

INTERIM FINANCIAL REPORT

31 March / First Quarter 2019



KEY FIGURES

(in € thousands)

SALES
January – March 2019

245,356

Reported EBITDA
January – March 2018

69,780

Reported EBITDA
January – March 2019

67,289

Reported EBITDA margin
January – March 2019

27.4%

Net leverage
31/03/2019

2.1

Net financial debt
31/03/2019

573,800

Key operating figures

(in € thousands)

	January – March	
	2019	2018
Sales	245,356	243,786
Reported EBITDA ⁽¹⁾	67,289	69,780
Reported EBITDA margin (in % of net sales)	27.4%	28.6%
EBIT ⁽²⁾	53,449	57,487
Consolidated net income for the period	33,411	32,280
Cash flows from operating activities	32,075	31,220
Cash flows from investing activities	-70,907	-18,714
Free cash flow ⁽³⁾	-38,832	12,506

Key balance sheet figures

(in € thousands)

	31/03/2019	31/12/2018
Total assets	1,223,949	1,147,504
Equity	349,493	315,518
Cash in hand, bank balances	135,993	148,431
Financial liabilities (bonds, bank loans and accrued interest)	709,793	678,438

Key financial figures

(in € thousands)

	31/03/2019	31/12/2018
Net leverage ⁽⁴⁾	2.1	1.9
LTM EBITDA	272,986	275,478
Net financial debt ⁽⁵⁾	573,800	530,007

(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 2019 and 31 December 2018, respectively, by EBITDA for the last twelve months (LTM) ended on the relevant date.

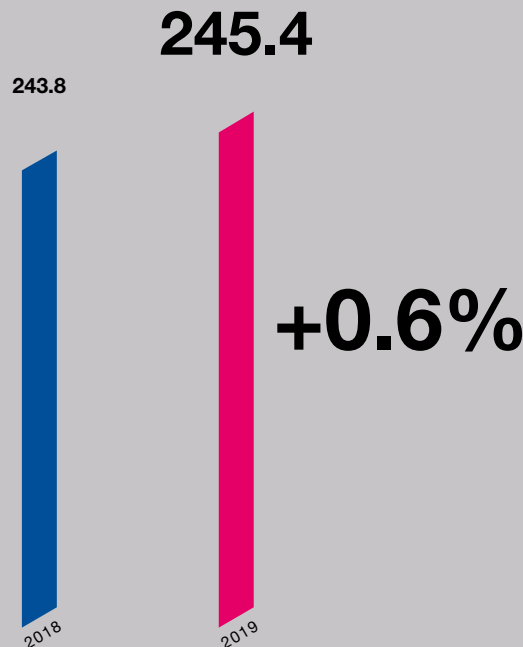
(5) Net financial debt (not a German GAAP measure) is calculated as financial liabilities (bonds, bank loans and accrued interest) minus cash in hand, bank balances.

HIGHLIGHTS

01

The first quarter of the new financial year 2019 started with continued growth in external sales volume of corrugated board, while price levels experienced the anticipated normalisation after a year of extraordinarily favourable market conditions.

SALES
January – March
(in € million)



02

Sales increased by 0.6% from €243.8 mn in the first quarter of 2018 to €245.4 mn in 2019.

The slight increase is attributable to a continued growth in sales volume of corrugated board, which slightly more than offset the lower external sales volume of containerboard.

03

In the first three months of 2019, corrugated board sales volume rose by 4.3% compared to the previous first quarter. The containerboard business, however, experienced a slight decrease in sales volume by 2.4%, due to planned maintenance shutdowns of both paper machines PM1 and PM2 in March 2019.

04

Integration between the corrugated board business and containerboard business reached a new peak in the first quarter of 2019 at 97%, including swap agreements with other paper manufacturers. Excluding swap agreements, integration reached an all-time high of 87%, after 80% in the previous first quarter.

05

While the financial year 2018 was shaped by exceptionally favourable price developments for both recycled paper as well as for corrugated board and containerboard, the anticipated

27%

**EBITDA margin
January – March 2019**

06

In light of normalising price levels, EBITDA decreased as expected by 3.6% to €67.3 mn in the first three months of 2019, after €69.8 mn in the previous first quarter. Despite the anticipated normalisation, EBITDA margin remains strong at 27.4% and well above the five-year average of just above 23%.

trend for normalisation of price levels materialised in the course of the fourth quarter of 2018 and continued throughout the first three months of 2019.

Due to time lags in passing on price developments to customers, the normalisation of price levels is also expected to impact the upcoming quarter.

07

In the first quarter of 2019, Progroup AG drew €30 mn from its €155 mn long-term bilateral bank loan facilities, to finance the next construction stage of the new paper machine PM3. Due to the slightly lower EBITDA

and increased net financial debt, net leverage increased slightly by 0.2 points to 2.1 as at 31 March 2019 compared to 31 December 2018.

08

Due to continued investment activities into the new production site PW13, and particularly in the new paper machine PM3, free cash flow amounted to €-38.8 mn in the first quarter of 2019, after €12.5 mn in the previous year. The cash outflow for investing activities increased strongly to €70.9 mn, compared to €18.7 mn in the previous year.

09

The new production site PW12 in the UK was successfully completed and test production started in January 2019. On 29 January 2019, PW8 was shut down and PW12 took over full production for the UK market and started with the ramp-up phase.

10

Constructions on the newest production site PW13 in Eisfeld, Germany, are commencing well, with first test production expected for the fourth quarter of 2019 or the first quarter of 2020. On the new paper machine PM3, skeleton construction works have begun. Further, PM3 will be one of the first paper machines world-wide to be equipped with a closed loop internal water treatment system to sustainably reduce water consumption by up to 3.75 million cubic metres per year.

CONTENT

Key Figures	2
Highlights	4
Letter to Investors	8
Capital Market Activities	12
Business	14
Recent Developments	16
Market Developments	18
Results of Operations	20
Net Asset Position	24
Financial Position	26
Unaudited Consolidated Interim Financial Information	28
Disclaimer	34
Additional Explanatory Information	36
Legal Notice and Information	38

2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

LETTER TO INVESTORS

Dear investors and business partners,

We are delighted to present to you the results of the first quarter of 2019 in this interim report. After a record-breaking financial year 2018 with extraordinarily favourable market conditions, the first quarter of 2019 experienced the normalisation of price levels that we had anticipated since the end of the fourth quarter of 2018. While our main resource, recycled paper, remained at an almost stable low price point in the beginning of 2019, both container-board and corrugated board saw a considerable price normalisation within the first three months. Due to time lag effects in passing on price developments to our customers, we expect normalising prices to further influence our results in the upcoming quarter. In the short- to mid-term, we anticipate further potential adjustments due to the ongoing normalisation trend in market conditions.

from l.t.r.:

Philipp Kosloh,
Chief Operating
Officer

Maximilian Heindl,
Chief Development
Officer

Dr. Volker Metz,
Chief Financial
Officer

Jürgen Heindl,
Chief Executive
Officer



2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

In the first three months of 2019, sales volume for our main growth driver corrugated board increased by 4.3% compared to the previous first quarter. Sales volume of containerboard, however diminished slightly by 2.4%, due to planned maintenance shutdowns of both our paper machines PM1 and PM2 in March 2019. The level of integration between our two key businesses reached a new peak at 97%, including swap agreements with other containerboard producers in the same time. Excluding swaps, integration rose to 87%.

Our sales increased by 0.6% from €243.8 mn to €245.4 mn in the first quarter of 2019, mainly driven by a higher sales volume of corrugated board compared to the previous first three months. Our EBITDA, however, decreased by 3.6% to €67.3 mn in the first three months of 2019, due to planned maintenance shutdowns of our two paper machines PM1 and PM2 in March 2019, as well as due to increased personnel expenses as result of the strong growth in the previous year.

In light of the normalised EBITDA performance, our EBITDA margin also decreased slightly by 1.2 percentage points from 28.6% in the first quarter 2018 to 27.4% in the first three months 2019. However, despite the recent decline, our EBITDA margin remains strong and well above the five-year average margin of just above 23%.

Our consolidated net income remained on its growth path, rising by 3.5% from €32.3 mn in the previous first quarter to €33.4 mn after the first three months of 2019. The increase is attributable to the absence of extraordinary expenses in the reporting period compared to the first quarter of 2018.

In the first quarter of 2019, our free cash flow reached €-38.8 mn, after €12.5 mn in the first quarter 2018. While cash flows from operating activities improved compared to the previous year, the strong investments into our new production site PW13 and particularly into our third paper machine PM3 increased cash outflows for investing activities significantly in the first quarter and resulted in a negative free cash flow.


On 31 March 2019, our net financial debt reached €573.8 mn, compared to €530.0 mn as at 31 December 2018. The increase is mainly attributable to the drawdown of €30 mn from the €155 mn long-term bilateral bank loan facilities to finance the ongoing construction of our new paper machine PM3. Due to the higher net financial debt, paired with a slightly softer LTM EBITDA, net leverage increased slightly by 0.2 points to 2.1 as at 31 March 2019.

The first quarter of 2019 marked the beginning of yet another successful financial year for Progroup AG. As in previous years, we will follow our proven strategy, providing best-in-class corrugated board products and services adjacent to key clients. We continue our successful greenfield approach, further expanding our cutting-edge production capacities in Europe. In line with this strategy, we have launched a pilot project at our new paper machine PM3 in Germany, which is currently in skeleton construction work. PM3 will be one of the first paper machines worldwide with a fully closed loop internal water treatment system, sustainably saving up to 3.75 million cubic metres of water every year.

In January 2019, test operations were concluded successfully at our most recently constructed production site PW12 in the United Kingdom, and commercial production started. On 29 January 2019, PW8 was shut down and PW12 took over full production for the UK market and started with the ramp-up phase.

Further, construction on our most recent production site PW13 in Germany is commencing according to plan, with test production scheduled for the fourth quarter of 2019 or the first quarter of 2020. Lastly, after an excellent and record-breaking financial year 2018, the Annual General Meeting on 2 May 2019 agreed on paying a dividend of €20.1 mn. The dividend is to be distributed to shareholders in the second quarter of 2019.

Yours sincerely,



Jürgen Heindl
Chief Executive
Officer



Dr. Volker Metz
Chief Financial
Officer



Maximilian Heindl
Chief Development
Officer



Philipp Kosloh
Chief Operating
Officer

2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

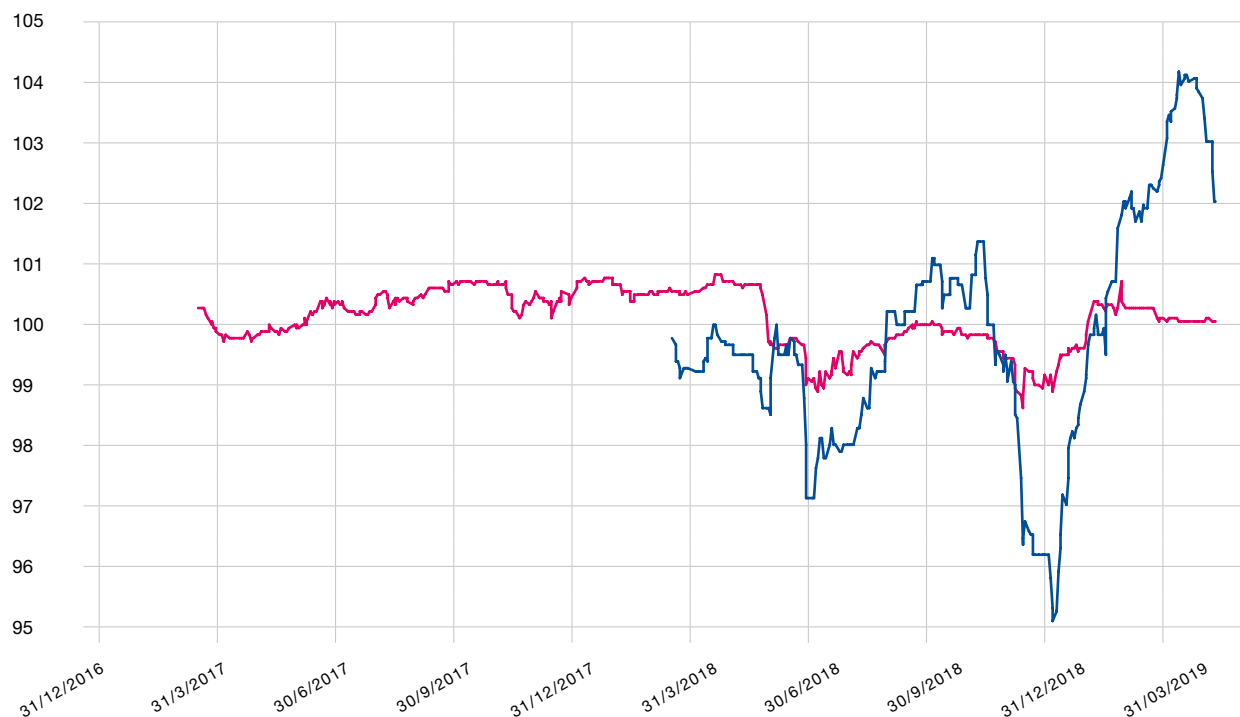
CAPITAL MARKET ACTIVITIES

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 2019 is presented below.

Capital market activities Progroup AG

ISIN	DE000A2E4YZ7 (144A) / DE000A2E4YY0 (Reg S)	DE000A2G8WB1 (144A) / DE000A2G8WA3 (Reg S)
Issue	Senior Secured Floating Rate Notes	Senior Secured Fixed Rate Notes
Issuer	Progroup AG	Progroup AG
Listing	The International Stock Exchange	The International Stock Exchange
Distribution	144A/Reg S	144A/Reg S
Amount issued	€150,000,000	€450,000,000
Amount outstanding	€150,000,000	€450,000,000
Currency	EUR	EUR
Issue date	27 March 2017	27 March 2018
Final maturity	31 March 2024	31 March 2026
Optional redemption	from 31 March 2018: 101.000%	from 31 March 2021: 101.500%
	from 1 May 2019 and thereafter: 100.000%	from 31 March 2022: 100.750%
		from 31 March 2023 and thereafter: 100.000%
Issue price	100% of face amount	100% of face amount
Coupon	Three-month EURIBOR (subject to a zero-floor) plus 2.50%	3.000%
Interest payments	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
Security agent	Wilmington Trust (London) Limited	Wilmington Trust (London) Limited
Ratings		
S&P	BB-	BB-
Moody's	Ba3	Ba3

Progroup Senior Secured Notes Prices



■ Floating Rate Notes 2017 ■ Fixed Rate Notes 2018

Source of price data: Deutsche Bank AG

Under the conditions of issue governing our senior secured floating rate notes due 2024, we have the option to early redeem all or a part of the senior secured floating rate notes at a redemption price equal to 100.00% of any senior secured floating rate notes so redeemed, plus accrued and unpaid interest thereon up to, but excluding, the relevant redemption date. We regularly evaluate potential opportunities to optimise our capital structure, which may include refinancing and early redeeming the senior secured floating rate notes. However, any final decision with regard to any such potential refinancing/early redemption will be made based on then prevailing market conditions, our operating performance, our liquidity situation and projected capital requirements as well as other factors we consider relevant at the time. We may therefore decide to early redeem / refinance all or just a portion of the senior secured floating rate notes, delay any potential early redemption / refinancing or decide not to early redeem / refinance any senior secured floating rate notes at all.

2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

BUSINESS

Corrugated board production



We are a leading, family-owned producer and supplier of containerboard and corrugated board in Central Europe and headquartered in Landau, Germany. According to an independent market consultant, we are the third largest producer of corrugated board in Europe (by production capacity) through our Progroup Board business (“Board”) and the sixth largest producer of recycled containerboard in Europe through our Progroup Paper business (“Paper”). We focus on the highly efficient production and processing of standardised grades and customised small batch series of corrugated board sheets for our mostly family-owned box manufacturing customers. In this core market segment, we are the market leader by volumes sold in Germany, Austria, Belgium, the Czech Republic and the Netherlands (according to an independent market consultant). We believe we differentiate ourselves from other market participants (i.e., fully integrated paper and

packaging producers) through our strategic focus on those elements of the value chain that bring added-value to our customers in the packaging industry, in particular on the automated and integrated production of containerboard and corrugated board.

Our customers serve various end markets, including industrial/manufacturing, consumer durables, processed foods, non-food manufactured consumer goods and fresh food. Unlike many fully integrated market players, we do not produce boxes and therefore do not compete with our box manufacturing customers, but instead focus solely on the production of containerboard and corrugated board.

Through our large scale and highly flexible production, built up via a greenfield approach, we are able to realise significant economies of scale. Since we commenced operations in 1992, we have carefully selected the locations of our production sites and have grown organically by pursuing a primarily greenfield strategy to create an optimal geographic set-up of our production sites across the markets in which we operate. As a result, we benefit from a well-invested asset base and production sites with high technological standards, resulting in a relatively low cost base compared to many of our competitors and relatively low requirements for additional capital expenditures in the short- to medium-term. Given the high technological standards of our production facilities, we believe we are well-positioned to benefit from major growth trends in our industry, such as (i) increasing demand for light-weight packaging, (ii) the increasing importance of small-size packaging due to the growing importance of e-commerce, and (iii) the general trend towards a more efficient and



High technological standards of production facilities

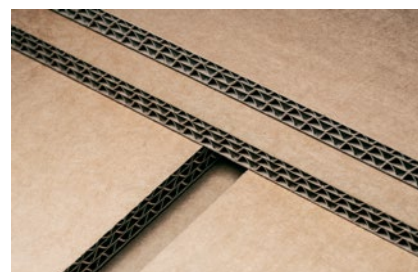
sustainable use of raw materials and energy, which can help reduce both costs and CO₂ emissions.

Our core business comprises Paper and Board. The focus of Paper's operations is highly flexible containerboard production using almost exclusively recycled paper, with high output volumes to increase cost efficiency and short delivery times. Containerboard produced by Paper accounted for most of the containerboard sourcing requirements of our corrugated board



Progroup Board PW10 plant
Trzcinica, Poland

production within Board. We believe that a high degree of vertical integration and the ability of Board to internally source consistently high quality containerboard in a cost-efficient and highly flexible manner creates significant synergies for our business. In addition, our customers benefit from our integrated approach through short lead times, just-in-time delivery, online ordering and tracking options.



Corrugated sheetboard

Paper manufactures containerboard at our two paper mills in Germany, with an envisaged total annual production capacity of approximately 1,100,000 tons of containerboard. Our two paper machines, PM1 in Burg and PM2 in Eisenhüttenstadt, have complementary production layouts which allow us to produce brown containerboard with grammages between 60 and 230g/m² using almost exclusively recycled paper. This, in turn, allows us to internally source consistently high quality containerboard with the appropriate widths for Board's 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 1,440,000 tons of corrugated board (including PW12). Our historic green-field location strategy ensures close customer proximity and high production flexibility.

2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

RECENT DEVELOPMENTS

Resolution of the Annual General Meeting of 2 May 2019: dividend payment of €2.65/share

The Annual General Meeting, held on 2 May 2019, resolved the payment of a dividend of €2.65/share. As all 7,588,236 shares are entitled to dividend, the total amount of distribution amounted to approximately €20.1 mn.

Newly founded Progroup Board Kft.

In Preparation for the coming projects, the Progroup Board Kft. was founded in February 2019 as a wholly-owned subsidiary of Progroup Board GmbH.

Four additional corrugated board production sites

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) started operations in January 2019. This means that from the beginning of 2019 the production capacity for corrugated sheetboard is 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, leading to an expected total capacity of approximately 4,200 million m²/year.

Start of our new corrugated sheetboard production site in UK

Our new mega-corrugated sheetboard plant in Ellesmere Port (PW12) successfully completed trial runs during December 2018 and January 2019 and started commercial production at the end of January. On 29 January 2019, PW8 was shut down and PW12 took over full production for the UK market and started with the ramp-up phase.

Next corrugated board production site in Germany

The first of the abovementioned four corrugated board projects is already in the concrete implementation phase. The new state-of-the-art corrugated sheetboard plant is being constructed on a plot of land covering around 87,000 square meters in Eisfeld (Thuringia) with an annual capacity of 175,000 tons. The plant will be equipped with the similar technical innovations that already have been deployed at the new corrugated sheetboard mega plant in Ellesmere Port (UK). The key innovations include the oneman dry-end concept, a highly efficient high-bay warehouse with 11,000 storage spaces and three storage and retrieval machines, the automatic handling of pallets, edge protection and strapping as well as the optimisation of waste disposal and the gluing system. The corrugator will be equipped to operate at a speed of up to 400 m/min and with

a working width of 2.80 m will blend seamlessly into the Progroup mill system. Single-wall and double-wall Next Board® grades of varieties B, C, E and resulting combinations will be produced. Operating in four shifts, the plant will create a total of 52 new jobs and three apprenticeships. Production is scheduled to start in the fourth quarter of 2019 or the first quarter of 2020. Recently, we started with skeleton construction works.

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 Board, is to be covered predominantly by cost-efficient and highly flexible production in-house. We have therefore begun the realisation of a 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 the second half of 2020 and, following a start-up phase, it will provide a further production capacity of around 750,000 tons 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 tons to around 1,850,000 tons. This project to establish a new additional paper machine (PM3) in Germany is well on track, proceeding according to plan. We have taken the decision to install a fully closed loop water treatment system, which sustainably saves up to 3.75 million cubic metres of water every year and makes us independent of external waste water treatment capacities. Currently, the skeleton construction works are ongoing.



Construction site Progroup Paper PM3
Sandersdorf-Brehna, Germany

Executive Board

We are pleased to announce that Philipp Kosloh and Maximilian Heindl became regular members of our Executive Board effective from 1 January 2019 and formally assumed the roles of Chief Operating Officer and Chief Development Officer, respectively. Mr. Kosloh rejoined the group in November 2016 and was appointed as a Deputy Member of our Executive Board. Maximilian Heindl joined the group in August 2016 as the manager in charge of production and technology at Propapier (PM1 and PM2) and with overall responsibility for Propower. From 1 August 2017, Maximilian Heindl took over further responsibility within the group as a Deputy Member of the Executive Board.

Supervisory Board

On 24 January 2019, the composition of our Supervisory Board changed. Prof. Dr. Hermut Kormann (member since 2015) retired from the Supervisory Board. His successor Christian Buchel was appointed by the Extraordinary General Meeting on 24 January 2019. Mr. Buchel is Member of the Board of ENEDIS, the national French distribution network operator.

2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

MARKET DEVELOPMENTS

Containerboard stock



Demand for our products is generally driven by the level of economic growth and activity, since these factors typically result in higher per capita use of packaging materials through higher rates of consumption and transportation of goods. An increase in the use of packaging materials (including paper-based packaging materials) results in an increase in the demand for our recycled containerboard and corrugated board products.

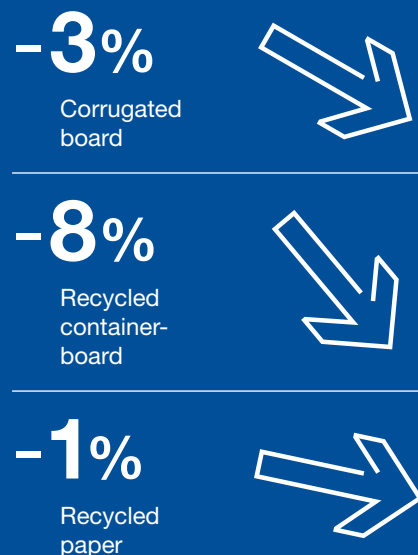
Recycled paper is our main raw material for the production of recycled containerboard. Due to decreases in demand from outside Europe, prices declined during the first half of 2018. Since then, prices for recycled paper stabilised on a low level. During the first quarter of 2019, the prices were approximately

stable on the same level as in the fourth quarter (-1%), but significantly lower as in the prior year's first quarter.

After price increases in the first quarter of 2018, prices for recycled containerboard remained stable in the second and third quarter of 2018. In the fourth quarter of 2018 and the first quarter of 2019, prices started to decline (Q1 2019 compared to Q4 2018 -8%).

Prices for corrugated board also increased during the first half of 2018 and started to decline in the fourth quarter of 2018, following the recycled containerboard's price development. During the first quarter of 2019, prices were below the level achieved in the fourth quarter of 2018 (-3%).

Price development Q1 2019 compared to Q4 2018



FI NAN CIAL RE PORT



RESULTS OF OPERATIONS

01

Sales volume

(in thousands of tons)

	January – March	
	2019	2018
Corrugated board	307	295
Containerboard	259	265
– thereof external	34	54
– thereof internal	225	212

Sales

(in € thousands)

	January – March	
	2019	2018
Sales	245,356	243,786

01

The corrugated board business is our main external sales driver. We were able to increase our sales volume of corrugated board by 4.3% (+12.7 thousand tons) in the first quarter of 2019, compared to the prior year's same quarter, with the main growth momentum coming from our new Italian operations.

Total sales volume of containerboard in the first quarter of 2019 was below the level of the prior year's same quarter (-2.4%) due to scheduled downtimes at our two paper machines in March 2019. The increased sales volume of corrugated board sold led to a higher internal usage of containerboard (+6.1% or 13.0 thousand tons) and thus to a further decrease in the external volume sold (-36.0% or -19.3 thousand tons).

The level of integration of our containerboard business, including swap agreements, slightly increased to approximately 97% in the first quarter of 2019, after 96% in the fourth quarter of 2018.

Total sales increased slightly by 0.6% (€1.6 mn) to €245.4 mn in the first quarter of 2019, compared to €243.8 mn in the same quarter of the prior year. This increase in sales is attributable to further strong growth in our corrugated board sales as a result of the higher volume sold and a slightly higher price level. In contrast, our sales of containerboard decreased.

02 Other operating income

(in € thousands)

	January – March	
	2019	2018
Investment subsidies	99	63
Income from exchange rate differences	1,606	537
Income from other periods	1,267	820
Extraordinary income	1	0
Other income	363	154
Other operating income	3,335	1,573

02

Other operating income increased by 112.0% (€1.8 mn) to €3.3 mn in the first quarter of 2019, mainly resulting from

higher income from exchange rate differences and higher income from other periods.

03 Costs of materials

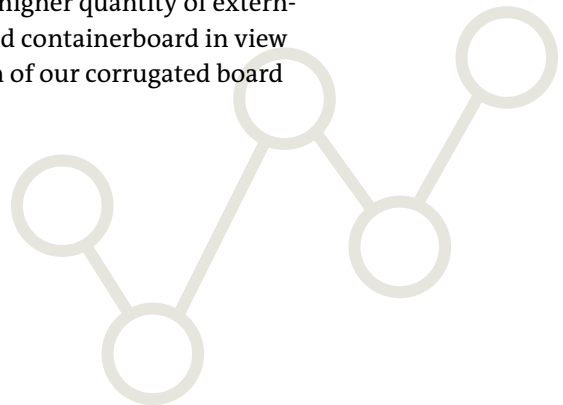
(in € thousands)

	January – March	
	2019	2018
Costs of raw materials, consumables and supplies	94,808	97,850
Costs of purchased services	22,983	21,471
Costs of materials	117,791	119,321

03

Costs of materials slightly decreased by 1.3% (€1.5 mn) to €117.8 mn in the first quarter of 2019, primarily resulting from lower costs of raw materials, consumables and supplies. This development was mainly driven by declining prices

for recycled paper. Contrary effects came from a higher quantity of externally purchased containerboard in view of the growth of our corrugated board business.



2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

04 Personnel expenses

(in € thousands)

	January – March	
	2019	2018
Wages and salaries	18,178	15,548
Social security and pensions	3,174	2,819
– thereof for pension expenses	98	49
Personnel expenses	21,352	18,367

04

Personnel expenses increased by 16.3% (€3.0 mn) to €21.4 mn in the first quarter of 2019. This increase is mainly attributable to a higher average number of employees, administrative and group positions reflecting our strong growth.

The increase in the number of employees is mainly related to our growth projects in Eisfeld (PW13) and Sandersdorf-Brehna (PM3), since the build-up of workforces started in the first quarter of 2019.

05 Other operating expenses

(in € thousands)

	January – March	
	2019	2018
Freight expenses	18,779	17,126
Maintenance and repair	10,965	7,642
Paper machine clothings	1,813	1,670
Rental and leasing costs	2,208	1,865
Legal and consulting fees	1,235	779
Expenses from exchange rate differences	199	780
Expenses from other periods	580	258
Extraordinary expenses	65	6,900
Others	6,655	5,335
Other operating expenses	42,501	42,355

05

Other operating expenses slightly increased by 0.3% (€0.1 mn) to €42.5 mn in the first quarter of 2019, primarily due to expenses for maintenance and repair and an increase of freight expenses. The increase in expenses for maintenance and repair is primarily

due to the scheduled downtimes of our two paper machines. Freight expenses increased in connection with a higher freight volume and higher freight rates. Contrary effects came from significantly lower extraordinary expenses.

06

Results of operations

(in € thousands)

	January – March	
	2019	2018
EBITDA	67,289	69,780
Amortisation and depreciation of fixed assets	-13,839	-12,293
Net interest result	-6,070	-5,996
Extraordinary income/expenses (other operating income/expenses)	-65	-6,900
Taxes on income	-13,903	-12,310
Consolidated net income for the period	33,411	32,280

06

In the first quarter of 2019, EBITDA slightly decreased by 3.6% (€2.5 mn) to €67.3 mn, mainly driven by the scheduled downtime of our two paper machines and the higher average number of employees, administrative and group positions. This was partly offset by a continued strong operating performance with growth in sales volume of corrugated board.

The net interest result of the first quarter of 2019 was slightly below the result of the same period of the prior

year due to the amortisation of the lump sum fee payment.

In the first quarter of 2019, there were no significant extraordinary expenses.

In the first quarter of 2019, taxes on income increased in connection with the higher results.

2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

NET ASSET POSITION

The following statements describe the main changes in the balance sheet as at 31 March 2019 compared to 31 December 2018.

Assets

(in € thousands)

	31/03/2019	31/12/2018
A. Fixed assets	807,648	742,184
B. Current assets	395,673	385,916
I. Inventories	108,001	110,512
II. Receivables and other assets	151,678	126,973
III. Cash in hand, bank balances	135,993	148,431
C. Prepaid expenses and deferred charges	20,628	19,367
D. Deferred tax assets	0	36
Total assets	1,223,949	1,147,504

Equity and liabilities

(in € thousands)

	31/03/2019	31/12/2018
A. Shareholder's equity	349,493	315,518
B. Investment grants for fixed assets	3,680	3,779
C. Provisions	94,893	91,746
D. Liabilities	775,040	736,378
I. Bonds	600,000	600,000
II. Bank loans	102,007	74,033
III. Trade payables	54,430	49,787
IV. Other liabilities	18,603	12,558
E. Deferred income	47	83
F. Deferred tax liabilities	796	0
Total equity and liabilities	1,223,949	1,147,504

Fixed assets increased by €65.5 mn to €807.6 mn as at 31 March 2019, following the capital expenditures for the corrugated board expansion projects in the UK (PW12) and Germany (PW13) as well as the paper machine project PM3.

Inventories amounted to €108.0 mn as at 31 March 2019, which is slightly below the level as at 31 December 2018 (2.3% or €2.5 mn) and mainly driven by a decrease in work in process.

Trade receivables increased by €19.5 mn or 17.9% to €128.2 mn as at 31 March 2019, mainly due to year-end effects based on lower sales in December.

Other assets increased by €5.2 mn or 28.7% to €23.4 mn as at 31 March 2019, mainly in connection with higher sales tax prepayments.

Prepaid expenses and deferred charges increased by €1.3 mn to €20.6 mn, primarily due to prepaid insurance premiums for the financial year 2019.

As at 31 March 2018, **deferred tax assets** decreased by €36 thousand 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. Following this development, a **deferred tax liability** was recognised in 2019, which amounts to €0.8 mn as at 31 March 2019.

Shareholder's equity significantly increased by €34.0 mn from €315.5 mn as at 31 December 2018 to €349.5 mn as at 31 March 2019 as a result of the consolidated net income of the first quarter 2019.

Tax provisions increased by €0.4 mn to €34.3 mn due to the higher taxes on income following our strong results.

Other provisions increased by €2.7 mn to €60.2 mn, mainly due to higher provisions for outstanding invoices in connection with our current growth projects.

Bonds were unchanged as at 31 March 2019 in an amount of €600 mn.

As at 31 March 2019, **bank loans** increased by €28.0 mn to €102.0 mn due to a drawdown of €30 mn from the €155 mn long-term bilateral bank loan facilities to finance the ongoing construction of our PM3 project. Contrary effects came from scheduled repayments of the Senior Secured PLN Facilities.

The increase in **trade payables** by €4.6 mn or 9.3% to €54.4 mn as at 31 March 2019 is mainly due to a higher external containerboard purchase to cover the raw material demand of our growing corrugated board business and our current growth projects.

The increase in **other liabilities** by €6.0 mn to €18.6 mn as at 31 March 2019 is related to accrued interest for our bonds and higher liabilities from sales taxes.

2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

FINANCIAL POSITION

Summary of cash flows

(in € thousands)

	January – March	
	2019	2018
Cash flows from operating activities	32,075	31,220
Cash flows from investing activities	-70,907	-18,714
Free cash flow	-38,832	12,506
Cash flows from financing activities	25,875	423,267

Cash flows from operating activities increased by €0.9 mn to €32.1 mn in the first quarter of 2019 following our strong performance and a lower increase in working capital compared to the previous year's first quarter. Contrary effects related to the absence of expenditure of exceptional size or incidence in the reporting period compared to the first quarter of 2019. Furthermore, higher income taxes paid impacted cash flows from operating activities.

Cash flows from investing activities amounted to €-70.9 mn in the first quarter of 2019. They were mainly attributable to the start of skeleton construction works for our new paper machine PM3 and furthermore caused by our corrugated board plant projects PW12 in the United Kingdom and PW13 in Germany. As usual, several smaller investments in different plants as part of our continuous maintenance capital expenditures were also included.

Free cash flow for the first quarter, calculated as cash flows from operating activities plus cash flows from investing activities, clearly decreased as a result of the high cash outflows from investing activities.

Cash flows from financing activities in the period ended 31 March 2019 mainly consisted of the €30 mn drawing from the €155 mn long-term bilateral bank loan facilities to finance the ongoing construction of our new paper machine PM3 as well as interest paid. The abovementioned cash flows from financing activities were partly offset by scheduled repayments of the Senior Secured PLN Facilities.

2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March / Q1 2019

CONSOLIDATED BALANCE SHEET

Assets

(in € thousands)

	31/03/2019*	31/12/2018
A. Fixed assets		
I. Intangible assets		
1. Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	16,738	17,415
	16,738	17,415
II. Tangible assets		
1. Land and buildings including buildings on leasehold land	215,712	187,652
2. Technical equipment and machinery	416,206	388,189
3. Other equipment, factory and office equipment	7,838	7,872
4. Prepayments and constructions in process	151,153	141,056
	790,909	724,769
	807,648	742,184
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	54,446	54,352
2. Work in process	46,991	50,136
3. Finished goods	6,530	5,957
4. Prepayments	35	67
	108,001	110,512
II. Receivables and other assets		
1. Trade receivables	128,229	108,756
2. Receivables from affiliated companies	7	3
3. Other assets	23,442	18,214
	151,678	126,973
III. Cash in hand, bank balances	135,993	148,431
	395,673	385,916
C. Prepaid expenses and deferred charges	20,628	19,367
D. Deferred tax assets	0	36
Total assets	1,223,949	1,147,504

* Unaudited consolidated interim financial information

2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

Equity and liabilities

(in € thousands)

	31/03/2019*	31/12/2018
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	-2,146	-2,709
5. Consolidated net retained profits	267,229	233,817
	349,493	315,518
B. Investment grants for fixed assets	3,680	3,779
C. Provisions		
1. Provisions for pensions	355	280
2. Tax provisions	34,345	33,951
3. Other provisions	60,193	57,514
	94,893	91,746
D. Liabilities		
1. Bonds	600,000	600,000
2. Bank loans	102,007	74,033
3. Trade payables	54,430	49,787
4. Other liabilities	18,603	12,558
	775,040	736,378
E. Deferred income	47	83
F. Deferred tax liabilities	796	0
Total equity and liabilities	1,223,949	1,147,504

* Unaudited consolidated interim financial information

Consolidated Income Statement

(in € thousands)

		January – March*	
		2019	2018
1.	Sales	245,356	243,786
2.	Increase/decrease in finished goods and work in process	-2,573	-3,608
3.	Other own work capitalised	3,077	1,521
4.	Other operating income	3,335	1,573
5.	Costs of materials		
a)	Costs of raw materials, consumables and supplies	-94,808	-97,850
b)	Costs of purchased services	-22,983	-21,471
		-117,791	-119,321
6.	Personnel expenses		
a)	Wages and salaries	-18,178	-15,548
b)	Social security and pensions	-3,174	-2,819
		-21,352	-18,367
7.	Amortisation and depreciation of fixed intangible and tangible assets	-13,839	-12,293
8.	Other operating expenses	-42,501	-42,355
9.	Other interest and similar income	19	10
10.	Interest and similar expenses	-6,089	-6,007
11.	Taxes on income	-13,903	-12,310
12.	Earnings after taxes	33,739	32,630
13.	Other taxes	-328	-350
14.	Consolidated net income for the period	33,411	32,280
15.	Consolidated unappropriated retained earnings brought forward	233,817	193,358
16.	Consolidated net retained profits	267,229	225,639

* Unaudited consolidated interim financial information

2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

Consolidated Cash Flow Statement

(in € thousands)

		January – March*	
		2019	2018
1.	Cash flows from operating activities		
	Consolidated net income for the period	33,411	32,280
	Amortisation and depreciation of fixed assets	13,839	12,293
	Increase (+)/decrease (-) in provisions	-597	-3,155
	Other non-cash expenses (+)/income (-)	872	336
	Increase (-)/decrease (+) in inventories, trade receivables and other assets**	-23,458	-34,110
	Increase (+)/decrease (-) in trade payables and other liabilities**	-2,703	1,779
	Interest expenses (+) /income (-)	6,070	5,996
	Expenditure (+) /income (-) of exceptional size or incidence	65	6,900
	Income tax expenses (+) /income (-)	13,903	12,310
	Income taxes paid (-)	-9,327	-3,409
	Cash flows from operating activities	32,075	31,220
2.	Cash flows from investing activities		
	Payments (-) to acquire intangible fixed assets	-30	-58
	Payments (-) to acquire tangible fixed assets	-70,899	-18,666
	Interest received (+)	22	10
	Cash flows from investing activities	-70,907	-18,714
3.	Cash flows from financing activities		
	Proceeds (+) from the issuance of bonds and borrowings	30,000	450,000
	Cash repayments (-) of bonds and borrowings	-2,174	-1,983
	Cash payments (-) relating to expenditure of exceptional size or incidence	0	-3,859
	Interest paid (-)	-1,951	-20,891
	Cash flows from financing activities	25,875	423,267
4.	Cash funds at end of period		
	Net change in cash funds	-12,957	435,773
	Effect on cash funds of exchange rate movements	519	-319
	Cash funds at beginning of period	148,431	117,946
	Cash funds at end of period	135,993	553,400
5.	Composition of cash funds		
	Cash and cash equivalents	135,993	553,400
	Cash funds at end of period	135,993	553,400

* Unaudited consolidated interim financial information

** Not attributable to investing or financing activities

Consolidated Statement of Changes in Equity

(in € thousands)

	Subscribed capital	Capital reserve	Consolidated equity generated		Currency translation adjustment	Group equity
			Revenue reserves	Consolidated net retained profits		
01 January 2019	7,588	75,414	1,408	233,817	-2,709	315,518
Consolidated net profit for the period	0	0	0	33,411	0	33,411
Other changes	0	0	0	0	563	563
31 March 2019*	7,588	75,414	1,408	267,229	-2,146	349,493

* Unaudited consolidated interim financial information

2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

DISCLAIMER

Financial information

The unaudited consolidated financial information of Progroup AG (“Progroup”) as at and for the period ended 31 March 2019 included in this report, has been prepared in accordance with generally accepted accounting principles (Grundsätze ordnungsgemässer Buchführung) in the Federal Republic of Germany as in effect from time to time (“German GAAP”), which differ in certain respects from International Financial Reporting Standards as adopted by the European Union. Certain numerical figures included in this report have been rounded. Discrepancies or apparent inconsistencies between different amounts included in this report may occur due to such rounding.

Forward-looking statements

This report may contain forward-looking statements. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this report, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this report. Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as at the date on which the statements were made (and in any case no later than the date of this report). We undertake no obligation, and do not intend, to update or revise any forward-looking statements, whether as a result of new information, future events or developments or otherwise.

Industry and market data

This report may contain information, data and predictions about our markets and our competitive position. We operate in an industry for which it is difficult to obtain precise industry and market information. Any market data and/or economic and industry data and forecasts used, and statements regarding our position in the industry made in this report are based upon market research, government and other publicly available information, reports prepared by independent industry consultants and independent industry publications. Any such information in this report that has been sourced from third parties has been accurately reproduced and, as far as we are aware and able to ascertain from the information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. While we believe the statements included in such third party publications to be reliable, they have not been independently verified, and we do not make any representation or warranties as to the accuracy or completeness of such information set forth in this report. In addition, certain market share information and other statements in this report regarding our industry and our position relative to competitors reflect our management's best estimates, based

on our experience and knowledge of our industry. We cannot assure you that these statements and information are accurate or that they correctly reflect the state and development of our position in the industry.

Non-GAAP financial measures

In this report, we present certain non-GAAP measures and ratios, including EBITDA, EBITDA margin, EBIT, free cash flow, net financial debt, net leverage and certain other financial data that are not required by, or presented in accordance with, German GAAP. Our management believes that the presentation of these non-GAAP measures is helpful for investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and financial position. However, you should not construe these non-GAAP measures as an alternative to net income determined in accordance with German GAAP or to cash flows from operating activities, investing activities or financing activities. In addition, the non-GAAP measures and ratios, including EBITDA, EBITDA margin, EBIT, free cash flow, net financial debt and net leverage presented by us may not be comparable to similarly titled measures used by other companies.

2	Key Figures	14	Business	24	Net Asset Position	34	Disclaimer
4	Highlights	16	Recent Developments	26	Financial Position	36	Additional Explanatory Information
8	Letter to Investors	18	Market Developments	28	Unaudited Consolidated Interim Financial Information	38	Legal Notice and Information
12	Capital Market Activities	20	Results of Operations				

ADDITIONAL EXPLANATORY INFORMATION

Accounting policies

The unaudited consolidated interim financial information of Progroup AG as at and for the period ended 31 March 2019 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 2018.

Please refer to the notes to the audited consolidated financial statements for the year ended 31 December 2018 for a detailed description of our significant accounting policies.

Scope of consolidation

In the period ended 31 March 2019, the newly founded Progroup Board Kft. was added to the scope of consolidation.

Information on material risks

As at 31 March 2019, there are no significant changes with regard to the risks for Progroup AG compared with the year ended 31 December 2018 and described in the respective annual financial statements.

LEGAL NOTICE AND INFORMATION

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 (CDO)
Philipp Kosloh (COO)

Issue date of this report:
28/05/2019