern Europe

As a further variation of the packaging park model, we entered into an agreement with one of our large customers in Eastern Europe on December 1, 2015 for the proposed establishment of a further corrugated board production site (PW10) on land we would purchase from our customer adjacent to the customer's existing packaging plant. The realization of this further packaging park project, however, is still subject to a number of conditions, including the receipt of planning permissions for the proposed new site by our customer.

Senior Secured PLN Facility

On December 1, 2015, Prowell sp. z o.o., as borrower, Progroup AG and the existing Guarantors, as guarantors, entered into the Senior Secured PLN Facility which provides for PLN 107 million (or €25.1 million, calculated based on an assumed exchange rate of €1.00 = PLN 4.2639, which was the exchange rate of the zloty against the euro reported by the National Bank of Poland on November 30, 2015) of committed credit that may be drawn by Prowell sp. z o.o. from time to time until March 31, 2016 (and if the CHP Acquisition is not completed, until June 30, 2016). As of the date of this special report, the Senior Secured PLN Facility was not drawn, but we expect it to be fully drawn as of the CHP Acquisition Completion Date. The obligations of Prowell sp. z o.o. and the guarantors under the Senior Secured PLN Facility are guaranteed on a senior basis by Progroup AG and certain of its subsidiaries on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Senior Secured PLN Facility*". Prowell sp. z o.o. will convert the zloty amounts drawn under the Senior Secured PLN Facility into euros and apply all amounts towards the partial repayment of an existing intra-group loan to Prowell GmbH. Prowell GmbH, in turn, will use such euro amounts to repay an intra-group loan it has received from Progroup AG, so that Progroup AG may use such amounts for financing a portion of the purchase prices payable under the CHP Purchase Agreement. Following completion of the CHP Acquisition, Commerzbank Aktiengesellschaft, as agent and original lender under the Senior Secured PLN Facility, will accede to the Intercreditor Agreement.

Trading Update

Based on management accounts, our operating performance for the month of October 2015 exceeded our operating performance in October 2014. Our total sales for the month of October 2015 were approximately €63 million, compared to total sales of approximately €58 million for the month of October 2014. In addition, our EBITDA for the month of October 2015 increased to approximately €17 million (including approximately €4 million of exceptional income related to the settlement of disputes with different suppliers and insurance claims as well national electricity price compensation payments (*Strompreiskompensation*)), from approximately €10 million in October 2014.

The foregoing financial information is based on internal unaudited consolidated monthly accounts for the months of October 2015 and 2014, respectively, which were prepared by and are the responsibility of our management. This financial information has not been audited, reviewed, compiled or the subject of any procedures by our independent auditors or any other audit firm and no opinion nor any other form of assurance is expressed with respect thereto. The foregoing financial information is inherently subject to modification during the preparation of our financial statements as of and for the year ended December 31, 2015. The presented financial information is not representative for any twelve-month period and should not be regarded as an indication, forecast or representation by us or any other person regarding our future financial performance for the fiscal year ended December 31, 2015. See "*Forward-Looking Statements*" and "*Risk Factors*" for a more complete discussion of certain factors that could affect our future performance and results of operations.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

Progroup AG Financial Information

The financial information contained in the following tables is derived from the audited consolidated financial statements of Progroup AG as of and for the fiscal years ended December 31, 2012, 2013 and 2014, from the unaudited consolidated interim financial statements of Progroup AG as of and for the nine-month period ended September 30, 2015 as well as from the accounting records and other internal documents of Progroup AG. The results of operations for prior periods are not necessarily indicative of the results to be expected for the full year or any future period.

In addition, we present certain unaudited consolidated financial information for the 12 months ended September 30, 2015. This information was derived by adding our consolidated financial information for the year ended December 31, 2014 derived from our audited consolidated financial statements to our unaudited consolidated financial information for the nine months ended September 30, 2015 and subtracting our unaudited consolidated financial information for the nine months ended September 30, 2014.

The financial statements and the other historical consolidated financial information presented below have been prepared on the basis of German GAAP, which differs in certain significant respects from IFRS. For a discussion of significant differences between German GAAP and IFRS, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Summary of Significant Differences between German GAAP and IFRS*".

In the following tables, we also present certain non-GAAP measures and ratios, including total output, gross profit, EBITDA, consolidated net income/(net loss) before income tax, trade working capital, free cash flow, net cash flow, cash flow available for debt service, adjusted cash flow available for debt service, cash flow from change in trade working capital and cash flow from change in total working capital, capital expenditures, total financial debt, net financial debt as well as certain related *pro forma* financial measures and other *pro forma* 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 to 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 liquidity. 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 total output, gross profit, EBITDA, consolidated net income/(net loss) before income tax, trade working capital, free cash flow, net cash flow, cash flow available for debt service, adjusted cash flow available for debt service, cash flow from change in trade working capital and cash flow from change in total working capital, capital expenditures, total financial debt, net financial debt as well as certain related *pro forma* financial measures and other *pro forma* data presented by us may not be comparable to similarly titled measures used by other companies. We also present below certain operating data which have not been derived from the audited consolidated financial statements, but from other internal documents of Progroup AG. You should read the information set forth below in conjunction with the sections "*Presentation of Financial Information*", "*Selected Financial and Other Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the financial statements and the accompanying notes included elsewhere in this special report.

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2012	2013	2014	2014	2015	2015
	(€ in thousands)					
INCOME STATEMENT AND OTHER DATA	(audited, unless otherwise stated)			(unaudited)		
Sales	**557,623**	**582,563**	**661,287**	**499,380**	**515,356**	**677,262**
Increase/(decrease) in finished goods and work in process	(4,053)	1,371	(5,066)	(7,813)	21	2,768
Other operating income	48,434	41,094	33,509	23,678	27,020	36,850
Internally produced and capitalized assets	—	—	—	—	539	539
Total output (unaudited)[1]	**602,004**	**625,028**	**689,730**	**515,245**	**542,935**	**717,419**
Cost of materials	(378,210)	(370,642)	(373,039)	(283,631)	(291,253)	(380,661)
Gross profit (unaudited)[2]	**223,794**	**254,386**	**316,691**	**231,614**	**251,682**	**336,758**
Personnel expenses	(43,133)	(45,368)	(53,107)	(38,160)	(41,848)	(56,795)
Other operating expenses	(108,724)	(125,983)	(137,005)	(101,055)	(104,311)	(140,261)
Other taxes	(1,541)	(1,356)	(1,461)	(1,114)	(1,116)	(1,463)
EBITDA (unaudited)[3]	**70,396**	**81,679**	**125,118**	**91,286**	**104,407**	**138,239**
Amortization and depreciation of fixed intangible and tangible assets	(39,126)	(34,893)	(28,509)	(21,296)	(21,712)	(28,925)
Extraordinary net income/(loss)[4]	(12,003)	(2,481)	(3,614)	(2,872)	(32,302)	(33,044)
Other interest and similar income	1,066	389	376	239	135	272
Interest and similar expenses	(34,126)	(30,571)	(27,757)	(21,410)	(16,250)	(22,598)
Consolidated net income/(net loss) before income tax (unaudited)[5]	**(13,793)**	**14,123**	**65,614**	**45,947**	**34,278**	**53,944**
Taxes on income	(2,861)	(5,089)	(9,110)	(11,349)	(8,671)	(6,432)
Income from loss transfers	246	—	—	—	—	—
Profit transfer on the basis of partial profit transfer agreement	—	(197)	(197)	—	—	(197)
Consolidated net income/(net loss) for the year	**(16,407)**	**8,838**	**56,307**	**34,598**	**25,607**	**47,315**

	As of December 31,			As of September 30,
	2012	2013	2014	2015
	(€ in thousands)			
BALANCE SHEET AND OTHER DATA	(audited, unless otherwise stated)			(unaudited)
Cash-in-hand, bank balances	24,966	19,553	18,758	91,306
Trade working capital (unaudited)[6]	56,595	90,541	96,985	86,687
Fixed assets	522,517	494,646	476,622	471,722
Total assets	**700,629**	**678,072**	**661,578**	**721,838**
Total liabilities (unaudited)[7]	**590,765**	**560,735**	**487,900**	**534,204**
Total financial debt (unaudited)[8]	**482,664**	**470,210**	**394,851**	**411,261**
Net financial debt (unaudited)[9]	**457,698**	**450,657**	**376,093**	**319,955**

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2012	2013	2014	2014	2015	2015
	(€ in thousands)					
CASH FLOW AND OTHER DATA	(audited, unless otherwise stated)			(unaudited)		
Cash flows from operating activities	40,551	14,829	86,359	81,077	83,366	88,648
Cash flows from investing activities	(7,728)	(6,423)	(11,829)	(8,539)	(16,139)	(19,429)
Free cash flow (unaudited)(10)	**32,823**	**8,406**	**74,530**	**72,538**	**67,227**	**69,219**
Cash flows from financing activities	(21,158)	(12,454)	(75,359)	(70,342)	5,028	11
Net cash flow(11)	**11,665**	**(4,048)**	**(829)**	**2,196**	**72,255**	**69,230**
Effect on cash funds of exchange rate movements	2,305	(1,365)	34	58	293	269
Adjusted cash flow available for debt service (unaudited)(12)	**77,885**	**41,068**	**105,525**	**96,581**	**115,644**	**124,588**

(1) Total output (not a German GAAP measure) is calculated as the sum of sales, increase/(decrease) in finished goods and work in process other operating income and internally produced and capitalized assets.

(2) Gross profit (not a German GAAP measure) is calculated by deducting cost of materials from total output.

(3) EBITDA (not a German GAAP measure) is calculated as total output, minus cost of materials, minus personnel expenses, minus other operating expenses, minus other taxes. Pursuant to our framework and ancillary agreements with EnBW for the operation of the CHP adjacent to our mill in Eisenhüttenstadt, we currently make certain fee payments to EnBW, including, amongst other fees, approximately €30 million in annual payments, which are the equivalent of capital charges for the CHP. We currently record these payments under cost of materials. Upon completion of the CHP Acquisition, these payments will no longer reduce our EBITDA. The approximately €30 million in annual payments included €29.0 million, €28.6 million, €29.1 million and €20.7 million in 2012, 2013 and 2014 and in the first nine months of 2015, respectively, of base price 1 (*Grundpreis 1*) payments.. See also "*Overview–The CHP Acquisition–Economic Rationale for the CHP Acquisition*".

(4) Extraordinary net income/(loss) between 2012 and 2014 primarily reflects restructuring expenses incurred in connection with the renegotiation and restructuring of our existing financing arrangements and primarily included related fees and expenses of external consultants and other advisers as well as amendment and waiver fees and related expenses of our creditors. Restructuring expenses in 2013 and 2014 related to further financial restructuring efforts and include the ongoing expenses of our restructuring consultants, our core banks involved in the process as well as fees of other external advisers. Extraordinary expenses during this period also included fees of external advisers we incurred in connection with the evaluation of potential refinancing options. Extraordinary net income/(loss) in the first nine months of 2015 primarily reflects costs and expenses incurred in connection with the Refinancing, which we completed in April 2015. For more information about the Refinancing, please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations–Key Factors Affecting our Results of Operations–The Refinancing*".

(5) Consolidated net income/(net loss) before income tax (not a German GAAP measure) is calculated by adding taxes on income, income from loss transfers and profit transfer on the basis of partial profit transfer agreement back to consolidated net income/(net loss) for the period.

(6) We define trade working capital (not a German GAAP measure) as inventories plus trade receivables, minus trade payables.

Our calculation of trade working capital can be reconciled to the balance sheet as follows:

	As of December 31,			As of September 30,
	2012	2013	2014	2015
	(€ in thousands)			
TRADE WORKING CAPITAL	(audited, unless otherwise stated)			(unaudited)
Inventories	59,915	65,186	63,746	68,843
Trade receivables	40,349	52,396	55,289	61,525
Trade payables	(43,669)	(27,041)	(22,050)	(43,680)

Trade working capital (unaudited)	**56,595**	**90,541**	**96,985**		**86,687**

(7) Total liabilities is calculated as investment grants for fixed assets, plus provisions, plus liabilities, plus deferred income.

(8) Total financial debt (not a German GAAP measure) means bank loans plus bonds, including the Senior Secured Notes.

(9) Net financial debt (not a German GAAP measure) is calculated by deducting cash-in-hand, bank balances from total financial debt.

(10) Free cash flow (not a German GAAP measure) is defined as cash flows from operating activities plus cash flows from investing activities.

(11) Net cash flow (not a German GAAP measure) is defined as net change in cash funds as presented in the Consolidated Cash Flow Statement.

(12) We present adjusted cash flow available for debt service (not a German GAAP measure) as a measure of normalized free cash flow which can be used to service debt. We calculate adjusted cash flow available for debt service as cash flow available for debt service adjusted for the effects of extraordinary net income/(loss).

Our calculations of adjusted cash flow available for debt service is as follows:

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2012	**2013**	**2014**	**2014**	**2015**	**2015**
	(€ in thousands)					
ADJUSTED CASH FLOW AVAILABLE FOR DEBT SERVICE	(audited, unless otherwise stated)			(unaudited)		
EBITDA (unaudited)	70,396	81,679	125,118	91,286	104,407	138,239
Cash flow from change in total working capital (unaudited)[(a)]	23,539	(30,866)	200	24,233	37,282	13,249
thereof cash flow from change in trade working capital (unaudited)	*34,268*	*(33,946)*	*(6,444)*	5,470	10,298	(1,615)
Taxes on income	(2,861)	(5,089)	(9,110)	(11,349)	(8,671)	(6,432)
Extraordinary net income/(loss)	(12,003)	(2,481)	(3,614)	(2,872)	(32,302)	(33,044)
Cash flows from investing activities	(7,728)	(6,423)	(11,829)	(8,539)	(16,139)	(19,429)
Other (unaudited)[(b)]	(5,461)	1,767	1,146	950	(1,235)	(1,039)
Cash flow available for debt service (unaudited)[(c)]	**65,882**	**38,587**	**101,911**	**93,709**	**83,342**	**91,544**
adding back extraordinary net income/(loss)	(12,003)	(2,481)	(3,614)	(2,872)	(32,302)	(33,044)
Adjusted cash flow available for debt service (unaudited)	**77,885**	**41,068**	**105,525**	**96,581**	**115,644**	**124,588**

(a) Cash flow from change in total working capital (not a German GAAP measure) is calculated as (increase)/decrease in inventories, trade receivables and other assets plus increase/ (decrease) in trade payables and other liabilities as presented in the Consolidated Cash Flow Statement.

(b) Other includes other non-cash expense/(income), income from loss transfers and profit transfer on the basis of partial profit transfer agreement.

(c) Cash flow available for debt service (not a German GAAP measure) means EBITDA adjusted for the effects of changes in total working capital, extraordinary income/(expense), cash flows from investing activities and other, minus taxes on income.

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2012	**2013**	**2014**	**2014**	**2015**	**2015**
	(unaudited)					
SELECTED OPERATING DATA						
Volumes produced (in 1,000 tons)	1,656	1,710	1,818	1,362	1,389	1,845
—Containerboard	968	998	1,029	772	761	1,018
—Corrugated board	688	712	789	590	628	827

Externally sold (in 1,000 tons).....	1,057	1,100	1,181	893	893	1,182
—Containerboard.....	368	388	392	304	265	354
—Corrugated board	689	712	789	589	628	828
Average net selling price (ASP) per ton						
—Containerboard (€ per ton).....	379	384	395	394	405	404
—Corrugated board (€ per ton).....	632	617	648	652	653	649
Total recycled paper costs per ton (€ per ton).....	136	124	117	119	117	116

Unaudited Progroup AG *Pro Forma* Financial Information

The following summary unaudited *pro forma* consolidated financial information of Progroup AG and its subsidiaries for the six months ended June 30, 2015 and the year ended December 31, 2014 has been derived from the 2015 Unaudited Six Months Consolidated Financial Statements, the 2014 Audited Consolidated Financial Statements, the unaudited interim financial statements of EnBW Propower GmbH as of and for the six-month period ended June 30, 2015 and the audited financial statements and the notes thereto of EnBW Propower GmbH as of and for the fiscal year ended December 31, 2014, adjusted to give effect to the CHP Acquisition; and are prepared in accordance with the basis of preparation as described in the notes to the unaudited *pro forma* consolidated financial information. We have not included any Progroup AG *pro forma* financial information as of or for the nine-month period ended September 30, 2015 in this special report, because EnBW Propower GmbH does not prepare reviewed interim financial statements as of and for the period ended September 30, 2015. For the purposes of this unaudited *pro forma* consolidated financial information, the CHP Acquisition is deemed to have occurred on June 30, 2015 with respect to the *Pro Forma* Six Months 2015 Consolidated Balance Sheet and on January 1, 2014 with respect to the *Pro Forma* 2014 Consolidated Income Statement and the *Pro Forma* Six Months 2015 Consolidated Income Statement. See "*Presentation of Financial and Other Information—Progroup Pro Forma Financial Information*".

The assumptions underlying the above *pro forma* adjustments are described in the notes presented in the unaudited *pro forma* consolidated financial information, which should be read in conjunction with the unaudited *pro forma* consolidated financial information.

The CHP Acquisition will be accounted in accordance with section 301 of the German Commercial Code (*Handelsgesetzbuch, HGB*). The allocation of the preliminary purchase price as reflected in the Progroup *Pro Forma* Financial Information has been based upon preliminary estimates of the total consideration transferred for the CHP Acquisition and preliminary estimates of the fair value of the assets acquired and liabilities assumed. A final determination of the fair value of assets acquired and liabilities assumed in connection with the CHP Acquisition will be based on the actual assets and liabilities that are going to exist at the date of the acquisition. Such valuations could change significantly upon the completion of further analyses and asset valuations from those used in the Progroup *Pro Forma* Financial Information. The final valuation will be completed in succession of the acquisition date. The preliminary purchase price allocation in accordance with section 301 of the German Commercial Code is subject to change based on timing of the closing of the CHP Acquisition and the determination of the acquisition date. Any excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired in connection with the CHP Acquisition will be allocated to the fair value of the operation license and recognized as intangible assets in our consolidated financial statements.

The unaudited Progroup *Pro Forma* Financial Information has not been prepared in accordance with Regulation S-X of the U.S. Securities Act, the Prospectus Directive, any other U.S. regulatory requirements or any U.S. generally accepted accounting standards; and it has been prepared for informational purposes only. The Progroup *Pro Forma* Financial Information is prepared in connection with the special report of Progroup AG in accordance with the IDW Accounting Practice Statement: Preparation of *Pro Forma* Financial Information (IDW AcPS AAB 1.004). It should not be considered indicative of actual results that would have been achieved had the CHP Acquisition been completed on the dates indicated and does not purport to indicate Progroup AG's future consolidated results of operations or financial position.

You should read the following data in conjunction with "*Unaudited Pro Forma Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and with the financial information included elsewhere in this special report, including the Consolidated Financial Statements and related notes of Progroup AG.

***Pro Forma* Consolidated Income Statement and Other Data for the Six Months Ended June 30, 2015**

	Progroup AG	EnBW Propower GmbH	Subtotal	*Pro Forma* Adjustments	*Pro Forma*
			(€ in thousands)		
Sales	**341,798**	**24,129**	**365,926**	**(21,646)**	**344,280**
Increase/(decrease) in finished goods and work in process	(3,707)	—	(3,707)	—	(3,707)
Other operating income	19,375	13,308	32,683	(13,876)	18,807
Total output[1]	**357,465**	**37,437**	**394,902**	**(35,522)**	**359,380**
Cost of materials	(187,548)	(8,827)	(196,375)	28,048	(168,327)
Gross profit[2]	**169,917**	**28,610**	**198,527**	**(7,474)**	**191,053**
Personnel expenses	(27,633)	—	(27,633)	(1,088)	(28,721)
Other operating expenses	(71,364)	(1,638)	(73,002)	(2,522)	(75,525)
Other taxes	(682)	—	(682)	—	(682)
EBITDA[3]	**70,238**	**26,971**	**97,209**	**(11,084)**	**86,125**
Amortization and depreciation of fixed intangible and tangible assets	(14,365)	(5,282)	(19,647)	(3,720)	(23,367)
Extraordinary net income/(loss)[4]	(31,183)	—	(31,183)	—	(31,183)
Other interest and similar income	111	0	112	—	112
Interest and similar expenses	(10,978)	(3,467)	(14,445)	869	(13,577)
Consolidated net income/(net loss) before income taxes[5]	**13,823**	**18,222**	**32,046**	**(13,936)**	**18,110**
Taxes on income	(3,861)	0	(3,862)	1,604	(2,257)
Profit transfer on the basis of partial profit transfer agreement	—	(18,222)	(18,222)	18,222	—
Consolidated net income/(net loss) for the period	**9,962**	**0**	**9,962**	**5,891**	**15,853**

Pro Forma Consolidated Balance Sheet and Other Data as of June 30, 2015

	Progroup AG	EnBW Propower GmbH	Subtotal	*Pro Forma* Adjustments	*Pro Forma*
			(€ in thousands)		
Cash-in-hand, bank balances	60,962	33,927	94,889	(94,889)	0
Trade working capital[6]	84,745	10,455	95,200	(12,742)	82,458
Fixed assets	472,598	129,472	602,070	60,932	663,002
Total assets	**692,200**	**174,577**	**866,776**	**(36,391)**	**830,385**
Total liabilities[7]	**519,223**	**174,552**	**693,774**	**(36,432)**	**659,343**
Total financial debt[8]	**408,129**	—	**408,129**	**123,420**	**531,549**
Net financial debt[9]	**347,167**	**(33,927)**	**313,240**	**218,309**	**531,549**

Pro Forma Consolidated Income Statement and Other Data for the Year Ended December 31, 2014

	Progroup AG	EnBW Propower GmbH	Subtotal	*Pro Forma* Adjustments	*Pro Forma*
			(€ in thousands)		
Sales	**661,287**	**49,088**	**710,375**	**(43,627)**	**666,747**
Increase/(decrease) in finished goods and work in process	(5,066)	—	(5,066)	—	(5,066)
Other operating income	33,509	15,516	49,025	(16,021)	33,004
Total output[(1)]	**689,730**	**64,604**	**754,334**	**(59,648)**	**694,686**
Cost of materials	(373,039)	(18,385)	(391,424)	56,657	(334,767)
Gross profit[(2)]	**316,691**	**46,219**	**362,910**	**(2,991)**	**359,919**
Personnel expenses	(53,107)	—	(53,107)	(1,962)	(55,069)
Other operating expenses	(137,005)	(3,425)	(140,430)	(6,146)	(146,576)
Other taxes	(1,461)	(32)	(1,493)	—	(1,493)
EBITDA[(3)]	**125,118**	**42,762**	**167,880**	**(11,099)**	**156,781**
Amortization and depreciation of fixed intangible and tangible assets	(28,509)	(10,528)	(39,037)	(7,439)	(46,476)
Extraordinary net income/(loss)[(4)]	(3,614)	—	(3,614)	(4,481)	(8,096)
Other interest and similar income	376	267	643	—	643
Interest and similar expenses	(27,757)	(7,703)	(35,460)	1,261	(34,198)
Consolidated net income/(net loss) before income taxes[(5)]	**65,614**	**24,798**	**90,412**	**(21,758)**	**68,653**
Taxes on income	(9,110)	—	(9,110)	3,295	(5,815)
Profit transfer on the basis of partial profit transfer agreement	(197)	(24,798)	(24,995)	24,798	(197)
Consolidated net income/(net loss) for the period	**56,307**	**0**	**56,307**	**6,335**	**62,641**

(1) Total output (not a German GAAP measure) is calculated as the sum of sales, increase/(decrease) in finished goods and work in process and other operating income.

(2) Gross profit (not a German GAAP measure) is calculated by deducting cost of materials from total output.

(3) EBITDA (not a German GAAP measure) is calculated as total output, minus cost of materials, minus personnel expenses, minus other operating expenses, minus other taxes.

(4) Extraordinary net income/(loss) in 2014 primarily reflects restructuring expenses incurred in connection with the renegotiation and restructuring of our existing financing arrangements and primarily included related fees and expenses of external consultants and other advisers as well as amendment and waiver fees and related expenses of our creditors. Restructuring expenses in 2014 related to further financial restructuring efforts and include the ongoing expenses of our restructuring consultants, our core banks involved in the process as well as fees of other external advisers. Extraordinary expenses during this period also included fees of external advisers we incurred in connection with the evaluation of potential refinancing options. Extraordinary net income/(loss) in the first nine months of 2015 primarily reflects costs and expenses incurred in connection with the Refinancing, which we completed in April 2015. For more information about the Refinancing, please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations–Key Factors Affecting our Results of Operations–The Refinancing*".

(5) Consolidated net income/(net loss) before income tax (not a German GAAP measure) is calculated by adding taxes on income, income from loss transfers and profit transfer on the basis of partial profit transfer agreement back to consolidated net income/(net loss) for the period.

(6) We define trade working capital (not a German GAAP measure) as inventories plus trade receivables, minus trade payables.

Our calculation of trade working capital to the balance sheet as of June 30, 2015 can be reconciled as follows:

	Progroup AG	EnBW Propower GmbH	Subtotal	*Pro Forma Adjustments*	*Pro Forma*
TRADE WORKING CAPITAL			**(€ in thousands)**		
Inventories	64,892	—	64,892	2,948	67,840
Trade receivables	63,277	11,179	74,456	(11,179)	63,277
Trade payables	43,424	724	44,148	4,511	48,659
Trade working capital	**84,745**	**10,455**	**95,200**	**(12,742)**	**82,458**

(7) Total liabilities is calculated as investment grants for fixed assets, plus provisions, plus liabilities, plus deferred income, plus deferred tax liabilities.

(8) Total financial debt (not a German GAAP measure) means bank loans plus bonds, including the Senior Secured Notes.

(9) Net financial debt (not a German GAAP measure) is calculated by deducting cash-in-hand, bank balances from total financial debt.

Other *Pro Forma* Financial Data

The following tables also set forth certain pro forma consolidated financial information, after giving effect to the incurrence of €120 million of additional indebtedness to finance a portion of the purchase price for the CHP Acquisition, including through the full utilization of the Senior Secured PLN Facility. The following *pro forma* information is solely provided for illustrative purposes and was not derived from the *pro forma* financial information included under "*Unaudited Pro Forma Financial Information*".

	As of and for the twelve months ended September 30, 2015 (unaudited) (€ in millions, except for ratios)
OTHER FINANCIAL DATA	
Pro Forma Senior Secured Debt[1]	531.4
Pro Forma Senior Secured Net Debt[2]	507.5
Pro Forma Total Net Financial Debt of JH-Holding[3]	624.5
Pro Forma Structuring EBITDA[4]	168.2
Ratio of *Pro Forma* Senior Secured Debt to *Pro Forma* Structuring EBITDA[4]	3.2x
Ratio of *Pro Forma* Senior Secured Net Debt to *Pro Forma* Structuring EBITDA[4]	3.0x
Ratio of *Pro Forma* Total Net Financial Debt of JH-Holding to *Pro Forma* Structuring EBITDA[4], [5]	3.7x

(1) *Pro Forma* Senior Secured Debt is calculated as total financial debt as of September 30, 2015, adjusted to give effect to the incurrence of €120 million of additional indebtedness to finance a portion of the purchase price for the CHP Acquisition, including through the full utilization of the Senior Secured PLN Facility, as if they had occurred on September 30, 2015.

(2) *Pro Forma* Senior Secured Net Debt is calculated as total financial debt minus cash-in-hand, bank balances, as of September 30, 2015, adjusted to give effect to the incurrence of €120 million of additional indebtedness to finance a portion of the purchase price for the CHP Acquisition, including through the full utilization of the Senior Secured PLN Facility and the payment of the purchase price for the CHP Acquisition, as if they had occurred on September 30, 2015.

(3) *Pro Forma* Total Net Financial Debt of JH-Holding is calculated as total financial debt of JH-Holding as of September 30, 2015 minus cash-in-hand, bank balances, adjusted to give effect to the incurrence of €120 million of additional indebtedness to finance a portion of the purchase price for the CHP Acquisition, including through the full utilization of the Senior Secured PLN Facility and the payment of the purchase price for the CHP Acquisition, as if they had occurred on September 30, 2015.

(4) *Pro Forma* Structuring EBITDA is calculated as consolidated EBITDA for the twelve months ended September 30, 2015, adjusted by adding the approximately €30 million in annual payments (*Grundpreis I*) which are the equivalent of

capital charges for the CHP, which we record under costs of material, and which we will not be required to pay anymore following the completion of the CHP Acquisition. See "*Overview–The CHP Acquisition–Economic Rationale for the CHP Acquisition*" and "*Risk Factors–Risks Related to the CHP Acquisition*".

(5) Consolidated EBITDA of JH-Holding for the twelve months ended September 30, 2015 is approximately €0.2 million lower than the consolidated EBITDA of Progroup AG.

RISK FACTORS

In addition to the other information contained in this special report, you should carefully consider the following risk factors. If any of the events described in the risk factors below occur, our margins and results of operations and financial condition could be materially and adversely affected. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, operating results or prospects.

This special report also contains forward looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of various factors, including the risks described below and elsewhere in this special report. See "Forward-Looking Statements".

RISKS RELATED TO OUR INDUSTRY AND OUR BUSINESS

Demand for our products is generally driven by the level of economic growth and activity, which is dependent upon factors beyond our control.

Demand for our products is generally driven by the level of economic growth and activity. Increased levels of economic growth and activity typically result in higher per-capita use of packaging materials. This increase in the use of packaging materials (including paper-based packaging materials), in turn, results in an increase in the demand for our recycled containerboard and corrugated board products. Because the markets for containerboard and corrugated board products in the developed economies in which we primarily operate are generally mature, historically there has been a close correlation between general economic growth and demand for packaging products such as corrugated containers and, therefore, for their component materials such as containerboard and corrugated board. As a result, our industry is affected by economic conditions in our markets, including changes in national, regional and local unemployment levels, shifts in consumer spending patterns, credit availability, and business and consumer confidence. Disruptions in the overall economy and volatility in the financial markets could reduce consumer confidence, negatively affecting consumer spending, which could be harmful to our financial position and results of operations. In the last several years, we have been impacted by difficult economic conditions. The European debt crisis resulted in market uncertainty generally and in weak economic conditions, particularly in the Eurozone. We are unable to predict the timing or rate at which economic conditions in our markets may recover. Finally, we cannot predict the timing or duration of any other downturn in the economy that may occur in the future. While we experienced strong operating results in 2014 and in the first nine months of 2015, there can be no guarantee that our strong operating performance will continue or that our EBITDA will not decline.

The cyclical nature of our industry often results in overcapacity which negatively impacts our results of operations.

We principally generate revenue through the sale of containerboard and corrugated board. Our mills primarily sell the containerboard we produce to Group-owned corrugated board plants, and we sell our corrugated board to our third-party customers in the packaging industry. Our operating results are therefore impacted by the packaging industry's historical cyclical pattern, with periods of overcapacity and resulting pressure on pricing of packaging products such as corrugated containers and, in turn, their component materials such as containerboard and corrugated board.

This cyclicality results, in part, from significant imbalances in supply and demand for containerboard. On the one hand, containerboard production capacity cannot be readily adapted to reflect changing market conditions, due to the high capital intensity of facilities such as containerboard mills (which generally continue production as long as paper prices are sufficient to cover their marginal costs), the long lead time between the planning and completion of new containerboard mills and the fact that new additions of containerboard capacity tend to be large relative to the overall demand for the product. On the other hand, significant containerboard and corrugated board price reductions and inventory growth have resulted when capacity has exceeded demand. In addition, there is the potential to convert graphic and newsprint paper machines into containerboard machines which has happened recently both in Europe and the United States, and which may contribute to overcapacity. Consequently, the containerboard and corrugated board industry has from time to time experienced periods of substantial overcapacity and there can be no assurance that this will not reoccur. Overcapacity in the European

market has generally had a negative impact on prices. See "*Industry and Competition—End-Markets Dynamics*" and "*Industry and Competition—Key Market Developments*".

In the absence of sufficient economic growth to generate increased demand or the closure of facilities (either temporarily or permanently) to mitigate the effect, new capacity can cause a period of regional overcapacity which may lead to downward pricing and margin pressure. In periods of overcapacity, industry participants may stop operating certain of their production facilities periodically to reduce inventory levels. In the past, many leading paper manufacturers have reacted to reduced demand by taking downtime and by rationalizing high-cost and inefficient capacity. Due to the high level of integration between our two mills and our corrugated board production sites, it is unlikely that we would take downtime at our mills for any significant length of time, but even if we did so and our competitors continue production at high levels, our sales volumes could be adversely affected without any significant offsetting benefit of improved prices in the market. In the event that the industry as a whole does not take sufficient downtime or other measures to reduce capacity during any periods of overcapacity, this could have a material adverse effect on our margins and results of operations and financial condition.

Overcapacity in the European containerboard and/or corrugated board markets could be further exacerbated by an increase of imports from other regions and/or a decrease of exports by European producers to other regions, as a result of a variety of factors. For example, in the event that producers in other regions (particularly the United States and China) experience overcapacity within their own local and regional markets, they may seek to increase their level of exports to Europe and do so at lower pricing levels. This could adversely affect our selling prices and profitability. In addition, the level of exports of containerboard from or to Europe also depends on relevant freight rates and currency rates. A strong euro, for example, can have a negative effect on (U.S. dollar-denominated) exports by European containerboard manufacturers with a negative (for our business) effect on the supply and demand balance and an immediate effect on the pricing of containerboard in Europe. In addition, a weak U.S. dollar over a sustained period has, in the past, also resulted in lower sales by other European manufacturers who ship products in corrugated packaging, resulting in lower European demand for corrugated packaging, and therefore for our containerboard and corrugated board. See also "*—We are exposed to currency exchange rate fluctuation*s".

We could be adversely affected by the loss of one or more important customers and the nature of, and close relationships with, our small- and medium sized customers exposes us certain risks.

In 2014 and in the first nine months of 2015, no single customer represented more than 5% of our total sales. However, our level of customer concentration may increase in the future as a number of industries have experienced consolidation in the past and the packaging industry in which our customers operate may also be affected by consolidation in the future. In addition, while no particular customer is significant to our Group as a whole, a number of our customers account for a significant portion of the sales volumes of one or more of our individual corrugated production sites. Therefore, a loss of one or more of those customers could have a material adverse effect on the utilization and results of operation of the affected corrugated board production sites and negative impact our Group's total sales. For example, one of our largest customers, which accounted for 4.5% of our total sales in 2014 and in the first nine months of 2015, respectively, recently announced that it plans to establish its own corrugated board production facility with an expected completion date in 2017. If this customer (or any other Prowell customer) establishes its own corrugated board production facility, it is likely that we will lose most or all of our related corrugated board sales.

In addition, a large proportion of our customers are small- or medium-sized, family-owned businesses that are managed by members of the owner family. A sale of any of those businesses to one of our competitors or to a box manufacturer with its own corrugated board production, either in connection with a succession event or otherwise, may therefore lead to a loss of the relevant customer. Furthermore, our own performance and potential future growth generally depends, to a large extent, on the performance of our customers, which are exposed to many of the same risks as our own business. Our small- and medium-sized customers may also be particularly vulnerable (i) to competition from larger competitors with greater financial resources and which are able to capitalize on their economies of scale and (ii) to pricing pressure from their own, often much larger customers.

The standardized nature of containerboard could result in downward pressure on pricing and, as a consequence, lower earnings.

Containerboard cannot generally be differentiated by producer, and this standardization has led to intensified price competition. This, in turn, creates significant downward pressure on the prices of our products during periods of market overcapacity or weak demand, which could reduce sales and have a material adverse effect on our margins and results of operations and financial condition. Our business has in the past faced significant downward pricing pressure, including as a result of standardization in the markets in which we operate. Given the general upward trend in almost all our input costs, notwithstanding that energy prices started to decline significantly in late 2014, we expect we will need to further increase prices in the mid- to long-term to ensure that earnings from recycled containerboard remain at a long-term sustainable economic level. We are likely to continue to be exposed to such factors in the future. If we are unable to adjust our cost base or achieve economies of scale comparable to our competitors, pricing pressure could have a material adverse effect on our margins and results of operation and financial condition.

Operational disruptions at our facilities, in particular our two mills, could have a material adverse effect on our margins, results of operations and financial condition.

We operate two containerboard mills in Germany, which account for all of our containerboard production. Each of them is, therefore, critical to our business. If operations at either of our two mills were interrupted for any significant length of time, either because of natural disasters (such as flooding or fire), man-made disruptions (such as labor strikes), failure to obtain raw materials, technical defects, accidents or for any other reason, it would have a material adverse effect on our business, results of operations and financial position. For example, a technical defect at our mill in Eisenhüttenstadt caused multiple shut-downs during 2011 and 2012, resulting in significant loss of containerboard production and significant financial loss, which was only partly covered by compensation payments from one of our equipment manufacturers in the following year. In addition, due to the high level of integration between our two mills and our corrugated board production sites, any significant interruption of our containerboard production at one or both of our mills would also have a significant adverse effect on our corrugated board production and our ability to supply our corrugated board customers. Any significant disruptions at one or more of our corrugated board production sites, either because of problems with our containerboard supply (either from our two mills or from external suppliers) or for any of the other reasons listed above, could also have a material adverse effect on our business, results of operations and financial condition. Due to the currently very high level of utilization of all our production sites, our ability to fulfill customer orders from alternative sites in case of a significant disruption at one of more production sites is limited. Finally, the operation of most of our production sites also depends on key services and infrastructure provided by third parties. For example, we rely on highly specialized employees of our equipment suppliers to ensure the proper maintenance and repair of our production equipment. In addition, the uninterrupted operation of our paper mill in Eisenhüttenstadt depends, among other things, on the availability of a waste water treatment plant operated by the local municipal utility and a secure supply of production steam either by the CHP and/or by a neighboring power plant which we use as a back-up solution. Due to technical faults in the steam pipeline that connects our mill in Eisenhüttenstadt to the neighboring power plant, there is no guarantee that this back-up solution will be available in the event of maintenance or other shutdowns of the CHP. Furthermore, our insurance coverage may be inadequate or not cover all losses. See "*Risk Factors—Risks Related to Our Industry and Our Business—Our insurance coverage may not be adequate to cover all the risks we may face and if we were no longer covered by our existing insurance, it may be difficult to obtain replacement insurance on acceptable terms or at all*". If one or more of the aforementioned risks materializes, this could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to intense competition in the containerboard and corrugated board industry.

We operate in a highly competitive and fragmented industry. The containerboard and corrugated board industry is characterized by a high level of price competition as well as other competitive factors, including innovation, design, quality and service. To the extent that any of our competitors are more successful with respect to any key competitive factor, our margins, results of operations and financial condition could be adversely affected. Pricing pressure could arise from, among other things, limited demand growth and existing overcapacity in the market in question, new competitors entering the market, capacity increases by competitors, including by converting, enhancing or intensifying the use of existing production facilities or by setting up additional production facilities, price reductions by competitors, the ability of competitors to capitalize on their economies of scale and create excess product supply, the ability of competitors to operate or successfully relocate or open

production facilities in countries where production costs are lower than those in which we operate and the access of competitors to new technology which we do not possess.

We are exposed to the risk of product substitution.

The products of our customers in the paper-based packaging industry compete with other forms of packaging, principally reusable plastic containers. Substitution of plastic containers for corrugated containers may increase in the future and other substitute products may be introduced. Future packaging developments and trends may drive further substitution. Substitution is also possible between solidboard packaging and corrugated containers, with the generally lower cost of corrugated containers offset by the moisture and temperature handling characteristics of solidboard packaging. Any significant substitution away from paper-based packaging products or from corrugated board to solidboard may adversely affect the demand for our products and therefore our results of operation and profitability.

Price fluctuations in raw materials and our ability to pass on price increases could affect our results of operations.

Our margins and overall profitability are significantly affected by the price of raw materials and the length of time it takes us to translate price increases in raw materials and other input costs into prices we charge for third-party sales of containerboard and corrugated board. To the extent our containerboard is sold internally, our profitability will only be affected by the ability to recover any price increases from third-party sales of corrugated board to our third party customers in the packaging industry.

In total, raw materials accounted for 58.9% and 59.2%, respectively, of our cost of materials in the year ended 2014 and the first nine months of 2015. Our primary raw materials are recycled paper, particularly old corrugated containers, and containerboard. The prices for these raw materials tend to be volatile, and price fluctuations affect our margins. Recycled paper is used in the manufacture of our containerboard products and is purchased in increasingly competitive, price-sensitive markets. Recycled paper has historically exhibited price and demand cyclicality and high price volatility over short periods and may do so again in the future. In particular, the price of recycled paper depends on a variety of factors over which we have no control, including environmental and conservation regulations, natural disasters and weather. A decrease in the supply of such raw materials has caused, and any such decrease in the future can be expected to cause, higher costs of materials. In addition, the increase in demand for products manufactured, in whole or in part, from recycled paper has in the past caused an occasional supply or demand imbalance in the market for recycled paper. Chinese purchasers have been in the recycled paper market for a number of years and have become material purchasers in the sector due to significant ongoing expansion of their recycled containerboard mills' capacity. Other important drivers of recycled paper prices are collection rates of recycled paper as well as freight rates and exchange rates, which both affect the level of exports of recycled paper from Europe to other markets. In the past, significant decreases in the prices for recycled paper have led to a reduction in collection activity, which, in turn, can lead to supply shortages. The effect of these and other factors has been to create volatility with respect to the price of recycled paper, and we expect recycled paper prices to continue to fluctuate based upon supply and demand characteristics.

In addition to recycled paper, which we use extensively in our containerboard production at our two mills, we also purchase containerboard from external suppliers as a raw material for our corrugated board production. The prices of containerboard can also be highly volatile. See also "*—Demand for our products is generally driven by the level of economic growth and activity, which is dependent upon factors beyond our control" and "—The cyclical nature of our industry often results in overcapacity which negatively impacts our results of operations" above, as well as "—We are exposed to currency exchange rate fluctuations*" below.

When the price of recycled paper begins to rise, containerboard manufacturers attempt to raise their prices to preserve profit margins, which generally narrow as a result of increased raw material costs. It typically takes approximately two to three months for the containerboard mills to pass on their raw material price increases to the corrugated board manufacturers. In turn, the manufacturers of corrugated board generally attempt to raise prices to recover containerboard cost increases. It generally takes approximately two to three months for manufacturers, including us, to pass these increases on to their customers. In particular during periods of rising recycled paper prices, our profitability has therefore historically been adversely affected.

However, our ability to pass the costs of our raw materials and other input costs on to our packaging customers depends on a number of other factors, including the supply and demand balance for containerboard and

corrugated board in a particular region and the ability of our customers to maintain or increase prices with their own customers. We generate almost all of our sales through purchase orders from our customers based on our price lists which we adjust in response to market price movements and only have very few contracts with our customers which provide minimum purchase obligations and/or pricing clauses that would allow us to automatically pass increased costs on to our customers. As a result of these factors, there can be no guarantee that the price of recycled paper and the selling prices for our containerboard and corrugated board products will always be closely correlated. Any (prolonged) disconnect between the price of recycled paper and the market prices for our products can have a significant adverse effect on our margins and results of operations and financial condition.

For example, between 2009 and 2010, our results of operations and financial condition deteriorated. There were two main reasons for this deterioration. First, the global financial and economic crisis led to a significant drop in the price of recycled paper, our main raw material, in the second half of 2008, but also to a significant decrease in the demand for our products and a corresponding decrease in the market prices for both containerboard and corrugated board. Following the significant drop in the prices for recycled paper in the second half of 2008, the prices for recycled paper started to recover in the first half of 2009, notwithstanding the continuing economic weakness and contrary to historic trends. This, in turn, led to a compression of our margins up to a point during the third quarter of 2009 when the sales prices for some of our finished products were insufficient to cover our variable input costs. As a result, we incurred significant losses and a few of our competitors were forced to close or mothball less efficient production facilities, which led at least temporarily to a drop in market-wide containerboard and corrugated board capacity. Our margins only returned to near sustainable levels towards the end of 2010, following multiple rounds of price increases for recycled paper, containerboard and corrugated board.

Increased energy costs could have a material adverse effect on our business, financial condition and results of operation.

Our production processes, in particular our containerboard production at our two mills, are energy intensive, and energy costs, including costs for electricity, gas and steam, represent a significant portion of our total cost of materials. Energy prices, in particular natural gas and electricity prices, have been volatile in recent years with a corresponding effect on our production costs. If energy prices increase in the future, this would increase our production costs, which could consequently have a material adverse effect on our profitability. See also "*—Our energy costs, in particular in Germany, are dependent on the regulatory framework for the electricity sector, which is subject to constant change and, in addition, we may face material cost increases if we lose certain financial privileges which we benefit from in Germany with regard to the Renewable Energies Act (Erneuerbare Energien Gesetz, "EEG") surcharge and network access fees and other fees*" below.

In the past, we have attempted to reduce our exposure to fluctuating energy prices by entering into (i) certain framework and ancillary agreements with EnBW Propower GmbH and Sales & Solutions GmbH for the supply of steam and electricity through the CHP and (ii) short term futures contracts and supply agreements with twelve month terms with regard to certain other facilities. We currently expect that the CHP Acquisition will lead to a further reduction of our energy costs, as described in more detail under "*The CHP Acquisition–Current Supply Arrangement and Economic Rationale for the CHP Acquisition*". However, neither the CHP Acquisition nor the other measures we have taken to reduce our exposure to fluctuating energy prices may be adequate and they may even be counter-productive. Under the existing framework and ancillary agreements with EnBW Propower GmbH and Sales & Solutions GmbH, we already partly bear the risk of certain business interruptions or shutdowns of the CHP. Following completion of the CHP Acquisition, we will also become directly responsible for, and will bear all risks related to, the day-to-day operation of the CHP, which includes responsibility for unexpected repair costs, for any shutdowns of the CHP as well as the operational risks associated with the disposal of the ash generated by the CHP (*i.e.*, that we are unable to procure the proper disposal of the ash and may therefore be forced to shut down the CHP). There can be no guarantee that the operating expenses for the CHP will not increase in the future. See also "*—Risks Related to the CHP Acquisition—We may not be successful in operating the CHP ourselves and integrating EnBW Propower GmbH into our existing business in the manner, or within the timeframe as currently anticipated or only at higher expense*". In addition, we already bear the full economic risk related to the procurement of refuse-derived fuels for the CHP and will continue to bear this risk following completion of the CHP Acquisition. Further, our outside suppliers may default on their obligations under our refuse-derived fuel supply agreements with them. Any significant increase in market prices, transportation costs, grid fees or taxes (including by reduction of tax benefits) associated with the supply of energy would also increase our operating costs. Any inability or delay in

passing on increases in energy costs to our customers or any interruption or shortage of energy supply may negatively impact our margins and results of operations and financial condition.

Our energy costs, in particular in Germany, are dependent on the regulatory framework for the electricity sector, which is subject to constant change and, in addition, we may face material cost increases if we lose certain financial privileges which we benefit from in Germany with regard to the Renewable Energies Act (Erneuerbare Energien Gesetz, "EEG") surcharge and network access fees and other fees.

In addition to general market dynamics, our energy costs are influenced by the relevant regulatory framework for the electricity sector both on the European and the national level. In the past years, this regulatory framework has been subject to substantial change and it will continue to be subject to change in the future. Such change is not only due to legislative reforms, but is also prompted by administrative and judicial decisions.

In Germany, where both our mills are located, our energy costs have been strongly impacted by regulatory decisions related to the so-called "energy revolution" (*Energiewende*), a dramatic shift in government policy following the nuclear disaster in Fukushima, Japan in 2011. This new German energy policy focuses on promoting the development of renewable energy sources and contemplates the complete cessation of the production of nuclear power by 2021. As a result, our energy costs are directly affected by regulation of the integration of renewable energies into the German electricity market, particularly the EEG. To mitigate the impact of the resulting significant increases in electricity prices for "energy-intensive enterprises", the German government adopted rules that provided for various businesses, including us, to be reimbursed for certain infrastructure investment surcharges necessary for the implementation of the "energy revolution". However, those rules have not only been subject to challenges in the German courts and to EU scrutiny as potentially illegal subsidies, but also continue to be subject to political scrutiny by various interest groups. Although the relevant rules have since been modified to address some of the original criticism, there is no guarantee that they will not change again and that we will continue to be able to benefit from applicable accommodations, reimbursement rules and/or energy tax refund schemes. As an "energy-intensive enterprise", we have historically benefitted, and in 2015 we continued to benefit, from considerable reductions of the so-called EEG surcharge (*EEG Umlage*), a charge which is levied on electricity consumers to fund the financial promotion of renewable energy sources. In 2014 and the first nine months of 2015, for example, such reductions decreased our energy costs by approximately €28.3 million and €20.6 million, respectively.

In addition, we currently benefit from various other privileges and exemptions from energy-related laws and regulations in Germany, including benefits pursuant to § 19 of the German Ordinance on Electricity Network Access Fees (*Stromnetzentgeltverordnung*), the German Electricity Tax Act (*Stromsteuergesetz*) and other laws and regulations. Should we lose any or all of these privileges and exemptions, this could have a material adverse effect on our margins and results of operations and financial condition.

Finally, compliance with the EU Emission Trading Scheme Directive (the "**ETS**") could significantly increase our costs. Our two mills are subject to the ETS. To date, the collective CO_2 allocations granted to our mills have exceeded our collective annual CO_2 emissions. The revised ETS Directive for the period 2013-2020, however, will reverse the excess position over time. The paper industry has been granted status as a so-called "carbon leakage" sector and therefore our two mills receive CO_2 emission certificates for free. Even with these certificates granted for free, there is considerable risk that in the future our costs will significantly increase and will not be recovered through higher prices for our end products.

We may fail in successfully implementing our business strategy.

In order to continue to realize cost savings or process optimizations, we must continue to optimize our costs, improve our procurement process, realize certain operating efficiencies and improve the efficiency of our sales force. Key focus areas of our Continuous Improvement Program involve (i) improving the effectiveness of our sales and marketing activities, (ii) optimizing (*i.e.*, minimizing) our variable costs and (iii) stabilizing our specific fixed costs in order to achieve sales excellence and maintain our position as one of the cost leaders in our industry. As we are unable to influence commodity and energy prices directly, our competitiveness and long-term profitability are, to a significant degree, dependent upon our ability to reduce costs (including the costs of raw materials and consumables such as power, labor and transport) and maintain low-cost, efficient operations. Our production costs are also significantly affected by production volumes and, therefore, our ability to maintain production levels and maximize capacity utilization will be a key factor in determining our overall cost competitiveness. Our ability to maintain earnings and undertake capital expenditure could be adversely affected in the event of a sustained material fall in prices for our products, an appreciable rise in our production

costs or a decline in our production volumes. A number of factors beyond our control, such as operating disruptions, personnel turnover, competition, unforeseen delays in implementing initiatives and general economic and industry conditions as well as future development on the energy markets, could have an adverse effect on our ability to implement our strategy by limiting our ability to grow or our ability to reduce costs and increase efficiency which could have a material adverse effect on our business. We may not be successful in achieving cost savings, generating growth and increasing our cash flows and profitability.

Efforts to improve our operational efficiency in accordance with our business plan may not be effective and may adversely impact our sales and marketing operations, product development and production processes.

We have implemented and are continuing to implement various projects to improve our operational efficiency, including our production network and processes as well as sales, marketing, procurement and product development. Some of these operational improvement initiatives and cost reduction measures represent important aspects of our business plan, in particular our initiatives in connection with the continuing optimization of our paper machine PM2 and our continuing efforts to further optimize production of our paper machine PM1 and our corrugators. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations—Continuous Improvement Program" and "Business—Our Strategy—Maintain cost leadership through continuous efficiency and profitability improvements*".

If our ongoing efforts to improve our operational efficiency fail or the implementation of cost improvement measures are not effective, sustainable or achievable within the anticipated time frame, the quality and cost of our products and our competitive position in the industry may suffer. Additionally, because we have factored the expected benefits of these improvement initiatives and cost reduction measures into our business plan, our inability to successfully execute these plans or our failure to realize the expected economic benefits of these plans could have a material adverse effect on our margins and results of operations and financial condition.

The costs and difficulties of integrating complementary businesses through organic and acquisitive expansion could impede our future growth and adversely affect our competitiveness.

We continually evaluate opportunities for further expansion projects and acquisitions. In particular, we may undertake a new greenfield expansion project or an acquisition to improve market positions within existing markets, to increase our corrugated board capacity to match our containerboard capacity, to support expansion in growth markets or to enter new markets. This may also include additional packaging park projects whereby we would establish corrugated board production sites at or in proximity to the packaging plants of one or more of our customers or the entry into joint ventures. For example, as a further variation of the packaging park model, we entered into an agreement with one of our large customers in Eastern Europe on December 1, 2015 for the proposed establishment of a further corrugated board production site (PW10) on land we would purchase from our customer adjacent to the customer's existing packaging plant, subject to the receipt of planning permissions and a number of other conditions. See also "*Business—Our Strategy—Achieving further synergies through further integration and expansion*" above.

Risks that we could face with respect to any such potential future expansion may include:

- greater than expected costs and management time and effort involved in identifying, completing and integrating expansions, acquisitions, packaging park projects or joint ventures;
- potential disruption of our ongoing business and difficulties in maintaining our internal control environment, information systems and procedures;
- the inability to successfully integrate the services, products and personnel of any acquisition into our operations or to realize any expected cost savings or other synergy benefits from any acquisition;
- customer overlap/loss of customers supplied prior to the acquisition by both us and the acquired group;
- incurrence of unexpected, actual or contingent liabilities;
- a need to incur debt, which may reduce our cash available for operations and other uses due to increased debt service obligations; and
- lack of return on our investment, including as a result of increased competition for acquisition targets and higher purchase prices for such acquisitions.

The impact of any such future expansion projects, acquisitions or joint ventures on us cannot be predicted and any of the risks outlined above, should they materialize, could have a material adverse effect on our margins and results of operations and financial condition.

We are exposed to currency exchange rate fluctuations.

Given the growing geographic spread of our operations, we are increasingly exposed to currency exchange rate fluctuations. For example, the United Kingdom, the Czech Republic and Poland do not use the euro as their national currency. For the first nine months ended September 30, 2015, 9%, 6% and 12% of our total sales derived from sales in British pounds, Czech koruna and Polish zloty, respectively. In addition, we currently finance several of our foreign subsidiaries, including subsidiaries outside the euro zone, through borrowings in euro. In particular, as of September 30, 2015, our Polish subsidiary owed €35.6 million in principal amount outstanding under two euro-denominated intra-Group loans it obtained from Prowell GmbH in connection with the Refinancing to repay a corresponding external bank loan and for working capital purposes. Since September 30, 2015, the amounts owed by our Polish subsidiary under these intra-Group loans have increased to approximately €37.6 million as of the date of this special report. With the entry into the Senior Secured PLN Facility and the utilization of the Senior Secured PLN Facility to repay a significant portion of the intra-Group borrowings by Prowell sp. z o.o., we expect to significantly reduce (but not eliminate) our exposure to exchange rate fluctuations between the euro and the Polish zloty. Prior to the Refinancing, we were not permitted under our former financing arrangements to hedge for currency risks. We have started to implement foreign currency risk management in order to monitor our foreign currency risk and to enable us to consider taking action if we decide to do so, but there is no assurance that any such foreign currency risk management will be effective. As a result, fluctuations in the value of these local currencies against the euro may have a significant adverse effect on our operations and on our reported results in euro.

The relative strength or weakness of the U.S. dollar is also important for the European containerboard industry, because exports out of the European market influence the supply demand balance and the price development of containerboard in Europe. Movements in the U.S. dollar exchange rate may also have an effect on trading. A weak U.S. dollar over a sustained period has, in the past, resulted in lower (U.S. dollar-denominated) exports by European containerboard manufacturers with a negative (for our business) effect on the supply demand balance and an immediate effect on the pricing of containerboard in Europe. In addition, a weak U.S. dollar over a sustained period has, in the past, also resulted in lower sales by other European manufacturers who ship products in corrugated packaging, resulting in lower European demand for corrugated packaging, and therefore for our containerboard and corrugated board. A weak U.S. dollar may result in additional competition in the European market from U.S. manufacturers that have an incentive to sell more products in Europe, due to increased European demand for the relatively lower-priced U.S. goods over higher-priced European goods.

The success of our business relies on certain key personnel (in particular, our chief executive officer Jürgen Heindl), and our ability to attract and retain key personnel, other qualified management personnel and skilled workers.

The success of our business relies to a considerable extent on the efforts, abilities and reputation of our executive board and our senior management team, especially our chief executive officer, Jürgen Heindl. Mr. Heindl has been responsible to a significant extent for our historical growth and strategic development. The loss of Mr. Heindl or other key personnel could significantly disrupt our business and have a material adverse effect on our margins and results of operations and financial condition. Further, if we lost any of our key personnel, there can be no assurance that we will be able to successfully find a suitable replacement in a timely manner, or at all.

In addition, the success of our business depends on our ability to attract and retain qualified management personnel and skilled workers in the long-term. We compete with a large number of other companies when recruiting qualified employees. There is an increasing shortage of qualified personnel in the markets in which we operate, especially personnel with technical, IT or engineering skills. If we are unable to continue to attract and/or train qualified employees sufficiently and to retain those employees, this could have a material adverse effect on our business, results of operations and financial condition. See also "*—Risks Related to the CHP Acquisition—Our ability to successfully operate the CHP depends on our ability to attract and retain experienced personnel*".

Failure to maintain good employee relations may affect our operations and the success of our business.

Future developments in relation to our business or otherwise could adversely affect relations with our employees and their work councils. Labor disputes, strikes or work stoppages could lead to a substantial interruption to our business operations or otherwise adversely affect the Group and have a material adverse effect on our operating results and financial condition.

We may be adversely affected by increasing costs in maintaining our required level of workforce.

During the first nine months of 2015, we had an average of 908 employees and personnel expenses constitute a significant proportion of our cost base. Accordingly, inflationary pressures, changes in applicable laws and regulations or other factors resulting in increased labor costs could have a material adverse effect on our margins and results of operations and financial condition.

We are subject to numerous environmental, health and safety laws and regulations, and the cost of compliance or the failure to comply with, and any liabilities under, current and future laws and regulations may negatively affect our business.

We are subject to a wide range of international, national, state and local environmental, health and safety laws and regulations in the jurisdictions where we operate, including those governing the discharge of pollutants into the air and water, the use, storage and disposal of hazardous substances and wastes and the clean-up of contaminated properties. We could incur significant costs, including fines, penalties, civil and criminal sanctions, investigation and clean-up costs, third-party claims for property damage or personal injury or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, the installation of pollution control equipment or other mandated actions, as a result of violations of or liabilities under environmental, health and safety laws and regulations or otherwise.

These laws and regulations are complex, frequently change and have tended to become more stringent over time. There can be no assurance that the costs of complying with such laws and regulations, or future environmental, health and safety laws and regulations, will not increase. Such cost increases could have a negative impact on the results of our margins and results of operations and financial condition.

There can be no assurance that we will be at all times in compliance with applicable environmental and health and safety requirements, which may lead to the incurrence of material costs or liabilities in the future or impede our ability to obtain and maintain all licenses, consents or other permits necessary to operate our business. Similarly, there can be no assurance that we will not experience an environmental spill or accident or discover or otherwise become liable for environmental contamination in the future. We may incur significant expenditure in connection with the required remediation of past environmental conditions at both currently-owned and formerly-owned facilities.

There can be no assurance that environmental pressure groups and similar organizations will not mount campaigns against us which, were they to occur, could have an adverse effect on our reputation.

Failure to maintain good health and safety practices may have an adverse effect on our business.

Our employees carry out relatively difficult and specialized tasks, and a serious incident affecting the health and safety of any of our employees could disrupt our operations and have a negative impact on our reputation. We may also be subject to fines or litigation if a health and safety incident occurs. Furthermore, disruption of operations caused by a major incident could have a material adverse effect on our business, results of operations and financial condition.

Our licenses may be suspended, amended or terminated prior to the end of their terms or may not be renewed.

Our licenses and permits required to conduct our business operations, including for the operation of CHP following completion of the CHP Acquisition, could be revoked, withdrawn or amended by the relevant authorities under certain circumstances. For example, a license or permit could be revoked, withdrawn or amended if there is a subsequent change of facts or a relevant regulation, such permit is found to be contrary to the public interest, or it is deemed necessary to prevent severe harm to the common good.

Moreover, private individuals and the public have the right to comment upon the process, raise objections to proposed permits and initiate court proceedings to intervene and prevent the granting of requested permits. In addition, environmental organizations, residents or other third parties may raise objections to our current or proposed activities or file suits challenging our operations and the granting or existence of permits and licenses to conduct our operations.

The permitting rules are complex and may change over time, making our ability to comply with the applicable requirements more difficult or even impossible, thereby precluding continuing or future operations. Regulatory authorities exercise considerable discretion in the timing and scope of permit issuance. Requirements imposed by these authorities may be costly and time consuming and may result in delays in the continuation of our operations.

If any of our licenses or permits is revoked, withdrawn or amended, or if we have difficulty renewing a license or permit, we may experience delays in our operations which could adversely impact our business, financial condition, results of operations and cash flows.

We are exposed to the particular risks related to our increasingly international operations.

Our operations have become increasingly international. In addition to our home market, Germany, we currently operate facilities in the Czech Republic, France, Poland and the United Kingdom. As a result, we are vulnerable to risks in these countries and to the particular risks inherent in international operations, including:

- increased difficulties in the collection of accounts receivable, including longer collection periods;
- inconsistent regulations and unexpected changes in legislation or regulatory requirements and increased difficulty and expense in hiring and dismissing employees; work stoppages, transport interruptions and difficulties in managing international operations;
- adverse tax consequences, including as a result of complex transfer pricing regulations; and
- adverse currency fluctuations or restrictions on the transfer of cash.

The occurrence of any of the foregoing could have a material adverse effect on our results of operations due to the related delays or increased costs in the production and delivery of products and services.

We are subject to antitrust and similar legislation in the jurisdictions in which we operate.

We are subject to a variety of antitrust and similar legislation in the jurisdictions in which we operate. In Germany as well as in some of our other markets, we have a market position that may make potential future acquisitions difficult and may limit our ability to expand by acquisition or merger, if we wished to do so.

In addition, we are subject to legislation in all the jurisdictions in which we operate relating to unfair competitive practices and similar behavior, both on an EU level and on a national level. There can be no assurance that we will not be subject to allegations of, or regulatory investigations or proceedings into, such practices or behavior. In the event that such allegations are made or investigations or proceedings are initiated (irrespective of merit), we may be required to devote significant management resources to our defense against such allegations. In the event that such allegations are proved, we may be subject to significant fines, damages awards and other expenses, any of which could have a material adverse effect on our business, results of operations and financial condition.

Our results may be adversely affected if we are unable to implement our strategy to optimize utilization of assets.

Our results of operations are materially influenced by the degree to which we are able to optimize the utilization of our assets in order to achieve the necessary production volumes to achieve our business plans. We cannot guarantee that we will be able to optimize the utilization of assets in accordance with our plans, or at all, due to, among other things, unforeseen disruptions which are beyond our control. For example, we continue to ramp-up production of our paper machine PM2, which first entered into service in 2010, and continuously work to further optimize production of our paper machine PM1. If we are not able to optimize the usage of our two paper mills and other production facilities, the expected return on our related investments may not be realized. Any other inability to optimize and sustain the capacity utilization of our production facilities or achieve cost efficiencies

through improvements in production processes may have a material adverse effect on our margins and results of operations and financial condition.

Our business operations are capital intensive, and we may be required to make significant capital expenditures to maintain our competitive position.

The operation and expansion of our business requires substantial capital expenditures. In addition to our significant investment in PM2 in Eisenhüttenstadt, primarily between 2008 and 2010, we have ongoing capital expenditure requirements relating to, among other things, the modernization and maintenance of our existing production plants. Furthermore, we also plan to incur capital expenditures in connection with the ongoing launch and ramp-up of our newest corrugated board production site (PW9) in Plössberg, the proposed establishment of an further production site (PW10) on land we would purchase from one of our large customers in Eastern Europe adjacent to the customer's existing packaging plant as well as additional expansion projects.

Our ability to expand our business and fund our ongoing operations depends on our ability to generate cash and access financing. In addition, our liquidity and capital requirements may increase if we decide to pursue further expansion projects or if we make future acquisitions. We may not generate sufficient cash flow or have access to sufficient funding to meet these requirements.

Further, we may require information technology enhancements in order to continue providing high-quality IT support for our production processes. Failure to implement such enhancements may result in reduced quality of processes and loss of orders and customers. If one or more of the aforementioned risks were to materialize, this could have a material adverse effect on our business, results of operations and financial condition. Furthermore, even successful expansion or acquisition projects can have a negative impact on our profitability and cash flow in the short-term because even in a positive market environment, it typically takes two to three years from the launch of a new corrugated board production site until the production site is fully utilized. For example, we launched our corrugated board production site in Strykow, Poland (PW7) in 2009, but the site only completed its ramp-up phase in 2012 and therefore, did not operate at a three-shift capacity for an entire year until 2013.

The availability of, or any significant increase in, the cost of transportation represents a significant risk for our business.

Transportation plays an important part in our supply chain as we transport a majority of our products, mainly by truck and to a lesser extent by rail or ship, to our customers. Deliveries are generally made as full truck loads. In addition, most of the raw materials need to be transported to our production facilities and we also transport containerboard from our two paper mills in Burg and Eisenhüttenstadt (both Germany) to our eight other corrugated board production sites in the Czech Republic, France, Germany, Poland and the United Kingdom. In the nine months ended September 30, 2015, our transportation costs, which include freight for deliveries from our production plants or other stocks to customers as well as containerboard shipments from our two mills to our various corrugated board plants, amounted to a total of €45 million, or 8.8%, of our sales. We operate our own transport fleet of currently 57 trucks through which we carry out approximately 9.1% of our total transportation requirements. Our remaining transportation needs are carried out by external forwarding agents.

Any material disruption in or lack of availability of transportation or significant increases in fuel or energy prices, road tolls or demand driven market prices resulting in higher transportation costs, may have a material adverse effect on our margins and results of operations and financial condition. In addition, increased costs relating to vehicle emissions control requirements that have been or may be imposed in the future, particularly due to climate change related legislation, may also lead to such effects on our margins and results of operations and financial condition.

We depend on the uninterrupted operations of our information and communication technology.

The operation of our production plants and our sales and service activities depend on the uninterrupted operation of complex and sophisticated computer, telecommunication and data processing systems. Between each step along our internal value chain and our production processes, we must coordinate and monitor complex logistics processes to ensure the efficient flow of materials and products. In addition, in the first nine months of 2015, approximately 65% of purchase orders for corrugated board from our Prowell customers were received electronically, and all material core processes, which must be coordinated to ensure the smooth and efficient operation of our production processes, are controlled by our proprietary core ERP system, WEPAFORM. WEPAFORM implements our internal know-how in the form of best practices and rules of conduct. The

functionality of WEPAFORM covers all our core processes, including order processing, raw material planning, production planning, production control as well as warehousing, shipment and invoicing. See also "*Business—Information Technology and Process Management*".

Computer and data processing systems and related information technology infrastructure (data center, hardware and wide and local area networks) are generally exposed to the risk of disturbances, damage, electricity failures, computer viruses, fire, other disasters, hacker attacks, unauthorized or improper access or abuse by employees and similar events. In addition, we rely on a small number of key employees within our IT department who are familiar with WEPAFORM and have been involved in its development. Disruptions to operations or interruptions in operations involving key software applications (in particular, WEPAFORM) and/or our IT hardware have occurred, in individual cases, in the past and may occur in the future. Although administration and production networks are separated, such disruptions or interruptions could have a material adverse effect on our ability to maintain our core processes, could lead to production downtime and result in significant lost sales. Some of the software products we use are hosted by a third party off site, in which case we depend on the hosting company's infrastructure, and any interruption, disruption or security breaches at the hosting company's data center may have an adverse effect on our operations. If one or more of these risks were to materialize, this could have a material adverse effect on our business, results of operations and financial condition.

We are subject to risks from legal proceedings.

We are involved in litigation in the ordinary course of business and could become involved in additional legal and arbitration disputes in the future, which may involve substantial claims for damages or other payments. The outcome of pending or potential future proceedings is difficult to predict with any certainty. In the event of a negative outcome of any material legal or arbitration proceeding, whether based on a judgment or a settlement agreement, we could be obligated to make substantial payments. In addition, the costs related to litigation and arbitration proceedings may be significant. The realization of any of these risks could have a material adverse effect on our business, results of operations and financial condition. See also "*Business—Legal Proceedings*".

Our insurance coverage may not be adequate to cover all the risks we may face and if we were no longer covered by our existing insurance, it may be difficult to obtain replacement insurance on acceptable terms or at all.

Although we maintain insurance policies, including fire, explosion, radiation, electrical damage, machinery breakdown, fuel or power shortages, third party liability insurance, transport insurance, computer insurance and directors' and officers' insurance, not all risks are insured or insurable (and may have significant deductibles on policies). Accordingly, our insurance policies do not provide coverage for all losses related to our business, and the occurrence of losses, liabilities or damage not covered by such insurance policies could have a material adverse effect on our results of operations and financial condition. Due to variable insurance market conditions, there can be no assurance that the insurance that we carry will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability, and we may be required to enforce insurance coverage or pay high deductibles. In some cases, coverage is not available or is considered too expensive relative to the perceived risk. If we experience a loss in the future, the proceeds of the applicable insurance policies, if any, may not be adequate to cover replacement costs, lost sales, increased expenses and/or liabilities to third parties. This could have a material adverse effect on our results of operations and financial condition.

Our risk management and internal controls may not prevent or detect violations of law.

Our existing compliance processes and controls may not be sufficient to prevent or detect inadequate practices, fraud and violations of law by our intermediaries and employees. Due to our business operations in multiple countries in Europe, we are subject to a number of laws and regulations in various countries. These include, among others, regulations concerning competition and antitrust law, international trade and customs, licensing and permits, commercial intellectual property and its enforcement, warranty and product liability, environmental, building and zoning law, energy law, hazardous substances and chemicals law, labor and work protection law, tax law and regulations related to purchasing and acquisitions.

In the event that any intermediaries, consultants, sales agents or employees with whom we cooperate either receive or grant inappropriate benefits or generally use corrupt, fraudulent or other unfair business practices, we could be confronted with legal sanctions, penalties and loss of orders and harm to our reputation. Especially given our increasingly international profile, the size and the extent of our cooperation with intermediaries,

consultants, sales agents and employees, our internal controls and procedures, policies and our risk management may not be adequate to identify or prevent such practices, which could have a material adverse effect on our results of operations and financial condition.

We may have to repay investment grants and subsidies, or previously awarded investment grants may not be disbursed in part or at all.

A part of our investment requirements for developing and expanding our production capacity is covered by public aid, such as investment grants, subsidies, loans at favorable conditions or tax reductions or exemptions, both in Germany and abroad. The decisions on granting public aid received by us contain various conditions such as regarding the creation of jobs, the total investment amount or the duration of our investment. If these conditions are not fulfilled during the commitment period, which generally exceeds the specified investment period, this could result in a repayment claim by the relevant authorities for the public aid received by us. During the commitment period, such conditions may no longer be satisfied and we could be subsequently exposed to considerable repayment and interest claims. This could have a material and adverse effect on our business, financial condition and results of operations.

Pending and future tax audits within our Group and changes in fiscal regulations could lead to additional tax liabilities.

We are subject to routine tax audits by local tax authorities. Tax audits in Germany for corporate income tax (*Körperschaftsteuer*), trade tax (*Gewerbesteuer*) and VAT (*Umsatzsteuer*) relating to the periods up to and including the financial year ended December 31, 2009 were completed in 2012.

Tax audits for later periods not yet subject to a tax audit or tax audits in other countries may lead to higher tax assessments in the future. For example, we operate a number of tax groups (*Organschaften*) in Germany and we are therefore exposed to the risk of a challenge of the existence and due operation of tax groups in the course of future tax audits. A non-recognition of our tax groups could lead to additional tax liabilities.

Currently, there are ongoing tax audits for the years 2010-2013. For the time being, there have been no assessments of the relevant tax auditors with material relevance to our tax position, but there can be no guarantee that the results of the tax audits will not negatively impact our tax position in the future.

In addition, we are exposed to potential tax risks related to our financial restructuring in 2011, which also involved certain tax aspects. Although we applied for and received a binding ruling from the responsible tax office with respect to the key tax aspects of the restructuring, it cannot be ruled out that the financial restructuring in 2011 might lead to additional tax liabilities if our position with regard to the tax consequences of the restructuring is challenged in connection with a tax audit.

Any additional tax payments could have a material adverse effect on our margins and results of operations and financial condition. In addition, changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities may also have a material adverse effect on our business.

The international scope of our operations and our corporate and financing structure may expose us to potentially adverse tax consequences.

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. We are also subject to intercompany pricing laws, including those relating to the flow of funds among our companies pursuant to, for example, purchase agreements or other arrangements. Adverse developments in these laws or regulations, or any change in position by the relevant authority regarding the application, administration or interpretation of these laws or regulations in any applicable jurisdiction, could adversely affect our business, financial condition and results of operations.

In addition, the tax authorities in any applicable jurisdiction may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions, including the tax treatment or characterization of our indebtedness, including the Senior Secured Notes, payments or other distributions to our shareholders, existing and future intercompany loans and guarantees or the deduction of interest expenses. We could also fail, whether inadvertently or through reasons beyond our control, to comply with tax laws and regulations relating to the tax treatment of various of our financing arrangements, which could

result in unfavorable tax treatment for such arrangements. If any applicable tax authorities were to successfully challenge the tax treatment or characterization of any of our intercompany loans or transactions, it could result in the disallowance of deductions, a limitation on our ability to deduct interest expenses, the imposition of withholding taxes, the application of significant penalties and accrued interest on intercompany loans or internal deemed transfers, the application of significant penalties and accrued interest or other consequences that could have a material adverse effect on our business, financial condition and results of operations.

Due to the forfeiture of loss carry forwards under German tax laws, we may be unable to use loss carry forwards to set off future gains.

Tax loss carry forwards and unused losses of the current financial year are forfeited in full if more than 50% of the subscribed capital, membership rights, participation rights or voting rights in Progroup AG are transferred, directly or indirectly, to an acquirer or related parties of such acquirer (or a group of acquirers with common interests) within a period of five years or in case of comparable measures (harmful acquisition). As regards transfers of more than 25% and up to 50% under the same prerequisites, tax loss carry forwards and unused losses of the current financial year are forfeited on a pro rata basis. The same applies for interest carry forwards. If and to the extent the tax loss carry forwards, interest carry forwards and unused losses of the current financial year are covered by the built in gains of the loss making company's business assets that are subject to domestic taxation a forfeiture of such items would generally not apply. However, according to the opinion of the relevant German fiscal authorities, the so-called "hidden reserve clause" may not be available to us due to our existing tax groups (*Organschaften*).

In connection with the Refinancing, BWK GmbH Unternehmensbeteiligungsgesellschaft transferred its preference shares to our controlling shareholder, JH-Holding. See also "*Overview—The Refinancing and the Transactions*". In addition, certain shares that were transferred to a security trustee (*Sicherheitentreuhänder*) as security under our Former Senior Credit Facility were re-transferred back to BWK GmbH Unternehmensbeteiligungsgesellschaft (prior to the transfer of its shares to JH-Holding), JH-Holding and our two minority shareholders. These transfers of shares, taken together, could mean that economically approximately 31% of the shares in Progroup AG were transferred to JH-Holding in connection with the Refinancing. As a result, there is a risk that these transfers will result in a forfeiture of tax loss carry forwards of approximately €4.3 million, which would lead to an additional tax payment of approximately €1.3 million within the next two years. In addition, there is a risk that these transfers will result in a forfeiture of 31% of potential unused losses of single legal entities incurred between January 1, 2015 and the date of the Refinancing, including costs and expenses related to the Refinancing.

Due to restrictions of the deduction of interest expenses or forfeiture of interest carry forwards under German tax laws, we may be unable to fully deduct interest expenses on our financial liabilities.

Interest payments on the Senior Secured Notes, the Super Senior Revolving Credit Facility, the Senior Secured PLN Facility and on our other debt may not be fully deductible for tax purposes, which could adversely affect our financial results. Subject to certain prerequisites, the German interest barrier rules (*Zinsschranke*) impose certain restrictions on the deductibility of interest for tax purposes. Since 2008, the German interest barrier rules in general have disallowed the deduction of net interest expenses exceeding 30% of tax adjusted EBITDA. For purposes of the interest barrier rules, all businesses belonging to the same tax group (*Organschaft*) for corporate income and trade tax purposes, *i.e.*, Progroup AG and certain Guarantors, are treated as one single business. Such consolidation is, *inter alia*, relevant for the calculation of the tax adjusted EBITDA.

There are certain exemptions from the restrictions of the German interest barrier rules allowing for a tax deduction of the entire annual interest expenses, which, however, may not be available to Progroup AG. To the extent our net interest expenses exceed 30% of our tax adjusted EBITDA in any given year, we may therefore not be able to deduct the excess in our net interest expense in calculating our taxable earnings for the relevant year. This may have an adverse effect on our liquidity and financial condition and on our ability to meet our obligations under the Senior Secured Notes.

Any non-deductible amount of interest expenses exceeding the threshold of 30% is carried forward and may, subject to the interest barrier rules, be deductible in future fiscal years. In the past, our interest expenses were not entirely deductible. Accordingly, we currently have an interest carry forward (*Zinsvortrag*) from previous years. An interest carry forward may be forfeited in part or in full in connection with certain measures, such as a change of the ownership structure as described in the preceding risk factor "*—Due to the forfeiture of loss carry*

forwards under German tax laws, we may be unable to use loss carry forwards to set off future gains". Such forfeiture may have a material adverse effect on our margins and results of operations and financial condition.

The transfers of shares to JH-Holding in connection with the Refinancing as described in the preceding risk factor could result in a forfeiture of interest carry forwards of approximately €15.8 million, which would lead to additional medium-term tax payments of approximately €4.1 million. In addition, there is a risk that these transfers will result in a forfeiture of 31% of potential non-deductible interest (due to the German interest barrier rules) relating to the period between January 1, 2015 and the date of the Refinancing.

If the European Monetary Union ceases to exist or one or more countries leave the European Monetary Union, our margins and results of operations and financial condition may be materially adversely affected.

Recent economic events affecting the European economies, including the sovereign debt and other economic crises in Cyprus, Greece, Ireland, Italy, Portugal, Slovenia and Spain, have raised a number of questions regarding the overall stability of the European Monetary Union. Despite measures taken by countries in the European Monetary Union and the European Central Bank to alleviate credit risk, concerns persist with respect to the ability of certain European Monetary Union countries to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual European Monetary Union member states. The economic outlook is adversely affected by the risk that one or more European Monetary Union countries could come under increasing pressure to leave the European Monetary Union, or that the euro could cease to be the single currency of the European Monetary Union. The legal and contractual consequences of such a development for the business of the Group and for holders of the Senior Secured Notes would be determined by applicable laws in effect at such time. Any of these developments, or a perception that any of these developments may be likely to occur, could have a material adverse effect on the economic development of the affected countries or lead to economic recession or depression that could jeopardize the stability of financial markets or the overall financial and monetary system. This, in turn, may have a material adverse effect on our margins and results of operations and financial condition.

The interests of our controlling shareholder may be inconsistent with our interests and/or the interests of holders of the Senior Secured Notes.

Jürgen Heindl, our chief executive officer and founding shareholder, controls JH-Holding, our controlling shareholder. The interests of our controlling shareholder, in certain circumstances, may conflict with our interests or with your interests as holders of the Senior Secured Notes. Mr. Heindl has, directly or indirectly, the power, among other things, to affect our legal and capital structure and our day-to-day operations, the payment of dividends, asset sales and other significant corporate transactions as well as the ability to elect and change our management and to approve any other changes to our operations. The interests of our controlling shareholder could conflict with your interests as holders of the Senior Secured Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due, including under the Senior Secured Notes. Mr. Heindl and our controlling shareholder could also have an interest in pursuing acquisitions, joint ventures, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their investments although such transactions might involve risks to the holders of the Senior Secured Notes.

The information available to market analysts varies in its degree of comparability.

This special report contains information regarding market positions, market shares, growth rates and other industry data pertaining to our business drawn from reports and other materials compiled by independent professional organizations and analysts. This includes reports prepared by RISI. The analysts compiling these reports base their estimates and conclusions on a variety of sources, some of which may be more comparable than others. These sources may include:

- official information published by government agencies,
- reports published by exchange listed companies with public reporting obligations,
- information offered voluntarily by privately held companies, and
- analysts' own estimates based on information obtained in conversations with competitors, suppliers, customers and other market participants.

Although our industry uses these reports as a standard source of market data, we cannot determine the level of reliability and comparability of the data in the reports. The analysts' estimates and conclusions can vary, and have in the past varied, materially from the true figures and as a result their reports can under or overstate market size, market share, growth rates and other important industry data. Accordingly, you should use caution in using these estimates and any information regarding market position or shares contained in this special report and you should not place undue reliance on such estimates or information.

RISKS RELATED TO THE CHP ACQUISITION

The CHP Acquisition is subject to uncertainties and the conditions precedent for the closing of the CHP Acquisition may not be satisfied.

On December 2, 2015, Progroup AG, Propapier PM2 GmbH, EnBW and its subsidiaries Sales & Solutions GmbH, EnBW Propower GmbH and EZG Operations GmbH entered into the CHP Purchase Agreement for the proposed acquisition by Progroup AG of the CHP and certain related assets. The successful completion of the CHP Acquisition depends, inter alia, on the approval of the German cartel office, the approval of the supervisory board of EnBW and other conditions precedent customary for this type of transaction. Should not all of the conditions precedent to closing have been satisfied before March 31, 2016, Progroup AG or EnBW may withdraw from the CHP Acquisition.

A failure of the CHP Acquisition could result in reputational damage and could have a material adverse effect on our business, financial condition and results of operations as a result of the significant efforts and the costs incurred in connection with the CHP Acquisition.

We may not be successful in operating the CHP ourselves and integrating EnBW Propower GmbH into our existing business in the manner, or within the timeframe, as currently anticipated or only at higher expense.

Under the existing contracting arrangement with EnBW, we are already closely involved in the operation of the CHP and already bear a significant portion of the economic risks associated with the operation of the CHP. However, we do not have any experience operating the CHP ourselves. Upon completion of the CHP Acquisition, we will become directly responsible for a number of aspects of the operation of the CHP that are currently being performed by EnBW. In particular, EnBW is currently responsible for the day-to-day operation of the CHP, including for repairs and maintenance as well as the disposal of the ash generated by the CHP.

The process of integrating EnBW Propower GmbH and the CHP Employees into our existing business and taking over the operation of the CHP ourselves involves certain risks and uncertainties, and there can be no assurance that we will be able to do so without increases in the operating costs for the CHP or in the manner or within the time frame currently anticipated by the transitional services agreement (the "**Transitional Services Agreement**") relating to IT, accounting/finance/controlling, operations/purchasing and personnel, we have entered into with EnBW. The Transitional Services Agreement provides for certain transitional services by EnBW and its affiliates to us for a transitional period. Should EnBW and its affiliates fail to provide the transitional services in accordance with the levels agreed in the Transitional Services Agreement or, if no levels are agreed in the Transitional Services Agreement, the standards of a professional provider of such services, this may have a significant adverse impact on our ability to integrate EnBW Propower GmbH and operate the CHP ourselves. The necessity of combining and consolidating IT systems and other operational or administrative processes makes us susceptible to failure and disruptions in these areas during the integration phase. There can also be no guarantee that the transitional services agreed with EnBW in the Transitional Services Agreement will be sufficient to allow the uninterrupted operation of the CHP following the completion of the CHP Acquisition.

EnBW currently bears the risk that the general costs of operating the CHP, including personnel cost, repair and maintenance costs as well as investments, are higher than expected and exceed the flat annual fee of approximately €10 million we are currently required to pay to EnBW Propower with regard to such expenses under the existing contracting arrangement. We currently estimate such annual expenses to be approximately €12-13 million once we own and operate the CHP, but there can be no guarantee that the operating expenses for the CHP will not increase further in the future or that the actual requirements for capital investments per annum will not be higher than our current estimate of approximately €1 million. Finally, following completion of the CHP Acquisition, we will become directly responsible for, and will bear all risks related to, the ownership and day-to-day operation of the CHP, which includes the risk of unexpected repair costs, the risk of any shutdowns of the CHP, the operational risks associated with the disposal of the ash generated by the CHP (*i.e.*, that we are

unable to procure the proper disposal of the ash and may therefore be forced to shut down the CHP) as well as certain other operational and regulatory risks. Since the CHP primarily uses refuse-derived fuels (including processed household and commercial waste), we will also be exposed to the risk that the procedures for screening the waste before it is being incinerated are inadequate or fail. This may result in damage to the CHP and/or in the CHP exceeding emission limits under applicable laws and regulations, forcing us to temporarily shut down the CHP. For example, a high aluminum content in the refuse-derived fuels supplied to the CHP, if undetected, may lead (and has led in the past) to explosions, which can damage the CHP. See also "*—As a result of the CHP Acquisition, we will become directly subject to a wide range of laws and regulations specifically governing the German energy sector and the disposal of waste, which are subject to constant change*".

The general process of integrating EnBW Propower GmbH and the CHP Employees into our Group and taking over the operation of the CHP ourselves is subject to changes in processes and potential disruptions in particular through human error. We may not be able to successfully transfer required know-how or integrate the CHP Employees. In addition, the CHP Acquisition may require substantial time and attention of our management, which may draw our management's attention away from other responsibilities and could have a negative impact on our operational business. If we fail to integrate EnBW Propower GmbH and the CHP Employees into our business and take over the operation of the CHP or if EnBW and its affiliates fail to provide the necessary transitional services, this could have a material adverse effect on our business, results of operations and financial condition and our ability to fulfill our obligations under the Senior Secured Notes.

Our ability to successfully operate the CHP depends on our ability to attract and retain experienced personnel.

Our ability to successfully integrate and operate the CHP depends, in part, on certain key personnel and on our ability to take over and retain the CHP Employees from EZG Operations GmbH. Under section 613a of the German Civil Code (*Bürgerliches Gesetzbuch–BGB*), the transactions contemplated by the CHP will be considered a "transfer of business" (*Betriebsübergang*) as a result of which all rights and duties under the existing employment relationships with the CHP Employees will, by operation of law, automatically be transferred to EnBW Propower. However, under section 613a of the German Civil Code, each CHP Employee has the right to object to the transfer of its employment relationship within a month of the transfer of the business, and there can be no guarantee that one or more key CHP Employees will not object to the transfer. See "*—Under section 613a of the German Civil Code, all rights and duties under the existing employment relationships with the CHP Employees will, by operation of law, automatically be transferred to EnBW Propower"*. In that case, we may find it difficult to find qualified replacements. In addition, we also depend on our ability to attract and retain a highly skilled workforce for the management and operation of the CHP over the long term. Such employees with appropriate knowledge and experience are scarce, and the employment market for such personnel is very competitive. The CHP Acquisition could cause the departure of CHP Employees with specialized knowledge. As a result, we might not be able to retain key CHP Employees or to attract and retain a highly-skilled workforce for the CHP. Any of these factors could have a material adverse effect on our business, results of operations and financial condition and our ability to fulfill our obligations under the Senior Secured Notes.

Under section 613a of the German Civil Code, all rights and duties under the existing employment relationships with the CHP Employees will, by operation of law, automatically be transferred to EnBW Propower.

Under section 613a of the German Civil Code, all rights and duties under the existing employment relationships with the CHP Employees will, by operation of law, automatically be transferred to EnBW Propower. This includes all obligations and liabilities with regard to any accrued pension, holiday and bonus entitlements as well as social security contributions, voluntary health insurance premiums and overtime payments/accounts owed to or on behalf of the CHP Employees by EZG Operations GmbH under the relevant employment agreements and/or collective bargaining agreements. Under the CHP Purchase Agreement, EZG agrees to hold EnBW Propower harmless for any such obligations or liabilities relating to the time prior to the transfer, while EnBW Propower agrees to hold EZG harmless for any such obligations or liabilities relating to any periods after the transfer. However, under section 613a of the German Civil Code, EnBW Propower will remain a primary obligor with regard to any such obligations and there can be no guarantee that we will be able to recover all or any related costs from EZG.

The CHP Employees are represented by a works council and ongoing wage discussions between EZG Operations GmbH and representatives of the CHP Employees may result in increased personnel expenses in the future.

Other than our current employees, the CHP Employees are represented by a works council (*Betriebsrat*) and are engaged in ongoing wage negotiations with EZG Operations GmbH, including with regard to demands to assign higher wage bands to certain CHP Employees under applicable collective labor arrangements (*Tarifverträge*). These and future wage negotiations may result in higher personnel expenses for the operation of the CHP compared to the historical personnel expenses used in the preparation of the Progroup *Pro Forma* Financial Information included in this special report.

Pro forma financial information describes only a hypothetical situation and, therefore, may not reflect actual assets, financial position and results of operation of the Group upon closing of the CHP Acquisition.

Progroup AG's unaudited *pro forma* financial information may not be a precise indicator of our future performance, nor reflect what our results of operations would have been if the CHP Acquisition had occurred at the beginning of the periods presented in the *pro forma* financial information nor indicate our future financial condition, results of operations and cash flow.

Progroup AG's unaudited *pro forma* financial information for the six months ended June 30, 2015 and for the year ended December 31, 2014 was prepared based on the combination of standalone financial information for EnBW Propower GmbH and the consolidated historical financial information (subject to certain adjustments as described in the notes to the Progroup *Pro Forma* Financial Information) for Progroup AG in order to provide an estimate of what our financial situation and results of operations would have been if the CHP Acquisition had occurred at the beginning of the relevant periods.

Therefore, the *pro forma* financial information describes only a hypothetical situation and thus, due to its nature, the presentation does not reflect the actual assets, financial position and results of operations of the Group upon the closing of the CHP Acquisition. The presentation of the *pro forma* financial information is based on information available, preliminary estimates and certain *pro forma* assumptions, as described therein. The *pro forma* financial information has not been audited by any independent auditors and is intended for illustrative purposes only.

In addition, our unaudited *pro forma* financial information may not be indicative of our future performance or our future financial condition, results of operations or cash flow. Furthermore, the *pro forma* financial information is only meaningful in conjunction with the Consolidated Financial Statements of Progroup AG. For additional information, see "*Presentation of Financial and Other Information*," "*Unaudited Pro Forma Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Our due diligence with regard to EnBW Propower GmbH has revealed certain tax risks that may not be fully covered by the relevant provisions of the CHP Purchase Agreement

Our tax due diligence in connection with the CHP Acquisition has revealed certain risks with regard to EnBW Propower GmbH. In particular, there is a risk that the German tax authorities will challenge the existence of a tax group (*Organschaft*) between EnBW Propower and EnBW, which would result in significant tax liabilities of EnBW Propower, which we expect could amount up to approximately €19 million. The CHP Purchase Agreement contains a number of provisions that are intended to impose the economic consequences of any related risks on EnBW and the sellers. In particular, under the CHP Purchase Agreement, EnBW has agreed to fully indemnify EnBW Propower for any losses or liabilities it may incur as a result of the tax authorities challenging the existence of a tax group. If EnBW has not made any indemnification payments (in response to relevant tax assessment notices from the responsible tax authorities) by June 30, 2016, EnBW will be required to provide a bank guarantee to EnBW Propower in the amount of €19 million (minus any indemnification payments already made plus any interest that may accrue on any related tax liability), unless EnBW is assigned an investment-grade rating by at least two of three rating agencies (Moody's, Standard & Poor's and Fitch). However, there can be no guarantee that the actual tax liabilities will not exceed the amounts we currently expect, that EnBW will meet its indemnification obligations or that the provisions of the CHP Purchase Agreement will fully cover any tax risks related to the CHP Acquisition.

We could be exposed to risks related to the CHP which have not been detected during the due diligence process preceding the CHP Acquisition.

The operation of the CHP may be subject to risks or problems that we may not be aware of, which may not have been detected or which have not been disclosed to us in the due diligence process or derived from the financial information of EnBW Propower GmbH and that may only emerge after the CHP Acquisition has been consummated.

The CHP Purchase Agreement provides us with limited protection against the existence of such problems or the materialization of any such risks. The existence of any such risks or problems could lead to significant additional costs in operating the CHP, require us to incur significant costs for repairs or to make significant additional investments into the CHP in an attempt to remedy such risks or problems. Furthermore, we may learn additional information about the CHP that adversely affects us only after the consummation of the CHP Acquisition, such as unknown or contingent liabilities, technical problems and issues relating to compliance with applicable laws. Any such liabilities or problems, individually or in the aggregate, could prevent us from realizing the expected benefits from the CHP Acquisition and could have a material adverse effect on our business, financial condition and results of operations.

Upon completion of the CHP Acquisition, EnBW Propower will loose the benefit of certain framework agreements between the EnBW group and certain suppliers and service providers.

EnBW Propower currently obtains certain goods and services, such as repair and maintenance services, pursuant to a number of framework agreements between the EnBW group and certain suppliers and services providers. Following completion of the CHP Acquisition, we will have to individually contract for the relevant goods and services with the relevant suppliers and service providers or alternative suppliers and services providers. We cannot guarantee that we will be able to contract for the relevant goods and services on terms that are as favorable to us as the terms of the relevant framework agreements between the relevant suppliers or services providers, as applicable, and the EnBW group.

Our ability to supply electricity to the public power grid will be dependent upon transmission and distribution systems and our reliance on third parties.

The sale and supply of electricity produced by the CHP to the public grid is dependent upon the infrastructure of the local power grid systems. We have no control over the operation of these power grid systems and we must rely on independent third-party power grid system operators. Different companies operate the transmission grids and the distribution grids in Germany. The transmission grid in the region where the CHP is located is operated by E.DIS AG and there are a number of different operators of distribution grids.

Any failure of such power grid systems or reduction of available capacity, including as a result of grid congestion, natural disasters, insufficient maintenance or inadequate development, could prevent us selling and supplying electricity from the CHP. In Germany, grid congestion has recently caused operational issues for certain power generation plants, as the increase of co-generation and renewable energy in Germany that has a priority feed-in right to German power distribution networks has led to a reduction of available grid capacity for conventional power plants. In addition, as these power grid systems are operated by independent third parties who will not be our contractual partners, we will not carry insurance in this regard which would compensate us in the event of an operational failure. Additionally, under the German Energy Industry Act (*Energiewirtschaftsgesetz* - EnWG), network operators are responsible for the security and reliability of the power supply system and required to balance differences between generation and consumption. Therefore, if the safety or reliability of the transmission system is endangered, particularly in the case of grid bottlenecks, network operators are required to take remedial grid-related or market-related action, including changes to current electricity feed-in, transit and output. In doing so, under the EnWG and the German Renewable Energies Act *(Erneuerbare Energien Gesetz* - EEG*)*, network operators may choose to disconnect power plants from the grid temporarily to reduce or prevent congestion. In any such case, conventional power plants would be the first to be disconnected, followed by co-generation plants and renewable power plants. We would not be entitled to compensation by the network operator for the losses incurred as a consequence of such measures. Due to the nuclear power phase-out and as renewable power generation and cogeneration increases rapidly in Germany and the capacity of affected transmission and distribution grids is often not expanded sufficiently to accommodate this increase, there is an increasing risk of grid congestion and subsequent regulation of feed-in power capacity of conventional power plants during certain hours, including brown coal-fired power plants.

Any failure of the power grids or a disconnection of the CHP from the power grid, e.g., due to congestion and respective measures by the network operator, could negatively impact our electricity sales, and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

As a result of the CHP Acquisition, we may become subject to the risks associated with EU regulation of energy market mechanisms, including potential cash margining requirements as well as transparency and reporting obligations.

The electricity produced by the CHP is being sold directly to the public electricity grid. Upon completion of the CHP Acquisition, we may therefore need to begin to trade on the financial and energy wholesale markets of Europe. EU regulations, such as the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT), the Markets in Financial Instruments Directive (MiFID) and the European Market Infrastructure Regulation (EMIR) require the implementation of strict rules for wholesale commodity trading, including potential cash margining requirements for all over-the-counter deals, transparency and reporting obligations and the central clearing of transactions involving certain energy derivatives. These requirements could result in significant additional administrative burdens and costs for us. Changes to credit and cash settlement requirements could require us to post cash collateral to cover mark-to-market fluctuations in the margin of any wholesale forward sales of electricity. As a result, EU regulation of energy market mechanisms could have a material adverse effect on our business, financial condition, results of operations and cash flows.

As a result of the CHP Acquisition, we will become directly subject to a wide range of laws and regulations specifically governing the German energy sector and the disposal of waste, which are subject to constant change.

If and when the CHP Acquisition is completed and we own and operate the CHP, we will also become directly subject to a wide range of laws and regulations specifically governing the German energy sector and the disposal of waste. See "*Business—Regulatory Environment—Regulation governing the Operation of the CHP*".

The operating costs and results of operations of EnBW Propower and the CHP will be significantly impacted by the relevant regulatory framework for the electricity sector both on the European and the national level. In the past years, this regulatory framework has been subject to substantial change and it will continue to be subject to change in the future. Such change is not only due to legislative reforms, but is also prompted by administrative and judicial decisions. See also "*—Our energy costs, in particular in Germany, are dependent on the regulatory framework for the electricity sector, which is subject to constant change and, in addition, we may face material cost increases if we lose certain financial privileges which we benefit from in Germany with regard to the Renewable Energies Act (Erneuerbare Energien Gesetz, "EEG") surcharge and network access fees and other fees*".

Any such changes, in particular any loss or significant reduction of certain financial privileges we currently enjoy under the German Renewable Energies Act or the German Ordinance on Electricity Network Access Fees, could have a material adverse effect on our business, financial condition, results of operations and cash flows. As another example, the fluidized bed boiler (*Wirbelschichtkessel*) of the CHP for the thermal utilization of refuse-derived fuels currently benefits from an exemption under the CO_2 emissions trading scheme under the German Greenhouse Gas Emission Trading Act *(Treibhausgas-Emissionshandelsgesetz, "TEHG")*. A partial or outright loss of this exemption, as a result of either the CHP Acquisition or legal changes in the future, would result in significant additional administrative expenses as well as costs for purchasing CO_2 emission certificates. Any further tightening of general emission limits under relevant EU or German laws and regulations may require us to incur significant capital expenditure and ensure continued compliance by the CHP with all relevant laws and regulations. Since the CHP primarily uses refuse-derived fuels (including processed household and commercial waste), the operation of the CHP is particularly tightly regulated and is subject to a high level of regulatory scrutiny. Any breach of emissions limits under applicable laws and regulations, for example, due to equipment malfunction or a failure of the procedures for screening the waste before it is being incinerated, may force us to temporarily shut down the CHP or cause the relevant regulators to impose administrative sanctions and/or modify the operating permits for the CHP, which could result in significant costs.

In addition, the reduction or elimination of certain energy-related tax credits and exemptions or other changes in tax laws, in particular under the German Electricity Tax Act (*Stromsteuergesetz* – StromStG) and the German Energy Tax Act (*Energiesteuergesetz* – Energie StG), could have a material adverse effect on our business, financial condition, results of operations and cash flows. Finally, we may be adversely affected by any regulatory changes that may favor recycling over the thermal utilization of the refuse-derived fuels used in the

operation of the CHP. For example, certain counties (*Landkreise*) in which one of our suppliers of refuse-derived fuels operates have recently adopted a new scheme for the collection of certain recyclables and organic waste. As a result of this change, other regulatory changes or similar developments in other regions, the amount and quality of household waste our supplier will be able to collect will likely decrease which will make it more difficult for our supplier to supply us with the agreed amount of refuse-derived fuels under the supply agreement, it may become more difficult to obtain the required quality and/or quantities of refuse-derived fuels to ensure the operation of the CHP in the future and/or the waste disposal fees we are able to charge for the thermal utilization of the refuse-derived fuels may decrease, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Furthermore, we are subject to various compliance, reporting and audit requirements under applicable laws and regulations, which require us to incur additional costs, including for the services of external advisers. Under the German Energy Services Act (EDLG), for example, certain larger companies are required to carry out an energy audit, unless they have implemented an energy management system (EnMS). Since the CHP has implemented an EnMS, it is currently exempt from the energy audit requirement. However, the requirements of the EDLG also apply to current members of the Group and the Issuer as well as certain of its subsidiaries will still be required to carry out an energy audit under the EDLG. Failure to comply with these and other requirements und any relevant laws or regulations could also expose us to fines. See ‘‘*Business—Regulatory Environment—Regulation governing the Operation of the CHP—Energy Services Act*’’.

THE CHP ACQUISITION

On December 2, 2015, Progroup AG, Propapier PM2 GmbH, EnBW and its subsidiaries Sales & Solutions GmbH ("**SSG**"), EnBW Propower GmbH ("**EnBW Propower**") and EZG Operations GmbH ("**EZG**") entered into a purchase, assignment and transfer agreement (the "**CHP Purchase Agreement**") for the proposed acquisition by Progroup AG of EnBW Propower, the combined heat and power plant adjacent to our paper mill in Eisenhüttenstadt, Germany (the "**CHP**"), and certain related assets (such acquisition, the "**CHP Acquisition**") for an aggregate purchase price (subject to customary post-closing adjustments) of €183.9 million.

EnBW Propower GmbH and the CHP

The CHP is one of Germany's largest combined heat and power plants with an annual consumption of approximately 350,000 tons of refuse-derived fuels.

The CHP commenced operations in 2011 and is currently owned by EnBW Propower, an indirect subsidiary of EnBW. It was specifically designed to meet the steam requirements of our paper machine PM2 (the "**PM2**"). Under normal operating conditions, the CHP supplies 100% of the steam requirements of the PM2, but as a back-up solution during maintenance or other shutdowns of the CHP, a nearby power plant in Eisenhüttenstadt is used as an alternative steam supplier. The CHP has historically supplied approximately 84% of the total steam requirements of the PM2 on an annual average basis. To increase the share of the total steam requirements of the PM2 supplied by the CHP and to minimize the need for an external steam supply, we try to coordinate any scheduled maintenance shutdowns of the CHP and the PM2 as much as practicable. The electricity produced by the CHP is sold directly to the public electricity grid and mitigates the costs of our electricity purchases.

The CHP primarily uses processed household and commercial waste as well as rejects from our recycled paper processing operations and other refuse-derived fuels as fuel to heat a fluidized bed boiler (*Wirbelschichtkessel*) to meet base load requirements. To be able to meet peak load requirements, the CHP also has a large water boiler (*Grossraumwasserkessel*) which can be heated using fuel oil. Fuel oil is also used for starting up (*Anfahren*), shutting down (*Abfahren*) or co-firing (*Stützfeuerung*) the fluidized bed boiler.

EnBW Propower was originally established as a wholly-owned subsidiary of JH-Holding, our parent company and controlling shareholder. On December 18, 2008, all shares in EnBW Propower were transferred to EnBW Energy Solutions GmbH, a wholly-owned subsidiary of EnBW. At the time of the transfer, JH-Holding had already completed most of the design and planning stages for the CHP, but financial constraints at the time led us to enter into the existing contracting arrangement with EnBW for the financing, contruction and operation of the CHP. The CHP commenced commercial operations on April 15, 2011, and in 2013, EnBW Energy Solutions GmbH merged into SSG.

EnBW Propower currently owes EnBW approximately €126 million pursuant to an intra-group loan (the "**EnBW Intra-Group Loan**"). In addition, SSG owns the network access ports linking PM2 to the public electricity grid (the "**Network Access Ports**"). As part of the CHP Acquisition, we will also acquire the EnBW Intra-Group Loan and the Network Access Ports.

The CHP is currently operated and maintained by approximately 38 employees (the "**CHP Employees**"), which are employed by EZG, an indirect, wholly-owned subsidiary of EnBW, pursuant to an operating agreement (*Bewirtschaftungsvertrag*) between SSG, EnBW, EZG and EnBW Propower (the "**Operating Agreement**").

Current Supply Arrangement and Economic Rationale for the CHP Acquisition

As part of our greenfield location strategy and to secure a reliable supply of energy to the PM2 at clearly defined prices, we entered into certain framework and ancillary agreements with EnBW Propower and its parent company SSG for the construction and operation of the CHP and for the long-term supply of steam and electricity.

On December 18, 2008, our subsidiary Propapier PM2 GmbH, which operates the PM2, entered into a framework agreement with EnBW Propower (the "**Framework Agreement**") as well as into a number of related agreements, including an energy supply agreement (the "**Energy Supply Agreement**") for the supply of the production steam and a portion of the electricity required for the operation of the PM2, an agreement for the supply of refuse-derived fuels and other fuels by Propapier PM2 GmbH to EnBW Propower (the "**Fuel Supply**

Agreement") and an agreement for the installation and use of the Network Access Ports (the "**Network Access Agreement**").

On December 29, 2011, the Energy Supply Agreement was amended so that the electricity produced by the CHP is now being supplied directly to the public electricity grid. As a result, Propapier PM2 GmbH meets its electricity requirements entirely through market purchases. In connection with the amendment, the fees payable by Propapier PM2 GmbH were adjusted and the term of the Energy Supply Agreement and the Fuel Supply Agreement were extended from 15 to 20 years following the commencement of the commercial operations of the CHP in 2011.

Under the existing contracting arrangement with EnBW, we are already closely involved in the operation of the CHP and already bear a significant portion of the economic risks associated with the operation of the CHP. For example, under the existing contracting arrangement with EnBW, we are already responsible for supplying refuse-derived fuels and other fuels to the CHP, and we also bear the costs of disposing of the ash (*Ascheentsorgung*) generated by the CHP.

As of September 30, 2015, we had remaining (off-balance sheet) obligations of approximately €229 million under the contracting arrangement with EnBW. Under the existing contracting arrangement, we are required to make certain fee payments to EnBW, including approximately €42 million in annual payments as follows:

- annual payments of approximatley €30 million (*Grundpreis I*), which are the equivalent of capital charges for the CHP and which include both a repayment component and an interest component with an implied interest rate of 10.4%;
- a flat annual fee of approximately €10 million (*Grundpreis II*) to cover the general operating costs of the CHP, including personnel expenses, repair and maintenance costs as well as insurance costs; and
- annual payments of approximately €2 million pursuant to the Network Access Agreement, which similarly include components that are the equivalent of capital charges for the use of the Network Access Ports (approximately €1.5 million) as well as a component that covers the general operating costs of the Network Access Ports (approximately €0.3 million).

We currently record all these payments under cost of materials. Under the existing contracting arrangement, the payments that cover the general operating expenses of the CHP and the Network Access Ports, respectively, are inflation-adjusted, and we are required to make these fee payments, irrespective of any scheduled maintenance shutdowns or unscheduled shutdowns that individually last for less than eleven days. For the period between 2012 and 2014, we have consequently already borne the economic consequences of between four and six weeks of maintenance and other shutdowns of the CHP each year, including the costs of our back-up arrangement for the supply of production steam with the nearby power plant.

All these payment obligations will terminate upon termination of the existing contracting arrangement following the completion of the CHP Acquisition and, therefore, will no longer reduce our EBITDA and cashflow.

After the completion of the CHP Acquisition, we estimate that we will make approximately €19 million in corresponding annual payments consisting of:

- approximately €12-13 million for personnel expenses, repair and maintenance costs and insurance costs, compared to the flat annual fee of approximately €10 million (*Grundpreis II*) we are currently charged under the contracting arrangement with EnBW;
- approximately €1 million for certain capital investments; and
- interest expenses of approximately €5 million on the approximately €120 million of additional indebtedness we expect to incur to finance a portion of the purchase price for the CHP Acquisition, including through drawings under the Senior Secured PLN Facility.

This implies potential annual net cash savings as a result of the CHP Acquisition of up to €23 million.

However, there can be no guarantee that our actual annual cash savings as a result of the CHP Acquisition will match these estimated cash savings or that we will be able to realize any cash savings as a result of the CHP Acquisition at all. In particular, following completion of the CHP Acquisition, we will bear certain additional risks associated with the ownership and operation of the CHP that are currently being borne by EnBW. For example, there can be no guarantee that the actual annual personnel expenses, repair and maintenance costs and insurance costs for the CHP will not be higher than our current estimate of approximately €12-13 million, that these expenses will not increase further in the future or that the actual requirements for capital investments per annum will not be higher than our current estimate of approximately €1 million. In addition, the estimated cash savings described in the preceeding paragraph do not reflect any potential tax effects from the CHP Acquisition, any potential future increases in the working capital requirements for operating the CHP. Actual interest expenses from debt incurrence may also be higher than our current estimate. Furthermore, following completion of the CHP Acquisition, we will become directly responsible for, and will bear all risks related to, the ownership and day-to-day operation of the CHP, which includes the risk of unexpected repair costs, the risk of any shutdowns of the CHP, the operational risks associated with the disposal of the ash generated by the CHP (*i.e.*, that we are unable to procure the proper disposal of the ash and may therefore be forced to shut down the CHP) as well as certain other operational and regulatory risks. The approximately €12-13 million for personnel expenses, repair and maintenance costs and insurance costs also do not represent all of the annual operating expenses for the CHP. In particular, they do not include certain costs and expenses we already bear under the existing contracting arrangement with EnBW, such as the costs of fuel oil and the costs of ash disposal. There can be no guarantee that those other operating expenses will not also increase in the future. Finally, there can be no guarantee that we will not be required to make additional capital investments in the CHP in excess of the approximately €1 million in expected annual capital investments described above. See also "*Risk Factors–Risks Related to the CHP Acquisition*".

The CHP Purchase Agreement and Transitional Services Agreement

Pursuant to the CHP Purchase Agreement, the CHP Acquisition will be effected by way of (i) a transfer by SSG to Progroup AG of all shares in EnBW Propower, (ii) a transfer by SSG to Propapier PM2 GmbH of the Network Access Ports, (iii) a transfer by EnBW to Propapier PM2 GmbH of all rights under the EnBW Intra-Group Loan and (iv) a transfer to EnBW Propower of certain spare parts for the CHP. Immediately after the transfer of the EnBW Intra-Group Loan to Propapier PM2 GmbH on the CHP Acquisition Completion Date, Progroup AG will assume (*schuldbefreiende Schuldübernahme*) all liabilities under the EnBW Intra-Group Loan from EnBW Propower, and Progroup AG and Propapier PM2 GmbH will amend the EnBW Intra-Group Loan to prohibit any pre-payment or re-payment of the EnBW Intra-Group Loan for a period of 18 months following the CHP Acquisition Completion Date (as defined below).

Pursuant to the CHP Purchase Agreement, the completion of the CHP Acquisition is subject to a number of conditions precedent, including (i) clearance of the transaction or expiration of the relevant period for objection by the German cartel office, (ii) termination by EnBW and EnBW Propower of an existing profit and loss sharing agreement, and (iii) approval of the transaction by the EnBW supervisory board. In addition, the parties to the CHP Purchase Agreement may terminate the CHP Purchase Agreement if certain conditions precedent which are outside the control of the relevant parties are not satisfied by March 31, 2016. Furthermore, we may terminate the CHP Purchase Agreement if certain events or circumstances occur prior to completion of the CHP Acquisition that constitute a material adverse change (*wesentliche nachteilige Veränderung*) as defined in the CHP Purchase Agreement. However, we may be required to complete the CHP Acquisition and to pay the full purchase price for the CHP Acquisition even if certain events or circumstances occur prior to completion of the CHP Acquisition that may constitute an adverse change with regard to EnBW Propower or the CHP, but that do not meet the relevant thresholds set forth in the CHP Purchase Agreement for us to be entitled to terminate the CHP Purchase Agreement.

Subject to the conditions precedent and potential termination rights described in the preceding paragraph, the CHP Purchase Agreement provides that the economic risks and benefits of ownership of the CHP Assets shall pass from EnBW to us at midnight on December 31, 2015 (the "**CHP Acquisition Reference Date**"). The CHP Purchase Agreement contains certain purchase price adjustment provisions whereby the purchase price for the CHP Acquisition may increase or decrease to the extent the net financial liabilities and/or working capital of EnBW Propower as of the CHP Acquisition Reference Date exceed or fall below, as applicable, the contractually agreed target net financial liabilities and/or working capital of EnBW Propower. In addition, the purchase price for the CHP Acquisition may increase to the extent EnBW makes certain investments in EnBW

Propower prior to the date on which the CHP Acquisition is completed (the "**CHP Acquisition Completion Date**"), which we currently also expect to be midnight on December 31, 2015.

The CHP Purchase Agreement provides us with only limited protections with regard to the existence of risks or problems related to the CHP Assets that we may have failed to detect or which have not been disclosed to us in connection with the due diligence process we have conducted prior to entering into the CHP Purchase Agreement. Any potential indemnification claims by us against EnBW are subject to certain *de minimis* thresholds and (other than claims for breach of certain key representations) are capped at 10% of the purchase price under the CHP Purchase Agreement. Certain indemnification claims will also expire if not brought within 15 months of the date of the CHP Purchase Agreement. See also "*Risk Factors—Risks Related to the CHP Acquisition—We could be exposed to risks related to the CHP which have not been detected during the due diligence process preceding the CHP Acquisition*".

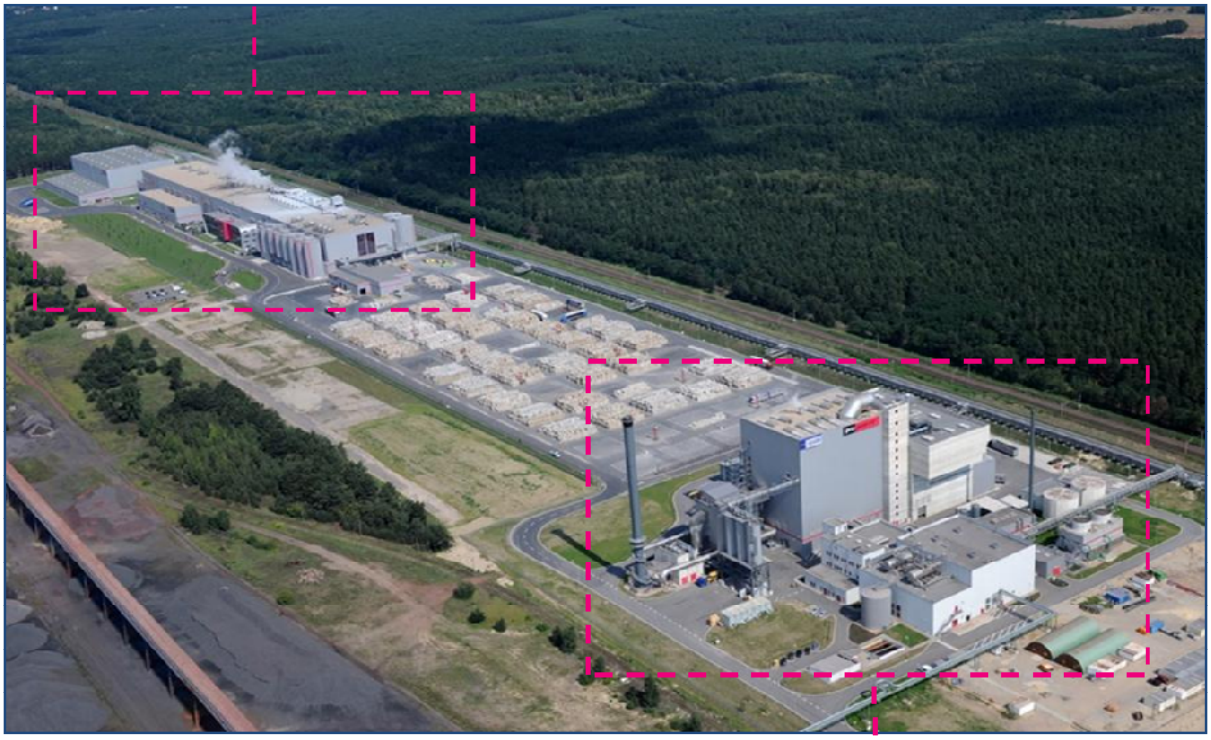
The CHP Purchase Agreement contains specific tax indemnification provisions that are generally intended to indemnify us, subject to certain exceptions, for tax liabilities of EnBW Propower that relate to periods prior to the CHP Acquisition Reference Date. The CHP Purchase Agreement also contains separate provisions that are intended to impose the economic consequences of the risk that the German tax authorities retro-actively challenge the existence of a tax group (*Organschaft*) between EnBW Propower and EnBW on EnBW. See also "*Risk Factors—Risks Related to the CHP Acquisition—Our due diligence with regard to EnBW Propower GmbH has reveal certain tax risks that may not be fully covered by the relevant provision of the CHP Purchase Agreement*".

Furthermore, the CHP Acquisition Agreement provides that the Framework Agreement and the Network Access Agreement will be terminated on the CHP Acquisition Completion Date with effect as of the CHP Acquisition Reference Date. In addition, Propapier PM2 GmbH and EnBW Propower will assume all rights and obligations of SSG and EZG under certain third party agreement on the CHP Acquisition Completion Date with effect as of the CHP Acquisition Reference Date.

Finally, SSG, EnBW, EZG and EnBW Propower will terminate the Operating Agreement as of the CHP Acquisition Completion Date (as defined below), so that EnBW Propower will become the operator of the CHP. Under section 613a of the German Civil Code (*Bürgerliches Gesetzbuch - BGB*), this will be considered a "transfer of business" (*Betriebsübergang*) as a result of which all rights and duties under the existing employment relationships with the CHP Employees will, by operation of law, automatically be transferred to EnBW Propower, including all obligations and liabilities with regard to any accrued pension, holiday and bonus entitlements as well as social security contributions, voluntary health insurance premiums and overtime payments/accounts owed to or on behalf of the CHP Employees by EZG Operations GmbH under the relevant employment agreements and/or collective bargaining agreements, in each case, except with regard to any CHP Employees that exercise their right under section 613a BGB to object to the transfer of their employment relationship within a month of the transfer of the business. Under the CHP Purchase Agreement, EZG agrees to hold EnBW Propower harmless for any such obligations or liabilities relating to the time prior to the transfer, while EnBW Propower agrees to hold EZG harmless for any such obligations or liabilities relating to the time after the transfer. See also "*Risk Factors—Risks Related to the CHP Acquisition—Under section 613a of the German Civil Code, all rights an duties under the existing employment relationships with the CHP Employees will, by operation of law, automatically be transferred to EnBW Propower*".

In connection with the entry into the CHP Purchase Agreement, Progroup AG has also entered into a transitional services agreement with EnBW (the "**Transitional Services Agreement**") intended to ensure the uninterrupted operation of the CHP for a transitional period after the CHP Acquisition Completion Date.

Paper machine PM2



Combined heat and power plant

SELECTED FINANCIAL AND OTHER INFORMATION

The financial information contained in the following tables is derived from the audited consolidated financial statements of Progroup AG as of and for the fiscal years ended December 31, 2012, 2013 and 2014, from the unaudited consolidated interim financial statements of Progroup AG as of and for the nine-month period ended September 30, 2015 as well as from the accounting records and other internal documents of Progroup AG. The results of operations for prior periods are not necessarily indicative of the results to be expected for the full year or any future period.

In addition, we present certain unaudited consolidated financial information for the twelve months ended September 30, 2015. This information was derived by adding our consolidated financial information for the year ended December 31, 2014 derived from our audited consolidated financial statements to our unaudited consolidated financial information for the nine months ended September 30, 2015 and subtracting our unaudited consolidated financial information for the nine months ended September 30, 2014.

The historical consolidated financial statements and the other historical consolidated financial information presented below have been prepared on the basis of German GAAP, which differs in certain significant respects from IFRS. For a discussion of significant differences between German GAAP and IFRS, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Summary of Significant Differences between German GAAP and IFRS*".

In the following tables, we also present certain non-GAAP measures and ratios, including total output, gross profit, EBITDA, consolidated net income/(net loss) before income tax, trade working capital, free cash flow, net cash flow, cash flow available for debt service, adjusted cash flow available for debt service, cash flow from change in trade working capital and cash flow from change in total working capital, capital expenditures, total financial debt, net financial debt as well as certain related *pro forma* financial measures and other *pro forma* 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 to 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 liquidity. 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 total output, gross profit, EBITDA, consolidated net income/(net loss) before income tax, trade working capital, free cash flow, net cash flow, cash flow available for debt service, adjusted cash flow available for debt service, cash flow from change in trade working capital and cash flow from change in total working capital, capital expenditures, total financial debt, net financial debt as well as certain related *pro forma* financial measures and other *pro forma* data presented by us may not be comparable to similarly titled measures used by other companies.

You should read the information set forth below in conjunction with the sections "*Presentation of Financial Information*", "*Capitalization*", "*Summary Consolidated Financial and Other Information*", "Unaudited *Pro Forma* Financial Information" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the financial statements and the accompanying notes included elsewhere in this special report.

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2012	2013	2014	2014	2015	2015
	(€ in thousands)					
INCOME STATEMENT AND OTHER DATA	(audited, unless otherwise stated)			(unaudited)		
Sales	**557,623**	**582,563**	**661,287**	**499,380**	**515,356**	**677,262**
Increase/(decrease) in finished goods and work in process	(4,053)	1,371	(5,066)	(7,813)	21	2,768
Other operating income	48,434	41,094	33,509	23,678	27,020	36,850
Internally produced and capitalized assets	—	—	—	—	539	539
Total output (unaudited)[1]	**602,004**	**625,028**	**689,730**	**515,245**	**542,935**	**717,419**
Cost of materials	(378,210)	(370,642)	(373,039)	(283,631)	(291,253)	(380,661)
Gross profit (unaudited)[2]	**223,794**	**254,386**	**316,691**	**231,614**	**251,682**	**336,758**
Personnel expenses	(43,133)	(45,368)	(53,107)	(38,160)	(41,848)	(56,795)
Other operating expenses	(108,724)	(125,983)	(137,005)	(101,055)	(104,311)	(140,261)
Other taxes	(1,541)	(1,356)	(1,461)	(1,114)	(1,116)	(1,463)
EBITDA (unaudited)[3]	**70,396**	**81,679**	**125,118**	**91,286**	**104,407**	**138,239**
Amortization and depreciation of fixed intangible and tangible assets	(39,126)	(34,893)	(28,509)	(21,296)	(21,712)	(28,925)
Extraordinary net income/(loss)[4]	(12,003)	(2,481)	(3,614)	(2,872)	(32,302)	(33,044)
Other interest and similar income	1,066	389	376	239	135	272
Interest and similar expenses	(34,126)	(30,571)	(27,757)	(21,410)	(16,250)	(22,598)
Consolidated net income/(net loss) before income tax (unaudited)[5]	**(13,793)**	**14,123**	**65,614**	**45,947**	**34,278**	**53,944**
Taxes on income	(2,861)	(5,089)	(9,110)	(11,349)	(8,671)	(6,432)
Income from loss transfers	246	—	—	—	—	—
Profit transfer on the basis of partial profit transfer agreement	—	(197)	(197)	—	—	(197)
Consolidated net income/(net loss) for the year	**(16,407)**	**8,838**	**56,307**	**34,598**	**25,607**	**47,315**

	As of December 31,			As of September 30,
	2012	2013	2014	2015
	(€ in thousands)			
BALANCE SHEET AND OTHER DATA	(audited, unless otherwise stated)			(unaudited)
Cash-in-hand, bank balances	24,966	19,553	18,758	91,306
Trade working capital (unaudited)[6]	56,595	90,541	96,985	86,687
Fixed assets	522,517	494,646	476,622	471,722
Total assets	**700,629**	**678,072**	**661,578**	**721,838**
Total liabilities (unaudited)[7]	**590,765**	**560,735**	**487,900**	**534,204**
Total financial debt (unaudited)[8]	**482,664**	**470,210**	**394,851**	**411,261**
Net financial debt (unaudited)[9]	**457,698**	**450,657**	**376,093**	**319,955**

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2012	2013	2014	2014	2015	2015
			(€ in thousands)			
CASH FLOW AND OTHER DATA	(audited, unless otherwise stated)			(unaudited)		
Cash flows from operating activities	40,551	14,829	86,359	81,077	83,366	88,648
Cash flows from investing activities	(7,728)	(6,423)	(11,829)	(8,539)	(16,139)	(19,429)
Free cash flow (unaudited)[10]	**32,823**	**8,406**	**74,530**	**72,538**	**67,227**	**69,219**
Cash flows from financing activities	(21,158)	(12,454)	(75,359)	(70,342)	5,028	11
Net cash flow[11]	**11,665**	**(4,048)**	**(829)**	**2,196**	**72,255**	**69,230**
Effect on cash funds of exchange rate movements	2,305	(1,365)	34	58	293	269
Adjusted cash flow available for debt service (unaudited)[12]	**77,885**	**41,068**	**105,525**	**96,581**	**115,644**	**124,588**

(1) Total output (not a German GAAP measure) is calculated as the sum of sales, increase/(decrease) in finished goods and work in process, other operating income and internally produced and capitalized assets.

(2) Gross profit (not a German GAAP measure) is calculated by deducting cost of materials from total output.

(3) EBITDA (not a German GAAP measure) is calculated as total output, minus cost of materials, minus personnel expenses, minus other operating expenses, minus other taxes. Pursuant to our framework and ancillary agreements with EnBW for the operation of the CHP adjacent to our mill in Eisenhüttenstadt, we currently make certain fee payments to EnBW, including, amongst other fees, approximately €30 million in annual payments, which are the equivalent of capital charges for the CHP. We currently record these payments under cost of materials. Upon completion of the CHP Acquisition, these payments will no longer reduce our EBITDA. The approximately €30 million in annual payments included €29.0 million, €28.6 million, €29.1 million and €20.7 million in 2012, 2013 and 2014 and in the first nine months of 2015, respectively, of base price 1 (*Grundpreis 1*) payments. See also "*The CHP Acquisition–Current Supply Arrangement and Economic Rationale for the CHP Acquisition*".

(4) Extraordinary net income/(loss) between 2012 and 2014 primarily reflects restructuring expenses incurred in connection with the renegotiation and restructuring of our existing financing arrangements and primarily included related fees and expenses of external consultants and other advisers as well as amendment and waiver fees and related expenses of our creditors. Restructuring expenses in 2013 and 2014 related to further financial restructuring efforts and include the ongoing expenses of our restructuring consultants, our core banks involved in the process as well as fees of other external advisers. Extraordinary expenses during this period also included fees of external advisers we incurred in connection with the evaluation of potential refinancing options. Extraordinary net income/(loss) in the first nine months of 2015 primarily reflects costs and expenses incurred in connection with the Refinancing, which we completed in April 2015. For more information about the Refinancing, please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations–Key Factors Affecting our Results of Operations–The Refinancing*".

(5) Consolidated net income/(net loss) before income tax (not a German GAAP measure) is calculated by adding taxes on income, income from loss transfers and profit transfer on the basis of partial profit transfer agreement back to consolidated net income/(net loss) for the period.

(6) We define trade working capital (not a German GAAP measure) as inventories plus trade receivables, minus trade payables.

Our calculation of trade working capital can be reconciled to the balance sheet as follows:

	As of December 31,			As of September 30,
	2012	2013	2014	2015
		(€ in thousands)		
TRADE WORKING CAPITAL	(audited, unless stated otherwise)			(unaudited)
Inventories	59,915	65,186	63,746	68,843
Trade receivables	40,349	52,396	55,289	61,525
Trade payables	(43,669)	(27,041)	(22,050)	43,680
Trade working capital (unaudited)	**56,595**	**90,541**	**96,985**	**86,687**

(7) Total liabilities is calculated as investment grants for fixed assets, plus provisions, plus liabilities, plus deferred income.

(8) Total financial debt (not a German GAAP measure) means bank loans plus bonds, including the Senior Secured Notes.

(9) Net financial debt (not a German GAAP measure) is calculated by deducting cash-in-hand, bank balances from total financial debt.

(10) Free cash flow (not a German GAAP measure) is defined as cash flows from operating activities plus cash flows from investing activities.

(11) Net cash flow (not a German GAAP measure) is defined as net change in cash funds as presented in the Consolidated Cash Flow Statement.

(12) We present adjusted cash flow available for debt service (not a German GAAP measure) as a measure of normalized free cash flow which can be used to service debt. We calculate adjusted cash flow available for debt service as cash flow available for debt service adjusted for the effects of extraordinary net income/(loss).

Our calculations of adjusted cash flow available for debt service is as follows:

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2012	**2013**	**2014**	**2014**	**2015**	**2015**
			(€ in thousands)			
ADJUSTED CASH FLOW AVAILABLE FOR DEBT SERVICE	**(audited, unless stated otherwise)**				**(unaudited)**	
EBITDA	70,396	81,679	125,118	91,286	104,407	138,239
Cash flow from change in total working capital (unaudited)[a]	23,539	(30,866)	200	24,233	37,282	13,249
thereof cash flow from change in trade working capital (unaudited)	*34,268*	*(33,946)*	*(6,444)*	5,470	10,298	(1,615)
Taxes on income	(2,861)	(5,089)	(9,110)	(11,349)	(8,671)	(6,432)
Extraordinary net income/(loss)	(12,003)	(2,481)	(3,614)	(2,872)	(32,302)	(33,044)
Cash flows from investing activities	(7,728)	(6,423)	(11,829)	(8,539)	(16,139)	(19,429)
Other (unaudited)[b]	(5,461)	1,767	1,146	950	(1,235)	(1,039)
Cash flow available for debt service (unaudited)[c]	**65,882**	**38,587**	**101,911**	**93,709**	**83,342**	**91,544**
adding back extraordinary net income/(loss)	(12,003)	(2,481)	(3,614)	(2,872)	(32,302)	(33,044)
Adjusted cash flow available for debt service (unaudited)	**77,885**	**41,068**	**105,525**	**96,581**	**115,644**	**124,588**

(a) Cash flow from change in total working capital (not a German GAAP measure) is calculated as (increase)/decrease in inventories, trade receivables and other assets plus increase/ (decrease) in trade payables and other liabilities as presented in the Consolidated Cash Flow Statement.

(b) Other includes other non-cash expense/(income), income from loss transfers and profit transfer on the basis of partial profit transfer agreement.

(c) Cash flow available for debt service (not a German GAAP measure) means EBITDA adjusted for the effects of changes in total working capital, extraordinary income/(expense), cash flows from investing activities and other, minus taxes on income.

UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

Overview

The following *Pro Forma* Financial Information has been prepared based on HGB in accordance with IDW Accounting Practice Statement: *Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004)* issued by Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany) ("IDW") to illustrate the effect of the intended following acquisition:

On December 2, 2015, Progroup AG, Propapier PM2 GmbH, EnBW and its subsidiaries Sales & Solutions GmbH ("**SSG**"), EnBW Propower GmbH ("**EnBW Propower**") and EZG Operations GmbH ("**EZG**") entered into a purchase, assignment and transfer agreement (the "**CHP Purchase Agreement**") for the proposed acquisition by Progroup AG of EnBW Propower ("EnBW **Propower**"), the combined heat and power plant adjacent to our paper mill in Eisenhüttenstadt, Germany (the "**CHP**"), and certain related assets (such acquisition, the "**CHP Acquisition**") for an aggregate purchase price (subject to customary post-closing adjustments) of €183.9 million.

The CHP is currently owned by EnBW Propower, a wholly-owned subsidiary of SSG. EnBW Propower currently owes EnBW approximately €126 million pursuant to an intra-group loan (the "**EnBW Intra-Group Loan**"). In addition, SSG owns the network access ports linking the PM2 to the public electricity grid (the "**Network Access Ports**"). As part of the CHP Acquisition, we will also acquire the EnBW Intra-Group Loan and the Network Access Ports. The CHP is currently operated and maintained by approximately 38 employees (the "**CHP Employees**"), which are employed by EZG, another wholly-owned subsidiary of EnBW.

Pursuant to the CHP Purchase Agreement, the CHP Acquisition will be effected by way of (i) a transfer by SSG to Progroup AG of all shares in EnBW Propower, (ii) a transfer by SSG to Propapier PM2 GmbH of the Network Access Ports, (iii) a transfer by EnBW to Propapier PM2 GmbH of all rights under the EnBW Intra-Group Loan and (iv) a transfer to EnBW Propower of certain spare parts for the CHP. Immediately after the transfer of the EnBW Intra-Group Loan to Propapier PM2 GmbH on the CHP Acquisition Completion Date, Progroup AG will assume (*schuldbefreiende Schuldübernahme*) all liabilities under the EnBW Intra-Group Loan from EnBW Propower, and Progroup AG and Propapier PM2 GmbH will amend the EnBW Intra-Group Loan to prohibit any pre-payment or re-payment of the EnBW Intra-Group Loan for a period of 18 months following the CHP Acquisition Completion Date (as defined below).

In addition, as a result of the transactions contemplated by the CHP Purchase Agreement, EnBW Propower will become the operator of the CHP, as a result of which all rights and duties under the existing employment relationships with the CHP Employees will, by operation of law, automatically be transferred to EnBW Propower, including all obligations and liabilities with regard to any accrued pension, holiday and bonus entitlements as well as social security contributions, voluntary health insurance premiums and overtime payments/accounts owed to or on behalf of the CHP Employees by EZG under the relevant employment agreements and/or collective bargaining agreements, in each case, except with regard to any CHP Employees that timely object to the transfer of their employment relationship.

In connection with the entry into the CHP Purchase Agreement, Progroup AG has also entered into a transitional services agreement with EnBW (the "**Transitional Services Agreement**") intended to ensure the uninterrupted operation of the CHP for a transitional period after the date on which the CHP Acquisition becomes effective in accordance with the terms of the CHP Purchase Agreement (the "**CHP Acquisition Completion Date**"), which is expected to be December 31, 2015.

The CHP Acquisition has not closed at the date of this special report, and the date on which the CHP Acquisition becomes effective in accordance with the terms of the CHP Purchase Agreement (the "**CHP Acquisition Completion Date**") is expected to be December 31, 2015. The CHP Acquisition will be accounted for in accordance with section 301 HGB.

Under the acquisition method, assets and liabilities are recorded at their respective fair value on the date of purchase and the consideration transferred is allocated to the tangible and intangible assets acquired and liabilities assumed separately from goodwill. As of the date of this special report, the Unaudited *Pro Forma* Financial Information is based on an allocation of the consideration transferred, calculated as described below to the assets acquired and liabilities assumed, based on preliminary estimates of their respective fair value. The determination of the fair value of the assets acquired and liabilities assumed and the related allocation of the

consideration transferred have not been completed. The allocation of the consideration transferred has been made solely for the purpose of preparing the Unaudited *Pro Forma* Financial Information and is subject to revision based on a final determination of fair value of assets acquired and liabilities assumed after the closing of the CHP Acquisition. A final determination of fair value will reflect, among other things, consideration transferred, as well as the final valuation of notably the actual net tangible and intangible assets and goodwill that exist as of the closing of the CHP Acquisition. The future results of operations of the Group may therefore be significantly affected by amortization expense in relation to such identifiable assets acquired. As a result, any final adjustments will change the allocation of the consideration transferred, which will affect the fair value assigned to the assets and liabilities and could result in a change compared to the amounts presented in the Unaudited *Pro Forma* Financial Information.

The following summarizes the preliminary purchase price allocation of the CHP Acquisition according to section 301 HGB as if the CHP Acquisition had been completed on June 30, 2015:

Expected Consideration as per June 30, 2015:	**(€ in thousands)**
Total payments to EnBW, including settlement of outstanding trade receivables and liabilities assumed of €5,451 thousand	185,005
Payment for the Network Access Port	4,377
Capitalized Transaction Cost	3,144
Total Consideration	**192,526**

Expected net assets acquired	**Book Value As of June 30, 2015**	**Expected Fair Values as of the acquisition date**	**Pro Forma Adjustments in total**
		(€ in thousands)	
Operating license	-	27,762	27,762
Other intangible assets	81	67	(14)
Land and buildings, factory and office equipment	129,391	156,726	27,335
Network Access Port	-	5,848	5,848
Spare parts	-	2,948	2,948
Trade receivables	11,179	11,179	-
Cash-in-bank, bank balances	33,927	-	(33,927)
Total assets	**174,577**	**204,530**	
Provisions	(3,363)	(1,828)	1,535
Trade liabilities and other liabilities	(726)	(726)	-
Liabilities against EnBW	(170,463)	(164,284)	6,179
Deferred tax liabilities	-	(9,450)	(9,450)
Total liabilities	**(174,552)**	**(176,288)**	
Net assets	**25**	**28,242**	**-**
Purchase of intercompany receivables	**-**	**164,284**	**-**
Net assets including purchased intercompany receivables	**25**	**192,526**	**-**
Less consideration		**(192,526)**	
Goodwill		0	**-**

The unaudited *pro forma* adjustments are based on available information and certain assumptions that we believe are reasonable and give effect to events that are directly attributable to the CHP Acquisition and are factually supportable. The Unaudited *Pro Forma* Financial Information is provided for information purposes only and has not been prepared, and shall not be construed as prepared, in accordance with Article 11 of Regulation S-X of the U.S. Securities and Exchange Commission. In addition, the Unaudited *Pro Forma*

Financial Information does not purport to represent what our financial position or results of operations would have actually been if the CHP Acquisition had been completed on the dates indicated nor does it purport to represent our results of operations for any future period or our financial condition at any future date. The Unaudited *Pro Forma* Financial Information and the notes thereto are based, in part, on the assumption that €95,000,000 5.125% Senior Secured Fixed Rate Notes due 2022 would be issued ("**New Notes**") (such notes to constitue an increase (*Aufstockung*) of the €250,000,000 aggregate principal amount of 5.125% senior secured fixed rate notes due 2022 that Progroup AG issued on April 30, 2015), that such New Notes would be issued at an issue price of 100% and therefore do not take into account the effects of any cash overfunding that would occur as the result of the issuance of the New Notes at a higher price. In addition to the matters noted above, the Unaudited *Pro Forma* Financial Information does not reflect the effect of anticipated synergies and efficiencies associated with CHP Acquisition.

The purpose of this *Pro Forma* Financial Information is to present the *pro forma* consolidated income statements of Progroup AG for the financial year ended December 31, 2014 and for the six months ended June 30, 2015, in each case as if the transaction had occurred as of January 1, 2014, and the *pro forma* consolidated balance sheet of Progroup AG as if the transaction had occurred as of June 30, 2015.

In the preparation of the *Pro Forma* Financial Information, the following assumptions were applied:

- For the preparation of the *pro forma* consolidated income statements for the financial year ended December 31, 2014, and for the six months ended June 30, 2015, the issuance of the New Notes, the entering into, and the full utilization of. the Senior Secured PLN Facility and the CHP Acquisition each occurred on January 1, 2014.
- For the preparation of the *pro forma* consolidated balance sheet as of June 30, 2015, the issuance of the New Notes, the entering into, and the full utilization of, the Senior Secured PLN Facility and the CHP Acquisition each occurred on June 30, 2015.
- The existing profit and loss sharing agreement between EnBW and EnBW Propower will be terminated immediately prior to the closing of the CHP Acquisition and remaining balances against EnBW will be settled with the existing cash-in-hand of EnBW Propower.
- For purposes of these *Pro Forma* Financial Information, it is assumed that a net reversal of an impairment is recorded during the second half of the year ended December 31, 2015, which is reflected in the liability from the existing profit and loss sharing agreement against EnBW.
- After the closing of the CHP Acquisition, a profit and loss sharing agreement between EnBW Propower and Progroup AG will be implemented.

The presentation of the *Pro Forma* Financial Information is provided for illustrative purposes only. Because of its nature, the *Pro Forma* Financial Information describes only a hypothetical situation and, therefore, does not indicate the future development of Progroup AG's financial condition, results of operation and cash flows.

The *Pro Forma* Financial Information is only meaningful if read in conjunction with the consolidated financial statements of Progroup AG as of and for the year ended December 31, 2014 and the condensed consolidated interim financial statements of Progroup AG as of and for the nine months ended September 30, 2015.

Due to rounding, it is possible that individual figures in this *Pro Forma* Financial Information do not add exactly to the totals shown and that the percentage figures presented do not reflect exactly the absolute figures.

Historical Financial Information

The *pro forma* consolidated balance sheet as of June 30, 2015 and the pro forma consolidated income statement for the six months ended June 30, 2015 is based on the following historical financial information:

- The unaudited interim condensed consolidated financial statements of Progroup AG as of and for the six-month period ended June 30, 2015, prepared on the basis of HGB, not included in the special report.
- The unaudited interim financial statements of EnBW Propower GmbH as of June 30, 2015 and the six months then ended, prepared on the basis of HGB, not included in the special report.

The *pro forma* consolidated income statement for the year ended December 31, 2014 is based on the following historical financial information:

- The audited consolidated financial information of Progroup AG as of and for year ended December 31, 2014, prepared on the basis of HGB
- The audited financial information of EnBW Propower GmbH as of and for the year ended December 31, 2014, prepared on the basis of HGB, not included in the special report.

***Pro Forma* Consolidated Balance Sheet as of June 30, 2015**

	Progroup AG	EnBW Propower GmbH	Subtotal	*Pro Forma* Adjustments	*Note*	*Pro Forma*
	(€ in thousands)					(€ in thousands)
ASSETS						
Fixed Assets						
Intangible assets						
Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	656	81	737	27,748	6)	28,485
	656	81	737	27,748		28,485
Tangible assets						
Land and buildings including buildings on leasehold land	177,550	8,598	186,148	(555)	5)	185,593
Technical equipment and machinery	280,098	120,536	400,634	33,742	2), 4)	434,376
Other equipment, factory and office equipment	5,120	257	5,377	(3)	5)	5,374
Prepayments and construction in process	9,136	—	9,136	—		9,136
	471,905	129,391	601,295	33,184		634,479
Financial assets						
Shares in affiliated companies	37	—	37	0	3), 8)	37
	37	—	37	0		37
	472,598	**129,472**	**602,070**	**60,932**		**663,002**
Current assets						
Inventories						
Raw materials, consumables and supplies	43,237	—	43,237	2,948	1)	46,185
Work in process	16,789	—	16,789	—		16,789
Finished goods	4,680	—	4,680	—		4,680
Prepayments	186	—	186	—		186
	64,892	—	**64,892**	**2,948**		**67,840**
Receivables and other assets						
Trade receivables	63,277	11,179	74,456	(11,179)	14)	63,277
Receivables from affiliated companies	160	—	160	0	3), 14)	160
Other assets	17,245	—	17,245	—		17,245
	80,682	**11,179**	**91,861**	**(11,179)**		**80,682**

Cash-in-hand, bank balances	**60,962**	**33,927**	**94,889**	**(94,889)**	**1), 2), 3), 10), 11), 12), 13)**	**0**
	206,536	**45,105**	**251,642**	**(103,120)**		**148,522**
Prepaid expenses	**1,930**	—	**1,930**	—		**1,930**
Deferred taxes	**11,136**	—	**11,136**	**5,796**	**17)**	**16,932**
	692,200	**174,577**	**866,776**	**(36,391)**		**830,385**

	Progroup AG	**EnBW Propower GmbH**	**Subtotal**	***Pro Forma* Adjustments**	**Note**	***Pro Forma***
	(€ in thousands)					**(€ in thousands)**
Equity						
Subscribed capital	7,588	25	7,613	(25)	8)	7,588
Capital reserve	75,414	—	75,414	—		75,414
Revenue reserves	1,408	—	1,408	—		1,408
Currency translation adjustment	1,918	—	1,918	—		1,918
Consolidated net retained profits	86,649	—	86,649	65	16), 17)	86,714
	172,977	**25**	**173,002**	**40**		**173,042**
Investment grants for fixed assets	**1,745**	—	**1,745**	—		**1,745**
Provisions						
Pension provisions	24	—	24	—		24
Tax provisions	4,980	—	4,980	—		4,980
Other provisions	51,702	3,363	55,065	(8,350)	14), 15)	46,715
	56,705	**3,363**	**60,068**	**(8,350)**		**51,719**
Liabilities						
Bank loans	8,129	—	8,129	28,420	12), 13)	36,549
Notes	400,000	—	400,000	95,000	11)	495,000
Trade payables	43,424	724	44,148	4,511	14), 16)	48,659
Other liabilities	8,045	170,465	178,510	(170,463)	9), 10), 14)	8,047
	459,598	**171,189**	**630,787**	**(42,532)**		**588,255**
Deferred income	**1,174**	—	**1,174**	**5,000**	**11)**	**6,174**
Deferred tax liabilities	—	—	—	**9,450**	**7)**	**9,450**
	692,200	**174,577**	**866,776**	**(36,391)**		**830,385**

***Pro Forma* Consolidated Income Statement for the Six Months Ended June 30, 2015**

	Progroup AG	EnBW Propower GmbH	Subtotal	*Pro Forma* Adjustments	Note	*Pro Forma*
	(€ in thousands)					(€ in thousands)
Sales	341,798	24,129	365,926	(21,646)	18)	344,280
Increase/(decrease) in finished goods and work in process	(3,707)	—	(3,707)	—		(3,707)
Other operating income	19,375	13,308	32,683	(13,876)	18), 20)	18,807
Cost of materials	(187,548)	(8,827)	(196,375)	28,048	18), 26), 27)	(168,327)
Personnel expenses	(27,633)	—	(27,633)	(1,088)	26)	(28,721)
Amortization and depreciation of fixed intangible and tangible assets	(14,365)	(5,282)	(19,647)	(3,720)	21), 22), 27)	(23,367)
Other operating expenses	(71,364)	(1,638)	(73,003)	(2,522)	18), 26)	(75,525)
Other interest and similar income	111	0	112	—		112
Interest and similar expenses	(10,978)	(3,467)	(14,445)	869	23), 24), 25)	(13,577)
Profit/(loss) on ordinary activities	**45,688**	**18,222**	**63,911**	**(13,936)**		**49,975**
Extraordinary income	—	—	—	—		**—**
Extraordinary expenses	(31,183)	—	(31,183)	—		**(31,183)**
Extraordinary net income/(loss)	**(31,183)**	—	**(31,183)**	—		**(31,183)**
Taxes on income	(3,861)	—	(3,862)	1,604	28), 29)	(2,257)
Other taxes	(682)	—	(682)	—		(682)
Profit transfer on the basis of partial profit transfer agreement	—	(18,222)	(18,222)	18,222	19)	—
Consolidated net income/(net loss) for the period	**9,962**	**0**	**9,962**	**5,891**		**15,853**

***Pro Forma* Consolidated Income Statement for the Year Ended December 31, 2014**

	Progroup AG	EnBW Propower GmbH	Subtotal	*Pro Forma* Adjustments	Note	*Pro Forma*
	(€ in thousands)					(€ in thousands)
Sales	661,287	49,088	710,375	(43,627)	30)	666,747
Increase/(decrease) in finished goods and work in process	(5,066)	—	(5,066)	—		(5,066)
Other operating income	33,509	15,516	49,025	(16,021)	30)	33,004
Cost of materials	(373,039)	(18,385)	(391,424)	56,657	30), 37), 38)	(334,767)
Personnel expenses	(53,107)	—	(53,107)	(1,962)	39)	(55,069)

Amortization and depreciation of fixed intangible and tangible assets	(28,509)	(10,528)	(39,037)	(7,439)	32), 33), 38)	(46,476)
Other operating expenses	(137,005)	(3,425)	(140,430)	(6,146)	30), 37), 40)	(146,576)
Other interest and similar income	376	267	643	—		643
Interest and similar expenses	(27,757)	(7,703)	(35,460)	1,261	34), 35), 36), 39)	(34,198)
Profit/(loss) on ordinary activities	**70,688**	**24,830**	**95,518**	**(17,277)**		**78,242**
Extraordinary income	93	—	93	—		93
Extraordinary expenses	(3,707)	—	(3,707)	(4,481)	39)	(8,188)
Extraordinary net income/(loss)	**(3,614)**	**—**	**(3,614)**	**(4,481)**		**(8,096)**
Taxes on income	(9,110)	—	(9,110)	3,295	41), 42)	(5,815)
Other taxes	(1,461)	(32)	(1,493)	—		(1,493)
Profit transfer on the basis of partial profit transfer agreement	(197)	(24,798)	(24,995)	24,798	31)	(197)
Consolidated net income/(net loss) for the year	**56,307**	**0**	**56,307**	**6,335**		**62,641**

Explanatory Notes to the *Pro Forma* Adjustments

Adjustments to the Pro Forma Consolidated Balance Sheet as of June 30, 2015

1) Represents an adjustment for the purchase of spare parts for cash of €2,948 thousand by EnBW Propower from an affiliate prior to the closing date in connection with the transaction.

2) Represents an adjustment for the acquisition of the Network Access Ports for cash of €4,377 thousand by Progroup AG from SSG in connection with the transaction.

3) Represents an adjustment for the use of cash to pay the purchase price for EnBW Propower and liabilities assumed (including settlement of trade receivables) of €185,005 thousand, of which €20,721 thousand represent a payment for the shares in EnBW Propower and €164,284 thousand represent the purchase price for intercompany receivables against EnBW Propower, which are acquired by Progroup AG and PM2 from EnBW as well as liabilities of EnBW Propower to affiliates, which are settled at the acquisition date funded by a loan from Progroup AG.

4) Represents adjustments of €27,894 thousand and €1,471 thousand to record the CHP and the Network Access Ports, respectively, at their fair values on the date of the CHP Acquisition, both included in technical equipment and machinery.

5) Represents adjustments of €(555) thousand and €(3) thousand to record the land and buildings including buildings on leasehold land and other equipment, factory and office equipment, respectively, at their respective fair values on the date of the CHP Acquisition.

6) Represents an adjustment of €27,762 thousand to record an operating license, which was identified as an intangible asset at fair value on the date of the CHP Acquisition. The fair value estimate for the operating license reflects the market value of the right to operate the CHP over the expected useful life. The final fair value determination for identifiable intangible assets may differ from this preliminary determination, and such differences could be material. In addition, an adjustment of €(14) thousand to record other intangible assets at their respective fair values on the date of the CHP Acquisition.

7) Represents an adjustment of €9,450 thousand to record deferred tax liabilities for the differences between book basis and tax basis of the fair value adjustments disclosed above by using a tax rate of 30%. These estimates are preliminary and subject to change, among other things, management's final determination of the fair values of the tangible and identifiable intangible assets acquired and liabilities assumed in the CHP Acquisition.

8) Represents adjustments of €(20,721) thousand to eliminate the acquired shares in affiliated companies (see *pro forma* adjustment 3), of €(25) thousand to eliminate the acquired subscribed equity of EnBW Propower, after taking into account the *pro forma* adjustments 3), 4), 5), 6) and 7) as well as the capitalized transaction costs of €3,144 thousand as described in *pro forma* adjustment 16).

9) Represents an adjustment of €24,800 thousand to reflect the increase in liabilities against the selling shareholder of EnBW Propower as a result of the existing profit and loss sharing agreement that will be in place until the closing of the

CHP Acquisition. For purposes of these *pro forma* Financial Information, it is assumed that the liability against the selling shareholder is only effected by a net reversal of impairment of the CHP, which will be recorded in the second half of 2015 in the statutory financial statements of EnBW Propower, as well as a higher depreciation relating to the CHP.

10) Represents an adjustment of €30,979 thousand for the partial repayment of liabilities by EnBW Propower to its selling shareholder with all existing cash on the level of EnBW Propower at closing date.

11) Represents adjustments of €100,000 thousand to cash-in-hand and bank balances and €95,000 thousand to Notes to reflect the issuance of the €95,000 thousand New Notes. In addition, the assumed premium of €5,000 thousand is recorded as deferred income.

12) Represents an adjustment for PLN 107.0 million drawings under the Senior Secured PLN Facility converted for purposes of these *pro forma* Financial Information into €25,510 thousand, using the exchange rate as of June 30, 2015 of 4.1944 PLN/€.

13) The *pro forma* adjustments 1), 2), 3), 10), 11) and 12) result in a cash-in-hand, bank balances of €(2,910) thousand. As a result, this amount is recorded as a bank loan instead of a negative cash-in-hand, bank balances amount.

14) Represents adjustments for the elimination of receivables and liabilities between Progroup AG, PM2 GmbH and EnBW Propower after the completion of the transaction of €(164,284) thousand to receivables from affiliated companies and other liabilities as well as €(11,179) thousand to trade receivables, €(6,815) thousand to other provisions and €(4,364) thousand to trade payables.

15) Represents an adjustment of €1,535 thousand to eliminate a provision for a legal case that was recorded by both PM2 GmbH and EnBW Propower. For *pro forma* purposes, it is assumed that only one party has the obligation.

16) Represents an adjustment of €8,875 thousand for non-recurring transaction costs to be incurred by Progroup AG, of which €3,144 thousand will be capitalized and of which €5,731 thousand will be expensed as incurred.

17) Represents an adjustment of €5,796 thousands to record additional deferred tax assets on tax losses carry forwards on interest as these are expected to be utilized as the result of the acquisition of EnBW Propower.

As a result of the *pro forma* adjustments to the consolidated balance sheet as of June 30, 2015 listed above, the reconciliation of cash-in-hand, bank balances as well as trade receivables, receivables from affiliated companies, other provisions, trade payables, bank loans and other liabilities is as follows:

	Progroup AG	**EnBW Propower GmbH**	**Subtotal**	***Pro Forma* Adjustmens**	**Note**	***Pro Forma***
		(€ in thousands)				**(€ in thousands)**
Cash-in-hand, bank balances	60,962	33,927	94,889	(2,948)	1),	
				(4,377)	2),	
				(185,005)	3),	
				(30,979)	10),	
				100,000	11),	
				25,510	12),	
				2,910	13)	0
Trade receivables	63,277	11,179	74,456	(11,179)	14)	63,277
Receivables from affiliated companies.....						
	160	-	160	164,284	3),	
				(164,284)	14)	160
Other provisions	51,726	3,363	55,089	(6,815)	14),	
				(1,535)	15)	46,739
Bank loans.....	8,129	-	8,129	25,510	12),	
				2,910	13)	36,549

Trade payables	43,424	724	44,148	(4,364) 8,875	14), 16)	48,659
Other liabilities	8,046	170,465	178,511	24,800 (30,979) (164,284)	9), 10), 14)	8,047

Adjustments to the Pro Forma Consolidated Income Statement for the six months ended June 30, 2015

18) Represents adjustments for elimination of expenses and sales and income resulting from deliveries of goods and services between PM2 GmbH and EnBW Propower totaling €21,646 thousand included in sales and €568 thousand included in other operating income, which led to corresponding costs of €22,425 thousand included in cost of materials and €1,276 thousand in other operating expenses, the remaining difference is due to timing differences. These intercompany transactions were eliminated for purposes of the *pro forma* consolidated financial information. Intercompany profits between Progroup AG and EnBW Propower arising from these transactions were not reflected in the *pro forma* consolidated financial information due to immateriality.

19) Represent an adjustment of €(18,222) thousand to eliminate the profit transfer on the basis of a partial profit transfer agreement between EnBW and EnBW Propower, which will be terminated upon the closing of the CHP Acquisition.

20) Represents an adjustment of €13,308 thousand to eliminate a reversal of the impairment of €13,308 thousand related to the CHP that EnBW Propower recorded in its historical financial statements, which will be eliminated for *pro forma* purposes.

21) Represents an adjustment for incremental amortization expense of €1,383 thousand relating to the fair value purchase accounting adjustment for the acquisition of the operating license, which will be amortized on a straight-line basis over 10 years.

22) Represents an adjustment for incremental depreciation expense of €2,108 thousand relating to the fair value purchase accounting adjustment for the acquisition of the CHP and Network Access Ports, which will be depreciated on a straight-line basis over 5 to 20 years and 13 years, respectively.

23) Represents an adjustment of €3,467 thousand for the elimination of interest expense related to the intra-group loans from EnBW Propower to EnBW, which were acquired by Progroup AG.

24) Represents an adjustment of €2,434 thousand for incremental interest expense relating to the New Notes using an interest rate of 5.125% as well as an adjustment of €385 thousand to recognize the premium (recorded as deferred income) ratably over the term of the New Notes. An increase or decrease in the effective interest rate of 0.25%-points (by way of a corresponding decrease or increase in the premium) would increase or decrease the incremental interest expense related to the New Notes by €119 thousand.

25) Represents an adjustment of €549 thousand for incremental interest expenses relating to the new borrowings under the Senior Secured PLN Facility by using the contractually agreed interest rate of 4.27%, translated using the average exchange rate for the period.

26) Represents adjustments for reclassifications in connection with the CHP Acquisition. In its interim financial statements, EnBW Propower recorded costs of materials of €4,886 thousand, which will be replaced for *pro forma* purposes with personnel expenses of €1,088 thousand and other operating expenses of €3,798 thousand.

27) Represents adjustments of €737 thousand to eliminate cost of materials and of €228 thousand to record incremental depreciation expense related to the acquired Network Access Ports as these services were purchased prior to the CHP Acquisition.

28) Represents an adjustment of €1,132 thousand to record incremental income tax expense for EnBW Propower, which was more than offset by the increase of the deferred tax assets. Historically, EnBW Propower was included in the fiscal unity with EnBW. As a result, no income tax expenses were presented on the level of EnBW Propower. After closing of the CHP Acquisition, it is intended to include EnBW Propower in the Progroup AG fiscal unity. As a result, a blended tax rate of 29.8% was used to calculate the incremental income tax expense for *pro forma* purposes. In addition, it is assumed for *pro forma* purposes, that Propower AG will utilize existing tax loss carryforwards. As a result, the effective income tax rate is lower than the blended tax rate. The positive effect from the increase of the deferred tax assets results from the expected full utilization of tax loss carried forward and interest carry-forward.

29) Represents an adjustment of €473 thousand to record incremental income tax income from the reduction of the deferred tax liability resulting from the depreciation and amortization of the fair value purchase accounting adjustments described above.

Adjustments to the Pro Forma Consolidated Income Statement for the year ended December 31, 2014

30) Represents adjustments for elimination of expenses and sales and income resulting from deliveries of goods and services between PM2 GmbH and EnBW Propower totaling €43,627 thousand included in sales and €16,021 thousand included in other operating income, which led to corresponding costs of €45,414 thousand included in cost of materials and €126 thousand in other operating expenses. These intercompany transactions were eliminated for purposes of the *pro forma* consolidated financial information, the remaining difference is due to timing differences as well as the adjustment of an impairment reversal with regards to a receivable against Progroup in the historical financial information of EnBW Propower. Intercompany profits between Progroup AG and EnBW Propower arising from these transactions were not reflected in the pro forma consolidated financial information due to immateriality.

31) Represent an adjustment of €24,798 thousand to eliminate the profit transfer on the basis of partial profit transfer agreement between EnBW and EnBW Propower, which will be terminated in connection with the CHP Acquisition.

32) Represents an adjustment for incremental amortization expense of €2,766 thousand relating to the fair value purchase accounting adjustment for the Acquisition with regard to the operating license, which will be amortized on a straight-line basis over 10 years.

33) Represents an adjustment for incremental depreciation expense of €4,217 thousand relating to the fair value purchase accounting adjustment for the Acquisition with regard to the CHP and Network Access Ports, which will be depreciated on a straight-line basis over 5 to 20 years and 13 years, respectively.

34) Represents an adjustment of €7,703 thousand for the elimination of interest expense related to the intra-group loans from EnBW Propower to EnBW, which were acquired by Progroup AG.

35) Represents an adjustment of €4,869 thousand for incremental interest expense relating to the New Notes using the contractually agreed interest rate of 5.125% as well as an adjustment of €769 thousand to recognize the premium (recorded as deferred income) over the term of the New Notes. An increase or decrease in the effective interest rate of 0.25%-points (by way of a corresponding decrease or increase in the premium) would increase or decrease the incremental interest expense related to the New Notes by €237 thousand.

36) Represents an adjustment of €1,092 thousand for incremental interest expenses relating to the new borrowings under the Senior Secured PLN Facility by using the contractually agreed interest rate of 4.27%, translated using the average exchange rate for the period.

37) Represents adjustments for reclassifications in connection with the CHP Acquisition. In its statutory financial statements, EnBW Propower recorded costs of materials of €9,769 thousand, which will be replaced for *pro forma* purposes with personnel expenses of €1,962 thousand and other operating expenses of €7,807 thousand.

38) Represents adjustments of €1,474 thousand to eliminate cost of materials and of €456 thousand to record incremental depreciation expense related to the acquired Network Access Ports as these services were purchased prior to the CHP Acquisition.

39) Represents adjustments of €1,250 thousand to interest and similar expenses and €4,481 thousand to extraordinary expenses to reflect the non-recurring transaction costs that will be expenses as incurred in connection with the CHP Acquisition.

40) Represents an adjustment to eliminate €1,535 thousand of other operating expenses for the provision for a legal case that was recorded by both PM2 GmbH and EnBW Propower. For *pro forma* purposes, it is assumed that only one party has the obligation.

41) Represents an adjustment of €2,350 thousand to record incremental income tax expense for EnBW Propower which was more than offset by the increase of the deferred tax assets. Historically, EnBW Propower was included in the fiscal unity with EnBW. As a result, no income tax expenses were presented on the level of EnBW Propower. After closing of the CHP Acquisition, it is intended to include EnBW Propower in the Progroup AG fiscal unity. As a result, a blended tax rate of 29.8% was used to calculate the incremental income tax expense for pro forma purposes. In addition, it is assumed for *pro forma* purposes, that Propower AG will utilize existing tax loss carryforwards. As a result, the effective income tax rate is lower than the blended tax rate. The positive effect from the increase of the deferred tax assets results from the expected full utilization of tax loss carried forward and interest carry-forward.

42) Represents an adjustment of €945 thousand to record incremental income tax income from the reduction of the deferred tax liability resulting from the depreciation and amortization of the fair value purchase accounting adjustments described above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

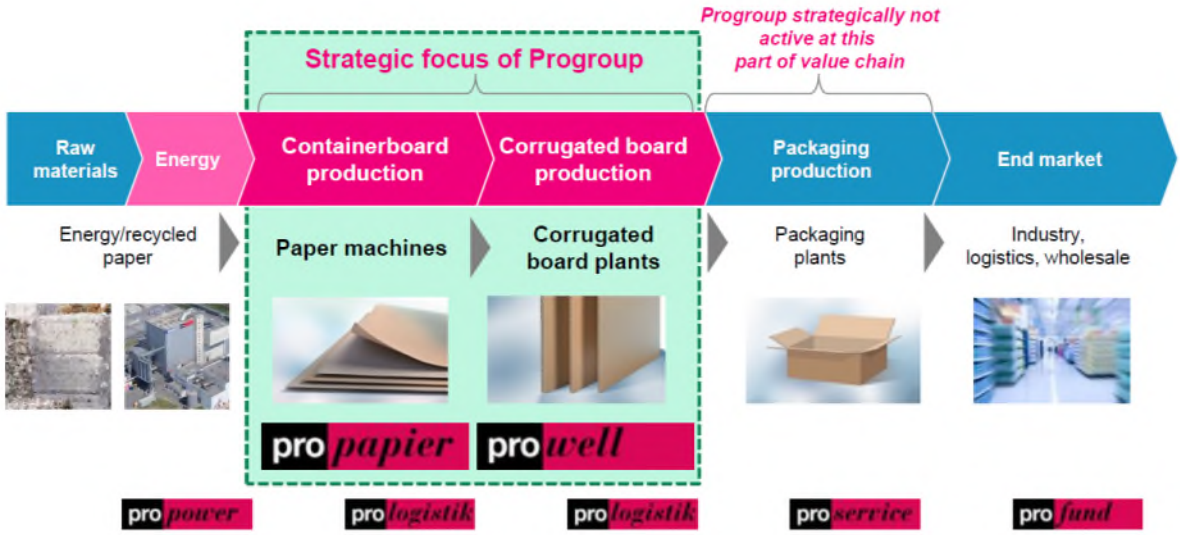
*The following is a discussion of the results of operations and financial condition of Progroup AG as of and for the financial years ended December 31, 2012, 2013 and 2014 and for the nine–month period ended September 30, 2015. The financial information contained in the following section is derived from the audited consolidated financial statements of Progroup AG as of and for the fiscal years ended December 31, 2012, 2013 and 2014, from the unaudited consolidated interim financial statements and notes thereto of Progroup AG and its subsidiaries as of and for the nine-month period ended September 30, 2015 (the "**2015 Unaudited Nine Months Consolidated Financial Statements**") as well as from the accounting records and other internal documents of Progroup AG.*

Our consolidated financial statements included in this special report have been prepared in accordance with German GAAP, which differs in certain significant respects from IFRS. For a discussion of significant differences between German GAAP and IFRS, see "—Summary of Significant Differences between German GAAP and IFRS". In this special report, the term "financial statements" refers to the audited consolidated financial statements and the notes thereto of Progroup AG and its subsidiaries as of and for the fiscal years ended December 31, 2012, 2013 and 2014 and the 2015 Unaudited Nine Months Consolidated Financial Statements. Furthermore, we have included in this special report the 2015 Unaudited Nine Months Consolidated Financial Statements, which include comparative figures for the nine-month period ended September 30, 2014.

The following discussion should be read in conjunction with "Selected Financial and Other Information", "Unaudited Pro Forma Financial Information" and our audited and unaudited consolidated financial statements contained elsewhere in this special report. In addition, some of the information contained in this discussion, including information with respect to our plans and strategies for our business and our plans for future capital expenditures, contain forward-looking statements that involve risks and uncertainties. You should read "Forward-Looking Statements" for a discussion of the risks related to those statements. You should also read "Business" and "Risk Factors" for more information about us, including a discussion of certain factors that may adversely affect our business, results of operations and financial condition.

OVERVIEW

We are a leading, family-owned producer and supplier of containerboard and corrugated board in Central Europe and are headquartered in Landau, Germany. We believe we are the fourth largest producer of corrugated board in Europe (by production capacity) through our Prowell business ("**Prowell**") and the sixth largest producer of recycled containerboard in Europe (by production capacity) through our Propapier business ("**Propapier**"). We focus on the highly efficient production and processing of standardized grades and customized 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 in Germany, Austria, Belgium, the Netherlands and the Czech Republic. 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, *i.e.*, 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 compete with our box manufacturing customers but instead focus solely on the production of containerboard and corrugated board.



Through our large scale and highly flexible production, built up primarily via a greenfield approach, we are able to realize 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 primarily a 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 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.

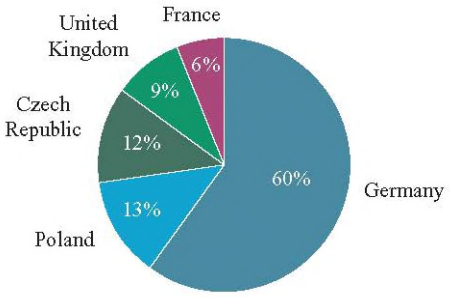
Our core business comprises Propapier and Prowell. The focus of Propapier's operations is highly flexible containerboard production using almost exclusively recycled paper, with high output volumes to increase cost efficiency and short delivery times. In 2014 and in the first nine months of 2015, containerboard 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 and online ordering and tracking options.

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 60-230g/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 eight corrugated board production sites in the Czech Republic, France, Germany, Poland and the United Kingdom, with a total annual production capacity of approximately 990,000 tons of corrugated board. Our historic greenfield location strategy ensures close customer proximity and high production flexibility. As part of our historic greenfield location strategy and to secure a reliable supply of energy to our paper machine PM2 at clearly defined prices, we entered into framework and ancillary agreements with EnBW for the construction and operation of the CHP adjacent to our paper mill in Eisenhüttenstadt. The CHP is currently owned by EnBW Propower GmbH ("**EnBW Propower**"), a wholly-owned, indirect subsidiary of EnBW. As described in more detail below, on December 2, 2015, we entered into the CHP Purchase Agreement for the proposed acquisition of EnBW Propower, the CHP and certain related assets. As a result thereof, we would start producing a significant portion of the energy required for the operation of our paper machine PM2 ourselves.

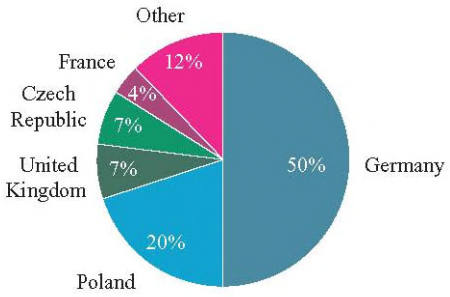
In 2014, we sold approximately 789,000 tons of corrugated board and approximately 392,000 tons of containerboard to external customers across Europe, generating external sales of €508.7 million (76.9% of total sales) and €142.8 million (21.6% of total sales), respectively. Our total sales and EBITDA in 2014 amounted to

€661.3 million and €125.1 million, respectively. Sales in Germany (origin), our core market, accounted for 60.4% of total sales and 50.4% of sales by volume in 2014.

Sales by Origin in 2014



Volume by Destination in 2014



Primarily to support our core business, Propapier and Prowell, we have established our own logistics operations, including a fleet of currently 57 trucks ("**Prologistik**"), which generated most of our €9.9 million in other sales (1.5% of total sales) in 2014. We also provide marketing, communication and IT services, again primarily to support Propapier and Prowell ("**Proservice**"). Proservice did not generate any external sales in 2014 or the first nine months of 2015 and does not have any significant assets or liabilities, but provides value-add services to our customers.

Founded in 1991, we are indirectly majority-owned by Jürgen Heindl, our founder and chief executive officer.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We principally generate revenue through the sale of containerboard and corrugated board. We sell our corrugated board only to third-party customers in the packaging industry. Our mills primarily supply the containerboard we produce to Group-owned corrugated board plants; however, only third-party sales are reflected in our revenue. We also sell, to a lesser degree, containerboard to third parties. In 2014, corrugated board sales and external containerboard sales accounted for 77% and 22%, respectively, of our total sales.

Key factors that affect our operating results are:

- changes in demand and industry production capacity;
- he cost of recycled paper, other raw materials and other costs of manufacturing;
- changes in energy costs, both as a result of market price movements and regulatory changes, including energy tax refund schemes and other statutory accommodations for energy intensive industries;
- changes in freight and transportation costs;
- our ability to pass on price increases in raw materials and other input costs into the prices we charge for third-party sales of containerboard and corrugated board;
- the performance and the utilization of our production sites as well as the performance of certain facilities owned and operated by third parties on which we rely, such as the CHP currently operated by subsidiaries of EnBW adjacent to our paper mill in Eisenüttenstadt;
- the level of vertical integration between Propapier and Prowell;
- currency exchange rate movements;
- our ability to achieve cost savings; and
- expansion and acquisition opportunities.

Because many of these factors are beyond our control and certain of these factors have historically been volatile, past performance is not necessarily indicative of future performance and it is difficult to predict future performance with any degree of certainty.

Cyclical Nature of our Industry and Movement in Market Prices, Raw Materials and Input Costs

Fluctuations in Demand and Industry Capacity

Demand for our products is generally driven by the level of economic growth and activity. Increased levels of economic growth and activity typically result in higher per capita use of packaging materials, both with respect to transportation of goods and consumer presentation. This increase in the use of packaging materials (including paper-based packaging materials), in turn, results in an increase in the demand for our recycled containerboard and corrugated board products. Because the markets for containerboard and corrugated board products in the developed economies in which we primarily operate are generally mature, historically there has been a close correlation between general economic growth and demand for packaging products such as corrugated containers and, therefore, for their component materials such as containerboard and corrugated board. Less developed economies, including those in Eastern Europe, have a lower per capita consumption of packaging materials and therefore also of containerboard and corrugated board products but also, as a result, have the potential for higher growth as per capita consumption of packaging materials increases towards levels of developed economies.

To a lesser degree, demand for corrugated containers and their component materials, including our containerboard and corrugated board, is affected by changes in their market prices. Significant increases in the price of corrugated containers have, on occasion, resulted in decreased demand as end-customers elected to purchase substitute products, such as reusable plastic containers, wooden crates or shrink-wrap.

Historically, prices for containerboard and corrugated board have tended to be cyclical. This cyclicality has resulted from significant imbalances in supply and demand for containerboard. On the one hand, containerboard production capacity cannot be readily adapted to reflect changing market conditions due to the high capital intensity of paper production facilities and the long lead time between the planning and construction of a new containerboard mill. On the other hand, significant containerboard and corrugated board price reductions and inventory growth have resulted when capacity has exceeded demand. In the past, many leading paper manufacturers have reacted to reduced demand by taking downtime and by rationalizing high-cost and inefficient capacity.

Fluctuations in Raw Material Costs

Because the primary raw material for the production of recycled containerboard is recycled paper, the price of which tends to fluctuate, our two recycled containerboard mills (*i.e.*, our paper machines PM1 and PM2) can experience temporary increases and decreases in profits. Except for the period between 2009 and 2010 following the financial and economic crisis, our paper mill in Burg (PM1) has historically generated a relatively stable margin, in part because we primarily sell our containerboard to our own corrugated board plants. Our paper mill in Eisenhüttenstadt (PM2) commenced operations in 2010 and, since then, has been in a continuing ramp-up and optimization phase, which involves not only the optimization of the performance of PM2, but also the optimization of connected processes, including the operation of the CHP currently operated by EnBW, which is a significant cost factor.

Our overall profitability is also affected by the length of time it takes us to translate price increases in raw materials and other input costs into prices we charge for third-party sales of containerboard and corrugated board. To the extent our containerboard is sold internally, our profitability will only be affected by the ability to recover any price increases from third-party sales of corrugated board to our third party customers in the packaging industry. Furthermore, to the extent that selling prices fall, if we are unable to generate cost savings through producing products more efficiently or lower our fixed costs, our results may be negatively affected.

An important driver of recycled paper prices is the balance of supply and demand for paper products in general as well as collection rates of recycled paper. When the price of recycled paper increases, containerboard manufacturers attempt to raise their prices to preserve profit margins, which generally narrow as a result of higher raw material costs. It typically takes approximately two to three months for mills to pass on their raw material price increases to corrugated board manufacturers. In turn, the manufacturers of corrugated board generally attempt to raise prices to recover containerboard cost increases. It generally takes approximately two to three months for these manufacturers, including us, to pass these increases on to their customers.

In a down cycle, as recycled paper prices fall, manufacturers of paper and paper-based packaging products (including manufacturers of containerboard and corrugated board) attempt to maintain prices. In the past, we have typically been able to maintain our prices for two to three months in such a down cycle. As a result, the

effect of price fluctuations on our mills and corrugated board operations varies, depending on the relevant point in the industry cycle. During periods of rising containerboard prices, our profitability can therefore be adversely affected. Conversely, during periods of declining containerboard prices, our profitability can be positively affected.

However, our ability to pass the costs of our raw materials and other input costs on to our packaging customers depends on a number of other factors, including the supply and demand balance for containerboard and corrugated board in a particular region and the ability of our customers to maintain or increase prices with their own customers. We generate almost all of our sales through purchase orders from our customers based on our price lists which we adjust in response to market price movements and only have very few contracts with our customers which provide minimum purchase obligations and/or pricing clauses that would allow us to automatically pass increased costs on to our customers. As a result of these factors, there can be no guarantee that the price of recycled paper and the prices for our containerboard and corrugated board products will always be closely correlated. Any extended mismatch between the price of recycled paper and the market prices for our products could have a significant effect on our margins and overall profitability.

For example, between 2009 and 2010, our results of operations and financial condition deteriorated. There were two main reasons for this deterioration. First, the global financial and economic crisis led to a significant drop in the price of recycled paper in the second half of 2008, followed by a significant decrease in the demand for our products and a corresponding decrease in the market prices for both containerboard and corrugated board. Following the significant drop in the prices for recycled paper in the second half of 2008, the prices for recycled paper started to recover in the first half of 2009, notwithstanding the continuing economic weakness and contrary to historic trends. This, in turn, led to a compression of our margins during the third quarter of 2009 when the sales prices for some of our finished products were insufficient to cover our variable input costs. As a result, we incurred significant losses and a few of our competitors were forced to close or mothball less efficient production facilities, which led at least temporarily to a drop in market-wide containerboard and corrugated board capacity. Our margins only returned to more sustainable levels towards the end of 2010, following multiple price increases for recycled paper, containerboard and corrugated board. Conversely, due to a combination of (i) a higher level of integration between our containerboard and corrugated board businesses, (ii) positive effects from measures we took as part of our Continuous Improvement Program and the immediate measures we took in response to the deterioration of our results of operations and financial condition as described under "*—Global Financial and Economic Crisis*", and (iii) an economic pick-up in Germany in 2014 and in the first nine months of 2015, we were able to increase the average selling price for both our containerboard and corrugated board products in 2014 and 2015, while the price of recycled paper generally remained stable throughout 2014 and only moderately increased in the second and third quarters of 2015, which had a significant positive impact on our margins and general profitability. While we experienced strong operating results in 2014 and in the first nine months of 2015, there can be no assurance that our strong operating performance will continue or that our EBITDA will not decline.

Fluctuations in Energy Costs

Another important input for us is energy. Our production processes, in particular the production of containerboard at our two mills, are energy intensive. In 2008, we entered into certain framework and ancillary agreements with EnBW for the supply of steam to PM2 via the CHP, which reduce our exposure to fluctuations in gas prices. As described in more detail under "*—The CHP Acquisition*" below, on December 2, 2015, we entered into the CHP Purchase Agreement for the proposed acquisition of EnBW Propower, the CHP and certain related assets. As a result thereof, we would start producing a significant portion of the energy required for the operation of our paper machine PM2 ourselves and thereby significantly reduce our energy costs. However, our production processes are nevertheless reliant on third parties for the supply of energy. Market prices for energy, in particular for oil and natural gas, have historically been volatile and have had a corresponding effect on our production costs. As a result, we have undertaken significant efforts in recent years to decrease our energy consumption and costs throughout our business. For further information, see "*—Contractual Obligations—Framework and Ancillary Agreements with EnBW*", "*Business—Procurement/Purchasing—Energy*" and "*Business—Sustainability Focus; Research and Development*".

The key drivers of our energy expenses have been, and will continue to be, fluctuations in the market prices for energy, the performance of the CHP adjacent to our paper mill in Eisenhüttenstadt as well as regulatory decisions. Although we do not currently own the CHP, any extended shutdowns may have a negative impact on our results of operations as a result of our current contractual arrangements with EnBW. Once the CHP

Acquisition is completed, we would bear the full economic risk of owning and operating the CHP. In addition, in Germany, our core market, energy prices have been strongly impacted by regulatory decisions related to the so-called "*Energiewende*", a significant shift in government policy following the nuclear accident in Fukushima, Japan in 2011. The new energy policy in Germany focuses on promoting the development of renewable energy sources and contemplates the complete cessation of the production of nuclear power by 2021. To mitigate the impact of the resulting significant increases in electricity prices for energy-intensive industries, the German government adopted rules that provide for various businesses, including us, to be reimbursed for certain infrastructure investment surcharges necessary for the implementation of the "*Energiewende*". However, those rules have not only been subject to challenges in German courts and EU scrutiny as potentially illegal subsidies, but also continue to be the subject of political scrutiny by various interest groups. Although the relevant rules have been modified to address certain of these concerns, there is no guarantee that they will not change again or that we will continue to be able to benefit from current accommodations, reimbursement rules and/or energy tax refund schemes.

Notwithstanding increases in production volumes, our energy costs have declined in recent years for a variety of reasons, including (i) our efforts to reduce energy consumption, in particular with regard to PM2, (ii) falling energy prices, (iii) the optimization of our energy procurement processes, (iv) the optimization of the operating costs of the CHP, in particular with regard to ash disposal, as well as (v) the full utilization of all available accommodations, credits and refunds under applicable energy laws and regulations. For more information about our energy management efforts, see "*—Sustainability Focus; Research and Development*".

Fluctuations in Freight/Logistics Costs

Our production operations require us to coordinate and monitor complex logistics processes between each step of our internal value chain and our production processes to ensure the efficient flow of materials and products. This includes the shipment of large rolls of containerboard from our two paper mills in Germany to our eight corrugated board production sites in the Czech Republic, France, Germany, Poland and the United Kingdom as well as the shipment of our finished corrugated board to our customers in the packaging industry (box plants). We meet our freight and logistics requirements mainly through the use of external logistics companies and, to a much lesser extent, our own fleet of currently 57 trucks. Due to the relatively large size and weight of our products compared to value, freight and logistics expenses play an important role in our business, and fluctuations in freight prices can have a significant impact on our profitability.

Currency Fluctuations

Given the growing geographic spread of our operations, we are increasingly exposed to currency exchange rate fluctuations. For example, the United Kingdom, the Czech Republic and Poland do not use the euro as their national currency. For the first nine months ended September 30, 2015, 9%, 6% and 12% of our total sales derived from sales in British pounds, Czech koruna and Polish zloty, respectively. In addition, we currently finance several of our foreign subsidiaries, including subsidiaries outside the euro zone, through borrowings in euro. In particular, as of September 30, 2015, our Polish subsidiary owed €35.6 million in principal amount outstanding under two euro-denominated intra-Group loans it obtained from Prowell GmbH in connection with the Refinancing to repay a corresponding external bank loan and for working capital purposes. Since September 30, 2015, the amounts owed by our Polish subsidiary under these intra-Group loans have increased to approximately €37.6 million as of the date of this special report. With the entry into the Senior Secured PLN Facility and the utilization of the Senior Secured PLN Facility to repay a significant portion of the intra-Group borrowings by Prowell sp. z o.o., we expect to significantly reduce (but not eliminate) our exposure to exchange rate fluctuations between the euro and the Polish zloty. Prior to the Refinancing, we were not permitted under our former financing arrangements to hedge for currency risks. As a result, fluctuations in the value of local currencies against the euro have had, and may have in the future, a significant effect on our operations and on our reported results in euro and the comparability of our performance between financial periods can be significantly affected by fluctuations in local currencies against the euro. We have since started to implement foreign currency risk management in order to monitor our foreign currency risk and to enable us to consider taking action if we decide to do so, but there is no assurance that such measures will be effective.

The relative strength or weakness of the U.S. dollar is also important for the European containerboard industry, because exports from the European market influence the balance of supply and demand and the price development of containerboard in Europe. Movements in the U.S. dollar exchange rate may also have an effect on trading, because a strong U.S. dollar tends to make U.S. dollar exports less competitive, while a weak euro may create export opportunities for European containerboard producers, which can reduce containerboard

supplies in the European market and promote price stability. Conversely, a weak U.S. dollar over a sustained period has historically resulted in lower (U.S. dollar-denominated) exports by European containerboard manufacturers with a negative (for our business) effect on the supply and demand balance and an immediate effect on the pricing of containerboard in Europe. In addition, a weak U.S. dollar over a sustained period has, in the past, also resulted in lower sales by other European manufacturers who ship products in corrugated packaging, resulting in lower European demand for corrugated packaging and, therefore, for our containerboard and corrugated board. A weak U.S. dollar may also result in additional competition in the European market from U.S. manufacturers that have an incentive to sell more products in Europe, due to increased European demand for the relatively lower-priced U.S. goods over higher-priced European goods.

Optimizing Integration between Propapier and Prowell

In 2014, containerboard produced by Propapier accounted for approximately 80-85% of the containerboard sourcing requirements, by volume, of our corrugated board production within Prowell. Containerboard sales to Prowell also accounted for approximately 65% of the total sales, by volume, of Propapier in 2014. With a total containerboard capacity of approximately 1,050,000 tons, Propapier produced approximately 1,035,000 tons of containerboard in 2014. Approximately 642,000 tons were sold internally to Prowell and a further approximately 55,000 tons were sold pursuant to swap agreements with other containerboard producers, which allow us to reduce transportation costs, optimize our production program and swap internally produced containerboard for certain containerboard grades we do not produce in sufficient quantities, such as kraftliner. The remaining approximately 338,000 tons of containerboard we produced in 2014 were sold externally, partly at lower margins and at more volatile prices. Over time, we therefore intend to further increase the share of internal containerboard sales, including through further improved utilization of our existing corrugated board production sites and the addition of more corrugated board production capacity. See also "*—Expansion and Potential Acquisition Projects*" below. We believe that further increasing the degree of vertical integration and making full use of the ability to internally source consistently high-quality containerboard in a cost-efficient and highly flexible manner will allow us to realize additional synergies for our business. At the same time, we also believe that increasing the share of internal containerboard sales may help us stabilize or improve our overall Group margins by reducing our exposure to lower or more volatile margins (compared to corrugated board margins) of certain external containerboard sales. Our customers benefit from our integrated approach through short lead times, just-in-time delivery and online ordering and tracking options. Further vertical integration will allow us to further optimize our internal logistics and supply chain.

Expansion and Potential Acquisition Projects

In continuation of our organic growth strategy, we intend to achieve our goal of further vertical integration primarily by pursuing further expansion opportunities via greenfield or packaging park projects. We just commenced production in October 2015 at our newest corrugated board production site (PW9) in Plössberg, Germany, and entered into an agreement with one of our large customers in Eastern Europe on December 1, 2015 for the proposed establishment of a further corrugated board production site (PW10) adjacent to the customer's existing packaging plant, subject to the receipt of planning permissions and a number of other conditions. In addition, we have already bought a used corrugated board production line from a competitor, which we have dismantled and put into storage. We plan to install this corrugated board production line in 2016, which allows us to respond to future expansion opportunities with a limited amount of additional capital expenditure. Finally, while we have historically only grown organically, via greenfield projects and the two packaging park projects (PW9 and PW10) described above, we are evaluating and will continue to evaluate opportunities to acquire attractive assets from competitors which would complement our existing network of production sites, further our goal of increasing our corrugated board production capacity and meet our other internal investment and financing criteria.

In addition to our goal of further vertical integration, we generally consider expansion projects to either support growth in our business or to improve the breadth and quality of our product offering to customers, which can lead to volume increases, greater customer retention and/or improved margins with existing customers. In the future, we may also undertake attractive strategic bolt-on acquisitions to further increase our corrugated board capacity to match our containerboard capacity, to improve market positions within existing markets, to support expansion in growth markets or to enter new markets.

With the launch of our corrugated board production site (PW9) in Plössberg and the proposed realization of another packaging park project with one of our large customers in Eastern Europe (PW10), we have already

taken significant steps towards achieving our goal of further vertical integration.We will also consider opportunities to expand further our containerboard and corrugated production capacity in the mid- to long-term.

Even successful expansion or acquisition projects can nevertheless have a negative impact on our profitability in the short-term. For example, our reduced profitability between 2009 and 2010 following the global financial and economic crisis coincided with the launch of production at our corrugated board production sites in Strykow, Poland (PW7) and Ellesmere Port, United Kingdom (PW8) and at our paper mill in Eisenhüttenstadt, Germany (PM2), which involved significant start-up and ramp-up costs. The related costs were largely expected and are normal in our industry, but their timing further exacerbated our financial condition. In addition, even in a positive market environment, it typically takes two to three years from the launch of a new corrugated board production site until the production site is fully utilized. For example, we launched our corrugated board production site in Strykow, Poland (PW7) in 2009, but the site only completed its ramp-up phase in 2012 and therefore, did not operate at a three-shift capacity for an entire year until 2013. For more information about the risks associated with potential acquisitions, see also "*Risk Factors—Risks Related to our Industry and our Business—The costs and difficulties of integrating complementary businesses through organic and acquisitive expansion could impede our future growth and adversely affect our competitiveness*".

Continuous Improvement Program

As described above, we operate in a cyclical industry where the price of our containerboard and corrugated board as well as recycled paper, our primary raw material, is subject to cyclical fluctuations. Other major cost items, such as personnel expenses, are the subject of annual increases, and the costs of energy and freight, which are also significant expenses, have partly trended upwards. In order to maintain profitability throughout the cycle, we have implemented a comprehensive profitability improvement program (the "**Continuous Improvement Program**") to ensure the long-term success of our Group. Our Continuous Improvement Program focuses on (i) improving the effectiveness of our sales and marketing activities, (ii) optimizing (*i.e.*, minimizing) our variable costs and (iii) stabilizing our specific fixed costs in order to achieve sales excellence and maintain our position as one of the cost leaders in our industry.

Since 2012, our main focus in connection with our goal of achieving sales excellence has been on (i) growing our external sales in excess of the general growth in market volumes (and thereby increasing our market share), (ii) maximizing the impact of the introduction of our "next generation" products into the market, and (iii) optimizing our sales portfolio. As part of our efforts to optimize our variable costs, we have focused on (i) reducing our consumption of raw materials, (ii) optimizing our energy consumption and energy costs, especially at our paper mill in Eisenhüttenstadt, and (iii) reducing the purchase prices of our key production factors, such as recycled paper, starch or freight services. Our continued ability to implement these and other efficiency improvement projects successfully may have a significant impact on our profitability. For more information about our past and ongoing efforts to ensure the sustainability of our business and to maintain our position as a cost leader, see also "*Business—Sustainability Focus; Research and Development*".

Global Financial and Economic Crisis

As described under "*Cyclical Nature of our Industry and Movement in Market Prices, Raw Materials and Input Costs—Fluctuations in Raw Material Costs*", our results of operation and financial condition deteriorated between 2009 and 2010, partly as a result of the global financial and economic crisis. This prolonged period of reduced profitability coincided with the launch of production at our corrugated board production sites in Strykow, Poland (PW7) and Ellesmere Port, United Kingdom (PW8) and at our paper mill in Eisenhüttenstadt, Germany (PM2), which involved significant start-up and ramp-up costs. The relevant costs were largely expected and are normal in our industry, but their timing further exacerbated our financial condition.

In response to the significant deterioration of our results of operation and financial condition, we engaged with our existing creditors with the goal of realigning our financing arrangements with the changed economic and business environment, including by adjusting payment schedules and covenants under the Former Senior Credit Facility. Because our operations were already relatively lean and efficient, we did not implement any significant redundancies or close any production sites. However, we implemented a number of measures designed to improve our (i) sales and margins, (ii) procurement, (iii) logistics and supply chain management, and (iv) production. These immediate measures were substantially implemented by the end of 2012 and were followed by the implementation of our ongoing Continuous Improvement Program. Restructuring expenses we recorded between 2012 and 2014 as extraordinary expenses primarily reflected expenses incurred in connection with the renegotiation and realignment of our existing credit facilities and primarily included related fees and

expenses of external consultants and other advisers as well as amendment and waiver fees and related expenses of our creditors. Restructuring expenses in 2013 and 2014 related to further financial restructuring efforts and included the ongoing expenses of our restructuring consultants, our core banks involved in the process as well as fees of other external advisers. Extraordinary expenses during this period also included fees of external advisers we incurred in connection with the evaluation of potential refinancing options.

The Refinancing

In connection with the issuance of the Senior Secured Notes on April 30, 2015, Progroup AG and the existing Guarantors entered into the Super Senior Revolving Credit Facility. See "*Description of Certain Financing Arrangements—Super Senior Revolving Credit Facility*". In addition, concurrently with the issuance of the Senior Secured Notes, JH-Holding Finance SA, a newly incorporated finance subsidiary of JH-Holding, Progroup AG's direct controlling shareholder, issued the PIK Toggle Notes, which are fully and unconditionally guaranteed by JH-Holding. See "*Overview—Overview of Our Corporate and Financing Structure*".

The proceeds from the issuance of the Senior Secured Notes and the PIK Toggle Notes were used (i) to repay all outstanding amounts, including accrued and unpaid interest, under our senior facilities agreement dated August 3, 2009, as amended (the "**Former Senior Credit Facility**"), (ii) to fund the acquisition by JHH Python GmbH, a wholly-owned subsidiary of JH-Holding, of all rights under the credit facility agreement dated July 23, 2008, as amended, between JH-Holding and its existing creditors (the "**Former JH-Holding Facility**"), (iii) to fund the acquisition by JH-Holding of certain preference shares in Progroup AG then held by BWK GmbH Unternehmensbeteiligungsgesellschaft, (iv) to pay the costs in relation to the termination of interest rate swaps by Progroup AG and certain of our subsidiaries and (v) to pay other costs, fees and expenses related to the offerings of the Senior Secured Notes and the PIK Toggle Notes and the entering into the Super Senior Revolving Credit Facility.

The offerings of the Senior Secured Notes and the PIK Toggle Notes by Progroup AG and JH-Holding Finance SA, respectively, the entering into the Super Senior Revolving Credit Facility and the application of the use of the proceeds from the offerings to repay all outstanding amounts under the Former Senior Credit Facility, to fund the acquisition by JHH Python GmbH of all rights under the Former JH-Holding Facility, to fund the acquisition of all preference shares in Progroup AG then held by BWK GmbH Unternehmensbeteiligungsgesellschaft, to pay the costs in relation to the termination of interest rate swaps by Progroup AG and certain of our subsidiaries and to pay all other costs, fees and expenses related to the offerings and the entering into the Super Senior Revolving Credit Facility are collectively herein referred to as the "**Refinancing**".

In connection with the Refinancing, we recorded significant extraordinary expenses in the first nine months of 2015, including €14.8 million in transaction costs, such as commitment, placement, financial advisory and other transaction costs and professional fees, as well as €10.1 million in expenses related to the termination of interest rate swaps by Progroup AG and certain of our subsidiaries.

The CHP Acquisition

On December 2, 2015, Progroup AG, Propapier PM2 GmbH, EnBW and its subsidiaries Sales & Solutions GmbH ("**SSG**"), EnBW Propower GmbH ("**EnBW Propower**") and EZG Operations GmbH ("**EZG**") entered into a purchase, assignment and transfer agreement (the "**CHP Purchase Agreement**") for the proposed acquisition by Progroup AG of EnBW Propower, the combined heat and power plant adjacent to our paper mill in Eisenhüttenstadt, Germany (the "**CHP**"), and certain related assets (such acquisition, the "**CHP Acquisition**") for an aggregate purchase price (subject to customary post-closing adjustments) of €183.9 million.

The CHP is currently owned by EnBW Propower, a wholly-owned subsidiary of SSG. EnBW Propower currently owes EnBW approximately €126 million pursuant to an intra-group loan (the "**EnBW Intra-Group Loan**"). In addition, SSG owns the network access ports linking PM2 to the public electricity grid (the "**Network Access Ports**"). As part of the CHP Acquisition, we will also acquire the EnBW Intra-Group Loan and the Network Access Ports. The CHP is currently operated and maintained by approximately 38 employees (the "**CHP Employees**"), which are employed by EZG, another wholly-owned subsidiary of EnBW.

Under the existing contracting arrangement with EnBW, we are already closely involved in the operation of the CHP and already bear a significant portion of the economic risks associated with the operation of the CHP. For

example, under the existing contracting arrangement with EnBW, we are already responsible for supplying refuse-derived fuels and other fuels to the CHP, and we also bear the costs of disposing of the ash (*Ascheentsorgung*) generated by the CHP.

As of September 30, 2015, we had remaining (off-balance sheet) obligations of approximately €229 million under the contracting arrangement with EnBW. Under the existing contracting arrangement, we are required to make certain fee payments to EnBW, including approximately €42 million in annual payments as follows:

- annual payments of approximatley €30 million (*Grundpreis I*), which are the equivalent of capital charges for the CHP and which include both a repayment component and an interest component with an implied interest rate of 10.4%;
- a flat annual fee of approximately €10 million (*Grundpreis II*) to cover the general operating costs of the CHP, including personnel expenses, repair and maintenance costs as well as insurance costs; and
- annual payments of approximately €2 million pursuant to the Network Access Agreement, which similarly include components that are the equivalent of capital charges for the use of the Network Access Ports (approximately €1.5 million) as well as a component that covers the general operating costs of the Network Access Ports (approximately €0.3 million).

We currently record all these payments under cost of materials. Under the existing contracting arrangement, the payments that cover the general operating expenses of the CHP and the Network Access Ports, respectively, are inflation-adjusted, and we are required to make these fee payments, irrespective of any scheduled maintenance shutdowns or unscheduled shutdowns that individually last for less than eleven days. For the period between 2012 and 2014, we have consequently already borne the economic consequences of between four and six weeks of maintenance and other shutdowns of the CHP each year, including the costs of our back-up arrangement for the supply of production steam with the nearby power plant.

All these payment obligations will terminate upon termination of the existing contracting arrangement following the completion of the CHP Acquisition and, therefore, will no longer reduce our EBITDA and cashflow.

After the completion of the CHP Acquisition, we estimate that we will make approximately €19 million in corresponding annual payments consisting of:

- approximately €12-13 million for personnel expenses, repair and maintenance costs and insurance costs, compared to the flat annual fee of approximately €10 million (*Grundpreis II*) we are currently charged under the contracting arrangement with EnBW;
- approximately €1 million for certain capital investments; and
- interest expenses of approximately €5 million on the approximately €120 million of additional indebtedness we expect to incur to finance a portion of the purchase price for the CHP Acquisition, includingthrough the full utilization of the Senior Secured PLN Facility.

This implies potential annual net cash savings as a result of the CHP Acquisition of up to €23 million.

However, there can be no guarantee that our actual annual cash savings as a result of the CHP Acquisition will match these estimated cash savings or that we will be able to realize any cash savings as a result of the CHP Acquisition at all. In particular, following completion of the CHP Acquisition, we will bear certain additional risks associated with the ownership and operation of the CHP that are currently being borne by EnBW. For example, there can be no guarantee that the actual annual personnel expenses, repair and maintenance costs and insurance costs for the CHP will not be higher than our current estimate of approximately €12-13 million, that these expenses will not increase further in the future or that the actual requirements for capital investments per annum will not be higher than our current estimate of approximately €1 million. In addition, the estimated cash savings described in the preceeding paragraph do not reflect any potential tax effects from the CHP Acquisition, any potential future increases in the working capital requirements for operating the CHP. Actual interest expenses from debt incurrence may also be higher than our current estimate. Furthermore, following completion of the CHP Acquisition, we will become directly responsible for, and will bear all risks related to, the ownership and day-to-day operation of the CHP, which includes the risk of unexpected repair costs, the risk of any shutdowns of the CHP, the operational risks associated with the disposal of the ash generated by the CHP (*i.e.*, that we are unable to procure the proper disposal of the ash and may therefore be forced to shut down the CHP)

as well as certain other operational and regulatory risks. The approximately €12-13 million for personnel expenses, repair and maintenance costs and insurance costs also do not represent all of the annual operating expenses for the CHP. In particular, they do not include certain costs and expenses we already bear under the existing contracting arrangement with EnBW, such as the costs of fuel oil and the costs of ash disposal. There can be no guarantee that those other operating expenses will not also increase in the future. Finally, there can be no guarantee that we will not be required to make additional capital investments in the CHP in excess of the approximately €1 million in expected annual capital investments described above. See also "*Risk Factors–Risks Related to the CHP Acquisition*".Pursuant to the CHP Purchase Agreement, the CHP Acquisition will be effected by way of (i) a transfer by SSG to Progroup AG of all shares in EnBW Propower, (ii) a transfer by SSG to Propapier PM2 GmbH of the Network Access Ports, (iii) a transfer by EnBW to Propapier PM2 GmbH of all rights under the EnBW Intra-Group Loan and (iv) a transfer to EnBW Propower of certain spare parts for the CHP. Immediately after the transfer of the EnBW Intra-Group Loan to Propapier PM2 GmbH on the CHP Acquisition Completion Date, Progroup AG will assume (*schuldbefreiende Schuldübernahme*) all liabilities under the EnBW Intra-Group Loan from EnBW Propower, and Progroup AG and Propapier PM2 GmbH will amend the EnBW Intra-Group Loan to prohibit any pre-payment or re-payment of the EnBW Intra-Group Loan for a period of 18 months following the CHP Acquisition Completion Date (as defined below).

In addition, as a result of the transactions contemplated by the CHP Purchase Agreement, EnBW Propower will become the operator of the CHP, as a result of which all rights and duties under the existing employment relationships with the CHP Employees will, by operation of law, automatically be transferred to EnBW Propower, including all obligations and liabilities with regard to any accrued pension, holiday and bonus entitlements as well as social security contributions, voluntary health insurance premiums and overtime payments/accounts owed to or on behalf of the CHP Employees by EZG under the relevant employment agreements and/or collective bargaining agreements, in each case, except with regard to any CHP Employees that timely object to the transfer of their employment relationship. Under the CHP Purchase Agreement, EZG agrees to hold EnBW Propower harmless for any such obligations or liabilities relating to the time prior to the transfer, while EnBW Propower agrees to hold EZG harmless for any such obligations or liabilities relating to the time after the transfer.

In connection with the entry into the CHP Purchase Agreement, Progroup AG has also entered into a transitional services agreement with EnBW (the "**Transitional Services Agreement**") intended to ensure the uninterrupted operation of the CHP for a transitional period after the date on which the CHP Acquisition becomes effective in accordance with the terms of the CHP Purchase Agreement (the "**CHP Acquisition Completion Date**"), which is expected to be December 31, 2015.

For more detail, see "*The CHP Acquisition*".

KEY INCOME STATEMENT ITEMS

The following is a description of certain line items in our consolidated income statement.

Sales

Sales primarily include income derived from the sale of corrugated board and external sales of containerboard. We report sales as sales in Germany and sales abroad, respectively, based on the country in which the invoicing entity within the Group is located. As a result, this geographic split does not necessarily reflect the location of our customers. Other sales primarily include freight sales of Prologistik, for example, when we hire out trucks from our own fleet to avoid empty trips or to make use of opportunities in the freight market.

Increase/(decrease) in finished goods and work in process

Increase/(decrease) in finished goods and work in process records the increase/(decrease) in finished and goods and work in process at manufacturing cost. The manufacturing costs include direct material and labor costs as well as material and production overheads allocated proportionally on the assumption of normal utilization of production capacity.

Other operating income

Other operating income consists of all income from ordinary business activities not already recognized under other income items. Other operating income includes, among other things, income from investment subsidies,

income from other periods, income from the release of provisions, refunds of energy tax, income from insurance refunds from damage events, income from reduction of bad debt allowance, exchange rate gains as well as income from the use of refuse-derived fuel at the CHP adjacent to our paper mill in Eisenhüttenstadt, *i.e.*, income for the disposal and thermal utilization (incineration) of treated waste supplied by external suppliers. Other income also includes income from the passing through to Sales & Solutions GmbH of costs of gas for the production of steam for our paper machine PM1. The costs of steam as well as the original costs of gas are included in cost of purchased services under cost of materials. Finally, other operating income includes gains from exchange rate differences.

Cost of materials

Cost of materials consists of costs of raw materials, consumables and supplies and purchased goods such as recycled paper, externally purchased containerboard, costs of chemicals, costs for auxiliary materials as well as pallet costs. It also includes costs of purchased services, including energy (*i.e.*, for electricity, gas and steam) and costs of waste disposal. Pursuant to our framework and ancillary agreements with EnBW for the operation of the CHP, we currently make certain fee payments to EnBW, including, among other fees, approximately €30 million in annual payments, which are the equivalent of capital charges for the CHP. We currently record these payments under cost of materials. Upon completion of the CHP Acquisition, these payments will no longer reduce our EBITDA. The approximately €30 million in annual payments included €29.0 million, €28.6 million, €29.1 million and €20.7 million in 2012, 2013 and 2014 and in the first nine months of 2015, respectively, of base price 1 (*Grundpreis 1*) payments. See also "*The CHP Acquisition–Current Supply Arrangement and Economic Rationale for the CHP Acquisition*".

Personnel expenses

Personnel expenses include all expenses for wages and salaries (including bonuses) and other employment benefits, contributions to pension plans and social security contributions. Personnel expenses also include the costs of hiring new personnel and training costs.

Other operating expenses

Other operating expenses primarily include freight expenses (41.8% of total other operating expenses in the year ended December 31, 2014 and 43.6% of total other operating expenses in the first nine months of 2015), maintenance costs, costs of replacing paper machine clothings, other production costs, expenses for external labor, waste water treatment costs, expenses from exchange rate differences, rental and leasing costs, legal and consulting expenses and expenses from other periods.

Amortization and depreciation of fixed intangible and tangible assets

We incur expense for depreciation and amortization of property, plant and equipment and intangible fixed assets as a result of both scheduled depreciation and impairment losses on these assets. Depreciation and amortization are usually charged on a straight-line basis over the expected useful life of the assets. Business start-up and expansion expenses include expenses of €2.6 million in 2012, €2.6 million in 2013 and none in 2014 and in the first nine months of 2015, related to the start-up of our paper machine PM2 at our mill in Eisenhüttenstadt and the start-up of our corrugated board production site in Stykow, Poland (PW7), which we were permitted to capitalize under German GAAP rules in effect prior to 2009.

Interest income/(expenses), net

Interest income/(expenses), net includes other interest and similar income as well as interest and similar expenses. Interest and similar expenses primarily include interest expense and other financing costs related to long-term loans, short-term bank liabilities as well as bank and bank guarantee provisions.

Extraordinary net income/(loss)

Extraordinary net income/(loss) comprise one-off income and expenses not related to our ordinary business. The extraordinary expenses mainly relate to our restructuring and refinancing measures.

Taxes

Taxes comprise trade taxes, corporate taxes, foreign taxes, deferred taxes as well as other taxes, such as taxes on substance (mainly real estate taxes as well as motor vehicle taxes).

Income from loss transfers and profit transfer on the basis of partial profit transfer agreement

Profits from / subject to loss transfer agreement are based on the provisions of two partial profit and loss transfer agreements (*Teilergebnisabführungsverträge*) under two silent participations (*stille Beteiligungen*) which we record on our balance sheet as other liabilities.

These partial profit and loss transfer agreements were originally entered into on December 3, 1991 and last amended on July 8, 2011. Pursuant to these agreements, two passive investors (*stille Gesellschafter*) originally invested a total of €984,236.87 in our business and share in our results in proportion to the amount of their investment compared to our share capital (*Grundkapital*), provided that their annual share of any profits is capped at 20% and their annual share of any losses is capped at 25% of their respective investments, the overall liability of the two passive investors being limited to the amount of their respective investment. As a result of the partial sharing in our profits and losses in prior years, the capital accounts related to the two silent participations were reduced to a combined share capital of €535,916.97 as of December 31, 2014. By agreement dated March 19, 2015, we agreed with the two investors on the termination of the silent participations with effect as of April 30, 2015, subject to the completion of the Refinancing and against repayment of their originally invested capital of €984,236.87, due on December 30, 2015.

RESULTS OF OPERATIONS

Nine-Month Period Ended September 30, 2015 Compared to Nine-Month Period Ended September 30, 2014

The following table sets out certain information with respect to our unaudited consolidated income statement for the nine-month periods ended September 30, 2014 and September 30, 2015:

	Nine-month period ended September 30,		
	2014	2015	Change
	(unaudited) (€ in thousands)		(%)
Sales	**499,380**	**515,356**	**3.2**
Increase/(decrease) in finished goods and work in process	(7,813)	21	—
Other operating income	23,678	27,020	14.1
Internally produced and capitalized assets	—	539	—
Total output[(1)]	**515,245**	**542,935**	**5.4**
Cost of materials	(283,631)	(291,253)	2.7
Gross profit[(2)]	**231,614**	**251,682**	**8.7**
Personnel expenses	(38,160)	(41,848)	9.7
Other operating expenses	(101,055)	(104,311)	3.2
EBITDA[(3)]	**91,286**	**104,407**	**14.4**
Amortization and depreciation of fixed intangible and tangible assets	(21,296)	(21,712)	2.0
Other interest and similar income	239	135	(43.4)
Interest and similar expenses	(21,410)	(16,250)	(24.1)
Profit/(loss) on ordinary activities	**49,933**	**67,696**	**35.6**
Extraordinary income	93	—	—
Extraordinary expenses	(2,965)	(32,302)	>100
Extraordinary net income/(loss)	**(2,872)**	**(32,302)**	>100
Taxes on income	(11,349)	(8,671)	(23.6)
Other taxes	(1,114)	(1,116)	0.2
Income from loss transfers	—	—	—
Profit transfer on the basis of partial profit transfer agreement	—	—	—
Consolidated net income/(net loss) for the period	**34,598**	**25,607**	**(26.0)**
Consolidated unappropriated retained earnings brought forward	31,763	76,687	>100
Consolidated net retained profits	**66,361**	**102,294**	**54.1**

(1) Total output (not a German GAAP measure) is calculated as the sum of sales, increase/(decrease) in finished goods and work in process, other operating income and internally produced and capitalized assets.

(2) Gross profit (not a German GAAP measure) is calculated by deducting cost of materials from total output.

(3) EBITDA (not a German GAAP measure) is calculated as total output, minus cost of materials, minus personnel expenses, minus other operating expenses and minus other taxes. See "*Presentation of Financial Information*". Pursuant to our framework and ancillary agreements with EnBW for the operation of the CHP, we currently make certain fee payments to EnBW, including, amongst other fees, approximately €30 million in annual payments (or approximately €22.5 million during any nine–month period), which are the equivalent of capital charges for the CHP. We currently record these payments under cost of materials. Upon completion of the CHP Acquisition, these payments will no longer reduce our EBITDA. See also "*The CHP Acquisition–Current Supply Arrangement and Economic Rationale for the CHP Acquisition*".

Sales

Total sales increased by €16.0 million or 3.2%, from €499.4 million in the first nine months of 2014 to €515.4 million in the first nine months of 2015. This increase in sales was primarily attributable to a significant

increase in corrugated board sales, both in Germany and abroad, which significantly exceeded general market growth. Total corrugated board sales increased by €26.4 million or 6.9% in the first nine months of 2015 compared to the first nine months of 2014. Corrugated board sales volumes increased by approximately 39,000 tons, from approximately 589,000 tons in the first nine months of 2014 to approximately 628,000 tons in the first nine months of 2015. The sales volume increase in excess of general market growth was attributable to (i) our ongoing efforts to improve the effectiveness of our sales and marketing activities as part of our Continuous Improvement Program as well as (ii) our continuing efforts to further optimize production of our Prowell plants, including by adding a fourth shift in our corrugated board production site in Offenbach, Germany and a temporary fourth shift in our corrugated board production site in Rokycany, Czech Republic. At the same time, our total containerboard production decreased slightly by approximately 13,000 tons or 1.7%, from approximately 783,000 tons in the first nine months of 2014 to approximately 770,000 tons in the first nine months of 2015, primarily due to lower production volumes of PM2. The trend towards lighter containerboard impacted the production program of PM2 and led to a substitution of standard weight grades through super-light-weight containerboard. The lower output of super-light-weight containerboard in tons per hour is in general offset by higher sales prices. External sales of containerboard decreased more significantly by approximately 39,000 tons or 12.8% from approximately 304,000 tons in the first nine months of 2014 to approximately 265,000 tons in the first nine months of 2015 as we managed to further increase the share of internal containerboard sales to Prowell through further improved utilization of our existing corrugated board production sites. The average price of corrugated board during the first nine months of 2015 was slightly above the average price for the first nine months of 2014. In September 2015, corrugated board priced increased in most of our markets, as corrugated board producers were able to pass on an increase in the price of containerboard that occurred in the third quarter of 2015 to their customers. The average price per ton we were able to charge for our containerboard in the first nine months of 2015 was almost identical to the average price of the first nine months of 2014. In the third quarter of 2015, prices for containerboard increased in all major European markets following price increases for recycled paper.

The following table shows our sales by geographic origin and by product:

	Nine-month period ended September 30,		
	2014	2015	Change
	(unaudited) (€ in thousands)		(%)
Sales in Germany (origin)	**303,502**	**303,918**	**0.1**
Corrugated board	185,716	196,552	5.8
Containerboard	110,456	99,736	(9.7)
Other	7,330	7,630	4.1
Sales abroad (origin)	**195,878**	**211.437**	**7.9**
Corrugated board	195,878	211.437	7.9
Containerboard	—	—	—
Other	—	—	—
Total sales	**499,380**	**515,356**	**3.2**

In the first nine-month of 2015, sales in Germany accounted for 59.0% of total sales compared to 60.8% of total sales in the first nine months of 2014. Sales in Germany slightly increased by €0.4 million or 0.1%, from €303.5 million in the first nine months of 2014 to €303.9 million in the first nine months of 2015, primarily due to a €10.8 million or 5.8% increase in corrugated board sales for the reasons described above. External sales of containerboard in Germany decreased by €10.7 million or 9.7%, while other sales in Germany increased by €0.3 million or 4.1%. Corrugated board sales abroad also increased by €15.6 million or 7.9%, from €195.9 million in the first nine months of 2014 to €211.4 million in the first nine months of 2015.

	Nine-month period ended September 30,		
	2014	2015	Change
	(unaudited) (€ in thousands)		(%)
Corrugated board	381,594	407,989	6.9
Containerboard	110,456	99,736	(9.7)
Other	7,330	7,630	4.1
Total sales	**499,380**	**515,356**	**3.2**

Total corrugated board sales increased by €26.4 million or 6.9% in the first nine months of 2015 compared to the first nine months of 2014, due to the €10.8 million increase in sales in Germany and the €15.6 million increase in sales abroad. External sales of containerboard decreased by €10.7 million or 9.7%, from €110.5 million in the first nine months of 2014 to €99.7 million in the first nine months of 2015, while other sales increased by €0.3 million or 4.1%, from €7.3 million in the first nine months of 2014 to €7.6 million in the first nine months of 2015. As a result, corrugated board sales as a percentage of total sales increased from 76.4% in the first nine months of 2014 to 79.2% in the first nine months of 2015, while containerboard sales as a percentage of total sales decreased from 22.1% in the first nine months of 2014 to 19.4% in the first nine months of 2015.

Increase/(decrease) in finished goods and work in process

Primarily due to an increase in our corrugated board production and lower sales of containerboard in the first nine months of 2015, our inventories of containerboard and corrugated board increased slightly by €21 thousand in the first nine months of 2015.

Internally produced and capitalized assets

Internally produced and capitalized assets are related to our new corrugated board production site in Plössberg, Germany.

Other operating income

	Nine-month period ended September 30,		
	2014	2015	Change
	(unaudited) (€ in thousands)		(%)
Investment subsidies	321	321	—
Income from other periods	9,573	8,765	(8.4)
Income from passing through the cost of gas to Sales & Solutions GmbH	7,085	7,361	3.9
Income from sales of refuse derived fuel and fuel oil to EnBW Propower	4,555	3,487	(23.4)
Exchange rate difference	897	5,189	>100
Other income	1,246	1,897	52.2
Other operating income	**23,678**	**27,020**	**14.1**

Other operating income increased by €3.3 million or 14.1% from €23.7 million in the first nine months of 2014 to €27.0 million in the first nine months of 2015, mainly due to a €4.3 million increase in exchange rate gains, from €0.9 million in the first nine months of 2014 to €5.2 million in the first nine months of 2015. Other income also increased by €0.7 million or 52.2%, from €1.2 million in the first nine months of 2014 to €1.9 million in the first nine months of 2015, while income from passing through the cost of gas to Sales & Solutions GmbH increased by €0.3 million or 3.9%, from €7.1 million in the first nine months of 2014 to €7.4 million in the first nine months of 2015, due to lower cost in 2014 resulting from billing differences related to the fourth quarter of 2013. Income from sales of gas result from passing through to Sales & Solutions GmbH the costs of gas for the production of steam for our paper machine PM1. The costs of steam as well as the original costs of gas are included in cost of purchased services under cost of materials.

These increases more than off-set (i) a €1.1 million or 23.4% decrease in income from sales of refuse derived fuel and fuel oil to EnBW Propower in the first nine months of 2015 compared to the first nine months of 2014, due to longer scheduled and unscheduled shutdowns of the CHP leading to a lower consumption of refused derived fuel and (ii) a €0.8 million or 8.4% decrease in income from other periods.

Income from other periods in the first nine months of 2015 decreased by €0.8 million or 8.4% and included, among other things (i) a €3.9 million release of provisions, (ii) the receipt of €1.2 million in avoided grid fees as described under "*Business—Regulatory Environment—Regulation governing the operation of the CHP—Co-Generation Act (KWKG) —Off-take pricing*", as well as (iii) €0.8 million income due to a settlement of a dispute with a refuse derived fuel supplier. In the first nine months of 2014 income from other periods was significantly positively affected by (i) a €4.3 million credit with regard to electricity grid usage charges during 2012 and 2013, (ii) a €2.2 million release of provisions, and (iii) €0.6 million in reimbursements under the German Co-Generation Law (*Kraft-Wärme-Kopplungsgesetz*) regarding 2013.

Income from investment subsidies remained stable at €321 thousand in the first nine months of 2014 and €321 thousand in the first nine months of 2015, respectively, and relate to subsidies we received in connection with the construction of our corrugated board production site in Schüttorf, Germany in 2005 and which we recognize as other operating income in line with the depreciation of the relevant assets over a period of up to 33 years.

Cost of materials

	Nine-month period ended September 30,		
	2014	**2015**	**Change**
	(unaudited) (€ in thousands)		(%)
Cost of raw materials, consumables and supplies	(197,064)	(203,958)	3.5
Cost of purchased services	(86,567)	(87,295)	0.8
Cost of materials	**(283,631)**	**(291,253)**	**2.7**

Cost of materials increased slightly by €7.6 million or 2.7%, from €283.6 million in the first nine months of 2014 (56.8% of sales, or 55.0% of total output) to €291.3 million in the first nine months of 2015 (56.5% of sales, or 53.6% of total output). This increase was due to the €6.9 million or 3.5% increase in the cost of raw materials, consumables and supplies as a result of the significant increase in our corrugated board production, as described under "*—Sales*" above. The increase in cost of materials was moderate in light of the 3.2% increase in total sales in the first nine months of 2015. The price of recycled paper generally remained stable throughout the first six months of 2015 with increases in the third quarter of 2015. However, the average price for recycled paper during the first nine months of 2015 was slightly lower at €117 per ton compared to €119 per ton for the first nine months of 2014. The slightly lower recycled paper prices and the slightly lower production volumes especially at PM2 resulted in a decrease in recycled paper costs from €98.6 million in the first nine months of 2014 to €93.5 million in the first nine months of 2015. The cost of containerboard increased significantly from €62.4 million in the first nine months of 2014 to €78.8 million in the first nine months of 2015 due to higher sales volumes of corrugated board, slightly higher average external purchase prices for containerboard and a slightly higher portion of externally sourced containerboard.

The cost of purchased services also increased by €0.7 million or 0.8%, from €86.6 million in the first nine months of 2014 to €87.3 million in the first nine months of 2015. Lower electricity costs (€22.5 million in the first nine months of 2015 compared to 22.7 million in the first nine months of 2014), and lower steam costs from the CHP (€32.4 million in the first nine months of 2015 compared to €34.7 million in the first nine months of 2014) were more than offset by higher gas costs (€26.5 million in the first nine months of 2015 compared to €23.9 million in the first nine months of 2014) and higher costs for freight brokerage at Prologistik (€5.0 million in the first nine months of 2015 compared to €3.9 million in the first nine months of 2014).

Gross profit

Gross profit increased by €20.1 million or 8.7%, from €231.6 million (46.4% of sales, or 45.0% of total output) in the first nine months of 2014 to €251.7 million (48.8% of sales, or 46.4% of total output) in the first nine months of 2015. This increase of our gross profit is primarily due to the increases in both sales volumes and the

prices for corrugated board as well as the prices for containerboard supported by lower prices for recycled paper and energy.

Personnel expenses

	Nine-month period ended September 30,		
	2014	2015	Change
	(unaudited) (€ in thousands)		(%)
Wages and salaries	(32,293)	(35,461)	9.8
Social security and pensions	(5,867)	(6,387)	8.9
—of which for pension expenses:	*(124)*	*(124)*	(0.5)
Personnel expenses	**(38,160)**	**(41,848)**	**9.7**

Personnel expenses in the first nine months of 2015 increased by €3.7 million or 9.7%, from €38.2 million in the first nine months of 2014 to €41.9 million in the first nine months of 2015, reflecting a €3.2 million or 9.8% increase in wages and salaries and a €0.5 million or 8.9% increase in social security and pensions. These increases were due to (i) a 7.1% increase in the average number of employees (from 848 in the first nine months of 2014 to 908 in the first nine months of 2015), (ii) salary and wage increases, and (iii) higher variable compensation payments for workers at our various production sites related to our improved operational performance as well as higher bonuses for all employees due to our strong overall results in the first nine months of 2015.

	Nine-month period ended September 30,		
	2014	2015	Change
	(unaudited)		(%)
Administrative employees	206	218	5.8
Factory workers	642	690	7.5
Average number of employees	**848**	**908**	**7.1**

Both the average number of administrative employees and the average number of factory workers increased slightly from 206 and 642, respectively, during the first nine months of 2014 to 218 and 690, respectively, during the first nine months of 2015. The increase in the number of factory workers related primarily to the hiring of additional workers as a result of the introduction of a fourth shift in our corrugated board production site in Offenbach, Germany and a temporary fourth shift in our corrugated board production site in Rokycany, Czech Republic. The increase in the number of administrative employees is due to the filling of vacancies as well as certain structural changes we made in different departments.

Other operating expenses

	Nine-month period ended September 30,		
	2014	2015	Change
	(unaudited) (€ in thousands)		(%)
Expenses from exchange rate differences	(1,205)	(3,122)	>100
Expenses from other periods	(6,143)	(1,750)	(71.5)
Maintenance and repair	(21,337)	(25,934)	21.5
Freight expenses	(42,622)	(45,428)	6.6
Paper machine clothings	(5,952)	(4,217)	(29.2)
Rental and leasing costs	(3,859)	(4,217)	9.3
Water and waste water treatment expenses	(3,773)	(3,680)	(2.5)
Legal and consulting fees	(2,862)	(1,146)	(60.0)
Others	(13,302)	(14,817)	11.4

Other operating expenses	**(101,055)**	**(104,311)**	**3.2**

Other operating expenses increased by €3.3 million or 3.2%, from €101.1 million in the first nine months of 2014 to €104.3 million in the first nine months of 2015. Expenses from exchange rate differences increased by €1.9 million, from €1.2 million in the first nine months of 2014 to €3.1 million in the first nine months of 2015. In addition, expenses for maintenance and repair increased by €4.6 million or 21.5%, from €21.3 million in the first nine months of 2014 to €25.9 million in the first nine months of 2015, primarily due to costs for renovating the building housing our paper machine PM1 in Burg, Germany and additional maintenance cost at the PM2 steam pipe. Freight expenses also increase by €2.8 million or 6.6%, from €42.6 million in the first nine months of 2014 to €45.4 million in the first nine months of 2015, primarily due to the increased freight volume as a result of our increased sales of corrugated board. Rental and leasing costs increased by €0.4 million or 9.3%, from €3.9 million in the first nine months of 2014 to €4.2 million in the first nine months of 2015, primarily due to higher rental costs for our headquarter office building and higher leasing costs for our own trucks. Other expenses also increased by €1.5 million or 11.4%, from €13.3 million in the first nine months of 2014 to €14.8 million in the first nine months of 2015, primarily due to specific valuation allowances on receivables and fees related to the financing of our new corrugated board production site in Plössberg (PW9).

These increases more than offset decreases in expenses from other periods, expenses for replacing paper machine clothings, water and waste water treatment expenses and legal and consulting fees. Expenses from other periods decreased by €4.4 million or 71.5% mainly due to a provision for higher waste water treatment costs of €4.2 million recorded in the first nine months of 2014. In the first nine-month of 2015, expenses from other periods included €1.1 million in gas invoices at PM1 related to December 2014. Expenses for replacing paper machine clothings decreased by €1.7 million or 29.2%, from €6.0 million in the first nine months of 2014 to €4.2 million in the first nine months of 2015, due to reduced wear and tear partly as a result of the decrease in containerboard production and the timing of major maintenance shutdows. Water and waste water treatment expenses decreased by 2.5%, from €3.8 million in the first nine months of 2014 to €3.7 million in the first nine months of 2015, due to reduced waste water quantities.

EBITDA

	Nine-month period ended September 30,		
	2014	**2015**	**Change**
	(unaudited) (€ in thousands)		(%)
EBITDA[1]	91,286	104,407	14.4

(1) EBITDA (not a German GAAP measure) is calculated as total output, minus cost of materials, minus personnel expenses, minus other operating expenses and minus other taxes. See "*Presentation of Financial Information*".

Our EBITDA increased by €13.1 million or 14.4% from €91.3 million in the first nine months of 2014 (18.3% of sales) to €104.4 million in the first nine months of 2015 (20.3% of sales), as a result of the factors described above.

Amortization and depreciation of fixed intangible and tangible assets

	Nine-month period ended September 30,		
	2014	**2015**	**Change**
	(unaudited) (€ in thousands)		(%)
Depreciation on expenses for start-up and expansion of operations	—	—	—
Depreciation on intangible assets	(243)	(247)	1.5
Depreciation on tangible assets	(21,053)	(21.465)	2. 0
Total amortization and depreciation of fixed intangible and tangible assets	**(21,296)**	**(21,712)**	2.0

Depreciation and amortization expenses decreased by €0.4 million or 2.0% from €21.3 million in the first nine months of 2014 to €21.7million in the first nine months of 2015. This slight increase was primarily due to capital expenditure in the first nine months of 2015.

Interest income/(expenses), net

	Nine-month period ended September 30,		
	2014	2015	Change
	(unaudited) (€ in thousands)		(%)
Other interest and similar income	239	135	(43.4)
Interest and similar expenses	(21,410)	(16,250)	(24.1)
Interest income/(expenses), net	**(21,171)**	**(16,115)**	**(23.9)**

Our interest income/(expenses), net in the first nine months of 2015 improved by €5.1 million or 23.9% from net expenses of €21.2 million in the first nine months of 2014 to net expenses of €16.1 million in the first nine months of 2015. This decrease was almost entirely due to a decrease in interest and similar expenses by €5.2 million or 24.1% from €21.4 million in the first nine months of 2014 to €16.3 million in the first nine months of 2015, due to a reduction in the average amount of our liabilities under credit facilities as well as lower market interest rate levels during the period leading up to the Refinancing at the end of April 2015, as described under "*—Key Factors Affecting our Results of Operations—The Refinancing*". Liabilities under the Senior Secured Notes issued in the Refinancing and bank loans were €400 million and €11.3 million, respectively, as of September 30, 2015 compared to liabilities under bank loans of €394.9 million as of September 30, 2014. Interest and similar expenses in the first nine months of 2015 included €9.1 million of interest payments compared to €19.8 million of interest payments in the first nine months of 2014.

Extraordinary net income/(loss)

	Nine-month period ended September 30,		
	2014	2015	Change
	(unaudited) (€ in thousands)		(%)
Extraordinary expenses	**(2,965)**	**(32,302)**	**>100**
thereof restructuring expenses	*(2,965)*	*(1,427)*	*(51.9)*
Extraordinary income	**93**	—	—
thereof reversal of provisions from prior periods	*93*	—	—
Extraordinary net income/(loss)	**(2,872)**	**(32,302)**	**>100**

Net extraordinary expenses increased significantly by €29.3 million from €3.0 million of expenses in the first nine months of 2014 to €32.3 million of expenses in the first nine months of 2015. The €3.0 million in extraordinary expenses in the first nine months of 2014 reflect restructuring expenses related to the financial restructuring of our former financing arrangements prior to the Refinancing. See also "*—Key Factors Affecting our Results of Operations—Global Financial and Economic Crisis*". The €32.3 million in extraordinary expenses in the first nine months of 2015 primarily relate to extraordinary expenses we recorded in connection with the Refinancing, including €14.8 million in transaction costs, such as commitment, placement, financial advisory and other transaction costs and professional fees, as well as €10.1 million in expenses related to the termination of interest rate swaps by certain of our subsidiaries. See also "*—Key Factors Affecting our Results of Operations—The Refinancing*".

Taxes

	Nine-month period ended September 30,		
	2014	2015	Change
	(unaudited) (€ in thousands)		(%)
Taxes on income	(11,349)	(8,671)	(23.6)
Other taxes	(1,114)	(1,116)	0.2
Total taxes	**(12,463)**	**(9,788)**	**(21.5)**

Total taxes decreased by €2.7 million or 21.5%, from €12.5 million in the first nine months of 2014 to €9.8 million in the first nine months of 2015, primarily as a result of a decrease in taxes on income. Taxes on income decreased by €2.7 million or 23.6% from €11.3 million in the first nine months of 2014 to €8.7 million in the first nine months of 2015. This was primarily due to our extraordinary net losses as described above, which more than off-set the significant increase in our profit on ordinary activities and the decrease of deferred taxes. Furthermore, total taxes include expenses from the decrease in deferred tax assets in the amount of €3.9 million due to the utilization of tax losses carried forward.

Consolidated net income/(net loss) for the period

	Nine-month period ended September 30,		
	2014	2015	Change
	(unaudited) (€ in thousands)		(%)
Income from loss transfers	—	—	—
Profit transfer on the basis of partial profit transfer agreement	—	—	—
Consolidated net income/(net loss) for the period	**34,598**	**25,607**	**(26.0)**
Consolidated unappropriated retained earnings brought forward	31.763	76,687	>100
Consolidated net retained profits	**66,361**	**102,294**	**54.1**

Consolidated net income/(net loss) for the period decreased by €9.0 million from a profit of €34.6 million in the first nine months of 2014 to a profit of €25.6 million in the first nine months of 2015. This was the result of the factors described above. Profit from loss transfer agreements and profits subject to profit transfer agreements in prior periods related to two partial profit and loss transfer agreements (*Teilergebnisabführungsverträge*) entered into under two silent participations (*stille Beteiligungen*) and terminated upon completion of the Refinancing, as described under *"—Key Income Statement Items—Income from loss transfers and profit transfer on the basis of partial profit transfer*".

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

The following table sets out certain information with respect to our consolidated income statement for the years ended December 31, 2013 and December 31, 2014:

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Sales	**582,563**	**661,287**	**13.5**
Increase/(decrease) in finished goods and work in process	1,371	(5,066)	—
Other operating income	41,094	33,509	(18.5)
Total output[(1)]	**625,028**	**689,730**	**10.4**
Cost of materials	(370,642)	(373,039)	0.6
Gross profit[(2)]	**254,386**	**316,691**	**24.5**
Personnel expenses	(45,368)	(53,107)	17.1
Other operating expenses	(125,983)	(137,005)	8.7
EBITDA[(3)]	**81,679**	**125,118**	**53.2**
Amortization and depreciation of fixed intangible and tangible assets	(34,893)	(28,509)	(18.3)
Other interest and similar income	389	376	(3.3)
Interest and similar expenses	(30,571)	(27,757)	(9.2)
Profit/(loss) on ordinary activities	**17,960**	**70,688**	**>100**
Extraordinary income	917	93	(89.9)
Extraordinary expenses	(3,397)	(3,707)	9.1
Extraordinary net income/(loss)	**(2,481)**	**(3,614)**	**45.7**
Taxes on income	(5,089)	(9,110)	79.0

Other taxes	(1,356)	(1,461)	7.7
Income from loss transfers	—	—	—
Profit transfer on the basis of partial profit transfer agreement	(197)	(197)	—
Consolidated net income/(net loss) for the year	**8,838**	**56,307**	**>100**
Consolidated unappropriated retained earnings brought forward	22,925[4]	31,763	38.6
Consolidated net retained profits	**31,753**	**88,069**	**>100**

(1) Total output (not a German GAAP measure) is calculated as the sum of sales, increase/(decrease) in finished goods and work in process, other operating income and internally produced and capitalized assets.

(2) Gross profit (not a German GAAP measure) is calculated by deducting cost of materials from total output.

(3) EBITDA (not a German GAAP measure) is calculated as total output, minus cost of materials, minus personnel expenses, minus other operating expenses and minus other taxes. See "*Presentation of Financial Information*". Pursuant to our framework and ancillary agreements with EnBW for the operation of the CHP adjacent to our mill in Eisenhüttenstadt, we currently make certain fee payments to EnBW, including, amongst other fees, approximately €30 million in annual payments, which are the equivalent of capital charges for the CHP. We currently record these payments under cost of materials. Upon completion of the CHP Acquisition, these payments will no longer reduce our EBITDA. See also "*The CHP Acquisition–Current Supply Arrangement and Economic Rationale for the CHP Acquisition*".

(4) This figure has been derived from the 2013 comparison column of the audited consolidated financial statements as of and for the year ended December 31, 2014.

Sales

Total sales increased by €78.7 million or 13.5%, from €582.6 million in 2013 to €661.3 million in 2014. This increase in sales was primarily attributable to a significant increase in corrugated board sales, both in Germany and abroad, which significantly exceeded general market growth. Total corrugated board sales increased by €72.9 million or 16.7% in 2014 compared to 2013. Corrugated board sales volumes increased by approximately 77,000 tons, from approximately 712,000 tons in 2013 to approximately 789,000 tons in 2014. The sales volume increase in excess of general market growth was attributable to (i) our ongoing efforts to improve the effectiveness of our sales and marketing activities as part of our Continuous Improvement Program as well as (ii) our continuing efforts to further optimize production of our Prowell plants, including by adding a fourth shift in our corrugated board production site in Schüttorf, Germany. As a result of continuous efficiency improvements, we were also able to increase containerboard production by approximately 31,000 tons or 3%, from approximately 998,000 tons in 2013 to approximately 1,028,000 tons in 2014. External sales of containerboard increased by approximately 4,000 tons from approximately 388,000 tons in 2013 to approximately 392,000 tons in 2014. Notwithstanding a generally stable market environment, prices for both containerboard and corrugated board decreased in the first half of 2014. However, these price decreases were partly offset by price increases in the second half of 2014, primarily due to the economic pick-up in Germany in 2014. Overall, the average price per ton we were able to charge for containerboard and corrugated board increased by approximately 3% and 5%, respectively, in 2014 compared to 2013.

The following table shows our sales by geographic origin and by product:

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Sales in Germany (origin)	**362,503**	**399,208**	**10.1**
Corrugated board	215,718	246,581	14.3
Containerboard	138,251	142,766	3.3
Other	8,534	9,861	15.5
Sales abroad (origin)	**220,060**	**262,079**	**19.1**
Corrugated board	220,060	262,079	19.1
Containerboard	—	—	—
Other	—	—	—

Total sales	**582,563**	**661,287**	**13.5**

In 2014, sales in Germany accounted for 60.4% of total sales compared to 62.2% of total sales in 2013. Sales in Germany increased by €36.7 million or 10.1%, from €362.5 million in 2013 to €399.2 million in 2014, primarily due to a €30.9 million or 14.3% increase in corrugated board sales for the reasons described above. External sales of containerboard in Germany increased by €4.5 million or 3.3%, while other sales in Germany increased by €1.3 million or 15.5%. Corrugated board sales abroad also increased by €42.0 million or 19.1%, from €220.1 million in 2013 to €262.1 million in 2014. The significant increase in other sales in Germany was due to higher freight sales of Prologistik.

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Corrugated board	435,778	508,660	16.7
Containerboard	138,251	142,766	3.3
Other	8,534	9,861	15.5
Total sales	**582,563**	**661,287**	**13.5**

Total corrugated board sales increased by €72.9 million or 16.7% in 2014 compared to 2013, due to the €30.9 million increase in sales in Germany and the €42.0 million increase in sales abroad. External sales of containerboard increased slightly by €4.5 million or 3.3%, from €138.3 million in 2013 to €142.8 million in 2014, while other sales increased by €1.3 million or 15.5%, from €8.5 million in 2013 to €9.9 million in 2014. As a result, corrugated board sales as a percentage of total sales increased from 74.8% in 2013 to 76.9% in 2014, while containerboard sales as a percentage of total sales decreased from 23.7% in 2013 to 21.6% in 2014.

Increase/(decrease) in finished goods and work in process

Primarily due to the strong increase in demand for corrugated board and containerboard as a result of the economic pick-up in Germany in 2014, our inventories of containerboard and corrugated board decreased by €5.1 million in 2014, notwithstanding the increases in production.

Other operating income

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Investment subsidies	433	428	(1.2)
Income from other periods	17,039	13,160	(22.8)
Income from passing through the cost of gas to Sales & Solutions GmbH	14,550	10,947	(24.8)
Income from sales of refuse derived fuel and fuel oil to EnBW Propower	5,448	5,732	5.2
Exchange rate difference	1,674	1,363	(18.6)
Other income	1,950	1,879	(3.6)
Other operating income	**41,094**	**33,509**	**(18.5)**

Other operating income decreased by €7.6 million or 18.5% from €41.1 million in 2013 to €33.5 million in 2014, mainly due to a decrease of €3.8 million or 22.8%, from €17.0 million in 2013 to €13.2 million in 2014, in income from other periods and a decrease of €3.6 million or 24.8%, from €14.6 million in 2013 to €10.9 million in 2014, in income from passing through the cost of gas to Sales & Solutions GmbH. Income from other periods in 2014 included, among other things (i) €1.8 million in income from subsidies for CO_2 expenses related to our paper machines PM1 and PM2, (ii) a €4.3 million credit with regard to electricity grid usage charges during 2012 and 2013, as well as (iii) €0.6 million in reimbursements under the German Co-Generation Law (*Kraft-Wärme-Kopplungsgesetz*). The decrease in income from other periods in 2014 was partly attributable to reductions of bad debt allowances of only €0.2 million in 2014 compared to €3.5 million in 2013, a decrease of €3.3 million. In addition, income from other periods in 2013 was significantly positively affected by a €4.3 million compensation payment from one of our equipment manufacturers related to a technical defect in 2012 that resulted in multiple shut-downs at one of our facilities and significant financial loss. These decreases

more than offset (i) an increase of €1.4 million or 47.8%, from €3.0 million in 2013 to €4.4 million in 2014, in income from the release of provisions and (ii) an increase of €3.7 million, from €3.2 million in 2013 to €6.9 million in 2014, in refunds of energy tax which were also included in income from other periods. Income from sales of gas result from passing through to Sales & Solutions GmbH the costs of gas for the production of steam for our paper machine PM1. The costs of steam as well as the original costs of gas are included in cost of purchased services under cost of materials. In 2014, income from the passing through of the cost of gas to Sales&Solutions GmbH decreased by €3.6 million or 24.8% compared to 2013, due to a change in the billing mechanism regarding energy taxes as well as a drop in the price of gas in 2014.

Income from investment subsidies remained relatively stable at €433 thousand and €428 thousand in 2013 and 2014, respectively, and relate to subsidies we received in connection with the construction of our corrugated board production site in Schüttorf, Germany in 2005 and which we recognize as other operating income in line with the depreciation of the relevant assets over a period of up to 33 years.

Cost of materials

	Year ended December 31,		
	2013	**2014**	**Change**
	(€ in thousands)		**(%)**
Cost of raw materials, consumables and supplies	(252,798)	(262,424)	3.8
Cost of purchased services	(117,844)	(110,615)	(6.1)
Cost of materials	**(370,642)**	**(373,039)**	**0.6**

Cost of materials increased slightly by €2.4 million or 0.6%, from €370.6 million in 2013 (63.6% of sales, or 59.3% of total output) to €373.0 million in 2014 (56.4% of sales, or 54.1% of total output). This increase was primarily due to the €9.6 million or 3.8% increase in the cost of raw materials, consumables and supplies as a result of the significant increase in our containerboard and corrugated board production, as described under "—*Sales*" above. The increase was moderate notwithstanding the approximately 3% increase in our containerboard production (in tons) and the 13.5% increase in total sales in 2014. This is because the price of recycled paper generally remained stable throughout 2014 and even decreased slightly towards the end of 2014, notwithstanding small increases in the prices of containerboard and corrugated board, which are typically closely correlated with the price of recycled paper. Our average price for recycled paper decreased from €124 per ton in 2013 to €117 per ton in 2014, due to the reduced market prices, resulting in a decrease in recycled paper costs from €132.0 million in 2013 to €128.0 million in 2014.

The increase in the cost of raw materials, consumables and supplies more than offset a decrease of €7.2 million or 6.1%, from €117.8 million in 2013 to €110.6 million in 2014 in cost of purchased services. The decrease in cost of purchased services is primarily a result of lower energy costs (*i.e.*, for electricity, gas and steam), which decreased by €8.5 million or 7.6%, from €111.9 million in 2013 to €103.5 million in 2014, mainly due to lower electricity and gas prices.

Gross profit

Gross profit increased by €62.3 million or 24.5%, from €254.4 million (43.7% of sales, or 40.7% of total output) in 2013 to €316.7 million (47.9% of sales, or 45.9% of total output) in 2014. This increase of our gross profit is due to the increases in both sales volumes and the prices for containerboard and corrugated board as well as overall lower recycled paper and energy prices, as described above.

Personnel expenses

	Year ended December 31,		
	2013	**2014**	**Change**
	(€ in thousands)		**(%)**
Wages and salaries	(38,340)	(44,717)	16.6
Social security and pensions	(7,027)	(8,391)	19.4
—of which for pension expenses:	*(158)*	*(189)*	*19.6*

Personnel expenses	**(45,368)**	**(53,107)**	**17.1**

Personnel expenses in 2014 increased by €7.7 million or 17.1%, from €45.4 million in 2013 to €53.1 million in 2014, reflecting a €6.4 million or 16.6% increase in wages and salaries and a €1.4 million or 19.4% increase in social security and pensions. These increases were due to (i) a 3.0% increase in the average number of employees (from 828 in 2013 to 853 in 2014), (ii) salary and wage increases, and (iii) higher variable compensation payments for workers at our various production sites related to our improved operational performance as well as higher bonuses for all employees due to our strong overall results in 2014.

	Year ended December 31,		
	2013	2014	Change
			(%)
Administrative employees	199	208	4.5
Factory workers	630	645	2.4
Average number of employees	**828**	**853**	**3.0**

Both the average number of administrative employees and the average number of factory workers increased slightly from 199 and 630, respectively, during 2013 to 208 and 645, respectively, during 2014. The increase in the number of factory workers related primarily to the hiring of additional workers as a result of the introduction of a fourth shift in our corrugated board production site in Schüttorf, Germany and the full-year effect of our fourth shift in our corrugated board production site in Strykow, Poland, which we introduced during the course of 2013. The increase in the number of administrative employees is due to the filling of vacancies as well as certain structural changes we made in different departments.

Other operating expenses

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Expenses from exchange rate differences	(3,325)	(2,466)	(25.8)
Expenses from other periods	(3,633)	(5,561)	53.1
Maintenance and repair	(26,229)	(31,854)	21.4
Freight expenses	(52,652)	(57,249)	8.7
Paper machine clothings	(7,804)	(6,741)	(13.6)
Rental and leasing costs	(5,129)	(5,202)	1.4
Water and waste water treatment expenses	(5,723)	(4,967)	(13.2)
Legal and consulting fees	(3,040)	(3,947)	29.8
Others	(18,448)	(19,018)	3.1
Other operating expenses	**(125,983)**	**(137,005)**	**8.7**

Other operating expenses increased by €11.0 million or 8.7%, from €126.0 million in 2013 to €137.0 million in 2014. A €0.9 million or 25.8% decrease in expenses from exchange rate differences, from €3.3 million in 2013 to €2.5 million in 2014, was more than offset by a €1.9 million or 53.1% increase in expenses from other periods. In 2014, expenses from other periods included €4.2 million in provisions for expected increases in waste water treatment costs. In addition, expenses for maintenance and repair increased by €5.6 million or 21.4%, from €26.2 million in 2013 to €31.9 million in 2014, primarily due to costs for renovating the building housing our paper machine PM1 in Burg, Germany. Freight expenses also increase by €4.6 million or 8.7%, from €52.7 million in 2013 to €57.3 million in 2014, primarily due to the increased freight volume as a result of our increased sales of containerboard and corrugated board. Expenses for replacing paper machine clothings decreased by €1.1 million or 13.6% notwithstanding the increase in containerboard production, from €7.8 million in 2013 to €6.7 million in 2014, due to reduced wear and tear. Water and waste water treatment expenses decreased by €0.8 million or 13.2%, from €5.7 million in 2013 to €5.0 million in 2014, due to reduced waste water quantities.

EBITDA

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
EBITDA[1]	81,679	125,118	53.2

(1) EBITDA (not a German GAAP measure) is calculated as total output, minus cost of materials, minus personnel expenses, minus other operating expenses and minus other taxes. See "*Presentation of Financial Information*".

Our EBITDA increased by €43.4 million or 53.2% from €81.7 million in 2013 (14.0% of sales) to €125.1 million in 2014 (18.9% of sales), as a result of the factors described above.

Amortization and depreciation of fixed intangible and tangible assets

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Depreciation on expenses for start-up and expansion of operations	(2,550)	—	—
Depreciation on intangible assets	(283)	(324)	14.5
Depreciation on tangible assets	(32,060)	(28,184)	(12.1)
Total amortization and depreciation of fixed intangible and tangible assets	**(34,893)**	**(28,509)**	**(18.3)**

Depreciation and amortization expenses decreased by €6.4 million or 18.3% from €34.9 million in 2013 to €28.5 million in 2014. This reduction was driven by a €2.6 million depreciation charge on expenses for start-up and expansion of operations in 2013 related to our paper mill in Eisenhüttenstadt, Germany and our corrugated board production site in Strykow, Poland, which did not recur in 2014. In addition, depreciation on tangible assets decreased by €3.9 million or 12.1% in 2014 as the equipment at our corrugated board production site in Offenbach, Germany was fully written-off , such that related depreciation charges were not recorded in 2014.

Interest income/(expenses), net

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Other interest and similar income	389	376	(3.3)
Interest and similar expenses	(30,571)	(27,757)	(9.2)
Interest income/(expenses), net	**(30,182)**	**(27,381)**	**(9.3)**

Our interest income/(expenses), net in 2014 improved by €2.8 million or 9.2% from net expenses of €30.2 million in 2013 to net expenses of €27.4 million in 2014. This decrease was almost entirely due to a decrease in interest and similar expenses by €2.8 million or 9.2% from €30.6 million in 2013 to €27.8 million in 2014, due to a reduction in the amount of our liabilities under credit facilities as well as lower market interest rate levels. Bank loans were €394.9 million as of December 31, 2014 compared to €470.2 million as of December 31, 2013, a reduction of €75.3 million or 16.0%. Interest and similar expenses in 2014 included €25.9 million of interest payments compared to €28.8 million of interest payments in 2013.

Extraordinary net income/(loss)

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Extraordinary expenses	(3,397)	(3,707)	9.1
thereof restructuring expenses	*(3,397)*	*(3,707)*	*9.1*
Extraordinary income	**917**	**93**	**(89.9)**
thereof reversal of provisions from prior years	*917*	*93*	*(89.9)*
Extraordinary net income/(loss)	**(2,481)**	**(3,614)**	**45.7**

Net extraordinary expenses increased by €1.1 million or 45.7% from €2.5 million of expenses in 2013 to €3.6 million of expenses in 2014. This increase in net extraordinary expenses was partly due to a slight increase in restructuring expenses related to an ongoing financial restructuring by €0.3 million or 9.1%, from expenses of €3.4 million in 2013 to expenses of €3.7 million in 2014. See also "*—Key Factors Affecting our Results of Operations—Global Financial and Economic Crisis*". The €3.7 million in restructuring expenses in 2014 included €0.5 million in payments to the arranger and security agent under our main credit facility as well as €3.0 million mainly in consulting fees and €0.2 million in security trustee fees. In addition, extraordinary income from the reversal of provisions in 2014 amounted only to €0.1 million, compared to €0.9 million in 2013.

Taxes

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Taxes on income	(5,089)	(9,110)	79.0
Other taxes	(1,356)	(1,461)	7.7
Total taxes	**(6,445)**	**(10,571)**	**64.0**

Total taxes increased by €4.1 million or 64.0%, from €6.5 million in 2013 to €10.6 million in 2014, primarily as a result of an increase in taxes on income. Taxes on income increased by €4.0 million or 79.0% from €5.1 million in 2013 to €9.1 million in 2014. This was primarily due to our improved results and due to a decrease of deferred taxes. Deferred taxes decreased slightly by €0.8 million or 6.2% due to the utilization of tax losses carried forward.

Consolidated net income/(net loss) for the year

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Income from loss transfers	—	—	—
Profit transfer on the basis of partial profit transfer agreement	(197)	(197)	—
Consolidated net income/(net loss) for the year	**8,838**	**56,307**	**>100**
Consolidated unappropriated retained earnings brought forward	22,925	31,763	38.6
Consolidated net retained profits	**31,753**	**88,069**	**>100**

Consolidated net income/(net loss) for the year improved significantly by €47.5 million from a profit of €8.8 million in 2013 to a profit of €56.3 million in 2014. This was the result of the factors described above. The increase in profits for the period resulted in an increase of our total profit by €56.3 million from 31.8 million in 2013 to €88.1 million in 2014. Profit from loss transfer agreements and profits subject to profit transfer agreements relate to two partial profit and loss transfer agreements (*Teilergebnisabführungsverträge*) entered into under two silent participations (*stille Beteiligungen*), as described under "*—Key Income Statement Items—Income from loss transfers and profit transfer on the basis of partial profit transfer*".

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

The following table sets out certain information with respect to our consolidated income statement for the years ended December 31, 2012 and December 31, 2013:

	Year ended December 31,		
	2012	2013	Change
	(€ in thousands)		(%)
Sales	**557,623**	**582,563**	**4.5**
Increase/(decrease) in finished goods and work in process	(4,053)	1,371	—
Other operating income	48,434	41,094	(15.2)
Total output[(1)]	**602,004**	**625,028**	**3.8**
Cost of materials	(378,210)	(370,642)	(2.0)
Gross profit[(2)]	**223,794**	**254,386**	13.7
Personnel expenses	(43,133)	(45,368)	5.2
Other operating expenses	(108,724)	(125,983)	15.9
EBITDA[(3)]	**70,396**	**81,679**	**16.0**
Amortization and depreciation of fixed intangible and tangible assets	(39,126)	(34,893)	(10.8)
Other interest and similar income	1,066	389	(63.5)
Interest and similar expenses	(34,126)	(30,571)	(10.4)
Profit/(loss) on ordinary activities	**(248)**	**17,960**	—
Extraordinary income	935	917	(1.9)
Extraordinary expenses	(12,938)	(3,397)	(73.7)
Extraordinary net income/(loss)	**(12,003)**	**(2,481)**	**(79.3)**
Taxes on income	(2,861)	(5,089)	77.9
Other taxes	(1,541)	(1,356)	(12.0)
Income from loss transfers	246	—	—
Profits transfer on the basis of partial profit transfer agreement	—	(197)	—
Consolidated net income/(net loss) for the year	**(16,407)**	**8,838**	—
Consolidated unappropriated retained earnings brought forward	39,322	22,925[(4)]	(41.7)
Consolidated net retained profits	**22,915**	**31,753**	**38.6**

(1) Total output (not a German GAAP measure) is calculated as the sum of sales, increase/(decrease) in finished goods and work in process, other operating income and internally produced and capitalized assets.

(2) Gross profit (not a German GAAP measure) is calculated by deducting cost of materials from total output.

(3) EBITDA (not a German GAAP measure) is calculated as total output, minus cost of materials, minus personnel expenses, minus other operating expenses and minus other taxes. See "*Presentation of Financial Information*". Pursuant to our framework and ancillary agreements with EnBW for the operation of the CHP adjacent to our mill in Eisenhüttenstadt, we currently make certain fee payments to EnBW, including, amongst other fees, approximately €30 million in annual payments, which are the equivalent of capital charges for the CHP. We currently record these payments under cost of materials. If and when the CHP Acquisition is completed, these payments would no longer reduce our EBITDA. See also "*The CHP Acquisition–Current Supply Arrangement and Economic Rationale for the CHP Acquisition*".

(4) This figure has been derived from the 2013 comparison column of the audited consolidated financial statements as of and for the year ended December 31, 2014.

Sales

Sales increased by €25.0 million or 4.5%, from €557.6 million in 2012 to €582.6 million in 2013. This increase in sales was primarily attributable to an increase in external containerboard sales and, to a lesser extent, to an increase in sales of corrugated board. Corrugated board sales volumes increased by approximately 23,000 tons, from approximately 689,000 tons in 2012 to approximately 712,000 tons in 2013. Volumes increased despite the fact that two important German customers installed their own corrugators, which led to a significant drop in related sales volumes from those customers. The higher containerboard sales resulted from higher sales

volumes, for the most part, due to increased production of containerboard as a result of the successful ramp-up of our paper machine PM2 and our continued efforts to further optimize production of our paper machine PM1, as described in more detail under "*—Key Factors Affecting our Results of Operations—Continuous Improvement Program*" above. In addition, a technical defect in the dissolving and sorting drum of our paper machine PM2 in 2012 resulted in multiple shut-downs and a corresponding reduction in containerboard production in 2012. The resulting increase of approximately 30,000 tons in our containerboard production in 2013, from approximately 968,000 tons in 2012 to 998,000 tons in 2013, resulted in a further increase in the excess containerboard capacity which we could not convert into corrugated board and therefore had to sell externally. External sales of containerboard increased by approximately 20,000 tons from approximately 368,000 tons in 2012 to approximately 388,000 tons in 2013. Due to an economic pick-up in the second half of 2013, we were also able to raise sales prices for both containerboard and corrugated board.

The following table shows our sales by geographic markets (origin) and by product:

	Year ended December 31,		
	2012	2013	Change
	(€ in thousands)		(%)
Sales in Germany (origin)	**350,666**	**362,503**	**3.4**
Corrugated board	224,214	215,718	(3.8)
Containerboard	118,242	138,251	16.9
Other	8,210	8,534	3.9
Sales abroad (origin)	**206,958**	**220,060**	**6.3**
Corrugated board	206,958	220,060	6.3
Containerboard	—	—	—
Other	—	—	—
Total sales	**557,624**	**582,563**	**4.5**

In 2013, sales in Germany accounted for 62.2% of total sales compared to 62.9% of total sales in 2012. Sales in Germany increased by €11.8 million or 3.4%, from €350.7 million in 2012 to €362.5 million in 2013, almost entirely due to a €20.0 million or 16.9% increase in external containerboard sales, which more than offset a €8.5 million or 3.8% decrease in corrugated board sales in Germany, in each case for the reasons described above. Sales abroad increased by €13.1 million or 6.3%, from €207.0 million in 2012 to €220.1 million in 2013, primarily because our corrugated board production site in Strykow, Poland, had not yet completed its ramp-up phase in 2012 and was therefore not yet operating at full capacity in 2012. Our sales abroad in 2013 therefore benefited from a significant increase in production volumes, especially in Strykow. Corrugated board production in Strykow increased by approximately 23,000 tons or 22.1%, from approximately 104,000 tons in 2012 to approximately 127,000 tons in 2013. Poland, in particular, also experienced stronger economic growth rates in 2013 than most other European countries, which led to increased Polish demand for corrugated board and a corresponding increase in our sales.

	Year ended December 31,		
	2012	2013	Change
	(€ in thousands)		(%)
Corrugated board	431,172	435,778	1.1
Containerboard	118,242	138,251	16.9
Other	8,210	8,534	3.9
Total sales	**557,624**	**582,563**	**4.5**

Total corrugated board sales increased slightly by €4.6 million or 1.1% in 2013 compared to 2012. Decreasing corrugated board sales in Germany were more than offset by increasing corrugated board sales by our corrugated board production sites abroad. Containerboard sales increased by €20.0 million or 16.9%, from €118.2 million in 2012 to €138.3 million in 2013, for the reasons described above. As a result, corrugated board sales as a percentage of total sales decreased from 77.3% in 2012 to 74.8% in 2013, while containerboard sales as a percentage of total sales increased from 21.2% in 2012 to 23.7% in 2013.

Increase/(decrease) in finished goods and work in process

Our inventory of containerboard and corrugated board increased by €1.4 million in 2013, compared to a decrease of €4.1 million in 2012. Our stocks of containerboard are treated as raw materials at our corrugated board production sites, but are re-classified as semi-finished products in our consolidated accounts. This reclassification was €6.1 million lower in 2011 than in 2012, which led to the corresponding decrease in finished goods and work in process in 2012. The increase in our inventory in 2013 is due to the increase in containerboard production as a result of our continuing efforts to optimize the capacity of our paper machines as described above.

Other operating income

	Year ended December 31,		
	2012	2013	Change
	(€ in thousands)		(%)
Investment subsidies	434	433	(0.2)
Income from other periods	17,831	17,039	(4.4)
Income from passing through the cost of gas to Sales & Solutions GmbH	13,911	14,550	4.6
Income from sales of refuse derived fuel and fuel oil to EnBW Propower	7,221	5,448	(24.6)
Exchange rate difference	6,800	1,674	(75.4)
Other income	2,237	1,950	(12.8)
Other operating income	**48,434**	**41,094**	**(15.2)**

Other operating income decreased by €7.3 million or 15.2% from €48.4 million in 2012 to €41.1 million in 2013, primarily due to lower exchange rate gains and reduced income from sales of refuse-derived fuel and fuel oil to EnBW Propower. The reduction in income from sales of refuse- derived fuel and fuel oil to EnBW Propower resulted from lower prices of refuse- derived fuel, which were only partly offset by higher sales of fuel oil due to higher consumption at the CHP at our mill in Eisenüttenstadt. Income from other periods also decreased by €0.8 million or 4.4%, from €17.8 million in 2012 to €17.0 million in 2013. Income from other periods in 2013 included, among other things, (i) €1.0 million in credits granted to us and the corresponding resolution of a previously recorded bad debt allowance of €0.6 million in connection with a settlement of a dispute with regard to payments due for power and steam supplied by the co-generation plant in Eisenhüttenstadt in prior years, (ii) €2.2 million in reimbursements under the German Co-Generation Law (*Kraft-Wärme-Kopplungsgesetz*), (iii) a €1.5 million settlement payment in satisfaction of a claim for fees owed to Propapier PM2 GmbH for burning refuse-derived fuels, (iv) a €4.3 million compensation payment from one of our equipment manufacturers related to a technical defect in 2012 that resulted in multiple shut-downs at one of our facilities and significant financial loss, (v) a reduction of bad debt allowances of €3.5 million as well as (vi) €3.0 million in releases of provisions. The €3.5 million in reduction in bad debt allowances in 2013 (up from only €1 thousand in 2012) partly relate to a full write-off of €1.6 million in receivables from our customers, with the remainder related primarily to adjustments in bad debt allowances for receivables on which we received payments. Income from other periods in 2012 primarily related to (i) a €10.3 million release of provisions, (ii) €2.1 million in refunds of energy taxes, (iii) a €1.7 million compensation payment from one of our equipment manufacturers related to a technical defect in prior years as well as (iv) a €1.3 million credit from an energy supplier regarding a 2011 price adjustment.

Investment subsidies remained relatively stable at €434 thousand and €433 thousand in 2012 and 2013, respectively, and related to subsidies we received in connection with the construction of our corrugated board production site in Schüttorf, Germany in 2005 and which we recognize as other operating income in line with the depreciation of the relevant assets over a period of up to 33 years.

Cost of materials

	Year ended December 31,		
	2012	2013	Change
	(€ in thousands)		(%)
Cost of raw materials, consumables and supplies	(252,141)	(252,798)	0.3
Cost of purchased services	(126,069)	(117,844)	(6.5)

Cost of materials	**(378,210)**	**(370,642)**	**(2.0)**

Cost of materials decreased slightly by €7.6 million or 2.0%, from €378.2 million in 2012 (67.8% of sales, or 62.8% of total output) to €370.6 million in 2013 (63.6% of sales, or 59.3% of total output). This decrease was due to the €8.2 million or 6.5% decrease in cost of purchased services as a result of lower energy costs (*i.e.*, for electricity, gas and steam), which decreased by €7.4 million or 6.2%, from €119.3 million in 2012 to €111.9 million in 2013, especially due to lower costs for steam (€6.4 million decrease).

The costs of raw materials, consumables and supplies remained largely flat, notwithstanding the €25.0 million or 4.5% increase in total sales and the underlying increase in sales volumes in 2013 compared to 2012, due to lower (and more stable) recycled paper prices throughout 2013. Our average price for recycled paper decreased from €136 per ton in 2012 to €124 per ton in 2013, due to the reduced market prices, resulting in reduced recycled paper costs of €2.8 million in 2013 as compared to 2012.

Gross profit

Gross profit increased by €30.6 million or 13.7%, from €223.8 million (40.1% of sales, or 37.2% of total output) in 2012 to €254.4 million (43.7% of sales, or 40.7% of total output) in 2013 for the reasons discussed above.

Personnel expenses

	Year ended December 31,		
	2012	**2013**	**Change**
	(€ in thousands)		**(%)**
Wages and salaries	(36,249)	(38,340)	5.8
Social security and pensions	(6,883)	(7,027)	2.1
—of which for pensions expenses:	*(141)*	*(158)*	*12.1*
Personnel expenses	**(43,133)**	**(45,368)**	**5.2**

Personnel expenses in 2013 increased by €2.2 million or 5.2%, from €43.1 million in 2012 to €45.4 million in 2013, reflecting a €2.0 million or 5.8% increase in wages and salaries and a €0.1 million or 2.1% increase in social security and pensions. These increases were due to an increase in the average number of employees as well as an increase of the average wages and salaries as a result of annual adjustments. The average number of employees increased slightly from 817 in 2012 to 828 in 2013.

	Year ended December 31,		
	2012	**2013**	**Change**
			(%)
Administrative employees	192	199	3.6
Factory workers	625	630	0.8
Average number of employees	**817**	**828**	**1.3**

Both the average number of administrative employees and the average number of factory workers increased slightly from 192 and 625, respectively, during 2012 to 199 and 630, respectively, during 2013, as a result of the general growth of the Group.

Other operating expenses

	Year ended December 31,		
	2012	**2013**	**Change**
	(€ in thousands)		**(%)**
Expenses from exchange rate differences	(2,421)	(3,325)	37.3
Expenses from other periods	(604)	(3,633)	>100.0
Maintenance and repair	(20,565)	(26,229)	27.5
Freight expenses	(48,350)	(52,652)	8.9

Paper machine clothings	(5,959)	(7,804)	31.0
Rental and leasing costs	(5,174)	(5,129)	0.9
Water and waste water treatment expenses	(5,395)	(5,723)	6.1
Legal and consulting fees	(3,049)	(3,040)	(0.3)
Others	(17,207)	(18,448)	7.2
Other operating expenses	**(108,724)**	**(125,983)**	**15.9**

Other operating expenses increased by €17.3 million or 15.9%, from €108.7 million in 2012 to €126.0 million in 2013, in part due to a €0.9 million or 37.3% increase in expenses from exchange rate differences and a €3.0 million increase in expenses from other periods. In addition, expenses for maintenance and repair increased by €6.1 million or 27.5%, from €20.6 million in 2012 to €26.2 million in 2013, primarily due to corresponding increases in maintenance and repair expenses at our paper mill in Eisenhüttenstadt. Freight expenses also increased by €4.3 million or 8.9%, from €48.4 million in 2012 to €52.7 million in 2013, primarily due to the increased freight volumes related to our increased sales of containerboard and corrugated board. Expenses for replacing paper machine clothings increased by €1.8 million or 31.0%, from €6.0 million in 2012 to €7.8 million in 2013 due partly to the increase in containerboard production and corresponding increase in wear and tear in 2013 as well lower costs in 2012. Water and waste water treatment expenses increased by €0.3 million or 6.1%, from €5.4 million in 2012 to €5.7 million in 2013, due to higher waste water volumes. Legal and consulting fees and the remaining other operating expenses remained largely unchanged.

EBITDA

	Year ended December 31,		
	2012	**2013**	**Change**
	(€ in thousands)		**(%)**
EBITDA[1]	70,396	81,679	16.0

(1) EBITDA (not a German GAAP measure) is calculated as total output, minus cost of materials, minus personnel expenses, minus other operating expenses and minus other taxes. See "*Presentation of Financial Information*".

Our EBITDA increased by €11.3 million or 16.0% from €70.4 million in 2012 (12.6% of sales) to €81.7 million in 2013 (14.0% of sales), due to the increase in the selling prices for our products and improvement in our margins, especially in our containerboard business, as well as the increase in sales volumes. The positive impact from the decrease in recycled paper prices and our reduced energy costs was partly offset by the increase in other operating expenses.

Amortization and depreciation of fixed intangible and tangible assets

	Year ended December 31,		
	2012	**2013**	**Change**
	(€ in thousands)		**(%)**
Depreciation on expenses for start-up and expansion of operations	(2,602)	(2,550)	(2.0)
Depreciation on intangible assets	(311)	(283)	(9.0)
Depreciation on tangible assets	(36,213)	(32,060)	(11.5)
Total amortization and depreciation of fixed intangible and tangible assets	**(39,126)**	**(34,893)**	**(10.8)**

Depreciation and amortization expenses decreased by €4.2 million or 10.8% from €39.1 million in 2012 to €34.9 million in 2013. This reduction was driven by a €4.2 million or 11.5% decrease in depreciation on tangible assets, primarily because of final (and therefore non-recurring) write-offs in relation to our corrugated board production sites in Schüttorf and Rokycany in 2012.

Interest income/(expenses), net

	Year ended December 31,		
	2012	2013	Change
	(€ in thousands)		(%)
Other interest and similar income	1,066	389	(63.5)
Interest and similar expenses	(34,126)	(30,571)	(10.4)
Interest income/(expenses), net	**(33,060)**	**(30,182)**	**(8.7)**

Our net interest income/(expenses) in 2013 improved by €2.9 million or 8.7% from net expenses of €33.1 million in 2012 to net expenses of €30.2 million in 2013. This decrease was due to a decrease in interest and similar expenses by €3.6 million or 10.4% from €34.1 million in 2012 to €30.6 million in 2013, due to lower market interest rate levels and, to a lesser extent, due to a reduction in the amount of our liabilities under credit facilities. Bank loans amounted to €470.2 million as of December 31, 2013 compared to €482.7 million as of December 31, 2012, a decrease of €12.5 million or 2.6%. Interest and similar expenses included mainly interest payments in both years.

Extraordinary net income/(loss)

	Year ended December 31,		
	2012	2013	Change
	(€ in thousands)		(%)
Extraordinary expenses	(12,938)	(3,397)	(73.7)
thereof restructuring and reorganization	*(12,938)*	*(3,397)*	*(73.7)*
Extraordinary income	**935**	**917**	**(1.9)**
thereof relating to audit by fiscal authorities	*935*	—	—
thereof reversal of provisions from prior years	—	*917*	—
Extraordinary net income/(loss)	**(12,003)**	**(2,481)**	**(79.3)**

Net extraordinary expenses decreased significantly by €9.5 million or 79.3% from €12.0 million of expenses in 2012 to €2.5 million of expenses in 2013. This decrease in net extraordinary expenses was entirely due to a decrease in restructuring expenses of €9.5 million or 73.7%, from expenses of €12.9 million in 2012 to expenses of €3.4 million in 2013. See also "*—Key Factors Affecting our Results of Operations—Global Financial and Economic Crisis*". The €3.4 million in restructuring expenses in 2013 included €1.0 million in payments to the arranger and security agent under our Former Senior Credit Facility as well as €2.2 million mainly in consulting fees.

Taxes

	Year ended December 31,		
	2012	2013	Change
	(€ in thousands)		(%)
Taxes on income	(2,861)	(5,089)	77.9
Other taxes	(1,541)	(1,356)	(12.0)
Total taxes	**(4,402)**	**(6,445)**	**46.4**

Total taxes increased by €2.0 million or 46.4%, from €4.4 million in 2012 to €6.4 million in 2013, as a result of an increase in taxes on income. Taxes on income increased by €2.2 million or 77.9% from €2.9 million in 2012 to €5.1 million in 2013. This was primarily due to an increase of corporation tax and due to our improved results. Furthermore, taxes on income include expenses for the consumption of deferred tax assets in 2013 (€0.7 million) and in 2012 (€0.9 million). Other taxes also decreased by €0.2 million or 12.0% due to a one-off effect relating to a subsequent tax payment for prior years in 2012.

Consolidated net income/(net loss) for the year

	Year ended December 31,		
	2012	2013	Change
	(€ in thousands)		(%)
Income from loss transfers	246	—	—
Profits transfer on the basis of partial profit transfer agreement	—	(197)	—
Consolidated net income/(net loss) for the year	**(16,407)**	**8,838**	**—**
Consolidated unappropriated retained earnings brought forward	39,322	22,915	(41.7)
Consolidated net retained profits	**22,915**	**31,753**	**38.6**

Consolidated net income/(net loss) for the year improved significantly in 2013, from a loss of €16.4 million in 2012 to a profit of €8.8 million in 2013. This was the result of the factors described above. As a result, our consolidated net retained profits increased by €8.8 million or 38.6%, from €22.9 million in 2012 to €31.8 million in 2013, notwithstanding a decline in consolidated unappropriated retained earnings brought forward of €16.4 million or 41.7%, from €39.3 million in 2012 to €22.9 million in 2013. Profit from loss transfer agreements and profits subject to profit transfer agreements relate to two partial profit and loss transfer agreements (*Teilergebnisabführungsverträge*) under two silent participations (*stille Beteiligungen*) as described under "*—Key Income Statement Items—Income from loss transfers and profit transfer on the basis of partial profit transfer*".

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of financing are cash generated from our operating activities, the Senior Secured Notes and our factoring and forfaiting programs. Our cash requirements consist mainly of: debt and tax servicing requirements, the purchase of raw materials, energy and freight, working capital, personnel expenses and capital expenditures.

As of September 30, 2015, we had total financial debt (calculated as bank loans plus bonds, including the Senior Secured Notes) of €411.3 million compared to €394.9 million as of December 31, 2014, €470.2 million as of December 31, 2013 and €482.7 million as of December 31, 2012. As of September 30, 2015, we had cash-in-hand, bank balances in the amount of €91.3 million and net financial debt of €320.0 million (calculated as total financial debt less cash-in-hand, bank balances).

Our ability to generate cash from our operating activities depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed under "*Risk Factors*". In addition, our ability to draw under the Super Senior Revolving Credit Facility will only be available if, among other things, we meet the financial covenants set out in the facility agreement relating thereto. See "*Description of Certain Financing Arrangements—Super Senior Revolving Credit Facility*".

Although we believe that our expected cash flows from operating activities, together with the €120 million additional indebtedness we expect to incur to finance a portion of the purchase price for the CHP Acquisition, capacity under the Super Senior Revolving Credit Facility, our factoring and forfaiting programs and cash-in-hand, will be adequate to meet our anticipated liquidity and debt service needs, we cannot assure you that our business will generate sufficient cash flows from operating activities or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Senior Secured Notes, or to fund our other liquidity needs.

We believe that the potential risks to our liquidity include:

- a reduction in operating cash flows due to a decrease of operating profit from our operations, which could be the result of a downturn in our performance or in the industry as a whole;
- the failure or delay of our customers to make payments due to us;
- the failure to realize the expected benefits from our Continuous Improvement Program and from further future optimization initiatives;
- the failure to further maintain a lean cost structure;
- the failure to execute capacity expansion projects successfully;
- any significant unplanned downtime of one or more of our production facilities and/or the CHP adjacent to our paper mill in Eisenhüttenstadt;
- a failure to maintain low working capital requirements;
- currency exchange rate fluctuations;
- an increase in variable interest payments or taxes; and
- the need to fund capacity expansion, unexpected replacement capital expenditures and other development capital expenditures.

If our future cash flows from operating activities and other capital resources (including borrowings under our current or any future credit facility) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell certain of our assets;
- obtain additional debt or equity financing; or

- restructure or refinance all or a portion of our debt, including the Senior Secured Notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of the Senior Secured Notes and any future debt may limit our ability to pursue any of these alternatives.

Cash flows

The following table sets forth our cash flows for the years ended December 31, 2012, 2013 and 2014 and the nine-month periods ended September 30, 2014 and 2015.

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
	(audited, unless stated otherwise)			(unaudited)	
	(€ in thousands)				
Net income/(loss) for the period	(16,407)	8,838	56,307	34,598	25,607
Depreciation, amortization and write-down of fixed assets and business start-up and expansion expenses	39,129	34,893	28,509	21,296	21,712
Other non-cash expenses/(income)	(5,707)	1,964	1,343	950	(1,235)
(Increase)/decrease in inventories, trade receivables and other assets (not attributable to financing activities)	15,290	(13,290)	(2,325)	12,307	7,388
Increase/(decrease) in trade payables and other liabilities (not attributable to financing activities)	8,249	(17,576)	2,525	11,926	29,894
Cash flow from operating activities	**40,551**	**14,829**	**86,359**	**81,077**	**83,366**
Proceeds from disposal of tangible and intangible fixed assets	67	24	110	12	13
Purchase of tangible fixed assets and business start-up and expansion expenses	(7,531)	(6,541)	(11,800)	(8,466)	(15,762)
Purchase of intangible fixed assets	(434)	(36)	(139)	(85)	(390)
Proceeds from disposal of long-term financial assets	170	130	—	—	—
Cash flow from investing activities	**(7,728)**	**(6,423)**	**(11,829)**	**(8,539)**	**(16,139)**
Free cash flow (unaudited)[(1)]	**32,823**	**8,406**	**74,530**	**72,538**	**67,227**
Cash payments for distributions	—	—	—	—	(11,382)
Cash proceeds of bonds and borrowings	—	—	—	—	410,670
Cash repayments of bonds and short or long-term borrowing	(21,158)	(12,454)	(75,359)	(70,342)	(394,260)
Cash flow from financing activities	**(21,158)**	**(12,454)**	**(75,359)**	**(70,342)**	**5,028**
Net change in cash funds	11,665	(4,048)	(829)	2,196	72,255
Effect on cash funds of exchange rate movements	2,305	(1,365)	34	58	293
Cash funds at beginning of period	10,996	24,966	19,553	19,553	18,758
Cash funds at end of period	**24,966**	**19,553**	**18,758**	**21,807**	**91,306**

(1) We define free cash flow (not a German GAAP measure) as cash flow from operating activities less cash flow from investing activities.

Cash flow from operating activities

In the nine-month period ended September 30, 2015, our cash flow from operating activities increased by €2.3 million from €81.1 million in the first nine months of 2014 to €83.4 million in the first nine months of 2015. This increase was primarily attributable to the significant €10.3 million decrease in our trade working capital, from €97.0 million as of December 31, 2014 to €86.7 million as of September 30, 2015, notwithstanding the increase in our total output in the first nine months of 2015. This decrease in our trade working capital was primarily attributable to a significant increase in our trade payables and more than off-set the significant €9.0 million decrease in our net income for the first nine months of 2015 compared to the first nine months of 2014.

We also recorded non-cash income of €1.2 million in the first nine months of 2015, compared to non-cash expenses of €1.0 million in the first nine months of 2014, in each case primarily as the result of non-cash foreign exchange effects.

In the year ended December 31, 2014, our cash flow from operating activities increased significantly by €71.6 million from €14.8 million in 2013 to €86.4 million in 2014. This increase was primarily attributable to a €47.5 million increase in our consolidated net income for the year from €8.8 million in 2013 to €56.3 million in 2014 as well as the smaller increase in our trade working capital in 2014 compared to 2013. Trade working capital as of December 31, 2013 was relatively high due to active working capital management in order to meet requirements under the existing credit facilities and did not reflect average trade working capital levels during the period. These developments more than offset a reduction in depreciation, amortization and write-down of fixed assets and business start-up expansion expenses. Other non-cash expenses also decreased in 2014 compared to 2013.

In the year ended December 31, 2013, our cash flows from operating activities decreased significantly by €25.7 million or 63.4% from €40.6 million in 2012 to €14.8 million in 2013, primarily due to the significant increase in our net working capital in 2013 compared to 2012 related to the increased production of containerboard as a result of the continued ramp-up of our paper machine PM2, our successful efforts to further optimize production of our paper machine PM1 as well as increases in sales of corrugated board. The resulting increases in trade receivables and inventories and the decrease in trade payables more than offset the significant improvement in our consolidated net income/(loss) for the year, from a loss of €16.4 million in 2012 to a profit of €8.8 million in 2013, and the €7.7 million change in other non-cash expenses/(income) from non-cash income of €5.7 million in 2012 to other non-cash expenses of €2.0 million in 2013, which was primarily the result of non-cash foreign exchange effects.

Our cash flow from operating activities is significantly affected by changes in our net working capital. As a result, our cash flow from operating activities can be significantly affected by changes in raw material prices or an increase or decrease of sales volumes as well as payment terms, as those factors affect the amount of inventories, trade receivables and trade payables. The following table sets forth our net working capital as of the dates indicated:

	As of December 31,			As of September 30,
	2012	2013	2014	2015
	(audited, unless otherwise stated)			(unaudited)
	(€ in thousands)			
Trade receivables	**40,349**	**52,396**	**55,289**	**61,525**
Inventories	**59,915**	**65,186**	**63,746**	**68,843**
Raw materials, consumables and supplies	30,671	34,659	38,474	43,473
Work in process	22,665	23,743	20,488	20,564
Finished products	6,207	6,499	4,689	4,633
Prepayments	373	285	96	172
Trade payables	**(43,669)**	**(27,041)**	**(22,050)**	**(43,680)**
Trade working capital (unaudited)[(1)]	**56,595**	**90,541**	**96,985**	**86,687**

(1) Trade working capital (not a German GAAP measure) we define as trade receivables plus inventories, minus trade payables.

We record a liability under trade payables only if we have received the related supplier invoice by the relevant balance sheet date and provided that all other prerequisites for the recognition as a liability have been met. We record liabilities related to goods or services we have received during the relevant period, but for which we have not yet received an invoice, under other provisions on our balance sheet. These provisions for outstanding invoices amounted to €18.0 million, €16.9 million and €33.6 million as of December 31, 2012, 2013 and 2014, respectively, and €31.6 million as of September 30, 2015. In addition, we record the partial purchase price retention for trade receivables we have already tendered for purchase under our factoring and forfaiting programs, but which have not yet been collected from the relevant customers, as other assets on our balance sheet.

As a result of the significant losses we incurred between 2009 and 2011, several of the trade credit insurers used by our suppliers limited or reduced the credit limits they would make available to our suppliers vis- à-vis the Group, limiting the ability of our suppliers to sell receivables from the Group under their own factoring or similar programs. We have been in regular communication with the relevant trade credit insurers and, with our much improved results, expect that the trade credit insurers will raise the credit limits they make available to our suppliers. This, in turn, should allow us to obtain more flexible payment terms from our suppliers and pursue a more active working capital management.

In the first nine months of 2015, our trade working capital decreased by €10.3 million or 10.6% from €97.0 million as of December 31, 2014 to €86.7 million as of September 30, 2015, notwithstanding the increase in our total output in the first nine months of 2015. Trade receivables increased by €6.2 million or 11.3% from €55.3 million as of December 31, 2014 to €61.5 million as of September 30, 2015. At the same time, the amount of trade payables increased by €21.6 million or 98.1% from €22.1 million as of December 31, 2014 to €43.7 million as of September 30, 2015. This increase is primarily related to timing effects at year end 2014 and as of September 30, 2015 as well as a more efficient usage of supplier payment terms.

In 2014, our trade working capital increased by €6.4 million or 7.1% from €90.5 million as of December 31, 2013 to €97.0 million as of December 31, 2014, primarily due to the further increase in the production of containerboard facilitated by the continuing ramp-up of our paper machine PM2 and our continuing efforts to further optimize production of our paper machine PM1 as well as the increase in corrugated board sales. Trade receivables increased by €2.9 million or 5.5% from €52.4 million as of December 31, 2013 to €55.3 million as of December 31, 2014, compared to an increase of 13.5% in total sales in 2014 compared to 2013. This is partly because trade working capital as of December 31, 2013 was relatively high for reasons related to the balance sheet date and did not reflect average trade working capital levels during 2013. In addition, trade working capital as of December 31, 2014 was impacted by an increased utilization of our factoring programs, which reduced trade working capital. At the same time, the amount of trade payables decreased by €5.0 million or 18.5% from €27.0 million as of December 31, 2013 to €22.1 million as of December 31, 2014. This decrease is related to an increase in provisions for outstanding invoices, which means that we had not yet received certain invoices as of the balance sheet date.

In 2013, our trade working capital increased significantly by €33.9 million or 60.0% from €56.6 million as of December 31, 2012 to €90.5 million as of December 31, 2013, primarily due to the increased production of containerboard as a result of the successful ramp-up of our paper machine PM2, our successful efforts to further optimize production of our paper machine PM1, increases in sales of corrugated board as well as a decrease in the utilization of our factoring and forfaiting programs due to our positive cash situation, which made us less reliant on our factoring and forfeiting programs for liquidity. Trade receivables increased by €12.0 million or 29.9% from €40.3 million as of December 31, 2012 to €52.4 million as of December 31, 2013, compared to an increase of 4.5% in total sales in 2013 compared to 2012. At the same time, the amount of trade payables decreased by €16.6 million or 38.1% from €43.7 million as of December 31, 2012 to €27.0 million as of December 31, 2013. This decrease resulted primarily from lower energy prices, lower prices for recycled paper in 2013 and timing effects at year-end 2013.

Cash flow from investing activities

Cash flow from investing activities generally consists of cash outflows for investments in tangible and intangible fixed assets as well as cash inflows from the disposal of fixed assets and financial assets.

In the first nine months of 2015, our cash outflow from investing activities increased by €7.6 million or 89.0% from €8.5 million in the first nine months of 2014 to €16.1 million in the first nine months of 2015. This increase was primarily due to increased expansion capital expenditures related to the establishment of our newest corrugated board production site (PW9) in Plössberg, Germany, and the extension of our headquarter office building. As a result, investments in tangible fixed assets increased by €7.3 million or 86.2%, from €8.5 million in the first nine months of 2014 to €15.8 million in the first nine months of 2015.

In the year ended December 31, 2014, our cash outflow from investing activities increased by €5.4 million or 84.2% from €6.4 million in 2013 to €11.8 million in 2014. This increase was primarily due to increased expansion capital expenditures related to the acquisition of a used corrugated board production line in connection with a plant closure of a competitor. We plan to use this corrugated board production line in connection with the further expansion of our corrugated board capacities. As a result, investments in tangible fixed assets increased by €5.3 million or 80.4%, from €6.5 million in 2013 to €11.8 million in 2014.

In the year ended December 31, 2013, our cash outflow from investing activities decreased by €1.3 million or 16.9% from €7.7 million in 2012 to €6.4 million in 2013. This decrease was primarily due to a €1.0 million or 13.1% decrease in investments in tangible fixed assets, from €7.5 million in 2012 to €6.5 million in 2013, due to reduced maintenance capital expenditure requirements. Purchases of intangible fixed assets also decreased by €0.4 million or 91.7%. The €0.4 million in purchases of intangible fixed assets in 2012 related primarily to capital expenditures for software.

We primarily finance our maintenance capital expenditures with cash flow from operating activities. From time to time, we have also financed our expansion capital expenditures through borrowings. In addition, the acquisition of the used corrugated board production line described above involved, in part, the assumption of a finance lease. The following table sets forth our capital expenditures for the years ended December 31, 2012, 2013 and 2014 and for the nine-month periods ended September 30, 2014 and 2015:

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
	(audited)			(unaudited)	
	(€ in thousands)				
Capital expenditures	**7,965**	**6,577**	**11,939**	**8,551**	**16,152**
Purchase of tangible fixed assets and business start-up and expansion expenses	7,531	6,541	11,800	8,466	15,762
Purchase of intangible fixed assets	434	36	139	85	390

Following a period of high capital expenditures related primarily to significant capacity expansion, in particular related to our €420 million investment into our paper machine PM2 in Eisenhüttenstadt, Germany, between 2008 and 2010 as well as our investment of approximately €60 million in connection with the construction of our corrugated board production site in Strykow, Poland, between 2007 and 2009, our capital expenditures declined significantly and related primarily to (i) maintenance, (ii) productivity improvements and (iii) to a much lesser extent, expansion of our capacity. During 2011, 2012 and 2013, capital expenditures declined gradually from €8.9 million in 2011 to €8.0 million in 2012 and €6.6 million in 2013. In 2014, capital expenditures increased by €5.3 million or 81.5% to €11.9 million, primarily due to our €3.8 million acquisition of a used corrugated board production line in connection with a plant closure of a competitor. In the first nine months of 2015, capital expenditures increased by €7.6 million or 88.9%, from €8.6 million in the first nine months of 2014 to €16.2 million in the first nine months of 2015, primarily due to capital expenditures related to the establishment of our newest corrugated board production site (PW9) in Plössberg, Germany, and the extension of our headquarter office building. We estimate our total capital expenditures for 2015 to amount to approximately €24 million.

Our most significant drivers of capital expenditures in recent years related to (i) maintenance, (ii) productivity improvements and (iii) to a lesser extent, expansion of our capacity. However, as discussed in more detail under "*Business—Our Strategy—Achieving further synergies through further integration and expansion*", our strategy involves additional investments to expand our corrugated board capacity and improve the utilization of our existing corrugated board production sites in order to increase the share of internal containerboard sales. We are therefore continuously exploring opportunities to expand our corrugated board capacity, either through the construction of new corrugated board facilities or through opportunistic acquisitions. In addition, on March 23, 2015, we entered into a €10.7 million finance lease agreement for the corrugator at our newest corrugated board production site (PW9) in Plössberg. See "*—Contractual Obligations—Financing Arrangements*" below. Finally, we entered into an agreement with one of our large customers in Eastern Europe on December 1, 2015 for the proposed establishment of a further corrugated board production site (PW10) adjacent to the customer's existing packaging plant, subject to the receipt of planning permissions and a number of other conditions. If this proposed packaging park project is realized, we currently expect to make capital expenditures in connection with the establishment of the proposed new corrugated board production site of approximately €23 million in 2016. Otherwise, we believe that due to the above-average asset quality of our production facilities, we could maintain a reduced level of expansion capital expenditures for a certain period of time without compromising the overall high quality of our asset base and without creating an investment backlog. We also believe that we could expand our corrugated board capacities by increasing the number of weekly shifts at some sites and without incurring additional capital expenditures.

Free cash flow

We define free cash flow as cash flow from operating activities less cash flow from investing activities. Free cash flow comprises the cash surplus or deficit after expenditure on investments and taxes but before net cash used in/provided by financing activities, and before taking into account cash proceeds and payments relating to shareholders' equity and financial liabilities. The reasons for changes in the free cash flow are therefore the same as explained above. In the first nine months of 2015, our free cash flow decreased by €5.3 million from a cash inflow of €72.5 million in the first nine months of 2014 to a cash inflow of €67.2 million in the first nine months of 2015. In the year ended December 31, 2014, our free cash flow increased by €66.1 million from a cash inflow of €8.4 million in 2013 to a cash inflow of €74.5 million for 2014. In the year ended December 31, 2013, our free cash flow decreased by €24.4 million or 74.4% from a cash inflow of €32.8 million in 2012 to a cash inflow of €8.4 million in 2013.

Cash flow from financing activities

In the first nine months of 2015, we reported a cash inflow from financing activities of €5.0 million as a result of the Refinancing in April 2015 and the €11.4 million in dividends distributed to our shareholders in May 2015, compared to a cash outflow of €70.3 million in the first nine months of 2014 primarily related to cash repayments of borrowings under the Former Senior Credit Facility. For more information, see "*—Key Factors Affecting our Results of Operations—The Refinancing*".

In the year ended December 31, 2014, cash outflow from financing activities increased significantly by €62.9 million from a cash outflow of €12.5 million in 2013 to a cash outflow of €75.4 million in 2014, primarily as a result of the cash repayments of borrowings under our existing credit facilities.

In the year ended December 31, 2013, cash flow from financing activities decreased by €8.7 million or 41.1% from a cash outflow of €21.2 million in 2012 to a cash outflow of €12.5 million in 2013, as a result of reduced cash repayments of short or long-term borrowings primarily due to our increased trade working capital requirements as described above.

Our cash flow from financing activities in 2012 consisted of cash outflows in the amount of €21.2 million related to cash repayments of short/long term borrowings.

Liquidity management

While we intend to primarily meet our liquidity requirements with cash generated from our operating activities, we expect to have sufficient capacity available under the Super Senior Revolving Credit Facility and our factoring and forfaiting programs to be able to meet any additional operating requirements. Upon the incurrence of €120 million of additional indebtedness to finance a portion of the purchase price for the CHP Acquisition and completion of the CHP Acquisition, we expect to have undrawn capacity of €50 million under the Super Senior Revolving Credit Facility as well as the ability to sell certain additional receivables under our factoring and forfaiting programs.

To manage our liquidity, we maintain a largely centralized cash management system, which includes all our subsidiaries. In particular, liquidity plans are prepared with the Group budget on a monthly rolling period for the upcoming 12 months in which the expected cash receipts and payments for the specified time period are set off against each other. The upcoming four weeks are planned on a weekly rolling basis and include a deviation analysis.

OFF-BALANCE SHEET ARRANGEMENTS

The following discussion describes our material off-balance sheet arrangements, which consist of a forfaiting program and factoring programs.

Forfaiting and Factoring Programs

Our subsidiaries Propapier PM1 GmbH, Propapier PM2 GmbH and Prowell GmbH finance a portion of their trade receivables through off-balance sheet factoring and forfaiting programs. Propapier PM1 GmbH, Propapier PM2 GmbH and Prowell GmbH have entered into off-balance sheet factoring agreements with CommerzFactoring GmbH, which expire on October 31, 2016, and Prowell GmbH has also entered into an

off-balance sheet forfaiting agreement with Commerzbank Aktiengesellschaft, which also expires on October 31, 2016. The trade receivables are sold to CommerzFactoring GmbH and Commerzbank Aktiengesellschaft, respectively, on a non-recourse basis in return for immediate cash payments. The factoring transactions occur on a rolling basis up to a maximum aggregate transaction volume of currently €17 million. The forfaiting transactions occur on a regular basis up to a maximum aggregate transaction volume of currently €13 million. As of September 30, 2015, €22.0 million in outstanding trade receivables were sold under the factoring and forfaiting programs.

CONTRACTUAL OBLIGATIONS

Financing Arrangements

As of September 30, 2015, on a *pro forma* basis to give effect to the the incurrence of €120 million of additional indebtedness to finance a portion of the purchase price for the CHP Acquisition, including through the full utilization of the Senior Secured PLN Facility, the third party financing arrangements of the Group would have been as follows:

	Commitments[1]						
	Total	<1 Year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 Years
	(€ in thousands)						
Additional indebtedness[2]	95,000	—	—	—	—	—	95,000
Senior Secured Notes[2]	400,000	—	—	—	—	—	400,000
Super Senior Revolving Credit Facility	—	—	—	—	—	—	—
Senior Secured PLN Facility[3]	25,094	—	2,509	5,019	5,019	5,019	7,528
Finance leases (on balance)[4]	11,237	1,196	1,658	1,524	1,524	1,524	3,811
Total indebtedness[5]	**531,331**	**1,196**	**4,167**	**6,543**	**6,543**	**6,543**	**506,339**

(1) As adjusted to give effect to the incurrence of €120 million of additional indebtedness to finance a portion of the purchase price for the CHP Acquisition, including through the full utilization of the Senior Secured PLN Facility as they had taken place as of September 30, 2015.

(2) Represents the aggregate principal amount of the additional indebtedness and Senior Secured Notes, respectively, excluding the Senior Secured PLN Facility.

(3) On December 1, 2015, Prowell sp. z o.o., as borrower, Progroup AG and the existing Guarantors, as guarantors, entered into the Senior Secured PLN Facility which provides for PLN 107 million of committed credit that may be drawn by Prowell sp. z o.o. from time to time until March 31, 2016 (and if the CHP Acquisition is not completed, until June 30, 2016). As of the date of this special report, the Senior Secured PLN Facility was not drawn, but we expect it to be fully drawn as of the CHP Acquisition Completion Date. Prowell sp. z o.o. will convert the zloty amounts drawn under the Senior Secured PLN Facility into euros and apply all amounts towards the partial repayment of an existing intra-group loan to Prowell GmbH. Prowell GmbH, in turn, will use such euro amounts to repay an intra-group loan it has received from Progroup AG, so that Progroup AG may use such amounts for financing a portion of the purchase prices payable under the CHP Purchase Agreement. The figures in the table above include €25.1 million in drawings under the Senior Secured PLN Facility and assumes that all drawings have been converted at an exchange rate of €1.00 = PLN 4.2639, which was the exchange rate of the zloty against the euro reported by the National Bank of Poland on November 30, 2015. The Senior Secured PLN Facility has a 6-year term and, starting on March 31, 2017, the principal amount outstanding under the Senior Secured PLN Facility will be repaid in twenty equal quarterly installments.

(4) Primarily represents a €10.7 million finance lease agreement entered into on March 23, 2015 for the corrugator at our newest corrugated board production site (PW9) in Plössberg.

(5) Total indebtedness excludes obligations under our off-balance forfaiting and factoring programs. See "*Description of Certain Financing Arrangements—Other Financing Arrangements—Fortfaiting and Factoring Programs*".

Framework and Ancillary Agreements with EnBW

In December 2008, Propapier PM2 GmbH, Progroup AG and JH-Holding entered into a framework agreement with EnBW Propower and its parent company, Sales & Solutions GmbH, for the supply of energy to Propapier PM2 GmbH and various ancillary agreements in connection with the framework agreement related to the energy supply, the grid connection of the CHP and the supply of the CHP with fuel. The framework agreement and the ancillary agreements were most recently amended in December 2011. Pursuant to such amendment agreements, the electricity produced by the CHP is no longer consumed by Propapier PM2 GmbH, but instead supplied to

the public electricity grid, whereas the CHP continues to provide the necessary steam for PM2's operations. The framework agreement expires on April 14, 2031 and may only be terminated for good cause prior to this date.

We currently benefit from these agreements to the extent that they reduce our exposure to fluctuations in gas prices. On the other hand, we already partly bear the risk of business interruptions or shut-downs of the CHP.

As of September 30, 2015, we had specific contractual payment obligations under the framework and ancillary agreements with regard to the fourth quarter of 2015 in the amount of €9.7 million. In addition, we have entered into electricity supply agreements with EnBW to supply our paper machine PM2 on market terms which expire December 31, 2015.

Pursuant to the existing agreements with EnBW Propower described above, we currently make certain fee payments to EnBW, including, among other fees, approximately €30 million in annual payments, which are the equivalent of capital charges for the CHP. We currently record these payments under cost of materials. Upon completion of the CHP Acquisition, the framework agreement and various ancillary agreements relating to the CHP will be terminated, and these payments will no longer reduce our EBITDA. As of September 30, 2015, we had remaining (off-balance sheet) obligations of approximately €229.0 million under the contracting arrangement with EnBW Propower. For more information, see also "*The CHP Acquisition*".

Other Contractual Obligations

In addition, we have other contractual obligations incurred in the ordinary course of business, such as power supply agreements, maintenance agreements and agreements for the provision of other services. As of September 30, 2015, the minimum amount of undiscounted future payments under operating leases and for other financial obligations (total payment obligations) were as follows:

	As of September 30, 2015 (unaudited) (€ in thousands)
Operating leases	7,267
Other financial obligations	19,856
Total payment obligations	**27,123**

We lease forklifts and trucks pursuant to operating leases that are not recorded on our balance sheet. These operating leases typically have a term of between three and six years, and the total remaining payment obligations under those leases amounted to €7.3 million as of September 30, 2015. In addition, we have entered into leasing agreements for other property as well as for commercial real estate. The total remaining lease payments under those leasing agreements amounted to €19.9 million as of September 30, 2015, including obligations under a commercial real estate leasing agreement entered into by Prowell Ltd. in the United Kingdom with a term until the end of 2018 and obligations for an office lease in Landau, Germany with a term until the end of 2025.

As of September 30, 2015, we also have contractual off-take obligations under recycled paper and containerboard supply agreements, which amount to €36.2 million with regard to the fourth quarter of 2015 and the year ending December 31, 2016 (€32.7 million in the year ended 2015). In addition, as of September 30, 2015, our contractual obligations under energy supply agreements with regard to the fourth quarter of 2015 and the year ending December 31, 2016 amounted to €64.5 million, including €48.6 million in specific contractual payment obligations under the framework and ancillary agreements with EnBW, which will be terminated upon completion of the CHP Acquisition. Furthermore, as of September 30, 2015, we had commitments under open purchase orders amounted to €16.4 million.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a number of different market risks arising from our normal business activities.

Based on our assets, liabilities and pending and planned transactions, we are particularly exposed to risks arising from changes in exchange rates, interest rates and commodity prices, as well as credit risks, such as the risk of default by counterparties. Furthermore, solvency must be assured at all times (liquidity risk). The objective of risk management is to use appropriate measures to control these risks where they affect our cash flows.

Derivative financial instruments are used only for hedging purposes. They are not used for trading or speculative purposes. Exchange effects resulting from the translation of financial statements in foreign currencies into our reporting currency are not hedged. The guidelines for risk hedging and their implementation are defined and continuously monitored by our Group Treasury Management department.

Raw material price risks

Raw material price risks result primarily from increases in the prices of recycled paper and containerboard, which can not fully be passed on to customers through higher sales prices or can only passed on to customers with a time lag of two to three months.

Energy price risks

Energy price risks result primarily from fluctuations in global energy prices and regulatory risks in Germany and other markets in which we operate.

Currency risk

The foreign currency risk is due to the increasing internationalization of the Group and is an additional risk that has increasing relevance as a result of the increased volatility in global interest rate and currency markets relevance. We primarily generate our sales in euro. In our foreign subsidiaries where the euro is not the local currency, there is a currency risk as these subsidiaries generate their sales mainly in local currencies but their material costs are mainly measured in euro. Currency risk also arises on trade receivables and payables in foreign currencies. Furthermore, there are currency risks due to the euro-financing of foreign subsidiaries. Throughout the years 2012, 2013 and 2014 and the first nine months of 2015, there were currency risks mainly in the British pound, Polish zloty and Czech koruna relative to the euro.

Interest rate risk

Currently, interest rate risks arise mainly on interest-bearing liabilities that are denominated in euro.

Following completion of the Refinancing in April 2015, we expect that our exposure to interest rate fluctuations will relate primarily to the existing floating rate notes, potential drawings under our €50 million Super Senior Revolving Credit Facility and to receivables financing under our factoring and forfaiting programs. From time to time, we will evaluate the necessity of future interest rate hedging.

Credit risks

Credit risks arise mainly on trade receivables, bank balances and derivative financial instruments. In view of our relatively diversified customer list, which extends over various regions, the impact arising from credit risk on trade receivables is limited. Further, the trade receivables of some of our subsidiaries are credit insured up to the limit the credit insurer approves. The trade receivables which are sold under the factoring and forfaiting programs are sold on a non-recourse basis.

To minimize the credit risks from the operational business activity, transactions with customers are only entered into after an internal credit check and a credit approval process. Based on the internal credit check, a limit for a maximum credit risk per customer is established.

SIGNIFICANT ACCOUNTING POLICIES

In preparing our consolidated financial statements, assumptions and estimates have been made which affect the amounts and presentation of the assets and liabilities recognized in the statement of financial position, income and expenses, and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of our assets and liabilities in future periods.

By “significant”, we mean that the following accounting policies are both important to the portrayal of our financial condition and results and require management’s subjective judgments, often as a result of the need to estimate the effects of matters that are inherently uncertain. We discuss the impact and risks associated with these significant accounting policies on our business operations throughout this discussion and analysis where

such policies affect our reported and expected financial results. You should note that the preparation of our financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during each reporting period.

All assumptions and estimates are made according to the best of management's knowledge and belief in order to present a true and fair view of our net assets, financial position and results of operations. Since the actual values may, in individual cases, differ from the assumptions and estimates that were made, these are continuously reviewed. Adjustments to the estimates that are relevant for the financial statements are made in the period in which the change occurs, provided that the change relates only to this period. If the change relates not only to the reporting period but also to subsequent periods, the change is taken into account both in the period of the change and in the subsequent periods.

Tangible Fixed Assets

Tangible fixed assets are measured at cost (including production costs and borrowing costs) less depreciation. Production costs include material cost, manufacturing costs and exceptional manufacturing costs, reasonable and necessary material and production overheads, general and administrative costs and expenses for social services, voluntary social contributions and company pensions. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Depreciation is generally calculated on a straight-line basis. Straight-line depreciation rates are increased by 50% for fixed assets which are used throughout the year in three-shift operations or more.

Investment Grants

Investment grants (*Investitionszuschüsse*) are separately recorded as special reserve on our balance sheet under "Investment Grants for Fixed Assets" and reversed on a pro rata basis in accordance with useful life of the fixed asset being subsidized. Investment bonuses (*Investitionszulagen*) have been recorded in our income statement as other operating income at the time they are earned.

Emission Allowances

The German government has granted us a certain number of free emission allowances. These were acquired free of charge as part of public allocation. We have recognized these emission allowances at their nominal amount (zero) rather than at their fair market value, which German GAAP would have allowed us to do. The fair value of the allowances recognized at a carrying amount of zero amounted to €3.2 million as of September 30, 2015, €2.1 million as of December 31, 2014 and €1.0 million as of December 31, 2013.

Business Start-up and Expansion Expenses

In accordance with section 269 of the German Commercial Code (*Handelsgesetzbuch, HGB*), start-up costs that could be recognized in connection with the planning and construction of a new corrugated board format plant and paper mill, as well as the organization necessary for this, were recognized as business start-up and expansion expenses in the consolidated balance sheet and reported as own work capitalized in the consolidated income statement. Part of the start-up costs recognized have been amortized since financial year 2007, the remaining expenses since completion of the planned investments from 2009 and 2010 onwards over a period of 4 years. The line item is being carried forward in accordance with section 67 paragraph 5 sentence 1 of the Introductory Act of the German Commercial Code (*Einführungsgesetz zum Handelsgesetzbuch, EGHGB*). The amortization recognized in the income statement amounts to €2.6 million in 2012 and €2.6 million in 2013.

Valuation of Inventories

Raw materials, consumables and supplies are measured at actual cost or, taking into account the principle of lower of cost or market value, at lower market values as of the relevant reporting date. Appropriate valuation allowances are applied to inventories which are obsolete, second-hand, damaged or slow moving (€1.3 million in the first nine months of 2015, €1.2 million in 2014, €1.0 million in 2013 and €0.4 million in 2012).

Goods-in-progress and finished goods are measured at production cost. Production costs of goods-in-progress comprises, in addition to direct manufacturing and material costs, appropriate portions of overhead costs. Appropriate valuation allowances are applied to obsolete, second-hand, damaged or slow-moving inventories.

Receivables and Other Assets

Receivables and other assets are recognized at their nominal value or at their lower fair value as of the balance sheet date. Appropriate valuation allowances are provided for receivables whose recoverability is associated with identifiable risks; irrecoverable receivables are written off in full. To cover the general default and credit risk, a global valuation allowance of 1% is recognized on domestic and foreign receivables (net of value added tax) which are not subject to a specific valuation allowance.

Pension provisions

Pension provisions for entitlements and current pension obligations are calculated using the Projected Unit Credit (PUC) Method. They are calculated pursuant to section 253, paragraph 1, clause 2, section 253, paragraph 2 and section 246, paragraph 2 of the German Commercial Code (*Handelsgesetzbuch, HGB*). Actuarial opinions have been furnished. Calculations are based on the "Guide tables 2005 G" of Dr. Klaus Heubeck and an interest rate of 4.53% in 2014 (2013: 4.88%, 2012: 5.04%).

Anticipated salary and pension increases are reflected at a rate of 2.0% for 2014, 2013 and 2012. A fluctuation rate of 0.0% was used.

As of December 31, 2014, pension obligations for which provision required to be recognized amounts € 0.9 million. A pledged pension liability insurance policy was classified as a plan asset. After offsetting the fair value of the plan asset with the present value of the defined benefit obligation the unfunded defined benefit obligation has been disclosed as "excess of plan assets over post-employment benefit liability" (€9 thousand in 2014; €40 thousand in 2013 and €43 thousand in 2012).

Tax and Other Provisions

Tax and other provisions are recognized for all identifiable risks and uncertain liabilities at settlement amount. They are recorded at an amount in line with a reasonable business assessment. All risks arising up to the balance sheet date and identifiable up to the date of preparation of the financial statements have been taken into account. Provisions with a remaining term in excess of one year are discounted at the average market interest rate for the last seven financial years as published by the German Central Bank (*Deutsche Bundesbank*) corresponding to their remaining maturity.

In order to calculate deferred taxes due to the temporary differences between accounting for assets and liabilities for commercial law purposes and for tax purposes or due to tax loss carryforwards, the amounts of the resulting tax charges or reductions are measured using the tax rates of the individual companies over the time that the differences are phased out and not discounted. Deferred tax assets and liabilities are offset against each other and are carried in the balance sheet at their nominal amounts.

Deferred tax assets on tax losses carried forward were recognized to the extent that the underlying tax planning confirmed that the amounts recognized could be utilized to reduce tax liabilities in the next five years.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN GERMAN GAAP AND IFRS

Our consolidated financial statements included elsewhere in this special report have been prepared on the basis of German GAAP, which differ in certain respects from IFRS. The following paragraphs summarize certain significant differences between German GAAP and IFRS as of September 30, 2015.

The organizations that promulgate IFRS have ongoing projects that could have a significant impact on future comparisons of German GAAP and IFRS. This description is not intended to provide a comprehensive listing of all such differences specifically related to us or the industry in which we operate. IFRS are generally more restrictive and more comprehensive than German GAAP regarding recognition and measurement of transactions, account classification and presentation and disclosure requirements. We have not attempted to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the consolidated financial statements or the notes thereto included elsewhere in this special report.

We have not prepared audited consolidated financial statements in accordance with IFRS. Accordingly, we cannot assure you that the differences described below would, in fact, be the accounting principles creating the

greatest material differences between our consolidated financial statements prepared under German GAAP and under IFRS. In addition, we cannot estimate the net effect that applying IFRS would have on our results of operations or our financial position, or any part of them, in any of the presentations of financial information in this special report. The effect of such differences may be material and, in particular, it may be that the total shareholders' equity (capital deficit) and net income prepared on the basis of IFRS would be materially different due to these differences.

Financial Statement Presentation

Under IFRS, the presentation of the balance sheet is based on a current/non- current distinction of assets and liabilities. IFRS requires the presentation of assets and liabilities in order of liquidity only when a liquidity presentation provides information that is reliable and is more relevant than a current/ non-current presentation. Under German GAAP, the presentation of the balance sheet is based on the liquidity of the assets and liabilities. This results, for example, in the different presentation of financial assets and liabilities and deferred taxes in the statement of financial position under IFRS and German GAAP.

Unlike IFRS, German GAAP does not require the presentation of the statement of comprehensive income and it is very common (but not required) that the income statement under the German GAAP will be prepared using the "nature of expense" method and not the "cost of sales" method, which is generally used in the IFRS financial statements. In addition, the disclosures required in the explanatory notes to the financial statements are far more extensive under IFRS than under German GAAP.

Under German GAAP, presentation of the income statement permits the disclosure of items as "extraordinary" that incur outside ordinary business activities. Under IFRS, disclosure of any items of income or expense as "extraordinary", either in the income statement, other comprehensive income nor the notes is prohibited.

Consolidation Principles

Under IFRS, capital consolidation has to follow the acquisition method, with identifiable assets and liabilities being measured at their acquisition-date fair values.

Under German GAAP, capital consolidation was required to be reported using the carrying amount method until 2009. From 2010, the acquisition method and valuation by acquisition-date-fair values was introduced into German GAAP.

Under IFRS, an entity (investor) is required to consolidate another entity (investee), depending on whether it controls the investee. An investor controls an investee when it has a power over an investee, is exposed, or has rights to the variable returns from its involvement and due to his power can influence the amount of these variable returns. The consolidation conclusions under IFRS will not differ significantly from the German GAAP regulations for the most straightforward entities. However, some differences may arise where there are complex group structures or where specific entities have been established. Investors that most likely to be affected have their involvements, for example, in the following entities:

- Entities with a dominant investor without a majority of the voting or similar rights and where the rest of voting rights belongs to the widely- dispersed shareholders (de-facto control);
- Structured entities (formerly "special purpose entities") where voting or similar rights are not the dominant means to determine the power.

Under German GAAP, an investor is required to consolidate the investee if an investor holds the majority of voting rights, enjoys the right to appoint or dismiss the majority of the management and supervisory board members, enjoys the right to exercise a controlling influence on financial and operating policies or in substance obtains the majority of risks and rewards of an investee that has a narrow, well-defined purpose ("special purpose entity").

Business Combination

Under IFRS 3 acquisition related cost (transaction cost) that incurs to effect a business combination are accounted as expenses in the periods in which the costs are incurred and the services are received.

Acquisition-related costs are not part of the consideration transferred to the seller in return for the business; they are not part of the fair value of the acquired business; they do not represent an asset of the acquirer. Acquisition-related costs represent services that have been rendered to and consumed by the acquirer. As such, IFRS 3 states that they are accounted for as an expense when the acquirer consumes the related service.

Under German GAAP certain cost which have been incurred after the decision to acquire an entity qualify for capitalization and form part of the acquisition cost (e.g. due diligence cost, consultancy cost for valuation reports). All expenses incurred prior to the decision making have to be expensed as incurred.

Costs related to the issuance of financial liabilities are expensed as incurred. Optionally, interest-like expenses are capitalized and amortized over the term of the debt.

For purchase price allocation all identifiable assets, liabilities, and contingent liabilities of the subsidiaries are reflected at their fair value regardless of the level of minority share. Under IFRS 3, goodwill acquired in a business combination, must be allocated to a cash generating unit (CGU) or group(s) of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows form other assets or groups of assets. Under German GAAP goodwill is allocated to the respective business unit to which it refers.

Under IFRS goodwill is not amortized but tested for impairment annually and if there is an indication that goodwill may be impaired.

The recoverable amount of the CGU is compared with its carrying amount. Recoverable amount is defined as the higher of an asset's fair value less costs of disposal and its value in use. If the recoverable amount of an asset or CGU is less than its carrying amount, an entity should reduce the carrying amount to the recoverable amount. The reduction is an impairment loss. For assets carried on the depreciated historical cost basis the impairment loss should be recognized in profit or loss immediately. For assets that are carried at revalued amounts an impairment loss is treated as a revaluation decrease. The loss is first set against any revaluation surplus relating to the asset in other comprehensive income to the extent of the surplus and the remaining balance of the loss (if any) is then treated as an expense in profit or loss.

German GAAP requires goodwill to be amortized over its economic life. Goodwill should be reviewed for impairment and its remaining useful life once a year. Goodwill is impaired if its carrying amount exceeds its fair value.

Property, plant and equipment

Under IFRS, the recorded acquisition cost of property, plant and equipment includes appropriate dismantling, removal and restoration costs. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are capitalized as part of the cost of that asset. Overhead costs, such as general and administrative costs and expenses for social services, voluntary social benefits and company pensions are not part of the production cost. Under IFRS, individual items within property, plant and equipment are frequently composed of different component parts with varying useful lives or consumption patterns. These parts are individually replaced during the useful life of an asset. Under IFRS, each such part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is recognized and depreciated separately (component approach). Costs of required and regular major inspections are capitalized and depreciated if it is probable that future economic benefits associated with the item will flow to the reporting entity and the cost of the item can be measured reliably. After initial recognition IFRS further offers an option to value items of property, plant and equipment at either the (lower) cost of the item less any accumulated depreciation and impairment or at its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment.

Under German GAAP, property, plant and equipment is initially valued at purchase or production cost and includes general and administrative costs and expenses for social services, voluntary social benefits and company pensions. Capitalization of costs directly attributable to the acquisition, construction or production of a qualifying asset is permitted, but not required (alternative treatment). The component approach is not specifically contemplated by German GAAP rules, but its use for balance sheet purposes is generally permitted. Costs of regular major inspections are recognized in the income statement as incurred. A revaluation model is not permitted. Costs of demolishing or restoring an item of property, plant and equipment do not qualify for

capitalization but are required to be reported as provision over the item's useful life. After initial recognition, property, plant and equipment are accounted for at cost less any accumulated depreciation.

Government Grants

Under IFRS, government grants related to a particular asset are recorded on the balance sheet either as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Under German GAAP, government grants related to a particular asset are recorded on the balance sheet either as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Alternatively, a grant may be recorded as other income in the income statement on the grant date.

Business Start-up and Expansion Expenses

Under German GAAP, expenses for the start-up and expansion of a business, if incurred prior to the end of 2009, were permitted to be capitalized and amortized over a period of four years in accordance with section 269 of the German Commercial Code (*Handelsgesetzbuch, HGB*). In the subsequent periods, a similar to IFRS accounting approach for recognition of the business start-up and expansion expenses is applied.

Under IFRS, expenses for start-up and expansion of a business do not qualify for capitalization and have to be expensed in the income statement at the time of incurrence.

Impairment of Assets

Under IFRS, an impairment loss is recognized if the recoverable amount of an asset is less than its carrying amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Under German GAAP, an impairment loss for non-current assets must only be recorded if a permanent impairment in value is anticipated. The concept of cash generating units is not applicable under German GAAP, and the impairment loss is determined on an item-by-item basis. An impairment loss is to be recognized when the carrying amount of an asset exceeds its fair value.

Provisions, Other Liabilities and Contingencies

Some provisions in the financial statements under German GAAP will be required to be reported as other liabilities in accordance with IFRS. Under IFRS, provisions are recognized if an enterprise has a present obligation as a result of a past event, it is probable (*i.e.,* more likely than not to occur) that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. In cases where the outflow of economic resources is expected to occur, an obligation will be reported as a liability.

Under German GAAP, the criteria for the recognition of provisions and contingencies are less detailed and prescriptive than under IFRS. Accordingly, there is greater flexibility under German GAAP to record provisions for onerous contracts and restructuring expenses. In addition, German GAAP estimates are typically made in a more conservative manner. The recognition of a provision with a probability lower than 50% is possible. German GAAP requires the recording of provisions for deferred maintenance that is expected to be performed within three month after the end of the reporting period, uncertain liabilities and expected losses from executory contracts. Long-term provisions (*i.e.,* with a maturity of more than one year) are discounted using an average market interest rate for the preceding seven years as published by the German Central Bank (*Deutsche Bundesbank*).

Valuation of Assets and Liabilities; Currency Translation

Under IFRS, initial recognition and subsequent measurement of financial assets and liabilities—if qualified as financial assets and liabilities at fair value through profit and loss—is required at its fair value. Foreign currency receivables and liabilities are measured at fair value.

Under German GAAP, current financial assets are required to be recorded at acquisition cost and financial liabilities are required to be recorded at repayment cost. Current receivables and liabilities in foreign currency are measured at fair value. The valuation of non-current currency receivables and liabilities with a maturity more than one year has to be in line with lower of cost or market principle and higher carrying amount at the balance sheet date respectively.

Interest-Bearing Loans and Borrowings; Prepaid Expenses

Under IFRS, all interest-bearing loans and borrowings are initially recorded at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest method.

Under German GAAP, interest-bearing loans and borrowings are recorded at their repayment amounts. Transaction costs, except for costs to be paid to the finance providers, are expensed as incurred. Only equivalent to interest transaction costs paid to finance providers are deferred as prepaid expenses and amortized on a straight-line basis to interest expense.

Leasing

Under IFRS, a lease has to be classified either as an operating lease or as a finance lease. A finance lease is a lease that transfers substantially all the risks and benefits incident to ownership of the leased item. For finance leases, the lessee records an asset and an obligation at an amount equal to the lower of the fair value of leased property and the present value of the minimum lease payments. Operating leases are expensed as incurred.

Under German GAAP, accounting for leases is mainly driven by tax regulations, so the lease contracts in Germany typically consider such rules in order to avoid capitalization at the lessee level. These rules differ from the IFRS rules in several respects.

Provisions for Pensions

Under IFRS, provisions for defined benefit pension obligations are accounted for under the projected unit credit method. The defined benefit obligation is measured using various actuarial assumptions, including assumptions as to future compensation and benefits levels. Under IFRS, the discount rate reflects the long-term view of the plan and not current rates that could be used to settle the pension obligation. This discount rate is derived at the reporting date based on then current capital market conditions. Under one of the options provided by IFRS, remeasurement gains and losses that result from changes in actuarial assumptions (including changes in mortality tables) or actual experience that differs from the underlying assumptions do not require recognition of gains and losses as components of net pension cost of the period in which they arise. Rather they are recognized in other comprehensive income, which will never be reclassified in profit or loss in the future.

Pension reserves under German GAAP are also be accounted for under the projected unit credit method since the enactment of the German Accounting Law Modernization Act in 2009. Under German GAAP, the discount rate used represents a seven-year average of market derived interest rates. In addition, German GAAP requires recognition of the remeasurement gain or losses in profit and loss and not as other comprehensive income as required under IFRS.

Deferred Taxes

Deferred tax assets (DTA) and deferred tax liabilities (DTL) are the income taxes recoverable or payable in future years. They are mainly based on the taxable or deductible temporary differences between the carrying amount of an asset or liability and the respective tax base. Due to the IFRS accounting principles, the carrying amount of an asset or liability can differ from the amount under German GAAP. Accordingly the respective deferred tax assets and liabilities change as well.

Under German GAAP, net DTL must be recognized in full, while the recognition of net DTA is optional. Unlike German GAAP, IFRS does not provide an option to capitalize net DTA and, therefore, both net DTA and net DTL have to be recognized in the respective period.

Under IFRS, DTA shall also be recognized for tax loss carryforwards to the extent that it is probable that future taxable profit will be available. Under German GAAP, the capitalization of DTA for loss carryforward shall

only be taken into consideration if the tax benefit from the tax loss carryforward can be expected to be recovered within the next five years.

Derivative Financial Instruments and Hedging

Under IFRS, derivative financial instruments are recorded in the consolidated balance sheets at fair value (marked-to-market). Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and reclassified to profit or loss for the period when the forecast transaction being hedged occurs. Under IFRS, the criteria to be met to qualify for hedge accounting are quite strict. This includes stringent documentation requirements.

Under German GAAP, there is more flexibility to include forecast transactions in hedge accounting. Further, there is no need to separately account for fair values of derivative financial instruments that qualify for hedge accounting (net hedge presentation method).

INDUSTRY AND COMPETITION

The following overview of the European market for containerboard and corrugated cardboard was prepared based on independent third-party reports and publicly available data from reputable industry organizations. Certain information in the following overview has been obtained from official and non-official third party sources believed by us to be reliable, including sources not specifically prepared for us and studies commissioned by us. However, since such information is unavoidably subject to certain assumptions and estimates made by third parties, there can be no assurance as to the accuracy or completeness of information included and it should not be relied upon. As certain economic data may have been collected on a sample basis or estimated by the authors of the relevant reports, all figures included in this section should be assumed to include estimated information.

In addition, certain statements below are based on our own proprietary information, insights, subjective opinions or unsubstantiated estimates, and not on any third party or independent source; these statements contain words such as "we estimate", "we expect", "we believe" or "in our view", and as such do not purport to cite to or summarize any third-party or independent source and should not be so read. Some market data is inherently forward-looking and subject to uncertainty and does not necessarily reflect actual market conditions. You should read the following discussion together with the sections entitled "Industry and Market Data", "Risk Factors", "Business" and "Forward-Looking Statements".

INTRODUCTION

Containerboard is one of the principal materials used to manufacture corrugated board and, ultimately, corrugated containers. Containerboard is classified according to the type of raw materials from which it is made (virgin fibres or recycled fibres), whether it is surface treated and whether it is enhanced by coating.

Two types of containerboard can be produced. Containerboard made from virgin fibres (wood pulp) is known as "kraftliner" and is—depending on the type of application—better suited for manufacturing corrugated board and containers intended for the retail and consumer packaging markets, owing to its greater strength, especially its high bursting strength, moisture resistance and purity. Containerboard made from recycled fibres (recycled paper, the primary source of which is old corrugated containers and mixed recycled paper), is known as "testliner" and fluting and is better suited for transportation and industrial packaging, due to its higher stiffness, lower weight and cheaper price.

Containerboard is classified as kraftliner as long as it contains mainly virgin fibres. Several distinct types of containerboard products are available in the market, resulting from different formulations of virgin and recycled fibres. This broad offering of containerboard products serves to address a wide range of potential packaging applications.

Both kraftliner and testliner can be surface treated to improve printing quality through the use of white, mottled or fully bleached pulp as the top layer (white-top liner). The board can also be coated, which makes it more resistant to dirt and moisture, and allows high-gloss printing. This further enhances product appearance and suitability for retail and consumer packaging.

Virtually all containerboard becomes corrugated board, in the form of linerboard and fluting. Linerboard is used for the inner and outer layers of the corrugated board and fluting for the middle section. Corrugated board producers select containerboard grades, specifications and suppliers based on availability, suitability for their own corrugators and converting machines as well as on brand owners' performance requirements. The retail industry, through its own specific requirements, has also been one of the key drivers for containerboard and corrugated board technology and product development.

For corrugated box and sheet producers, containerboard is one uniform market as corrugated board can consist of a mixture of any type of linerboard or fluting depending on end use and quality requirements. Corrugated board can come in a range of types, including single face, single wall, double wall, or triple wall, depending on the ultimate packaging application.

Corrugated board is eventually converted by corrugated box producers into regular slotted containers (RSC), die-cut boxes or other containers, and sold to brand owners or packers before reaching retailers and end-consumers. The main end-use segment in Europe is food and beverages, although the breakdown varies by

country. Kraftliner is used especially in the food segment, where strength and purity are important requirements, whereas testliner is generally used in non-food fast-moving consumer goods and consumer durables.

The industry is typically viewed as comprising two main production activities: (i) the production of containerboard and corrugated board; and (ii) the conversion of corrugated board into corrugated containers or other fibre-based packaging products. There are several operating models within the containerboard and corrugated board industry. The majority of containerboard suppliers are forward integrated such that they also operate in corrugated board and box conversion. This can allow a greater degree of control over raw material flows and pricing. Others keep a more restricted focus on particular high- value sections of the production process, and distribute products to independent sheet plants.

We focus on the highly efficient production and processing of standardized grades and customized small batch series of corrugated board sheets for our mostly family-owned customers in the packaging industry. 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, *i.e.*, the efficient and integrated production of containerboard and corrugated board. Progroup, although we have the ability to produce kraftliner, focus on testliner production for the European market.

In Western Europe, recycled paper is the main raw material for the production of recycled containerboard and other fibre packaging boards. Recycled containerboard constitutes approximately 83% of containerboard production, with kraftliner constituting the remainder. In Europe, containerboard manufacturers tend to source the majority of their raw materials from external suppliers.

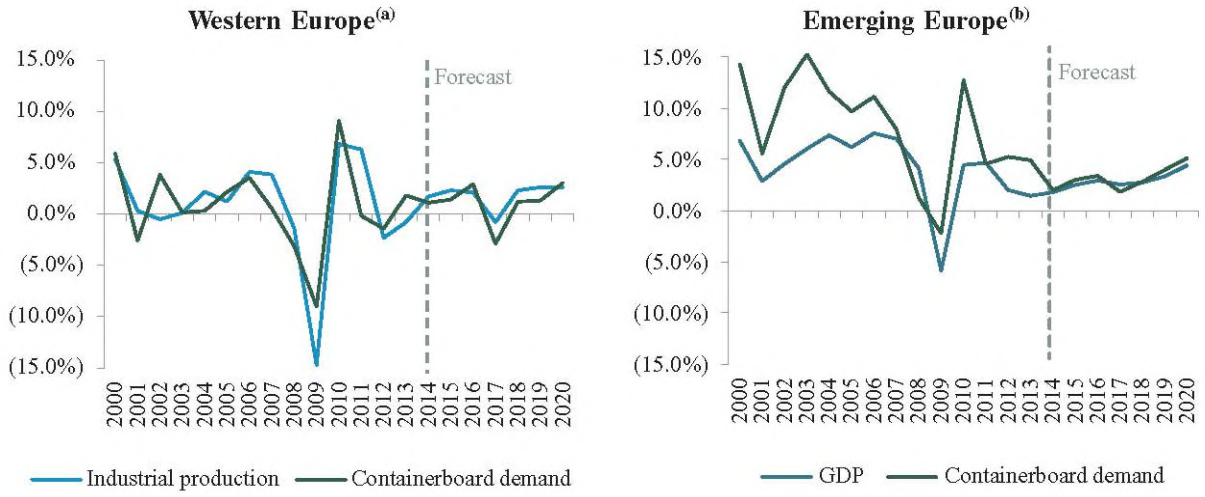
INDUSTRY FUNDAMENTALS AND DRIVERS

The containerboard and corrugated board industry is relatively capital intensive and competitive. Long-term demand for these products is driven by global economic trends, demographic trends, technological developments and trends in end-user preferences. Profitability is sensitive to changes in prices, and industry profit cycles reflect the constantly shifting balance between supply and demand for individual products.

Macro demand drivers and industry trends

A number of factors support the growth of corrugated packaging, the end product of containerboard and corrugated board. In general, the growth of the general economy, industrial production and merchandise trade are the main demand drivers for containerboard and corrugated board packaging. Private consumption as well as the increased use of substitutes (e.g. plastic) also drives the development of retail sales.

The charts below show the evolution of industrial production and containerboard demand growth in Western Europe, and the evolution of GDP and containerboard demand growth in Emerging Europe, based on available data from RISI.



(a) Andorra, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK

(b) Albania, Armenia, Azerbaijan, Belarus, Bosnia, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Malta, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine

Source: RISI (European Paper Packaging Forecast – 15 years (August 2015))

Demographic and lifestyle changes, including rising urbanization and demand for convenience, such as take-aways and home deliveries, have driven growth in demand for corrugated packaging, and will continue to do so especially in Emerging Europe (defined as Central, Eastern and Southeastern Europe by RISI). The effect of improvements in living standards and consumer spending in Emerging Europe and other emerging markets will support growth going forward. Development of the retail infrastructure in these markets, including online shopping and mail order, and the development of the logistics market, is expected to increase demand for containerboard products such as die-cut containers, shelf-ready packaging and decorative corrugated pieces. In addition, the booming agro-based sector, for example, will create new demand for containerboards by replacing the traditional wooden boxes with corrugated containers.

Containerboard demand will also be increasingly exposed to the general tendency to reduce packaging costs, with, for example, light weighting and reduced packaging. Plastics and returnable/reusable transit packs (RTP) will increasingly compete with corrugated board packaging, especially in mature markets and especially for the fresh fruit and vegetable markets. The future competitiveness of fibre-based packaging will depend on innovation, product development, cost and the industry's ability in general to respond to changing market requirements.

The competitive position of containerboard and corrugated board is expected to remain relatively strong in comparison with alternative materials. Recyclability, for example, will have a favorable impact on containerboard demand growth. The high recovery and recycling rate of wood fibre-based packaging compared to plastics will benefit the industry. The poor environmental image of plastics coupled with its higher cost are also expected to have a positive impact on the demand prospects for fibre-based packaging in mature markets.

Some of the newer products, such as microflutes, will support the use of containerboards and corrugated boards in the competition against folding cartons. In general, the increased use of corrugated boards in consumer packages and display applications has increased printability requirements and thus boosted the demand for white top liners. This trend is set to continue, implying increased use of white top liners at the expense of unbleached grades. Retail- and shelf-ready packaging has opened new opportunities for corrugated board and has brought it closer to the consumers. Logistic and shelf space planning are key competitive advantages against other packaging substrates.

Recycled containerboard has steadily gained share of the Western European containerboard market over the last 15 years. The share of these grades rose from 69% in 1998 to 83% in 2013. The growing importance of recycled containerboard has been driven by lower prices versus virgin grades (partly due to subsidies for energy uses), improving quality of testliner products, efforts by consumer goods companies to burnish their sustainability and consumer demand for recycled products.

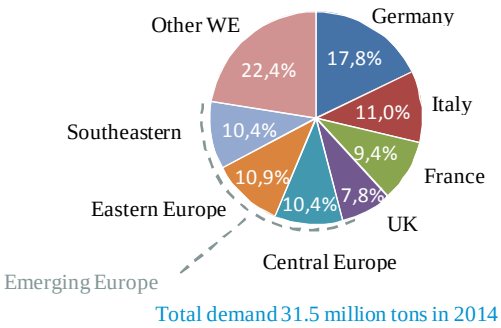
Usage of recycled containerboard has increased substantially as a share of the total over the last 15 years within Emerging Europe. Recycled products represented 60% of regional containerboard consumption in 1998, but the share reached 74% in 2014. Expanding availability of high-quality recycled grades, partially from Western European suppliers, and a greater focus on sustainability were major drivers of the rising share of recycled products.

Containerboard is generally a regional business, and the majority of the volumes is traded within Europe. However, some regions, such as the Middle East and North Africa, are net importers of containerboard. Hence, the demand from exports of the containerboard market is partially influenced by the evolution of the EUR/USD exchange rate.

END-MARKETS DYNAMICS

Demand for corrugated containers is primarily driven by the need for (i) packaging products for the transportation of a diverse range of consumer and industrial goods, such as processed and fresh food, agricultural products, beverages, industrial and consumer electronics, chemicals and pharmaceuticals and a range of other products and (ii) higher value-added corrugated products, such as those featuring enhanced graphics used for point-of- sale displays and consumer and shelf-ready packaging.

In Europe, the main markets are the developed Western European countries such as Germany, Italy, France, Spain and the United Kingdom. Poland and other Eastern European countries are much smaller markets, but are anticipated to grow at a faster rate than the more developed markets.



Note: Other Western Europe: Andorra, Austria, Belgium, Denmark, Finland, Greece, Iceland, Ireland, Luxembourg, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland

Central Europe: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia

Eastern Europe: Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia, Ukraine

Southeastern Europe: Albania, Bosnia, Bulgaria, Croatia, Cyprus, Macedonia, Malta, Montenegro, Romania, Serbia, Turkey

Source: RISI (October 2015)

In Europe, food accounts for nearly half of corrugated board consumption, offering certain stability against economic fluctuations. However, there are clear differences between countries. Industrial products are the primary driver in Germany while food and consumer goods dominate in the United Kingdom and France. Germany is expected to remain the largest single market in the Western Europe corrugated box industry over the

next 15 years and increase its lead. The continuing strength of the German industrial sector is predicted to boost corrugated box usage by 1.1% annually through 2030, with shipments reaching 11.8 million square meters in that year, or 23% of Western Europe as a whole.

Key supply parameters

Containerboard is manufactured either by treating virgin fibres or by cleaning and screening recycled fibres before passing these through paper machines, which are comprised of a paper-forming section, a press section (where water is squeezed out), a drying section and the finishing. The containerboard is then wound into rolls and shipped to corrugated board plants.

Containerboard mills are large, capital expenditure intensive production facilities and the production landscape is continuously changing as a result of new capacity additions and closures. As there is a significant lead time between the planning and completion of new containerboard machines, the supply side tends to lag behind changes in demand.

Furthermore, the containerboard production process is reasonably specialized, such that there is very limited flexibility to switch from containerboard production to the production of other paperboard grades, or from kraftliner to testliner (or vice versa), in response to market conditions. This is one of the significant advantages of our PM1 mill, where the machines have this capability.

Corrugated sheets are interim products manufactured from containerboard at a sheet feeder plant or an integrated corrugated and converting plant. Corrugated sheets are then converted into corrugated containers at integrated converting plants or at sheet plants. The corrugated sheet is first printed, if required, and then formed into the final container (or box) shape usually by some combination of die-cutting, folding, gluing, stapling or stitching the sheet. Corrugated containers are designed specifically to meet individual customer requirements and there is a wide variety of designs available.

Corrugated sheets are bulky products, which tend to be produced and supplied locally due to high transportation costs, requirements of customers for supply chain integration and just-in-time delivery. The economic supply distance for corrugated sheets is typically around 300 kilometres. Therefore, there are many corrugated board plants and the market in Europe is more fragmented than the containerboard market.

Since the early 2000s, there has been a significant development in the European containerboard industry and its asset base: 15 new machines have started up, all of which are capable of producing the full range of recycled fibre grades. This is part of a constant push towards increasing efficiency and lowering manufacturing costs in order to ensure competitiveness. These manufacturing costs are exposed to raw material prices and availability (recycled paper vs. virgin pulp). The response from the suppliers has been to use cheaper raw materials both in containerboard and corrugated packaging production.

There have been shut-downs in Europe, but these have typically been of old and narrow machines with weak cost competitiveness and suboptimal trim fit and/or product portfolio. Shut-downs have typically been part of companies' asset strategy, and their volumes have typically been compensated by capacity increases in other production units. The production landscape is described in greater detail below.

The European containerboard and corrugated board industry has experienced several trends affecting product and product construction as well as production process. Some of the trends originate from the end-users (retail, consumers and brand-owners), but the industry itself has also managed to introduce new concepts. All these trends have raised the status of corrugated board from pure transportation packaging closer to retail and even consumer packaging. The key trends can be listed as follows:

- Light weighting, which has extended to both containerboard and corrugated board. This is a response to transportation cost pressure, as well as industry evolution and a trend towards eco-efficiency;
- Small flutes and multiwall constructions are partly related to the light weighting as the introduction of lower basis weight fluting has enabled the microflute concept and use of corrugated in consumer packages as well as increasing need in heavy duty applications;
- Die-cuts and point-of-sales (POS), which is to satisfy the demand for retail ready packaging;

- White-top liners and high-quality printing are for direct use consumer packages and shelf ready packaging; printing requirements are increasing in industrial packaging; and
- Wider corrugators have been introduced to improve the efficiency at corrugated plants and better fit with new containerboard machines.

Pricing dynamics

Containerboard prices are primarily a function of the prevailing supply-demand balance, raw material prices and other operating costs, such as energy, chemicals and transportation.

Demand for containerboard has tended to develop in line with industrial growth rates due to the characteristics of the main end-user markets for corrugated containers. In contrast, the supply side of the containerboard market is fairly inelastic owing to capital intensity, long lead times between planning and completion of a mill and the low versatility of the paper machines. This has resulted in temporary imbalances, such as those which have been experienced in recent years.

Another driver of containerboard prices is the cost of the principal raw materials: recycled paper or virgin fibre. While wood prices historically have been relatively stable, recycled paper prices can vary widely on a regional basis depending on demand and tend to be volatile even within short time periods. More recently, however, the focus by governments on identifying alternative sources of energy in European countries has led to the use of subsidized wood for incineration and energy production, thereby exerting significant additional pressure on wood costs. The paper industry is lobbying through the Confederation of European Paper Industries ("**CEPI**") against any legislation that gives preferential treatment to users of biomass fibres for uses other than paper production. Fluctuations in Asian demand (particularly Chinese demand) and seasonal patterns of collection and demand have been the principal factors driving the recycled paper price in recent years. Given the significant implications of price fluctuations of recycled paper on business performance, we (as well as several other industry participants) have therefore sought better access to recycled paper through owning depots and box plant clippings and executing direct supply contracts with municipalities or retailers. The cost of producing paperboard is also influenced by the prices of energy, chemicals and transportation. Energy prices, in particular electricity, oil and natural gas, have experienced significant volatility in recent years, with a corresponding effect on paper production costs.

Containerboard is the main cost factor of corrugated board and of corrugated packaging overall. Therefore, corrugated board price usually follows containerboard price development with some delay, typically by about two to three months.

KEY MARKET DEVELOPMENTS

The corrugated box market in Western Europe has faced strong headwinds from the economic crisis that has impacted the region since 2008. Total box shipments amounted to 36.4 billion m^2 in 2014, relatively close to the historical peak reached in 2007 and almost 1.0 billion m^2 more than in 2013. RISI is expecting 1.6% and 2.1% growth in 2015 and 2016, respectively.

Demand development in Europe

Western Europe

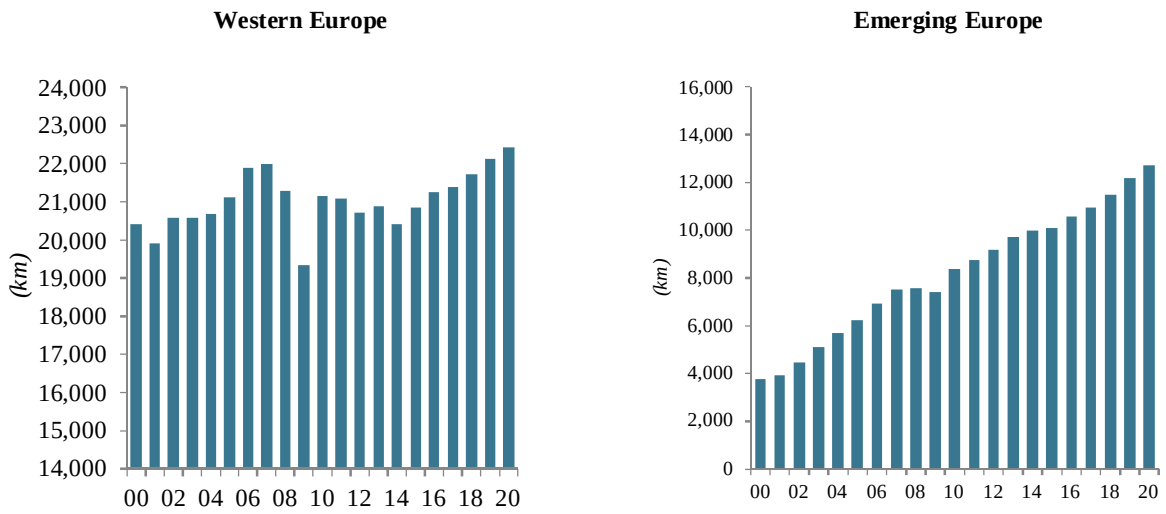
Containerboard usage in Western Europe had been experiencing sluggish growth along with corrugated box shipments in recent years. There was a modest uptick in demand in 2014 as box producers built inventories in the face of rising board prices, but regional apparent consumption still only reached 21.6 million tonnes, which was 0.4 million tonnes below the historical peak attained in 2007. In 2014, however, containerboard demand in Western Europe grew 2.6%, approaching the historical highs. RISI predicts growth in containerboard demand to accelerate over the next two years and expects regional apparent consumption to hit the 2007 figure by the end of 2015 and continue upwards, albeit at a slower rate.

Eastern Europe

Growth in containerboard usage in Emerging Europe has continued over the past several years despite the general economic slowdown. However, the rate of increase has been nearly halved versus that registered over

the last 15 years as a whole, from 8.5% per year to 4.7% per year. Regional containerboard consumption reached 10.0 million tonnes in 2014 versus only 2.8 million tonnes in 1997.

The charts below show the evolution of containerboard consumption, by volume, in Europe between 2000 and 2020.



Source: RISI (European Paper Packaging Forecast – 15 years (October 2015))

Corrugated board consumption has grown faster by sheet area than by volume during the past years due to the trend towards lighter basis weights. This trend is expected to continue in the future with corrugated board based on light- weight containerboard showing higher growth rates than the overall market, and future market growth expected to approximate the levels between 2002 and 2007.

Containerboard supply developments and operating rates evolution in Europe

Western Europe

Net capacity expansion in the Western European containerboard industry came to a halt over the past six years after expanding rapidly during the 1990s and first half of the last decade. In the past year there has been moderate growth. New capacity has continued to come on stream, mainly in lightweight recycled and white-top grades, but older, inefficient capacity has been shut. Regional capacity hit 24.4 million tonnes in 2007 and was still 24.6 million tonnes in 2013, according to RISI; since then it has grown to 25.1 million tones (2014). Growth of ca. 2.2% p.a. is forecast through to 2017.

Operating rates peaked in 2006 at 95% in Western Europe before dropping sharply to a bottom of 87% in 2009. Strong capacity management on the part of producers kept operating rates from sliding further, with RISI's numbers showing a 2% reduction in industry capacity in 2009. The continuing focus on capacity management has been instrumental in enabling operating rates to rebound back to the long-term average of 92% in 2010-2014. In fact, RISI shows that capacity utilization hit 94% in 2014.

Capacity expansion is expected to turn positive again over the next several years. A number of conversions of existing graphic paper capacity have been announced, along with incremental upgrades of existing capacity. It appears that producers are hesitant to continue with their policy of scrapping older capacity in the face of improving prospects for the European economy. Even virgin containerboard capacity will expand during this period due to the announced conversion of a graphic paper machine in Finland to kraftliner.

Between 2008 and 2014, testliner capacity additions in Europe amounted to an estimated 2.9 million tonnes of new capacity. These additions, which represent approximately 10% of the existing capacity, reflect expansion decisions that were made two to three years earlier. The introduction of new capacity into a market that has rising input costs and volatile demand has forced a number of smaller, less efficient and non-integrated producers in Europe to close. In addition, strategic decisions by a number of larger producers have also resulted

in mill closures. Between 2008 and 2014, closures amounted to an estimated 3.4 million tonnes. As a result, the overall capacity adjustment in the period has resulted in an estimated net reduction of 340,000 tonnes.

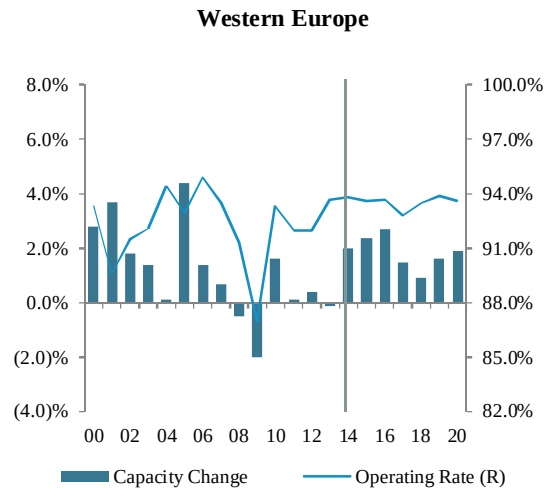
RISI expects overall containerboard capacity utilization to decline to 93% in 2015-2017, even as domestic demand for containerboard accelerates. This is dependent on RISI's assumption about the number of closures the industry will undertake to offset announced expansions.

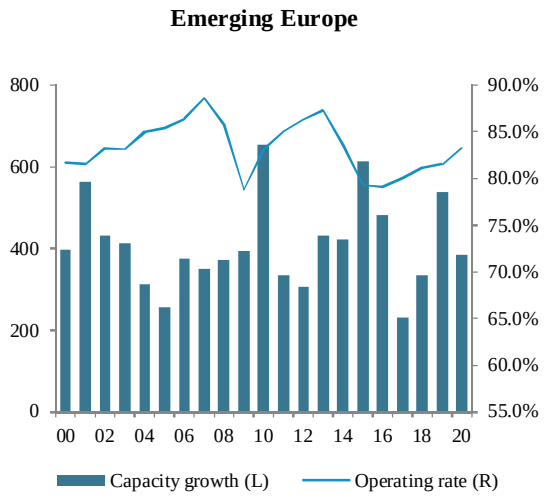
Eastern Europe

Containerboard capacity has expanded steadily in Emerging Europe since 2000, averaging growth of 400,000 tonnes per year. Most of the investment in the earlier part of this period involved rebuilds of existing machines to both increase capacity and improve quality. Over the past few years, new, state- of-the-art machines have been added, mainly in Central Europe and Turkey. Closures of existing, inefficient capacity offset a substantial portion of the capacity originating from the new machines. Regional containerboard capacity reached 10.8 million tonnes in 2014, up from just 5.1 million tonnes in 2000. Nearly 80% of the total expansion has been in the recycled sector.

Operating rates in Emerging Europe improved consistently from 2000 to 2007, rising from 82% to 89%. The abrupt flattening in domestic demand in 2008-2009, along with a loss of share to imports from Western Europe and continuing investment in new capacity, resulted in regional capacity utilization decreasing to 79% in 2009. However, operating rates rebounded over the next four years, returning to 86% in 2013, before dipping back to 84% in 2014.This rate is expected to fall further in the medium term before recovering in 2019.

Capacity is expected to continue expanding at a strong pace over the next several years in Emerging Europe. A number of second-hand recycled containerboard machines are being installed in Russia that will become operational in the near term. Two large new machines have been announced for Turkey, along with one in Croatia. RISI's analysis indicates that these large increments of capacity will face slowing demand growth, partly due to economic problems in Russia, leading to a significant drop in operating rates through 2018.





Source: RISI (European Paper Packaging Forecast – 15 years (October 2015))

Containerboard price development in Europe

Testliner prices have trended upward during the last 15 years, although extreme volatility has tended to mask this trend. Real prices (in 2014 euros) averaged €375/tonne in the latter part of the 1990s and have been a little more than €400/tonne over the last four years. The range in real prices has been from a peak of €490/tonne in 2000 to a low of €260/tonne in 2009. Both the trend and the range in real prices have been closely related to movements in recycled paper costs, which have been erratic on an annual basis and rising in real terms on a secular basis.

Strong demand for recycled containerboard and relatively low recycled paper costs allowed producers to generate significant profit margins through much of the 1990s. RISI's analysis shows the Western European

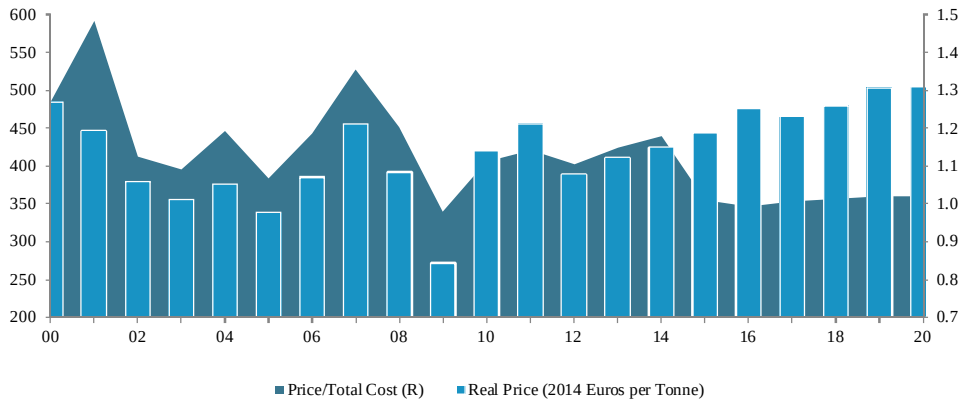
testliner industry registering a price to total cost ratio of around 1.06 from 1995-2000. Rapidly increasing recycled paper costs and slowing demand growth resulted in profitability declining during the last decade, reaching a low of 1.00 in the recession year of 2009.

Containerboard prices remained stable until the second quarter of 2008, when prices started to decline as the rapid weakening of the global economy decreased the demand for corrugated boxes (and containerboard). This was reflected in decreased demand and prices for testliner. Containerboard demand started to increase in the end of 2009 and the upturn of the economy was seen in Europe by mid-year 2010. Growth resumed in the international trade from early 2010 and the external demand and prices for containerboard increased as well. The industry price to total cost ratio has been tracking just above 1.10, as producers have struggled to offset the flat demand performance for their products.

European testliner prices declined by approximately 20% from August 2011 to February 2012 due to the soft supply/demand balance and due to decreased recycled paper prices. Improved demand as well as the increase of recycled paper prices turned testliner prices back to growth track in mid-February 2012; however, with the continuing economic slowdown, the price level was not sustainable and prices declined as a result. In the past year (2014), however, prices have rebounded, increasing 5.1% in the last year in real terms.

All containerboard prices follow each other and recycled paper prices correlate well with them. Price difference between recycled paper and testliner has been on average just above €300. During the recessional years 2008- 2010, prices dropped due to weak demand and the prices for testliner also dropped due to decline in raw material prices. During the past years, prices have been more stable.

Western European testliner 2 free delivered net-net pricing and profitability (2000-20)



Source: RISI (European Paper Packaging Forecast – 15 years (October 2015))

MARKET AND COMPETITIVE LANDSCAPE

Containerboard products are largely standardized and, therefore, are subject to substantial price competition. Competition in the corrugated market is also primarily based on price. However, the corrugated market features a greater degree of differentiation than containerboard, with the purchasing decision for customers also being based on a range of other factors, including delivery lead time, quality of service, quality of product, consistency, quality of design and innovation in the packaging itself.

The top five producers of recycled containerboard in Europe (excluding Russia and CIS, other than Ukraine and Moldova) accounted for 41% of the European market; and the top five producers in the corrugated market accounted for 48% of the European market.

Existing European containerboard producers benefit from certain barriers to entry, including:

- the difficulty, especially in Western Europe, of finding appropriate locations (including proximity to reliable sources of virgin fibre in the case of kraftliner production) to build new mills and obtaining approvals from local governments; and

- substantial capital costs associated with building a new plant of the scale and quality necessary to be cost-competitive with the production platforms of existing producers.

The corrugated board industry is more fragmented than containerboard and is comprised of a large number of small, often family-owned and locally operating companies. Smurfit Kappa and DS Smith are, in terms of scale, significantly larger than any other competitors in the market.

According to our estimates, Prowell is the number four producer and largest independent corrugated board producer in Europe by volume produced and Propapier is the number six producer of recycled containerboard in Europe by capacity.

Leading Producers in Europe in 2014

Containerboard Capacity (tonnes in millions)		Corrugated Containers Production (tonnes in millions)	
Smurfit Kappa Group	4.7	Smurfit Kappa Group	5.6
DS Smith	2.3	DS Smith	3.6
Saica	2.5	Saica	1.0
Mondi	1.7	Progroup	0.9
Hamburger Group	1.6	Palm	0.8
Palm	1.1		
Propapier	1.1		

Source: Company data

Many of our competitors are fully integrated and focus on serving larger end-customers in large batch sizes, including global consumer corporates. Our differentiated business model allows us to serve a higher number of customers, process a higher number of orders and maintain higher production volumes (up to 350 million square meters per annum), thereby generating economies of scale. We are solely focused on the production process as opposed to many of our competitors, who also focus on more complex and customer-specific packaging requirements for a smaller number of larger customers and, hence, only have a production output of typically 70-80 million square meters per annum.

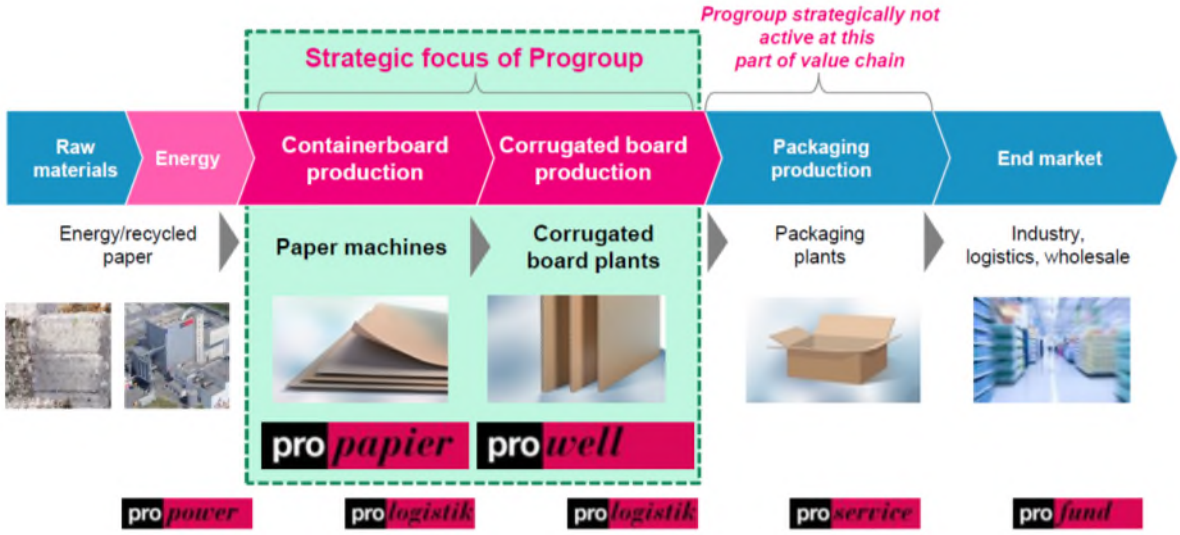
Over the past two decades since our foundation, we have achieved leading market positions in the countries in which we operate. We are among the top four corrugated board producers in Europe (by production capacity) and our market share in our specific segment, the corrugated sheet market in Europe, is approximately 16%, according to an international industry consultant. In our core market segment, namely corrugated board sheets for small and medium-sized companies in Germany, Austria, Belgium, the Netherlands and the Czech Republic, we believe we are the market leader by production capacity and hold considerably higher market shares compared to our position in the overall European containerboard and corrugated board market. In containerboard production, we also have a market share of approximately 4% by production capacity, according to the same international industry consultant.

Unlike many of our competitors, who grew historically over many decades or had to integrate production infrastructures inorganically through acquisitions, we differentiate ourselves with a well-invested asset base and high-quality, complementary, modern and strictly aligned, high capacity production facilities placed purposefully in strategic locations. The CHP Acquisition will allow us to further expand our asset base with a tailor-made power plant that was specifically designed to meet the steam requirements of our paper machine PM2.

BUSINESS

OUR COMPANY

We are a leading, family-owned producer and supplier of containerboard and corrugated board in Central Europe and are headquartered in Landau, Germany. We believe we are the fourth largest producer of corrugated board in Europe (by production capacity) through our Prowell business ("**Prowell**") and the sixth largest producer of recycled containerboard in Europe (by production capacity) through our Propapier business ("**Propapier**"). We focus on the highly efficient production and processing of standardized grades and customized 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 in Germany, Austria, Belgium, the Netherlands and the Czech Republic. 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, *i.e.* 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 compete with our box manufacturing customers but instead focus solely on the production of containerboard and corrugated board.



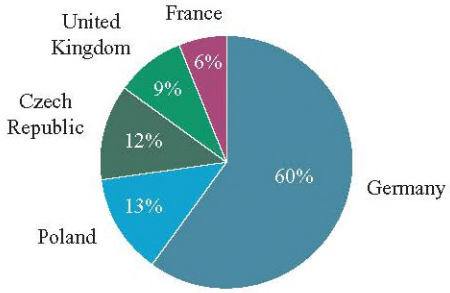
Through our large scale and highly flexible production, built up primarily via a greenfield approach, we are able to realize significant economies of scale. Since we commenced operations in 1992, we have carefully selected the locations of our production sites and have grown organically by pursuing primarily a 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 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 2014 and in the first nine months of 2015, 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 create significant synergies for our business. In addition, our customers benefit from our integrated approach through short lead times, just-in-time delivery and online ordering and tracking options.

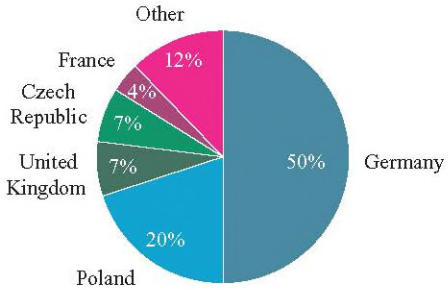
Propapier manufactures containerboard at our two paper mills in Germany, with an envisaged total annual production capacity of approximately 1,100,000 tons of containerboard. Our two paper machines, PM1 in Burg and PM2 in Eisenhüttenstadt, have complementary production layouts which allow us to produce brown containerboard with grammages between 60-230g/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 eight corrugated board production sites in the Czech Republic, France, Germany, Poland and the United Kingdom, with a total annual production capacity of approximately 990,000 tons of corrugated board. Our historic greenfield location strategy ensures close customer proximity and high production flexibility. As part of our historic greenfield location strategy and to secure a reliable supply of energy to our paper machine PM2 at clearly defined prices, we entered into framework and ancillary agreements with EnBW for the construction and operation of the CHP adjacent to our paper mill in Eisenhüttenstadt. The CHP is currently owned by EnBW Propower GmbH ("**EnBW Propower**"), a wholly-owned, indirect subsidiary of EnBW. As described in more detail below, on December 2, 2015, we entered into the CHP Purchase Agreement for the proposed acquisition of EnBW Propower, the CHP and certain related assets. As a result thereof, we would start producing a significant portion of the energy required for the operation of our paper machine PM2 ourselves.

In 2014, we sold approximately 789,000 tons of corrugated board and approximately 392,000 tons of containerboard to external customers across Europe, generating external sales of €508.7 million (76.9% of total sales) and €142.8 million (21.6% of total sales), respectively. Our total sales and EBITDA in 2014 amounted to €661.3 million and €125.1 million, respectively. Sales in Germany (origin), our core market, accounted for 60.4% of total sales and 50.4% of sales by volume in 2014.

Sales by Origin in 2014



Volume by Destination in 2014



Primarily to support our core business, Propapier and Prowell, we have established our own logistics operations, including a fleet of currently 57 trucks ("**Prologistik**"), which generated most of our €9.9 million in other sales (1.5% of total sales) in 2014. We also provide marketing, communication and IT services, again primarily to support Propapier and Prowell ("**Proservice**"). Proservice did not generate any external sales in 2014 or the first nine months of 2015 and does not have any significant assets or liabilities, but provides value-add services to our customers.

Founded in 1991, we are indirectly majority-owned by Jürgen Heindl, our founder and chief executive officer.

OVERVIEW OF THE CHP ACQUISITION

On December 2, 2015, Progroup AG, Propapier PM2 GmbH, EnBW and its subsidiaries Sales & Solutions GmbH ("**SSG**"), EnBW Propower GmbH ("**EnBW Propower**") and EZG Operations GmbH ("**EZG**") entered into a purchase, assignment and transfer agreement (the "**CHP Purchase Agreement**") for the proposed acquisition by Progroup AG of EnBW Propower, the combined heat and power plant adjacent to our paper mill in Eisenhüttenstadt, Germany (the "**CHP**"), and certain related assets (such acquisition, the "**CHP Acquisition**") for an aggregate purchase price (subject to customary post-closing adjustments) of €183.9 million.

EnBW Propower GmbH and the CHP

The CHP is one of Germany's largest combined heat and power plants with an annual consumption of approximately 350,000 tons of refuse-derived fuels.

The CHP commenced operations in 2011 and is currently owned by EnBW Propower, an indirect subsidiary of EnBW. It was specifically designed to meet the steam requirements of our paper machine PM2 (the "**PM2**"). Under normal operating conditions, the CHP supplies 100% of the steam requirements of the PM2, but as a back-up solution during maintenance or other shutdowns of the CHP, a nearby power plant in Eisenhüttenstadt is used as an alternative steam supplier. The CHP has historically supplied approximately 84% of the total steam requirements of the PM2 on an annual average basis. To increase the share of the total steam requirements of the PM2 supplied by the CHP and to minimize the need for an external steam supply, we try to coordinate any scheduled maintenance shutdowns of the CHP and the PM2 as much as practicable. The electricity produced by the CHP is sold directly to the public electricity grid and mitigates the costs of our electricity purchases.

The CHP primarily uses processed household and commercial waste as well as rejects from our recycled paper processing operations and other refuse-derived fuels as fuel to heat a fluidized bed boiler (*Wirbelschichtkessel*) to meet base load requirements. To be able to meet peak load requirements, the CHP also has a large water boiler (*Grossraumwasserkessel*) which can be heated using fuel oil. Fuel oil is also used for starting up (*Anfahren*), shutting down (*Abfahren*) or co-firing (*Stützfeuerung*) the fluidized bed boiler.

EnBW Propower was originally established as a wholly-owned subsidiary of JH-Holding, our parent company and controlling shareholder. On December 18, 2008, all shares in EnBW Propower were transferred to EnBW Energy Solutions GmbH, a wholly-owned subsidiary of EnBW. At the time of the transfer, JH-Holding had already completed most of the design and planning stages for the CHP, but financial constraints at the time led us to enter into the existing contracting arrangement with EnBW for the financing, contruction and operation of the CHP. The CHP commenced commercial operations on April 15, 2011, and in 2013, EnBW Energy Solutions GmbH merged into SSG.

EnBW Propower currently owes EnBW approximately €126 million pursuant to an intra-group loan (the "**EnBW Intra-Group Loan**"). In addition, SSG owns the network access ports linking PM2 to the public electricity grid (the "**Network Access Ports**"). As part of the CHP Acquisition, we will also acquire the EnBW Intra-Group Loan and the Network Access Ports.

The CHP is currently operated and maintained by approximately 38 employees (the "**CHP Employees**"), which are employed by EZG, an indirect, wholly-owned subsidiary of EnBW.

Economic Rationale for the CHP Acquisition

Under the existing contracting arrangement with EnBW, we are already closely involved in the operation of the CHP and already bear a significant portion of the economic risks associated with the operation of the CHP. For example, under the existing contracting arrangement with EnBW, we are already responsible for supplying refuse-derived fuels and other fuels to the CHP, and we also bear the costs of disposing of the ash (*Ascheentsorgung*) generated by the CHP.

As of September 30, 2015, we had remaining (off-balance sheet) obligations of approximately €229 million under the contracting arrangement with EnBW. Under the existing contracting arrangement, we are required to make certain fee payments to EnBW, including approximately €42 million in annual payments as follows:

- annual payments of approximatley €30 million (*Grundpreis I*), which are the equivalent of capital charges for the CHP and which include both a repayment component and an interest component with an implied interest rate of 10.4%;
- a flat annual fee of approximately €10 million (*Grundpreis II*) to cover the general operating costs of the CHP, including personnel expenses, repair and maintenance costs as well as insurance costs; and
- annual payments of approximately €2 million pursuant to the Network Access Agreement, which similarly include components that are the equivalent of capital charges for the use of the Network Access Ports (approximately €1.5 million) as well as a component that covers the general operating costs of the Network Access Ports (approximately €0.3 million).

We currently record all these payments under cost of materials. Under the existing contracting arrangement, the payments that cover the general operating expenses of the CHP and the Network Access Ports, respectively, are inflation-adjusted, and we are required to make these fee payments, irrespective of any scheduled maintenance shutdowns or unscheduled shutdowns that individually last for less than eleven days. For the period between 2012 and 2014, we have consequently already borne the economic consequences of between four and six weeks

of maintenance and other shutdowns of the CHP each year, including the costs of our back-up arrangement for the supply of production steam with the nearby power plant.

All these payment obligations will terminate upon termination of the existing contracting arrangement following the completion of the CHP Acquisition and, therefore, will no longer reduce our EBITDA and cashflow.

After the completion of the CHP Acquisition, we estimate that we will make approximately €19 million in corresponding annual payments consisting of:

- approximately €12-13 million for personnel expenses, repair and maintenance costs and insurance costs, compared to the flat annual fee of approximately €10 million (*Grundpreis II*) we are currently charged under the contracting arrangement with EnBW;
- approximately €1 million for certain capital investments; and
- interest expenses of approximately €5 million on the approximately €120 million of additional indebtedness we expect to incur to finance a portion of the purchase price for the CHP Acquisition, including through drawings under the Senior Secured PLN Facility.

This implies potential annual net cash savings as a result of the CHP Acquisition of up to €23 million.

However, there can be no guarantee that our actual annual cash savings as a result of the CHP Acquisition will match these estimated cash savings or that we will be able to realize any cash savings as a result of the CHP Acquisition at all. In particular, following completion of the CHP Acquisition, we will bear certain additional risks associated with the ownership and operation of the CHP that are currently being borne by EnBW. For example, there can be no guarantee that the actual annual personnel expenses, repair and maintenance costs and insurance costs for the CHP will not be higher than our current estimate of approximately €12-13 million, that these expenses will not increase further in the future or that the actual requirements for capital investments per annum will not be higher than our current estimate of approximately €1 million. In addition, the estimated cash savings described in the preceeding paragraph do not reflect any potential tax effects from the CHP Acquisition, any potential future increases in the working capital requirements for operating the CHP. Actual interest expenses from debt incurrence may also be higher than our current estimate. Furthermore, following completion of the CHP Acquisition, we will become directly responsible for, and will bear all risks related to, the ownership and day-to-day operation of the CHP, which includes the risk of unexpected repair costs, the risk of any shutdowns of the CHP, the operational risks associated with the disposal of the ash generated by the CHP (*i.e.*, that we are unable to procure the proper disposal of the ash and may therefore be forced to shut down the CHP) as well as certain other operational and regulatory risks. The approximately €12-13 million for personnel expenses, repair and maintenance costs and insurance costs also do not represent all of the annual operating expenses for the CHP. In particular, they do not include certain costs and expenses we already bear under the existing contracting arrangement with EnBW, such as the costs of fuel oil and the costs of ash disposal. There can be no guarantee that those other operating expenses will not also increase in the future. Finally, there can be no guarantee that we will not be required to make additional capital investments in the CHP in excess of the approximately €1 million in expected annual capital investments described above. See also "*Risk Factors–Risks related to the CHP Acquisition*".

The CHP Purchase Agreement and Transitional Services Agreement

Pursuant to the CHP Purchase Agreement, the CHP Acquisition will be effected by way of (i) a transfer by SSG to Progroup AG of all shares in EnBW Propower, (ii) a transfer by SSG to Propapier PM2 GmbH of the Network Access Ports, (iii) a transfer by EnBW to Propapier PM2 GmbH of all rights under the EnBW Intra-Group Loan and (iv) a transfer to EnBW Propower of certain spare parts for the CHP. Immediately after the transfer of the EnBW Intra-Group Loan to Propapier PM2 GmbH on the CHP Acquisition Completion Date, Progroup AG will assume (*schuldbefreiende Schuldübernahme*) all liabilities under the EnBW Intra-Group Loan from EnBW Propower, and Progroup AG and Propapier PM2 GmbH will amend the EnBW Intra-Group Loan to prohibit any pre-payment or re-payment of the EnBW Intra-Group Loan for a period of 18 months following the CHP Acquisition Completion Date (as defined below).

In addition, as a result of the transactions contemplated by the CHP Purchase Agreement, EnBW Propower will become the operator of the CHP, as a result of which all rights and duties under the existing employment relationships with the CHP Employees will, by operation of law, automatically be transferred to EnBW Propower, including all obligations and liabilities with regard to any accrued pension, holiday and bonus

entitlements as well as social security contributions, voluntary health insurance premiums and overtime payments/accounts owed to or on behalf of the CHP Employees by EZG under the relevant employment agreements and/or collective bargaining agreements, in each case, except with regard to any CHP Employees that timely object to the transfer of their employment relationship. Under the CHP Purchase Agreement, EZG agrees to hold EnBW Propower harmless for any such obligations or liabilities relating to the time prior to the transfer, while EnBW Propower agrees to hold EZG harmless for any such obligations or liabilities relating to the time after the transfer.

In connection with the entry into the CHP Purchase Agreement, Progroup AG has also entered into a transitional services agreement with EnBW (the "**Transitional Services Agreement**") intended to ensure the uninterrupted operation of the CHP for a transitional period after the date on which the CHP Acquisition becomes effective in accordance with the terms of the CHP Purchase Agreement (the "**CHP Acquisition Completion Date**"), which is expected to be December 31, 2015.

For more detail, see "*The CHP Acquisition*".

OUR STRENGTHS

We believe we benefit from the following competitive strengths.

Differentiated business model with leading market positions in attractive market environment

Our founder, Jürgen Heindl, designed a business model differentiating us from our competitors. Through our strategic value chain positioning in containerboard and corrugated board production only, we do not compete with our targeted customers, who are primarily family-owned, small-and medium-sized businesses. Our core customers focus on packaging solutions for the end-customer and typically do not have their own corrugated board production capability. Many of our competitors are fully integrated and focus on serving larger end-customers in large batch sizes, including global consumer corporates. Our differentiated business model allows us to serve a higher number of customers, process a higher number of orders and maintain higher production volumes per production site (up to 350 million square meters per annum), thereby generating economies of scale. We are solely focused on the production process as opposed to many of our competitors, who also focus on more complex and customer-specific packaging requirements for a smaller number of larger customers and, hence, only have an average production output of typically 70-80 million square meters per production site per annum.

Over the past two decades since our foundation, we have achieved leading market positions in the countries in which we operate. We are among the top four corrugated board producers in Europe (by production capacity) and our market share in our specific segment, the corrugated sheet market in Europe, is approximately 16% according to an international industry consultant. In our core market segment, namely corrugated board sheets for small and medium-sized companies in Germany, Austria, Belgium, the Netherlands and the Czech Republic, we believe we are the market leader by production capacity and hold considerably higher market shares compared to our position in the overall European containerboard and corrugated board market. In containerboard production, we also have a market share of approximately 4% by production capacity, according to the same international industry consultant.

While we believe our differentiated business model, high reliability and quality of product supply, significant scale, internal sourcing and geographic coverage provide us with a competitive advantage in our core market segment, we also benefit from attractive market fundamentals of the overall industry.

The paper and packaging industry is experiencing overall growing demand from industrial economies in Central Europe, and we believe that Germany and Central Europe, our key markets, provide a positive economic outlook. From a product perspective, the increasing significance of light-weight paper and packaging solutions as well as small-size packaging and the increasingly online and mail order-driven retail sector is expected to further stimulate packaging growth. We believe our modern production facilities, particularly PM2, which is capable of producing light-weight paper grades economically on a commercial scale, position us well to benefit from these growth trends in the industry. Furthermore, production is driven by the strong increase in demand from emerging economies, where production and packaging standards are adapting to the standards of developed countries, from which we also benefit with our production in Poland and the Czech Republic.

Uniquely designed, best-in-class and strategically located, low-cost production asset base built up via greenfield strategy

Since our foundation in 1991, we have carefully designed and selected our production operations and locations via a dedicated greenfield strategy to establish highly efficient, flexible and technologically advanced production facilities, which were ahead of the existing market standard at the time.

Designing our production set-up primarily via a greenfield strategy allowed us to invest in the best available production specifications and optimize the alignment and compatibility of our paper machines, PM1 and PM2, with our corrugated board production machines. The 2.5m, 2.8m and 3.3m trim widths of our various corrugated board plants can be very efficiently combined with the 5.8m trim width of PM1 (2 × 2.8m or 2.5m + 3.3m) and the 10.2m trim width of PM2 (4 × 2.5m or 3 × 3.3m), resulting in low volumes of cutting scrap and higher productivity.

Our corrugated board production sites have been purposefully located approximately 500 kilometers from each other. This footprint ensures close customer proximity with full regional coverage of our customers and limited overlap to limit the transportation distance in most circumstances to 250-300 kilometers. Our strategic footprint also allows us to achieve high production flexibility and reliable just-in-time delivery with short lead times. Furthermore, we are able to serve our customers from different locations, thereby optimizing transportation costs and capacity utilizations on a plant-by-plant basis, which is coordinated centrally from our headquarters in Landau following a "one mill approach". We believe our location layout and organization give us a competitive advantage in terms of cost efficiency and customer orientation. On average, we serve approximately 50-80 customers per corrugated board production site and each of our production sites offers the entire range of customer services (e.g., 24 hour delivery and online ordering and tracking).

We believe that all of our plants are equipped with state-of-the-art technology, which is the foundation of our low-cost and efficient production. According to an international industry consultant, the asset quality of our paper machines is characterized as high and above comparable European containerboard and corrugated board producers. Performance metrics of PM1, such as capacity and technical age, are well above the industry average. PM2, which we believe to be among the world's most advanced paper machines for recycled super-light-weight paper and which specializes in the production of super-light-weight to medium-weight containerboard with grammages of 60-130g/m^2, ranks best in class for all metrics and has set five new world records since its launch in 2010.

Unlike many of our competitors, who grew historically over many decades or had to integrate production infrastructures inorganically through acquisitions, we differentiate ourselves through our well-invested asset base and high-quality, complementary, modern and strictly aligned, high capacity production facilities placed purposefully in strategic locations. The CHP Acquisition will allow us to further expand our asset base with a tailor-made power plant that was specifically designed to meet the steam requirements of our paper machine PM2.

Strong, diversified and long-standing customer base

We have long-standing relationships with many of our customers, some of which date back to the start of our operations in 1992. We have grown with our large German customers as they have expanded across Europe and have successfully entered into new relationships with key customers outside of Germany. We currently supply 350 to 400 different Prowell customers, with a strategic focus on family-owned, small and medium-sized companies. Our top five Prowell customers accounted for approximately 6%, 5%, 5%, 3% and 2%, respectively, of our total corrugated board sales, by tons, in 2014, while our top five external Propapier customers accounted for approximately 15%, 10%, 7%, 6% and 5%, respectively, of our total external containerboard sales, by tons, in 2014.

We believe that our ability to provide reliable delivery of high-quality, cost-effective and tailor-made products and being a family-owned business have enabled us to foster strong partnerships of mutual dependence with our mostly family-owned customers, operating as a fundamental part of their supply chains by improving inventory management, security of supply and customer service. Our strong customer relationships are reinforced through a combination of our geographic reach, our manufacturing and logistics excellence, and the limited availability of alternative suppliers with the capacity and geographic proximity to provide a competitive offering. At some of our corrugated board production sites, certain long-standing customers have established their own box manufacturing plants in immediate proximity to our site, either on our own land or on land adjacent to our site

(so-called "packaging park"). As a variation of this traditional packaging park model, we commenced production in October 2015 at our newest corrugated board production site (PW9) in Plössberg, Germany, which we established in immediate proximity to an existing packaging plant of our customer, Liebensteiner Kartonagenwerk, on land owned by our customer. As a further variation of the packaging park model, we entered into an agreement with one of our large customers in Eastern Europe on December 1, 2015 for the proposed establishment of a further corrugated board production site (PW10) on land we would purchase from our customer adjacent to the customer's existing packaging plant. The realization of this further packaging park project, however, is still subject to a number of conditions, including the receipt of planning permissions for the proposed new site by our customer.

All versions of the packaging park model help us to further strengthen our relationships with key customers and benefit both us and the relevant customers. The high level of integration between our own corrugated board production and the box production of our customers also made possible through the packaging park model creates a number of efficiencies and largely eliminates freight and other logistics costs between Prowell and our packaging park customers. Our packaging park customers also typically purchase a very high percentage (up to 100%) of their corrugated board requirements for the relevant box plant from us, which means predictable, high volume orders and consistently high utilization levels for the relevant corrugated board production sites. Index pricing arrangements with our packaging park customers ensure a predictable pricing mechanism for all parties. It typically takes approximately two to three months for containerboard mills to pass on their raw material price increases to their customers, *i.e.*, manufacturers of corrugated board. In turn, the manufacturers of corrugated board generally attempt to raise prices to recover containerboard cost increases. It generally takes approximately two to three months for corrugated board manufacturers, including us, to pass these increases on to their customers.

Technology and innovation leader

There are general industry trends towards lighter and more functional packaging and towards a more efficient use of resources. The trend towards "light paper" (*i.e.*, containerboard) has been particularly strong in Germany and has been further strengthened by the increasingly online and mail order-driven retail sector, which is expected to further stimulate demand growth for light packaging solutions. We believe that we are particularly well-positioned to capitalize on these trends with our paper mill in Eisenhüttenstadt, Germany, which specializes in the production of super-light-weight to medium-weight containerboard with grammages of 60-130g/m^2. As demand for super-light-weight containerboard (with a grammage below 90g/m^2) is increasing, we believe that PM2 gives us a significant advantage over many of our competitors, both in terms of efficiency and product quality. In addition, we continuously work to improve our product designs, optimize the utilization of our assets and explore new ways to further reduce our input costs. In particular, we are focused on further reducing the use of fibre (*i.e.*, recycled paper) in our products as well as the amount of energy required for our production processes and the shipment of our products, in order to both maintain a competitive cost position in our industry and to reduce emissions and waste.

We have invested significantly in the development of a "green" range of "next generation" products working in close cooperation with BHS Corrugated GmbH, one of our equipment suppliers, and a team of researchers at the University of Applied Sciences (*Hochschule für angewandte Wissenschaften*) in Regensburg, Germany. We market these products under our own brands next fibre®, next board® and next box®. All of these product innovations involve the use of super-light-weight containerboard produced by our paper machine PM2 as well as innovative flute designs of our corrugated board formats, intended to further reduce raw material input and thereby further reduce weight, input costs and CO_2 emissions.

Committed shareholder and experienced management team

Our company was founded in 1991 by Jürgen Heindl, our chief executive officer and controlling shareholder. We believe his strong personal and long-standing financial commitment ensures our focus on stability, long- term value generation and prudent investment strategies. Jürgen Heindl's expertise is supported by a strong management team with extensive international industry experience, including within our Group. Our management team has impressively demonstrated its abilities by creating one of Europe's leading containerboard and corrugated board players in less than 25 years while withstanding economic downturns and restructurings.

OUR STRATEGY

Achieving further synergies through further integration and expansion

In the first nine months of 2015, containerboard produced by Propapier accounted for approximately 80-85%, by volume, of the containerboard sourcing requirements of our corrugated board production within Prowell. Containerboard sales to Prowell also accounted for approximately 66% of the total sales, by volume, of Propapier in the first nine months of 2015, a share which we intend to further increase, including through improved utilization of our existing corrugated board production sites and the addition of more corrugated board production capacity. With the launch of our newest corrugated board production site (PW9) in Plössberg, Germany, and the proposed realization of an additional packaging park project (PW10) as described below, we believe we have already taken significant steps towards achieving the optimum level of integration between Propapier and Prowell. We believe that further increasing the degree of vertical integration and making full use of the ability to internally source consistently high-quality containerboard in a cost-efficient and highly flexible manner will allow us to realize additional synergies for our business. At the same time, we believe that increasing the share of internal containerboard sales may help us stabilize or improve our overall Group margins by reducing our exposure to lower or more volatile margins (compared to corrugated board margins) of certain external containerboard sales. Our customers benefit from our integrated approach through short lead times, just-in-time delivery and online ordering and tracking options. Further vertical integration will allow us to further optimize our internal logistics and supply chain.

In continuation of our organic growth strategy, we intend to primarily achieve our goal of further vertical integration by pursuing further expansion opportunities via greenfield projects. We commenced production in October 2015 at our newest corrugated board production site (PW9) in Plössberg, Germany, and on December 1, 2015, we entered into an agreement with one of our large customers in Eastern Europe for the proposed establishment of a further corrugated board production site (PW10) adjacent to the customer's existing packaging plant, subject to the receipt of planning permissions and a number of other conditions. In addition, we have already bought a corrugated board production line from a competitor, which we have dismantled and put into storage. The relevant equipment meets our high technological standards and was manufactured by the same equipment manufacturer as the main equipment we have installed at our existing corrugated board production sites. We plan to install this additional corrugated board production line in 2016 or 2017 and, with this corrugated board production line ready to be deployed, will be able to respond to future expansion opportunities with a limited amount of additional capital expenditure.

Finally, while we have historically only grown organically, via greenfield projects, including the two packaging park projects (PW9 and PW10) described above, we are evaluating and will continue to evaluate opportunities to acquire attractive assets from competitors which would complement our existing network of production sites, further our goal of increasing our corrugated board production capacity and meet our other internal investment and financing criteria. In addition, in order to maintain and/or strengthen our relationships with certain large and long-standing customers, we will consider additional packaging park projects whereby we would establish corrugated board production sites at or in proximity to the packaging plants of the relevant customers.

With the launch of our corrugated board production site (PW9) in Plössberg and the proposed realization of another packaging park project with one of our large customers in Eastern Europe (PW10), we have already taken significant steps towards achieving our goal of further vertical integration.We will also consider opportunities to expand further our containerboard and corrugated production capacity in the mid- to long-term.

Maintain cost leadership through continuous efficiency and profitability improvements

In order to maintain profitability throughout the economic cycle, we have implemented a comprehensive profitability improvement program (the "**Continuous Improvement Program**") to ensure the long-term success of our Group. Our Continuous Improvement Program focuses on (i) improving the effectiveness of our sales and marketing activities, (ii) optimizing (*i.e.*, minimizing) our variable costs and (iii) stabilizing our specific fixed costs in order to achieve sales excellence and maintain our position as one of the cost leaders in our industry. Between 2012 and 2015, our main focus in connection with our goal of achieving sales excellence has been on (i) growing our external sales in excess of the general growth in market volumes (and thereby increasing our market share), (ii) maximizing the impact of the introduction of our "next generation" products into the market and (iii) optimizing our sales portfolio. As part of our efforts to optimize our variable costs, we have focused on (i) reducing our consumption of raw materials, (ii) optimizing our energy consumption and energy costs, especially at our paper mill in Eisenhüttenstadt, and (iii) reducing the purchase prices of our key

production factors, such as recycled paper, starch and freight services. Overall, we have met or exceeded our targeted benefits through our Continuous Improvement Program. We intend to continue to implement our Continuous Improvement Program and identify and realize further improvement opportunities. The proposed CHP Acquisition constitutes a significant further step in our efforts to optimize our cost structure as we expect to be able to significantly reduce our energy costs as a result of the CHP Acquisition. See "*Overview–The CHP Acquisition–Economic Rationale for the CHP Acquisition*".

HISTORY

Our Group was founded in 1991, when Jürgen Heindl, our controlling shareholder and chief executive officer, established PROWELL Papierverarbeitung GmbH and launched our first plant (PW1) for the production of corrugated board in Offenbach a. d. Queich, Germany, in the following year. From the beginning, we intended to focus on the highly-efficient production of small batch sizes of sheet board for small and medium-sized customers based on high technological standards. In 1996, a second corrugated board production site (PW2) was established in Douvrin, France, and, in 1998, a third corrugated board production site (PW3) was launched in Burg, Germany.

Another key milestone in the development of our Group was the establishment of our first paper mill in Burg with our paper machine PM1 for the production of medium- to heavy-weight containerboard with grammages of 100-230g/m^2. At the time, PM1 introduced a number of new technological features, including a "2 gap former", a "drum pulper", a "speed sizer" and a closed water loop that minimizes the creation of waste water. PM1 represented a significant intermediate step towards the high-speed production of lighter containerboard.

In 2002 and 2005, respectively, we further expanded our corrugated board capacity by launching our fourth and fifth corrugated board production sites in Rokycany, Czech Republic (PW4) and in Schüttorf, Germany (PW5). The corrugators at those two production sites have a width of 3.3 meters, which represented a new technology standard for the industry at the time and resulted in significant productivity gains. In 2007, we established Europe's largest corrugated board production site in Offenbach a. d. Queich, Germany (PW6), replacing the original PW1 facility at the same site. In 2009, we realized another two greenfield projects with the construction of our corrugated board production sites in Strykow, Poland (PW7) and Ellesmere Port, United Kingdom (PW8).

Also in 2009, we commenced construction of our second paper mill in Eisenhüttenstadt, Germany, with our paper machine PM2 commencing production of super-light-weight to medium-weight containerboard in March 2010. To secure a portion of the necessary funding for our €420 million investment in our paper machine PM2, we raised additional equity in 2008 and 2009. In particular, Jürgen Heindl established JH-Holding, our controlling shareholder, in 2007. JH-Holding entered into the Former JH-Holding Facility and used a portion of the proceeds from its borrowings under the Former JH-Holding Facility to subscribe for additional shares in Progroup AG. In addition, Progroup AG issued preference shares to BWK GmbH Unternehmensbeteiligungsgesellschaft.

To secure a reliable supply of energy to our paper machine PM2, we entered into certain framework and ancillary agreements with EnBW Propower GmbH and its parent company Sales & Solutions GmbH (formerly EnBW Energy Solutions GmbH) in 2008 for the construction and operation of the CHP adjacent to our paper mill in Eisenhüttenstadt. The CHP commenced operation in 2011.

In July 2014, we announced a strategic investment in the construction of our latest corrugated board production site (PW9) in Plössberg, Germany adjacent to and connected with a packaging plant of our customer Liebensteiner Kartonagenwerk. This newest site commenced operations in October 2015. At our corrugated board productions sites in Burg, Offenbach and Schüttorf, some of our customers have established their own production sites in close proximity to, or even on, our production sites. With our newest corrugated board production site (PW9), we are following our customer and setting up our facility at the existing site of a customer.

In April 2015, we refinanced all then outstanding amounts under our Former Senior Credit Facility with the proceeds from the issuance of our Senior Secured Notes and also entered into the Super Senior Revolving Credit Facility. In addition, concurrently with the issuance of the Senior Secured Notes, JH-Holding Finance SA, a newly incorporated finance subsidiary of JH-Holding, Progroup AG's direct controlling shareholder, issued the PIK Toggle Notes, primarily to fund the acquisition of all rights under the Former JH-Holding Facility and to fund the acquisition of all preference shares in Progroup AG then held by BWK GmbH

Unternehmensbeteiligungsgesellschaft. For more information about the Refinancing, please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations–Key Factors Affecting our Results of Operations–The Refinancing*".

In 2007, we reorganized our corporate structure in order to streamline our organization and to better align our corporate structure with our business activities. Since then, Progroup AG has been the management holding company for our Group, responsible for centrally managing our business operations:

- **Progroup** refers to the centralized management and administration of the Group by Progroup AG from our headquarters in Landau, Germany.
- **Propapier** encompasses our containerboard production at our two paper mills in Burg and Eisenhüttenstadt (both located in Germany).
- **Prowell** encompasses our corrugated board production at our eight production sites in the Czech Republic, France, Germany, Poland and the United Kingdom.
- **Prologistik** encompasses our own logistics operations, including a fleet of trucks we operate primarily to service the business operations of Propapier and Prowell.
- **Proservice** provides marketing, communication and IT services in support of Propapier and Prowell.
- **Profund** has, at times, supported Prowell customers in obtaining funding for their own expansion projects.

Upon completion of the acquisition of EnBW Propower GmbH as part of the CHP Acquisition, which is expected to occur on or about December 31, 2015, we will finally start producing a significant portion of the energy required for the operation of our paper machine PM2 ourselves.

The following is a brief description of our core business units, Propapier and Prowell.

PROPAPIER

Propapier encompasses our containerboard production at our two paper mills in Burg and Eisenhüttenstadt, with a total annual production capacity of approximately 1,050,000 tons of containerboard. Our two paper machines, PM1 in Burg and PM2 in Eisenhüttenstadt, are complementary to each other due to different production layouts and allow us to produce brown containerboard with grammages between 60 - 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 our corrugated board production sites.

The focus of Propapier's operations is highly flexible containerboard production, with high output volumes to increase cost efficiency and short delivery times. During 2014, containerboard produced by Propapier accounted for approximately 80-85%, by volume, of the containerboard sourcing requirements of our corrugated board production within Prowell. Containerboard sales to Prowell also accounted for approximately 66% of the total sales, by volume, of Propapier in 2014, a share we hope to be able to further increase over time, including through further improved utilization of our existing corrugated board production sites and the addition of more corrugated board production capacity. We believe that doing so will allow us to realize further potential synergies and other benefits from making full use of the ability to internally source consistently high-quality containerboard in a highly flexible manner. At the same time, we believe that increasing the share of internal containerboard sales may help us to stabilize or improve our overall Group margins by reducing our exposure to lower or more volatile margins (compared to corrugated board margins) of certain external containerboard sales. Certain containerboard grades we have to buy because we cannot produce it.

In 2014, our Propapier operations generated €143 million in external sales, which represented 21.6% of our total sales. The majority of these external containerboard sales were generated under one-year contracts with packaging customers. The remainder of our external containerboard sales in 2014 was generated through spot market and multi-year supply agreements. Our external containerboard customers include both other producers of corrugated board as well as commodity traders. In 2014, our five largest Propapier customers accounted for approximately 43% and our ten largest Propapier customers for approximately 58% of our external containerboard sales by volume.

Paper Machine PM1

Launched in 2001, our paper machine PM1 marked the start of the Group's vertical integration into the production of containerboard. With a trim width of 5.8 meters, it produces medium- to heavy-weight containerboard with grammages of 100-230g/m^2 using recycled fibre and, to a small extent, virgin fibre. At the time of its launch in 2001, we believe that PM1 was the world's technologically most advanced containerboard paper machine setting new technology standards, including with the use of a closed water cycle, thereby minimizing the creation of waste water. Through a series of investments and optimization measures since its launch, we have been able to significantly improve the annual capacity of PM1 from approximately 287,000 tons of containerboard in 2001 to approximately 400,000 tons in 2014. In addition, since the launch of our paper machine PM2, we further developed PM1 towards the production of heavier paper grades (*i.e.*, grammages of 100-230g/m^2), including testliner, kraftliner, proliner K, fluting paper and promedium S.

Paper Machine PM2

Launched in 2010, our paper machine, PM2, is calibrated to produce super-light-weight to medium-weight containerboard, including testliner and fluting paper, with grammages of 60-130g/m^2 using almost exclusively recycled fibre. We believe that PM2 is among the world's most advanced paper machine based on trim width and designed speed. This allows us to set new industry standards with respect to raw material efficiency, cost leadership as well as containerboard and corrugated board design. With its ability to produce super-light-weight paper grades, PM2 helps us to reduce consumption of recycled paper. For more information about our range of "next generation" products, including next fibre® and next board®, see "*—Sustainability Focus; Research and Development*" below. With a trim width of 10.2 meters, PM2 has an annual containerboard capacity of approximately 650,000 tons, and since its launch in 2010, PM2 has set five new world records for production speed of various lightweight paper grades. We believe that PM2 enables us to generate significant savings in fibre input, which is essential to our ability to improve our competitive position and future profitability.

PROWELL

Prowell encompasses our production of high-quality corrugated board at our eight production sites in the Czech Republic, France, Germany, Poland and the United Kingdom, with a total annual production capacity of approximately 990,000 tons of corrugated board.

More than 50% of our total corrugated board production capacity is located in Germany where we have a total annual corrugated board production capacity of approximately 530,000 tons at four different production sites. Our German corrugated board production sites primarily serve the German market. Our production site in Douvrin, France, has an annual corrugated board production capacity of approximately 80,000 tons and primarily serves markets in France and in the Benelux countries.

Our plants in Rokycany, Czech Republic and Strykow, Poland are well-positioned to serve Eastern European markets. Our Rokycany site has an annual corrugated board production capacity of approximately 140,000 tons and our site in Strykow has an annual corrugated board production capacity of approximately 155,000 tons.

Our corrugated board production site in Ellesmere Port, United Kingdom has an annual corrugated board production capacity of approximately 85,000 tons and serves the UK market.

Since the establishment of our Group, we have planned and developed our production sites primarily as greenfield projects and, more recently, as packaging park projects to ensure the optimal geographic location as well as a high technological standard for each site. Our Prowell operations focus on the efficient and flexible production of customized small batch series, with a high degree of automation at all our production sites, both with respect to the production process itself as well as order handling. We believe we offer significant added value to our customers by offering fully automated online ordering, reliable and just-in-time delivery within 24 hours for selected products and online order tracking. For more information, see "*—Information Technology and Process Management*".

Our range of Prowell corrugated board products includes all customary single-wall, double-wall and triple-wall flutes, and we have devoted significant time and efforts to developing a range of "next generation" products which feature reduced raw material consumption while maintaining or even improving technical specifications. For more information about these products, including next board® and next box®, see "*—Sustainability Focus; Research and Development*".

In 2014, our Prowell operations generated €509 million in sales or 77% of our total sales in 2014. We have established a strong and long-standing customer base, with some of our customer relationships dating back to the beginning of our operations in 1992. We have grown with our large German customers and have also successfully entered into new relationships with key customers outside of Germany. Today we supply 350 to 400 different Prowell customers. In 2014, our five largest Prowell customers accounted for approximately 22% and our ten largest Prowell customers for approximately 31% of our corrugated board sales by volume. The same year, our largest single customer generated approximately 6% of our total corrugated board sales by volume.

We have established long-term strategic business relationships with many of our largest corrugated board customers. We believe that our ability to provide reliable delivery of high-quality, cost-effective and tailor-made products and being a family-owned business have enabled us to foster strong partnerships of mutual dependence with our mostly family-owned customers, operating as a fundamental part of their supply chains by improving inventory management, security of supply and customer service. However, consistent with industry practice, our business relationships are not governed by long-term agreements with fixed prices and sales volumes.

We believe that our differentiated business model is particularly beneficial for many of our small to medium-sized customers with a decentralized production. For some of our larger customers that purchase a high percentage (typically 70% or more) of their corrugated board requirements from us, we offer predictable pricing for our corrugated board products through index pricing arrangements. In addition, at some of our corrugated board production sites, certain long-standing customers have established their own box manufacturing plants in immediate proximity to our site, either on our own land or on land adjacent to our site (so-called "packaging park"). As a variation of this traditional packaging park model, we commenced production in October 2015 at our newest corrugated board production site (PW9) in Plössberg in immediate proximity to an existing packaging plant of our customer, Liebensteiner Kartonagenwerk, on land owned by our customer. As a further variation of the packaging park model, we entered into an agreement with one of our large customers in Eastern Europe on December 1, 2015 for the proposed establishment of a further corrugated board production site (PW10) on land we would purchase from our customer adjacent to the customer's existing packaging plant. The realization of this further packaging park project, however, is still subject to a number of conditions, including the receipt of planning permissions for the proposed new site by our customer. All versions of the packaging park model help us to further strengthen our relationships with key customers and benefit both us and the relevant customers. The high level of integration between our own corrugated board production and the box production of our customers also made possible through the packaging park model creates a number of efficiencies and largely eliminates freight and other logistics costs between Prowell and our packaging park customers. Our packaging park customers also typically purchase a very high percentage (up to 100%) of their corrugated board requirements for the relevant box plant from us, which means predictable, high volume orders and consistently high utilization levels for the relevant corrugated board production sites. To ensure a predictable pricing mechanism for all parties, we also typically have index pricing arrangements with our packaging park customers.

In 2014, approximately 17% of our total volume sales by surface area were generated under index pricing arrangements with our customers. The prices under these arrangements are linked to a containerboard market price index. Although these arrangements generally do not involve minimum sales volumes, demand levels are typically stable and we are in regular contact with our customers to ensure we have reasonable visibility over sales volumes for the upcoming year. In addition, approximately 8% of our volume sales by surface area in 2014 were attributable to packaging park customers. Finally, customers accounting for approximately 56% of our volume sales by surface area in 2014 submitted their orders electronically and communicated directly with our IT systems via e-box, which offers those customers certain benefits in terms of order processing and tracking. It typically takes approximately two to three months for containerboard mills to pass on their raw material price increases to their customers, *i.e.*, manufacturers of corrugated board. In turn, the manufacturers of corrugated board generally attempt to raise prices to recover containerboard cost increases. It generally takes approximately two to three months for corrugated board manufacturers, including us, to pass these increases on to their customers.

PRODUCTION FACILITIES AND OTHER PROPERTIES

The following table provides an overview over our eight corrugated board production sites (PW2 - PW9) as well as our two paper mills (PM1 and PM2):

Site	Size (land)	Property owned/ leased	Approximate Annual Production Capacity (in tons)	Use
Douvrin, France (PW2).....	68,323 sqm	Owned	Production Capacity: 80,000	• Office space • Corrugated board production • Warehouse
Burg, Germany (PW3).....	53,807 sqm	Owned	Production Capacity: 130,000	• Office space • Corrugated board production • Warehouse
Rokycany, Czech Republic (PW4).....	126,704 sqm	Owned	Production Capacity: 140,000	• Office space • Corrugated board production • Warehouse
Schüttorf, Germany (PW5).....	131,581 sqm	Owned	Production Capacity: 140,000	• Office space • Corrugated board production • Warehouse/high rack warehouse
Offenbach/Queich, Germany (PW6).....	145,306 sqm	Owned	Production Capacity: 170,000	• Office space • Corrugated board production • Warehouse/high rack warehouse
Strykow, Poland (PW7).....	239,138 sqm	Owned	Production Capacity: 155,000	• Office space • Corrugated board production • Warehouses/high rack warehouse
Ellesmere Port, United Kingdom (PW8).....	19,313 sqm	Leased	Production Capacity: 85,000	• Office space • Corrugated board production • Warehouse
Plössberg, Germany (PW9)..... *(launched in October 2015)*	27,608 sqm	Leased	Production Capacity: 90,000	• Office space • Corrugated board production • Warehouse/high rack warehouse
Burg, Germany (PM1).....	235,522 sqm	Owned	Production Capacity: 400,000	• Office space • Containerboard production • Warehouse
Eisenhüttenstadt, Germany (PM2).....	256,125 sqm	Owned	Production Capacity: 650,000	• Office space • Containerboard production • Warehouse

PROCUREMENT/PURCHASING

Overview

Our most important purchasing items include recycled paper, containerboard, energy and freight, which collectively accounted for 72% of our total procurement volume in 2014 and 74% in the first nine months of 2015.

The following table sets forth the total cost in euros for each of these items in 2012, 2013 and 2014 and in the first nine months of 2014 and 2015, respectively:

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
	(unaudited) (€ in million)				
Recycled paper	135	132	128	99	94
Containerboard	62	76	92	62	79
Energy[1]	104	99	93	74	75
Freight	48	53	57	43	45

(1) In addition to the cost of electricity, gas and steam, energy also includes the cost of water and waste water treatment as well as income from passing through the cost of gas to Sales & Solutions GmbH and income from sales of refuse-derived fuel and fuel oil to EnBW Propower. Therefore, energy cost stated above differ from the energy cost shown as part of cost of materials.

Other procurement items, such as starch or maintenance services, accounted for an aggregate of €141 million in 2014 and €103 million in the first nine months of 2015.

Most of our procurement and purchasing activities are concentrated in a centralized purchasing organization at our headquarters in Landau, which is responsible for purchasing containerboard, freight services, energy as well as other supplies. In addition, our two paper mills in Burg and Eisenhüttenstadt have local purchasing departments that are responsible for "technical" purchases, including starch, chemicals, maintenance services as well as other technical supplies. Our local purchasing department at our paper mill in Eisenhüttenstadt also centrally handles all purchases of recycled paper for the Group. By centralizing many of our purchasing activities, we aim to maximize our purchasing power, while at the same time building a high degree of expertise. The markets and prices for the most important production costs in our business, such as containerboard, energy and recycled paper, are driven by international supply and demand and require Group-wide purchasing strategies in order to optimize results. Our strategies include a mixture of mid-term supply contracts and spot purchasing of raw materials.

The main raw material for the production of containerboard is recycled paper. As described above, all recycled paper for the Group is purchased centrally by our local purchasing department at our paper mill in Eisenhüttenstadt. In 2014 and in the first nine months of 2015, Propapier purchased a total of approximately 1,129,000 tons and 831,000 tons, respectively, of recycled paper from a broad portfolio of more than 50 suppliers. Prices for recycled paper have been highly volatile in the past. By improving our supplier portfolio management, we have been able to improve our average purchasing conditions in recent years. In making our purchasing decisions with respect to recycled paper, we can choose from a wide variety of suppliers. For the bulk recycled paper grades B12 and B19, we have entered into long-term supply agreements with a volume of 1,053,000 tons, which we expect to cover effectively all our related requirements. We purchase approximately 15% of our total recycled paper requirements under fixed volume contracts with a term of between one and four years and either fixed prices or index-linked prices. For approximately 45% of our total recycled paper purchases, we renegotiate prices on a monthly basis. Approximately 40% of our recycled paper purchases involve prices linked to relevant indices, such as Euwid or indices published by the German Federal Statistical Office (*Statistisches Bundesamt*).

The main input cost for our production of corrugated board is containerboard. In 2014 and the first nine months of 2015, Prowell purchased approximately 830,000 tons and 665,000 tons, respectively, of containerboard, approximately 77% and 76%, respectively, of which were supplied internally by Propapier. The remainder was purchased from a portfolio of approximately 25 external containerboard suppliers. External purchases of containerboard primarily involved purchases of kraftliner and white testliner. To reduce transportation costs for shipments of containerboard from our paper mills to our corrugated board production sites, we also enter into swap agreements with other containerboard producers from time to time. By maintaining a high share of internally sourced containerboard, we can ensure a consistently high quality of the containerboard we use, which has a positive impact on the operational performance of the equipment we use in our corrugated board

production processes. In addition, our own containerboard production capabilities at Propapier allow us to cater to the specific needs of our corrugated board production at Prowell.

Energy

The production of containerboard is very energy intensive. The operation of our two paper mills accounted for 91% of our total energy consumption in 2014, and the operation of our eight corrugated board productions sites accounted for most of the remainder. Electricity and steam are the primary forms of energy required for our production operations.

Notwithstanding increases in production volumes, our energy costs have declined in recent years for a variety of reasons, including (i) our efforts to reduce energy consumption, in particular with regard to PM2, (ii) falling energy prices, (iii) the optimization of our energy procurement processes, (iv) the optimization of the operating costs of the CHP adjacent to our site in Eisenhüttenstadt, in particular with regard to ash disposal, as well as (v) the full utilization of all available accommodations, credits and refunds under applicable energy laws and regulations. For more information about our energy management efforts, see "*—Sustainability Focus; Research and Development*".

In addition, the CHP adjacent to our site in Eisenhüttenstadt ensures a reliable, long-term supply of steam to PM2 at clearly defined prices under the current contracting arrangement with EnBW Propower GmbH, which expires in 2031 and is expected to be terminated upon completion of the CHP Acquisition. As a back-up solution for the supply of steam in case of a maintenance or other shutdown of the CHP, a nearby power plant in Eisenhüttenstadt can also supply steam to the PM2. The proposed CHP Acquisition constitutes a significant further step in our efforts to optimize our cost structure as we expect to be able to significantly reduce our energy costs as a result of the CHP Acquisition. See "*The CHP Acquisition–Current Supply Arrangement and Economic Rationale for the CHP Acquisition*". Other energy supply agreements we enter into typically have a maximum term of one year. For larger energy procurement quantities, we may make use of tranch models to contract for annual volumes at different times, for different tranches and prices of our total energy requirements and for different periods. This allows us to maintain a maximum amount of flexibility to respond to changing market conditions.

Freight/Logistics

At each step of our internal value chain and production processes, we coordinate and monitor complex logistics processes to ensure the efficient flow of materials and products. This includes the shipment of large rolls of containerboard from our two paper mills in Germany to our eight corrugated board production sites in the Czech Republic, France, Germany, Poland and the United Kingdom as well as the shipment of our finished corrugated board to our customers in the packaging industry (box plants).

We meet our freight and logistics requirements mainly through the use of external logistics companies and, to a much lesser extent, our own fleet of currently 57 trucks. Due to the relatively large size and weight of our products compared to value, freight and logistics expenses play an important role in the profitability of our business. The selection and commissioning of our external logistics partners is centrally organized by our logistics department in Landau, supported by our logistics specialists at Prologistik in Burg. With the exception of the holiday seasons, e.g., before Christmas, when there is a high demand for logistics services, in our experience, the market for logistics services has been characterized by overcapacity in recent years, allowing us to choose from a variety of logistics providers at competitive prices.

The support of our own team of logistics specialists at Prologistik also provides us with real-time insight into the latest developments in the market for transportation services, which allows us to strategically employ the use of our own fleet of trucks. In addition, our own fleet gives us the ability to cover temporary capacity constraints in the market. Other targeted optimization measures which have resulted in a reduction of related transportation costs include (i) the development of specialized transport cradles for our containerboard rolls, which allow for a more efficient use of the cargo hold of each truck, (ii) the hiring of trucks with cargo holds best suited for our transportation needs, (iii) improved journey planning and (iv) better coordination of loading and offloading times.

SALES AND MARKETING

Our sales team is tasked with achieving the sales, margin and volume targets defined by our management. A central element of our sales efforts is the provision of strong customer support for our existing customer base and the establishment and maintenance of strong relationships with purchasing managers and other key decision makers within our customers' organizations. Other key elements of our sales efforts involve winning new customers, especially in new markets, and the introduction of new products.

To ensure we meet the targets defined by our management, we have implemented a sales management system within our sales organization that is designed to monitor our performance against our volume targets. In addition, we have implemented a centralized pricing system to ensure a proper framework for achieving our sales and margin targets.

Our marketing team supports our sales team and provides it with market-focused concepts and a full set of marketing tools. In addition to supporting the Group-wide targets defined by our management, our marketing efforts are also aimed at further strengthening our product brands (e.g., propapier, prowell, prologistik, next fibre®, next board® and next box®) and maximizing their value.

A key condition for a consistent brand image is the presentation of a clear and consistent external appearance, which we try to ensure through a full package of coordinated marketing tools and marketing activities. We believe this also benefits our packaging customers, as it can help support their own product marketing with their end-customers.

In the first nine months of 2015, our sales and marketing teams employed an average of 40 full-time employees (32 in 2014).

INFORMATION TECHNOLOGY AND PROCESS MANAGEMENT

As described above, we principally generate revenue through the sale of containerboard and corrugated board. Our mills primarily sell the containerboard we produce to Group-owned converting operations and we sell our corrugated board to our third-party customers in the packaging industry. The operation of our production plants as well as our sales and service activities depend on the efficient and uninterrupted operation of complex and sophisticated computer, telecommunication and data processing systems.

Our value chain starts with recycled paper, which is the primary raw material in the production of containerboard. In managing our supply of raw materials, we need to constantly monitor our internal needs for containerboard, which we primarily meet through our own mills in Burg and Eisenhüttenstadt as well as, to a much more limited extent, third party containerboard producers.

Between each of the further steps along the value chain and our production process, we need to coordinate and monitor complex logistics processes to ensure the efficient flow of materials and products. This includes the shipment of large rolls of containerboard from our mills to our corrugated board plants at eight other locations in the Czech Republic, France, Germany, Poland and the United Kingdom as well as the shipment of our finished corrugated board to our customers in the packaging industry (box plants).

Our corrugated board plants process up to approximately 3,500 individual customer orders for corrugated board each day with a total volume of approximately 7 million square meters. At each plant, we prepare and load up to 90 truckloads of corrugated board every day.

Our IT infrastructure needs to be able to support all these processes, including by helping us to optimize:

- our use of raw materials (raw material management),
- our production planning and production control (minimization of cutting scrap),
- our warehouse management for both raw materials and finished products, as well as
- the coordination of loading and offloading times.

In the first nine months of 2015, approximately 65% of purchase orders for corrugated board from our Prowell customers were received electronically (64% in 2014), and all material core processes, which need to be

coordinated and timed efficiently to ensure the smooth and efficient operation of our production processes, are being controlled by our central WEPAFORM-server and by local WEPAFORM servers at each plant.

WEPAFORM is our proprietary core ERP system we use across the Group and which implements our internal know-how in the form of best practices and rules of conduct. The functionality of WEPAFORM covers all our core processes, including order processing, raw materials planning, production planning, production control as well as warehousing, shipment and invoicing. WEPAFORM implements both the rules of conduct of our individual departments as well as those rules of conduct that apply Group-wide, which ensures the implementation of our Group-wide business strategies.

For example, in response to a requested delivery date in a customer purchase order, we try to automate, as much as possible, the confirmation of the actual delivery date for products covered by the relevant order. This actual delivery date will be determined based on a combination of factors, such as optimal route planning (including with regard to offloading times and punctuality) as well as optimal production planning (*i.e.*, feasibility and minimization of cutting scrap). This determination, in turn, will take account of all other pending orders at the time as well as the availability of freight options. All these complex determinations are controlled and automated through WEPAFORM.

While all our core processes are covered by our proprietary WEPAFORM system and we use e-box for electronic communications with our Prowell customers, we also use a number of additional software applications to support other business processes, including standard non-proprietary applications for accounting (SAP), payroll processing (LOGA) and equipment maintenance (MAXIMO).

To support the various software applications we use within the Group, including WEPAFORM, we operate our own data centers. Our main data center is located in Offenbach a.d. Queich, Germany, and is connected to our headquarters in Landau, Germany, with a dedicated line. All our German sites are connected via leased MPLS lines to our main data center, while our foreign production sites are connected to our main data center via VPN over the Internet. At our site in Burg, Germany, we operate a local area network (LAN) which connects our local containerboard (Prowell), corrugated board (Propapier) and logistics operations (Prologistik) and which, in turn, is connected to our main data center via leased MPLS lines. To reduce the risk of a disruption of individual Internet connections between our various facilities and our main data center, we maintain alternative back-up Internet routes for each facility. To host our software applications, we use ESX-Server farm based on NETAPP Storage systems. Relevant software applications are made available remotely to all users with the Progroup network via CITRIX XenApp.

In the first nine months of 2015, our IT department employed an average of 15 employees (15 in 2014), including management positions, team leaders, administrative assistants and software developers. In addition, we worked with four external IT consultants and, with regard to the non-proprietary applications we use, cooperated with the relevant software developers and their partners. Given the strong reliance of our business on information technology, the success of our business depends on our continuing ability to attract and retain qualified IT personnel in the long-term, which has been challenging in the past given an increasing shortage of qualified personnel, especially in Germany.

SUSTAINABILITY FOCUS; RESEARCH AND DEVELOPMENT

Promoting the sustainability of our core businesses, *i.e.*, the production of containerboard and corrugated board, has been a key priority for our Group, not only from an environmental perspective, but also as a matter of pure economic necessity. Containerboard cannot generally be differentiated by producer, and this standardization has led to intensified price competition within our industry. In addition, our operating results are significantly impacted by the containerboard and corrugated board industry's historical cyclical pattern, with periods of overcapacity and resulting pressure on the pricing of our products. These pressures can be further exacerbated by significant volatility in our key input costs, in particular the cost of recycled paper, energy costs and freight costs.

As a result, we are forced to continuously improve our product designs, optimize the utilization of our assets and explore new ways to further reduce our input costs. In practice, this means that we are undertaking significant and ongoing efforts to further reduce the use of fibre (*i.e.*, recycled paper) in our products as well as the amount of energy required for our production processes and the shipment of our products, which helps us both to maintain a cost leadership position within our industry (with the goal of safeguarding our profit margins) and to help the environment by reducing our CO_2 footprint.

As a result of the factors described above, we believe there are general "mega trends" towards lighter and more functional packaging and towards a more efficient use of resources. The trend towards "light paper" (*i.e.*, containerboard) has been particularly strong in Germany and has been further strengthened by high growth rates in e-commerce, which have led to an increase in demand for light and safe packaging solutions.

We believe that we are particularly well-positioned to capitalize on these trends with our paper mill in Eisenhüttenstadt, Germany (PM2), which specializes in the production of super-light-weight to medium-weight containerboard with grammages of 60-130g/m^2. With regard to the production of super-light-weight containerboard (with a grammage below 90g/m^2), which is currently particularly sought-after in the market, we believe that our paper machine PM2 gives us a significant advantage over many of our competitors, both in terms of efficiency and product quality. We believe PM2 is among the world's most advanced paper machine for recycled super-light-weight paper and has set five new world records since its launch in 2010. Our subsidiary Propapier PM2 GmbH, which operates our paper mill in Eisenhüttenstadt, is certified under the Eco-Management and Audit Scheme ("**EMAS**"), a voluntary scheme set up by the European Union that is designed to help companies to continuously improve their environmental performance. The EMAS certification of Propapier PM2 GmbH also carries several advantages for our business. Among other advantages, it (i) results in simplified reporting obligations under the German Federal Emission Law (*Bundesimmissionsschutzgesetz*, "**BImSchG**"), (ii) allows us to take advantage of certain accommodations and credits under the German Renewable Energy Law (*Erneuerbare Energien Gesetz*, "**EEG**") and the German Co-Generation Law (*Kraft-Wärme-Kopplungsgesetz*, "**KWKG**"), (iii) serves as the basis for certain energy tax refunds in Germany, (iv) allows us to take advantage of certain fee discounts in connection with certain regulatory approval processes in Germany, and (v) generally improves our corporate image as an "eco-friendly" company. The current EMAS certification for our mill in Eisenhüttenstadt is valid until July 4, 2017.

To support the EMAS certification of Propapier PM2 GmbH as well as other environmental certifications and to generally improve our energy management, we have implemented energy management systems ("**EnMS**") at our two paper mills in Eisenhüttenstadt and Burg, the operation of which is particularly energy intensive, as well as at our corrugated board production sites in Burg, Germany (PW3), Schüttorf, Germany (PW5) and Offenbach a.d. Queich, Germany (PW6). We also currently plan to implement EnMS at our production sites in Douvrin, France (PW2), Rokycany, Czech Republic (PW4), Strykow, Poland (PW7), Ellesmere Port, United Kingdom (PW8) as well as at our newest site in Plössberg, Germany (PW9). In addition to the advantages describe above, the implementation of EnMS at our various sites also has the following benefits for our business: (i) it helps us monitor compliance with applicable environmental regulations, (ii) increases the transparency of our internal production processes, (iii) enables a clear allocation of internal responsibilities and tasks, (iv) serves as the basis for potential efficiency improvements by helping us identify potential cost savings, and (v) reduces the risk of potential environmental liability. The containerboard produced by both our two paper mills is also certified by the Forest Stewardship Council (FSC).

In addition, we spent significant time, expense and effort developing a "green" range of "next generation" products working in a close cooperation with BHS Corrugated GmbH, one of our equipment suppliers, and a team of researchers at the University of Applied Sciences (*Hochschule für angewandte Wissenschaften*) in Regensburg, Germany, over a period of several years. We market the resulting products under our own brands next fibre®, next board® and next box®. All these product innovations involve the use of the super-light-weight containerboard produced by our paper machine PM2 as well as innovative flute designs / corrugated board formats.

Next fibre® is the brand under which we market a new generation of super-light-weight containerboard produced by our paper machine PM2. Our goal in developing this new generation of containerboard was to minimize the amount of fibre and energy used in its production, while at the same time maximizing its performance. The result of our efforts is a much lighter containerboard with consistently high paper homogeneity and a much optimized production process in terms of energy consumption, repulping and moisture monitoring. In addition, TÜV Rheinland, an independent German standards organization, certified significant reductions in the CO_2 footprint for our next fibre® containerboard, specifically a 52% reduction in CO_2 emissions per ton of paper produced compared to conventional containerboard. In addition, next fibre® containerboard features significantly more roll weight running meters per containerboard roll during transport as a result of the reduced weight, resulting in further reductions in CO_2 emissions by 11% and 24% for grammages of 90g/m^2 and 80g/m^2, respectively.

Next board® is the brand under which we market our new generation of corrugated board products produced with our next fibre® containerboard. Due to a combination of the use of the lighter containerboard and

innovative and improved flute designs and general board architecture, this range of corrugated boards is not only lighter than conventional corrugated board, but also offers our customers better performance characteristics, a better surface and printability, lower logistics costs and a better life-cycle assessment. The improvements due to the new board designs include edge crush resistance (ECT) values which are up to 15% higher compared to conventional corrugated board with the same weight / raw material content. Next board® products also feature an average reduction in CO_2 emissions per ton of corrugated board of 15% compared to conventional corrugated board, as certified by TÜV Rheinland, a 5% reduction in CO_2 emissions during transport and a 16% increase in the loadable corrugated board surface area, meaning that approximately one in every seven truck journey can potentially be avoided.

Next box® is a label we make available to our packaging customers they can use for eco-friendly and sustainable packaging produced with our next board® corrugated board products. Next board® corrugated board allows for more exact processing compared to comparable conventional corrugated board, as well as more reliable machinability and higher running rates. Next box® packaging features a smooth look without any ripple effect and permits optimal printing results due to our improved corrugated board designs. In addition, next box® products allow for more efficient storage and reduce transportation costs due to the reduced raw material content. We believe that sustainability and eco-friendliness are of increasing importance to our customers, especially in Germany. To allow our customers in the packaging industry as well as their end-users to highlight their own commitment to sustainability, we therefore make our next box®—reduced CO_2 label available to them, which can be stamped on all next box® packaging.

EMPLOYEES

For the nine months ended September 30, 2015, we employed an average of 908 employees in five countries (853 for the year ended December 31, 2014). Approximately 76% of our employees are employed at our headquarters in Landau, Germany, and at our five production sites in Germany. As of September 30, 2015, we had 233 employees outside of Germany, including 49 employees in France, 61 employees in the Czech Republic, 69 employees in Poland and 54 employees in the United Kingdom.

Our workforce is characterized by very low fluctuation levels, and the average job tenure of our employees across all our sites exceeds seven years. As a result of our continuous hiring strategy and long-standing training programs, we believe our workforce currently has a well-balanced age structure. As of September 30, 2015, we had 43 apprentices.

With the exception of our employees in France, our workforce is not subject to any collective bargaining agreements and there are no works councils. In accordance with the French Works Constitution Act, a works council represents our employees at our corrugated board production site in Douvrin, France.

INSURANCE

We maintain various insurance policies for different aspects of our business. These policies are centrally managed by our legal and insurance department in Landau, with the support of our insurance broker S&P Schulz & Partner GmbH, Mannheim. Our insurance coverage includes all-risk policies insuring against property destruction, damage and loss, as well as against any business interruption directly resulting from any property damage. In addition, we maintain liability insurance coverage with regard to general operating liability, radiation liability and environmental liability, as well as transport and accident insurance. We obtain insurance coverage for particular risks based on an internal risk analysis. We believe that we maintain adequate insurance coverage commensurate with our business and production volumes and in line with industry practice, with deductibles and coverage limits that we believe to be reasonable and appropriate. We continuously re-evaluate the appropriateness of our insurance coverage in the ordinary course. There can be no assurance, however, that we will not suffer losses that may either not be covered by insurance or that may exceed the coverage amount under the relevant insurance policies.

REGULATORY ENVIRONMENT

Our business, and in particular the operation of our production sites, is subject to various regulatory requirements. Applicable laws and regulations may differ from site to site due to different national and local laws. The regulatory requirements relate in particular to our production processes and include, *inter alia*, laws and regulations relating to health and safety measures for employees, the technical safety requirements for operating machines, the use and handling of chemicals, air and water emissions, soil contamination and the

management and disposal of waste, hazardous and toxic substances and other materials. For our sites and operations, we are required to obtain and hold various permits and to comply with the requirements specified therein. We are further subject to foreign trade laws and may be required to pay export duties or customs duties on materials and products that we export and import. We are subject to further regulations in the various jurisdictions in which we operate, including antitrust laws and zoning and occupancy laws that generally apply to manufacturing businesses and/or govern the promotion and sale of the products we offer, the operation of our facilities and our relationships with customers, suppliers and competitors. The following is an overview of the main laws and regulations that are relevant to our activities in Germany. Local laws and regulations that deal with similar aspects apply in other jurisdictions in which we operate production sites or sell our products.

Environmental Laws

We are required to comply with various environmental laws and regulations. In particular, our operations are subject to laws and regulations designed to limit emissions. In Germany, the construction and operation of our paper mills requires active permits under the Federal Emissions Protection Act (*Bundesimmisionsschutzgesetz*, "**BImSchG**"), which encompasses various approvals necessary for the construction and operation of facilities pursuant to other laws, including public-law approvals, registrations and consents. The operation of the relevant facility can generally not be challenged or contested by third parties as long as the respective facility operates in compliance with its permit. In such cases, third parties can only require certain measures to mitigate any negative impact of a facility on the environment. To the extent such measures are impossible or uneconomical to implement based on state-of-the-art technology, the relevant third parties may only claim damages. Permits and additional administrative orders under the Federal Emissions Protection Act may impose certain limitations (e.g., stricter requirements with regard to permissible emissions or the use of the relevant facilities), with which we have to comply. To the extent new legal standards are introduced, permits will not be grandfathered but adjusted so they meet the relevant new standards. A violation of the operator's duties as determined in the respective permit (or an additional administrative order) or a modification of the relevant legal standards may also lead to a restriction or, in severe cases, a prohibition of the further operation of the facility and/or the revocation of its permit under certain circumstances. The competent authority may also impose administrative fines or even ask for removal of the facility.

Moreover, the operation of our two paper mills is subject to the various duties of the Federal Water Management Act (*Wasserhaushaltsgesetz*, "**WHG**"), the State Water Acts in each of the German states (*Landeswassergesetze*) and the respective federal and/or state ordinances (*Rechtsverordnungen*). These regulations govern our use of water during production. According to the Federal Water Management Act, as well as the corresponding state (*Länder*) laws, the use of water generally requires the approval by the competent authority. In particular, the extraction of above-ground water, the discharge of waste water and the pouring and discharge of materials are all aspects of our containerboard production that require regulatory approval. In cases of violations of the relevant provisions, we may be required to pay damages or become subject to penalties. Depending on the type of permit, it may be limited in time and it may either be revoked any time or only under certain circumstances.

The CHP operated by EnBW adjacent to our paper mill in Eisenhüttenstadt similarly requires various regulatory approvals for its operation, particularly under the BImSchG and the 17th Ordinance to the BImSchG on the incineration and co-incineration of waste. Furthermore, operations have to comply with the applicable greenhouse gas emissions caps. See "*—Regulation governing the Operation of the CHP—Environmental laws and other related laws and regulations*" and "*—Regulation governing the Operation of the CHP—Carbon Emission compliance*" below.

Both our paper mills are subject to the German Radiation Protection Ordinance (*Strahlenschutzverordnung*, "**StrlSchV**") due to the fact that our paper machines include various measuring devices (e.g., for measuring paper basis weights, paper moisture and/or paper ash) that rely on the use of a number of slightly radioactive isotopes (*i.e.*, Cobalt-60, Krypton-85, Caesium-137 and/or Iron-55). The use of these materials and devices is common in the paper industry as well as in other industries. They are applied in enclosed form, *i.e.*, isotopes are enclosed by a protective cover to avoid any release of radiation. When the isotopes are not in use, they are further shielded with steel plates. According to Sec. 7 of the Radiation Protection Ordinance, the handling of the relevant radioactive isotopes requires permits, which we have obtained. Even if these permits would be revoked, however, we would be able to switch to using different measuring devices based on different technologies. We also maintain insurance coverage for liability resulting from radiation.

Chemicals Legislation and Regulations

We use a number of chemicals in our production processes and are therefore subject to Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals ("**REACH**"). The aim of REACH is to improve the protection of human health and the environment through better and earlier identification of the intrinsic properties of chemical substances. REACH places greater responsibility on industry participants to manage the risks from chemicals and to provide safety information on the substances. As a "downstream user" pursuant to REACH, we are primarily required to adhere to the recommended risk reduction measures, to forward our customers and suppliers the relevant information and, if necessary, to arrange for a chemical safety report to be prepared.

In addition, we are subject to the provisions of the German Chemicals Act (*Gesetz zum Schutz vor gefährlichen Stoffen—Chemikaliengesetz,* "**ChemG**") and related ordinances (*Rechtsverordnungen*). The Chemicals Act is intended to minimize the risks from chemicals for humans and the environment. Based on the Chemicals Act and related regulations, the competent authorities have the power to—among others—require that certain materials or chemicals (i) may either not be produced, marketed or used at all, (ii) may only be produced, marketed or used in a certain manner or for specific purposes, (iii) may only be used under certain circumstances or (iv) may only be distributed to certain persons. We are not aware of any such orders having been issued by the German government authorities that would have an impact on our business.

Soil Contamination

Pursuant to the German Federal Soil Protection Act *(Bundesbodenschutzgesetz,* "**BBodSchG**"*)*, the responsibility for residual pollution and harmful changes to the soil lies with the party who caused a harmful soil change or a contaminated site, its universal successor, the relevant property owner, the occupant of the relevant real property and, if the title was transferred after March 1, 1999, the previous owner of the property, if they knew or must have known about the contamination. There is no general statutory ranking as to which of the aforementioned parties is primarily liable. Rather, this decision is made at the discretion of the relevant local authority who will take into account the effectiveness of remediation as a prevailing factor. Thus, the current owner of the contaminated property is usually the first party to be held responsible because the owner is generally in the best position to undertake the necessary remediation work. However, the other responsible parties are required to indemnify the party that carried out the remediation work, regardless of which party is held liable by the relevant local authority. Where no other arrangements are agreed upon, the obligation to provide compensation and the extent of the compensation to be provided depend on the extent to which the hazard or damage was caused primarily by one party or the other. Liability is not based on fault. Thus, the BBodSchG does not require the relevant local authority to prove negligence or intent on the part of the liable parties.

According to the BBodSchG the competent authority may require risk inspections, investigations, remedial measures and other measures necessary for the prevention of residual pollution or harmful changes in the soil.

Regulation governing the Operation of the CHP

General overview

If and when the CHP Acquisition is completed and we own and operate the CHP, we will also become directly subject to a wide range of laws and regulations specifically governing the German energy sector.

The key legislation containing the core provisions of German energy law is the Energy Industry Act (*Gesetz über die Elektrizitäts- und Gasversorgung—Energiewirtschaftsgesetz,* "**EnWG**").

Other laws and ordinances specifically relevant to the energy sector and the CHP include:

(i) the Co-Generation Act (*Kraft-Wärme-Kopplungsgesetz,* "**KWKG**");

(ii) the Ordinance on Tariffs for Electricity Grid Access (*Stromnetzentgeltverordnung,* "**StromNEV**");

(iii) the Ordinance on Incentive Regulation (*Anreizregulierungsverordnung,* "**ARegV**");

(iv) the Federal Emission Protection Act (*Bundes-Immissionsschutzgesetz,* "**BImSchG**");

(v) the Green House Gas Permission Trading Act (*Treibhausgas-Emissionshandelsgesetz,* "**TEHG**");

(vi) the Energy Tax Act / Electricity Tax Act (*Energiesteuergesetz / Stromsteuergesetz,* "**EnergieStG**" / "**StromStG**");

(vii) the Energy Services Act (*Energiedienstleistungsgesetz,* "**EDL-G**") and

(viii) the Electricity Grid Access Ordinance *(Stromnetzzugangsverordnung,* "**StromNZV**"*).*

Energy Industry Act (EnWG)

The EnWG provides, inter alia, the legal framework for ensuring competition with in the German energy markets, mainly by regulating electricity and gas networks to ensure reliable and efficient supply networks. It also implements relevant EU law in relation to energy supply. Companies that supply third parties with energy or own or operate transmission and distribution networks have to ensure that electricity is supplied in accordance with these aims.

Grid access and network tariffs

As grid operators enjoy a natural monopoly, electricity grid operators are obligated to provide connection to and use of electricity grids without discrimination and in a transparent manner.

Electricity grid operators are required to connect third parties, such as generation facilities (including the CHP), to the grid. The conditions for a connection must be non-discriminatory, proportionate, transparent and not less favorable than the conditions granted to a grid operator's own, affiliated or associated undertakings. A grid operator may refuse the connection if it is, for operational or other economic or technical reasons, impossible or unreasonable. The burden of proving that a connection is economically or technically impossible or unreasonable lies with the grid operator.

Tariffs for grid access are determined by the grid operators in accordance with incentive regulation based on the ARegV and the StromNEV. Under these regulations, revenue caps are set by the regulatory authority for each grid operator for a regulatory period of up to five years based on the cost base of the business three years prior to the start of the regulatory period. Among other factors, the cost base includes imputed depreciation, operational costs and costs of capital plus an allowed return on equity based on the grid operator's regulated asset base.

Grid operators' rights in case of congestion and emergency

Pursuant to the EnWG, electricity grid operators are obliged to ensure the security and reliability of the grid. Therefore, they are entitled and required to take the necessary actions to avoid any risks to the security or reliability of the grid. If the security or reliability of the grid is endangered or disturbed, grid operators are required and authorized to rectify the problem by making use of (i) grid-related measures, which entail technical measures that do not involve the network users, such as internal energy balancing or pressure adjustment; and/or (ii) market-related measures which involve certain network users. Market-related measures are based on contractual agreements between the grid operator and certain users relating to the feed in and off-take of energy which allow energy balancing and making use of interruptible capacities (capacity bookings which are not firm and, therefore, may be interrupted). If the grid operator cannot eliminate the disturbance by making use of any of these measures, the operator is entitled to adjust and/or reduce feed-ins, electricity transits and electricity off-takes without any obligation to pay compensation. In principle, feed-ins from conventional generation must be reduced before feed-ins from co-generation facilities (such as the CHP) or renewable energy facilities. However, if the grid operator has unreasonably rejected proposals by generation installation operators to conclude agreements on interruptible capacities, compensation must be paid by the grid operator. Furthermore, compensation must be paid to co-generation and renewable energy installations in case of a reduction of feed-ins if disturbances are caused due to grid congestion.

Co-Generation Act (KWKG)

In the interests of energy conservation, environmental protection and achieving the climate protection targets of the German federal government, the KWKG aims to increase the share of electricity generated through more environmentally-friendly co-generation facilities, such as the CHP, to 25% of the overall power generation in Germany by 2020.

Grid access and off-take

Grid operators are required to give priority grid access to certain co-generation plant operators, including EnBW Propower as operator of the CHP following completion of the CHP Acquisition, with the same priority as that granted to renewable energies under the German Renewable Energies Act (*Erneuerbare-Energien-Gesetz* ("**EEG**")) and to off-take, transmit and distribute their co-generation electricity on a priority basis. Grid operators are required to off-take the electricity at (i) a price either mutually agreed or determined according to the "standard market price" (if no agreement is reached) *plus* (ii) a certain fixed surcharge and a payment for decentralized feed-in. See "*—Off-take pricing*" below.

Notwithstanding the obligation to purchase, transmit and distribute electricity from co-generation plants and producers of renewable energy, a grid operator is required to ensure the technical stability of the grid and, for this purpose, is entitled to avoid an overload of the grid by managing the feed-in of electricity from all parties feeding electricity into its grid (feed-in/grid congestion management). If after exhausting certain grid-related and market-related measures, the grid operator has not successfully reduced the overload in the grid and congestion remains, it is entitled to reduce the electricity which can be fed into the grid. Within this mandatory reduction, the grid operator is required to treat the electricity from certain co-generation sources (including the CHP), from renewable energy sources (such as wind farms or solar energy) and from mine gas preferentially. The grid operator is required to implement congestion management by which, in principle, feed-in from installations using conventional energy resources (gas, coal, nuclear fuel) must be reduced first. The political parties forming the current German Federal government have indicate in their coalition agreement that they intend to amend the legal framework for congestion management (including the rules for compensation, if any, to be paid) while maintaining the general concept of priority access for electricity from renewable sources, as well as from co-generation.

Off-take pricing

The grid operator has an obligation to off-take the electricity produced at co-generation plants within the meaning of the KWKG, such as the CHP, at a price mutually agreed between the grid operator and the operator of the co-generation plant plus a surcharge. See "*—Surcharge*" below. In addition to the surcharge, the grid operator is required to pay so-called "avoided grid fees" due to the decentralized feed-in by the co-generation plant ("*Entgelt für dezentrale Einspeisung*", § 18 (1) StromNEV). If no agreement is reached regarding the electricity price, the grid operator has to off-take the electricity at the "standard market price". The "standard market price" for electricity produced by installations depends on their capacity. For installations with a capacity of up to 2 MWe the average price of base-load electricity is determined by the European Energy Exchange (EEX) during the previous quarter of the year or installations with a capacity of more than 2 MWe – like the CHP – the "standard market price" (depends on the circumstances in the individual case, especially the plant's mode of operation and the predictability of electricity production.

If the co-generation plant operator demonstrates that a third party would be willing to pay a certain price for the electricity produced at the co-generation plant, the grid operator is obligated to purchase the electricity from the co-generation plant operator at this price. In turn, the third party is obliged to purchase the electricity at the price quoted from the grid operator. Thus, the sale of electricity to a third party is carried out through the grid operator as intermediary. The purchase price is actually paid by the third party and the grid operator only pays the surcharge. See "*—Surcharge*" below.

Surcharge

In addition to the purchase price and the "avoided grid fees", grid operators are obligated to pay a legally determined surcharge to the co-generation plant operators, depending, inter alia, on the type of plant, the installed capacity and extent/costs of modernization and retrofitting measures. In contrast to the electricity price and the "avoided grid fee", which the grid operator is only required to pay for the electricity actually fed into the grid, the surcharge must be paid for the entire amount of electricity produced in co-generation. Depending on the type of the co-generation plant, the surcharge is payable for a certain maximum period of time. Plants with a capacity larger than 2 MWe receive the surcharge for a total of 30.000 hours of Full-Load equivalent (FLE). The surcharge amounts to 5,41 Cent per kWh for the plant's capacity range from 0 to 50 kW, 4 Cent per kWh for the range from 50 to 250 kW, 2,4 Cent per kWh for the range from 250 kW to 2 MW and 2 Cent per kWh for the plant's capacity over 2 MW.

The KWKG places a cap of €750 million on the annual aggregate level of financial incentives paid as surcharge under the KWKG. If this threshold is exceeded, surcharges for a certain class of co-generation plants are reduced. Subject to the cap, this loss in surcharges is generally paid in the full amount in the course of the following years before payment of the regular surcharge for these co-generation plants is initiated again.

The KWKG is currently in the process of being revised. The KWKG 2016 will fundamentally amend the current scheme of funding co-generation, albeit maintaining the rules on grid access and compulsory off-taking of electricity produced in co-generation. The new KWKG is scheduled to enter into force on January 1, 2016.

Carbon Emission compliance

Germany is party to the Kyoto Protocol and the Emission Trading Directive 2003/87/EC intends to considerably reduce the output of greenhouse gases. It was transformed into German law by implementing it into the German Greenhouse Gas Emission Trading Act (*Treibhausgas-Emissionshandelsgesetz*, "**TEHG**"). The TEHG introduces an emission trading system ("**ETS**") for CO_2 emission allowances which are traded in certain trading periods, which requires certain energy and industry sectors to comply with the applicable greenhouse gas emissions caps. Overall, only a limited number of allowances—determined in advance for the trading period—are available to emission sources, subject to the emission trading system. Participation in this system has been mandatory since 2005 for all industries with high energy consumption levels, including the paper industry. The regulations of the TEHG state that sources under emission trading obligation are required to obtain approval to emit greenhouse gases, to comply with a cap of emission allowances allocated to them and to maintain a monitoring process to determine and to document their emissions. The legislation also provides for the possibility of trading (selling and buying) excess allowances in the open market and allows for offsets from Joint Implementation and Clean Development Mechanism projects as regulated by the German Project Mechanisms Act to be used in place of emission allowances. Like our two paper mills, the CHP is subject to the ETS.

The overall availability of emission allowances allocated free of charge has been significantly reduced during the second trading period (2008 through 2012) and the third trading period that began in January 2013 compared to the amount of allowances allocated free of charge in the first trading period (2005 through 2007). Under the currently applicable ETS, the EU-wide quantity of emission allowances allocated each year will be reduced by a linear factor of 1.74% annually as compared to the average annual total quantity of emission allowances issued in the EU between 2008 and 2012.

In addition, from 2013 onwards, the full auctioning of emission allowances has been and will continue to be introduced for the manufacturing sector. The quantities of emission allowances allocated free of charge will generally be reduced from 80% in 2013 to 30% in 2020 and to 0% in 2027. As a result, affected companies whose emissions exceed their emission allowances will have to purchase a significant, and steadily increasing, share of emission allowances in auctions, which may result in substantial additional cost for such companies.

An exemption from the general auctioning mechanism is available for certain energy-intensive industries which are exposed to a significant risk of relocation of plants to countries with less stringent climate protection laws (a phenomenon known as "**Carbon Leakage**"). Starting in 2010, the European Commission will determine every five years which industries are threatened by Carbon Leakage. The designated industries will be allocated emission allowances free of charge for the period determined. Since the paper industry has been granted the relevant status, our two mills receive CO_2 emission certificates free of charge.

In February 2014, the Commission Regulation (EU) No 176/2014 entered into force postponing the auctioning of 900 million emission allowances from 2014 to 2016 to later in the third trading period, which will end in 2020 ("**Backloading**"). The Backloading does not affect the overall volume of allowances to be auctioned in the third trading period, but only the distribution of auction volumes over the eight-year period.

Energy Tax Act / Electricity Tax Act

The Energy Tax Act (EnergieStG) contains provisions on the taxation of the consumption of energy products. These include coal and fuel oil, which are used in the thermal power plant. Pursuant to sec. 53 EnergieStG, it is possible to apply for tax relief for energy products which are used in stationary generation installations with a nominal capacity exceeding 2 MWe and for which the applicable tax has been duly paid. Only the energy products that are directly involved in the energy conversion process taking place in the electricity generation unit are deemed to be "energy products used for the purpose of energy generation" within the meaning of

EnergieStG. The party using energy products for the purpose of energy generation is the party eligible to obtain relief.

The Electricity Tax Act (StromStG) provides for the taxation of consumed electricity. The tax rate is €20.50 per MWh pursuant to sec. 3 StromStG. Anyone supplying electricity is principally deemed to be a supplier; exceptions are laid down in sec. 1a Ordinance implementing the Electricity Tax Act (*Stromsteuerdurchführungsverordnung* – StromStV). Pursuant to sec. 4 subs. 1 sentence 1 StromStG, anyone intending to supply electricity as a supplier requires a license granted upon application by the main customs office. The supplier is obliged to submit a tax return for all electricity for which tax has arisen. In the context of this tax return, the supplier itself must calculate the amount of tax to be paid and settle the amount due with the tax office. Electricity that is removed from the grid for the purpose of generating electricity is tax-exempt if a license for removing electricity for the purpose of generating electricity was granted prior to the removal. Manufacturing companies within the meaning of sec. 2 no. 3 StromStG may obtain tax relief pursuant to sec. 9b StromStG in the amount of €5.13 per MWh (if the amount of the relief exceeds €250.00 per calendar year) and an electricity tax relief of up to 90% pursuant to sec. 10 StromStG (if the tax to be paid in the calendar year exceeds €1,000.00). The party which has removed electricity for operating purposes is the party eligible to obtain relief.

Energy Services Act

Pursuant to the Energy Services Act (EDLG), companies that do not constitute micro, small or medium-sized enterprises within the meaning of Commission Recommendation 2003/361/EC of 6 May 2003 (Official Journal L 124 of 20/05/2003, page 36) are obliged to carry out an energy audit by 5 December 2015. This obligation does not apply to companies which, by 5 December 2015, have implemented an energy management system in line with the requirements of DIN EN ISO 50 001 (December 2011 edition) or an environmental management system (EnMS). The CHP has implemented an EnMS and is certified under the Eco-Management and Audit Scheme (''**EMAS''**), a voluntary scheme set up by the European Union that is designed to help companies to continuouslv improve their environmental performance, but the requirements of the EDLG also apply to current members of the Group. For a description of the EMAS certification of Propapier PM2 GmbH and the EnMS we have implemented at our two paper mills as well as EnMS we have implemented (or plan to implement) at some of our corrugated board production sites, see also "*–Sustainability Focus; Research and Development*". The Issuer as well as certain of its subsidiaries will still be required to carry out an energy audit under the EDLG.

Electricity Grid Access Ordinance

The Electricity Grid Access Ordinance (StromNZV) governs the conditions for the feed-in and removal of electricity. Therefore, these requirements are also relevant and have to be taken into account with particular regard to the power plant's removal of electricity from the grid.

Environmental laws and other related laws and regulations

Like the operation of our two paper mills, the operation of the CHP requires active permits under the BImSchG, it triggers the various duties and potential liability under the Federal Water Management Act (WHG), the Federal Waste Management Act (KrWG) and the Federal Soil Protection Act (BBodSchG), and it is subject to the rules for the protection of nature and landscape, as well as flora and fauna, that are codified in the Federal Nature Conservation Act (BNatSchG) and the State Nature Conservation Act (*Landesnaturschutzgesetz*) in the German state of Brandenburg. For more detail, please also see "*–Regulatory Environment–Environmental Laws*" *and* "*–Regulatory Environment–Soil Contamination*" above.

The technological standards applicable in relation to the requirements under the BImSchG are substantiated by technical regulations as determined in ordinances based on the BImSchG or technical regulations, as amended from time to time. For the CHP, the 13th Ordinance (Ordinance on Large Combustion Plants, Gas Turbine Plants and Internal Combustion Engines) and the 17th Ordinance (Ordinance on the Incineration and Co-Incineration of Waste) to the BImSchG are of particular importance, the latter one particularly with regard to the co-incineration of sewage sludge. The compliance with emission limits, which are stipulated in the permit for the CHP, will be controlled regularly and, if necessary, can be altered subsequently by the authorities. The competent authority may withdraw the permit if the CHP does not comply with the applicable emission limits as determined in the permit.

The BImSchG also specifies the obligations of certain installation operators to notify the competent authorities of operational disruptions and to implement a monitoring following such disruptions. Operators of industry emissions installations have to provide annual reports of their emissions monitoring to the competent authorities and there are environmental inspections on a regular basis for such installations.

LEGAL PROCEEDINGS

From time to time, we are involved in administrative, legal and arbitration proceedings that arise in the ordinary course of business. Except as set out hereinafter, neither we nor any of our subsidiaries are currently involved in any litigation, administrative proceedings or arbitration relating to claims or amounts that are material to our business and, to our knowledge, no such litigation, administrative proceeding or arbitration is pending or threatened. The outcome of legal proceedings, however, are difficult to predict with any certainty and we can offer no assurances in this regard.

EU Commission proceedings relating to investment subsidies for construction of our paper mill in Eisenhüttenstadt

In connection with the construction of our paper mill in Eisenhüttenstadt between 2009 and 2010, our subsidiary Propapier PM2 GmbH received investment subsidies of approximately €50.6 million from the German authorities. These subsidies were pre-approved by the EU Commission. However, one of our main competitors successfully challenged the positive decision by the EU Commission in the European Court of Justice, exclusively on procedural grounds, rendering the original approval of the investment subsidies void and necessitating a repeat of the approval process. Pending a new decision by the EU Commission, our competitor also filed complaints with the competent German tax authorities demanding that our subsidiary Propapier PM2 GmbH be required to pay interest on the full amount of the subsidies from the time they were received until a final and binding decision by the EU Commission. The EU Commission decided on October 1, 2014 that the subsidies were consistent with EU law. In addition, on March 17, 2014, the relevant German tax authorities rejected the complaint filed by our competitor and declined to demand interest payments from us. The renewed positive decision by the EU Commission was published in the Official Journal of the European Union on April 1, 2015 and the period during which it may be appealed has expired. We understand that no appeal has been filed and that the renewed positive decision by the EU Commission has therefore now become binding and non-appealable. We do not know, and may not know for some time, if the negative decision by the German tax authorities has been appealed by our competitor. Based on the advice of our legal advisors, we have not recorded any provisions related to these proceedings.

SHAREHOLDERS

Following completion of the Refinancing in April 2015, as described under "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Key Factors Affecting our Results of Operations—The Refinancing*", 91.05% of the registered share capital of Progroup AG are being held by JH-Holding, a holding company controlled by our chief executive officer, Jürgen Heindl. The remaining 8.95% of the registered share capital of Progroup AG are being held by two minority shareholders who are not involved in the management of our business and who are not able to influence the composition of the Supervisory Board.

The shareholders of JH-Holding, which has a share capital of €1,000,000, are Jürgen Heindl, who holds 52.0% of JH-Holding's shares (including two shares in a nominal amount of €1,000 each currently held by Mr. Heindl, which together provide Mr. Heindl with a qualified majority of 75% of the voting rights in the shareholders' meeting of JH-Holding), and his two sons, Maximilian Heindl and Vinzenz Heindl, who each hold 24.0% of JH-Holding's shares.

MANAGEMENT

OVERVIEW

In accordance with the German Stock Corporation Act (*Aktiengesetz*), Progroup AG has a two-tier board system consisting of an Executive Board (*Vorstand*) and a Supervisory Board (*Aufsichtsrat*). The two boards are separate, and, subject to a limited exception, no individual may serve concurrently as a member of both boards.

The Executive Board is responsible for managing our day-to-day business in accordance with applicable German law and the Articles of Association (*Satzung*) as well as its rules of procedure (*Geschäftsordnung*). In addition, the Executive Board must ensure appropriate control of risk within Progroup AG and its subsidiaries in order that any developments jeopardizing Progroup AG's future as a going concern may be identified at an early stage. The Executive Board legally represents Progroup AG in dealings with third parties and in court.

The Supervisory Board advises the Executive Board on the management of Progroup AG, monitors its conduct of business and is responsible for appointing and dismissing the members of the Executive Board for good cause. It also represents Progroup AG in transactions between a member of the Executive Board and Progroup AG. While the Executive Board is responsible for submitting regular reports on our business activities and fundamental issues relating to corporate planning (including financial, investment and personnel planning) to the Supervisory Board, the Supervisory Board has the right to request special reports at any time from the Executive Board. The Executive Board is also obliged to duly report to the Supervisory Board such transactions as may be of considerable importance to Progroup AG's profitability (in particular the return on equity) or liquidity, so that the Supervisory Board may have an opportunity to express its opinion on such transactions before they are concluded. The Supervisory Board may also request a report at any time on matters concerning Progroup AG, on the legal and commercial relationships with affiliated companies or on commercial operations at these companies that may have a significant impact on Progroup AG and its subsidiaries.

The Supervisory Board generally may not exercise management functions. The rules of procedure of the Executive Board, however, require that certain types of transactions may not be carried out by the Executive Board without the prior consent of the Supervisory Board. If the Supervisory Board refuses to approve a certain transaction or business activity contemplated by the Executive Board, the Executive Board can request that the general shareholders' meeting decide on the matter. However, the general shareholders' meeting of a German stock corporation may not issue directives to the Executive Board.

The members of the Executive Board and the Supervisory Board owe duties of loyalty and care *vis-à-vis* Progroup AG. In discharging their duties, the members of these corporate bodies must consider a broad range of interests, including our interests, which in turn include the interests of our shareholders, employees, creditors and, to a certain extent, the general public. The Executive Board must also take due account of the shareholders' right to equal treatment and equal information. The members of the Executive Board or of the Supervisory Board are jointly and severally liable to Progroup AG for any damages that may arise if they fail to discharge their duties.

As a basic principle under German law, a shareholder has no direct recourse against the members of the Executive Board or the Supervisory Board in the event that they breach a duty *vis-à-vis* Progroup AG. Except for certain special circumstances, only Progroup AG itself has the right to bring claims for damages against members of either board, whereby Progroup AG is represented by the Executive Board when bringing claims against the Supervisory Board and by the Supervisory Board when bringing claims against the Executive Board. Pursuant to a ruling by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is obliged to bring claims which are likely to be successful against the Executive Board unless material considerations pertaining to the interest of the corporation outweigh or are at least equivalent to those in favor of enforcing such claim. Despite a refusal of the Supervisory Board to pursue a claim for damages, such a claim must be enforced (i) upon a resolution of the general shareholders' meeting, (ii) upon a petition with the competent court by minority shareholders meeting a certain minimum requirement as to their stake in Progroup AG, or (iii) by Progroup AG's creditors whose claims could not be settled by Progroup AG. Progroup AG may only waive or settle such claims for damages if at least three years have passed and if the shareholders approve the waiver or settlement at the general shareholders' meeting with a simple majority of the votes cast, provided that opposing shareholders do not hold, in the aggregate, one tenth or more of the share capital and do not have their opposition formally recorded in the minutes maintained by the notary.

Under German law, no individual shareholder (or any other person) may exert its influence on Progroup AG to cause a member of the Executive Board or the Supervisory Board to engage in any act detrimental to Progroup AG. Shareholders with a controlling interest may not use it to cause Progroup AG to act against its own interest unless the prejudice to its interests is compensated for. Any shareholder using its interest in Progroup AG to cause a member of the Executive Board, a member of the Supervisory Board or a person who holds a power of attorney (*Prokurist*) or is authorized to act for Progroup AG (*Handlungsbevollmächtigter*) to engage in any act detrimental to Progroup AG or to our shareholders must compensate Progroup AG and the shareholders for any loss sustained thereby. In addition, the members of the Executive Board and the members of the Supervisory Board are jointly and severally liable if they act in breach of their obligations.

Progroup AG has taken out a directors and officers liability insurance policy for all members of the Executive Board and the Supervisory Board.

Executive Board

General Information

The Executive Board is responsible for managing the business of Progroup AG in accordance with the German Stock Corporation Act, Progroup AG's Articles of Association and the rules of procedure (*Geschäftsordnung*) for the Executive Board. The Executive Board also represents Progroup AG in its dealings with third parties and in court. According to the Articles of Association and the provisions of the German Stock Corporation Act, the Executive Board must consist of a minimum of one member. The Supervisory Board determines the number of members of the Executive Board and appoints such members. It may also appoint the Chairman and Deputy Chairman of the Executive Board. Members of the Executive Board are appointed for a maximum term of five years. They may be repeatedly reappointed or their term of office may be extended, in each instance for a period of up to five years. The Supervisory Board may revoke the appointment of a member of the Executive Board before the end of his or her term of office for good cause, such as gross breach of duty or in case of a vote of no confidence by the general shareholders' meeting.

The Executive Board has overall responsibility for Progroup AG's business. In accordance with its rules of procedure (*Geschäftsordnung*), each member of the Executive Board is assigned an area of responsibility defined in a plan forming part of the rules of procedure, which sets out the allocation of duties. Notwithstanding the overall responsibility held by the Executive Board, each member of the Executive Board is responsible for the area allocated to him or her. Pursuant to the rules of procedure of the Executive Board, certain management actions may only be taken, and certain types of transactions may only be concluded, with the approval of the Supervisory Board. As a rule, the Executive Board should meet every week. The Executive Board has a quorum if a meeting has been called with due notice and all or, in the event that the Executive Board has more than two members, at least half of the members which must include the Chairman are present. If not otherwise required by law, the Executive Board decides by a simple majority of the votes cast. In the event of a tie, the Chairman has the deciding vote. Members of the Executive Board may not deal with, or vote on, measures relating to proposals, arrangements or contracts between him/herself and Progroup AG.

Individual board members serve as representatives with primary responsibility for Progroup AG's various corporate functions and for the fields of business in which Progroup AG operates. Despite this internal allocation of responsibilities, each member of the Executive Board has overall responsibility (*Gesamtverantwortung*) for Progroup AG as a whole.

Progroup AG's Articles of Association provide that Progroup AG can be legally represented by two members of the Executive Board or by one member of the Executive Board in conjunction with an authorized signatory who holds a power of attorney (*Prokurist*). The Supervisory Board has granted the Chairman, Mr. Jürgen Heindl, authorization to solely represent Progroup AG in accordance with the Articles of Association.

Members of the Executive Board

The following table sets forth the current members of Progroup AG's Executive Board.

Name	Age	Member since	Appointed until	Responsibility	Other principal positions
Jürgen Heindl	60	2007	August 28, 2017	Chief Executive Officer	Propapier PM1 GmbH Propapier PM2 GmbH Prowell GmbH Proservice GmbH PROfund GmbH Prowell S.A.S. Prowell s.r.o. Prowell sp. z o.o. Prowell Ltd. Prowell Verwaltungs GmbH JH-Holding GmbH
Frank Gumbinger.....	47	2009	December 31, 2016	Chief Financial Officer	Propapier PM1 GmbH Propapier PM2 GmbH Prowell GmbH Proservice GmbH PROfund GmbH Prowell Verwaltungs GmbH Prowell S.A.S. Prowell s.r.o. Prowell sp. z o.o. Prowell Ltd.

The business address of each member of the Executive Board is Progroup AG, Horstring 12, 76829 Landau, Germany.

Jürgen Heindl. Mr. Heindl studied electrical engineering at the University of Applied Science Dieburg and business engineering at the University of Applied Science Esslingen. He began his career in 1980 at Zewawell GmbH & Co. KG, as assistant of the general management. From 1982 to 1987, he was plant manager conducting a restructuring program and from 1987 to 1991 he was division manager and member of the board of Zewawell GmbH & Co. KG. In 1991, Mr. Heindl founded PROWELL Papierverarbeitung GmbH, predecessor of today's Progroup AG, and from 1991 to 2007, he was active as sole managing director of PROWELL Papierverarbeitung GmbH. Since establishing Progroup AG in 2007, Mr. Heindl has been a member of the Executive Board. Since 2008, he has served as Chairman of the Executive Board.

Frank Gumbinger. Mr. Gumbinger studied business economics at the Goethe University in Frankfurt/Main. He started his professional career in 1996 as an associate consultant at PwC Deutsche Revision in Frankfurt/Main. From 1999 to 2008, he was active in different functions in the Delton AG group, from 1999 to 2001 as member of the controlling team, from 2001 to 2004 as director of controlling of ERGO-PHARM Beteiligungsgesellschaft mbH, from 2005 to 2006 as director of strategy and business development of ERGO-PHARM Beteiligungsgesellschaft mbH and from 2006 to 2008 as chief financial officer and a member of the Executive Board of CEAG AG, a listed company. Since 2009, Mr. Gumbinger is a member of the Executive Board and chief financial officer of Progroup AG.

Compensation

The members of the Executive Board do not receive any separate remuneration other than their respective remuneration as members of the Executive Board. The remuneration of the members of the Executive Board consists of a fixed component and variable compensation elements. The fixed component comprises a base salary and payments in kind. The variable components include annually recurring components tied to business performance and the achievement of certain targets. Further, our chief executive officer, Mr. Jürgen Heindl, is entitled to special bonus payments upon the completion and successful commissioning of new plants by Progroup AG or any of its subsidiaries. The base salaries are paid in twelve equal monthly installments. The payments in kind consist mainly of the use of company vehicles and certain insurance contributions, including contributions to health insurance, whole life insurance, disability insurance and term life insurance, as well as pension contributions. Progroup AG has also granted a pension commitment (*Versorgungszusage*) to our chief

executive officer, Mr. Jürgen Heindl, comprising a retirement pension as well as a disability pension and a widow's and orphan's pension.

The total compensation of the members of the Executive Board amounted to €1.5 million in 2014. These amounts included fixed salaries, payments in kind and variable performance and target related compensations. The payments in kind included the use of company cars and premiums for health, accident and life insurance. Due to the currently good performance of Progroup AG and its subsidiaries and the removal of certain restrictions, we expect that the total compensation in 2015 will significantly exceed the total compensation in 2014.

Progroup AG has obtained D&O insurance covering the members of the Executive Board.

Supervisory Board

Overview

The Supervisory Board currently consists of three members, which are elected by Progroup AG's shareholders at the general shareholders' meeting by a simple majority of the votes cast.

The Supervisory Board members elect one of the members as Chairman (*Vorsitzender*) and another one as Vice-Chairman (*Stellvertreter*) by a simple majority of the votes cast.

Unless the general shareholder's meeting elects the member for a shorter period, the term of a member of the Supervisory Board elected by the shareholders expires at the end of the fifth general shareholders' meeting following the general shareholders' meeting in which the member was elected. If a member of the Supervisory Board retires, or is removed from office prior to the end of its term of office, the substitute member's term of office expires at the end of the term of the resigning or removed board member, unless the general shareholders' meeting decides otherwise. There is no compulsory retirement age for the members of the Supervisory Board. No former Executive Board members of Progroup AG are currently serving on the Supervisory Board.

Unless otherwise required by applicable law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In order to constitute a quorum, all members must be invited with due notice and all members of the Supervisory Board must participate in the voting.

The Supervisory Board is required to meet at least twice in each half of every calendar year.

Members of the Supervisory Board

The following table sets forth the name, age, position and the year of appointment for each of the current members of Progroup AG's Supervisory Board.

Name	Age	Member since	Appointed until	Other principal positions
Rainer Dietmann (Chairman).....	59	2007	2017	Chairman of the supervisory board of Global Vermögensberatung AG, Wiesbaden Member of the supervisory board of SSP Deutschland GmbH, Eschborn Chairman of the foundation board of Heinrich-Vetter-Stiftung, Ilvesheim

Prof. Dr. Rudolf Wimmer (Vice Chairman)	69	2008	2017	Member of the supervisory board of PBS-Holding AG, Wels/Austria (vice chairman) Member of the advisory board of Diagramm Halbach GmbH & Co. KG, Schwerte Member of the advisory board of Karl Wörwag Lack- und Farbenfabrik GmbH & Co.KG, Stuttgart Member of the supervisory board of Hermes Europe GmbH, Hamburg Vice president of the University Witten/Herdecke Chairman of the university council of the Pädagogische Hochschule Wien
Prof. Dr. Hermut Kormann	73	2015	2017	Member of the supervisory board of Trumpf GmbH + Co. KG, Ditzingen Member of the supervisory board of Semikron International GmbH, Nürnberg Member of the advisory board of Karl-Wörwag GmbH & Co. KG, Stuttgart

The business address of each member of the Supervisory Board is Progroup AG, Horstring 12, 76829 Landau, Germany.

Rainer Dietmann. Mr. Dietmann studied law at the University of Mannheim and the London School of Economics. He began his career as attorney-at-law in Munich in 1985. In 1986, he joined Rittershaus Wissmann & von Rosenstiel, predecessor of today's Rittershaus Rechtsanwälte Partnerschaftsgesellschaft mbB, where he became partner in 1988.

Prof. Dr. Rudolf Wimmer. Prof. Dr. Wimmer studied law and political science at the universitiy of Wien. From 1970 to 1975, he was active as assistant professor at the Institute for Constitutional and Administrative Law at the University of Wien. In the years 1975 to 1977 he enjoyed a research grant at the University of Klagenfurt. Since 1977, Prof. Dr. Wimmer is active as an independent trainer and advisor for organizational development. In 1990, Prof. Dr. Wimmer wrote his professional thesis on group dynamics and organization at the University of Klagenfurt. In 1999, he assumed the professorship for management and organization at the newly established Institute for Family-Owned Enterprises at the University of Witten/Herdecke. Since 2013, Prof. Dr. Wimmer is Vice President of the University of Witten/Herdecke. In 2011, he became a member of the university council of the Pädagogische Hochschule Wien which he has chaired since 2012.

Prof. Dr. Hermut Kormann. Prof. Dr. Kormann studied business administration at the Erlangen-Nuremberg University between 1961 and 1965 and earned his Ph.D. in 1968. In 1966 he became research assistant to the Chair for Business Administration of Prof. Dr. Eugen H. Sieber, with focus on corporate management in Nuremberg. Prof. Dr. Kormann served as member of the management board of Voith AG, Heidenheim/Brenz, from 1989 to 2008, first as chief financial officer and, since 2000, as president and CEO. Voith AG is a global engineering group established 1867 in Germany and today wholly owned by the fifth and sixth generation of the Voith families. Prior to his activities at Voith AG, Prof. Dr. Kormann held management positions at Brown, Boveri & Cie. AG (now part of the ABB group), at the family-holding of the Otto group and at Booz & Co. Management Consultants. Prof. Dr. Kormann served and serves on various supervisory boards of family companies. Since 2006 Prof. Dr. Kormann is active as visiting professor at the Leipzig University for General Business Administration, and since 2009 at the Zeppelin-University, Friedrichshafen, with a particular focus on strategy and corporate governance of family businesses.

Supervisory Board Committees

The Supervisory Board has not formed any committees.

Compensation

Pursuant to a resolution of Progroup AG's shareholders' meeting adopted on August 8, 2008 in accordance with the Articles of Association, members of the Supervisory Board receive a fixed annual compensation in the amount of €15,000, while the Chairman receives a fixed annual compensation in the amount of €30,000 and the vice chairman receives a fixed annual compensation in the amount of €22,500. In addition, Progroup AG reimburses the members of the Supervisory Board for their out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members.

Progroup AG has obtained D&O insurance covering the members of the Supervisory Board.

Further Information about Members of the Executive Board and the Supervisory Board

During the last five years, no member of the Executive Board or the Supervisory Board has been convicted in relation to fraudulent offenses.

During the last five years, no member of the Executive Board or the Supervisory Board has acted in any capacity at any entity which was subject to any bankruptcies, receiverships or involuntary liquidations.

No official public incrimination and/or sanctions by any statutory or regulatory authority against any member of the Executive Board or the Supervisory Board has occurred. No member of the Executive Board or the Supervisory Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct the affairs of any issuer during the last five years.

Progroup has not granted any loans to Executive Board or Supervisory Board members. The members of the two corporate bodies have not concluded any transactions with Progroup AG that lie outside Progroup AG's normal operating activities.

No members of the Executive Board or the Supervisory Board have any conflicts of interest between their duties to Progroup AG and their private or other interests. Rainer Dietmann, however, is partner of Rittershaus Rechtsanwälte Partnerschaftsgesellschaft mbB who provides legal services to Progroup AG and other members of the Group. For information on this relationship, see "*Certain Relationships and Related Party Transactions*".

No Executive Board or Supervisory Board member has concluded any service contract with any of the Group's companies that includes special benefits upon the end of the service. No family relationships exist among the members of the Executive Board and the Supervisory Board or within any of these bodies. Except for Mr. Jürgen Heindl, Chairman of the Executive Board, who indirectly holds, together with members of his immediate family, 91.05% of the registered share capital of Progroup AG via his private holding company, JH-Holding, no member of the Executive Board and the Supervisory Board (including persons closely related to them) currently holds shares in Progroup AG. See also "*Shareholders*".

Progroup AG provides management services to JH-Holding, and the D&O insurance of Progroup AG also provides for coverage of the management of JH-Holding. For information on this relationship, see "*Certain Relationships and Related Party Transactions*".

General Shareholders' Meetings

Pursuant to the Articles of Association, general shareholders' meetings are convened by the Executive Board or, in certain instances, by the Supervisory Board. Depending on the choice of the convening body, general shareholders' meetings take place at Progroup AG's registered office, a German city with more than 100,000 inhabitants or the registered office of an affiliated company (*verbundenes Unternehmen*) within the meaning of Article 15 of the German Stock Corporation Code (*Aktiengesetz*). Each of the Shares of Progroup AG carries one vote at Progroup AG's general shareholders' meeting. There are no restrictions on voting rights of the shares of Progroup AG.

Unless mandatory provisions of the German Stock Corporation Act or the Articles of Association state otherwise, general shareholders' meeting resolutions are passed with a simple majority of the votes cast. In accordance with the German Stock Corporation Act, resolutions of fundamental importance require, in addition

to a simple majority of the votes cast, a majority of at least three quarters of the share capital represented in order to pass such a resolution. Such resolutions of fundamental importance include in particular:

- changes in the Articles of Association;
- share capital increases with exclusion of pre-emptive rights;
- share capital decreases;
- the creation of authorized or contingent capital;
- divisions or split-offs as well as transfers of the entire assets of Progroup AG;
- conclusions of inter-company agreements (in particular, domination agreements and profit and loss transfer agreements);
- changes in the legal form of Progroup AG; and
- liquidation of Progroup AG.

The general shareholders' meeting can be convened at the request of the Executive Board, the Supervisory Board, or shareholders whose shares together total at least 5% of the share capital. If the best interests of Progroup AG require it, the Supervisory Board must call a general shareholders' meeting. The regular general shareholders' meeting takes place within the first eight months of every financial year.

Neither German law nor the Articles of Association restrict the right to own shares or to exercise the associated voting rights for German non-residents or for foreign owners of shares.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Management Services Agreement with JH-Holding

Progroup AG provides management services to its shareholder JH-Holding comprising, in particular, accounting services and assistance in the preparation of financial statements and reporting, pursuant to an agreement dated July 22, 2015, and receives remuneration for the provision of such management services, which, in 2014, amounted to €11,520. Furthermore, the D&O insurance for Progroup AG's management is paid by JH-Holding, which is reimbursed by Progroup AG for the premiums related to such D&O insurance. These transactions between Progroup AG and JH-Holding are carried out at arm's length.

Legal services rendered by Rittershaus Rechtsanwälte Partnerschaftsgesellschaft mbB

The law firm Rittershaus Rechtsanwälte Partnerschaftsgesellschaft mbB, Mannheim, Frankfurt/Main, Munich, has been providing legal advice to Progroup AG and other members of the Group on various matters for a number of years. Rainer Dietmann, who serves as chairman of the Supervisory Board of Progroup AG, is also a partner of Rittershaus Rechtsanwälte Partnerschaftsgesellschaft mbB. The retention of Rittershaus Rechtsanwälte Partnerschaftsgesellschaft mbB as the Group's legal counsel has been approved by the Supervisory Board of Progroup AG.

Consultancy Agreement with HHC UG

In July 2014, Progroup AG and HHC UG, a limited liability company under German law solely owned and managed by Mrs. Herta Heindl, the spouse of Mr. Jürgen Heindl, entered into a consultancy agreement which automatically terminated on June 30, 2015. Under this agreement, HHC UG has rendered certain consultancy services to Progroup AG in connection with the extension of Progroup AG's business premises in Landau, Germany, in consideration of an hourly fee of €80 (net). We expect that HHC UG or Mrs Heindl, as the case may be, may from time to time be engaged by Progroup AG or other companies of the Group to render similar services pursuant to similar economic terms.

Internship Vinzenz Heindl

In August 2015, Mr. Vinzenz Heindl, who owns 24% of the shares in JH-Holding, completed a one-month internship with Progroup AG and received a remuneration of € 1,000.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of certain provisions of the documents listed below governing certain of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Unless otherwise defined in this special report or unless the context otherwise requires, terms defined in the Super Senior Revolving Credit Facility and the Intercreditor Agreement shall have the same meanings when used in this section.

SUPER SENIOR REVOLVING CREDIT FACILITY

On December 1, 2015, we entered into an amendment to the Super Senior Revolving Credit Facility (the "**Amendment Agreement**"). Pursuant to the Amendment Agreement, the Super Senior Revolving Credit Facility will be amended to that, following the completion of the CHP Acquisition, the Consolidated Net Leverage Ratio for any relevant measurement period shall not exceed the ratio set out in Column 2 (*Consolidated Net Leverage Ratio*) of the following table opposite the relevant date.

Relevant testing period:	Consolidated Net Leverage Ratio
ending after December 31, 2015 and on or before December 31, 2016	4.90:1
ending after December 31, 2016 and on or before December 31, 2017	4.75:1
ending after December 31, 2017 and on or before December 31, 2018	4.50:1
ending after December 31, 2018	4:00:1

SENIOR SECURED PLN FACILITY

On December 1, 2015, Prowell sp. z o.o., as borrower, Progroup AG and the existing Guarantors, as guarantors, entered into a PLN-denominated senior secured facility agreement (the "**Senior Secured PLN Facility**") with Commerzbank Aktiengesellschaft as facility agent, arranger and original lender. The Senior Secured PLN Facility provides for PLN 107 million (or EUR 25.1 million, calculated based on an assumed exchange rate of €1.00 = PLN 4.2639, which was the exchange rate of the zloty against the euro reported by the National Bank of Poland on November 30, 2015) of committed creditthat may be drawn by Prowell sp. z o.o. as an amortizing term loan until March 31, 2016 or, if the CHP Acquisition has not been completed by or prior to March 31, 2016, June 30, 2016 (the "**Availability Period**"). The Senior Secured PLN Facility requires Prowell sp. z o.o. to fully utilize the Senior Secured PLN Facility by the end of the Availability Period. As of the date of this special report, the Senior Secured PLN Facility was not drawn, but we expect it to be fully drawn as of the CHP Acquisition Completion Date.

Borrowings under the Senior Secured PLN Facility may be used for the partial repayment of an existing intra-group loan between Prowell GmbH as lender and Prowell sp z o.o. and the payment of related transaction costs.

Repayments and prepayments

The Senior Secured PLN Facility has a six year term with a final maturity date of December 31, 2021 (the "**Final Maturity Date**"). Following an initial year of no repayments, Prowell sp. z. o.o. is required to repay any amounts outstanding on the last day of the Availability Period in 20 equal, quarterly installments, commencing on March 31, 2017 and ending on the Final Maturity Date.

At any time on or after December 1, 2018, Prowell sp. z o.o.may voluntarily prepay the whole or part of the loan outstanding under the Senior Secured PLN Facility by giving five business days' prior notice to the agent (but if in part, being an amount that reductes the amount of the loan by a minimum of PLN 5 million or the remainder if the outstanding loan is less than PLN 5 million).

In addition to voluntary prepayments, the Senior Secured PLN Facility requires mandatory cancellation and, if applicable, prepayment in full or in part in certain circumstances, including with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the Senior Secured PLN Facility.

Furthermore, upon the occurrence of a Change of Control (as defined below), Progroup AG shall give notice to the agent under the Senior Secured PLN Facility describing the transaction or transactions that constituted the Change of Control and offer to repay each lender's participation under the Senior Secured PLN Facility in the loans on the date specified in such notice (the "**Change of Control Offer**") which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "**Change of Control Payment Date**"). Pursuant to the Change of Control Offer, each lender under the Senior Secured PLN Facility will have the right to require Prowell sp. z o.o. to prepay all or any part of the principal amount of such lender's participation in the loans at a prepayment price in cash equal to (i) if the Change of Control occurs on or prior to December 31, 2020, 104.35% of the aggregate principal amount of such lender's participation in the loans; or (ii) if the Change of Control occurs after December 31, 2020, the aggregate principal amount of such lender's participation in the loans plus an indemnity for early repayment (*Vorfälligkeitsentschädigung*) determined by each lender in accordance with applicable law and jurisprudence, plus, in each case, accrued and unpaid interest, and any additional amounts accrued under the finance documents, if any to but excluding the Change of Control Payment Date.

"**Change of Control**", for purposes of the Senior Secured PLN Facility, means the occurrence of the following:

(i) for as long as no public market exists for the capital stock of Progroup AG (or a holding company), Progroup AG becoming aware of any person or group of persons acting in concert in the meaning given to such term in Section 2(5) of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) other than a permitted shareholder acquiring and holding, directly or indirectly, the control over more than 50% issued and outstanding voting stock of Progroup AG measured by voting power rather than number of shares;

(ii) at any time that a public market exists for the capital stock of Progroup AG (or a holding company), Progroup AG becoming aware of (i) any "person" or "group" of persons acting in concert in the meaning given to such term in Section 2(5) of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) other than a permitted shareholder acquiring and holding, directly or indirectly, the control over more than 30% issued and outstanding voting stock of Progroup AG measured by voting power rather than number of shares and (ii) permitted shareholders holding, directly or indirectly, the control over fewer of the issued and outstanding voting stock of Progroup AG measured by voting power rather than number of shares than such other person or group;

(iii) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, or consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of Progroup AG and its restricted Subsidiaries taken as a whole to a person other than a permitted shareholder;

(iv) the adoption of a plan relating to the liquidation, winding up or other disposition of all or substantially all of the assets of Progroup AG; or

(v) Progroup AG ceases to hold (directly or indirectly) 100% of the shares in Prowell sp. z o.o..

Interest and Fees

The Senior Secured PLN Facility bears interest at a fixed rate of 4.27% per annum.

Prowell sp. z o.o. would also be required to pay a commitment fee in arrears at the end of each calendar quarter at a rate of 0.85% per annum with regard to any available but unused commitments during the period starting four weeks after the date of signing of the Senior Secured PLN Facility until the last day of the Availability Period.

Prowell sp. z o.o. also paid an upfront fee of €25,000 to Commerzbank Aktiengesellschaft, as arranger in connection with the Senior Secured PLN Facility.

Security and Guarantees

The Senior Secured PLN Facility is being guaranteed irrevocably and unconditionally, subject to certain

customary limitations and agreed security principles, on a joint and several basis, by Progroup AG, Propapier PM1 GmbH, Propapier PM2 GmbH, Prowell GmbH, PROLOGISTIK GmbH, Proservice GmbH, Prowell s.r.o., Prowell sp. z o.o. and Prowell Ltd. (the "**Guarantors**"). Following the CHP Acquisition Completion Date, EnBW Propower GmbH will also become a Guarantor under the Senior Secured PLN Facility.

In addition, upon EnBW Propower GmbH becoming an additional Guarantor, the collateral (subject to any applicable perfection requirements, exceptions and limitations) will further comprise first-ranking liens over the shares of EnBW Propower GmbH, the real property on which the CHP is located and certain fixed and other assets of EnBW Propower GmbH.

After the date on which the transaction security is granted pursuant to the Senior Secured PLN Facility, Commerzbank Aktiengesellschaft, as agent and original lender thereunder, will accede to the Intercreditor Agreement, and any amounts outstanding under the Senior Secured PLN Facility will be secured by the same Collateral that secures the Super Senior Revolving Credit Facility, the Senior Secured Notes and the additional indebtedness we expect to incur to finance a portion of the purchase price for the CHP Acquisition..

Covenants

The Senior Secured PLN Facility contains customary information and general loan style covenants and also includes restrictive covenants that replicate those contained conditions of issue of the Senior Secured Notes.

Events of Default

The Senior Secured PLN Facility contains customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications) including, a cross default (including with respect to an event of default under, and as defined in, the Conditions of Issue), non-payment, misrepresentation, insolvency and insolvency proceedings, unlawfulness, litigation and material adverse change the occurrence of which would allow the agent under the Senior Secured PLN Facility (who shall do so if directed by the required majority of the lenders) to accelerate all or part of the loan outstanding and/or terminate any available commitments and/or exercise any of its rights and remedies under the Senior Secured PLN Facility and other related finance documents.

Governing law

The Senior Secured PLN Facility and any non-contractual obligations arising out of or in connection with it are governed by and construed and enforced in accordance with German law.

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