progroup

# INTERIM FINANCIAL REPORT

30 June / Second Quarter 2019

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# KEY FIGURES

**(in € thousands)**

**SALES**
**January – June 2019**

## 469,019

**Reported EBITDA**
**January – June 2018**

**140,643**

**Reported EBITDA**
**January – June 2019**

**121,528**

**Reported EBITDA margin**
**January – June 2019**

## 25.9%

**Net leverage**
**30/06/2019**

**2.3**

**Net financial debt**
**30/06/2019**

**601,040**

## Key operating figures

(in € thousands)

| | April – June | | January – June | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Sales | 223,662 | 246,431 | 469,019 | 490,218 |
| Reported EBITDA[1] | 54,239 | 70,863 | 121,528 | 140,643 |
| Reported EBITDA margin (in % of net sales) | 24.3% | 28.8% | 25.9% | 28.7% |
| EBIT[2] | 40,211 | 57,990 | 93,660 | 115,478 |
| Consolidated net income for the period | 22,252 | 29,480 | 55,663 | 61,761 |
| Cash flows from operating activities | 65,353 | 55,165 | 97,428 | 86,385 |
| Cash flows from investing activities | -67,142 | -30,245 | -138,049 | -48,959 |
| Free cash flow[3] | -1,789 | 24,920 | -40,621 | 37,426 |

## Key balance sheet figures

(in € thousands)

| | 30/06/2019 | 31/12/2018 |
|---|---|---|
| Total assets | 1,304,864 | 1,147,504 |
| Equity | 351,742 | 315,518 |
| Cash in hand, bank balances | 177,793 | 148,431 |
| Financial liabilities (bonds, bank loans and accrued interest) | 778,834 | 678,438 |

## Key financial figures

(in € thousands)

| | 30/06/2019 | 31/12/2018 |
|---|---|---|
| Net leverage[4] | 2.3 | 1.9 |
| LTM EBITDA | 256,363 | 275,478 |
| Net financial debt[5] | 601,040 | 530,007 |

(1) Reported EBITDA (not a German GAAP measure) is calculated as sales, plus increase/decrease in finished goods and work in process, plus other own work capitalised, plus other operating income (excluding any extraordinary income), minus costs of materials, minus personnel expenses, minus other operating expenses (excluding any extraordinary expenses), minus other taxes.

(2) EBIT (not a German GAAP measure) is calculated as reported EBITDA minus amortisation and depreciation of fixed intangible and tangible assets.

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

(4) Net leverage (not a German GAAP measure) is calculated by dividing net financial debt as at 30 June 2019 and 31 December 2018, respectively, by EBITDA for the last twelve months (LTM) ended on the relevant date.

(5) Net financial debt (not a German GAAP measure) is calculated as financial liabilities (bonds, bank loans and accrued interest) minus cash in hand, bank balances.

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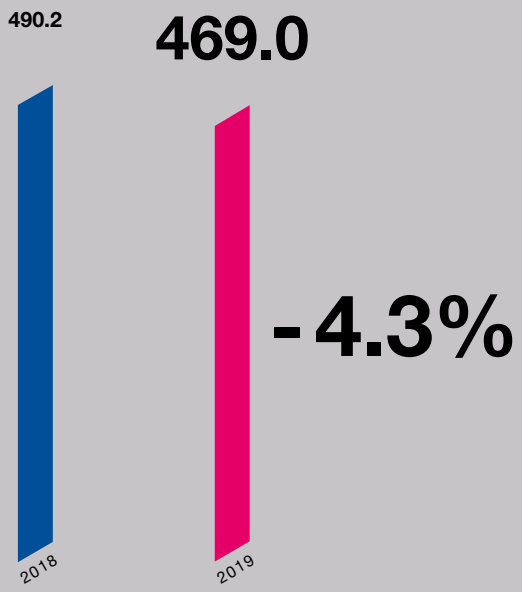
# HIGHLIGHTS

01

In the first half of the financial year 2019, Progroup continued on its growth path, with a steady increase in external sales volume in the corrugated board business. The previously experienced normalisation of price levels continued after a year of extraordinarily favourable market conditions and therefore influenced the results of the first half.

**SALES**
**January – June**
(in € million)




02

**In the first six months of 2019, sales decreased by 4.3% to €469.0 mn, after €490.2 mn in the first half of 2018.**

In the second quarter, sales saw a decline by 9.2% to €223.7 mn. The decline was attributable to the continued normalisation of sales prices, which could not entirely be compensated by the increase in sales volume of corrugated board.

03

Corrugated board sales volume increased by 5.1% in the first six months of 2019 and by 5.9% in the second quarter compared to the respective prior-year periods. The sales volume of containerboard respectively increased by 3.5% in the first six months and by 10.1% in the second quarter.

04

In the second quarter of 2019, integration including swap agreements between the two key businesses, corrugated board and containerboard, remained on a very high level of 96%, after 92% in the second quarter 2018. Excluding swap agreements, integration reached 87%, after 81% in the previous second quarter.

05

The normalisation of sales prices, experienced in the first quarter of 2019, continued as expected in the second quarter. As of June, price levels stabilised and are expected to

# 26%

**EBITDA margin January – June 2019**

06

**In light of the softer sales performance, EBITDA decreased to €121.5 mn in the first half of 2019, after €140.6 mn in the first six months of 2018. In the second quarter, EBITDA reached €54.2 mn, in contrast to €70.9 mn in the first quarter of 2018. After the extraordinarily favourable market conditions in the previous year, the normalising price levels in the market overcompensated the increase in sales volume. EBITDA margin however remained well above the five-year average of just above 23% at 24.3% in the second quarter.**

remain at the current normalised level in the near future. The lower prices are expected to impact the second half of 2019 due to time lags in passing on price developments to customers.

07

In order to finance the ongoing construction of the new paper machine PM3, Progroup AG drew €30 mn out of the €155 mn long-term bilateral bank loan facilities in the first quarter of 2019. Additionally, a facility of GBP 67 mn was drawn in the second quarter of 2019 to finance the growth project PW12 in Ellesmere Port. Furthermore, Progroup successfully repaid its €150 mn floating rate notes. The proceeds for the redemption came from the successful offering of additional €150 mn of the existing fixed rate notes, utilising the current low-interest environment. Net leverage increased by 0.4 points from 1.9 as at 31 December 2018 to 2.3 as at 30 June 2019, both due to the higher net debt and the lower EBITDA.

08

In light of the ongoing investments into the new paper machine PM3 and the new production site PW13, free cash flow reached €-40.6 mn in the first half of 2019, after €37.4 mn in the first six months of 2018. The negative free cash flow is attributable to our value accretive expansion program leading to a strong increase in cash outflow from investing activities. As expected, the high capital expenditure was not entirely offset by the improved cash flow from operating activities.

09

Constructions on the new paper machine PM3 commence according to plan, with launch of production planned for the second half of 2020. Upon completion, PM3 will be among the first paper machines in the world that is equipped with a closed loop internal water treatment system. This will sustainably reduce water consumption by up to 3.75 million cubic metres per year. Constructions on the most recent production site PW13 are within schedule, with test production expected for the end of 2019 or the first quarter of 2020.

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# LETTER TO INVESTORS

**from l.t.r.:**
**Philipp Kosloh,** Chief Operating Officer
**Maximilian Heindl,** Chief Development Officer
**Dr. Volker Metz,** Chief Financial Officer
**Jürgen Heindl,** Chief Executive Officer

## Dear investors and business partners,

It is a pleasure to present to you our interim report for the first half of 2019. In the first six months of 2019, we saw a continued considerable normalisation of price levels for both our key products, corrugated board and containerboard, after a year of extraordinarily favourable market conditions in 2018. In June 2019, after several months of decreasing sales prices, we experienced a first price stabilisation, which we expect to last in the short-term. The normalised price levels will continue to influence our results throughout the coming quarters due to time lag effects in passing on price changes to our customers.

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In the first half of 2019, we increased the sales volume of our main growth driver corrugated board by 5.1% in comparison to the first half of 2018. The lower growth rates compared to the first half of the prior year are impacted by the less favourable overall economic development in Europe, and especially in Germany. Equally, our containerboard business saw increased sales volumes, rising by 3.5% within the same time. For the second half of 2019, we expect a slightly lower sales volume for containerboard, due to scheduled maintenance shut-downs of both our paper machines in the third and fourth quarter. In the second quarter, integration between both businesses remained on a very high level at 96%, including swap agreements with other paper manufacturers. Excluding swap agreements, our integration reached 87%.

In the first six months of 2019, sales reached €469.0 mn, a decrease by 4.3% compared to the first half of 2018. In the second quarter, sales declined from €246.4 mn in 2018 to €223.7 mn in 2019. The decline in sales is mainly attributable to continuously normalising market conditions in contrast to extraordinarily favourable price levels in the previous year. As a result of the lower sales as well as due to increased personnel expenses following the strong performance in the previous year, our EBITDA normalised and declined from €140.6 mn to €121.5 mn in the first six months of 2019, and from €70.9 mn to €54.2 mn in the second quarter, each compared to the respective prior-year periods. For the third quarter of 2019, we expect a lower EBITDA due to the scheduled maintenance shutdown of our combined heat and power plant (CHP) and our PM2.

Our EBITDA margin experienced a comparable normalisation, while remaining well above the five-year average. It fell to 25.9% in the first half of 2019, after 28.7% in first six months of 2018. In the second quarter of 2019, our EBITDA margin reached 24.3% after 28.8% in the previous second quarter, equally above our five-year average.

Owing to our normalising sales performance, consolidated net income decreased by 9.9% from €61.8 mn to €55.7 mn in the first six months of 2019.

Our free cash flow decreased from €37.4 mn in the first half of 2018 to €-40.6 mn in the first six months of 2019. This result is primarily attributable to the extensive investment activities into our new paper machine PM3 and our newest production site PW13, which resulted in substantially increased cash outflows from investing activities. In the second quarter of 2019, free cash flow reached €-1.8 mn due to the ongoing investment activities, after €24.9 mn in the same period in 2018.

Compared to €530.0 mn as at 31 December 2018 and €573.8 mn as at 31 March 2019, net financial debt reached €601.0 mn as at 30 June 2019. The expected increase in net debt is mainly due to drawing a facility of GBP 67 mn to finance our growth project PW12 in Ellesmere Port, United Kingdom, as well as drawing €30 mn of the €155 mn long-term bilateral bank loan facilities to finance the ongoing construction of our new paper machine PM3. Further, we successfully repaid our €150 mn floating rate notes. The proceeds for the redemption came from the successful offering of additional €150 mn of the existing fixed-rate notes, benefiting from the current low-interest environment. As a result of the increased net financial debt, in conjunction with a softer LTM EBITDA, net leverage rose to 2.3 as at 30 June 2019 which is still below our long-term target corridor.

Despite the anticipated normalisation of market conditions in the first half of 2019, Progroup AG continues on its successful strategic path of providing best-in-class corrugated board products and services in the direct vicinity to our clients. With investments into our new paper machine PM3 and our newest production site PW13, we continue to expand along our proven greenfield approach, relying on cutting-edge production facilities all over Europe. Constructions on our new paper machine PM3 commence according to schedule. Further, as one of the first paper machines in the world, PM3 will incorporate a fully closed loop internal water treatment system. This reduces the ecological footprint of the facility by saving up to 3.75 million cubic metres of water per year.

For our new production site PW13 in Germany, we expect test production to launch at the end of 2019 or the first quarter of 2020, as constructions are commencing well according to plan. Further, we have started preparations for another corrugated board production site PW14. The commencement of production is expected for 2021.

Lastly, the Annual General Meeting agreed on paying a dividend of €20.1 mn as at 2 May 2019, after an excellent and record-breaking financial year 2018. The dividend was distributed to shareholders in the second quarter of 2019.

Yours sincerely,

**Jürgen Heindl**
**Chief Executive Officer**

**Dr. Volker Metz**
**Chief Financial Officer**

**Maximilian Heindl**
**Chief Development Officer**

**Philipp Kosloh**
**Chief Operating Officer**

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# CAPITAL MARKET ACTIVITIES

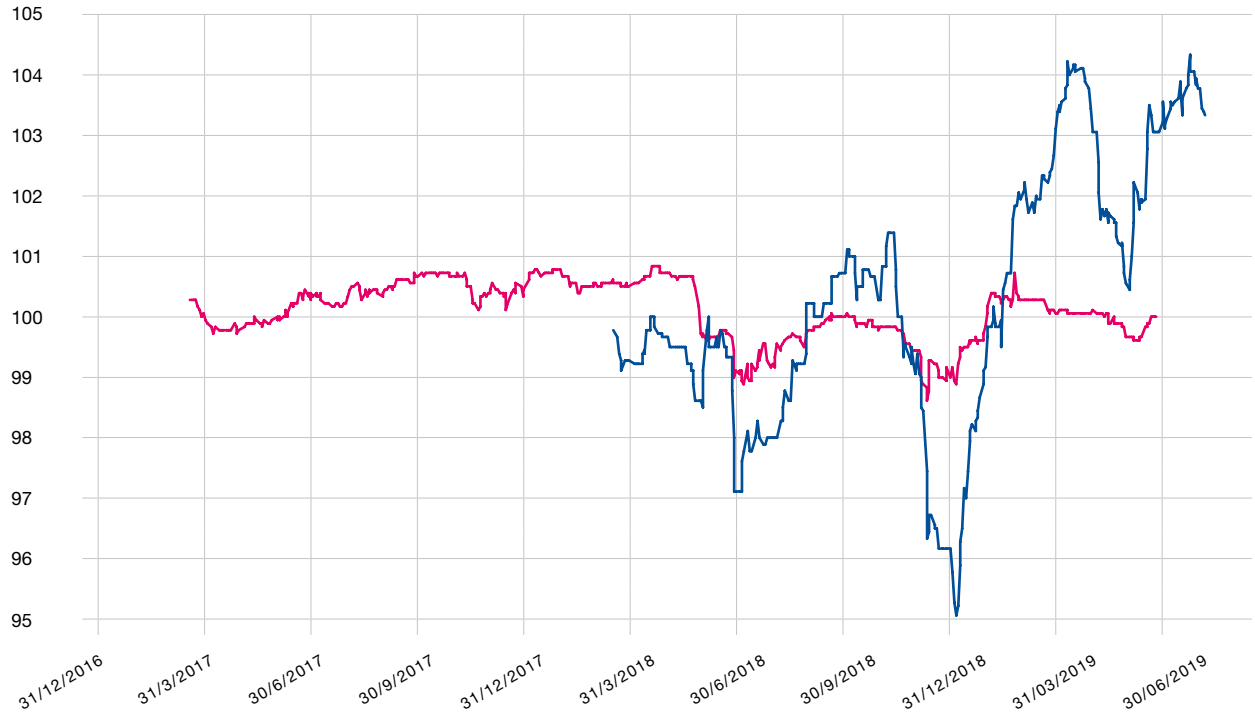
**An overview of the features of our senior secured fixed rate notes and our senior secured floating rate notes and their market performance as at 30 June 2019 is presented below.**

## Capital market activities Progroup AG

| | | |
|---|---|---|
| ISIN | DE000A2E4YZ7 (144A) / DE000A2E4YY0 (Reg S) | DE000A2G8WB1 (144A) / DE000A2YNWZ8 (144A temporary) / DE000A2G8WA3 (Reg S) |
| Issue | Senior Secured Floating Rate Notes | Senior Secured Fixed Rate Notes |
| Issuer | Progroup AG | Progroup AG |
| Listing | The International Stock Exchange | The International Stock Exchange |
| Distribution | 144A/Reg S | 144A/Reg S |
| Amount issued | €150,000,000 | €600,000,000 |
| Amount outstanding | €0 | €600,000,000 |
| Currency | EUR | EUR |
| Issue date | 27 March 2017 | 27 March 2018 / 26 June 2019 |
| Final maturity | 31 March 2024 | 31 March 2026 |
| Optional redemption | from 31 March 2018: 101.000% | from 31 March 2021: 101.500% |
| | from 1 May 2019 and thereafter: 100.000% | from 31 March 2022: 100.750% |
| | | from 31 March 2023 and thereafter: 100.000% |
| Issue price | 100% of face amount | 100% of face amount / 101.625% (tap) |
| Coupon | Three-month EURIBOR (subject to a zero-floor) plus 2.50% | 3.000% |
| Interest payments | Quarterly on 31 Mar, 30 Jun, 30 Sep and 31 Dec, commencing on 30 Jun 2017 | Semi-annually on 31 Mar and 30 Sep, commencing on 30 Sep 2018 |
| Paying agent | Deutsche Bank AG | Deutsche Bank AG |
| Security agent | Wilmington Trust (London) Limited | Wilmington Trust (London) Limited |

| **Ratings** | | |
|---|---|---|
| S&P | BB- | BB- |
| Moody's | Ba3 | Ba3 |

## Progroup Senior Secured Notes Prices




Source of price data: Deutsche Bank AG

In June 2019, Progroup successfully issued additional senior secured fixed rate notes in an amount of €150 mn, which increased the amount outstanding to €600 mn. The additional notes have the same terms as the existing senior secured fixed rate notes. The proceeds from the offering were used to redeem in full the €150 mn outstanding principal amount of existing floating rate notes due 2024 on 26 June 2019.

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# BUSINESS

**Corrugated board production**

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

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

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

**High technological standards of production facilities**

sustainable use of raw materials and energy, which can help reduce both costs and $CO_2$ emissions.

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

**Corrugated sheetboard**

Paper manufactures containerboard at our two paper mills in Germany, with an envisaged total annual production capacity of approximately 1,100,000 tons of containerboard. Our two paper machines, PM1 in Burg and PM2 in Eisenhüttenstadt, have complementary production layouts which allow us to produce brown containerboard with grammages between 60 and 230g/m² using almost exclusively recycled paper. This, in turn, allows us to internally source consistently high quality containerboard with the appropriate widths for Board's ten corrugated board production sites in the Czech Republic, France, Germany, Italy, Poland and the United Kingdom with a total annual production capacity of approximately 1,440,000 tons of corrugated board (including PW12). Our historic greenfield location strategy ensures close customer proximity and high production flexibility.

**Progroup Board PW13 plant**
Eisfeld, Germany

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# RECENT DEVELOPMENTS

**Issuance of senior secured fixed rate notes and redemption of existing senior secured floating rate notes**
In June 2019, Progroup successfully issued additional senior secured fixed rate notes in an amount of €150 mn, which increased the amount outstanding to €600 mn. The additional notes have the same terms as the existing senior secured fixed rate notes. The proceeds from the offering were used to redeem in full the €150 mn outstanding principal amount of existing floating rate notes due 2024 on 26 June 2019.

**New Senior Secured Facilities**
On 31 May 2019, we entered into three new senior secured bank facilities in a total amount of €75 mn. The main purpose of these facilities is to finance the next corrugated board project.

**Resolution of the Annual General Meeting of 2 May 2019: dividend payment of €2.65 / share**
The Annual General Meeting, held on 2 May 2019, resolved the payment of a dividend of €2.65/share. As all 7,588,236 shares are entitled to dividend, the total amount of distribution amounted to approximately €20.1 mn.

**Three additional corrugated board production sites**
We have already commenced construction of a further corrugated board production capacity in Eisfeld (Germany), with test production expected to start in the fourth quarter of 2019 or the first quarter of 2020.

In order on the one hand to retain and consolidate our cost leadership and our position as one of the leading manufacturers of corrugated board in Europe and on the other hand to ensure that we continue to be able to maintain the expected level of market growth and meet our customers' requirements in respect of reliability of supply and the quality of products, we intend to open up three more corrugated sheetboard plants in Central Europe until 2023, leading to an expected total capacity of approximately 4,200 million $m^2$/year. The three further corrugated board production sites including a further corrugated board mega plant (PW 14), which is envisaged to commence production in 2021.

**Start of our new corrugated sheetboard production site in UK**
Our new mega-corrugated sheetboard plant in Ellesmere Port (PW12) successfully completed trial runs during December 2018 and January 2019 and started commercial production at the end of January. On 29 January 2019, PW8 was shut down and PW12 took over full production for the UK market and started with the ramp-up phase.

**Next corrugated board production site in Germany**
The newest state-of-the-art corrugated sheetboard plant is being constructed on a plot of land covering around 87,000 square meters in Eisfeld

(Thuringia) with an annual capacity of 175,000 tons. The plant will be equipped with the similar technical innovations that already have been deployed at the new corrugated sheetboard mega plant in Ellesmere Port (UK). The key innovations include the oneman dry-end concept, a highly efficient high-bay warehouse with 11,000 storage spaces and three storage and retrieval machines, the automatic handling of pallets, edge protection and strapping as well as the optimisation of waste disposal and the gluing system. The corrugator will be equipped to operate at a speed of up to 400 m/min and with a working width of 2.80 m will blend seamlessly into the Progroup mill system. Single-wall and double-wall Next Board® grades of varieties B, C, E and resulting combinations will be produced. Operating in four shifts, the plant will create a total of 52 new jobs and three apprenticeships. Production is scheduled to start in the fourth quarter of 2019 or the first quarter of 2020. Recently, constructions have been commencing well according to plan.

### Additional state-of-the-art paper machine

The increasing demand for consistently high-quality containerboard, owing to our growing production capacity for corrugated sheetboard, is to be covered predominantly by cost-efficient and highly flexible production in-house. We have therefore begun the realisation of a further paper machine project in Germany. The current expectation is that the start of production for the new, state-of-the-art paper machine is set for the second half of 2020 and, following a start-up phase, it will provide a further production capacity of around 750,000 tons of containerboard. Together with the two paper machines PM1 in Burg and PM2 in Eisenhüttenstadt, which are already manufacturing products in Germany, the total annual production capacity of containerboard will then increase from 1,100,000 tons to around 1,850,000 tons. This project to establish a new additional paper machine (PM3) in Germany is well on track, proceeding according to plan. We have taken the decision to install a fully closed loop water treatment system, which sustainably saves up to 3.75 million cubic metres of water every year and makes us independent of external waste water treatment capacities. Currently, the skeleton construction works are ongoing.

**Construction site Progroup Paper PM3, date: 01.08.2019**
Sandersdorf-Brehna, Germany

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# MARKET DEVELOPMENTS

**Containerboard stock**

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

Recycled paper is our main raw material for the production of recycled containerboard. Due to decreases in demand from outside Europe, prices declined during the first half of 2018. Since then, prices for recycled paper stabilised on a low level until the end of the first quarter of 2019. During the second quarter of 2019, the prices for recycled paper showed a downward step (-7% compared to Q1 2019).

After price increases in the first quarter of 2018, prices for recycled containerboard remained stable in the second and third quarter of 2018. In the period from the fourth quarter of 2018 to the second quarter of 2019, prices for recycled containerboard declined in several steps (-12% from Q1 2019 to Q2 2019). The decline in containerboard prices since the fourth quarter of 2018 was driven by a weaker demand and the ramp-up of the capacity additions in the previous months. The weaker demand was the result of the less dynamic overall economic development. Towards the end of the second quarter prices for containerboard stabilised.

Prices for corrugated board also increased during the first half of 2018 and started to decline in the fourth quarter of 2018, following the recycled containerboard's price development with the typical time lag. During the second quarter of 2019, prices were below the level achieved in the first quarter of 2019 (-8%).

**Price development Q2 2019 compared to Q1 2019**

**-8%** Corrugated board

**-12%** Recycled containerboard

**-7%** Recycled paper

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# RESULTS OF OPERATIONS

01

## Sales volume

(in thousands of tons)

| | April – June | | January – June | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Corrugated board** | **307** | **290** | **614** | **585** |
| **Containerboard** | **263** | **239** | **522** | **504** |
| – thereof external | 35 | 44 | 70 | 98 |
| – thereof internal | 228 | 194 | 452 | 406 |

## Sales

(in € thousands)

| | April – June | | January – June | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Sales** | **223,662** | **246,431** | **469,019** | **490,218** |

01

The corrugated board business is our main external sales driver. We were able to increase our sales volume of corrugated board by 5.9% (+17.0 thousand tons) in the second quarter of 2019, compared to the prior year's same quarter. Concerning the first half of 2019, we were able to increase our sales volume of corrugated board by 5.1% (+29.7 thousand tons) with the main growth momentum coming from our new Italian operations and our Polish operations.

Total sales volume of containerboard in the second quarter of 2019 was above the level of the prior year's same quarter (+10.1%). The increased sales volume of corrugated board sold led to a higher internal usage of containerboard (+17.1% or 33.3 thousand tons) and thus to a further decrease in the external volume sold (-20.7% or -9.2 thousand tons). Concerning the first half of 2019, we were also able to increase our sales volume of containerboard by 3.5%, also due to an increasing internal and declining external sales volume.

The level of integration of our containerboard business, including swap agreements, stabilised on a high level at 96% in the second quarter of 2019, after 97% in the first quarter of 2019.

Total sales decreased by 9.2% (€22.8 mn) to €223.7 mn in the second quarter of 2019, compared to €246.4 mn in the same quarter of the prior year. This decrease in sales is attributable to the normalisation of price levels of our two key businesses and a further decrease in external volume sold of containerboard. In contrast, our sales volume of corrugated board increased. However the higher volume of corrugated board could not offset the lower price level. In the first half of 2019, total sales decreased by 4.3% (€21.2 mn), also following the normalisation of price levels and declined external sales volume of containerboard.

## 02 Other operating income

(in € thousands)

| | April – June | | January – June | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Investment subsidies | 99 | 63 | 197 | 126 |
| Income from exchange rate differences | 274 | 627 | 1,880 | 1,164 |
| Income from other periods | 791 | 3,534 | 2,057 | 4,354 |
| Extraordinary income | 975 | 248 | 975 | 248 |
| Other income | 718 | 191 | 1,080 | 344 |
| **Other operating income** | **2,855** | **4,663** | **6,190** | **6,236** |

02

Other operating income decreased by 38.8% (€1.8 mn) to €2.9 mn in the second quarter of 2019, mainly resulting from lower income from other periods.

Concerning the first half of 2019, the same fact is attributable to the decrease in other operating income.

## 03 Costs of materials

(in € thousands)

| | April – June | | January – June | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Costs of raw materials, consumables and supplies | 86,838 | 100,583 | 181,646 | 198,432 |
| Costs of purchased services | 18,889 | 20,615 | 41,872 | 42,086 |
| **Costs of materials** | **105,727** | **121,198** | **223,518** | **240,519** |

03

Costs of materials decreased by 12.8% (€15.5 mn) to €105.7 mn in the second quarter of 2019, primarily resulting from lower costs of raw materials, consumables and supplies. This development was mainly driven by declining prices for recycled paper and a lower quantity of externally purchased containerboard. Concerning the first half of 2019, costs of materials decreased by 7.1% (€17.0 mn) to €223.5 mn, driven by the same facts.

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## 04 Personnel expenses

(in € thousands)

| | April – June | | January – June | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Wages and salaries | 19,102 | 16,615 | 37,280 | 32,162 |
| Social security and pensions | 3,226 | 2,946 | 6,400 | 5,765 |
| – thereof for pension expenses | 98 | 73 | 196 | 122 |
| **Personnel expenses** | **22,328** | **19,560** | **43,680** | **37,927** |

04

Personnel expenses increased by 14.2% (€2.8 mn) to €22.3 mn in the second quarter of 2019. This increase is mainly attributable to a higher average number of employees, administrative and group positions reflecting our strong growth. The increase in the number of employees is mainly related to our growth projects in Eisfeld (PW13) and Sandersdorf-Brehna (PM3), since the build-up of workforces started in the first quarter of 2019. Therefore, the increase of personnel expenses in the first half of 2019 (15.2% or €5.8 mn to €43.7 mn) is mainly due to the same reason.

## 05 Other operating expenses

(in € thousands)

| | April – June | | January – June | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Freight expenses | 19,440 | 16,480 | 38,219 | 33,606 |
| Maintenance and repair | 7,598 | 11,724 | 18,563 | 19,366 |
| Paper machine clothings | 1,127 | 1,507 | 2,941 | 3,176 |
| Rental and leasing costs | 1,954 | 1,978 | 4,163 | 3,843 |
| Legal and consulting fees | 1,192 | 541 | 2,427 | 1,320 |
| Expenses from exchange rate differences | 1,807 | 1,842 | 2,006 | 2,622 |
| Expenses from other periods | 835 | 567 | 1,416 | 824 |
| Extraordinary expenses | 3,781 | 1 | 3,846 | 6,901 |
| Others | 7,270 | 6,035 | 13,925 | 11,372 |
| **Other operating expenses** | **45,004** | **40,675** | **87,505** | **83,030** |

05

Other operating expenses increased by 10.6% (€4.3 mn) to €45.0 mn in the second quarter of 2019, primarily due to extraordinary expenses and an increase of freight expenses. In the first half of 2019 other operating expenses increased by 5.4% (€4.5 mn) to €87.5 mn, mainly driven by the increase of freight expenses. Extraordinary expenses are mainly driven by the bond issuance in June and the financing agreements related to the coming corrugated board project. Freight expenses increased in connection with a higher freight volume and higher freight rates.

06

## Results of operations

(in € thousands)

| | April – June | | January – June | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **EBITDA** | **54,239** | **70,863** | **121,528** | **140,643** |
| Amortisation and depreciation of fixed assets | -14,028 | -12,872 | -27,867 | -25,165 |
| Net interest result | -5,650 | -16,128 | -11,720 | -22,124 |
| Extraordinary income/expenses (other operating income/expenses) | -2,806 | 247 | -2,871 | -6,653 |
| Taxes on income | -9,503 | -12,629 | -23,406 | -24,940 |
| **Consolidated net income for the period** | **22,252** | **29,480** | **55,663** | **61,761** |

06

In the second quarter of 2019, EBITDA decreased by 23.5% (€16.6 mn) to €54.2 mn, mainly in connection with the anticipated normalisation of price levels and therefore declining sales. Concerning the first half of 2019, EBITDA decreased by 13.6% (€19.1 mn) to €121.5 mn due to the abovementioned development of price levels.

The net interest result of the second quarter of 2019 improved compared to the second quarter of 2018, which was influenced by an early redemption fee of the former fixed rated notes. Concerning the first half of 2019, net interest result improved by 47.0% (€10.4 mn) to €-11.7 mn due to the same reason.

Extraordinary expenses in the first half of 2019 are related to the senior secured fixed rate notes offering in June 2019 and financing agreements related to the coming corrugated board project.

In the second quarter as well as in the first half of 2019, taxes on income decreased in connection with the lower results.

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# NET ASSET POSITION

**The following statements describe the main changes in the balance sheet as at 30 June 2019 compared to 31 December 2018.**

## Assets

(in € thousands)

| | | 30/06/2019 | 31/12/2018 |
|---|---|---|---|
| A. | Fixed assets | 862,505 | 742,184 |
| B. | Current assets | 423,451 | 385,916 |
| I. | Inventories | 104,020 | 110,512 |
| II. | Receivables and other assets | 141,638 | 126,973 |
| III. | Cash in hand, bank balances | 177,793 | 148,431 |
| C. | Prepaid expenses and deferred charges | 18,908 | 19,367 |
| D. | Deferred tax assets | 0 | 36 |
| | **Total assets** | **1,304,864** | **1,147,504** |

## Equity and liabilities

(in € thousands)

| | | 30/06/2019 | 31/12/2018 |
|---|---|---|---|
| A. | Shareholder´s equity | 351,742 | 315,518 |
| B. | Investment grants for fixed assets | 3,582 | 3,779 |
| C. | Provisions | 94,367 | 91,746 |
| D. | Liabilities | 851,763 | 736,378 |
| I. | Bonds | 600,000 | 600,000 |
| II. | Bank loans | 174,943 | 74,033 |
| III. | Trade payables | 60,268 | 49,787 |
| IV. | Other liabilities | 16,551 | 12,558 |
| E. | Deferred income | 2,462 | 83 |
| F. | Deferred tax liabilities | 949 | 0 |
| | **Total equity and liabilities** | **1,304,864** | **1,147,504** |

**Fixed assets** increased by €120.3 mn to €862.5 mn as at 30 June 2019, following the capital expenditures for the corrugated board expansion projects in the UK (PW12) and Germany (PW13) as well as the paper machine project PM3.

**Inventories** amounted to €104.0 mn as at 30 June 2019, which is below the level as at 31 December 2018 (5.9% or €6.5 mn) and mainly driven by a decrease in work in process.

**Trade receivables** increased by €10.1 mn or 9.3% to €118.8 mn as at 30 June 2019, mainly due to year-end effects based on lower sales in December.

**Other assets** increased by €4.6 mn or 25.1% to €22.8 mn as at 30 June 2019, mainly in connection with higher sales tax prepayments.

**Prepaid expenses and deferred charges** slightly decreased by €0.5 mn to €18.9 mn, primarily due to the release of lump sum fees.

As at 30 June 2019, **deferred tax assets** decreased by €36 thousand to €0 mn due to further reduction of our interest carryforwards in connection with the positive EBITDA development in recent years, netted against deferred tax liabilities. Following this development, a **deferred tax liability** was recognised in 2019, which amounts to €0.9 mn as at 30 June 2019.

**Shareholder's equity** significantly increased by €36.2 mn from €315.5 mn as at 31 December 2018 to €351.7 mn as at 30 June 2019. The increase from our strong result was partly offset by dividend payments amounting to approximately €20.1 mn.

**Tax provisions** increased by €4.9 mn to €38.8 mn due to the lower interest carryforward and therefore higher corporate tax.

**Other provisions** decreased by €2.4 mn to €55.1 mn, mainly due to lower provisions for still to be granted bonuses.

The amount of **bonds** was unchanged at €600 mn as at 30 June 2019. A further senior secured notes offering of €150 mn was used to redeem in full the €150 mn outstanding principal amount of existing floating rate notes.

As at 30 June 2019, **bank loans** increased by €100.9 mn to €174.9 mn due to the GBP 67 mn drawing from the GBP facility, to finance our growth project PW12, and a drawdown of €30 mn from the €155 mn long-term bilateral bank loan facilities to finance the ongoing construction of our PM3 project. Contrary effects came from scheduled repayments of the Senior Secured PLN Facilities.

The increase in **trade payables** by €10.5 mn or 21.1% to €60.3 mn as at 30 June 2019 is mainly due to our current growth projects.

The increase in **other liabilities** by €4.0 mn to €16.6 mn as at 30 June 2019 is related to higher sales tax liabilities.

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# FINANCIAL POSITION

## Summary of cash flows

(in € thousands)

| | April – June | | January – June | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Cash flows from operating activities | 65,353 | 55,165 | 97,428 | 86,385 |
| Cash flows from investing activities | -67,142 | -30,245 | -138,049 | -48,959 |
| **Free cash flow** | **-1,789** | **24,920** | **-40,621** | **37,426** |
| Cash flows from financing activities | 45,851 | -451,004 | 71,726 | -27,737 |

**Cash flows from operating activities** increased by €10.2 mn to €65.4 mn in the second quarter of 2019 following a decrease in working capital compared to an increase in working capital in the previous year's second quarter. Contrary effects were related to lower interest expenses and decreased provisions. The same facts are also attributable to the development of cash flows from operating activities in the first half of 2019.

**Cash flows from investing activities** amounted to €-67.1 mn in the second quarter of 2019. They were mainly attributable to the construction of our new paper machine PM3 and furthermore caused by our corrugated board plant projects PW12 in the United Kingdom and PW13 in Germany. As usual, several smaller investments in different plants as part of our continuous maintenance capital expenditures were also included.

**Free cash flow** for the second quarter, calculated as cash flows from operating activities plus cash flows from investing activities, clearly decreased as a result of the high cash outflows from investing activities, which also applies to our free cash flow concerning the period ended 30 June 2019.

**Cash flows from financing activities** in the period ended 30 June 2019 mainly consisted of the GBP 67 mn drawing from the GBP facility to finance our growth project PW12 and the €30 mn drawing from the €155 mn long-term bilateral bank loan facilities to finance the ongoing construction of our new paper machine PM3. The abovementioned cash flows from financing activities were partly offset by dividend payments to our shareholders amounting to approximately €20.1 mn, scheduled repayments of the Senior Secured PLN Facilities as well as interest payments.

**Cash funds** (cash in hand, bank balances) increased by €29.4 mn and amounted to €177.8 mn as at 30 June 2019, compared to €148.4 mn as at 31 December 2018.

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# UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 30 June / Q2 2019

# CONSOLIDATED BALANCE SHEET

## Assets

(in € thousands)

| | | 30/06/2019* | 31/12/2018 |
|---|---|---|---|
| **A.** | **Fixed assets** | | |
| **I.** | **Intangible assets** | | |
| 1. | Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets | 16,045 | 17,415 |
| | | **16,045** | **17,415** |
| **II.** | **Tangible assets** | | |
| 1. | Land and buildings including buildings on leasehold land | 212,647 | 187,652 |
| 2. | Technical equipment and machinery | 407,944 | 388,189 |
| 3. | Other equipment, factory and office equipment | 7,894 | 7,872 |
| 4. | Prepayments and constructions in process | 217,974 | 141,056 |
| | | **846,460** | **724,769** |
| | | **862,505** | **742,184** |
| **B.** | **Current assets** | | |
| **I.** | **Inventories** | | |
| 1. | Raw materials, consumables and supplies | 56,093 | 54,352 |
| 2. | Work in process | 41,758 | 50,136 |
| 3. | Finished goods | 6,139 | 5,957 |
| 4. | Prepayments | 29 | 67 |
| | | **104,020** | **110,512** |
| **II.** | **Receivables and other assets** | | |
| 1. | Trade receivables | 118,842 | 108,756 |
| 2. | Receivables from affiliated companies | 2 | 3 |
| 3. | Other assets | 22,794 | 18,214 |
| | | **141,638** | **126,973** |
| **III.** | **Cash in hand, bank balances** | **177,793** | **148,431** |
| | | **423,451** | **385,916** |
| **C.** | **Prepaid expenses and deferred charges** | **18,908** | **19,367** |
| **D.** | **Deferred tax assets** | **0** | **36** |
| | **Total assets** | **1,304,864** | **1,147,504** |

* Unaudited consolidated interim financial information

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## Equity and liabilities

(in € thousands)

| | | 30/06/2019* | 31/12/2018 |
|---|---|---|---|
| **A.** | **Shareholder´s equity** | | |
| 1. | Subscribed capital | 7,588 | 7,588 |
| 2. | Capital reserve | 75,414 | 75,414 |
| 3. | Revenue reserves | 1,408 | 1,408 |
| 4. | Currency translation adjustment | -2,041 | -2,709 |
| 5. | Consolidated net retained profits | 269,372 | 233,817 |
| | | **351,742** | **315,518** |
| **B.** | **Investment grants for fixed assets** | **3,582** | **3,779** |
| **C.** | **Provisions** | | |
| 1. | Provisions for pensions | 430 | 280 |
| 2. | Tax provisions | 38,843 | 33,951 |
| 3. | Other provisions | 55,094 | 57,514 |
| | | **94,367** | **91,746** |
| **D.** | **Liabilities** | | |
| 1. | Bonds | 600,000 | 600,000 |
| 2. | Bank loans | 174,943 | 74,033 |
| 3. | Trade payables | 60,268 | 49,787 |
| 4. | Other liabilities | 16,551 | 12,558 |
| | | **851,763** | **736,378** |
| **E.** | **Deferred income** | **2,462** | **83** |
| **F.** | **Deferred tax liabilities** | **949** | **0** |
| | **Total equity and liabilities** | **1,304,864** | **1,147,504** |

* Unaudited consolidated interim financial information

## Consolidated Income Statement

(in € thousands)

| | | April – June* | | January – June* | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| 1. | Sales | 223,662 | 246,431 | 469,019 | 490,218 |
| 2. | Increase/decrease in finished goods and work in process | -5,623 | 1,275 | -8,196 | -2,333 |
| 3. | Other own work capitalised | 3,924 | 525 | 7,001 | 2,046 |
| 4. | Other operating income | 2,855 | 4,663 | 6,190 | 6,236 |
| 5. | Costs of materials | | | | |
| a) | Costs of raw materials, consumables and supplies | -86,838 | -100,583 | -181,646 | -198,432 |
| b) | Costs of purchased services | -18,889 | -20,615 | -41,872 | -42,086 |
| | | -105,727 | -121,198 | -223,518 | -240,519 |
| 6. | Personnel expenses | | | | |
| a) | Wages and salaries | -19,102 | -16,615 | -37,280 | -32,162 |
| b) | Social security and pensions | -3,226 | -2,946 | -6,400 | -5,765 |
| | | -22,328 | -19,560 | -43,680 | -37,927 |
| 7. | Amortisation and depreciation of fixed intangible and tangible assets | -14,028 | -12,872 | -27,867 | -25,165 |
| 8. | Other operating expenses | -45,004 | -40,675 | -87,505 | -83,030 |
| 9. | Other interest and similar income | 1,099 | 17 | 1,118 | 28 |
| 10. | Interest and similar expenses | -6,749 | -16,145 | -12,838 | -22,152 |
| 11. | Taxes on income | -9,503 | -12,629 | -23,406 | -24,940 |
| **12.** | **Earnings after taxes** | **22,578** | **29,831** | **56,317** | **62,462** |
| 13. | Other taxes | -326 | -351 | -654 | -701 |
| **14.** | **Consolidated net income for the period** | **22,252** | **29,480** | **55,663** | **61,761** |
| 15. | Consolidated unappropriated retained earnings brought forward | | | 213,709 | 106,852 |
| **16.** | **Consolidated net retained profits** | | | **269,372** | **168,613** |

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## Consolidated Cash Flow Statement

(in € thousands)

| | | April – June* | | January – June* | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| 1. | **Cash flows from operating activities** | | | | |
| | Consolidated net income for the period | 22,252 | 29,480 | 55,663 | 61,761 |
| | Amortisation and depreciation of fixed assets | 14,028 | 12,872 | 27,867 | 25,165 |
| | Increase (+)/decrease (-) in provisions | -2,845 | 6,398 | -3,442 | 3,243 |
| | Other non-cash expenses (+)/income (-) | -555 | 952 | 317 | 1,287 |
| | Increase (-)/decrease (+) in inventories, trade receivables and other assets** | 14,321 | -14,132 | -9,137 | -48,242 |
| | Increase (+)/decrease (-) in trade payables and other liabilities** | 7,237 | 5,197 | 4,534 | 6,976 |
| | Gain (-)/ loss (+) on disposal of fixed assets | 0 | 30 | 0 | 30 |
| | Interest expenses (+) /income (-) | 5,650 | 16,128 | 11,720 | 22,124 |
| | Expenditure (+) /income (-) of exceptional size or incidence | 2,806 | -247 | 2,871 | 6,653 |
| | Income tax expenses (+) /income (-) | 9,503 | 12,629 | 23,406 | 24,940 |
| | Income taxes paid (-) | -7,044 | -14,143 | -16,371 | -17,552 |
| | **Cash flows from operating activities** | **65,353** | **55,165** | **97,428** | **86,385** |
| 2. | **Cash flows from investing activities** | | | | |
| | Proceeds (+) from disposal of intangible and tangible fixed assets | 6 | 0 | 6 | 0 |
| | Payments (-) to acquire intangible fixed assets | -15 | -33 | -45 | -91 |
| | Payments (-) to acquire tangible fixed assets | -68,232 | -30,221 | -139,131 | -48,887 |
| | Interest received (+) | 1,099 | 9 | 1,121 | 19 |
| | **Cash flows from investing activities** | **-67,142** | **-30,245** | **-138,049** | **-48,959** |
| 3. | **Cash flows from financing activities** | | | | |
| | Proceeds (+) from the issuance of bonds and borrowings | 226,861 | 3,420 | 256,861 | 453,420 |
| | Cash repayments (-) of bonds and borrowings | -152,200 | -346,991 | -154,374 | -348,974 |
| | Cash payments (-) relating to expenditure of exceptional size or incidence | -1,270 | -1,489 | -1,270 | -5,348 |
| | Interest paid (-) | -7,431 | -19,438 | -9,382 | -40,329 |
| | Dividends paid to shareholders of the parent entity (-) | -20,109 | -86,506 | -20,109 | -86,506 |
| | **Cash flows from financing activities** | **45,851** | **-451,004** | **71,726** | **-27,737** |
| 4. | **Cash funds at end of period** | | | | |
| | Net change in cash funds | 44,062 | -426,084 | 31,105 | 9,689 |
| | Effect on cash funds of exchange rate movements | -2,262 | -1,739 | -1,743 | -2,058 |
| | Cash funds at beginning of period | 135,993 | 553,400 | 148,431 | 117,946 |
| | **Cash funds at end of period** | **177,793** | **125,577** | **177,793** | **125,577** |
| 5. | **Composition of cash funds** | | | | |
| | Cash and cash equivalents | 177,793 | 125,577 | 177,793 | 125,577 |
| | Cash funds at end of period | 177,793 | 125,577 | 177,793 | 125,577 |

* Unaudited consolidated interim financial information

** Not attributable to investing or financing activities

## Consolidated Statement of Changes in Equity

(in € thousands)

| | Subscribed capital | Capital reserve | Consolidated equity generated | | Currency translation adjustment | Group equity |
|---|---|---|---|---|---|---|
| | | | Revenue reserves | Consolidated net retained profits | | |
| **01 January 2019** | **7,588** | **75,414** | **1,408** | **233,817** | **-2,709** | **315,518** |
| Consolidated net profit for the period | 0 | 0 | 0 | 55,663 | 0 | 55,663 |
| Distribution of profit | 0 | 0 | 0 | -20,109 | 0 | -20,109 |
| Other changes | 0 | 0 | 0 | 0 | 669 | 669 |
| **30 June 2019*** | **7,588** | **75,414** | **1,408** | **269,372** | **-2,041** | **351,742** |

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# DISCLAIMER

**Financial information**

The unaudited consolidated financial information of Progroup AG ("Progroup") as at and for the period ended 30 June 2019 included in this report, has been prepared in accordance with generally accepted accounting principles (Grundsätze ordnungsgemässer Buchführung) in the Federal Republic of Germany as in effect from time to time ("German GAAP"), which differ in certain respects from International Financial Reporting Standards as adopted by the European Union. Certain numerical figures included in this report have been rounded. Discrepancies or apparent inconsistencies between different amounts included in this report may occur due to such rounding.

**Forward-looking statements**

This report may contain forward-looking statements. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this report, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this report. Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as at the date on which the statements were made (and in any case no later than the date of this report). We undertake no obligation, and do not intend, to update or revise any forward-looking statements, whether as a result of new information, future events or developments or otherwise.

**Industry and market data**

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

**Non-GAAP financial measures**

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

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# ADDITIONAL EXPLANATORY INFORMATION

**Accounting policies**

The unaudited consolidated interim financial information of Progroup AG as at and for the period ended 30 June 2019 included in this report has been prepared in accordance with generally accepted accounting principles (Grundsätze ordnungsgemäßer Buchführung) in the Federal Republic of Germany as in effect from time to time ("German GAAP"), which differ in certain respects from International Financial Reporting Standards as adopted by the European Union.

The accounting policies in the period under review generally correspond to those used for the audited consolidated financial statements for the year ended 31 December 2018.

Please refer to the notes to the audited consolidated financial statements for the year ended 31 December 2018 for a detailed description of our significant accounting policies.

**Scope of consolidation**

In the period ended 30 June 2019, the newly founded Progroup Board Kft. was added to the scope of consolidation.

**Information on material risks**

As at 30 June 2019, there are no significant changes with regard to the risks for Progroup AG compared with the year ended 31 December 2018 and described in the respective annual financial statements.

# LEGAL NOTICE AND INFORMATION

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Dr. Volker Metz (CFO)
Maximilian Heindl (CDO)
Philipp Kosloh (COO)

Issue date of this report:
29/08/2019