progroup

INTERIM FINANCIAL REPORT

30 June / Second Quarter 2020

KEY FIGURES

(in € thousands)

SALES
January – June 2020

429,545

Reported EBITDA
January – June 2019

121,528

Reported EBITDA
January – June 2020

102,390

Reported EBITDA margin
January – June 2020

23.8%

Net leverage
30/06/2020

3.8

Net financial debt
30/06/2020

780,684

Key operating figures

(in € thousands)

	April – June		January – June	
	2020	2019	2020	2019
Sales	196,661	223,662	429,545	469,019
Reported EBITDA [1]	44,592	54,239	102,390	121,528
Reported EBITDA margin (in % of net sales)	22.7%	24.3%	23.8%	25.9%
EBIT [2]	29,173	40,211	71,602	93,660
Consolidated net income for the period	14,742	22,252	39,068	55,663
Cash flows from operating activities	32,881	65,353	74,929	97,428
Cash flows from investing activities	-109,345	-67,142	-175,359	-138,049
Free cash flow [3]	-76,464	-1,789	-100,430	-40,621

Key balance sheet figures

(in € thousands)

	30/06/2020	31/12/2019
Total assets	1,547,641	1,446,911
Equity	429,467	394,985
Cash in hand, bank balances	154,120	202,775
Financial liabilities (bonds, bank loans and accrued interest)	934,804	873,755

Key financial figures

(in € thousands)

	30/06/2020	31/12/2019
Net leverage [4]	3.8	3.0
LTM EBITDA	204,095	223,232
Net financial debt [5]	780,684	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 30 June 2020 and 31 December 2019, respectively, by adjusted EBITDA for the last twelve months (LTM) ended on the relevant date.

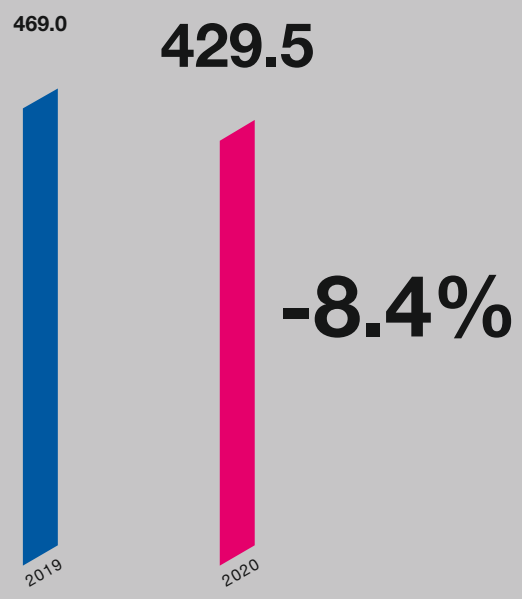
(5) Net financial debt (not a German GAAP measure) is calculated as financial liabilities (bonds, bank loans, finance leases and accrued interest) minus cash in hand, bank balances.

HIGHLIGHTS

01

In the first six months of 2020, market conditions further normalised, followed by the global economic crisis related to the corona pandemic. After a stabilisation towards the end of the first quarter, price levels for both corrugated board and containerboard saw further slight downward adjustments in the second quarter, while purchasing prices for recycled paper increased strongly. Due to the ongoing normalisation of price levels throughout the past 18 months, current price levels remained well below the previous year.

SALES
January – June
(in € million)



02

In the first half of 2020, sales declined by 8.4% to €429.5 mn, after €469.0 mn in the previous year. In the second quarter, sales declined from €223.7 mn in 2019 to €196.7 mn in 2020. The decline is attributed to continued normalised sales prices for corrugated board, which continued throughout the corona crisis.

03

External sales volume of the corrugated board business increased by 5.2% in the first six months of 2020, driven by higher production capacities and good demand in the first quarter. Due to the ongoing corona crisis and resulting lower demand, external sales volume declined by 4.6% in the second quarter of 2020 compared to the previous year's second quarter. In the containerboard business, total sales volume increased by 2.2% in the first half of 2020, while the second quarter of 2020 saw a decline in sales volume by 3.0%. The increase was attributed to a higher external sales volume in the containerboard business, while internal sales volumes declined in the first six months due to a build-up of stock and lower internal demand.

04

Integration between the two key businesses containerboard and corrugated board lowered due to increased external sales volume in containerboard as a result of the ongoing corona crisis. Consequently, integration including swap agreements reached 88% in the second quarter of 2020, after 94% in the first quarter. Excluding swap agreements, integration reached 79%, after 83% in the previous quarter.

24% **EBITDA margin January – June 2020**

06

Despite the ongoing economic crisis and normalising market conditions, EBITDA margin remained strong, reaching 23.8% in the first six months of 2020, after 25.9% in the previous year's first half. In the second quarter of 2020, EBITDA margin reached 22.7%, after 24.3% in the previous year's second quarter.

05

EBITDA reached €102.4 mn in the first six months of 2020, after €121.5 mn in the previous year. In light of the corona crisis, EBITDA declined from €54.2 mn in the second quarter of 2019 to €44.6 mn in the respective quarter of 2020. The lower EBITDA performance in the first half of 2020 is attributed to further normalised sales prices as well as a softer gross margin due to lower sales volumes in light of the corona crisis in the second quarter 2020. For the third quarter of 2020, Progroup AG anticipates a significantly lowered EBITDA compared to the second quarter due to planned maintenance shutdowns for the combined heat and power (CHP) plant and the paper machines PM1 and PM2. Further, start-up costs for the new paper machine PM3 will equally affect the EBITDA performance in the third quarter.

07

Net leverage grew from 3.0 on 31 December 2019 to 3.8 at 30 June 2020. The increase is equally attributed to a normalised LTM EBITDA as well as higher net financial debt. While PLN and EUR facilities were redeemed, Progroup AG drew the remaining €30 mn of the €155 mn long-term bilateral bank loan facilities to finance the construction of PM3 as well as €45 mn of the €75 mn facilities to finance growth projects. As previously announced, Progroup AG anticipates to temporarily leave the long-term target corridor for net leverage of between 2.5 and 3.0 throughout 2020 due to continued investment activities related to PM3. Progroup is fully committed to its long-term target corridor and intends to return to it in the mid-term.

08

Free cash flow decreased from €-40.6 mn in the first half of 2019 to €-100.4 mn in the first six months of 2020. The decline is mainly attributed to continued investing activities into the new paper machine PM3. Further, in light of the ongoing corona crisis, cash flows from operating activities lowered in the second quarter of 2020, further adding to the free cash flow performance. In the second quarter of 2020, free cash flow reached €-76.5 mn after €-1.8 mn in 2019, due to increased cash flows from investing activities for PM3 as well as lower cash flows from operating activities as a result of higher resource prices and lower sales prices.

09

The newest paper machine PM3 has almost reached completion, as the last phase of constructions began in July 2020. At the end of August 2020 PM3 has launched test production. With an annual production capacity of up to 750,000 tons of containerboard per year, PM3 will be one of the biggest high-tech production sites in the world, relying on a coherent set of sustainable technologies. Applying a cutting-edge wastewater management, the plant will use 80% less water compared to ordinary factories of its size. A biogas facility will further lower the usage of fossil fuels by ten percent. Meanwhile, in light of the ongoing corona crisis, the construction of Progroups newest corrugated board production site PW14 has been postponed until further notice. This step was taken to provide additional financial flexibility to tackle unforeseen challenges arising from the current crisis.

CONTENT

LETTER TO INVESTORS

Dear investors and business partners,

Welcome to our interim report for the first half of 2020. Throughout the past months, we have experienced the beginning of a worldwide crisis arising from the outbreak of the corona pandemic. While financial markets are starting to recover in many countries, the pandemic remains far from over, as supply chains remain disrupted and international trade is diminished. Therefore, we continue to expect the current pandemic's impact on the global economy to exceed the effects of the 2008/2009 financial crisis.

In order to react swiftly and precisely to any unforeseen developments throughout this crisis, we are constantly monitoring the ongoing events and taking measures where required. In doing so, the safety and wellbeing of our staff always has the highest priority for us, for which reason we have implemented measures to assure occupational safety and compliance with all recommended and mandatory health regulations at all times.

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

Despite the ongoing crisis, we remain confident, as our products are essential for the production and provision of vital goods. Operationally, we were able to address the challenges of this global crisis much better than many other industries. Consequently, as cost leader, operating the most modern and efficient production sites in the industry, we are meeting this crisis from a position of strength. Since the financial crisis of 2008/2009, we have continuously grown a sustainable financial structure and built reserves. By postponing our most recent investment project PW14 for the time being, we have further strengthened our strong liquidity base. Financially, we are in a strong long-term position and able to prevail even in dire times. To further support our financial position, and to prudently cover potential risks arising from the corona pandemic, we signed an additional credit facility in August 2020 in an amount of €100 mn. Consequently, we are convinced of the resilience of our company and our business model.

In the first six months of 2020, we experienced a further continued normalisation of market conditions and price levels for both our key products corrugated board and containerboard. While price levels stabilised slightly by the end of the first quarter, the anticipated increase in prices was met by crisis-related lower demand in the market, resulting overall in a slight decline in sales prices. Due to the current crisis, purchasing prices for recycled paper saw a steep increase in the second quarter of 2020, exceeding the decline in the first quarter.

Our external sales volume of corrugated board continued to increase in the first six months of 2020 by 5.2%, fueled by our expanded production capacities at PW12 and PW13 and a strong pre-crisis performance in the first quarter. In the second quarter, however, external sales of corrugated board decreased by 4.6% compared to the previous year's second quarter due to the ongoing crisis. In our containerboard business, we saw further growth in sales volume by 2.2% in the first half of 2020, driven by a strong external sales performance. In the second quarter, internal sales declined in light of lower demand due to the corona crisis and stock building, resulting in a sales volume performance that was 3.0% below the previous second quarter. The integration between our two key businesses remained on a high level, reaching 88% including swap agreements by the end of the second quarter, as internal sales of containerboard decreased in light of the ongoing crisis. Excluding swap agreements, integration reached 79% in the second quarter of 2020.

In the first half of 2020, our sales performance reflected the continuous normalisation of prices levels which we experienced throughout the past 18 months. Consequently, sales in the first six months declined by 8.4% to €429.5 mn, after €469.0 mn in the first half year of 2019. The increase in sales volume could not entirely offset the lower price levels. In the second quarter of 2020, sales reached €196.7 mn, compared to €223.7 mn in the previous second quarter, mainly attributed to lower prices as well as lower external sales volumes as a consequence of the ongoing corona crisis.

In light of a continuously normalised sales performance as a consequence of lowering sales prices, we reached an EBITDA of €102.4 mn in the first six months of 2020, after €121.5 mn in the previous first half and €101.7 mn in the second half of 2019. In the second quarter, we achieved an EBITDA of €44.6 mn, a decline by €9.6 mn compared to the previous second quarter. The decline in the second quarter was mainly attributed to a lower gross margin due to softer sales volumes. For the third quarter of 2020, Progroup AG anticipates a significantly lowered EBITDA compared to the second quarter due to planned maintenance shutdowns for the combined heat and power (CHP) plant and the paper machines PM1 and PM2. Further, launching costs for the new paper machine PM3 will equally affect the EBITDA performance in the third quarter.

Despite the ongoing normalisation of our EBITDA, our operational performance remains strong, as highlighted by our EBITDA margin of 23.8% in the first six months of 2020, after 25.9% in the first half of 2019. In the second quarter, we equally reached a robust EBITDA margin of 22.7%, compared to 24.3% in the second quarter of 2019.

In the first six months, our free cash flow decreased from €-40.6 mn in 2019 to €-100.4 mn in 2020. The decline is mainly attributed to our continued investing activities into our newest additional paper machine PM3, one of the most modern and sustainable containerboard production sites in the world. PM3 has a production capacity of up to 750,000 tons per year and started test production at the end of August 2020. Equally, cash flows from operating activities remained below the previous year due to increased purchasing prices for resources and lower sales prices. In the second quarter of 2020, we reached a free cash flow of €-76.5 mn, which was equally attributed to an increase in investing activities as well as lower cash flows from operating activities. In the previous second quarter, our free cash flow was €-1.8 mn.

Compared to 31 December 2019, our net leverage increased from 3.0 to 3.8 by 30 June 2020. While the redemption of PLN and EUR facilities in the first quarter reduced our financial liabilities, we drew the remaining €30 mn of the €155 mn long-term bilateral bank loan facilities to finance the construction of PM3 as well as €45 mn of the €75 mn facilities to finance growth projects in the second quarter of 2020, thereby increasing our net financial debt. In addition to our higher net financial debt, our normalised LTM EBITDA added to the increase in net leverage. In light of these investments and as stated before, we expect to temporarily leave our long-term net leverage target corridor of between 2.5 and 3.0 throughout 2020 for continued investment activities related to our new paper machine PM3. We remain fully committed to our long-term target corridor and intend to return to it in the mid-term.

Despite the ongoing corona crisis, which has far reaching effects on the world economy, we were able to achieve continued strong margins and external sales volumes in the past six months. These results continue to strengthen our believe in our strategic greenfield approach, establishing and operating cutting-edge production sites in the direct vicinity to our partners, providing best-in-class corrugated board and containerboard products.

With the launch of test production at our newest paper machine PM3 at the end of August 2020, we are proud to take the next big step in our growth strategy and will then operate one of the biggest and most sustainable high-tech paper machines in the world. We are proud that, despite the corona pandemic, the start of test production is on schedule after only 15 months of construction.

Still, the current crisis also impacts our company, for which reason we have decided to postpone the construction of our next cutting-edge corrugated board production site PW14 in Stryków, Poland. This provides us with further financial flexibility to tackle any unforeseen events arising from the ongoing crisis. With these steps taken, we look forward with confidence and expect to be able to address any upcoming challenges successfully.

Yours sincerely,

Jürgen Heindl
Chief Executive Officer

Dr. Volker Metz
Chief Financial Officer

Maximilian Heindl
Chief Development Officer

Philipp Kosloh
Chief Operating Officer

CAPITAL MARKET ACTIVITIES

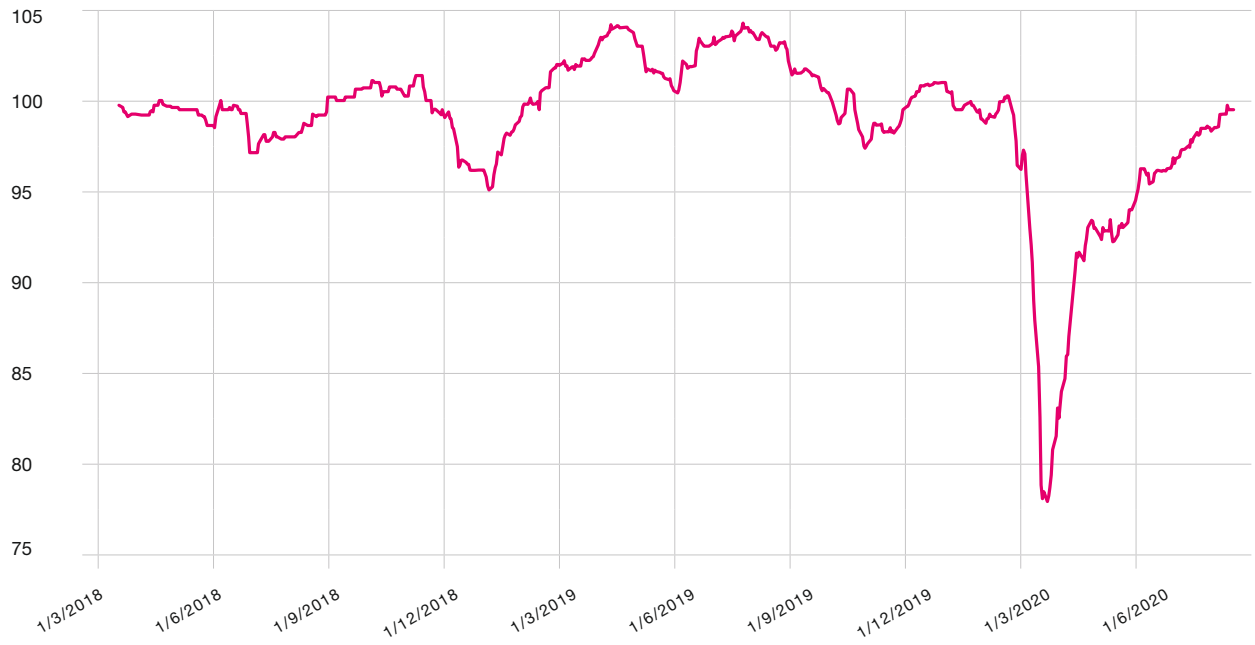
An overview of the features of our senior secured fixed rate notes and their market performance as at 30 June 2020 is presented below.

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

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

Quality check: corrugated sheetboard

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.

Progroup Board PW10 plant
Trzcinica, Poland

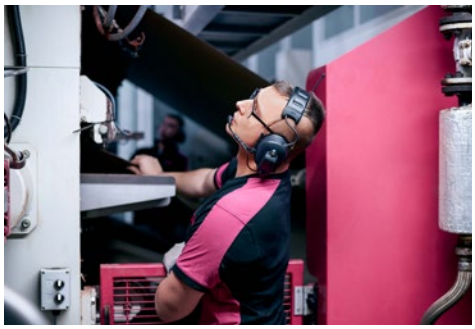
Corrugated sheetboard

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 eleven corrugated board production sites in the Czech Republic, France, Germany, Italy, Poland and the United Kingdom with a total annual production capacity of approximately 1,615,000 tons of corrugated board (including PW13). Our historic greenfield location strategy ensures close customer proximity and high production flexibility.

RECENT DEVELOPMENTS

Progroup began operating Europe's most modern corrugated sheet board plant last year
Ellesmere Port, United Kingdom

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 towards the 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.



Productivity and growth create challenging jobs

Corrugated board production

Investment in packaging park in United Kingdom

After we successfully started production at our new production site in Ellesmere Port (PW12), we are now expanding the site to create a packaging park with our customer Krystals. The packaging park will combine Progroup's high-tech corrugated board plant with the specialist packaging production that Krystals provides. This will deliver the maximum level of efficiency in the production processes. In addition, the two cooperation partners are consistently implementing their sustainability strategy by using technology that conserves resources and reducing CO_2 emissions. We are now investing in the infrastructure at the Ellesmere Port site and the packaging manufacturer Krystals is investing in production facilities.

Corrugated board production site in Poland

The already mentioned project of the newest state-of-the-art corrugated sheetboard plant in Stryków (Poland) with an annual capacity of 210,000 tons has been postponed until further notice. In light of the current pandemic crisis, Progroup finalised the projects until the building permit. However, the start of construction will be put on hold for the time being. This step provides additional financial flexibility and further strengthens the financial foundation of the company in these times of uncertainty.

One of the world's largest high-tech paper mills: Progroup Paper PM3
Sandersdorf-Brehna, Germany, © Progroup

Launch of test production at our newest paper machine PM3

One of the world's largest high-tech paper factory commences operations
At the end of August 2020, after a record-breaking construction and assembly period of just 18 months, operations were commenced at the paper factory PM3 in Sandersdorf-Brehna. The facility covers an area of 453,000 square metres and has an annual capacity of 750,000 tons. Thus, Progroup increases its containerboard production capacity from 1.1 million tons to a total of approximately 1.85 million tons per year. The centrepiece of the new factory is one of the world's most advanced and powerful paper machines for the production of environmentally friendly and high-quality containerboard.

Green Hightech saves resources: waste paper treatment and a fully closed loop water treatment system
Within the context of its Green Hightech strategy, which Progroup has been pursuing consistently since its foundation, an amount of around €100 mn is invested in resource-conserving technology. Accordingly, the new factory sets pioneering standards in the paper industry in terms of environmental protection, energy efficiency and sustainability.

Around 860,000 tons of recovered paper will be used in the PM3 factory to manufacture containerboard. This raw material will be processed in a state-of-the-art drum pulper and drum screen. With an overall installed length of 78 metres, this processing facility is the largest of its type. The drum also operates in a particularly resource-conserving way thanks to its special design.

The innovative circulating water treatment plant of PM3 treats the process water used and feeds it back into the closed loop circulating water system of paper production
Sandersdorf-Brehna, Germany, © Progroup

The innovative circulating water treatment plant, which is also integrated into the factory, works like a biological kidney. It treats the process water used and feeds it back into the closed loop circulating water system of paper production. Contaminated recovered paper is biodegraded and converted into biogas. This leads to a reduction in the consumption of fossil resources by ten per cent. As a result of the rigorous improvement of its environmental performance, Progroup received the Eco-Management and Audit Scheme (EMAS) certificate of the European Union regarding its PM3 factory.

Productivity and growth create challenging jobs

The new site in Sandersdorf-Brehna will create around 140 direct and up to 350 indirect jobs with a great potential for the future
© Progroup

Largest investment project in Saxony-Anhalt creates jobs and long-term perspectives
With investments in a total amount of approximately €465 mn, the factory currently is the largest investment project in Saxony-Anhalt. While employment is flat in some other German regions, this new site will create around 140 direct and up to 350 indirect jobs with a great potential for the future.

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, as the corona crisis reached Europe in mid-March 2020, will also certainly affect Progroup. However, our key product corrugated sheetboard is and will remain systemically relevant to safeguard the distribution of vital goods. For this reason, we are not as strongly affected as other sectors.

Prices for recycled paper increased strongly

Recycled paper is our main raw material for the production of recycled containerboard. Since the beginning of the second quarter of 2019, prices for recycled paper have shown several price reductions due to the very good availability. In light of the corona pandemic, the downward trend stopped at the end of the first quarter. Due to the changed market situation with limited access to waste paper, prices have increased since the beginning of the second quarter of 2020 (+96% compared to Q1 2020).

In the period from the fourth quarter of 2018 to the second quarter of 2019, prices for recycled containerboard declined in several steps. 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. After a stable third quarter of 2019, prices showed another downward step between the fourth quarter of 2019 and the first quarter of 2020. At the end of the first and beginning of the second quarter, prices for containerboard slightly increased. Despite that, the average price for recycled containerboard slightly decreased in the second quarter of 2020 compared to the prior quarter (Q2 2020 compared to Q1 2020 -1%).

Prices for corrugated board declined from the fourth quarter of 2018 until the beginning of the second quarter of 2020. In the middle of the second quarter, prices for corrugated board slightly increased, following the recycled containerboard's price development with the typical time lag. During the second quarter of 2020, prices were slightly below the level achieved in the first quarter of 2020 (-2%).

Price development Q2 2020 compared to Q1 2020

-2%
Corrugated board

-1%
Recycled container-board

+96%
Recycled paper

FI NAN CIAL RE PORT

RESULTS OF OPERATIONS

01

Sales volume

(in thousands of tons)

	April – June		January – June	
	2020	2019	2020	2019
Corrugated board	**293**	**307**	**646**	**614**
Containerboard	**255**	**263**	**533**	**522**
– thereof external	54	35	100	70
– thereof internal	201	228	433	452

Sales

(in € thousands)

	April – June		January – June	
	2020	2019	2020	2019
Sales	**196,661**	**223,662**	**429,545**	**469,019**

01

In light of the stronger effects of the corona pandemic in the second quarter, sales volume of corrugated board decreased by 4.6% (-14.1 thousand tons), in the second quarter of 2020, compared to the prior year's same quarter. Concerning the first half of 2020, we were able to increase our sales volume of corrugated board by 5.2% (+31.8 thousand tons), with the main growth momentum coming from our new United Kingdom operations and our new German operations.

Total sales volume of containerboard declined by 3.0% (-7.9 thousand tons) in the second quarter of 2020, compared to the prior year's same quarter. The decreased sales volume of corrugated board led to a lower internal usage of containerboard (-11.9% or -27.0 thousand tons). However, external volume sold increased (+54.6% or +19.2 thousand tons). Concerning the first half of 2020, we were able to increase our sales volume of containerboard by 2.2%, also due to an increasing external and declining internal sales volume.

The level of integration of our containerboard business, including swap agreements, declined to 88% in the second quarter of 2020, as a result of increased external volume sold and declining internal volume sold, after 94% in the first quarter of 2020.

Total sales decreased by 12.1% (€27.0 mn) to €196.7 mn in the second quarter of 2020, compared to €223.7 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 as well as lower external sales volume of corrugated board as a consequence of the ongoing corona pandemic. In the first half of 2020, total sales decreased by 8.4% (€39.5 mn), also following the normalisation of price levels, which could not be fully offset by our sales volume growth.

02 Other operating income

(in € thousands)

	April – June		January – June	
	2020	2019	2020	2019
Investment subsidies	167	99	324	197
Income from exchange rate differences	971	274	2,034	1,880
Income from other periods	1,656	1,319	3,479	2,586
Extraordinary income	372	975	372	975
Other income	377	190	578	552
Other operating income	**3,544**	**2,855**	**6,787**	**6,190**

02

Other operating income increased by 24.1% (€0.7 mn) to €3.5 mn in the second quarter of 2020, mainly due to higher income from other periods and higher income from exchange rate differences. Concerning the first half of 2020, the increase in other operating income was attributable to the same facts.

03 Costs of materials

(in € thousands)

	April – June		January – June	
	2020	2019	2020	2019
Costs of raw materials, consumables and supplies	82,069	86,838	161,422	181,646
Costs of purchased services	19,635	18,889	42,015	41,872
Costs of materials	**101,704**	**105,727**	**203,437**	**223,518**

03

Costs of materials decreased by 3.8% (€4.0 mn) to €101.7 mn in the second quarter of 2020, primarily resulting from lower costs of raw materials, consumables and supplies. This development was mainly driven by declining prices for recycled paper and declining prices for externally purchased containerboard. Concerning the first half of 2020, costs of materials decreased by 9.0% (€20.1 mn) to €203.4 mn, driven by the same facts.

04 Personnel expenses

(in € thousands)

	April – June		January – June	
	2020	2019	2020	2019
Wages and salaries	21,865	19,102	41,600	37,280
Social security and pensions	3,745	3,226	7,336	6,400
– thereof for pension expenses	37	98	67	196
Personnel expenses	**25,610**	**22,328**	**48,936**	**43,680**

04

Personnel expenses increased by 14.7% (€3.3 mn) to €25.6 mn in the second quarter of 2020. 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 2020 (12.0% or €5.3 mn to €48.9 mn) is mainly due to the same reason.

05 Other operating expenses

(in € thousands)

	April – June		January – June	
	2020	2019	2020	2019
Freight expenses	14,640	19,440	34,740	38,219
Maintenance and repair	8,806	7,598	17,748	18,563
Paper machine clothings	1,441	1,127	2,625	2,941
Rental and leasing costs	2,054	1,954	4,156	4,163
Legal and consulting fees	1,619	1,192	2,460	2,427
Expenses from exchange rate differences	1,151	1,807	5,629	2,006
Expenses from other periods	423	835	764	1,416
Extraordinary expenses	1	3,781	2	3,846
Others	9,440	7,270	18,259	13,925
Other operating expenses	**39,576**	**45,004**	**86,383**	**87,505**

05

Other operating expenses decreased by 12.1% (€5.4 mn) to €39.6 mn in the second quarter of 2020, primarily due to a decrease in freight expenses and lower extraordinary expenses. In the first half of 2020, other operating expenses decreased by 1.3% (€1.1 mn) to €86.4 mn, driven by the same facts. Freight expenses decreased in connection with lower freight rates.

06

Results of operations

(in € thousands)

	April – June		January – June	
	2020	2019	2020	2019
EBITDA	**44,592**	**54,239**	**102,390**	**121,528**
Amortisation and depreciation of fixed assets	-15,419	-14,028	-30,788	-27,867
Net interest result	-7,672	-5,650	-15,134	-11,720
Extraordinary income/expenses (other operating income/expenses)	371	-2,806	370	-2,871
Taxes on income	-7,129	-9,503	-17,771	-23,406
Consolidated net income for the period	**14,742**	**22,252**	**39,068**	**55,663**

06

In the second quarter of 2020, EBITDA decreased by 17.8% (€9.6 mn) to €44.6 mn, mainly in connection with the normalisation of price levels and lower sales volumes of corrugated board and therefore declining sales. Concerning the first half of 2020, EBITDA decreased by 15.7% (€19.1 mn) to €102.4 mn due to the abovementioned development of price levels.

The net interest result of the second quarter of 2020 was below the result of the same period in the prior year based on a higher amount of financial liabilities. Concerning the first half of 2020, net interest result declined by 29.1% (€3.4 mn) to €-15.1 mn due to the same reason.

In the first half of 2020, extraordinary income related to a reimbursement of real estate transfer tax.

In the second quarter as well as in the first half of 2020, taxes on income decreased in connection with the lower results.

NET ASSET POSITION

The following statements describe the main changes in the balance sheet as at 30 June 2020 compared to 31 December 2019.

Assets

(in € thousands)

		30/06/2020	31/12/2019
A.	Fixed assets	1,136,683	1,001,034
B.	Current assets	393,746	427,497
I.	Inventories	102,161	100,176
II.	Receivables and other assets	137,465	124,547
III.	Cash in hand, bank balances	154,120	202,775
C.	Prepaid expenses and deferred charges	16,136	15,936
D.	Deferred tax assets	1,076	2,444
	Total assets	**1,547,641**	**1,446,911**

Equity and liabilities

(in € thousands)

		30/06/2020	31/12/2019
A.	Shareholder's equity	429,467	394,985
B.	Investment grants for fixed assets	6,960	6,605
C.	Provisions	94,626	97,613
D.	Liabilities	1,014,495	945,433
I.	Bonds	600,000	600,000
II.	Bank loans	330,304	269,255
III.	Trade payables	68,426	60,932
IV.	Liabilities from affiliated companies	0	6
V.	Other liabilities	15,765	15,242
E.	Deferred income	2,092	2,274
	Total equity and liabilities	**1,547,641**	**1,446,911**

Fixed assets increased by €135.6 mn to €1,136.7 mn as at 30 June 2020, following the capital expenditures for the corrugated board expansion project in Germany (PW13) as well as the paper machine project PM3.

Inventories amounted to €102.2 mn as at 30 June 2020, which is above the level as at 31 December 2019 (2.0% or €2.0 mn) and mainly driven by a increase in spare parts.

Trade receivables increased by €9.6 mn or 10.2% to €103.8 mn as at 30 June 2020, mainly due to year-end effects based on lower sales in December, while the days sales outstanding were reduced by 8 days.

Other assets increased by €3.3 mn or 11.0% to €33.6 mn as at 30 June 2020, mainly in connection with higher sales tax prepayments.

Prepaid expenses and deferred charges increased by €0.2 mn to €16.1 mn, primarily due to prepaid insurance premiums for the financial year 2020.

As at 30 June 2020, **deferred tax assets** decreased by €1.4 mn to €1.1 mn due to a reduction of deferred tax assets on intercompany profit or loss, netted against deferred tax liabilities.

Shareholder's equity increased by €34.5 mn from €395.0 mn as at 31 December 2019 to €429.5 mn as at 30 June 2020 as a result of the consolidated net income of the first half of 2020.

Other provisions increased by €1.1 mn to €55.7 mn, mainly due to higher provisions for outstanding invoices.

The amount of **bonds** was unchanged at €600 mn as at 30 June 2020.

As at 30 June 2020, **bank loans** increased by €61.0 mn to €330.3 mn due to a drawdown of the remaining €30 mn from the €155 mn long-term bilateral bank loan facilities to finance the ongoing construction of our PM3 project and the €45 mn drawing from the €75 mn facilities to finance growth projects. This was partly offset by scheduled repayments of the Senior Secured PLN Facilities and the EUR Facilities and effects resulting from the significant changes in GBP and PLN exchange rates.

The increase in **trade payables** by €7.5 mn or 12.3% to €68.4 mn as at 30 June 2020 is mainly due to our current growth projects.

The increase in **other liabilities** by €0.5 mn to €15.8 mn as at 30 June 2020 is related to higher sales tax liabilities.

FINANCIAL POSITION

Summary of cash flows

(in € thousands)

	April – June		January – June	
	2020	2019	2020	2019
Cash flows from operating activities	32,881	65,353	74,929	97,428
Cash flows from investing activities	-109,345	-67,142	-175,359	-138,049
Free cash flow	**-76,464**	**-1,789**	**-100,430**	**-40,621**
Cash flows from financing activities	69,446	45,851	54,483	71,726

Cash flows from operating activities decreased by €32.5 mn to €32.9 mn in the second quarter of 2020 following a lower decrease in working capital compared to the previous year's second quarter. Furthermore, lower consolidated net income and higher income taxes paid impacted cash flows from operating activities. For the first half of 2020, the decrease of cash flow from operating activities followed an increase in working capital. Furthermore, lower consolidated net income impacted the cash flows from operating activities for the first half of 2020.

Cash flows from investing activities amounted to €-109.3 mn in the second quarter of 2020. They were mainly attributable to the construction of our new paper machine PM3. 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, decreased compared to the respective prior-year periods as a result of the lower cash flows from operating activities and higher cash outflows from investing activities. The development of free cash flow in the first half of 2020 was attributable to the same facts.

Cash flows from financing activities in the period ended 30 June 2020 mainly consisted of the drawdown of the remaining €30 mn from the €155 mn long-term bilateral bank loan facilities to finance the ongoing construction of our PM3 project and the €45 mn drawing from the €75 mn facilities to finance growth projects. The abovementioned cash flows from financing activities were partly offset by scheduled repayments of the Senior Secured PLN Facilities and the EUR Facilities as well as interest payments.

Cash funds (cash in hand, bank balances) decreased by €48.7 mn and amounted to €154.1 mn as at 30 June 2020, compared to €202.8 mn as at 31 December 2019.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June / Q2 2020

CONSOLIDATED BALANCE SHEET

Assets

(in € thousands)

		30/06/2020*	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	14,566	15,685
2.	Prepayments on intangible assets	390	0
		14,956	**15,685**
II.	**Tangible assets**		
1.	Land and buildings including buildings on leasehold land	248,369	224,659
2.	Technical equipment and machinery	410,850	399,921
3.	Other equipment, factory and office equipment	12,487	9,585
4.	Prepayments and constructions in process	450,022	351,184
		1,121,728	**985,349**
		1,136,683	**1,001,034**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials, consumables and supplies	66,144	60,028
2.	Work in process	28,383	36,663
3.	Finished goods	5,984	3,422
4.	Prepayments	1,650	62
		102,161	**100,176**
II.	**Receivables and other assets**		
1.	Trade receivables	103,847	94,260
2.	Receivables from affiliated companies	2	0
3.	Other assets	33,615	30,287
		137,465	**124,547**
III.	**Cash in hand, bank balances**	**154,120**	**202,775**
		393,746	**427,497**
C.	**Prepaid expenses and deferred charges**	**16,136**	**15,936**
D.	**Deferred tax assets**	**1,076**	**2,444**
	Total assets	**1,547,641**	**1,446,911**

* Unaudited consolidated interim financial information

Equity and liabilities

(in € thousands)

		30/06/2020*	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	-5,793	-1,207
5.	Consolidated net retained profits	350,850	311,782
		429,467	**394,985**
B.	**Investment grants for fixed assets**	**6,960**	**6,605**
C.	**Provisions**		
1.	Provisions for pensions	519	501
2.	Tax provisions	38,384	42,483
3.	Other provisions	55,723	54,629
		94,626	**97,613**
D.	**Liabilities**		
1.	Bonds	600,000	600,000
2.	Bank loans	330,304	269,255
3.	Trade payables	68,426	60,932
4.	Liabilities from affiliated companies	0	6
5.	Other liabilities	15,765	15,242
		1,014,495	**945,433**
E.	**Deferred income**	**2,092**	**2,274**
	Total equity and liabilities	**1,547,641**	**1,446,911**

* Unaudited consolidated interim financial information

Consolidated Income Statement

(in € thousands)

		April – June*		January – June*	
		2020	2019	2020	2019
1.	Sales	196,661	223,662	429,545	469,019
2.	Increase/decrease in finished goods and work in process	4,783	-5,623	-5,718	-8,196
3.	Other own work capitalised	7,290	3,924	11,786	7,001
4.	Other operating income	3,544	2,855	6,787	6,190
5.	Costs of materials				
a)	Costs of raw materials, consumables and supplies	-82,069	-86,838	-161,422	-181,646
b)	Costs of purchased services	-19,635	-18,889	-42,015	-41,872
		-101,704	-105,727	-203,437	-223,518
6.	Personnel expenses				
a)	Wages and salaries	-21,865	-19,102	-41,600	-37,280
b)	Social security and pensions	-3,745	-3,226	-7,336	-6,400
		-25,610	-22,328	-48,936	-43,680
7.	Amortisation and depreciation of fixed intangible and tangible assets	-15,419	-14,028	-30,788	-27,867
8.	Other operating expenses	-39,576	-45,004	-86,383	-87,505
9.	Other interest and similar income	3	1,099	67	1,118
10.	Interest and similar expenses	-7,674	-6,749	-15,201	-12,838
11.	Taxes on income	-7,129	-9,503	-17,771	-23,406
12.	**Earnings after taxes**	**15,166**	**22,578**	**39,951**	**56,317**
13.	Other taxes	-424	-326	-882	-654
14.	**Consolidated net income for the period**	**14,742**	**22,252**	**39,068**	**55,663**
15.	Consolidated unappropriated retained earnings brought forward			311,782	213,709
16.	**Consolidated net retained profits**			**350,850**	**269,372**

* Unaudited consolidated interim financial information

Consolidated Cash Flow Statement

(in € thousands)

		April – June*		January – June*	
		2020	2019	2020	2019
1.	**Cash flows from operating activities**				
	Consolidated net income for the period	14,742	22,252	39,068	55,663
	Amortisation and depreciation of fixed assets	15,419	14,028	30,788	27,867
	Increase (+)/decrease (-) in provisions	4,873	-2,845	1,029	-3,442
	Other non-cash expenses (+)/income (-)	-76	-555	913	317
	Increase (-)/decrease (+) in inventories, trade receivables and other assets**	-4,544	14,321	-16,359	-9,137
	Increase (+)/decrease (-) in trade payables and other liabilities**	1,212	7,237	7,373	4,534
	Interest expenses (+) /income (-)	7,672	5,650	15,134	11,720
	Expenditure (+) /income (-) of exceptional size or incidence	-371	2,806	-370	2,871
	Income tax expenses (+) /income (-)	7,129	9,503	17,771	23,406
	Income taxes paid (-)	-13,175	-7,044	-20,418	-16,371
	Cash flows from operating activities	**32,881**	**65,353**	**74,929**	**97,428**
2.	**Cash flows from investing activities**				
	Proceeds (+) from disposal of intangible and tangible fixed assets	932	6	932	6
	Payments (-) to acquire intangible fixed assets	-477	-15	-815	-45
	Payments (-) to acquire tangible fixed assets	-109,802	-68,232	-175,539	-139,131
	Interest received (+)	2	1,099	63	1,121
	Cash flows from investing activities	**-109,345**	**-67,142**	**-175,359**	**-138,049**
3.	**Cash flows from financing activities**				
	Proceeds (+) from the issuance of bonds and borrowings	75,000	226,861	75,000	256,861
	Cash repayments (-) of bonds and borrowings	-3,638	-152,200	-7,225	-154,374
	Proceeds (+) from grants received	679	0	679	0
	Cash payments (-) relating to expenditure of exceptional size or incidence	0	-1,270	-33	-1,270
	Interest paid (-)	-2,595	-7,431	-13,938	-9,382
	Dividends paid to shareholders of the parent entity (-)	0	-20,109	0	-20,109
	Cash flows from financing activities	**69,446**	**45,851**	**54,483**	**71,726**
4.	**Cash funds at end of period**				
	Net change in cash funds	-7,018	44,062	-45,947	31,105
	Effect on cash funds of exchange rate movements	-117	-2,262	-2,708	-1,743
	Cash funds at beginning of period	161,255	135,993	202,775	148,431
	Cash funds at end of period	**154,120**	**177,793**	**154,120**	**177,793**
5.	**Composition of cash funds**				
	Cash and cash equivalents	154,120	177,793	154,120	177,793
	Cash funds at end of period	154,120	177,793	154,120	177,793

* 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 2020	**7,588**	**75,414**	**1,408**	**311,782**	**-1,207**	**394,985**
Consolidated net profit for the period	0	0	0	39,068	0	39,068
Other changes	0	0	0	0	-4,586	-4,586
30 June 2020*	**7,588**	**75,414**	**1,408**	**350,850**	**-5,793**	**429,467**

* Unaudited consolidated interim financial information

DISCLAIMER

Financial information

The unaudited consolidated financial information of Progroup AG ("Progroup") as at and for the period ended 30 June 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 30 June 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.

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 30 June 2020, there were no changes in the scope of consolidation compared to the year ended 31 December 2019.

Information on material risks

As at 30 June 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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