progroup

INTERIM FINANCIAL REPORT

31 March / First Quarter 2023

KEY FIGURES

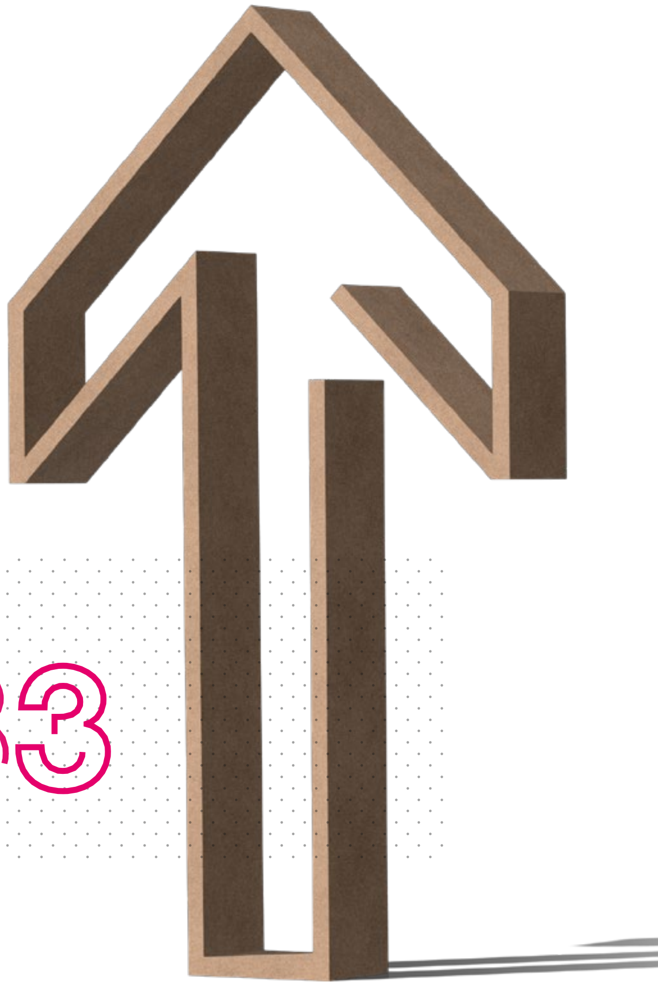
(in € thousands)

Net leverage
31/03/2023

1.7

Net financial debt
31/03/2023

619,942



SALES
January – March 2023

391,283

Reported EBITDA
January – March 2022

116,510

Reported EBITDA
January – March 2023

74,402

Reported EBITDA margin
January – March 2023

19.0%

KEY OPERATING FIGURES

(in € thousands)

	January – March	
	2023	2022
Sales	391,283	464,010
Reported EBITDA [1]	74,402	116,510
Reported EBITDA margin (in % of net sales)	19.0%	25.1%
EBIT [2]	45,937	88,943
Consolidated net income for the period	27,899	59,598
Cash flows from operating activities	73,066	38,299
Cash flows from investing activities	-32,550	-19,285
Free cash flow [3]	40,516	19,014

KEY BALANCE SHEET FIGURES

(in € thousands)

	31/03/2023	31/12/2022
Total assets	1,808,987	1,813,990
Equity and equity-like items [4]	699,118	669,890
Cash in hand, bank balances	151,152	163,256
Financial liabilities [5]	771,095	818,388

KEY FINANCIAL FIGURES

(in € thousands)

	31/03/2023	31/12/2022
Net leverage [6]	1.7	1.6
LTM EBITDA	369,917	412,026
Net financial debt [7]	619,942	655,132

(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) Equity and equity-like items (not a German GAAP measure) are calculated as reported shareholder's equity plus 70% of investment grants for fixed assets.

(5) Financial liabilities are calculated as bonds plus bank loans plus accrued interests minus securities.

(6) Net leverage (not a German GAAP measure) is calculated by dividing net financial debt as at 31 March 2023 and 31 December 2022, respectively, by adjusted EBITDA for the last twelve months (LTM) ended on the relevant date.

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

HIGHLIGHTS

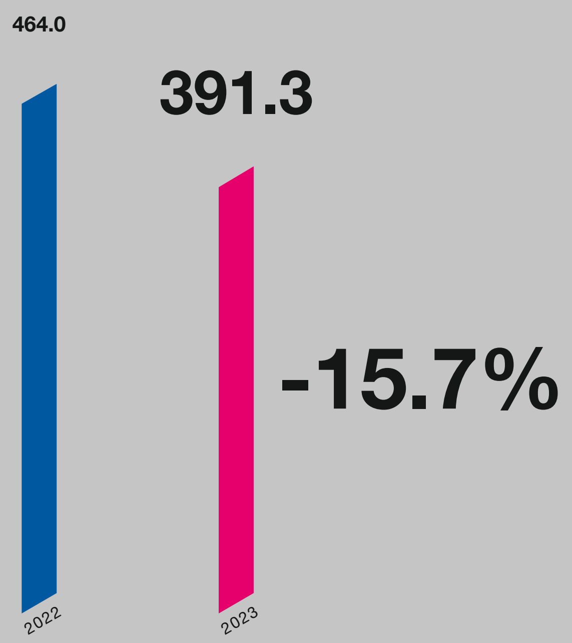
01

In the first three months of 2023, Progroup continued to generate robust sales in our two key businesses despite the implications from the Russian aggression against Ukraine and the generally weak market environment. The price levels for both corrugated board and containerboard decreased significantly in the first quarter of 2023. The purchase price for our main raw material recovered paper also continued to fall in the first quarter. Energy prices declined from the high level of the previous year. Due to our moderate hedging levels for 2023, we benefited from the lower spot market prices.

02

Sales decreased by 15.7% to €391.3 mn in the first three months of 2023, after €464.0 mn in 2022. The steep decline was mainly driven by lower sales price levels.

SALES
January – March
(in € million)



03

The volume of corrugated board sales outperformed the market development with a marginal decrease of 0.9% in the first three months of 2023 compared to the prior-year period. Despite the weak market environment, we stabilised our sales volume on the comparably high volume level of the first quarter of 2022. Containerboard sales volumes decreased by 5.0% in the first three months of 2023. The main reasons for this were the weaker external demand, a shift towards a higher share of super-lightweight containerboard grades and timing effects at year-end 2022 which reduced the internal containerboard sales volumes.

04

Integration between the two main businesses of Progroup remained on a high level. Integration including swap agreements reached 87% in the first quarter of 2023, after 85% in the previous year's first quarter. Excluding

19%

**EBITDA margin
January – March 2023**

06

Due to the challenging market environment, EBITDA normalised at €74.4 mn in the first quarter of 2023 compared to the exceptionally high figure of €116.5 mn in the previous year. The reduction in EBITDA was due to lower sales and a lower gross margin as a result of lower sales price levels. EBITDA margin reached 19.0% in the first quarter of 2023, after 25.1% in the first quarter of 2022.

swap agreements, integration reached 76% in the first quarter of 2023, after 73% in the previous year's first quarter.

05

Free cash flow more than doubled in the first quarter of 2023 compared to the previous year's first quarter. Cash flows from operating activities increased by 90.8% to €73.1 mn, up from €38.3 mn in the first quarter of 2022. The higher cash outflows from investing activities of €-32.6 mn is related to the progress in our value accretive expansion projects.

07

Net leverage increased slightly from 1.6 as at 31 December 2022 to 1.7 as at 31 March 2023. Net leverage is therefore again well below the long-term maximum target of 3.0. The increase is attributable to a lower LTM EBITDA which more than compensated for the lower net financial debt. In addition to scheduled repayments of existing loans, the original GBP loan of GBP 70 mn was partially repaid before maturity with an amount of GBP 30 mn.

08

Despite the uncertainties from the Russian war against Ukraine and the weak economic environment, Progroup will continue on its strategic growth path. The new corrugated board plant PW14 in Poland started commercial production in January, with ramp-up progressing as expected. Our next corrugated board project PW15 in Germany is expected to commence operations in the first half of 2024. Construction activities for PW16 in Italy are set to start in June 2023, and the first corrugated board formats are scheduled to roll off the production line by the end of 2024. In addition, the construction of the second refuse-derived fuel power plant, right next to our PM3 paper mill, is progressing according to plan.


P

CONTENT

LETTER TO INVESTORS

ROBUST BUSINESS MODEL ENSURES LONG-TERM SUCCESS

Dear investors and business partners,

Looking at the first quarter of 2023, Progroup performed very well against the trend in a weak market environment. With corrugated board sales volumes almost at the previous year's level, we developed significantly better than the overall market. Our robust business model also ensured that we were able to operate our paper mills as planned without demand-related shutdowns. As a result, our operating rates were significantly above the German reference market.

We continued on our long-term growth path. The PW14 corrugated sheetboard plant in Stryków, Poland, has been in commercial operation since January. The current ramp-up phase shows a positive development in line with our expectations. The PW15 growth project in Petersberg, Rhineland-Palatinate (Germany) is also progressing well. Supply chain-related delays are likely to postpone the start of test operations until the first half of 2024. As part of our latest growth project – the PW16 corrugated sheet feeder plant in Italy – we are currently preparing the land for construction. We received the building permit for the waste-to-energy power plant PPO2; accordingly, so we have recently started the earthworks.

Thanks to our long-term strategy and strong business model, Progroup is well equipped for the growth expected in the short to medium term.

from l.t.r.:
Dr. Volker Metz, Chief Financial Officer
Maximilian Heindl, Chief Executive Officer

GROWTH PROJECTS CONTINUE TO MAKE PROGRESS

The new PW14 sheetboard plant in Stryków, Poland, is developing positively as expected. In the future, up to 200,000 tonnes of corrugated sheetboard are expected to roll off the production line here per year. The plant strengthens Progroup's market position in Central and Eastern Europe: Stryków is now one of the largest locations for corrugated board production worldwide with two sheet feeder plants and a production capacity of 825 million square metres.

Due to equipment delivery problems, the new PW15 corrugated sheetboard plant is expected to go into test operation in the first half of 2024 instead of at the end of 2023. In Petersberg (Rhineland-Palatinate, Germany), up to 450 million square metres of corrugated sheetboard are to be produced per year. Around 60 jobs for highly qualified employees and apprentices are to be created in the approximately 28,000 square metre plant.

At the future PW16 corrugated sheetboard plant in the industrial area of Cessalto, Italy, we began preparing the land for construction in the first quarter of 2023. The plant is being built in the direct vicinity of a packaging producer. The first corrugated sheetboards are scheduled to roll off the production line by the end of 2024.

Our state-of-the-art waste-to-energy plant in Sandersdorf-Brehna (PPO2, Saxony-Anhalt, Germany) received its construction permit and we started earthworks for the foundation. In view of the current progress of the project, we currently expect to be able to put the power plant into operation before the end of 2025. PPO2 is another milestone on the way to a carbon-neutral circular economy. It is being built on the site of the high-tech PM3 papermill and, in future, will supply a large part of the process heat and power supply the PM3 paper mill requires. The energy will be generated through the thermal utilisation of residual materials from the mill's own production as well as those from the surrounding area.

MARKET AND BUSINESS DEVELOPMENT

Paper prices down massively

Prices for containerboard fell by 27% compared to the fourth quarter due to the very weak market. Corrugated sheetboard experienced a 12% price decline in the same period. Recovered paper prices have been trending sideways since the middle of the fourth quarter of 2022 and were 19% lower on average than the previous quarter in the first quarter of 2023.

Energy prices down further

Our hedging strategy, adjusted for 2023, allowed us to benefit from significantly lower prices for gas and electricity in the first quarter of 2023.

Weaker market reduces sales of Board and Paper

The sales volumes of Board and Paper decreased, mainly driven by the weak market, but also by the lower order backlog at the beginning of the year. With only a slight decline in sales volumes of corrugated sheetboard of 0.9%, we were able to clearly outperform the weak market development.

Paper sales volumes at Progroup Paper fell by 5.0% compared to the same quarter of the previous year. In the German reference market, sales volumes fell much more strongly in the first quarter (approx. -15% to -20%). Progroup's business model is thus stable in this challenging market environment.

Integration increased slightly due to the lower total sales volume and remains at a high level.

KEY FINANCIAL INDICATORS AT A GLANCE

Revenues decrease compared to the record previous year
As expected, Group revenues decreased by 15.7% compared to the first quarter of 2022, mainly due to price effects for corrugated board and containerboard.

In comparison to the consistent weaker fourth quarter, Progroup generated stable sales at a high level in the first quarter of 2023. The decline in revenues was relatively low at 3%, as falling paper prices were almost fully compensated for by higher sales volumes.

Robust result achieved
EBITDA in the first quarter of 2023 normalised compared to the exceptionally strong quarter of the previous year. At €74.4 mn, a good result was achieved, albeit 36.1% below the first quarter of 2022. Compared to the same quarter of the previous year, the EBITDA margin decreased from 25.1% to 19.0% and is below the 5-year average in the first quarter. We consider this to be a positive result, given the market uncertainty. Compared to the integrated packaging manufacturers, price changes affect Progroup more directly due to the different stages of the value chain. In cyclical market phases, we can therefore react more quickly to changes.

Asset and financial ratios
Financial liabilities decreased again compared to the previous year. This is due to scheduled repayments as well as early repayments of existing loans. Our cash and cash equivalents decreased slightly over year-end 2022.

The decline in LTM EBITDA was partly offset by lower net financial debt. Nevertheless, net leverage grew slightly by 0.1. However, the value of 1.7 is still significantly below the targeted maximum value of 3.0.

In the first quarter of 2023, free cash flow more than doubled to €40.5 mn, up €21.5 mn from €19.0 mn in the same quarter of the previous year. This was due to the good result in the first quarter of 2023 and negative working capital effects in the same period of the previous year.

Compared to the same quarter last year, operating cash flows rose from €38.3 mn to €73.1 mn despite the lower EBITDA. Cash outflows from investing activities increased from €-19.3 mn to €-32.6 mn compared to the first quarter of 2022. Cash outflows from financing activities grew from €-18.4 mn in the first quarter of 2022 to €-53.2 mn in the reporting quarter due to voluntary early repayments.

Positive Rating Action
On 24 May 2023, S&P Global Ratings raised its long-term corporate credit rating on Progroup AG from “BB-” to “BB” (“outlook stable”). The rating agency highlighted our improved financial risk profile in the last year due to the strong profitability. On 13 April 2023 Moody’s changed the rating outlook to “positive” reflecting our very strong point-in-time credit metrics for the Ba3 rating category. Both rating agencies have thus taken into account the positive development of our company in recent years and once again confirm the stable financial structure of our company.

**Outlook: Stabilisation expected –
long-term expansion continues according to plan**
We expect the market to pick up in the second quarter and prices to stabilise from the middle of the second quarter. As a result, we assume growth in volumes sold. As expected, we will not achieve the outstanding result of 2022 in 2023. The previous year cannot be taken as a benchmark due to the special effects.

Progroup relies on its robust business model and its consistent strategy. The focus will remain on expanding capacities in the future. The sound financing will be beneficial to the company’s success in the long term.

Yours sincerely,

Maximilian Heindl
Chief Executive Officer

Dr. Volker Metz
Chief Financial Officer

CAPITAL MARKET ACTIVITIES

An overview of the features of our senior secured fixed rate notes and their market performance as at 31 March 2023 is presented below.

CAPITAL MARKET ACTIVITIES PROGROUP AG

ISIN	DE000A2G8WB1 (144A) / DE000A2G8WA3 (Reg S)
Issue	Senior Secured Fixed Rate Notes
Issuer	Progroup AG
Listing	The International Stock Exchange
Distribution	144A/Reg S
Amount issued	€600,000,000
Amount outstanding	€600,000,000
Currency	EUR
Issue date	27 March 2018 / 26 June 2019
Final maturity	31 March 2026
Optional redemption	from 31 March 2021: 101.500%
	from 31 March 2022: 100.750%
	from 31 March 2023 and thereafter: 100.000%
Issue price	100% of face amount / 101.625% (tap)
Coupon	3.000%
Interest payments	Semi-annually on 31 Mar and 30 Sep, commencing on 30 Sep 2018
Paying agent	Deutsche Bank AG
Security agent	Wilmington Trust (London) Limited

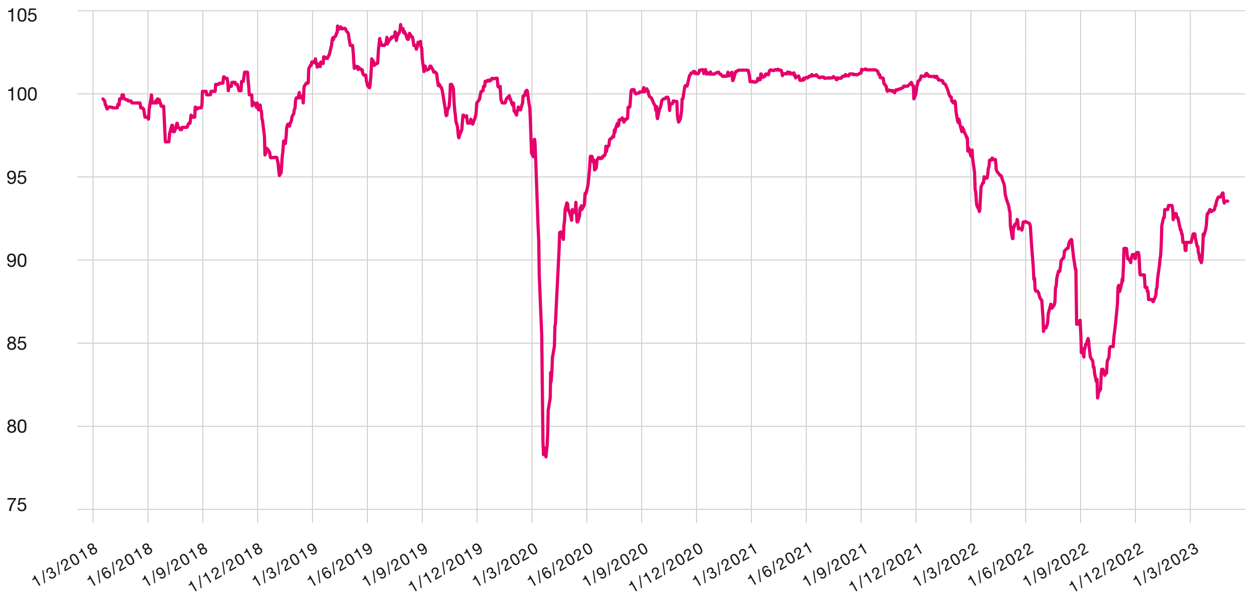
Ratings	
S&P	BB- [1]
Moody's	Ba3 [2]

We may from time to time seek to retire or repurchase our outstanding debt through open market purchases, privately negotiated transactions, tender offers, exchange offers, or otherwise. Such repurchases, if any, will depend on market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts subject to such repurchases may be material.

(1) On 24 May 2023, Standard & Poor's upgraded Progroup's long-term corporate credit rating from "BB-" to "BB" ("outlook stable"). The rating agency highlighted our improved financial risk profile in the last year due to the strong profitability.

(2) On 13 April 2023 Moody's changed the rating outlook to "positive" reflecting our very strong point-in-time credit metrics for the Ba3 rating category.

PROGROUP SENIOR SECURED NOTES PRICES

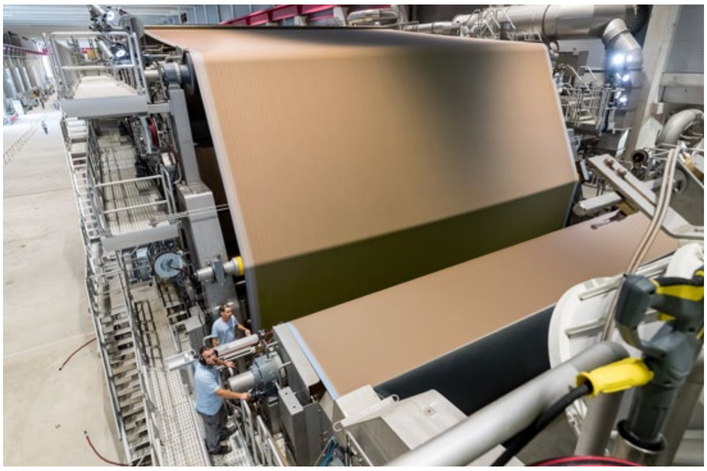


■ Fixed Rate Notes 2018

Source of price data: Deutsche Bank AG

BUSINESS

Containerboard 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 fifth largest producer of recycled containerboard in Europe through our Progroup Paper business ("Paper"). We focus on the highly efficient production and processing of standardised grades and customised small batch series of corrugated board sheets for our mostly family-owned box manufacturing customers. In this core market segment, we are the market leader by volumes sold in Germany, Austria, Belgium, the Czech Republic and the Netherlands (according to an independent market consultant). We believe we differentiate ourselves from other market participants (i.e., fully integrated paper and packaging producers) through our strategic focus on those elements of the value chain that bring added-value to our customers in the packaging industry, in particular on the automated and integrated production of containerboard and corrugated board.

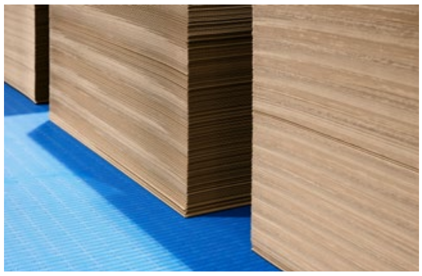
Our customers serve various end markets, including industrial/manufacturing, consumer durables, processed foods, non-food manufactured consumer goods and fresh food. Unlike many fully integrated market players, we do not produce boxes and therefore do not compete with our box manufacturing customers,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

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

Quality check: corrugated sheetboard

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

Our core business comprises Paper and Board. The focus of Paper's operations is highly flexible containerboard production using almost exclusively recovered paper, with high output volumes to increase cost efficiency and short delivery times. Containerboard produced by Paper accounted for most of the containerboard sourcing requirements of our corrugated board production within Board. We believe that a high degree of vertical integration and the ability of Board to internally source consistently high quality containerboard in a cost-efficient and highly flexible manner creates significant synergies for our business. In addition, our customers benefit from our integrated approach through short lead times, just-in-time delivery, online ordering and tracking options.



Corrugated sheetboard production

Paper manufactures containerboard at our three paper mills in Germany, with an envisaged total annual production capacity of approximately 1,850,000 tonnes of containerboard. Our three paper machines, PM1 in Burg, PM2 in Eisenhüttenstadt and PM3 in Sandersdorf-Brehna, have complementary production layouts which allow us to produce brown containerboard with grammages between 60 and 230g/m^2 using almost exclusively recovered paper. This, in turn, allows us to internally source consistently high quality containerboard with the appropriate widths for Board's twelve corrugated board production sites in the Czech Republic, France, Germany, Italy, Poland and the United Kingdom with a total annual production capacity of approximately 1,815,000 tonnes of corrugated board (including PW14). Our historic greenfield location strategy ensures close customer proximity and high production flexibility.

Progroup Board PW09 plant
Plößberg, Germany

RECENT DEVELOPMENTS

Construction site Progroup Board PW15, date: April 2023
Petersberg, Rhineland-Palatinate, Germany

Stryków to become the largest site for corrugated board production world-wide

Since the beginning of January 2023, the first corrugated board formats have officially been rolling off the line of Progroup's latest high-tech corrugated sheetfeeder plant PW14 in Stryków, Poland. The plant is located on the same site as the PW07 plant, which has been in operation since 2009. Together, both corrugated sheetfeeder plants have a production capacity of 825 million square metres per year, making Stryków currently one of the largest sites worldwide for corrugated board production. The corrugated board formats produced by Progroup will be transported directly to our packaging park customer Gatner Packaging at the right time and in exact quantities. The ramp-up of the new PW14 plant is progressing according to plan.

Next corrugated board production site in Germany

In the third quarter of 2021, Progroup started preparations for the construction of the PW15 corrugated sheet feeder plant near the towns of Petersberg and Höheischweiler (Rhineland-Palatinate, Germany). From 2024, up to 450 million square metres of corrugated sheetboard per year are expected to be produced here. The modern production facility will be built directly next to the plant of packaging manufacturer G&G Preißer. The cooperation between the two companies will create a new packaging park on the site, in which the neighbouring packaging manufacturer will be supplied just-in-time with corrugated board from Progroup via a direct connection. The PW15 construction site is also making further progress. The shell of the production hall and the adjacent high-bay warehouse are complete. Large parts of the building facades are already clad, and the roof is two-thirds closed. At the same time, work on the floor slab and machine foundations is underway inside the production hall. The entire building will be weatherproofed by the summer.

Construction site Progroup Board PW16, date: March 2023
Cessalto, Italy

Production site Progroup Board PW07 and PW14, date: March 2023
Stryków, Poland

Growth market Italy: Progroup plans new plant PW16 in Cessalto

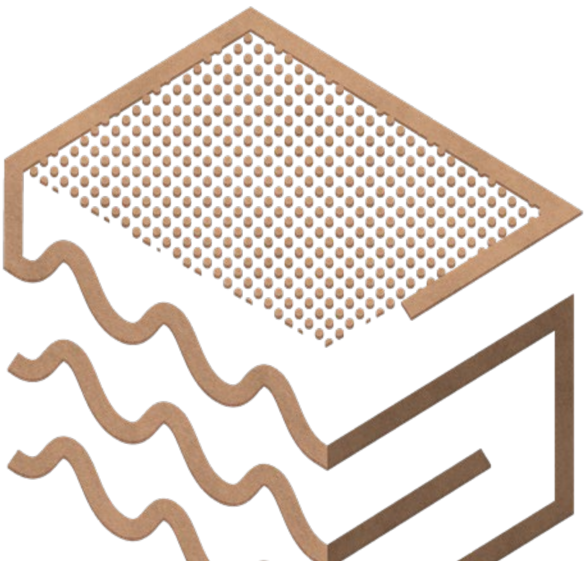
We initiated steps for further expansion in Italy. Following the site in Drizzona, a new corrugated sheetfeeder plant will now be built in Cessalto – in the direct vicinity of the packaging producer Ondulkart. Construction of the plant will start in June 2023. The first corrugated board formats are expected to roll off the line by the end of 2024. It will be the construction of Progroup's 16th corrugated sheet feeder plant in total and the second in Italy.

Eco-friendly energy for Progroup's site in Sandersdorf-Brehna: Start of construction of waste-to-energy plant

Our state-of-the-art combined heat and power plant in Sandersdorf-Brehna (PPO2, Saxony-Anhalt, Germany) received planning permission and we started earthworks for the foundation. We expect to be able to put the power plant into operation before the end of 2025. PPO2 will be another milestone on the way to a CO_2-neutral circular economy. It will be built on the site of the high-tech PM3 paper mill and, in future, will supply a large part of the process heat and power supply the PM3 paper mill requires. The energy will come from the thermal utilisation of residual materials from the mill's own production as well as those from the region.

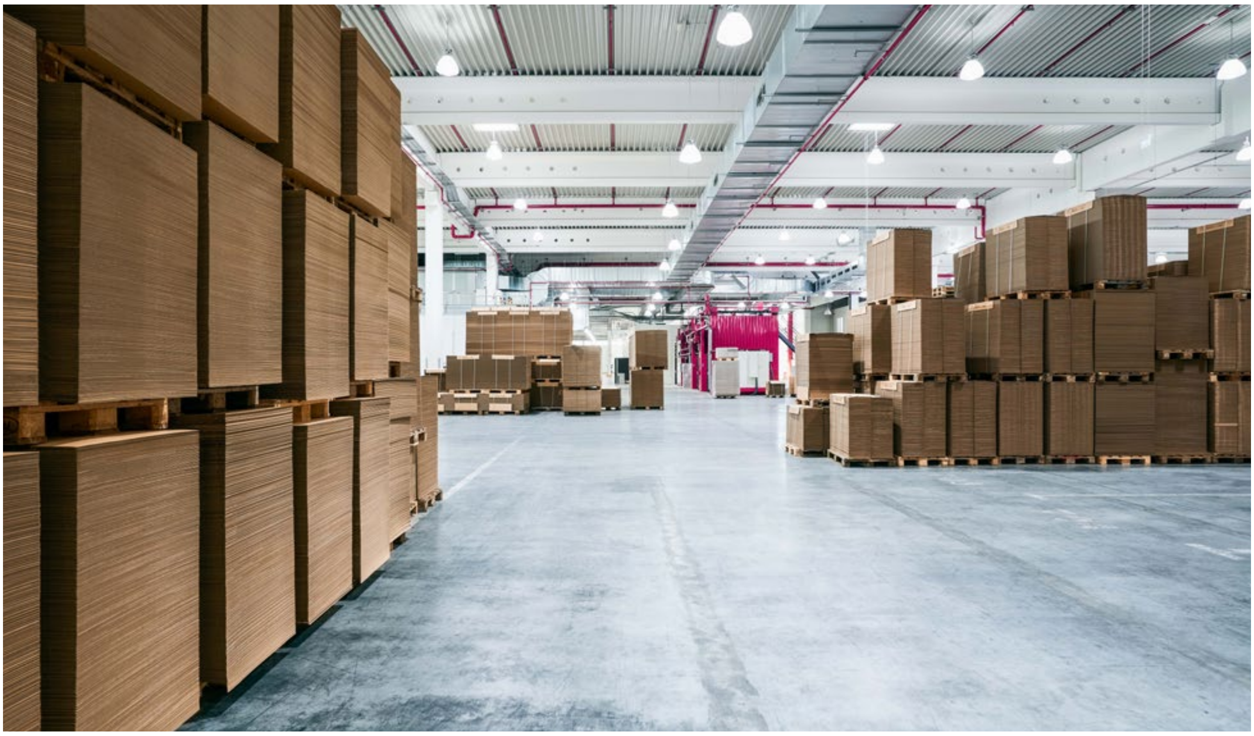
Loan repayments in an amount of GBP 30 mn

A loan of GBP 70 mn was partially repaid before maturity with an amount of GBP 30 mn. The amount of GBP 30 mn was repaid in the course of the first quarter of 2023, thanks to the very comfortable liquidity position.



MARKET DEVELOPMENTS

Corrugated board stock



Demand for our products is generally driven by the level of economic growth and activity, since these factors typically result in higher per capita use of packaging materials through higher rates of consumption and transportation of goods. An increase in the use of packaging materials (including paper-based packaging materials) results in an increase in the demand for our recycled containerboard and corrugated board products. Therefore, the less favourable economic situation as a result of the Russian-Ukrainian war are also affecting Progroup. Beside the muted general economic development, destocking of packaging materials had a negative effect on the demand for corrugated board in the first quarter of 2023. This led to an underperformance of the corrugated packaging market compared to the GDP development in the first quarter of 2023. At the beginning of the second quarter, we see some signs of a demand recovery. In the long run we

Prices for recovered paper dropped significantly

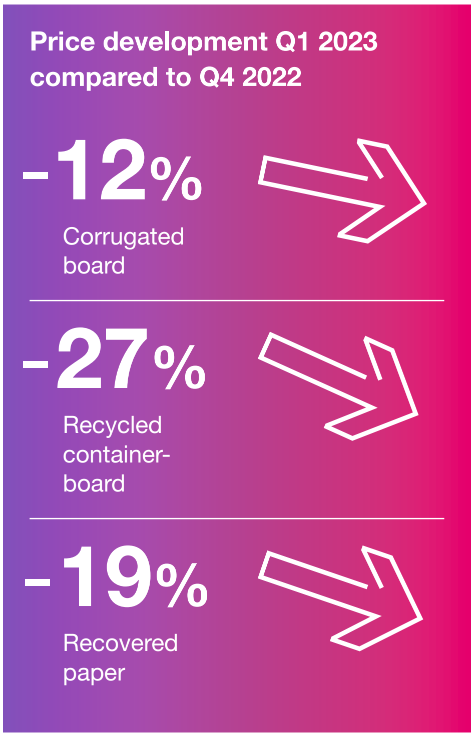
are convinced that demand for our products will return to the long-term growth path.

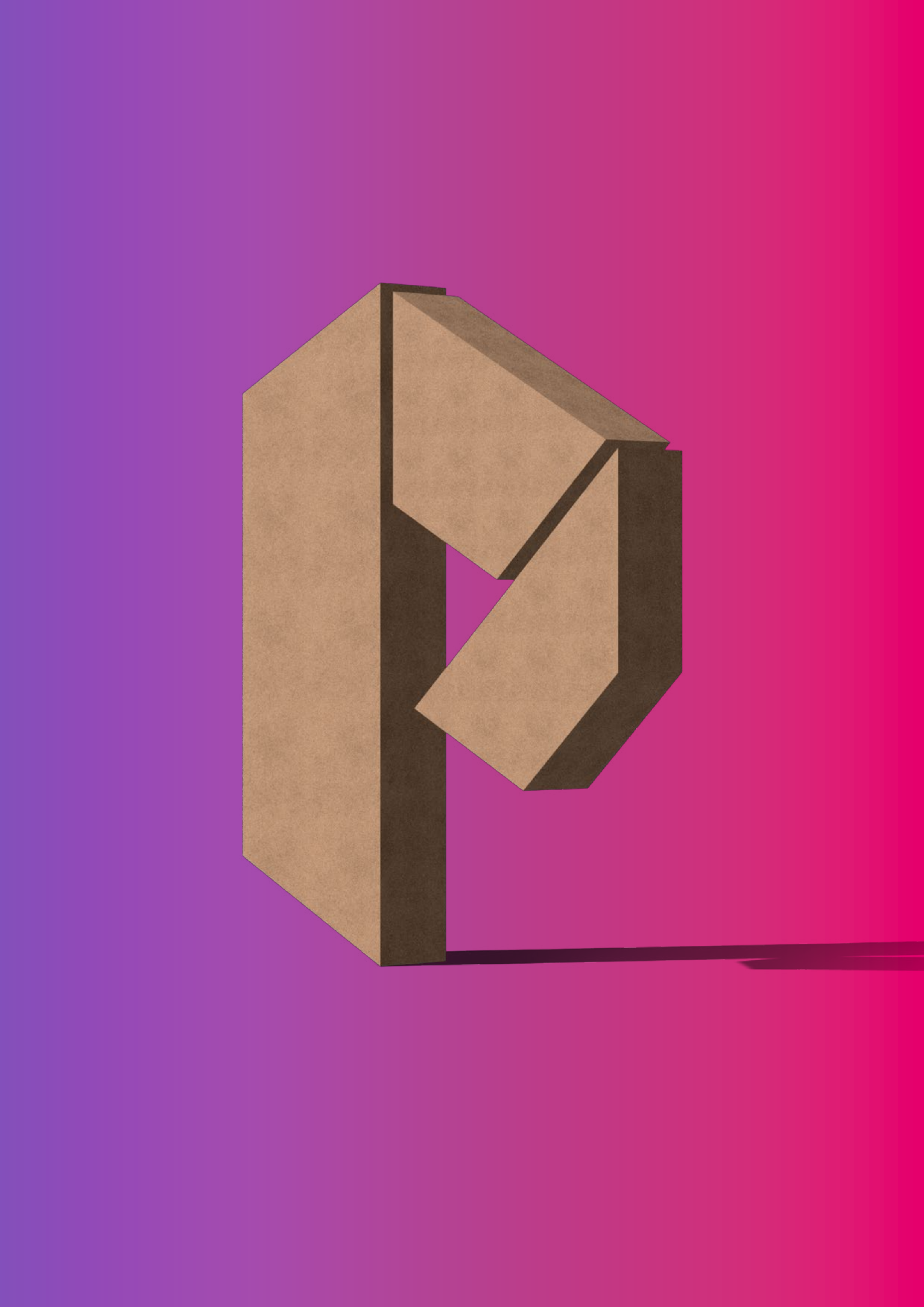
Recovered paper is our main raw material for the production of recycled containerboard. In the first seven months of 2022, recovered paper prices increased steadily and reached a new all-time high in July 2022. In August 2022, recovered paper prices decreased for the first time in 2022. From September until December 2022, recovered paper prices dropped significantly and more than halved as a result of lower demand from the containerboard industry due to significant production cuts over summer. In the first quarter of 2023, average recovered paper prices dropped further by 19% compared to the average price for the fourth quarter of 2022.

In the first half of 2022, containerboard prices increased significantly, driven by the exceptional energy price increases. The increasingly high stock levels of containerboard in the industry led to a first price drop in July 2022. In the fourth quarter of 2022, the prices for recycled containerboard dropped again.

In the first quarter of 2023, prices for recycled containerboard continued this downward trend, decreasing by 27% compared to the fourth quarter of 2022.

Prices for corrugated board follow the price development of recycled containerboard with the typical time lag. Accordingly, prices for corrugated board also increased significantly in the first half of 2022. Since July 2022, corrugated board prices followed the price decrease for containerboard. Additional price adjustments were made in order to recover lost sales volumes. In the first quarter of 2023, prices for corrugated board dropped by a further 12% compared to the fourth quarter of 2022.





FINANCIAL REPORT

RESULTS OF OPERATIONS

01

SALES VOLUME

(in thousands of tonnes)

	January – March	
	2023	2022
Corrugated board	**390**	**394**
Containerboard	**399**	**420**
– thereof external	96	113
– thereof internal	304	307

SALES

(in € thousands)

	January – March	
	2023	2022
Sales	**391,283**	**464,010**

01

The corrugated board business is our main external sales driver. In the first quarter of 2023, our sales volume of corrugated board was slightly below the prior year. With a decrease of only 0.9% (-3.6 thousand tonnes) compared to the same prior year's quarter, we clearly outperformed the market development. The reasons for the lower sales volume was the lower order backlog at the beginning of 2023 compared to the prior year, whereas the order intake in the first quarter already exceeded the comparable figure of 2022.

Sales volumes of containerboard fell by 5.0% (-20.8 thousand tonnes) compared to the prior year's same quarter. Containerboard sales volumes of the previous year could not be reached due to a weaker external demand, timing effects at year-end 2022 and a shift towards a higher share of super-lightweight containerboard grades. The external sales volume decreased by 15.7% or 17.9 thousand tonnes.

The level of integration of our containerboard business, including swap agreements, remains the same at 87% in the first quarter of 2023 compared to the fourth quarter of 2022.

Total sales decreased by 15.7% (€72.7 mn) to €391.3 mn in the first quarter of 2023, compared to €464.0 mn in the same quarter of the prior year. This decrease in sales is mainly attributable to the lower price levels.

02

OTHER OPERATING INCOME

(in € thousands)

	January – March	
	2023	2022
Investment subsidies	634	634
Income from exchange rate differences	828	2,429
Income from other periods	1,484	1,588
Extraordinary income	0	2
Other income	275	228
Other operating income	**3,222**	**4,881**

02

Other operating income decreased by 34.0% (€-1.7 mn) to €3.2 mn in the first quarter of 2023, mainly due to lower income from exchange rate differences.

03

COSTS OF MATERIALS

(in € thousands)

	January – March	
	2023	2022
Costs of raw materials, consumables and supplies	151,318	203,198
Costs of purchased services	64,260	65,904
Costs of materials	**215,578**	**269,102**

03

Costs of materials decreased by 19.9% (€53.5 mn) to €215.6 mn in the first quarter of 2023, primarily resulting from lower costs of raw materials, consumables and supplies. Additionally, costs of purchased services also decreased slightly in the first quarter. This development was mainly driven by decreasing prices for recovered paper and externally purchased containerboard.

04

PERSONNEL EXPENSES

(in € thousands)

	January – March 2023	2022
Wages and salaries	28,287	24,591
Social security and pensions	5,138	4,389
– thereof for pension expenses	4	4
Personnel expenses	**33,426**	**28,980**

04

Personnel expenses increased by 15.3% (€4.4 mn) to €33.4 mn in the first quarter of 2023. This increase is mainly attributable to a one-off payment to all employees to compensate for high inflation and also to a higher average number of employees in our operations and of administrative and group positions, reflecting our strong growth and the regular increase of salaries and wages.

05

OTHER OPERATING EXPENSES

(in € thousands)

	January – March 2023	2022
Freight expenses	30,626	27,100
Maintenance and repair	10,767	9,957
Rental and leasing costs	3,188	2,708
Legal and consulting fees	2,458	1,665
Personnel-related expenses	2,130	2,561
Expenses from exchange rate differences	648	1,967
Expenses from other periods	1,153	712
Insurance and additional rental costs	3,678	3,554
Vehicle costs (excluding leasing expenses)	1,034	978
Others	3,728	6,962
Other operating expenses	**59,409**	**58,164**

05

Other operating expenses increased by 2.1% (€1.2 mn) to €59.4 mn in the first quarter of 2023, primarily due to higher freight expenses, maintenance and repair costs and legal and consulting fees. Expenses from exchange rate differences were below the prior year's quarter. Due to increasing other operating expenses, the categories have been expanded and various item have been reclassified compared to the previous year.

06

RESULTS OF OPERATIONS

(in € thousands)

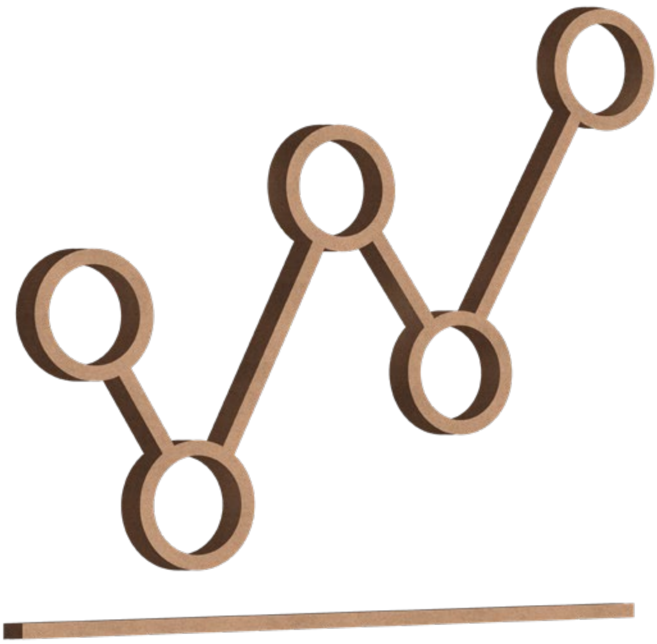
	January – March	
	2023	2022
EBITDA	**74,402**	**116,510**
Amortisation and depreciation of fixed assets	-28,465	-27,567
Net interest result	-5,529	-6,915
Extraordinary income/expenses (other operating income/expenses)	0	2
Taxes on income	-13,437	-22,432
Consolidated net income for the period	**27,899**	**59,598**

06

In the first quarter of 2023, EBITDA decreased by 36.1% (€42.1 mn) to €74.4 mn, mainly driven by lower sales due to the lower sales price level. The EBITDA of the first quarter of 2022 was exceptionally high, driven by unusual high gross margins and positive effects from our energy hedges.

The net interest result of the first quarter of 2023 improved over the same period in the prior year, based on a lower amount of financial liabilities and higher interest income.

In the first quarter, taxes on income decreased due to the lower EBITDA.



NET ASSET POSITION

The following statements describe the main changes in the balance sheet as at 31 March 2023 compared to 31 December 2022.

ASSETS

(in € thousands)

		31/03/2023	31/12/2022
A.	Fixed assets	1,214,812	1,211,891
B.	Current assets	583,720	594,912
I.	Inventories	170,921	181,400
II.	Receivables and other assets	233,286	222,823
III.	Securities	28,360	27,432
IV.	Cash in hand, bank balances	151,152	163,256
C.	Prepaid expenses and deferred charges	10,399	7,131
D.	Excess of plan assets over post-employment benefit liability	56	56
	Total assets	**1,808,987**	**1,813,990**

EQUITY AND LIABILITIES

(in € thousands)

		31/03/2023	31/12/2022
A.	Shareholder's equity	676,949	647,277
B.	Investment grants for fixed assets	31,671	32,305
C.	Provisions	173,499	162,840
D.	Liabilities	909,117	951,845
I.	Bonds	600,000	600,000
II.	Bank loans	199,215	241,320
III.	Trade payables	87,274	89,809
IV.	Other liabilities	22,629	20,716
E.	Deferred income	1,354	1,445
F.	Deferred tax liabilities	16,398	18,279
	Total equity and liabilities	**1,808,987**	**1,813,990**

Inventories amounted to €170.9 mn as at 31 March 2023, which is below the level as at 31 December 2022 (-5.8% or €10.5 mn), mainly driven by lower inventories for work in process due to lower price levels.

Trade receivables increased by €9.5 mn or 5.3% to €186.6 mn as at 31 March 2023, mainly due to year-end effects as at 31 December 2022.

Cash in hand, bank balances decreased by €12.1 mn or 7.4% as at 31 March 2023, mainly due to the unscheduled repayment of the GPB loan.

Shareholder's equity increased by €29.6 mn from €647.3 mn as at 31 December 2022 to €676.9 mn as at 31 March 2023 as a result of consolidated net income.

Tax provisions increased by €14.6 mn to €74.4 mn, mainly due to the tax expenses that exceeded the tax payments in the first quarter.

As at 31 March 2023, **bank loans** decreased by €42.1 mn to €199.2 mn. The decrease is due to scheduled repayments of the senior secured facilities and the unscheduled repayment of the GPB loan.

FINANCIAL POSITION

SUMMARY OF CASH FLOWS

(in € thousands)

	January – March	
	2023	2022
Cash flows from operating activities	73,066	38,299
Cash flows from investing activities	-32,550	-19,285
Free cash flow	**40,516**	**19,014**
Cash flows from financing activities	-53,204	-18,436

Cash flows from operating activities increased by €34.8 mn to €73.1 mn in the first quarter of 2023 compared to the first quarter of 2022, mainly due to the strong EBITDA and rather neutral working capital effects. In the prior year's first quarter, working capital effects had a significant negative impact on the cash flows from operating activities. Additionally, lower tax payments compared to the tax expenses supported the positive development.

Cash flows from investing activities amounted to €-32.6 mn in the first quarter of 2023. They were mainly attributable to our value accretive corrugated board plant projects PW14 in Poland, PW15 in Germany and PW16 in Italy and also our PPO2 project in Germany. As usual, several smaller investments in different plants as part of our continuous maintenance capital expenditures were also included.

Free cash flow calculated as cash flows from operating activities plus cash flows from investing activities, more than doubled in the first quarter of 2023 compared to the respective prior-year period. This was attributable to higher cash flows from operating activities.

Cash outflows from financing activities in the period ended 31 March 2023 was mainly related to an unscheduled repayment of the GPB loan in the first quarter of 2023, scheduled repayments of the senior secured facilities and interest payments.

Cash funds (cash in hand, bank balances) decreased by €12.1 mn and amounted to €151.2 mn as at 31 March 2023, compared to €163.3 mn as at 31 December 2022.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March / Q1 2023

CONSOLIDATED BALANCE SHEET

ASSETS

(in € thousands)

		31/03/2023*	31/12/2022
A.	**Fixed assets**		
I.	**Intangible assets**		
1.	Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	24,497	26,190
		24,497	**26,190**
II.	**Tangible assets**		
1.	Land and buildings including buildings on leasehold land	397,640	391,356
2.	Technical equipment and machinery	592,439	612,378
3.	Other equipment, factory and office equipment	16,934	17,450
4.	Prepayments and constructions in process	183,300	164,515
		1,190,313	**1,185,699**
III.	**Financial assets**		
1.	Equity investments	2	2
		1,214,812	**1,211,891**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials, consumables and supplies	105,453	103,291
2.	Work in process	54,285	67,996
3.	Finished goods	9,673	7,840
4.	Prepayments	1,510	2,272
		170,921	**181,400**
II.	**Receivables and other assets**		
1.	Trade receivables	186,559	177,095
2.	Other assets	46,727	45,728
		233,286	**222,823**
III.	**Securities**		
1.	Other securities	28,360	27,432
		28,360	**27,432**
IV.	**Cash in hand, bank balances**	151,152	163,256
		583,720	**594,912**
C.	**Prepaid expenses and deferred charges**	**10,399**	**7,131**
D.	**Excess of plan assets over post-employment benefit liability**	**56**	**56**
	Total assets	**1,808,987**	**1,813,990**

* Unaudited consolidated interim financial information

EQUITY AND LIABILITIES

(in € thousands)

		31/03/2023*	31/12/2022
A.	**Shareholder's equity**		
1.	Subscribed capital	7,588	7,588
2.	Capital reserve	75,414	75,414
3.	Revenue reserves	1,408	1,408
4.	Currency translation adjustment	-5,656	-7,429
5.	Consolidated net retained profits	598,194	570,295
		676,949	**647,277**
B.	**Investment grants for fixed assets**	**31,671**	**32,305**
C.	**Provisions**		
1.	Provisions for pensions	135	159
2.	Tax provisions	74,430	59,842
3.	Other provisions	98,933	102,838
		173,499	**162,840**
D.	**Liabilities**		
1.	Bonds	600,000	600,000
2.	Bank loans	199,215	241,320
3.	Trade payables	87,274	89,809
4.	Other liabilities	22,629	20,716
		909,117	**951,845**
E.	**Deferred income**	**1,354**	**1,445**
F.	**Deferred tax liabilities**	**16,398**	**18,279**
	Total equity and liabilities	**1,808,987**	**1,813,990**

* Unaudited consolidated interim financial information

CONSOLIDATED INCOME STATEMENT

(in € thousands)

		January – March*	
		2023	2022
1.	Sales	391,283	464,010
2.	Increase/decrease in finished goods and work in process	-11,643	3,005
3.	Other own work capitalised	321	1,294
4.	Other operating income	3,222	4,881
5.	Costs of materials		
a)	Costs of raw materials, consumables and supplies	-151,318	-203,198
b)	Costs of purchased services	-64,260	-65,904
		-215,578	-269,102
6.	Personnel expenses		
a)	Wages and salaries	-28,287	-24,591
b)	Social security and pensions	-5,138	-4,389
		-33,426	-28,980
7.	Amortisation and depreciation of fixed intangible and tangible assets	-28,465	-27,567
8.	Other operating expenses	-59,409	-58,164
9.	Other interest and similar income	1,750	92
10.	Depreciation on financial assets and of securities held as current assets	928	0
11.	Interest and similar expenses	-7,279	-7,008
12.	Taxes on income	-13,437	-22,432
13.	**Earnings after taxes**	**28,267**	**60,029**
14.	Other taxes	-368	-431
15	**Consolidated net income for the period**	**27,899**	**59,598**
16.	Consolidated unappropriated retained earnings brought forward	570,295	452,421
17.	**Consolidated net retained profits**	**598,194**	**412,020**

* Unaudited consolidated interim financial information

CONSOLIDATED CASH FLOW STATEMENT

(in € thousands)

		January – March*	
		2023	2022
1.	**Cash flows from operating activities**		
	Consolidated net income for the period	27,899	59,598
	Amortisation and depreciation of fixed assets	28,465	27,567
	Increase (+)/decrease (-) in provisions	-934	7,656
	Other non-cash expenses (+)/income (-)	3,331	405
	Increase (-)/decrease (+) in inventories, trade receivables and other assets**	-2,554	-68,500
	Increase (+)/decrease (-) in trade payables and other liabilities**	1,617	-15,868
	Interest expenses (+) /income (-)	5,529	6,915
	Expenditure (+) /income (-) of exceptional size or incidence	0	-2
	Income tax expenses (+) /income (-)	13,437	22,432
	Income taxes paid (-)	-3,724	-1,904
	Cash flows from operating activities	**73,066**	**38,299**
2.	**Cash flows from investing activities**		
	Payments (-) to acquire intangible fixed assets	0	-1,437
	Payments (-) to acquire tangible fixed assets	-34,178	-17,848
	Interest received (+)	1,628	0
	Cash flows from investing activities	**-32,550**	**-19,285**
3.	**Cash flows from financing activities**		
	Cash repayments (-) of bonds and borrowings	-41,975	-7,578
	Interest paid (-)	-11,229	-10,858
	Cash flows from financing activities	**-53,204**	**-18,436**
4.	**Cash funds at end of period**		
	Net change in cash funds	-12,688	578
	Effect on cash funds of exchange rate movements	584	0
	Cash funds at beginning of period	163,256	99,512
	Cash funds at end of period	**151,152**	**100,090**
5.	**Composition of cash funds**		
	Cash and cash equivalents	151,152	100,090
	Cash funds at end of period	151,152	100,090

* 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 2023	**7,588**	**75,414**	**1,408**	**570,295**	**-7,429**	**647,277**
Consolidated net profit for the period	0	0	0	27,899	0	27,899
Other changes	0	0	0	0	1,773	1,773
31 March 2023*	**7,588**	**75,414**	**1,408**	**598,194**	**-5,656**	**676,948**

* Unaudited consolidated interim financial information

DISCLAIMER

Financial information
The unaudited consolidated financial information of Progroup AG ("Progroup") as at and for the period ended 31 March 2023 included in this report, has been prepared in accordance with generally accepted accounting principles (Grundsätze ordnungsgemässer Buchführung) in the Federal Republic of Germany as in effect from time to time ("German GAAP"), which differ in certain respects from International Financial Reporting Standards as adopted by the European Union. Certain numerical figures included in this report have been rounded. Discrepancies or apparent inconsistencies between different amounts included in this report may occur due to such rounding.

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

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

Industry and market data

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

Non-GAAP financial measures

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

ADDITIONAL EXPLANATORY INFORMATION

Accounting policies

The unaudited consolidated interim financial information of Progroup AG as at and for the period ended 31 March 2023 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 2022.

Please refer to the notes to the audited consolidated financial statements for the year ended 31 December 2022 for a detailed description of our significant accounting policies.

Scope of consolidation

In the period ended 31 March 2023, there were no changes in the scope of consolidation compared to the year ended 31 December 2022.

Information on material risks

As at 31 March 2023, there are no significant changes with regard to the risks for Progroup AG compared with the year ended 31 December 2022 and described in the respective annual financial statements.

LEGAL NOTICE AND INFORMATION

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Maximilian Heindl (CEO, Chairman)
Dr. Volker Metz (CFO)

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25/05/2023