progroup

CONDENSED INTERIM REPORT

31 December / Fourth Quarter 2019

KEY FIGURES

(in € thousands)

SALES
January – December 2019

886,722

Reported EBITDA
January – December 2018

275,478

Reported EBITDA
January – December 2019

223,232

Reported EBITDA margin
January – December 2019

25.2%

Net leverage
31/12/2019

3.0

Net financial debt
31/12/2019

670,980

Key operating figures

(in € thousands)

	October – December		January – December	
	2019	2018	2019	2018
Sales	206,080	236,614	886,722	966,118
Reported EBITDA [(1)]	59,860	73,423	223,232	275,478
Reported EBITDA margin (in % of net sales)	29.0%	31.0%	25.2%	28.5%
EBIT [(2)]	45,442	53,977	167,079	217,325
Consolidated net income for the period	27,694	36,901	98,073	126,965
Cash flows from operating activities	55,307	60,256	209,167	197,214
Cash flows from investing activities	-94,349	-46,093	-302,819	-158,949
Free cash flow [(3)]	-39,042	14,163	-93,652	38,265

Key balance sheet figures

(in € thousands)

	31/12/2019	31/12/2018
Total assets	1,446,911	1,147,504
Equity	394,985	315,518
Cash in hand, bank balances	202,775	148,431
Financial liabilities (bonds, bank loans and accrued interest)	873,755	678,438

Key financial figures

(in € thousands)

	31/12/2019	31/12/2018
Net leverage [(4)]	3.0	1.9
LTM EBITDA	223,232	275,478
Net financial debt [(5)]	670,980	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 31 December 2019 and 2018, respectively, by EBITDA for the last twelve months (LTM) ended on the relevant date.

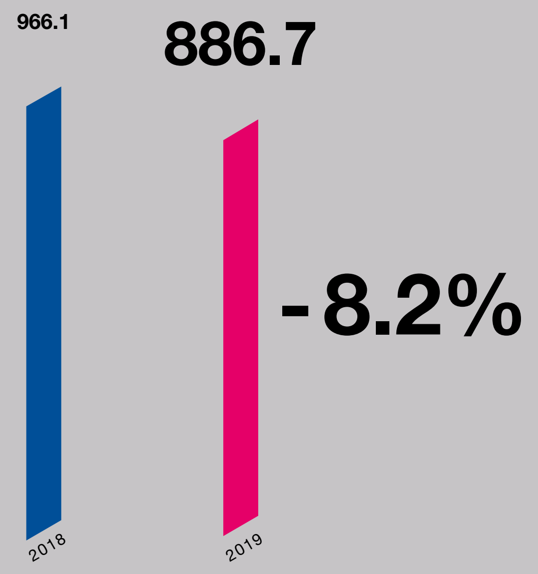
(5) Net financial debt (not a German GAAP measure) is calculated as financial liabilities (bonds, bank loans and accrued interest) minus cash in hand, bank balances.

HIGHLIGHTS

01

The fourth quarter of 2019 saw continued sales volume expansion and high utilisation of production capacities due to seasonally strong business and our organic growth. After very favourable market conditions in the previous year, price levels normalised throughout all four quarters of 2019.

SALES
January – December
(in € million)



02

Sales reached €206.1 mn in the fourth quarter of 2019, after €236.6 mn in the previous fourth quarter. Throughout the financial year, sales decreased by 8.2% from €966.1 mn in 2018 to €886.7 mn in 2019.

The decrease is the result of extraordinarily favourable market conditions in 2018 and a normalisation of price levels in 2019, which were not entirely compensated by a strong increase in sales volume.

03

Sales volume in corrugated board continued on its growth path, increasing by 8.9% in the fourth quarter of 2019 compared to the previous fourth quarter. On a year-to-date basis, corrugated board sales volume rose by 7.1%, particularly driven by the additional production capacities of our new corrugated board production facilities. Containerboard sales volume increased by 7.8% in the last quarter of 2019 compared to the fourth quarter of 2018, as well as by 7.0% on a year-to-date basis. The increase was driven by strong internal sales volumes.

04

The level of integration between the two key businesses remained widely stable on a very high level, reaching 88% in the fourth quarter of 2019, while integration including swap agreements remained at stable 95%. In the fourth quarter of 2018, integration reached 86% and 96% including swap agreements, respectively.

25%

EBITDA margin
January – December 2019

06

In line with a normalised sales performance in the fourth quarter of 2019, EBITDA lowered by 18.5% to €59.9 mn, after €73.4 mn in the previous fourth quarter. In the financial year 2019, EBITDA reached €223.2 mn after €275.5 mn in 2018. The decline was the result of normalising market prices after extraordinarily favourable market conditions in 2018, which were not entirely compensated by the increase in sales volume.

05

Throughout the entire financial year 2019, sales prices normalised as anticipated after exceptionally favourable market conditions in 2018. Due to time-lag effects in passing on price adjustments to customers, normalising price levels may continue to impact results in the short-term, or will be compensated by potential future price increases from early 2020 onwards.

07

EBITDA margin reached 29.0% in the fourth quarter of 2019, a steep increase compared to 19.8% in the third quarter of 2019, as well as a slight decline after 31.0% in the fourth quarter of 2018. In the financial year 2019, EBITDA margin was 25.2%, thus remaining well above the five-year long-term average. In the financial year 2018, EBITDA margin had reached 28.5% in light of unusually positive pricing conditions throughout the entire financial year 2018.

08

Throughout the financial year 2019, net leverage of Progroup AG increased from 1.9 on 31 December 2018 to 3.0 on 31 December 2019 as result of a normalised EBITDA and higher net financial debt. The increase is the result of drawing €30 mn and €95 mn from the €155 mn long-term bilateral bank loan facilities in the first and third quarter to finance the construction of the new paper machine PM3. Further, a GBP 67 mn facility was drawn in the second quarter of 2019 to finance the construction of PW12 in Ellesmere Port, UK. In 2020, Progroup anticipates to temporarily leave the long-term target corridor for net leverage of between 2.5 and 3.0 due to further investment activities related to PM3. Progroup is committed to the long-term target corridor and intends to return to it in the mid-term.

09

Based on the great operational performance and strong sales volume growth in the financial year 2019, Progroup will continue to follow its established and successful greenfield approach, providing best-in-class corrugated board and containerboard products in the direct vicinity to its partners. Construction of PM3 remains well on track; the new paper machine is expected to launch production as scheduled in the third quarter of 2020. Upon finalisation, PM3 is expected to provide additional production capacities of about 750,000 tons per year. Trial production has started in the most recently finalised production site PW13. Commercial production is expected to commence in the first quarter of 2020. PW12, which started commercial production in the beginning of 2019, adds considerable production volumes, with further potential for expansion.

CONTENT

OVERALL ASSESSMENT OF BUSINESS PERFORMANCE

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

As a leading European manufacturer of corrugated board and containerboard, Progroup AG provides standardised small batch series for small- and medium-sized businesses in a wide range of markets. Headquartered in Landau, Germany, Progroup AG operates thirteen production sites in six countries with a staff of about 1,300 employees.

We are delighted to share with you our condensed interim report for the financial year 2019 and the fourth quarter of 2019. After a record-breaking financial year 2018, which was shaped by extraordinarily favourable market conditions, we experienced the anticipated normalisation of price levels throughout the entire financial year 2019. While resource prices for our key resource recycled paper declined throughout the entire year, sales prices for corrugated board and containerboard saw a steady normalisation throughout all four quarters of 2019. Consequently, our sales and EBITDA performance reflected the normalisation in price levels, particularly in contrast to the record-breaking year 2018.

With the launch of our new corrugated board production site PW12, in Ellesmere Port, UK, which replaced the old PW8, we added further production capacity to our corrugated board business. This is reflected in a strong increase in external sales volume in our corrugated board business by 7.1% in the financial year 2019 and 8.9% in the fourth quarter over the respective comparative periods in the previous year. Overall sales volume in our containerboard business also increased by 7.0% year-on-year, as internal sales increased substantially. Integration between our two key businesses including swap agreements with other containerboard producers increased year-on-year from 93% in the financial year 2018 to 96% in 2019. Integration excluding swap agreements increased to 87% in the financial year 2019, after 82% in the previous financial year. In the fourth quarter of 2019, integration including swaps remained relatively stable at 95%, after 96% in the previous fourth quarter. Integration excluding swaps peaked at 88% in the last quarter of 2019, compared to 86% in the respective quarter of 2018.

In the financial year 2019, our sales normalised, reaching €886.7 mn, a decline by 8.2% from €966.1 mn in the financial year 2018. Comparably, sales lowered by 12.9% in the fourth quarter of 2019 to €206.1 mn compared to €236.6 mn in the previous fourth quarter. The lower sales performance is attributable to normalised market conditions after an extraordinarily favourable financial year 2018, which was not entirely compensated by the increase of sales volume.

In line with a normalised sales performance, our EBITDA decreased by 19.0% from €275.5 mn in the previous financial year to €223.2 mn in 2019. Correspondingly, our EBITDA declined by 18.5% in the fourth quarter of 2019, reaching €59.9 mn after €73.4 mn in the last quarter of 2018. The decline in EBITDA performance resulted from a normalised sales performance in light of normalising market conditions throughout the entire financial year 2019.

In the financial year 2019, our EBITDA margin was 25.2%, remaining well above our long-term five-year average. In the fourth quarter of 2019, which is traditionally shaped by strong performance and high capacity utilisation, we reached an EBITDA margin of 29.0%, a slight decline after the record-breaking fourth quarter of the previous year with a margin of 31.0%. Compared to the third quarter of 2019, EBITDA margin improved from 19.8% by 9.2 percentage points.

Due to our continued investment activities into our new paper machine PM3, as well as the new production sites PW12 and PW13, cash outflows from investing activities increased strongly and as anticipated in the financial year 2019. The higher cash ouflows from investment activities were not offset entirely by increased cash flows from operating activities, resulting in a significantly lower free cash flow for the financial year 2019 of €-93.7 mn, after €38.3 mn in the previous year.

Net financial debt increased due to the ongoing investment activities into PM3, as well as PW12 in the UK and PW13 in Germany from €530.0 mn as at 31 December 2018 to €671.0 mn as at 31 December 2019. This development is the result of drawing a facility of GBP 67 mn for the construction of PW12 in Ellesmere Port, UK, in the second quarter of 2019, as well as drawing facilities of €30 mn and €95 mn of the €155 mn long-term bilateral bank loan facilities to finance the construction of PM3 in the first and third quarter of 2019. As a consequence of the increased net financial debt, as well as a normalising LTM EBITDA, our net leverage rose from 1.9 at the end of 2018 to 3.0 as at 31 December 2019. In 2020, we anticipate to temporarily leave our long-term target corridor of a net leverage of between 2.5 and 3.0 due to further investment activities into PM3. Progroup AG is committed to the long-term target corridor and intends to return to it in the mid-term.

After a record-breaking year 2018 and normalising market conditions in 2019, we are proud of the achieved results and our continued strong sales volume growth. We will continue to implement our well-established and successful greenfield approach, manufacturing best-in-class corrugated board and containerboard products in our state-of-the-art facilities and in close proximity to our partners. Our strategy is based on continuous growth, which we aim to accomplish with our newest paper machine PM3, which is currently under construction in Germany. PM3 will not only provide an additional 750,000 tons of containerboard production capacity per year but will also be one of the cutting-edge production sites worldwide in terms of sustainability, reducing the ecological footprint by saving up to 3.75 million cubic metres of water per year compared to a common paper machine. Constructions are commencing well within schedule with trial production expected for the third quarter of 2020. Trial production has started in the most recently finalised production site PW13. Commercial production is expected to commence in the first quarter of 2020. At our most recently announced future production site PW14 in Stryków, Poland, we have entered the final planning phase, with constructions expected to commence in the first half of 2020.

CAPITAL MARKET ACTIVITIES

An overview of the features of our senior secured fixed rate notes and their market performance as at 31 December 2019 is presented below.

Capital market activities Progroup AG

ISIN	DE000A2G8WB1 (144A) / DE000A2YNWZ8 (144A temporary) / DE000A2G8WA3 (Reg S)
Issue	Senior Secured Fixed Rate Notes
Issuer	Progroup AG
Listing	The International Stock Exchange
Distribution	144A/Reg S
Amount issued	€600,000,000
Amount outstanding	€600,000,000
Currency	EUR
Issue date	27 March 2018 / 26 June 2019
Final maturity	31 March 2026
Optional redemption	from 31 March 2021: 101.500%
	from 31 March 2022: 100.750%
	from 31 March 2023 and thereafter: 100.000%
Issue price	100% of face amount / 101.625% (tap)
Coupon	3.000%
Interest payments	Semi-annually on 31 Mar and 30 Sep, commencing on 30 Sep 2018
Paying agent	Deutsche Bank AG
Security agent	Wilmington Trust (London) Limited

Ratings	
S&P	BB-
Moody's	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.

RECENT DEVELOPMENTS

Start of trial production at our new corrugated sheetboard production site
Eisfeld, Germany

Start of our new corrugated sheetboard production site in Germany

Our new corrugated sheetboard plant in Eisfeld (PW13) successfully started trial runs in November 2019. In the course of the first quarter of 2020 the plant will start commercial production and the ramp-up phase.

Three additional corrugated board production sites

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 include a further corrugated board mega plant (PW14), which is envisaged to commence production in 2021.

Next corrugated board production site in Poland

The first of the abovementioned projects already moves into the final planning phase. The newest state-of-the-art corrugated sheetboard plant will be constructed on the plot of land of the existing plant PW07 in Stryków (Poland) with an annual capacity of 210,000 tons. As a result, this location will become one of the key hubs of our growth program and one of the largest corrugated board production sites in the world. The plant will be equipped with 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 15,000 storage spaces and four 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 3.35 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. The plant will create more than 50 new jobs and apprenticeships. According to current schedule, we expect to commence production in 2021.

Construction site Progroup Paper PM3, date: 20.01.2020
Sandersdorf-Brehna, Germany

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 are therefore realising a further paper machine project in Germany.
The current expectation is that the start of trial production for the new, state-of-the-art paper machine PM3 is set for the third quarter 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 the 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 essentially independent from external waste water treatment capacities. The construction of the paper machine has been progressing well according to plan.

CON DENSED INTERIM RE PORT

UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 December / Q4 2019

CONSOLIDATED BALANCE SHEET

Assets

(in € thousands)

		31/12/2019*	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	15,685	17,415
		15,685	**17,415**
II.	**Tangible assets**		
1.	Land and buildings including buildings on leasehold land	224,659	187,652
2.	Technical equipment and machinery	399,921	388,189
3.	Other equipment, factory and office equipment	9,585	7,872
4.	Prepayments and constructions in process	351,184	141,056
		985,349	**724,769**
		1,001,034	**742,184**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials, consumables and supplies	60,028	54,352
2.	Work in process	36,663	50,136
3.	Finished goods	3,422	5,957
4.	Prepayments	62	67
		100,176	**110,512**
II.	**Receivables and other assets**		
1.	Trade receivables	94,260	108,756
2.	Receivables from affiliated companies	0	3
3.	Other assets	30,287	18,214
		124,547	**126,973**
III.	**Cash in hand, bank balances**	**202,775**	**148,431**
		427,497	**385,916**
C.	**Prepaid expenses and deferred charges**	**15,936**	**19,367**
D.	**Deferred tax assets**	**2,444**	**36**
	Total assets	**1,446,911**	**1,147,504**

* Unaudited consolidated interim financial information

Equity and liabilities

(in € thousands)

		31/12/2019*	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	-1,207	-2,709
5.	Consolidated net retained profits	311,782	233,817
		394,985	**315,518**
B.	**Investment grants for fixed assets**	**6,605**	**3,779**
C.	**Provisions**		
1.	Provisions for pensions	501	280
2.	Tax provisions	42,483	33,951
3.	Other provisions	54,629	57,514
		97,613	**91,746**
D.	**Liabilities**		
1.	Bonds	600,000	600,000
2.	Bank loans	269,255	74,033
3.	Trade payables	60,932	49,787
4.	Liabilities from affiliated companies	6	0
5.	Other liabilities	15,242	12,558
		945,433	**736,378**
E.	**Deferred income**	**2,274**	**83**
	Total equity and liabilities	**1,446,911**	**1,147,504**

* Unaudited consolidated interim financial information

Consolidated Income Statement

(in € thousands)

		October – December		January – December	
		2019*	2018*	2019*	2018
1.	Sales	206,080	236,614	886,722	966,118
2.	Increase/decrease in finished goods and work in process	-3,642	15,762	-16,008	23,361
3.	Other own work capitalised	5,560	4,199	17,147	7,573
4.	Other operating income	9,969	8,182	19,092	17,725
5.	Costs of materials				
a)	Costs of raw materials, consumables and supplies	-78,175	-100,219	-343,306	-400,079
b)	Costs of purchased services	-15,226	-26,023	-78,905	-93,563
		-93,400	-126,242	-422,210	-493,641
6.	Personnel expenses				
a)	Wages and salaries	-16,003	-18,477	-71,595	-67,541
b)	Social security and pensions	-3,387	-2,828	-13,001	-11,385
		-19,390	-21,305	-84,596	-78,925
7.	Amortisation and depreciation				
a)	of fixed intangible and tangible assets	-14,418	-13,380	-56,153	-51,753
b)	exceptional write downs on current assets	0	-6,066	0	-6,400
		-14,418	-19,446	-56,153	-58,153
8.	Other operating expenses	-44,266	-37,888	-178,782	-168,800
9.	Other interest and similar income	114	43	1,754	86
10.	Interest and similar expenses	-7,485	-4,287	-28,159	-32,062
11.	Taxes on income	-11,225	-18,359	-39,116	-54,865
12.	**Earnings after taxes**	**27,897**	**37,276**	**99,689**	**128,418**
13.	Other taxes	-203	-375	-1,616	-1,453
14.	**Consolidated net income for the period**	**27,694**	**36,901**	**98,073**	**126,965**
15.	Consolidated unappropriated retained earnings brought forward			213,709	106,852
16.	**Consolidated net retained profits**			**311,782**	**233,817**

* Unaudited consolidated interim financial information

Consolidated Cash Flow Statement

(in € thousands)

		October – December		January – December	
		2019*	2018*	2019*	2018
1.	**Cash flows from operating activities**				
	Consolidated net income for the period	27,694	36,901	98,073	126,965
	Amortisation and depreciation of fixed assets	14,418	13,046	56,153	51,753
	Increase (+)/decrease (-) in provisions	-11,506	-2,284	-5,967	13,102
	Other non-cash expenses (+)/income (-)	-1,841	-1,187	-1,729	-830
	Increase (-)/decrease (+) in inventories, trade receivables and other assets**	14,729	5,398	13,386	-53,407
	Increase (+)/decrease (-) in trade payables and other liabilities**	1,118	882	9,935	3,307
	Gain (-)/ loss (+) on disposal of fixed assets	0	94	0	166
	Interest expenses (+) /income (-)	7,371	4,243	26,405	31,976
	Expenditure (+) /income (-) of exceptional size or incidence	-848	-5,526	3,485	3,519
	Income tax expenses (+) /income (-)	11,225	18,359	39,116	54,865
	Income taxes paid (-)	-7,053	-9,670	-29,690	-34,202
	Cash flows from operating activities	**55,307**	**60,256**	**209,167**	**197,214**
2.	**Cash flows from investing activities**				
	Proceeds (+) from disposal of intangible and tangible fixed assets	0	275	6	375
	Payments (-) to acquire intangible fixed assets	-1,045	-95	-1,107	-407
	Payments (-) to acquire tangible fixed assets	-93,383	-46,288	-303,439	-158,965
	Interest received (+)	79	15	1,721	48
	Cash flows from investing activities	**-94,349**	**-46,093**	**-302,819**	**-158,949**
3.	**Cash flows from financing activities**				
	Proceeds (+) from the issuance of bonds and borrowings	0	37,155	351,861	490,575
	Cash repayments (-) of bonds and borrowings	-2,462	-1,941	-158,972	-352,867
	Proceeds (+) from grants received	0	1,345	0	1,345
	Cash payments (-) relating to expenditure of exceptional size or incidence	402	-584	-2,996	-8,702
	Interest paid (-)	-2,770	-8,855	-22,768	-50,112
	Dividends paid to shareholders of the parent entity (-)	0	0	-20,109	-86,506
	Cash flows from financing activities	**-4,830**	**27,120**	**147,016**	**-6,267**
4.	**Cash funds at end of period**				
	Net change in cash funds	-43,872	41,283	53,364	31,998
	Effect on cash funds of exchange rate movements	3,049	-482	980	-1,513
	Cash funds at beginning of period	243,598	107,630	148,431	117,946
	Cash funds at end of period	**202,775**	**148,431**	**202,775**	**148,431**
5.	**Composition of cash funds**				
	Cash and cash equivalents	202,775	148,431	202,775	148,431
	Cash funds at end of period	202,775	148,431	202,775	148,431

* Unaudited consolidated interim financial information

** Not attributable to investing or financing activities

DISCLAIMER

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

Progroup AG Interim Financial Report 31 December / Fourth Quarter 2019

ADDITIONAL EXPLANATORY INFORMATION

Accounting policies

The unaudited consolidated interim financial information of Progroup AG as at and for the period ended 31 December 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 31 December 2019, the newly founded Progroup Board Kft. was added to the scope of consolidation.

Information on material risks

As at 31 December 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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Board:
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Dr. Volker Metz (CFO)
Maximilian Heindl (CDO)
Philipp Kosloh (COO)

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