progroup

CONDENSED INTERIM REPORT

31 December / Fourth Quarter 2020

KEY FIGURES

(in € thousands)

SALES
January – December 2020

880,756

Reported EBITDA
January – December 2019

223,232

Reported EBITDA
January – December 2020

178,087

Reported EBITDA margin
January – December 2020

20.2%

Net leverage
31/12/2020

4.5

Net financial debt
31/12/2020

804,817

Key operating figures

(in € thousands)

	October – December		January – December	
	2020	2019	2020	2019
Sales	231,494	206,080	880,756	886,722
Reported EBITDA [1]	36,839	59,860	178,087	223,232
Reported EBITDA margin (in % of net sales)	15.9%	29.0%	20.2%	25.2%
EBIT [2]	9,176	45,442	95,848	167,079
Consolidated net income for the period	1,849	27,694	45,872	98,073
Cash flows from operating activities	60,246	55,307	175,723	209,167
Cash flows from investing activities	-45,130	-94,349	-300,038	-302,819
Free cash flow [3]	15,116	-39,042	-124,315	-93,652

Key balance sheet figures

(in € thousands)

	31/12/2020	31/12/2019
Total assets	1,577,252	1,446,911
Equity	435,534	394,985
Cash in hand, bank balances	130,465	202,775
Financial liabilities (bonds, bank loans and accrued interest)	935,282	873,755

Key financial figures

(in € thousands)

	31/12/2020	31/12/2019
Net leverage [4]	4.5	3.0
LTM EBITDA	178,087	223,232
Net financial debt [5]	804,817	670,980

(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 2020 and 2019, respectively, by adjusted EBITDA for the last twelve months (LTM) ended on the relevant date.

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

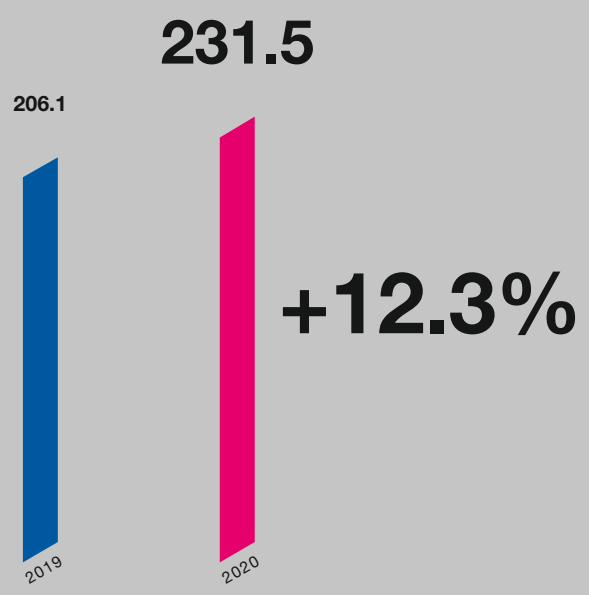
HIGHLIGHTS

01

In the fourth quarter of 2020, Progroup generated significantly growing sales volumes in our two key businesses despite the ongoing coronavirus pandemic. The price level for containerboard saw an strong increase in the fourth quarter.

Due to the typical time lag, corrugated board prices showed the first price increases at the end of the year. Beside these price increases, the purchasing prices for our main raw material recovered paper also increased strongly in the fourth quarter of 2020.

SALES
October – December
(in € million)



02

Sales reached €231.5 mn in the fourth quarter of 2020, after €206.1 mn in the previous fourth quarter. The increase is due to the strong volume growth, which compensated for the lower sales price levels.

Throughout the financial year, sales slightly decreased by 0.7% from €886.7 mn in 2019 to €880.8 mn in 2020. The decline is attributed to continued normalised sales prices.

03

Sales volume in corrugated board continued on its growth path with a strong increase of 18.8% in the fourth quarter of 2020 compared to the previous fourth quarter. For the full year, corrugated board sales volume rose by 9.9%. The increase is driven by higher production capacities and strong demand after the impact of the coronavirus pandemic in the second quarter. Containerboard sales volumes rose significantly by 32.2% in the last quarter of 2020 compared to the fourth quarter of 2019, as well as by 12.5% for the full year. The increase was driven by higher production capacities following the start-up of the new paper machine PM3.

04

The level of integration between the two key businesses declined due to increased external sales volume in containerboard with the start-up of PM3. Consequently, integration including swap agreements reached 91% in the fourth quarter of 2020,

20%

EBITDA margin January – December 2020

05

EBITDA decreased by 38.5% to €36.8 mn in the fourth quarter of 2020, after €59.9 mn in the previous fourth quarter. In the financial year 2020, EBITDA reached €178.1 mn after €223.2 mn in 2019. The decline is attributed to further normalised sales prices, higher raw material costs as well as start-up costs in connection with our new paper machine PM3.

after 95% in the previous year's fourth quarter. Excluding swap agreements, integration reached 82% in the fourth quarter of 2020, after 88% in the respective period of 2019.

06

The EBITDA margin reached 15.9% in the fourth quarter of 2020, a decrease compared to 17.7% in the third quarter of 2020, as well as a steep decline after 29.0% in the fourth quarter of 2019. Based on higher raw material purchasing prices and start-up losses in connection with our new paper machine PM3, the EBITDA margin in the fourth quarter of 2020 does not follow the usual trend of increasing margins in the year-end quarter. In the financial year 2020, the EBITDA margin reached 20.2%, after 25.2% in the previous year.

07

Based on our strong operating cash flow in the fourth quarter, the free cash flow increased significantly to €15.1 mn in the fourth quarter. In the previous quarters, the free cash flow was negative mainly due to the significant CAPEX spending for our major expansion project PM3.

08

Throughout the financial year, net leverage increased from 3.0 on 31 December 2019 to 4.5 on 31 December 2020. Thus, Progroup has left, as expected, its long-term target corridor for net leverage of between 2.5 and 3.0 throughout 2020. Progroup is fully committed to its long-term target corridor and intends to return to it in the mid-term.

09

Despite the ongoing coronavirus pandemic, Progroup had a great operational performance and strong sales volume growth in the financial year 2020 and will continue on its growth path. Since its successful launch in August 2020, the new paper machine PM3 has been in the ramp-up phase and has already achieved top output figures in the fourth quarter of 2020. In the fourth quarter of 2020, we started operations at the new packaging park at our production site in Ellesmere Port (PW12). The packaging park combines our high-tech corrugated board plant with Krystals specialist packaging production. The already mentioned project to build the next corrugated board production site PW14 in Poland has been continued at the beginning of the year and the groundbreaking is excepted for the first quarter of 2021.

CONTENT

OVERALL ASSESSMENT OF BUSINESS PERFORMANCE

The global coronavirus pandemic still has an impact on the economic development of almost every single company – including Progroup. On the one hand, the Company makes an important contribution to address the challenges surrounding the coronavirus pandemic by ensuring that supply chains remain intact for vital goods such as pharmaceuticals, food and medical devices.

Despite the consequences of the coronavirus pandemic, Progroup has a positive view of the future. So far, production activities have been maintained in all plants while the most rigorous health and safety measures have been complied with. We also managed to make further progress and successfully completed our growth projects – the paper mill PM3 and the packaging park VP12a.

from l.t.r.:

Maximilian Heindl, Chief Development Officer

Dr. Volker Metz, Chief Financial Officer

Philipp Kosloh, Chief Operating Officer

Jürgen Heindl, Chief Executive Officer

Growth projects paper mill PM3 and packaging park remain on track

New paper mill PM3 achieves top output figures already in Q4

In August 2020, Progroup commenced operations at PM3 in Sandersdorf-Brehna, Germany, one of the most modern paper mills around the globe. The paper machine has been in the ramp-up phase ever since and, during the fourth quarter, achieved top output figures in producing more than 2,000 tonnes of containerboard per day on several occasions.

The plant has an annual capacity of 750,000 tonnes. Thus, Progroup increases its containerboard production volume from 1.1 million tonnes to a total of around 1.85 million tonnes per year. The Company has been pursuing a Green High Tech strategy since it was founded. Progroup only uses recovered paper as the raw material for making paper. The new paper machine is designed so that it will continue to produce containerboard in a sustainable and energy-efficient way in the long term.

Packaging park in Ellesmere Port completed

Based on the packaging park model, Progroup seeks to grow in line with its customers in the long term in order to further strengthen our position in the market. We wrote another chapter in this success story in the fourth quarter of 2020. Together with the packaging manufacturer Krystals, we started operations at the new packaging park in Ellesmere Port, United Kingdom. It combines our high-tech corrugated board plant with Krystals' specialist packaging production. By interconnecting the production and IT systems of both companies, the level of flexibility and efficiency in the production processes has been increased considerably. The corrugated board formats manufactured by Progroup are fed directly into Krystals' production process via a transport bridge – on time and in the precise quantity required.

Market and business development

Prices for recovered paper rise again in Q4

In the second quarter of 2020, prices for recovered paper increased, which was attributable to, among other things, the lower level of waste paper collection against the backdrop of the coronavirus pandemic. The market situation normalised temporarily in the third quarter as prices for recovered paper fell, thus returning to the long-term trend. As a result of a stronger demand for recovered paper due to new capacities on the European market for containerboard, prices for recovered paper rose again in the fourth quarter.

Progroup increases sales in the Paper and Board businesses

The paper market in the fourth quarter was characterised by low stock levels in the industry due to the robust demand and less impact from additional supply of the new capacities. The demand within Europe and worldwide remains on a good level, though not all of the industries have returned to pre-pandemic levels. The increased demand from the e-commerce sector remains intact, which is a reason for us to have a positive view for the future. Progroup's paper sales volume showed strong growth in the fourth quarter, increasing 32.2% compared to the prior-year quarter and 12.5% for the full year. This increase is in line with our expectations. A major contributor to this development was the successful start of the new paper mill PM3.

Sales of corrugated board grew significantly, both compared to the prior-year quarter (+18.8%) and on a full year basis (+9.9%). This increase is largely attributable to the two new high-tech corrugated board plants PW12 in Ellesmere Port, United Kingdom, and PW13 in Eisfeld, Germany, which is likely to continue in the future due to the high demand.

Overview of financial indicators

Group sales rise by 12.3% over the prior-year quarter

Quarter-on-quarter (i.e. Q4 2019 to Q4 2020), Group sales rose by 12.3% from €206.1 mn to €231.5 mn, which is largely attributable to the strong volume growth which more than compensated the slightly lower price levels.

A year-to-date comparison shows a slight decline in sales by 0.7%. The reason for this are the lower price levels compared to the previous year which have not yet been fully offset by the volume increase in our Board and Paper businesses.

EBITDA

EBITDA in the fourth quarter of 2020 amounted to €36.8 mn; the EBITDA margin was 15.9%. The EBITDA margin fell compared to the third quarter of 2020 (17.7%). EBITDA declined both compared to the third quarter of 2020 (€-2.0 mn) and compared to the prior-year quarter (€-23.0 mn). This decrease is the result of a number of factors:

The start-up loss from PM3, which is typical for the ramp-up phase, has an impact since, for example, the paper mill incurs the full amount of fixed costs while many benefits derived from energy measures take effect only when the factory is running to full capacity.

Significantly higher price levels for recovered paper are another reason. In the short term, they have an adverse effect on sales, in the long term, however, they will contribute to sales growth. Higher prices for recovered paper will lead to an increase in the price of the final product over time. In the long term, this has the prospect of a positive sales development for Progroup. The price increases for containerboard in the fourth quarter have led to small price increases for our main product corrugated board in December due to the time lag in passing on the higher raw material costs. The full positive margin effect from these price increases will not be realised before the end of the first quarter 2021.

Indicators of financial position

As at year-end 2020, financial liabilities were €61.5 mn higher compared to year-end 2019. The reasons are the full utilisation of the remaining facilities to finance PM3 in the amount of €30 mn, the €45 mn drawdown from the €75 mn facility to finance growth projects, and the €25 mn drawdown from the €100 mn facility to finance general corporate and operating purposes. At the same time, bank loans were reduced by scheduled repayments of the PLN facilities and the EUR facilities as well as by exchange rate effects.

The increase in net financial debt in connection with the lower EBITDA for the last 12 months (LTM EBITDA) led to an expected increase of net leverage by 1.5, from 3.0 as at year-end 2019 to 4.5 as at year-end 2020. Accordingly, net leverage is temporarily outside of the long-term target corridor of 2.5 to 3.0 set by Progroup. The temporary deviation is attributable to the investments in the new paper mill PM3. We will return to the target corridor in the medium term. The free cash flow, which has become positive for the first time in several months, shows a very encouraging development.

Progroup remains on growth path

Our Company's long-term strategy and solid financing show its benefits especially in times of a tight financial situation, similar to what we are currently witnessing due to the coronavirus pandemic. We address this situation from a position of strength. Since the financial crisis in 2008/2009, we have established a sustainable financial structure with reserves. We continue to set up new growth projects as construction for the new corrugated board plant PW14 in Poland is scheduled to start in the first quarter of 2021. Progroup remains on its growth path.

CAPITAL MARKET ACTIVITIES

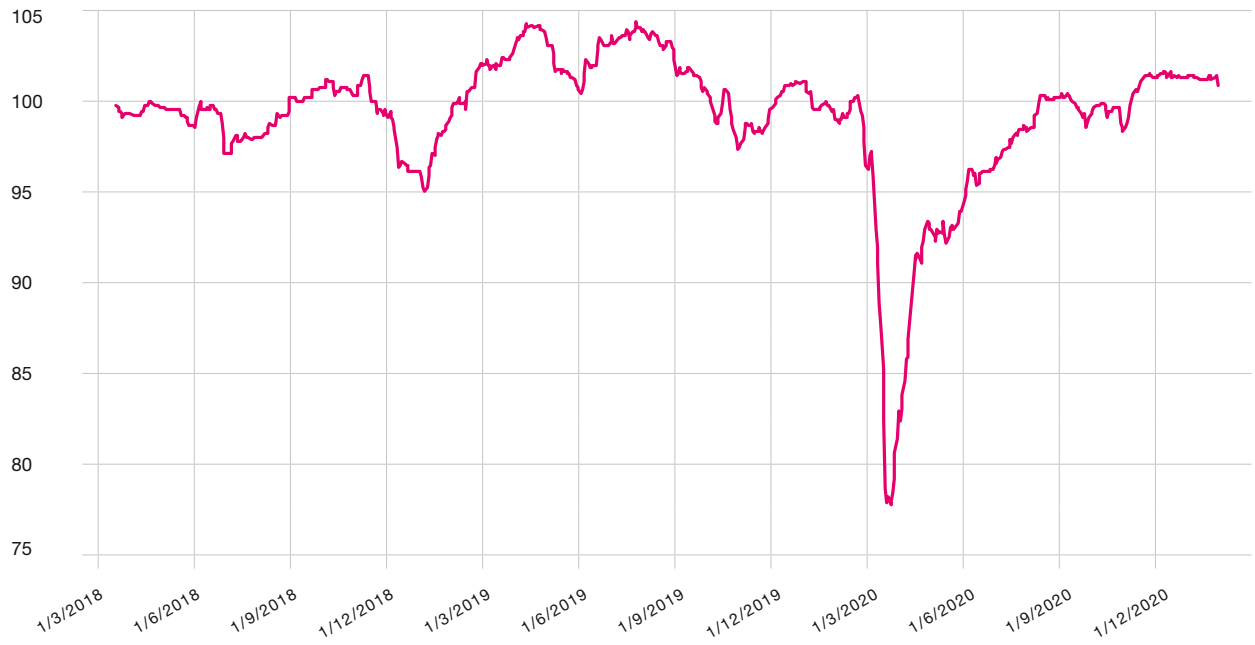
An overview of the features of our senior secured fixed rate notes and their market performance as at 31 December 2020 is presented below.

Capital market activities Progroup AG

ISIN	DE000A2G8WB1 (144A) / 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

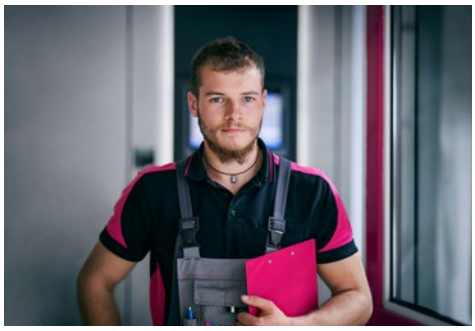


Fixed Rate Notes 2018

Source of price data: Deutsche Bank AG

RECENT DEVELOPMENTS

Progroup started operations at the new packaging park
Ellesmere Port, United Kingdom, © Progroup



Productivity and growth create challenging jobs

Incremental Term Loan Facility

In light of the continuing uncertainty about the mid- and long-term economic impact of the ongoing Covid-19 pandemic, we entered into an additional €100 mn senior secured facility agreement in August 2020 to further bolster the Group's liquidity and to allow it to weather even a further significant and/or more sustained potential economic downturn. Amounts borrowed under the fixed rate, amortising term loan facility will be applied for general corporate and working capital purposes of the Group, including the financing or refinancing of costs of materials, personnel expenses or other operating expenses, including in connection with certain expansion projects of the Group and/or all or any part of the purchase price in connection with the acquisition, build-up and/or increase of inventories. The facility has a one year availability period and any amounts borrowed under the facility must be repaid in quarterly instalments on a straight-line basis until 31 December 2025, following an initial two-year grace period.

Start of operation at the packaging park in Ellesmere Port

After we successfully started production at our production site (PW12) in Ellesmere Port, United Kingdom, in 2019, we started operations at the new packaging park. Based on the packaging park model, Progroup seeks to grow in line with its customers in the long term in order to further strengthen our position in the market. The packaging park will combine Progroup's high-tech corrugated board plant with the specialist packaging production that Krystals provides. By interconnecting the production and IT systems of both companies, the level of flexibility and efficiency in the production processes has been increased considerably.

Ramp-up phase for Progroup Paper PM3 picks up speed
Sandersdorf-Brehna, Germany, © Progroup

Corrugated board production site in Poland

At the beginning of 2021, we will proceed with the project of the newest corrugated board production site PW14 in Poland. The already mentioned project of the newest state-of-the-art corrugated sheetboard plant in Stryków (Poland) with an annual capacity of up to 210,000 tonnes was put on hold in 2020 due to the current pandemic crisis. We now continue to set up the new growth project, with ground-breaking for the new corrugated board production site PW14 being scheduled for the first quarter of 2021.

Corrugated sheetboard
© Progroup

New paper mill PM3 in the ramp-up phase

After Progroup commenced operations at PM3 in Sandersdorf-Brehna, Germany, the paper machine started with the ramp-up phase. In the fourth quarter, we already achieved top output figures with producing more than 2,000 tonnes of containerboard per day on several occasions. We expect a significant increase in production capacity of containerboard in 2021.

CON DENSED INTERIM RE PORT

UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 December / Q4 2020

CONSOLIDATED BALANCE SHEET

Assets

(in € thousands)

		31/12/2020*	31/12/2019
A.	**Fixed assets**		
I.	**Intangible assets**		
1.	Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	13,441	15,685
2.	Prepayments on intangible assets	3,465	0
		16,906	**15,685**
II.	**Tangible assets**		
1.	Land and buildings including buildings on leasehold land	409,822	224,659
2.	Technical equipment and machinery	754,657	399,921
3.	Other equipment, factory and office equipment	16,016	9,585
4.	Prepayments and constructions in process	7,949	351,184
		1,188,443	**985,349**
		1,205,349	**1,001,034**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials, consumables and supplies	82,823	60,028
2.	Work in process	28,871	36,663
3.	Finished goods	4,638	3,422
4.	Prepayments	94	62
		116,427	**100,176**
II.	**Receivables and other assets**		
1.	Trade receivables	91,961	94,260
2.	Other assets	20,044	30,287
		112,005	**124,547**
III.	**Cash in hand, bank balances**	**130,465**	**202,775**
		358,896	**427,497**
C.	**Prepaid expenses and deferred charges**	**13,007**	**15,936**
D.	**Deferred tax assets**	**0**	**2,444**
	Total assets	**1,577,252**	**1,446,911**

* Unaudited consolidated interim financial information

Equity and liabilities

(in € thousands)

		31/12/2020*	31/12/2019
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	-6,530	-1,207
5.	Consolidated net retained profits	357,653	311,782
		435,534	**394,985**
B.	**Investment grants for fixed assets**	**21,210**	**6,605**
C.	**Provisions**		
1.	Provisions for pensions	516	501
2.	Tax provisions	8,817	42,483
3.	Other provisions	73,705	54,629
		83,038	**97,613**
D.	**Liabilities**		
1.	Bonds	600,000	600,000
2.	Bank loans	330,782	269,255
3.	Trade payables	84,829	60,932
4.	Liabilities from affiliated companies	12	6
5.	Other liabilities	16,111	15,242
		1,031,734	**945,433**
E.	**Deferred income**	**1,912**	**2,274**
F.	**Deferred tax liabilities**	**3,825**	**0**
	Total equity and liabilities	**1,577,252**	**1,446,911**

* Unaudited consolidated interim financial information

Consolidated Income Statement

(in € thousands)

		October – December		January – December	
		2020*	2019*	2020*	2019
1.	Sales	231,494	206,080	880,756	886,722
2.	Increase/decrease in finished goods and work in process	9,843	-3,642	-6,576	-16,008
3.	Other own work capitalised	216	5,560	21,052	17,147
4.	Other operating income	10,619	9,969	20,963	19,092
5.	Costs of materials				
a)	Costs of raw materials, consumables and supplies	-100,420	-78,175	-340,838	-343,306
b)	Costs of purchased services	-31,900	-15,226	-100,151	-78,905
		-132,320	-93,400	-440,988	-422,210
6.	Personnel expenses				
a)	Wages and salaries	-23,134	-16,003	-85,737	-71,595
b)	Social security and pensions	-3,698	-3,387	-14,641	-13,001
		-26,832	-19,390	-100,377	-84,596
7.	Amortisation and depreciation of fixed intangible and tangible assets	-27,663	-14,418	-82,238	-56,153
8.	Other operating expenses	-55,607	-44,266	-195,136	-178,782
9.	Other interest and similar income	64	114	135	1,754
10.	Interest and similar expenses	-7,995	-7,485	-30,761	-28,159
11.	Taxes on income	457	-11,225	-19,222	-39,116
12.	**Earnings after taxes**	**2,275**	**27,897**	**47,608**	**99,689**
13.	Other taxes	-426	-203	-1,736	-1,616
14.	**Consolidated net income for the period**	**1,849**	**27,694**	**45,872**	**98,073**
15.	Consolidated unappropriated retained earnings brought forward			311,782	213,709
16.	**Consolidated net retained profits**			**357,653**	**311,782**

* Unaudited consolidated interim financial information

Consolidated Cash Flow Statement

(in € thousands)

		October – December		January – December	
		2020*	2019*	2020*	2019
1.	**Cash flows from operating activities**				
	Consolidated net income for the period	1,850	27,694	45,872	98,073
	Amortisation and depreciation of fixed assets	27,663	14,418	82,238	56,153
	Increase (+)/decrease (-) in provisions	5,125	-11,506	18,421	-5,967
	Other non-cash expenses (+)/income (-)	871	-1,841	226	-1,729
	Increase (-)/decrease (+) in inventories, trade receivables and other assets**	6,165	14,729	-3,228	13,386
	Increase (+)/decrease (-) in trade payables and other liabilities**	15,765	1,118	28,165	9,935
	Interest expenses (+) /income (-)	7,932	7,371	30,626	26,405
	Expenditure (+) /income (-) of exceptional size or incidence	-148	-848	129	3,485
	Income tax expenses (+) /income (-)	-457	11,225	19,222	39,116
	Income taxes paid (-)	-4,520	-7,053	-45,948	-29,690
	Cash flows from operating activities	**60,246**	**55,307**	**175,723**	**209,167**
2.	**Cash flows from investing activities**				
	Proceeds (+) from disposal of intangible and tangible fixed assets	0	0	932	6
	Payments (-) to acquire intangible fixed assets	-3,039	-1,045	-4,326	-1,107
	Payments (-) to acquire tangible fixed assets	-42,091	-93,383	-296,707	-303,439
	Interest received (+)	0	79	63	1,721
	Cash flows from investing activities	**-45,130**	**-94,349**	**-300,038**	**-302,819**
3.	**Cash flows from financing activities**				
	Proceeds (+) from the issuance of bonds and borrowings	25,000	0	100,000	351,861
	Cash repayments (-) of bonds and borrowings	-21,552	-2,462	-32,367	-158,972
	Proceeds (+) from grants received	15,000	0	15,679	0
	Cash payments (-) relating to expenditure of exceptional size or incidence	-156	402	-572	-2,996
	Interest paid (-)	-2,886	-2,770	-28,268	-22,768
	Dividends paid to shareholders of the parent entity (-)	0	0	0	-20,109
	Cash flows from financing activities	**15,406**	**-4,830**	**54,472**	**147,016**
4.	**Cash funds at end of period**				
	Net change in cash funds	30,522	-43,872	-69,843	53,364
	Effect on cash funds of exchange rate movements	-590	3,049	-2,467	980
	Cash funds at beginning of period	100,533	243,598	202,775	148,431
	Cash funds at end of period	**130,465**	**202,775**	**130,465**	**202,775**
5.	**Composition of cash funds**				
	Cash and cash equivalents	130,465	202,775	130,465	202,775
	Cash funds at end of period	130,465	202,775	130,465	202,775

* 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 2020 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.

ADDITIONAL EXPLANATORY INFORMATION

Accounting policies
The unaudited consolidated interim financial information of Progroup AG as at and for the period ended 31 December 2020 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 2019. However, the depreciation period for the new PW13 plant was set at 10 years, in contrast to the previous projects, which had a depreciation period of 15 years.

The accounting policy for the depreciation of our paper machine PM2 changed in July 2020, as the remaining useful life was reassessed from a period of 25 years to 17 years.

Please refer to the notes to the audited consolidated financial statements for the year ended 31 December 2019 for a detailed description of our significant accounting policies.

Scope of consolidation
In the period ended 31 December 2020, there were no changes in the scope of consolidation compared to the year ended 31 December 2019.

Information on material risks
As at 31 December 2020, the pandemic crisis was added to the list of risks for Progroup AG. Besides this risk, there have been no significant changes with regard to the risks for Progroup AG compared with the year ended 31 December 2019 and described in the respective annual financial statements.

LEGAL NOTICE AND INFORMATION

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