Progroup
Interim Financial Report
31 March / First Quarter 2018

The Power of Innovation

Key Figures

Key operating figures (in € thousands)	**January – March** 2018	2017
Sales	243,786	193,516
Reported EBITDA (1)	69,780	40,315
Reported EBITDA margin (in % of net sales)	28.6%	20.8%
EBIT (2)	57,487	28,472
Consolidated net income for the period	32,280	14,784
Cash flows from operating activities	31,220	9,208
Cash flows from investing activities	-18,714	-11,686
Free cash flow (3)	12,506	-2,478

Key balance sheet figures (in € thousands)	**31/03/2018**	**31/12/2017**
Total assets	1,446,751	946,356
Equity	309,724	277,314
Cash in hand, bank balances	553,400	117,946
Financial liabilities (bonds, bank loans, finance leases and accrued interest)	992,751	540,465

Key financial figures (in € thousands)	**31/03/2018**	**31/12/2017**
Net leverage (4)	2.1	2.3
LTM EBITDA	209,819	180,354
Net financial debt (5)	439,351	422,519

(1) Reported EBITDA (not a German GAAP measure) is calculated as sales, plus increase/decrease in finished goods and work in process, plus other own work capitalised, plus other operating income (excluding any extraordinary income), minus costs of materials, minus personnel expenses, minus other operating expenses (excluding any extraordinary expenses), minus other taxes.

(2) EBIT (not a German GAAP measure) is calculated as reported EBITDA minus amortisation and depreciation of fixed intangible and tangible assets.

(3) Free cash flow (not a German GAAP measure) is calculated as cash flows from operating activities plus cash flows from investing activities.

(4) Net leverage (not a German GAAP measure) is calculated by dividing net financial debt as at 31 March 2018 and 31 December 2017, 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

- The first quarter of 2018 saw a historic performance of Progroup based on favourable market conditions and a continued strong volume growth in the corrugated board business.

- Sales grew by 26.0% to a new all-time high of €243.8 mn, after €193.5 mn in the first quarter of 2017. The increase was driven by improved sales prices for both containerboard and corrugated board, by the higher sales volume of corrugated board due to the added capacities from the new production site PW10 in Trzcinica, Poland, last year, as well as by the strong performance of all other sites.

- Sales volume of corrugated board increased by 13.7% in the first quarter of 2018, while total sales volumes of containerboard remained stable on a high level. As part of the continuous integration of the containerboard business, internal sales volume increased by 6.9%, while external sales volume declined by 20.3%.

- Favourable price developments defined the first quarter of 2018, with further softening price levels for recycled paper, while price levels of both containerboard and corrugated board saw another increase compared to the fourth quarter of 2017. Due to time lags in passing on price developments to customers, the increase in the price level of corrugated board will positively impact the second quarter even slightly stronger than the first quarter of 2018. Favourable market conditions are expected to prevail in the short- to mid-term.

- EBITDA increased in line with stronger sales figures by 73.1% to a new all-time high of €69.8 mn in the first quarter of 2018, after €40.3 mn in the first quarter of 2017. The strong growth is mainly attributed to the increase in sales. Consequently, EBITDA margin also reached a new all-time high at 28.6%. The 3-year average margin improved to 22.8%.

- Free cash flow saw an increase from €-2.5 mn in the first quarter of 2017 to €12.5 mn in the first quarter of 2018, resulting from a strong cash flow from operating activities. However, free cash flow was dampened by a substantial increase in working capital, as factoring activities were deliberately cut back in the first quarter due to a strong increase in cash in hand to €553.4 mn.

- In order to further optimise the financial structure of the entire group, Progroup AG successfully launched new €450 mn fixed rate notes in March with a coupon of 3% and a maturity of eight years. The proceeds were used to finance the redemption of the existing €345 mn fixed rate notes as well as the distribution of a special cash dividend to JH-Holding GmbH to redeem the remaining PIK toggle notes. JH-Holding GmbH will become debt free as a result of this transaction.

- Consequently, the successful placement of €450 mn fixed rate notes increased cash in hand as well as financial liabilities. Net financial debt slightly increased to €439.4 mn as at 31 March 2018, after €422.5 mn as at 31 December 2017.

- Leverage of Progroup reached a new record low at 2.1 at the end of the first quarter of 2018. Including JH-Holding, group-wide leverage amounted to 2.4, which is already below the envisaged net leverage corridor of 2.5 to 3.0.

- Construction of our new production site PW11 in Italy is completed and test production started in March 2018. Further, our newest production site PW12 in the UK is progressing according to schedule, with the launch of test production expected for the end of the third quarter of 2018. Finally, Progroup pursuits the construction of an additional paper machine project (PM3) in Germany, providing a strong addition to its current containerboard capacities. The project proceeds successfully and according to plan.


Bank of Thailand

Content

Letter to Investors

Dear investors and business partners,

We are very pleased to inform you about the progress of our businesses in the first quarter of 2018 in this interim report. In March 2018, test operations were concluded successfully at our most recently constructed production site PW11 in Italy, and commercial production commenced in April. In terms of financing, we successfully launched new €450 mn fixed rate notes as a measure to further optimise the financial structure of our entire group, including JH-Holding.

In the first quarter of 2018 we experienced continued favourable market conditions. While recycled paper prices remained below previous year's levels, prices for our products corrugated board and containerboard increased throughout the first quarter. For the second quarter of 2018, we expect a slight additional positive effect from the positive market environment due to time lag effects from passing on price developments to customers. In the short- to mid-term, we expect the current market conditions to remain stable.

Sales volume continued to grow substantially in the first three months of 2018, especially driven by the added capacities of PW10 in Trzcinica, Poland, last year. Sales volume of our key growth driver corrugated board increased by 13.7% compared to the previous first quarter, while sales volumes of containerboard remained on a stable high level. The level of integration between both of our key businesses reached a new peak at the top end of our long-term target corridor at 80%. Including swap agreements with other containerboard suppliers, integration rose to 91%.

Fuelled by a strong increase of production capacity as well as the favourable market conditions, our sales expanded by 26.0% to €243.8 mn in the first quarter of 2018, after €193.5 mn in the comparable quarter of 2017. Correspondingly, our EBITDA reached a new all-time-high at €69.8 mn in the first quarter of 2018, increased by 73.1% compared to the first quarter of 2017 and by 20.7% compared to the fourth quarter of 2017. In this context, it is worth to highlight that the last twelve months (LTM) EBITDA increased correspondingly to a new record level of €209.8 mn compared to €180.4 mn as at 31 December 2017.

In line with our record-breaking EBITDA performance, EBITDA margin increased to the highest level in our company's history. Surpassing the previous record margin of 27.8% in the fourth quarter of 2015, EBITDA margin reached 28.6% in the first three months of 2018. In the same time, our 3-year average margin improved by 1.7 percentage points to 22.8%.

Consolidated net income continued on a strong growth path, surging by 118.3% from €14.8 mn in the first quarter of 2017 to €32.3 mn in the first three months in 2018. The steep increase is based on a record-high EBITDA, resulting from a wide expansion of production capacity and fuelled by favourable market conditions.

Free cash flow grew from €-2.5 mn in the first three months of 2017 to €12.5 mn in the first quarter of 2018. As in the previous first quarter, our free cash flow has to be viewed in light of a strongly increased working capital, resulting from reduced factoring of trade receivables and a growing business volume. Consequently, our trade receivables increased during the first three months of 2018 by 50.8% to €118.9 mn compared to the end of December 2017. We reduced our factoring in the first quarter due to the high amount of cash in hand of €553.4 mn, resulting from the successful issuance of new fixed rate notes of €450 mn in March 2018. We utilised the proceeds of our new fixed rate notes to redeem our existing fixed rate notes of €345 mn in May and distributed a dividend to our shareholder JH-Holding GmbH to redeem its pending PIK toggle notes. JH-Holding GmbH will become debt free upon the completion of this transaction.

Our net financial debt slightly increased to €439.4 mn at the end of the first quarter 2018, compared to €422.5 mn as at 31 December 2017. Due to our strongly improved EBITDA, leverage reached an all-time low of 2.1. Including JH-Holding, we reached a group-wide net leverage of 2.4 already, aiming for a corridor of 2.5 to 3.0.

Our strong performance in the first quarter of 2018 underlines the success of our strategy, offering best-in-class products and services in the direct vicinity to our clients. Continuing our well-established greenfield strategy, we are further expanding our production capacities. In line with our strategy and additionally to the current construction works in the United Kingdom (PW12) that are proceeding according to schedule, we plan to establish four new production sites in Central Europe between 2019 and 2021. The ongoing works will extend our new production site in the United Kingdom to become the most efficient and powerful corrugated board mega plant worldwide. Test production is expected to commence by the end of the third quarter 2018. Furthermore, our project to establish a new additional paper machine (PM3) in Germany is well on track, proceeding according to plan.

Yours sincerely,

Jürgen Heindl	Dr. Volker Metz	Maximilian Heindl	Philipp Kosloh
Chief Executive Officer	Chief Financial Officer	Deputy Member of the Executive Board	Deputy Member of the Executive Board

Disclaimer

Financial Information

The unaudited consolidated financial information of Progroup AG ("Progroup") as at and for the period ended 31 March 2018 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, 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.

Capital Market Activities

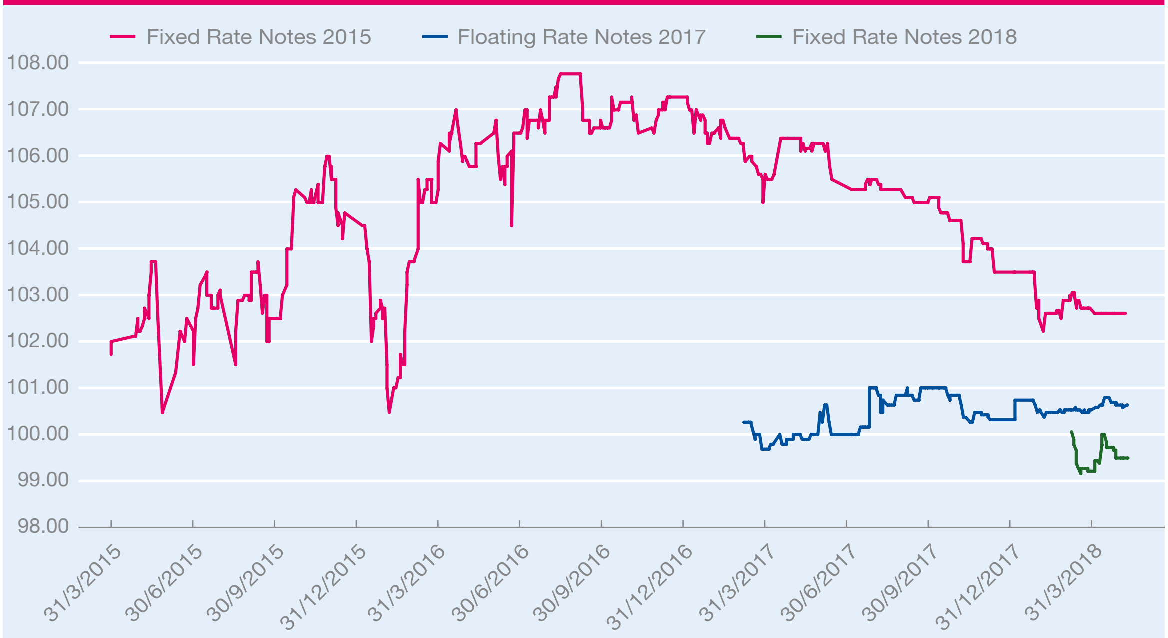
An overview of the features of our senior secured fixed rate notes and our senior secured floating rate notes and their market performance as at 31 March 2018 is presented below.

Capital market activities Progroup AG			
ISIN	DE000A161GD1 (144A)/ DE000A161GC3 (Reg S)	DE000A2E4YZ7 (144A) / DE000A2E4YY0 (Reg S)	DE000A2G8WB1 (144A) / DE000A2G8WA3 (Reg S)
Issue	Senior Secured Fixed Rate Notes	Senior Secured Floating Rate Notes	Senior Secured Fixed Rate Notes
Issuer	Progroup AG	Progroup AG	Progroup AG
Listing	Luxembourg EURO MTF	Luxembourg EURO MTF	*
Distribution	144A/Reg S	144A/Reg S	144A/Reg S
Amount issued	€345,000,000	€150,000,000	€450,000,000
Amount outstanding	€345,000,000	€150,000,000	€450,000,000
Currency	EUR	EUR	EUR
Issue date	30 April 2015/8 December 2015	27 March 2017	27 March 2018
Final maturity	1 May 2022	31 March 2024	31 March 2026
Optional redemption	from 1 May 2018: 102.563%	from 31 March 2018: 101.000%	from 31 March 2021: 101.500%
	from 1 May 2019: 101.281%	from 1 May 2019 and thereafter: 100.000%	from 31 March 2022: 100.750%
	from 1 May 2020 and thereafter: 100.000%		from 31 March 2023 and thereafter: 100.000%
Issue price	100% of face amount/105% (tap)	100% of face amount	100% of face amount
Coupon	5.125%	Three-month EURIBOR (subject to a zero-floor) plus 2.50%	3.000%
Interest payments	Semi-annually on 1 May and 1 Nov, commencing on 1 Nov 2015	Quarterly on 31 Mar, 30 Jun, 30 Sep and 31 Dec, commencing on 30 Jun 2017	Semi-annually on 31 Mar and 30 Sep, commencing on 30 Sep 2018
Paying Agent	Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG
Security Agent	Wilmington Trust (London) Limited	Wilmington Trust (London) Limited	Wilmington Trust (London) Limited
Ratings			
S&P	BB-	BB-	BB-
Moody's	Ba3	Ba3	Ba3

* Application made for admission to trading on The International Stock Exchange.

In March 2018, Progroup successfully issued senior secured fixed rate notes in an amount of €450 mn. The proceeds from the Offering were predominantly used to redeem in full the €345 mn outstanding principal amount of existing fixed rate notes due 2022 on 1 May 2018 and to pay a special cash dividend of approximately €87 mn to JH-Holding and our minority shareholders for the purpose of enabling JH-Holding to redeem all of the remaining €81.1 mn outstanding principal amount of the PIK toggle notes on or around 1 June 2018.

Progroup Senior Secured Notes Prices



Source of price data: Deutsche Bank AG

Business

Progroup Headquarter
Landau, Germany

We are a leading, family-owned producer and supplier of containerboard and corrugated board in Central Europe and headquartered in Landau, Germany. By production capacity, we believe we are the third 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 by volumes sold in Germany, Austria, Belgium, the Czech Republic and the Netherlands. 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 container-board and corrugated board.

Prowell PW07 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 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

Propapier PM1 plant Burg, Germany

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 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, 2016 and 2017, 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 PM2 plant Eisenhüttenstadt, Germany

Propapier 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/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 ten corrugated board production sites in the Czech Republic, France, Germany, Italy, Poland and the United Kingdom with a total annual production capacity of approximately 1,250,000 tons of corrugated board. Our historic greenfield location strategy ensures close customer proximity and high production flexibility.

Recent Developments

Issuance of senior secured fixed rate notes

In March 2018, Progroup successfully issued senior secured fixed rate notes in an amount of €450 mn due 2026. The proceeds from the Offering were predominantly used to redeem in full the €345 mn outstanding principal amount of existing fixed rate notes due 2022 on 1 May 2018 and to pay a special cash dividend of approximately €87 mn to JH-Holding and our minority shareholders for the purpose of enabling JH-Holding to redeem all of the remaining €81.1 mn outstanding principal amount of the PIK toggle notes on or around 1 June 2018.

Amendments to Group Facilities and Intercreditor Agreement

On 26 March 2018, in connection with the issuance of our new €450 mn senior secured notes due 2026, we further amended the Super Senior Revolving Credit Facility, the Senior Secured PLN Facilities, the Senior Secured EUR Facility and the Senior Secured GBP Facility, so that the restrictive covenants in the covenant schedule of each facility now closely track the relevant restrictive covenants contained in the conditions of issue of the new notes.

Following the redemption of our 5.125% senior secured fixed rate notes due 2022, we further entered into an amendment and restatement agreement relating to the Intercreditor Agreement on 2 May 2018. In addition to various technical amendments that will not adversely affect the holders of our notes in any material respect, including the deletion of certain parent undertakings from the Intercreditor Agreement, we amended and restated the definition of "Credit Facility" and related terms in the Intercreditor Agreement to include, in addition to the Super Senior Revolving Credit Facility, certain credit facilities which are permitted by the terms of the Pari Passu Debt Documents (as defined in the Intercreditor Agreement) to receive priority to the Pari Passu Debt Liabilities (as defined in the Intercreditor Agreement) with respect to the proceeds of any enforcement of the Collateral. As a result, the total amount of Indebtedness under a Credit Facility that may be secured by Liens on a super priority basis increased from up to €50 mn to up to €80 mn. In addition, the Priority Hedging Limit (as defined in the Intercreditor Agreement) increased from up to €35 mn to up to €80 mn.

For more details on our various Group facilities and about the Intercreditor Agreement, as amended and restated, see also “Overview – The Refinancing and Certain Related Transactions” and “Description of Certain Financing Arrangements” in our annual report for the year ended 31 December 2017.

Resolution of the General Meeting of 26 April 2018: dividend payment of €11.40/share

The annual general meeting, held on 26 April 2018, resolved the payment of a dividend of €11.40/share. As all 7,588,236 shares are entitled to dividend, the total amount of distribution amounted to approximately €87 mn.

JH-Holding will use this dividend to redeem all of the remaining €81.1 mn outstanding principal amount of the PIK Toggle Notes on or around 1 June 2018.

Start of commercial production of Prowell s.r.l.

After a construction period of less than one year, our new production site in Drizzona, Italy, started production in early March 2018. The plant successfully completed the trial runs in March and started with the ramp-up phase in April.

Prowell PW12 plant Ellesmere Port, United Kingdom, 3D simulation

Four Additional Corrugated Board Production Sites between 2019 and 2021

After we announced the construction of two corrugated sheetboard plants in Italy and the United Kingdom at the beginning of 2017, our new corrugated sheetboard plant in Drizzona (Italy) started operations during the first quarter of 2018, while our new mega-corrugated sheetboard plant in Ellesmere Port (United Kingdom) is scheduled to commence production at the end of the third quarter of 2018. This means that by the end of 2018 the production capacity for corrugated sheetboard will be approximately 3,000 million m²/year.

In order on the one hand to retain and consolidate our cost leadership and our position as one of the leading manufacturers of corrugated board in Europe and on the other hand to ensure that we continue to be able to maintain the expected level of market growth and meet our customers' requirements in respect of reliability of supply and the quality of products, we intend to open up four more corrugated sheetboard plants in Central Europe between 2019 and 2021, leading to an expected total capacity of approximately 4,200 million m²/year.

Propapier PM2 plant Eisenhüttenstadt, Germany

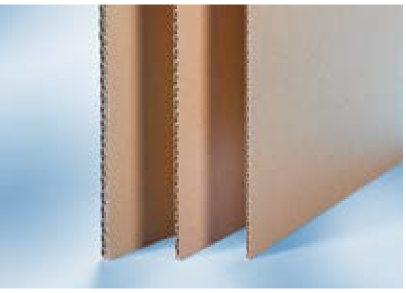
Additional State-of-the-Art Paper Machine

The increasing demand for consistently high-quality containerboard, owing to the growing production capacity for corrugated sheetboard at Prowell, is to be covered predominantly by cost-efficient and highly flexible production in-house. We have therefore begun to actively pursue the realisation of a potential further paper machine project in Germany. The current expectation is that the start of production for the new, state-of-the-art paper machine is set for 2020 and, following a start-up phase, it will provide a further production capacity of around 750,000 tonnes of containerboard. Together with the two paper machines PM1 in Burg and PM2 in Eisenhüttenstadt, which are already manufacturing products in Germany, the total annual production capacity of containerboard will then increase from 1,100,000 tonnes to around 1,850,000 tonnes. Project preparations are currently in progress as scheduled. This project to establish a new additional paper machine (PM3) in Germany is well on track, proceeding according to plan. On 16 May, we announced our intention to build the new paper machine in Sandersdorf-Brehna/Germany. We expect that the final decision on the implementation of this project will be taken by the end of the second or beginning of the third quarter 2018.

Market Developments

Recycled paper storage
Propapier PM2 plant
Eisenhüttenstadt, Germany

Containerboard



Corrugated board

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.

Recycled paper is our main raw material for the production of recycled containerboard. After strong price increases for recycled paper in the first three quarters of 2017, prices declined again since the fourth quarter, mainly due to decreases in demand from outside Europe. Therefore, prices were lower during the first quarter of 2018 compared to the prior year's same period. The average price per ton for recycled paper grades we purchased was approximately €122 in the first quarter of 2018, compared to €142 in the same period of 2017.

Concerning the volume of Propapier's recycled containerboard sold externally, the average price was approximately €470 per ton in the first quarter of 2018, after an average of €368 per ton in the prior year's same period (for the overall product portfolio mix sold externally). After a continuously upward trend during the year of 2017, prices further increased in the first quarter of 2018. Propapier achieved price increases of €40 per ton during the first three months of 2018, which are not fully reflected in the sales figures for the first quarter.

Prices for corrugated board also continuously increased during 2017, following the recycled containerboard's price development. Since the containerboard prices further increased in the first quarter of 2018, prices for corrugated board products of Prowell typically followed this development. In the first quarter of 2018, Prowell's average price for corrugated board was approximately €709 per ton compared to €613 per ton in the first quarter of 2017.

Results of Operations

Key operating figures (in € thousands)	January – March 2018	2017
Sales	243,786	193,516
Reported EBITDA	69,780	40,315
Reported EBITDA margin (in % of net sales)	28.6%	20.8%
EBIT	57,487	28,472
Consolidated net income for the period	32,280	14,784

Sales volume (in thousands of tons)	January – March 2018	2017
Corrugated board	**294.6**	**259.2**
Containerboard	**265.4**	**265.4**
– thereof external	53.7	67.4
– thereof internal	211.7	198.0

The corrugated board business is our main external sales driver. We were able to increase our sales volume of corrugated board by 13.7% (+35.4 thousand tons) in the first quarter of 2018, compared to the prior year's same quarter, with the main growth momentum coming from PW10.

Total sales volume of containerboard in the first quarter of 2018 is on the level of the prior year's same quarter. The increased volume of corrugated board sold led to a higher internal usage of containerboard (+6.9% or 13.7 thousand tons) and thus to a further decrease in the external volume sold (-20.3% or -13.7 thousand tons).

Based on this development, the level of integration of our containerboard business, including swap agreements, increased to approximately 91%.

Sales (in € thousands)	**January – March** 2018	2017
Corrugated board	208,749	158,847
Containerboard	25,265	24,774
Other	9,772	9,895
Total sales	**243,786**	**193,516**

Total sales increased significantly by 26.0% (€50.3 mn) to €243.8 mn in the first quarter of 2018, compared to €193.5 mn in the same quarter of the prior year. This increase in sales is mainly attributable to further strong growth in our corrugated board sales (+31.4% or €49.9 mn) as a result of an increased price level and the higher volume sold. Our sales of containerboard slightly increased by 2.0% (€0.5 mn). The lower external volume sold was more than offset by price increases.

Other operating income (in € thousands)	**January – March** 2018	2017
Investment subsidies	63	63
Income from exchange rate differences	537	1,341
Income from other periods	625	2,655
Other income	348	325
Other operating income	**1,573**	**4,384**

Other operating income decreased by 64.1% (€2.8 mn) to €1.6 mn in the first quarter 2018, mainly resulting from lower income from other periods and lower income from exchange rate differences.

Costs of materials (in € thousands)	January – March 2018	2017
Costs of raw materials, consumables and supplies	97,850	83,371
Costs of purchased services	21,471	18,392
Costs of materials	**119,321**	**101,763**

Costs of materials increased by 17.3% (€17.6 mn) to €119.3 mn in the first quarter of 2018, primarily resulting from higher costs of raw material, consumables and supplies. This development was mainly driven by a higher quantity of externally purchased containerboard within the growth of our corrugated board business and a higher average price level for the externally purchased containerboard.

Personnel expenses (in € thousands)	January – March 2018	2017
Wages and salaries	15,548	13,827
Social security and pensions	2,819	2,449
- thereof for pension expenses	49	65
Personnel expenses	**18,367**	**16,276**

Personnel expenses increased by 12.8% (€2.1 mn) to €18.4 mn in the first quarter 2018. This increase is mainly attributable to a higher average number of employees, primarily as a result of the new production site Drizzona (PW11), since the built up of a workforce started in the third quarter of 2017.

Other operating expenses (in € thousands)	**January – March** 2018	2017
Freight expenses	17,126	16,134
Maintenance and repair	7,642	8,342
Paper machine clothings	1,670	1,143
Rental and leasing costs	1,865	1,627
Legal and consulting fees	779	588
Expenses from exchange rate differences	780	832
Expenses from other periods	258	790
Extraordinary expenses	6,900	3,280
Others	5,335	6,490
Other operating expenses	**42,355**	**39,226**

Other operating expenses increased by 8.0% (€3.1 mn) to €42.4 mn in the first quarter 2018, primarily in connection with extraordinary expenses related to the senior secured notes offering in March 2018 and a volume-based increase in freight expenses.

Results of operations (in € thousands)	**January – March** 2018	2017
EBITDA	**69,780**	**40,315**
Amortisation and depreciation of fixed assets	-12,293	-11,843
Net interest result	-5,996	-5,493
Extraordinary income/expenses (other operating income/expenses)	-6,900	-3,280
Taxes on income	-12,310	-4,916
Consolidated net income for the period	**32,280**	**14,784**

In the first quarter of 2018, EBITDA increased significantly by 73.1% (€29.5 mn) to €69.8 mn, mainly driven by a further strong operating performance with growth in sales volume of corrugated board and a positive price/margin development compared to the previous year’s first quarter. Since prices for recycled containerboard and corrugated board further increased during the first quarter of 2018, while prices for recycled paper decreased, the gross margin level in the first three months of 2018 was significantly higher compared to the prior year’s same period, representing the main impact on our EBITDA.

The net interest result declined by 9.2% (€0.5 mn) to €-6.0 mn in the first quarter 2018, mainly as a result of the higher average financial liabilities.

Extraordinary expenses in the first quarter 2018 are related to the senior secured fixed rate notes offering in March 2018. In the prior year’s same period, the extraordinary expenses were due to the senior secured floating rate notes offering in March 2017.

In the first quarter of 2018, taxes on income increased by €7.4 mn to €12.3 mn, mainly in connection with the higher results.

Net Asset Position

The following statements describe the main changes in the balance sheet as at 31 March 2018 compared to 31 December 2017.

	Assets (in € thousands)	31/03/2018	31/12/2017
A.	Fixed assets	653,362	640,980
B.	Current assets	770,993	303,602
I.	Inventories	84,727	86,864
II.	Receivables and other assets	132,866	98,791
III.	Cash in hand, bank balances	553,400	117,946
C.	Prepaid expenses and deferred charges	22,396	917
D.	Deferred tax assets	0	857
	Total assets	**1,446,751**	**946,356**

	Equity and Liabilities (in € thousands)	31/03/2018	31/12/2017
A.	Shareholder's equity	309,724	277,314
B.	Investment grants for fixed assets	2,623	2,685
C.	Provisions	65,823	61,533
D.	Liabilities	1,063,306	601,204
I.	Bonds	945,000	495,000
II.	Bank loans	40,196	42,519
III.	Trade payables	60,932	51,524
IV.	Other liabilities	17,178	12,161
E.	Deferred income	3,352	3,620
F.	Deferred tax liabilities	1,924	0
	Total equity and liabilities	**1,446,751**	**946,356**

Inventories amounted to €84.7 mn as at 31 March 2018, which is slightly below the level as at 31 December 2017 (2.5% or €2.1 mn). An increase of raw materials and supplies, driven by a higher quantity of spare parts was more than offset by a decrease of work in process caused by lower stocks of internal purchased containerboard at our Prowell plants.

Trade receivables increased by €40.1 mn or 50.8% to €118.9 mn as at 31 March 2018, following our sales growth and as a result of a lower factoring and forfaiting volume at the end of March due to the already high cash position resulting from the senior secured notes offering in March.

Other assets decreased by €6.0 mn or 30.1% to €13.9 mn as at 31 March 2018, mainly in connection with lower receivables from factoring and forfaiting.

In connection with the senior secured notes offering in March, **cash in hand, bank balances** amounted to €553.4 mn as at 31 March 2018, which is significantly above the level as at 31 December 2017 and also above our "usual range". The proceeds were earmarked to redeem in full the €345 mn outstanding principal amount of existing fixed rate notes due 2022 on 1 May 2018 and to pay a special cash dividend of approximately €87 mn to JH-Holding and our minority shareholders.

Prepaid expenses and deferred charges increased by €21.5 mn to €22.4 mn, primarily due to lump sum fee payments to JH-Holding and our minority shareholders in return for granting security over their shares in Progroup AG to secure our obligations under the Super Senior Revolving Credit Facility, the Senior Secured PLN Facilities, the Senior Secured EUR Facility, the Senior Secured GBP Facility and the Senior Secured Notes.

As at 31 March 2018, **deferred tax assets** decreased by €0.9 mn to €0 mn due to further reduction of our interest carryforwards in connection with the positive EBITDA development in recent years, netted against deferred tax liabilities, mainly from the acquisition of the combined heat and power plant. Following this development, a **deferred tax liability** was recognised as at 31 March 2018 for the first time.

Shareholder's equity increased by 11.7% from €277.3 mn as at 31 December 2017 to €309.7 mn as at 31 March 2018 as a result of consolidated net income and currency effects.

Tax provisions increased by €6.2 mn to €20.0 mn due to the higher taxes on income following our strong results.

Bonds increased by €450.0 mn to €945.0 mn as at 31 March 2018 in connection with a further senior secured notes offering (please also refer to the description of the development of cash in hand, bank balances above and the section "Capital Market Activities").

As at 31 March 2018, **bank loans** decreased by €2.3 mn to €40.2 mn, mainly as a result of scheduled repayments of the Senior Secured PLN Facilities.

The increase in **trade payables** by €9.4 mn or 18.3% to €60.9 mn as at 31 March 2018 is mainly due to payables in connection with our current Prowell projects (PW11 and PW12) as well as the higher external containerboard purchase to cover the raw material demand of our growing corrugated board business.

The increase in **other liabilities** by €5.0 mn to €17.2 mn as at 31 March 2018 is mainly related to a higher amount of accrued interest for our senior secured notes.

Financial Position

Summary of cash flows (in € thousands)	January – March 2018	 2017
Cash flows from operating activities	31,220	9,208
Cash flows from investing activities	-18,714	-11,686
Free cash flow	**12,506**	**-2,478**
Cash flows from financing activities	423,267	169,343

Cash flows from operating activities increased by €22.0 mn to €31.2 mn in the first quarter of 2018, mainly driven by a higher EBITDA thanks to our strong operating performance. Contrary effects resulted from a strong increase in working capital, predominantly driven by an increase in trade receivables.

Cash flows from investing activities amounted to €-18.7 mn in the first quarter of 2018 and are mainly attributable to the construction of our new corrugated board plants PW11 in Italy and PW12 in the United Kingdom. Furthermore, several smaller investments in different plants as part of our continuous maintenance capital expenditures are included.

Free cash flow for the first quarter, calculated as cash flows from operating activities plus cash flows from investing activities, increased as a result of the higher cash flows from operating activities.

Cash inflows from financing activities in the first quarter of 2018 were mainly related to another senior secured notes offering (€450 mn). On the other hand we had cash outflows for interest paid (€20.9 mn) as well as cash payments relating to expenditure of exceptional size or incidence (€3.9 mn) due to extraordinary expenses in connection with the senior secured notes offering (transaction costs, advisory and professional fees and others). Interest paid contains interest for our senior secured floating rate notes as well as bank loans (€1.6 mn) and lump sum fee payments (€19.3 mn) to JH-Holding and our minority shareholders in consideration for granting security over their shares in Progroup AG to secure our obligations under the Super Senior Revolving Credit Facility, the Senior Secured PLN Facilities, the Senior Secured EUR Facility, the Senior Secured GBP Facility and the Senior Secured Notes.

Cash funds (cash in hand, bank balances) significantly increased by €435.5 mn and amounted to €553.4 mn as at 31 March 2018, compared to €117.9 mn as at 31 December 2017. Since we have not used the proceeds from the latest senior secured notes offering until the end of March, our cash funds considerably exceed our “usual range”.

Unaudited Consolidated Interim Financial Information

31 March / Q1 2018

Consolidated Balance Sheet

Assets

	Assets (in € thousands)	31/03/2018*	31/12/2017
A.	**Fixed assets**		
I.	**Intangible assets**		
1.	Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	19,136	19,774
		19,136	**19,774**
II.	**Tangible assets**		
1.	Land and buildings including buildings on leasehold land	193,987	184,497
2.	Technical equipment and machinery	388,651	397,049
3.	Other equipment, factory and office equipment	6,809	6,904
4.	Prepayments and constructions in process	44,741	32,720
		634,188	**621,169**
III.	**Financial assets**		
1.	Shares in affiliated companies	37	37
		37	**37**
		653,362	**640,980**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials, consumables and supplies	55,500	53,985
2.	Work in process	24,111	27,671
3.	Finished goods	5,013	5,061
4.	Prepayments	103	147
		84,727	**86,864**
II.	**Receivables and other assets**		
1.	Trade receivables	118,934	78,859
2.	Receivables from affiliated companies	17	39
3.	Other assets	13,915	19,893
		132,866	**98,791**
III.	**Cash in hand, bank balances**	**553,400**	**117,946**
		770,993	**303,602**
C.	**Prepaid expenses and deferred charges**	**22,396**	**917**
D.	**Deferred tax assets**	**0**	**857**
	Total assets	**1,446,751**	**946,356**

* Unaudited consolidated interim financial information

Consolidated Balance Sheet

Equity and Liabilities

	Equity and Liabilities (in € thousands)	31/03/2018*	31/12/2017
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	-325	-454
5.	Consolidated net retained profits	225,639	193,358
		309,724	**277,314**
B.	**Investment grants for fixed assets**	**2,623**	**2,685**
C.	**Provisions**		
1.	Provisions for pensions	116	173
2.	Tax provisions	19,959	13,732
3.	Other provisions	45,747	47,628
		65,823	**61,533**
D.	**Liabilities**		
1.	Bonds	945,000	495,000
2.	Bank loans	40,196	42,519
3.	Trade payables	60,932	51,524
4.	Other liabilities	17,178	12,161
		1,063,306	**601,204**
E.	**Deferred income**	**3,352**	**3,620**
F.	**Deferred tax liabilities**	**1,924**	**0**
	Total equity and liabilities	**1,446,751**	**946,356**

* Unaudited consolidated interim financial information

Consolidated Income Statement

	Consolidated Income Statement (in € thousands)	January – March* 2018	2017
1.	Sales	243,786	193,516
2.	Increase/decrease in finished goods and work in process	-3,608	-3,786
3.	Other own work capitalised	1,521	548
4.	Other operating income	1,573	4,384
5.	Costs of materials		
a)	Costs of raw materials, consumables and supplies	-97,850	-83,371
b)	Costs of purchased services	-21,471	-18,392
		-119,321	-101,763
6.	Personnel expenses		
a)	Wages and salaries	-15,548	-13,827
b)	Social security and pensions	-2,819	-2,449
		-18,367	-16,276
7.	Amortisation and depreciation of fixed intangible and tangible assets	-12,293	-11,843
8.	Other operating expenses	-42,355	-39,226
9.	Other interest and similar income	10	10
10.	Interest and similar expenses	-6,007	-5,503
11.	Taxes on income	-12,310	-4,916
12.	**Earnings after taxes**	**32,630**	**15,146**
13.	Other taxes	-350	-362
14.	**Consolidated net income for the period**	**32,280**	**14,784**
15.	Consolidated unappropriated retained earnings brought forward	193,358	178,466
16.	**Consolidated net retained profits**	**225,639**	**193,250**

* Unaudited consolidated interim financial information

Consolidated Cash Flow Statement

	Consolidated Cash Flow Statement (in € thousands)	January – March* 2018	2017
1.	**Cash flows from operating activities**		
	Consolidated net income for the period	32,280	14,784
	Amortisation and depreciation of fixed assets	12,293	11,843
	Increase (+)/decrease (-) in provisions	-3,155	-3,052
	Other non-cash expenses (+)/income (-)	336	-1,362
	Increase (-)/decrease (+) in inventories, trade receivables and other assets**	-34,110	-20,686
	Increase (+)/decrease (-) in trade payables and other liabilities**	1,779	-383
	Interest expenses (+)/income (-)	5,996	5,493
	Expenditure (+)/income (-) of exceptional size or incidence	6,900	3,280
	Income tax expenses (+)/income (-)	12,310	4,916
	Cash payments (-) relating to expenditure of exceptional size or incidence	0	-2,178
	Income taxes paid (-)	-3,409	-3,447
	Cash flows from operating activities	**31,220**	**9,208**
2.	**Cash flows from investing activities**		
	Payments (-) to acquire intangible fixed assets	-58	-38
	Payments (-) to acquire tangible fixed assets	-18,666	-11,657
	Interest received (+)	10	9
	Cash flows from investing activities	**-18,714**	**-11,686**
3.	**Cash flows from financing activities**		
	Proceeds (+) from the issuance of bonds and borrowings	450,000	173,187
	Cash repayments (-) of bonds and borrowings	-1,983	-1,320
	Cash payments (-) relating to expenditure of exceptional size or incidence	-3,859	-1,111
	Interest paid (-)	-20,891	-1,413
	Cash flows from financing activities	**423,267**	**169,343**
4.	**Cash funds at end of period**		
	Net change in cash funds	435,773	166,865
	Effect on cash funds of exchange rate movements	-319	1,556
	Cash funds at beginning of period	117,946	37,370
	Cash funds at end of period	**553,400**	**205,791**
5.	**Composition of cash funds**		
	Cash and cash equivalents	553,400	205,791
	Cash funds at end of period	553,400	205,791

* Unaudited consolidated interim financial information

** Not attributable to investing or financing activities

Consolidated Statement
of Changes in Equity

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**		
1 January 2018	**7,588**	**75,414**	**1,408**	**193,358**	**-454**	**277,314**
Consolidated net profit for the period	0	0	0	32,280	0	32,280
Other changes	0	0	0	0	130	130
31 March 2018*	**7,588**	**75,414**	**1,408**	**225,639**	**-325**	**309,724**

* Unaudited consolidated interim financial information

Additional Explanatory Information

Accounting policies

The unaudited consolidated interim financial information of Progroup AG as at and for the period ended 31 March 2018 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 2017.

Please refer to the notes to the audited consolidated financial statements for the year ended 31 December 2017 for a detailed description of our significant accounting policies.

Scope of consolidation

In the period ended 31 March 2018, there were no changes in the scope of consolidation compared to the year ended 31 December 2017.

Information on material risks

As at 31 March 2018, there are no significant changes with regard to the risks for Progroup compared with the year ended 31 December 2017 and described in the respective annual financial statements.

Prowell corrugated board plant in Drizzona, Italy

Legal Notice and Information

www.progroup.ag

www.ir.progroup.ag

Progroup AG
Horstring 12
76829 Landau
Germany

Phone: +49 (0) 6341 / 55 76-0
Fax: +49 (0) 6341 / 55 76-109

ir@progroup.ag
www.ir.progroup.ag

Court:
Amtsgericht Landau, HRB Nr. 2268

Board:
Jürgen Heindl (CEO, Chairman)
Dr. Volker Metz (CFO)
Maximilian Heindl (Deputy Member of the Executive Board)
Philipp Kosloh (Deputy Member of the Executive Board)

Issue date of this report:
29/05/2018

The Power of Innovation