Progroup
Interim Financial Report

31 March / First Quarter 2016

pro group

The Power of Innovation

Key Figures

Key operating figures (in € thousands)	January – March 2016	January – March 2015
Sales	189,510	172,290
EBITDA [1]	51,536	32,746
EBITDA margin (in % of net sales)	27.2%	19.0%
EBIT [2]	39,637	25,640
Consolidated net income for the period	23,371	13,057
Cash flows from operating activities [3]	40,537	42,306
Cash flows from investing activities [3]	-2,545	-2,705
Free cash flow [3] [4]	37,992	39,601

Key balance sheet figures (in € thousands)	31/03/2016	31/12/2015
Total assets	867,639	842,355
Equity	230,341	208,604
Cash in hand, bank balances	50,562	20,762
Financial liabilities (bank loans, bonds, finance leases and accrued interest)	538,998	535,263

Key financial figures (in € thousands)	31/03/2016	31/12/2015
Leverage [5]	2.8	3.4
LTM EBITDA	171,651	152,861
Net financial debt [6]	488,436	514,501

(1) 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. In response to certain changes to the presentation of our financial statements as required by the "BilRUG", we have modified the way we calculate EBITDA to ensure consistency and comparability with our EBITDA reported for prior periods. See also section "Additional Explanatory Information – Accounting policies".
(2) EBIT (not a German GAAP measure) is calculated as EBITDA minus amortisation and depreciation of fixed intangible and tangible assets.
(3) Since 31 December 2015, we present our statement of cash flows in accordance with DRS 21 (German Accounting Standard – GAS 21), including the comparative figures for the prior period. Therefore, the presented cash flows for Q1 2015 differ from cash flows presented in the previous year.
(4) Free cash flow (not a German GAAP measure) is calculated as cash flows from operating activities plus cash flows from investing activities.
(5) Leverage (not a German GAAP measure) is calculated by dividing net financial debt as at 31 March 2016 and 31 December 2015, respectively, by EBITDA for the last twelve months (LTM) ended on the relevant date.
(6) Net financial debt (not a German GAAP measure) is calculated as financial liabilities (bank loans, bonds, finance leases and accrued interest) minus cash in hand, bank balances.

Highlights

- Regarding the first three months of 2016, we are again delighted to report on a strong quarter with an EBITDA exceeding our long-term average.
- Volume growth continued successfully with corrugated board as our main external growth driver, which saw a strong sales volume performance in the first quarter of 2016, rising by 8.4% compared to the prior year's first quarter.
- The integration of our containerboard and corrugated board businesses reached a new all-time high at 71% in the first quarter of 2016. As part of the ongoing integration process, external sales volume in our containerboard business further decreased by 18.2%, while the internal sales volume grew by 12.0%. The total sales volume of containerboard slightly increased by 1.1%.
- Total sales reached a new peak at €189.5 mn in the first quarter of 2016, increased by 10.0% compared to €172.3 mn in the first quarter of 2015, primarily driven by the growing corrugated board business.
- The strong performance was also supported by positive EBITDA effects in line with our expectations from the successful integration of the combined heat and power plant ("CHP") in Eisenhüttenstadt, which we acquired as at 31 December 2015 ("CHP Acquisition").
- EBITDA increased by 57.4% to €51.5 mn in the first quarter, primarily due to the strong sales performance and effects from the integration of the CHP. As a result, our EBITDA margin continues to exceed the long-term average with 27.2% in the first quarter of 2016, which is an increase of 8.2 percentage points compared to the prior year's first quarter.
- Based on the strong EBITDA, net income continues to grow, reaching €23.4 mn in this year's first quarter. This resulted in an increase by 79.0% compared to the €13.1 mn in the first quarter of the previous year.
- We also generated a strong free cash flow of €38.0 mn in the first quarter of 2016, slightly lower compared to the free cash flow of the prior year's same quarter (€39.6 mn).
- Compared to the year end of 2015, leverage improved from 3.4 to 2.8 at the end of the first quarter of 2016, due to lower net financial liabilities in connection with a very strong EBITDA performance and a subsequent good cash conversion.

Content

Letter to Investors

Dear investors and business partners,

We are delighted to share with you our interim financial report for the first quarter of the 2016 financial year. We came off to a good start in the new financial year, resulting in a continued strong performance in this quarter.

Market conditions remained by and large stable during the first three months of 2016. However, prices started to slightly decrease in the course of the first quarter of 2016, but they are still on a higher level compared to the prior year's first quarter. Our continuous growth in sales was driven by a strong performance of our main external sales driver, corrugated board. The sales volume of corrugated board increased by 8.4% compared to the first quarter of 2015. Furthermore, the ongoing integration of our containerboard business and our corrugated board business, a cornerstone of our strategy, reached a new peak at 71%. This resulted in a decreasing external sales volume in the containerboard business of -18.2%, while the internal sales volume increased by 12.0% in the first quarter 2016. Overall, our containerboard business saw a slight growth of 1.1% compared to the prior year's first quarter. The passing of another milestone at 70% integration underlines the success of our strategic approach to further foster integration of our two key businesses.

Total sales increased by 10.0% to €189.5 mn after €172.3 mn in the first quarter of 2015. The increase was mainly driven by the strong performance of our corrugated board business, including sales from our new PW9 plant. Sales were further supported by €2.6 mn external sales of electricity and refuse-derived fuel from Propower, which operates the combined heat and power plant (CHP) we acquired at the end of 2015 from EnBW.

EBITDA saw a strong leap by 57.4% to €51.5 mn, compared to €32.7 mn in the first quarter of 2015. This substantial growth is primarily attributable to the strong sales performance in our corrugated board business, positive effects from the successful integration of the CHP as well as lower fixed costs especially lower maintenance costs, mainly resulting from a different phasing of scheduled measures compared to the previous year. In 2016, maintenance measures are mostly planned to take place in the second half of the year. In addition to the significant volume growth in our corrugated board business, sales were further supported by higher prices for containerboard and corrugated board, compared to the prior year's first quarter. EBITDA contribution of the integrated CHP was in line with our expectations, with a stable performance throughout the first three months. EBITDA margin rose to 27.2% due to our strong EBITDA, which is an increase of 8.2 percentage points compared to the previous year's first quarter.

As a result of the strong EBITDA, net income continued to grow, reaching €23.4 mn in the first quarter of 2016 and thus increasing by 79.0% compared to the first quarter of 2015.

In line with the good performance we generated a strong free cash flow amounting to €38.0 mn in the first quarter of 2016, compared to €39.6 mn in the first quarter of 2015. The slight decrease was, among others, mainly attributable to an increase in working capital and higher income taxes paid. Due to the CHP Acquisition, our net financial debt rose to €514.5 mn as at year end. Over the past three months, however, net financial debt decreased by 5.1% to €488.4 mn, resulting in an improved leverage of 2.8 at the end of the first quarter of 2016, after 3.4 at the end of 2015. In particular, a significant increase in cash in hand by 143.5% from €20.8 mn at the end of 2015 to €50.6 mn in the first quarter of 2016 improved our net financial debt position.

Since prices for containerboard started to slightly decrease throughout the first quarter and current signals from the market environment underline this trend, we expect a further decrease and also pressure on corrugated board prices. In conjunction with slight price increases for recycled paper, this is expected to result in increasing margin pressure. Considering this fact and also the scheduled downtimes of some of our plants in the second half of 2016, including our new CHP, we maintain our expectation of a normalising EBITDA margin in the course of the entire financial year.

The good operational performance in the first quarter of 2016 again demonstrates the success of our strategy to deliver best-in-class corrugated board products and services to our box-manufacturing customers. Building upon a consistent greenfield approach and leading production technology, we operate our facilities on highest technical standards. With our production sites in close proximity to our customers, our high asset qualities and constant optimisation along the value chain, we continue to produce with great cost efficiency and high utilisation rates. The strong first quarter has been positively taken into account by rating agency Standard & Poor's, giving a positive outlook for 2016.

Throughout 2016, we will continue our successful greenfield strategy, operating state-of-the-art facilities and providing made-to-measure solutions in close proximity to our key clients and business partners. In line with our strategic goals, construction work for our new, fully automated corrugated board production facility PW10 in Trzcinica, Poland, will start soon in strategic partnership with local business partners. We plan to launch the new facility towards the year-end of 2016.

Yours sincerely,

Jürgen Heindl
Chief Executive Officer

Frank Gumbinger
Chief Financial Officer

Disclaimer

Financial Information

The unaudited consolidated financial information of Progroup AG ("Progroup") as at and for the period ended 31 March 2016 included in this report, has been prepared in accordance with generally accepted accounting principles *(Grundsätze ordnungsgemässer Buchführung)* in the Ferderal 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, 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 leverage presented by us may not be comparable to similarly titled measures used by other companies.

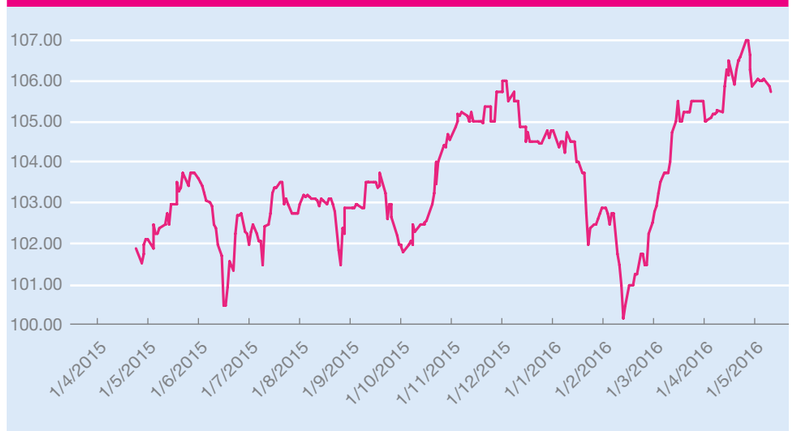
Capital Market Activities

Progroup's capital market activities relate to the "Senior Secured Notes Offering" on 30 April 2015 (€400 mn) and the "Tap Offering" (€95 mn) in December 2015.

An overview of the features of our Senior Secured Fixed Rate Notes and our Senior Secured Floating Rate Notes and their market performance is presented below.

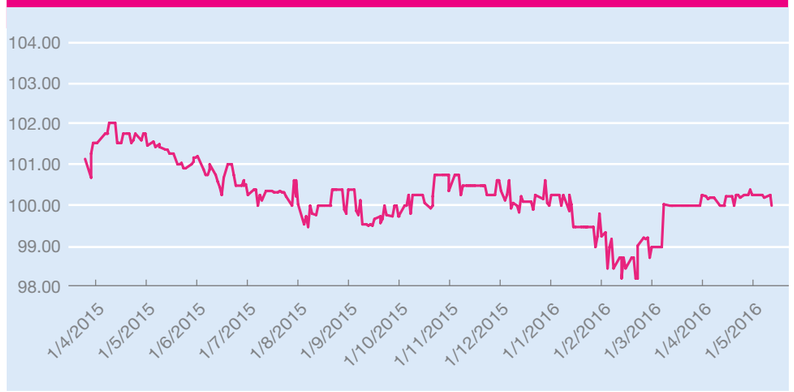
Capital market activities Progroup AG		
ISIN	DE000A161GDI (144A)/ DE000A161GC3 (Reg S) DE000A1687M5 (144A)/ DE000A1687L7 (Reg S)	DE000A161GF6 (144A)/ DE000A161GE9 (Reg S)
Issue	Senior Secured Fixed Rate Notes	Senior Secured Floating Rate Notes
Issuer	Progroup AG	Progroup AG
Listing	Luxembourg EURO MTF	Luxembourg EURO MTF
Distribution	144A/Reg S	144A/Reg S
Amount issued	€345,000,000	€150,000,000
Currency	EUR	EUR
Issue date	30 April 2015/8 December 2015	30 April 2015
Final maturity	1 May 2022	1 May 2022
Optional redemption	from 1 May 2018: 102.563%	from 1 May 2016: 101.000%
	from 1 May 2019: 101.281%	from 1 May 2017 and thereafter: 100.000%
	from 1 May 2020 and thereafter: 100.000%	
Issue price	100% of face amount/105% (tap)	100% of face amount
Coupon	5.125%	Three-month EURIBOR plus 4.50%
Interest payments	Semi-annually on 1 May and 1 Nov, commencing 1 Nov 2015	Quarterly on 1 Feb, 1 May, 1 Aug and 1 Nov, commencing 1 Aug 2015
Paying Agent	Deutsche Bank AG	Deutsche Bank AG
Security Agent	Wilmington Trust (London) Limited	Wilmington Trust (London) Limited
Ratings		
S&P	B+	B+
Moody's	B1	B1

Progroup Senior Secured Fixed Rate Notes



Source of price data: Deutsche Bank AG

Progroup Senior Secured Floating Rate Notes



Source of price data: Deutsche Bank AG

On 13 May 2016, we exercised our option under the conditions of issue (the "Conditions of Issue") governing our senior secured floating rate notes due 2022 (the "Floating Rate Notes"), to redeem €40 mn in principal amount of the outstanding Floating Rate Notes on 30 June 2016 (the "Redemption Date"). Following such partial redemption, the aggregate principal amount of the Floating Rate Notes outstanding will be €110 mn. In accordance with the Conditions of Issue, we will redeem the relevant Floating Rate Notes at a redemption price of 101.00% of the principal amount thereof plus accrued and unpaid interest thereon up to, but excluding, the Redemption Date. We propose to redeem the Floating Rate Notes using a portion of our cash in hand.

Business

Progroup Headquarter Landau, Germany

We are a leading, family-owned producer and supplier of containerboard and corrugated board in Central Europe headquartered in Landau, Germany. By production capacity we believe we are the fourth largest producer of corrugated board in Europe through our Prowell business ("Prowell") and the sixth largest producer of recycled containerboard in Europe through our Propapier business ("Propapier"). 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 believe we are the market leader in Germany, Austria, Belgium, the Netherlands and the Czech Republic. 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 compete with our box manufacturing customers but instead focus solely on the production of containerboard and corrugated board.

Prowell Plant Stryków, Poland

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 pure 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

Propapier PM1 plant Burg, Germany

Propapier PM2 plant Eisenhüttenstadt, Germany

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

Our core business comprises Propapier and Prowell. The focus of Propapier's operations is highly flexible containerboard production using almost exclusively recycled paper, with high output volumes to increase cost efficiency and short delivery times. In 2015, containerboard produced by Propapier accounted for most of the containerboard sourcing requirements of our corrugated board production within Prowell. We believe that a high degree of vertical integration and the ability of Prowell 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.

Propapier manufactures containerboard at our two paper mills in Germany, with an envisaged total annual production capacity of approximately 1,050,000 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/m^2 using almost exclusively recycled paper. This, in turn, allows us to internally source consistently high quality containerboard with the appropriate widths for Prowell's eight corrugated board production sites in the Czech Republic, France, Germany, Poland and the United Kingdom, with a total annual production capacity of approximately 990,000 tons of corrugated board. Our greenfield location strategy ensures close customer proximity and high production flexibility.

Recent Developments

Investment in the construction of new Prowell plant

In 2016, we will continue our successful greenfield strategy, operating state-of-the-art facilities and providing made-to-measure solutions in close proximity to our key customers and business partners. For this reason, we plan to continue our commitment to growth by establishing a new, fully automated corrugated board production facility PW10 in Trzcinica, Poland. The new facility will be constructed as part of a strategic partnership with local business partners. We plan to launch the new facility towards the year-end of 2016.

Recycled paper

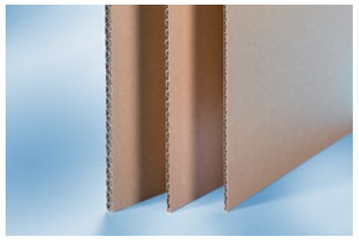
Market Developments

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 usage of packaging materials results in increasing demand for our recycled containerboard and corrugated board products.

Recycled paper storage Propapier PM2 plant Eisenhüttenstadt

In general, prices for corrugated board usually follow the development of containerboard prices, which in turn usually follow the price development of recycled paper.

Prices for recycled paper, our primary raw material for the production of recycled containerboard, were higher during the first quarter of 2016 compared to the prior year's first quarter. The average price per ton for recycled paper grades we purchased was €121 in the first three month of 2016, compared to €110 in the first three month of 2015.



Containerboard

Corrugated board

Concerning the volume of Propapier's recycled containerboard sold externally, the average price was approximately €402 per ton in the first quarter 2016, after an average of approximately €366 per ton in the prior year's first quarter (for the overall product portfolio mix sold externally). In the course of the first quarter of 2016, prices for containerboard started to slightly decrease in some European markets including Germany. As at the end of the first quarter, prices were almost still on the same level as in the fourth quarter 2015.

Since containerboard prices slightly decreased in the first three month 2016, prices for corrugated board products of Prowell started to follow towards the end of the quarter. In the first quarter of 2016, Prowell's average price for corrugated board was approximately €663 per ton, which is broadly still on the same level as in the fourth quarter of 2015 (Q1 2015: €642 per ton).

Since prices started to slightly decrease throughout the first quarter and current signals from the market environment underline this trend, we expect further pressure on prices and margins in the coming months.

Results of Operations

Key operating figures (in € thousands)	January – March 2016	2015
Sales	189,510	172,290
EBITDA	51,536	32,746
EBITDA margin (in % of net sales)	27.2%	19.0%
EBIT	39,637	25,640
Consolidated net income for the period	23,371	13,057

Sales volume (in thousands of tons)	January – March 2016	2015
Corrugated board	**230.1**	**212.3**
Containerboard	**255.4**	**252.6**
– thereof external	74.7	91.3
– thereof internal	180.7	161.3

The corrugated board business is our main external sales driver. We were able to increase our sales volume of corrugated board by 8.4% (+17.8 thousand tons) in the first quarter 2016, compared to the prior year's first quarter.

Total sales volume of containerboard slightly increased by 1.1% in the first quarter of 2016, compared to the prior year's first quarter. The higher volume of corrugated board sold led to a significantly higher internal usage of containerboard (+12.0% or 19.4 thousand tons) and thus to a further decrease in the external volume sold (-18.2% or -16.6 thousand tons).

Based on this development, the level of integration of our containerboard and corrugated board businesses increased from 64% in the first quarter of 2015 to 71% in the same quarter of 2016.

Sales (in € thousands)	January – March 2016	2015
Corrugated board	152,521	136,380
Containerboard	30,038	33,403
Other	6,951	2,507
Total Sales	**189,510**	**172,290**

Total sales increased by 10.0% (€17.2 mn) to €189.5 mn in the first three months of 2016, compared to €172.3 mn in the same period of the prior year. This increase in sales is mainly attributable to a significant increase in corrugated board sales as a result of the higher volume sold and further supported by a 3.3% higher price level compared to the prior year's first quarter. At the same time, our sales of containerboard decreased by 10.1% (€3.4 mn), due to the lower external volume sold, even with a 9.8% higher price level in comparison to the prior year's first quarter. Other sales increased, mainly as a result of certain changes to German GAAP related to the implementation of the "BilRUG". The reclassification of several positions from other operating income had a positive impact on other sales (€3.3 mn for 2016). The relevant 2015 figures are not reclassified. See also the related discussion with regard to our other operating income below. For more detailed information, see also section "Additional Explanatory Information – Accounting policies".

Other operating income (in € thousands)	January – March 2016	2015
Investment subsidies	40	107
Income from passing through the costs of gas to Sales & Solution GmbH	0	2,014
Income from sales of refuse-derived fuel and fuel oil to Propower	0	1,496
Income from exchange rate differences	643	2,103
Income from other periods	1,956	4,864
Extraordinary income*	0	0
Other income	1,369	751
Other operating income	**4,008**	**11,335**

*please refer to the footnote presented at the end of the section "Results of Operations" on page 23

Other operating income significantly decreased by 64.6% (€7.3 mn) to €4.0 mn in the first quarter 2016, resulting from lower income from exchange rate differences, lower income from other periods and effects based on changes in German GAAP related to the implementation of the "BilRUG". Among other changes, the "BilRUG" required us to reclassify income from passing through the costs of gas and income from sales of refuse-derived fuel, which we now report as other sales within the income statement item sales. The relevant 2015 figures (income from passing through the costs of gas, income from sales of refuse-derived fuel and others) were not reclassified (€3.7 mn). See also the related discussion with regard to our sales above.

Costs of materials (in € thousands)	January – March 2016	2015
Costs of raw materials, consumables and supplies	76,105	66,493
Costs of purchased services	15,343	27,835
Costs of materials	**91,448**	**94,328**

Costs of materials decreased by 3.1% (€2.9 mn) to €91.4 mn in the first quarter of 2016, caused by significantly lower costs of purchased services in terms of lower energy costs as a result of the CHP integration. In the first quarter of 2015, costs for purchased services contained a considerable amount of costs for steam for our paper machine PM2, based on charges under the long-term contract with EnBW Propower GmbH. Following the acquisition of the CHP, the related charges were mainly replaced by costs of raw materials and supplies, personnel expenses and other operating expenses. The increase of costs of raw materials and supplies by 14.5% in the first quarter 2016 primarily results from a higher consumption volume and higher prices for recycled paper, as well as from costs for ash and reject disposal related to the operation of the CHP.

Personnel expenses (in € thousands)	January – March 2016	2015
Wages and salaries	12,963	11,275
Social security and pensions	2,348	2,043
- thereof for pension expenses	53	39
Personnel expenses	**15,311**	**13,318**

Personnel expenses increased by 15.0% (€2.0 mn) to €15.3 mn in the first quarter 2016. This increase is mainly attributable to a higher average number of employees, in particular as a result of the launch of our new corrugated board site PW9 and the CHP integration.

Other operating expenses (in € thousands)	January – March 2016	2015
Maintenance and repair	7,520	12,048
Freight expenses	15,304	15,170
Paper machine clothings	1,828	1,525
Rental and leasing costs	1,598	1,376
Water and waste water treatment	1,675	1,311
Legal and consulting fees	337	343
Expenses from exchange rate differences	1,131	409
Expenses from other periods	1,201	1,544
Extraordinary expenses*	818	2,983
Others	4,786	5,760
Other operating expenses	**36,198**	**42,469**

*please refer to the footnote presented at the end of the section "Results of Operations" on page 23

Other operating expenses decreased by 14.8% (€6.3 mn) to €36.2 mn in the first quarter 2016, primarily resulting from significantly lower costs for maintenance and repair, mainly in connection with a different phasing of our planned measures compared to the previous year. Due to changes to German GAAP related to the implementation of the "BilRUG", we are now required to classify any extraordinary expenses as other operating expenses. Extraordinary expenses in the first quarter of 2016 are mainly related to a devaluation of receivables concerning an insurance claim for prior years. In 2015, extraordinary expenses were mainly attributable to costs in connection with preparation work for our refinancing.

Results of operations (in € thousands)	January – March 2016	2015
EBITDA	**51,536**	**32,746**
Amortisation and depreciation of fixed assets	-11,899	-7,106
Interest net result	-6,481	-5,802
*Extraordinary income/expenses (other operating income/expenses)**	-818	-2,983
Taxes on income	-8,967	-3,800
Consolidated net income for the period	**23,371**	**13,057**

*please refer to the footnote presented at the end of the section "Results of Operations" on page 23

In the first quarter of 2016, EBITDA increased by 57.4% (€18.8 mn) to €51.5 mn. The EBITDA margin reached 27.2% (Q1 2015: 19.0%) and continues to exceed our long-term average.

Amortisation and depreciation increased significantly by 67.5% (€4.8 mn) to €11.9 mn, mainly as a result of the additional fixed assets we acquired and recorded as part of the CHP Acquisition.

The interest net result declined by 11.7% (€0.7 mn) to €-6.5 mn in the first quarter, mainly as a result of the higher amount of financial liabilities since the CHP Acquisition in December 2015 (financial liabilities amounted to €539.0 mn as at 31 March 2016, compared to €365.9 mn as at 31 March 2015).

Following the implementation of the "BilRUG", extraordinary income/expenses are not separate income statement items any more and are reclassified as other operating income/expenses. We show EBITDA without adding/deducting extraordinary income/expenses to ensure consistency and comparability with our EBITDA reported for prior periods.

In the first quarter of 2016, taxes on income increased by 136% (€5.2 mn) to €9.0 mn due to the significantly higher EBITDA.

Consolidated net income in the first quarter increased by 79.0% (€10.3 mn) to €23.4 mn, compared to €13.1 mn in first quarter of 2015.

* Since the "BilRUG" abolished the income statement item "extraordinary net income/loss" and therefore also "extraordinary income" and "extraordinary expenses" as separate income statement items, any items we might previously have recognised under "extraordinary income" or "extraordinary expenses", respectively, we are now required to recognise under either "other operating income" or "other operating expenses". Fore more detailed information about changes resulting from the "BilRUG", please refer to the section "Additional Explanatory Information".

Net Asset Position

The following statements describe the main changes in the balance sheet as at 31 March 2016 compared to 31 December 2015.

As at 31 March 2016, **fixed assets** amounted to €647.9 mn, after €657.5 mn as at 31 December 2015, decreased (1.5%) as a result of amortisation and depreciation.

The increase of €2.1 mn or 2.8% in **inventories** to €77.1 mn is primarily due to a higher quantity of raw materials and supplies of spare parts and a higher quantity of finished goods.

Trade receivables increased by €9.5 mn or 16.4% to €67.0 mn as at 31 March 2016, mainly in connection with our higher sales.

Other assets decreased by €6.7 mn or 27.2% to €18.1 mn as at 31 March 2016, mainly as a result of the settlement of receivables related to the refunding of energy tax related to prior years, the receipts of suppliers bonuses for the prior year and lower tax refund requests.

Cash in hand, bank balances significantly increased from €20.8 mn as at 31 December 2015 to €50.6 mn as at 31 March 2016, based on our strong free cash flow and only minor cash outflows from financing activities.

Prepaid expenses and deferred charges increased by €2.5 mn to €3.4 mn as at 31 March 2016, primarily in connection with prepaid insurance premiums.

As at 31 March 2016, **deferred taxes** decreased by €2.2 mn to €3.5 mn, mainly due to the usage of interest carryforwards in connection with the positive EBITDA development in the first quarter of 2016.

Shareholder's equity increased by 10.4% from €208.6 mn as at 31 December 2015 to €230.3 mn as at 31 March 2016 as a result of consolidated net income, slightly reduced by negative exchange rate influences.

The decrease in **other provisions** by €8.0 mn or 17.2% to €38.8 mn mainly results from provisions for outstanding invoices in connection with the CHP Acquisition in December 2015 and outstanding invoices for maintenance measures as at the year end 2015.

As at 31 March 2016, **bank loans** decreased by €10.9 or 30.0% to €25.4 mn, primarily resulting from a reclassification of the (former) bank loan relating to PW9 to the balance sheet item other liabilities. This bank loan was transferred into a finance lease agreement in the first quarter of 2016 and therefore has to be disclosed as 'other liability' under the applicable accounting policies.

The increase in **trade payables** by €5.6 mn or 17.0% to €38.4 mn as at 31 March 2016 is due to working capital management as well as one-off effects as a result of reporting date factors.

The increase in **other liabilities** by €15.6 mn to €27.9 mn as at 31 March 2016 is mainly related to the abovementioned reclassification of the (former) bank loan and accrued interest for our senior secured notes.

Financial Position

Summary of cash flows (in € thousands)	January – March 2016	January – March 2015
Cash flows from operating activities	40,537	42,306
Cash flows from investing activities	-2,545	-2,705
Free cash flow	**37,992**	**39,601**
Cash flows from financing activities	-7,626	-37,899

Since 31 December 2015, we present our statement of cash flows in accordance with DRS 21 (German Accounting Standard – GAS 21), including the comparative figures for the prior period. Therefore, the presented cash flows for Q1 2015 differ from cash flows presented in the previous year.

In the first quarter of 2016, our cash flows from operating activities slightly decreased by €1.8 mn to €40.5 mn compared to the prior year's first quarter. Among others, this decrease mainly results from an increase in our working capital and higher income taxes paid.

Cash flows from investing activities amounted to €-2.5 mn in the first quarter of 2016 and are attributable to several smaller investments as part of continuous maintenance capital expenditures.

Free cash flow, calculated as cash flows from operating activities plus cash flows from investing activities, slightly decreased, driven by the slightly lower cash flows from operating activities.

Cash outflows from financing activities in the first quarter of 2016 were mainly related to extraordinary expenses paid in connection with the CHP Acquisition as well as interest paid. The extraordinary expenses paid are related to costs (transaction costs, advisory and professional fees and others) in connection with the CHP Acquisition in December 2015. Interest paid mainly concerns the quarterly interest payments for our Floating Rate Notes in February. Cash outflows for financing activities in the first quarter of the previous year are due to repayments under our former senior credit facility.

Cash funds (cash in hand, bank balances) increased by €29.8 mn and amounted to €50.6 mn as at 31 March 2016, compared to €20.8 mn as at 31 December 2015.

On 13 May 2016, we exercised our option under the conditions of issue (the "Conditions of Issue") governing our senior secured floating rate notes due 2022 (the "Floating Rate Notes"), to redeem €40 mn in principal amount of the outstanding Floating Rate Notes on 30 June 2016 (the "Redemption Date"). Following such partial redemption, the aggregate principal amount of the Floating Rate Notes outstanding will be €110 mn. In accordance with the Conditions of Issue, we will redeem the relevant Floating Rate Notes at a redemption price of 101.00% of the principal amount thereof plus accrued and unpaid interest thereon up to, but excluding, the Redemption Date. We propose to redeem the Floating Rate Notes using a portion of our cash in hand.

Unaudited Consolidated Interim Financial Information

31 March / Q1 2016

Consolidated Balance Sheet

Assets

	Assets (in € thousands)	31/03/2016*	31/12/2015
A.	**Fixed assets**		
I.	**Intangible assets**		
1.	Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	24,213	24,737
		24,213	**24,737**
II.	**Tangible assets**		
1.	Land and buildings including buildings on leasehold land	181,526	183,689
2.	Technical equipment and machinery	430,177	437,426
3.	Other equipment, factory and office equipment	6,286	6,417
4.	Prepayments and constructions in process	5,703	5,179
		623,691	**632,712**
III.	**Financial assets**		
1.	Shares in affiliated companies	37	37
		37	**37**
		647,942	**657,486**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials, consumables and supplies	47,454	45,908
2.	Work in process	21,376	24,339
3.	Finished goods	8,138	4,649
4.	Prepayments	131	129
		77,100	**75,025**
II.	**Receivables and other assets**		
1.	Trade receivables	67,047	57,593
2.	Receivables from affiliated companies	19	30
3.	Other assets	18,096	24,844
		85,163	**82,467**
III.	**Cash in hand, bank balances**	**50,562**	**20,762**
		212,824	**178,254**
C.	**Prepaid expenses and deferred charges**	**3,372**	**922**
D.	**Deferred taxes**	**3,501**	**5,694**
	Total assets	**867,639**	**842,355**

* Unaudited consolidated interim financial information

Consolidated Balance Sheet

Equity and Liabilities

	Equity and Liabilities (in € thousands)	31/03/2016*	31/12/2015
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	-724	910
5.	Consolidated net retained profits	146,655	123,284
		230,341	**208,604**
B.	**Investment grants for fixed assets**	**2,419**	**2,459**
C.	**Provisions**		
1.	Provisions for pensions	99	70
2.	Tax provisions	3,865	2,336
3.	Other provisions	38,796	46,842
		42,761	**49,247**
D.	**Liabilities**		
1.	Bonds	495,000	495,000
2.	Bank loans	25,360	36,210
3.	Trade payables	38,371	32,784
4.	Other liabilities	27,916	12,311
		586,647	**576,305**
E.	**Deferred income**	**5,472**	**5,740**
	Total equity and liabilities	**867,639**	**842,355**

* Unaudited consolidated interim financial information

Consolidated Income

Statement

	Consolidated Income Statement (in € thousands)	January – March* 2016	2015
1.	Sales	189,510	172,290
2.	Increase/decrease in finished goods and work in process	526	-3,412
3.	Other own work capitalised	0	0
4.	Other operating income	4,008	11,335
5.	Costs of materials		
a)	Costs of raw materials, consumables and supplies	-76,105	-66,493
b)	Costs of purchased services	-15,343	-27,835
		-91,448	-94,328
6.	Personnel expenses		
a)	Wages and salaries	-12,963	-11,275
b)	Social security and pensions	-2,348	-2,043
		-15,311	-13,318
7.	Amortisation and depreciation of fixed intangible and tangible assets	-11,899	-7,106
8.	Other operating expenses	-36,198	-42,469
9.	Other interest and similar income	60	77
10.	Interest and similar expenses	-6,541	-5,879
11.	Taxes on income	-8,967	-3,800
12.	**Earnings after taxes**	**23,738**	**13,391**
13.	Other taxes	-367	-335
14.	**Consolidated net income for the period**	**23,371**	**13,057**
15.	Consolidated unappropriated retained earnings brought forward	123,284	88,069
16.	**Consolidated net retained profits**	**146,655**	**101,126**

* Unaudited consolidated interim financial information

Since changes have been introduced to German GAAP by the "BilRUG" with regard to the preparation of financial information for any period beginning after 31 December 2015, the structure of the presented income statement changed. For more detailed information please refer to the section "Additional Explanatory Information".

Consolidated Cash Flow Statement

	Consolidated Cash Flow Statement (in € thousands)	January – March* 2016	2015
1.	**Cash flows from operating activities**		
	Consolidated net income for the period	23,371	13,057
	Amortisation and depreciation of fixed assets	11,899	7,106
	Increase (+)/decrease (-) in provisions	-4,314	3,866
	Other non-cash expenses (+)/income (-)	-912	34
	Increase (-)/decrease (+) in inventories, trade receivables and other assets**	-7,998	6,370
	Increase (+)/decrease (-) in trade payables and other liabilities**	6,143	436
	Interest expenses (+)/income (-)	6,482	5,801
	Extraordinary expenses (+)/income (-)	818	2,983
	Income tax expenses (+)/income (-)	8,967	3,800
	Income taxes paid (-)	-3,919	-1,146
	Cash flows from operating activities	**40,537**	**42,306**
2.	**Cash flows from investing activities**		
	Proceeds (+) from disposal of intangible and tangible fixed assets	26	2
	Payments (-) to acquire intangible fixed assets	-186	-145
	Payments (-) to acquire tangible fixed assets	-2,406	-2,630
	Interest received (+)	20	69
	Cash flows from investing activities	**-2,545**	**-2,705**
3.	**Cash flows from financing activities**		
	Cash repayments (-) of bonds and borrowings	-610	-28,977
	Extraordinary expenses paid (-)	-5,028	-3,482
	Interest paid (-)	-1,988	-5,440
	Cash flows from financing activities	**-7,626**	**-37,899**
4.	**Cash funds at end of period**		
	Net change in cash funds	30,366	1,703
	Effect on cash funds of exchange rate movements	-566	170
	Cash funds at beginning of period	20,762	18,758
	Cash funds at end of period	**50,562**	**20,631**
5.	**Composition of cash funds**		
	Cash and cash equivalents	50,562	20,631
	Cash funds at end of period	50,562	20,631

* Unaudited consolidated interim financial information
** Not attributable to financing activities

Since 31 December 2015, we present our statement of cash flows in accordance with DRS 21 (German Accounting Standard – GAS 21), including the comparative figures for the prior period. Therefore, the presented cash flows for Q1 2015 differ from cash flows presented in the previous year.

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity (in € thousands)	Subscribed capital	Capital reserve	Consolidated equity generated: Revenue reserves	Consolidated equity generated: Consolidated net retained profits	Currency translation adjustment	Group equity
1 January 2016	**7,588**	**75,414**	**1,408**	**123,284**	**910**	**208,604**
Consolidated net profit for the period	0	0	0	23,371	0	23,371
Other changes	0	0	0	0	-1,634	-1,634
31 March 2016*	**7,588**	**75,414**	**1,408**	**146,655**	**-724**	**230,341**

* Unaudited consolidated interim financial information

Additional Explanatory Information

Accounting policies

The unaudited consolidated interim financial information of Progroup AG as at and for the quarter ended 31 March 2016 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 2015, except to the extent relevant changes have been introduced to German GAAP by the *Bilanzrichtlinie-Umsetzungsgesetz* ("BilRUG") with regard to the preparation of financial information for any period beginning after 31 December 2015. The following is just a brief summary of the key changes introduced by the BilRUG that affect Progroup AG and the presentation of its financial information, as reflected in the consolidated interim information for the quarter ended 31 March 2016 included in this report.

In connection with the implementation of the changes introduced by the BilRUG, we made certain changes to the presentation of our income statement. In particular, we will not report "profit/loss on ordinary activities" and "extraordinary net income/loss" separately anymore and, as a result, also will not separately report "extraordinary income" and "extraordinary expenses" anymore. Instead, we now report "earnings after taxes" as a new line item.

In addition, the BilRUG introduced a new definition of "sales". As a result, we are now required to reclassify certain items as "sales" that we would previously have classified as "other operating income". The BilRUG does not require us to restate our financial information for any periods prior to 1 January 2016 to reflect this change. We have therefore not restated our sales and other operating income for the prior-year period. Instead, we have included relevant explanatory information in the notes to our consolidated interim financial information as at and for the quarter ended 31 March 2016.

Because the BilRUG abolished the income statement item "extraordinary net income/loss" and therefore also "extraordinary income" and "extraordinary expenses" as separate items, any items we might previously have recognised under "extraordinary income" or "extraordinary expenses", respectively, we are now required to recognise under either "other operating income" or "other operating expenses". With regard to this particular change, the BilRUG does require us to restate our financial information for the corresponding prior-year period. As a result, "other operating income" and "other operating expenses" for the quarter ended 31 March 2015 as reported in the consolidated interim financial information included in this report have been restated to include all relevant items we have previously reported as "extraordinary income" and "extraordinary expenses", as applicable. As a result, the prior-period information for the quarter ended 31 March 2015 as presented in the consolidated interim financial information included in this report differs from our previously reported figures for such period.

For more detail on how these changes have affected the presentation of our results of operations for the quarter ended 31 March 2016, see section "Results of Operations".

Beside the changes introduced by the BilRUG as described above, please also refer to the notes to the audited consolidated financial statements for the year ended 31 December 2015 for a detailed description of our significant accounting policies.

Scope of consolidation

In the period ended 31 March 2016, there have been no changes in the scope of consolidation compared to the year ended 31 December 2015. We began consolidating our new subsidiary Propower GmbH upon completion of the CHP Acquisition effective as of midnight on 31 December 2015. As a result, the results of operation of Propower GmbH are included for the first time in our income statement for the quarter ended 31 March 2016.

Information on material risks

As at 31 March 2016, there are no significant changes with regard to the risks for Progroup compared with the year ended 31 December 2015 and described in the respective annual financial statements.

Prowell corrugated board plant in Plössberg, Germany

Legal Notice and Information

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pro group

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