

# PERFORMANCE PRESENTATION

31 December  
Fourth Quarter 2019





# DISCLAIMER IMPORTANT INFORMATION

The unaudited consolidated financial information of Progroup AG (“Progroup”) as at and for the period ended 31 December 2019 included in this presentation, 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 presentation have been rounded. Discrepancies or apparent inconsistencies between different amounts included in this presentation may occur due to such rounding.

This presentation 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 presentation, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, projects, 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 presentation. 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 presentation). 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.

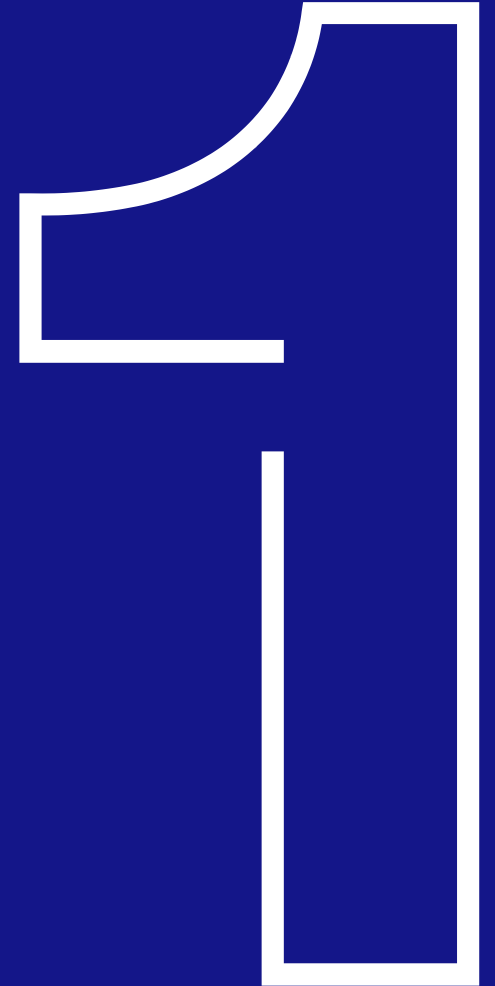
This presentation may contain information, data and predictions about our markets and our competitive position. We operate in an industry for which it is difficult to obtain precise industry and market information. Any market data and/or economic and industry data and forecasts used, and statements regarding our position in the industry made in this presentation 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 presentation 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 presentation. In addition, certain market share information and other statements in this presentation 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.

In this presentation, 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.

# AG EN DA

01. Progroup – Highlights 31/12 | Q4 2019
02. Progroup – Financial Performance
03. Progroup – Summary & Outlook

**PROGROU  
P  
HIGHLIGHTS  
31/12 | Q4 2019**



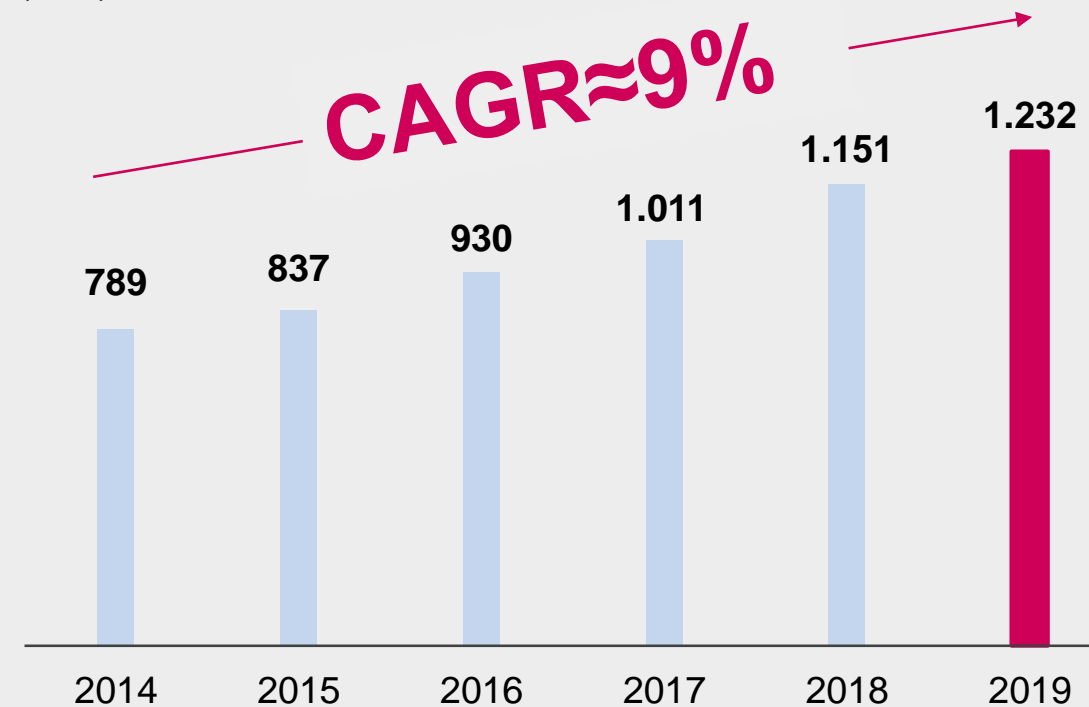
31 December / Fourth Quarter 2019

# CONTINUING STRONG PERFORMANCE

- Steadily growing sales volumes with the anticipated normalisation of profitability
- Strong Volume growth in our corrugated board (+8.9%) and containerboard businesses (+7.8%) in Q4 2019 compared to Q4 2018
- Sales decline to €206.1 mn in Q4 2019 (-12.9% compared to Q4 2018) due to lower price levels
- Expected EBITDA decrease to €59.9 mn in Q4 2019 (-18.5% compared to Q4 2018: €73.4 mn)
- Q4 EBITDA margin of 29.0%, again significantly above the five-year average
- Net financial debt at €671.0 mn (31 December 2018: €530.0 mn)
- Net leverage of 3.0 x LTM EBITDA

## Volume corrugated board

(in kt)

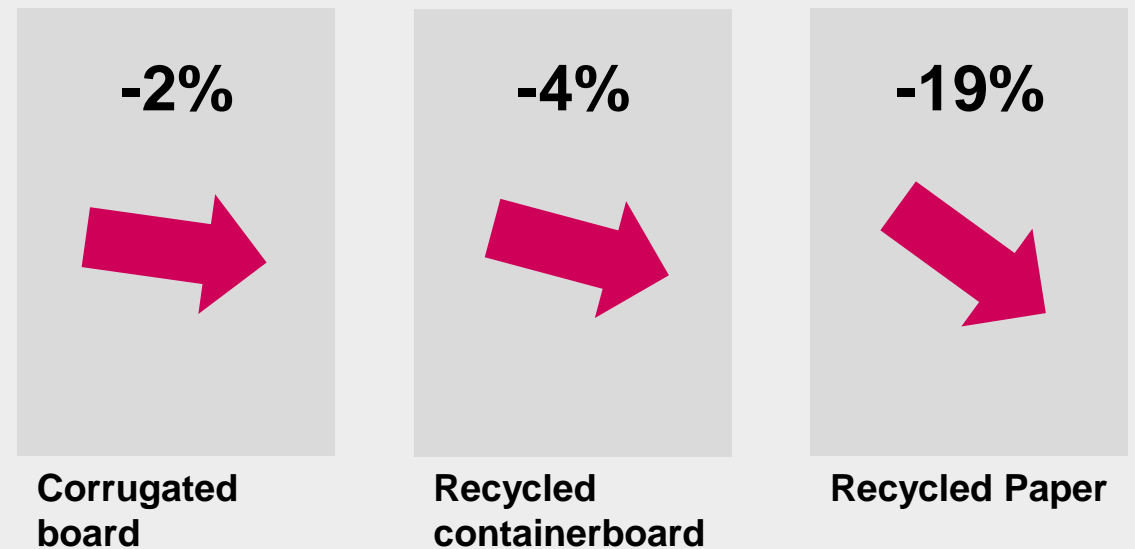


31 December / Fourth Quarter 2019

# MARKET DEVELOPMENT

- Seasonally strong corrugated board demand in Q4 2019
- Promising volume development at the beginning of Q1 2020
- Mega-trends like e-commerce and plastic ban are supporting strong demand for corrugated board
- Price reductions for containerboard in Q4 2019
- Low stock levels for containerboard in the industry at year end 2019 and strong demand (European and overseas) at the beginning of Q1 2020 led to announcements for price increases
- Structural oversupply situation in recycled paper led to price reductions in Q4 2019. No significant change in market dynamics expected for Q1 2020

## Price development Q4 2019 compared to Q3 2019



# PROGROU FINANCIAL PERFORMANCE



Quarterly view

# HIGH LEVEL OF INTEGRATION

## Development

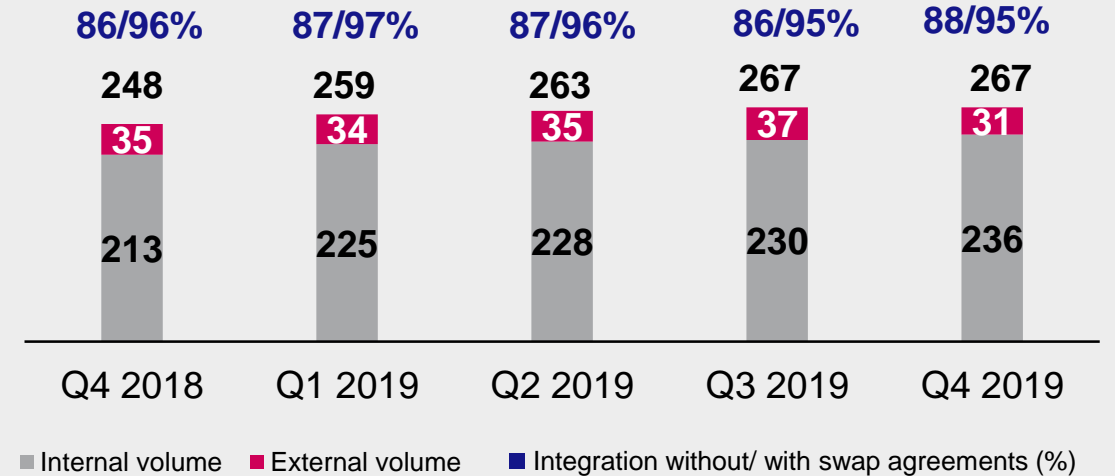
Integration remained widely stable on a very high level. External sales volume slightly below prior year due to internal demand

Increase of 7.8% in Q4 sales volume compared to Q4/2018

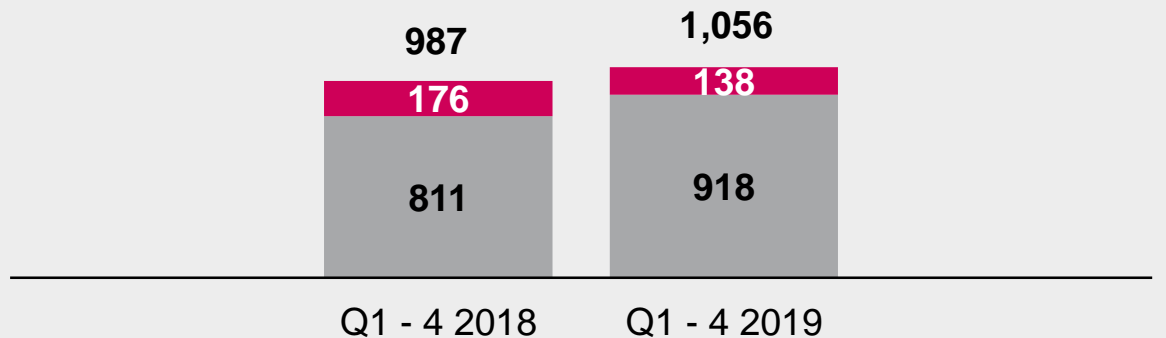
Sales volume increased by 7.0% in 2019 vs. 2018

## Volume containerboard

(in kt)



# +7.0%





Quarterly view

# VOLUME GROWTH

## Development

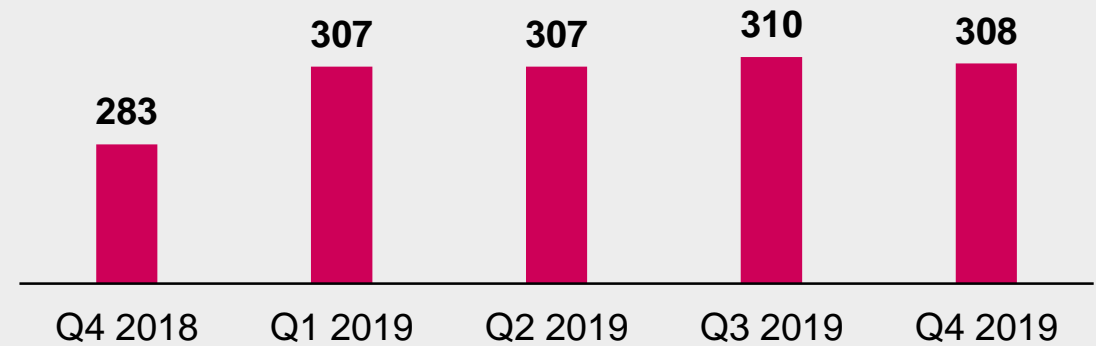
Increase in corrugated board sales volume in Q4 2019 (+8.9%) compared to Q4 2018

Quarterly sales volume of Q4 2019 remained on a similar level than the first three quarters despite a lower number of working days

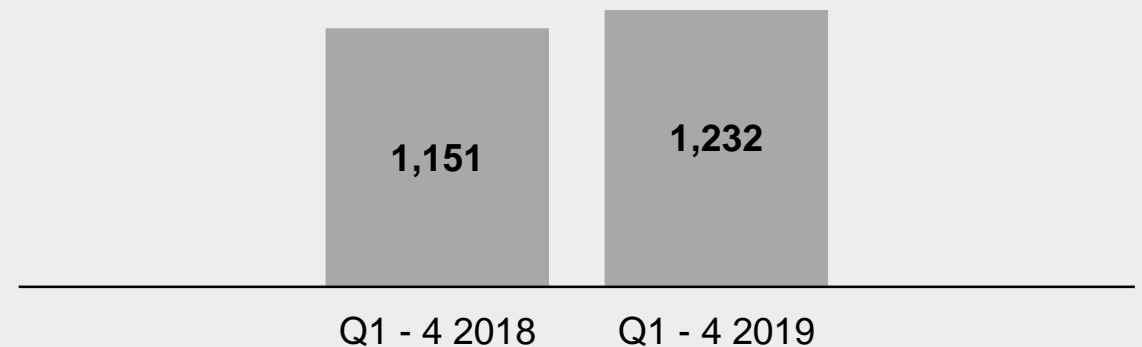
Sales volume grew by 7.1% in 2019

## Volume corrugated board

(in kt)



**+7.1%**



Quarterly view

# SALES DEVELOPMENT

## Sales decline compared to Q4 2018

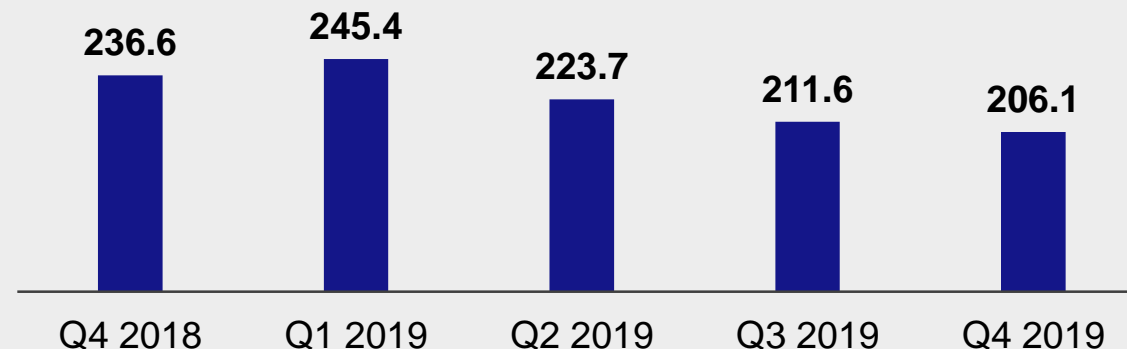
Normalisation of price levels and a further decrease in external sales volume of containerboard reduced sales

Positive volume effect of higher corrugated board sales volume could only partly offset the above mentioned effects

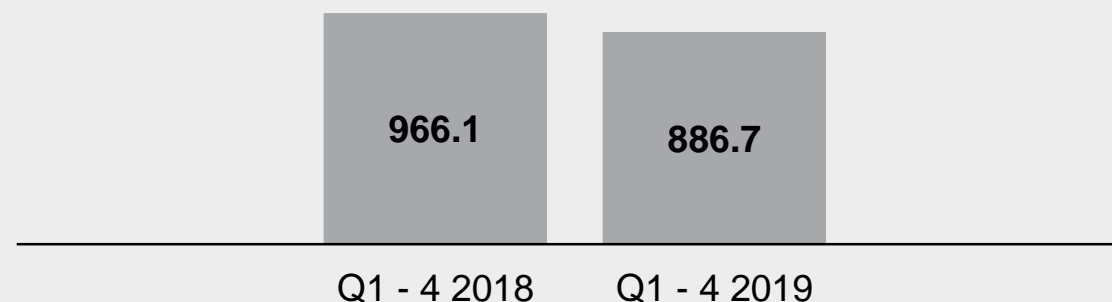
2019 sales were 8.2% below prior year

### Sales

(in € mn)



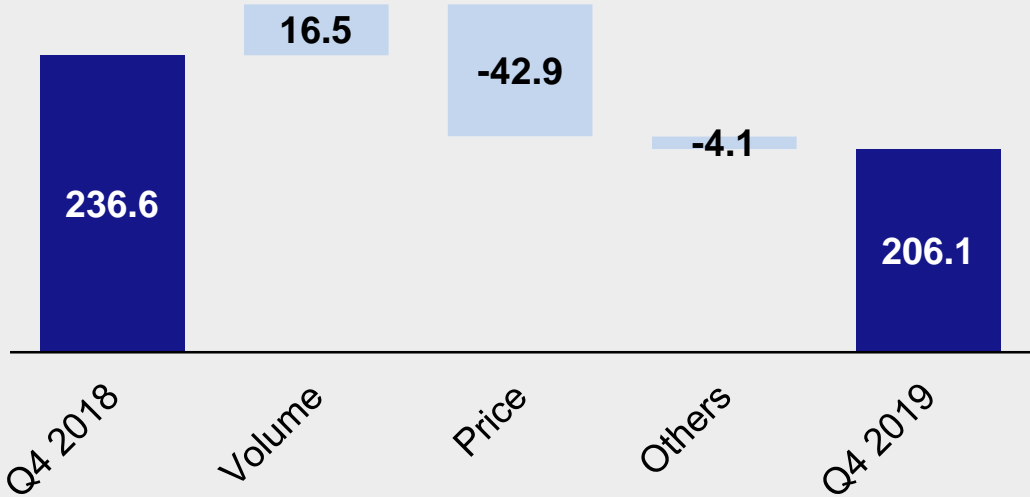
**-8.2%**



# SALES DECLINE

## Sales Development

(in € mn)



## Sales

(in € mn)



Third Quarter / Fourth Quarter 2019

# SALES DECLINE

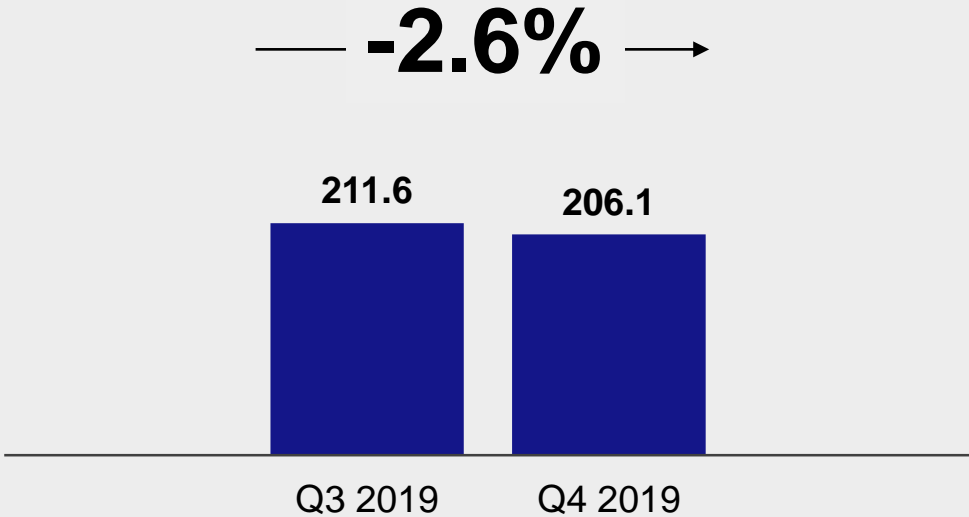
### Sales Development

(in € mn)



### Sales

(in € mn)



## Quarterly view

# DEVELOPMENT OF EBITDA/EBITDA MARGIN

## EBITDA Q4|19

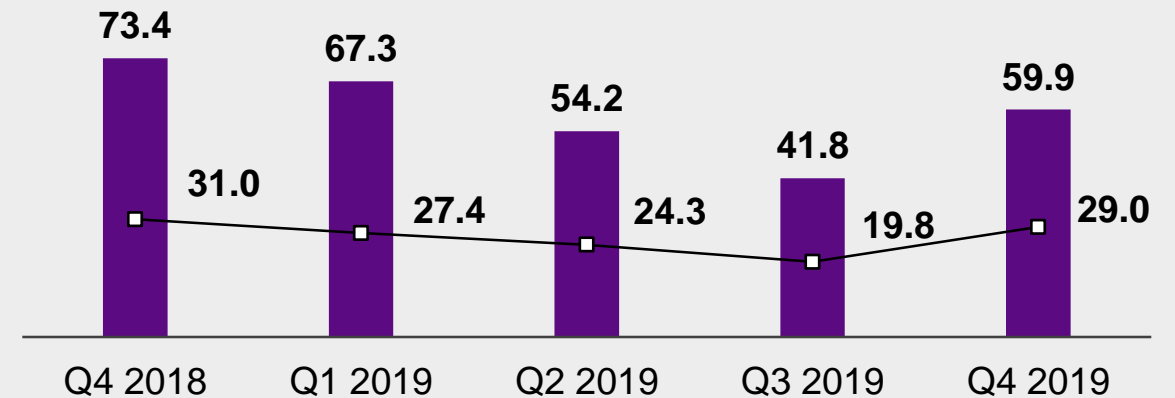
Increased to €59.9 mn compared to Q2 and Q3 2019, following our strong operating performance

Expected decrease compared to the exceptional year 2018, in light of normalising price levels

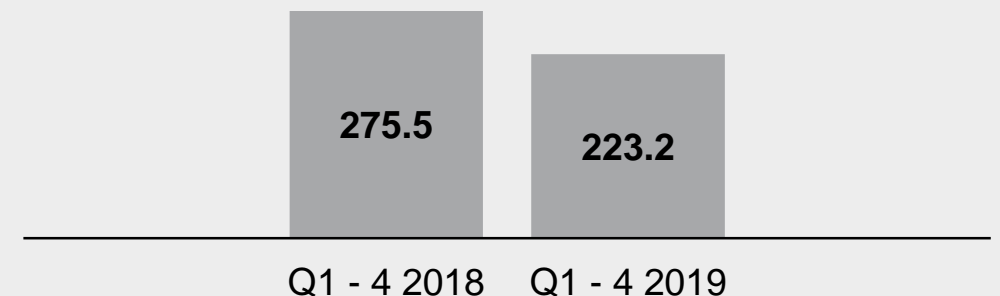
EBITDA margin in the year 2019 on a strong level of 25.2%

## EBITDA

(in € mn) —□— EBITDA margin (%)



# -19.0%



Long-term view

# EBITDA MARGIN LONG-TERM AVERAGE

## Q4 2019 EBITDA margin on a high level

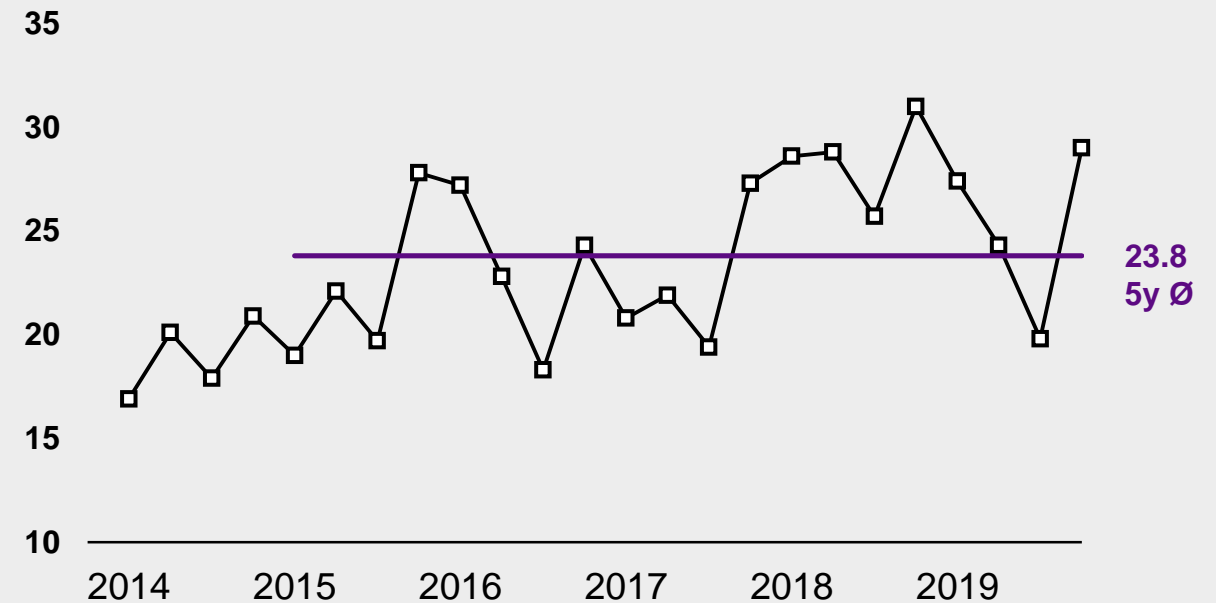
EBITDA margin followed the development of the EBITDA

Q4 2019 EBITDA margin on a high level due to a strong performance and high capacity utilisation

Long-term positive EBITDA-margin development

## EBITDA margin

(in %)



Using adjusted EBITDA margin (%) for Q3 and Q4 of 2016  
[based on EBITDA adjusted for unplanned maintenance shutdown extension of CHP]

Quarterly view

# DEVELOPMENT OF FREE CASHFLOW

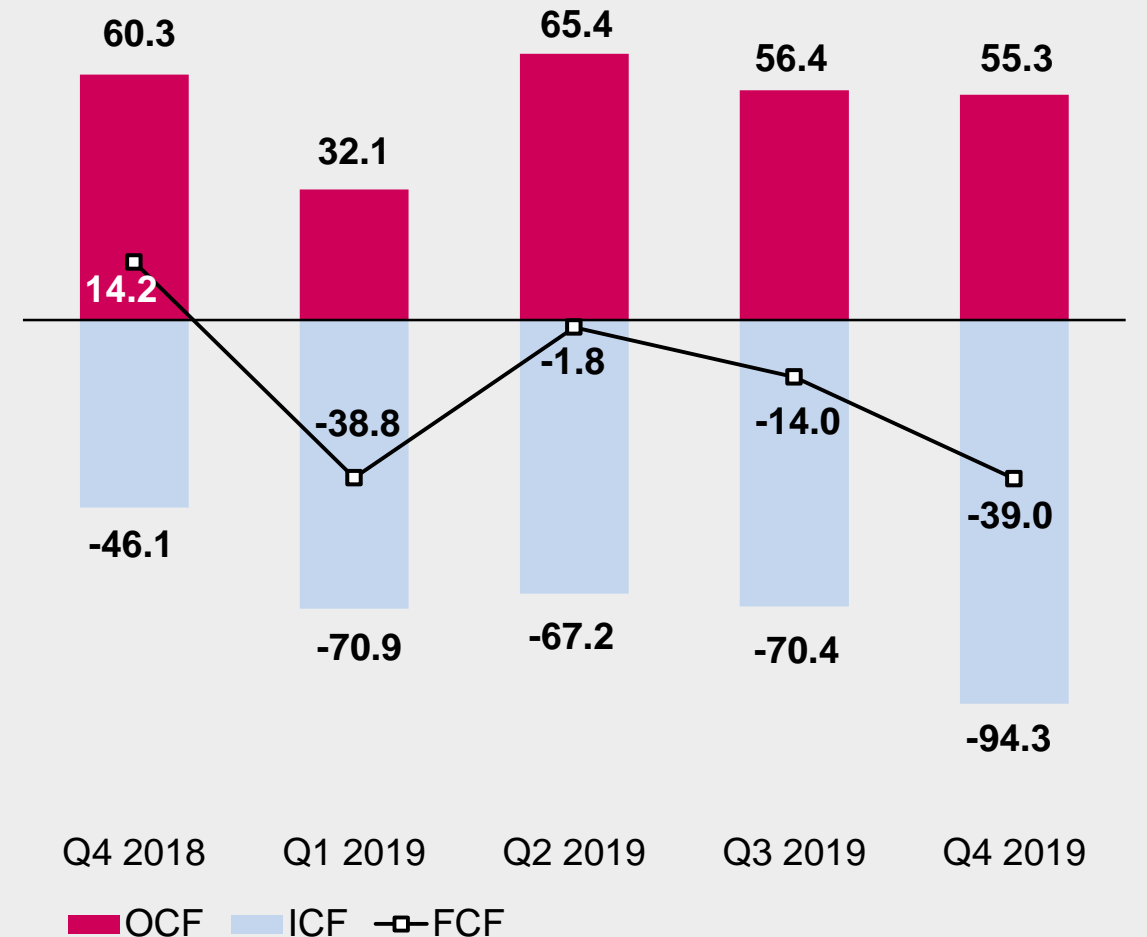
**Free cash flow decreased in Q4 19 compared to Q4 18**

Cash flows from operating activities more than offset by high cash outflows for investing activities resulting from our current accretive growth projects

Strong operating cash flow only slightly below Q4 2018

## Free cash flow

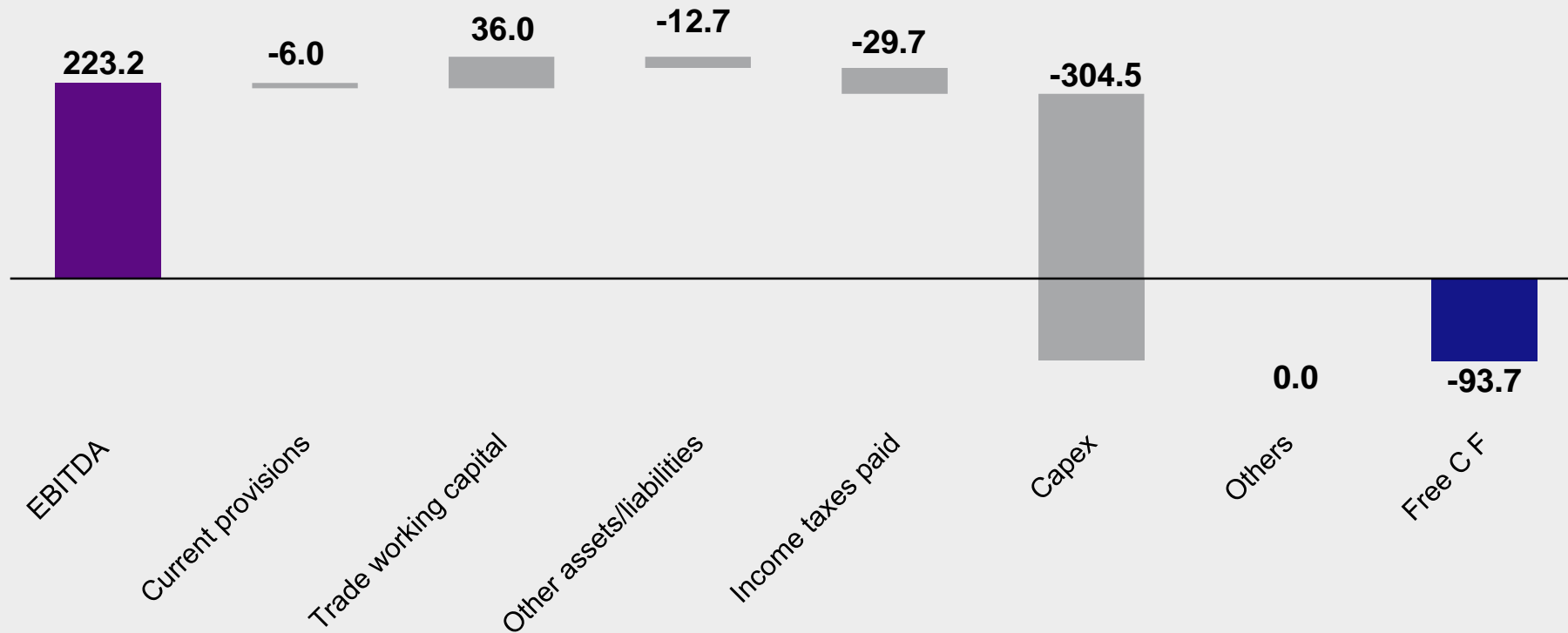
(in € mn)



31 DECEMBER 2019

# EBITDA TO FREE CASH FLOW

EBITDA to free cash flow





Quarterly view

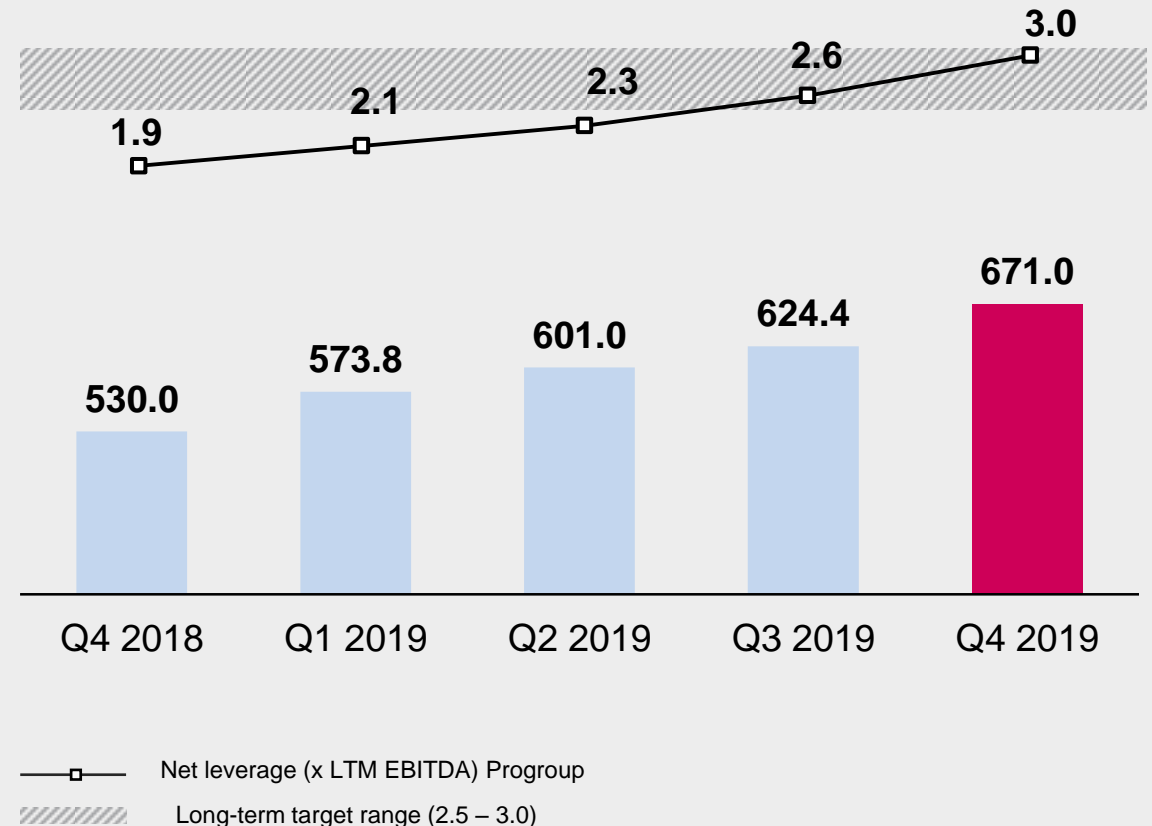
# DEVELOPMENT OF NET FINANCIAL DEBT AND NET LEVERAGE

Net leverage increased to 3.0 due to higher net debt and lower LTM EBITDA. However, net leverage is still within our long-term target range

Long-term target net leverage range of 2.5 – 3.0 will be temporarily exceeded in context of strategic green field projects like PM3, PW13 and PW14

## Net financial debt Progroup

(in € mn)



31 December 2019

# FINANCIAL DEBT AND FINANCE COSTS

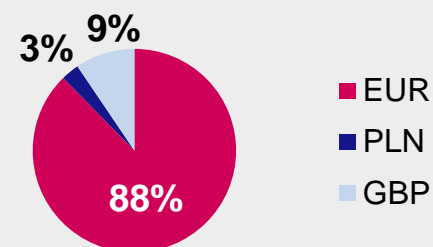
Net financial debt increased in connection with the drawings of EUR and GBP facilities

Average interest rate increased following the issuance of our SSFRN with higher interest rates and due to commitment fees for undrawn facilities

Committed bank facilities increased due to three new bilateral facilities related to the next corrugated board project in an amount of €75 mn

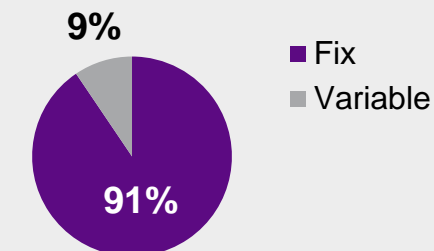
## Currency split of current financial liabilities

(in %)



## Interest split of current financial liabilities

(in %)



## Financial debt and finance costs

(in € mn)

	31/12/2018	31/12/2019
Bonds	600	600
Committed bank facilities	355	424
thereof undrawn	280	155
Financial liabilities	678	874
Cash in hand, bank balances	148	203
Net financial debt	530	671
	<b>Q1 – Q4 2018</b>	<b>Q1 – Q4 2019</b>
Interest expenses*	20.8	25.3
Average interest rate	3.0%	3.2%

\*excluding early redemption fee for SSN and amortisation of lump sum fee payments

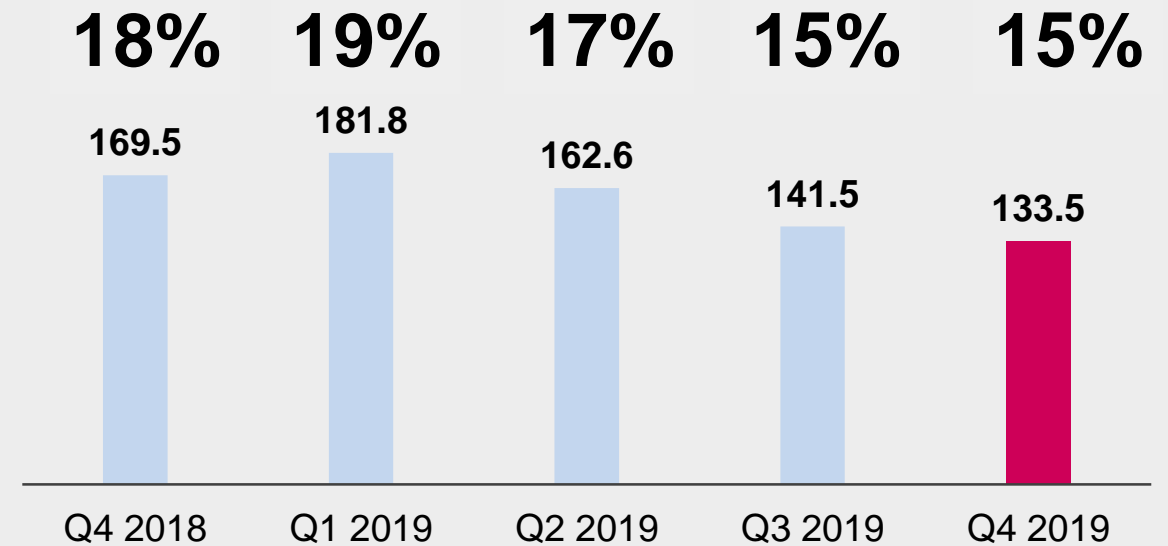
Quarterly view

# DEVELOPMENT OF WORKING CAPITAL

Decrease in working capital, mainly due to higher trade payables in connection with our current growth projects and lower trade receivables based on lower sales in Q4

## Working capital\*

(in € mn)



% of LTM Sales

\*Working capital (not a German GAAP measure) is calculated as inventories plus trade receivables minus trade payables

# PROGROUP SUMMARY & OUTLOOK



# SUMMARY & OUTLOOK

## Expectations

- Normalisation of corrugated board sales price levels in Q1 2020 expected
- Good availability of recycled paper with price reductions in Q4 2019, further reductions in the course of Q1 2020 expected
- Broadly stable margin development, as lower sales prices will be compensated by lower recycled paper prices
- Announcements for containerboard price increases in Q1 2020
- PW13 start of commercial production expected in Q1 2020
- Project PM3 proceed according to plan
- Final planning phase for another corrugated board production site PW14 in Stryków, Poland, is ongoing



# WWW.IR.PROGROUP.AG

Progroup AG  
Horstring 12  
76829 Landau  
Germany  
Phone: +49 (0) 6341 / 55 76-0  
Fax: +49 (0) 6341 / 55 76-109  
ir@progroup.ag  
www.ir.progroup.ag