progroup

ANNUAL REPORT 2021

KEY FIGURES

(in € thousands)

SALES 2021

1,356,971

Reported EBITDA 2020

178,087

Reported EBITDA 2021

273,177

Reported EBITDA margin 2021

20.1%

Net leverage 2021

2.9

Net financial debt 2021

779,903

Key operating figures

(in € thousands)

	2021	2020
Sales	1,356,971	880,756
Reported EBITDA [1]	273,177	178,087
Reported EBITDA margin (in % of net sales)	20.1%	20.2%
EBIT [2]	162,710	95,848
Consolidated net income for the period	94,768	45,872
Cash flows from operating activities	155,890	175,723
Cash flows from investing activities	-112,110	-300,038
Free cash flow [3]	43,780	-124,315

Key balance sheet figures

(in € thousands)

	31/12/2021	31/12/2020
Total assets	1,682,491	1,577,252
Equity and equity-like items [4]	555,290	450,380
Cash in hand, bank balances	99,512	130,465
Financial liabilities (bonds, bank loans and accrued interest)	879,414	935,282

Key financial figures

(in € thousands)

	31/12/2021	31/12/2020
Net leverage [5]	2.9	4.5
LTM EBITDA	273,177	178,087
Net financial debt [6]	779,903	804,817

(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) is calculated as reported shareholder's equity plus 70% of investment grants for fixed assets.

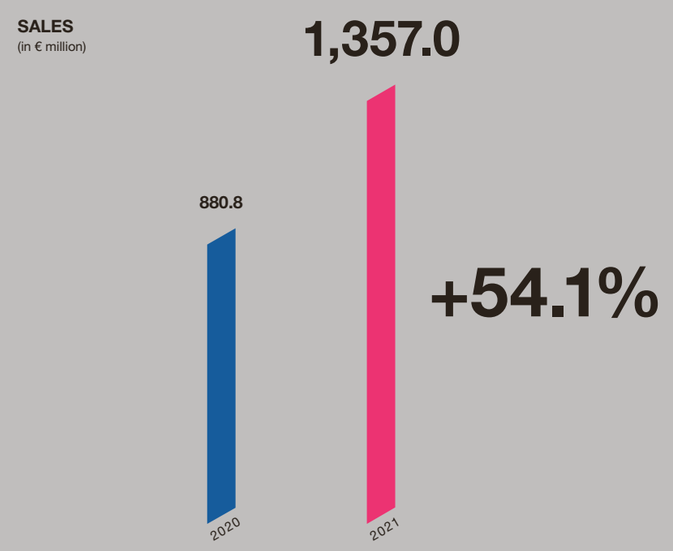
(5) Net leverage (not a German GAAP measure) is calculated by dividing net financial debt as at 31 December 2021 and 31 December 2020, respectively, by EBITDA for the last twelve months (LTM) ended on the relevant date.

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

HIGHLIGHTS

01

In the financial year 2021, Progroup continued to achieve significant sales growth in its two main business areas despite the ongoing coronavirus pandemic. The price levels for both corrugated board and containerboard continued to rise in the full year of 2021.



02

Sales grew strongly by 54.1% to €1,357 mn in 2021, compared to €881 mn in 2020, driven by a strong volume growth in our two main businesses and significantly higher price levels.

03

Sales volume in the corrugated board business increased by 11.0% in the financial year 2021 compared to 2020. This significant increase in sales volumes was attributable to the successful ramp-up of our corrugated board production site PW13 in Eisfeld, Germany following commencement of commercial production in the first quarter of 2020. This development was supported by our ongoing efforts to improve the effectiveness of our sales and marketing activities as part of our continuous improvement program as well as our continuing efforts to further optimise production of our corrugated board plants. Containerboard sales volume also grew strongly by 33.6% in the same timeframe. This was due to higher production capacities following the commencement of production at PM3 at the end of August 2020.

04

In the financial year 2021, the average grade of integration between both businesses, including swap agreements, decreased from 91% in 2020 to 87% in 2021. Without swaps, integration reached 75% in the financial year 2021, after 82% in 2020.

05

Prices for recovered paper started to increase in October 2020 based on further capacity additions in the European recycled containerboard industry and robust demand from the existing paper mills. This upward trend continued until April 2021. From May onwards, recovered paper prices basically followed a sideways development. In September and October, prices for recovered paper showed a slight increase, followed by a downward step in November and a sideways movement in December. Prices for recycled containerboard started to increase in the fourth quarter of 2020, driven by a robust demand and the increasing recovered paper prices. This trend continued throughout the year 2021. Overall, prices increased significantly by 270 €/t between December 2020 and December 2021. The corrugated board prices usually follow the development of containerboard prices with a time lag.

20.1%

EBITDA margin
January - December 2021

06

EBITDA reached €273.2 mn in 2021, compared to €178.1 mn in the previous year. The improved EBITDA performance was driven by higher sales and a higher gross margin as a result of significantly higher price levels. EBITDA margin reached 20.1% in 2021, compared to 20.2% in 2020. Towards the end of the year, the EBITDA margin returned to the 5-year average.

07

At the end of 2021, net financial debt was below year end 2020. In addition to the regular repayments, the KfW special loan agreed in mid-2020 and a loan to finance PM3 were repaid ahead of schedule in Q4 2021 thanks to strong cash growth.

08

Net leverage improved from 4.5 as at 31 December 2020 to 2.9 as at 31 December 2021, with the reduction being due to higher LTM EBITDA and lower net financial debt. Thus, Progroup has achieved the predicted turnaround and returned to the net leverage target range of 2.5 to 3.0 only three quarters after the peak level at the end of March 2021.

09

Free cash flow increased year-on-year from €-124.3 mn to €43.8 mn in the financial year 2021. The significant increase is a result of lower cash outflows from investing activities as well as higher net income in the financial year 2021.

10

Despite the ongoing coronavirus pandemic, Progroup reported strong sales volume growth in 2021 and will continue its growth path. The construction of PW14 in Poland is in line with our expectations and the construction works of the production building are in the final phase. By the end of April, the floor slab is 95% complete, assembly of the periphery has begun and the building is weatherproofed. As announced in the last quarterly report, our next corrugated board project PW15 in Germany has commenced. In the fourth quarter, construction site preparations and the connection to the federal roads for PW15 in Germany were completed. Further preparations for construction are underway. From the second quarter of 2023, up to 450 million square metres of corrugated board per year are expected to be produced there. In addition, Progroup plans the construction of a RDF power plant in Sandersdorf-Brehna. Doing business sustainably to benefit generations to come is a key component of Progroup's strategy. This is why the family-run company is planning to build a state-of-the-art refuse-derived fuel (RDF) power plant right next to its high-tech PM3 paper mill. It will supply a large portion of the process heat and electricity for PM3 in the future. For this purpose, residual materials from the mill's own production as well as from the region will be thermally utilised, saving valuable fossil resources. Construction of the combined heat and power plant is scheduled to start at the end of 2022. It is set to be commissioned by the end of 2025.

CONTENT

A

TO OUR INVESTORS

LETTER TO INVESTORS

Dear investors and business partners,

we are delighted to present to you our annual report for the financial year 2021. The coronavirus pandemic and restricted supply chains continued to challenge companies worldwide and slowed economic expectations. In this environment, Progroup performed strongly and achieved the highest sales revenues in its history – up 54.1% from the previous year. Demand for our products increased again, resulting in higher sales volumes for paper and board – at higher recovered paper prices. This cost hike was accompanied by better sales prices, which had a positive impact on our profit margin. We continued on our growth path and submitted the planning application for a cutting-edge refuse-derived fuel (RDF) power plant in Sandersdorf-Brehna. The construction of the new corrugated sheet feeder plants PW14 in Stryków, Poland and PW15 in Petersberg, Germany are also progressing according to plan. Progroup is therefore very confident about the future.

The impact of the Russian-Ukrainian war on Europe and the rest of the world is currently impossible to predict. This makes it all the more important to keep a cool head, analyse precisely and react prudently. Progroup has no plants or customers in Ukraine. It is uncertain how the war will affect the recovery of the economy in Europe and around the world. A global recession or significantly lower economic growth would also affect Progroup's business and development. Energy and fuel prices have already increased significantly, and international production chains are affected. Progroup sources only a marginal share of its material requirements from the areas affected by the war. Nevertheless, due to the significant price increases in energy and freight costs, as well as other materials (e.g. starch), a noticeable impact on Progroup's cost structure is expected.

Even though we cannot foresee the future, we are well prepared to meet these challenges. Thanks to our far-sighted strategy and together as a strong team, we are well positioned as a company.

Continuing the sustainable growth strategy: growth projects on schedule
The planning for our state-of-the-art refuse-derived fuel (RDF) power plant in Sandersdorf-Brehna (Saxony-Anhalt, Germany) progressed further. It will be constructed on the site of the high-tech PM3 paper mill. It will draw a large part of its process heat and power supply from the RDF power plant in the future. The energy will be provided by thermal exploitation of residual materials from the mill's own production as well as from those from the region. The power plant will be a milestone on the way to a carbon-neutral circular economy and will further reduce the dependency from natural gas. Construction is scheduled to start at the end of 2022 and commissioning is envisaged for the end of 2025.

from l.t.r.:
Dr. Volker Metz, Chief Financial Officer
Philipp Kosloh, Chief Operating Officer
Maximilian Heindl, Chief Development Officer and Deputy Chief Executive Officer
Jürgen Heindl, Chief Executive Officer

Planning for the PW15 corrugated sheet feeder plant also advanced according to the blueprint. In Petersberg (Rhineland-Palatinate, Germany), up to 450 million square metres of corrugated sheetboard per year are set to be manufactured from the second quarter of 2023. Around 60 new jobs for highly qualified employees and apprentices will be created at the plant with a production floor space of approximately 28,000 square metres.

The finishing line for PW14 in Stryków, Poland, is in sight. Construction work has continued as planned, so that the PW14 corrugated sheetfeeder plant will produce up to 200,000 tonnes of corrugated sheetboard annually starting in the fourth quarter of 2022. PW14 will strengthen Progroup's market position in Central and Eastern Europe. Stryków will become one of the largest corrugated board production sites in the world. It will have a production capacity of 825 million square metres.

MARKET AND BUSINESS DEVELOPMENT

Recovered paper prices more than doubled since the fourth quarter last year
Since Q4 2020, recovered paper prices have soared by €115/tonne. This is due to a tighter supply situation and stronger demand driven by new capacities in the European market for containerboard. After a transitional stabilisation at a high level in the third quarter of 2021, recovered paper prices recorded another moderate increase towards the end of the fourth quarter of 2021.

Progroup reports another improvement in sales in the paper and board segment. The social trend towards sustainable packaging and the growing e-commerce market continue to drive a soaring demand for corrugated sheetboard.

Sales volumes of corrugated sheetboard climbed by 11.0% year-on-year. The new high-tech corrugated sheet feeder plant PW13 in Eisfeld (Germany) made a significant contribution to this rise.

Paper sales volumes increased significantly by 33.6% compared to the previous year. External sales volumes skyrocketed by 86.3% year-on-year. The new PM3 paper mill made a major contribution to this double record.

Overall, growth was limited by our capacities being fully exploited.

Integration slightly decreased year-on-year.

KEY FINANCIAL INDICATORS AT A GLANCE

Highest annual sales in the company's history
Year-on-year, sales revenues increased by 54.1%. At more than €1.35 bn, Progroup achieved the highest annual sales revenues in its history (2020: €880.8 mn).

Record EBITDA thanks to higher sales revenues and gross margin
EBITDA in 2021 significantly increased year-on-year, rising from €178.1 mn to €273.2 mn within one year. The growth essentially results from boosted sales revenues and thus a better gross margin. The EBITDA margin is on the same level as in the previous year (2021: 20.1%; 2020: 20.2%).

Asset and financial ratios
Financial liabilities decreased compared to the previous year. In particular, gross liabilities fell significantly. Progroup used its very good liquidity to repay a KfW special loan from 2020 and a loan to finance PM3 ahead of schedule, in addition to regular repayments. While Progroup's liquidity was reduced by these repayments, it remains on a high level of around €100 mn.

The increase in LTM EBITDA and the decrease in net financial debt led to a clear improvement in net leverage ratio by 1.6 to 2.9 as at 31 December 2021 (31 December 2020: 4.5). Progroup thus returned to the target corridor much faster than expected. In the full year, free cash flow also improved in line with the targets. While it was still at €-124.3 mn in the previous year, it rose to €43.8 mn in 2021.

Cash flows from financing activities fell from €54.5 mn in the previous year to €-75.1 mn based on the above-mentioned loan repayments. In line with expectations, cash flows from investing activities decreased compared to 2020 since the investment for the construction of the new PM3 paper mill was completed in 2020. It dropped from €-300.0 mn to €-112.1 mn. The operating cash flows amounted to €155.9 mn, compared to €175.7 mn in the previous year. The operating cash flows of 2021 were significantly impacted by a strong increase of the trade working capital.

Outlook: high demand and capacity expansion will drive strong growth in the medium term
Assuming the general conditions remain unchanged, we expect continued high demand and positive results. As mentioned above, the impact of the Russian-Ukrainian war on Europe and the rest of the world cannot be foreseen at this time. Nevertheless, due to the significant price increases in energy and freight costs as well as other materials (e.g. starch), a noticeable impact on Progroup's cost structure can already be seen in energy and is expected for other costs. Prices for recovered paper and for paper are starting to increase and may further increase in future. Thus, the effect from higher price increases will also be reflected in our sales revenues. We expect a catch-up effect in prices for corrugated board.

In the long term, Progroup will benefit from strong demand and capacity expansion. For the coming year, we expect moderate growth. This growth will increase significantly again with the commissioning of PW14 and PW15, as by now our capacities are almost fully utilised. Progroup sees its long-term strategy and solid financing confirmed.

Yours sincerely,

Jürgen Heindl
Chief Executive Officer

Dr. Volker Metz
Chief Financial Officer

Maximilian Heindl
Chief Development Officer and Deputy Chief Executive Officer

Philipp Kosloh
Chief Operating Officer

Landau, April 2022

EXECUTIVE BOARD

Member Appointed:

JÜRGEN HEINDL

Born: 1955
Member since: 2007
Appointed until: 31 December 2022
Responsibility: Chief Executive Officer

Other principal positions: **Progroup Paper PM1 GmbH - Progroup Paper PM2 GmbH - Progroup Paper PM3 GmbH - Progroup Power 2 GmbH - Progroup Board GmbH - Progroup Board S.A.S. - Progroup Board s.r.o. - Progroup Board sp. z o.o. - Progroup Board Ltd. - Progroup Board S.r.l. - Prowell Verwaltungs GmbH - JH-Holding GmbH - Progroup Board Kft.**

Jürgen Heindl is the Chief Executive Officer, founder and majority shareholder of Progroup AG. Since founding Progroup in December 1991, he has pursued a consistent growth strategy which, in addition to technological, organisational and cost leadership, is also based on the use of innovative and sustainable production technologies. Mr Heindl began his career at Zewawell GmbH & Co. KG (division of PWA/SCA), where he started working as an assistant to the general management in 1980, became plant manager in 1982 and joined the Executive Board in 1987. He was appointed as CTO and MD for all business units in South West Germany. Before embarking on his professional career, Mr Heindl graduated in electrical engineering and in business engineering.

DR. VOLKER METZ

1975
2016
31 October 2026
Chief Financial Officer

Progroup Paper PM1 GmbH - Progroup Paper PM2 GmbH - Progroup Paper PM3 GmbH - Progroup Power 2 GmbH - Progroup Board GmbH - Progroup Board S.A.S. - Progroup Board s.r.o. - Progroup Board sp. z o.o. - Progroup Board Ltd. - Progroup Board S.r.l. - Prowell Verwaltungs GmbH - Progroup Board Kft.

Dr. Volker Metz is the Chief Financial Officer of Progroup AG. He started his professional career in 2001 as consultant at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in Mannheim, where he became project manager in the transaction advisory services department in 2005. From 2007 to 2009, he worked for EnBW Energie Baden-Wurttemberg AG, Karlsruhe, as senior manager controlling. From 2009 to 2016, Dr. Metz was head of controlling of Progroup AG. At the beginning of 2016, he became commercial division manager of GGEW, Gruppen-Gas- und Elektrizitätswerk Bergstraße Aktiengesellschaft, Bensheim. As at 1 November 2016, Dr. Metz returned to Progroup AG. Before beginning his professional career, Dr. Metz studied business economics at the University of Mannheim, where he obtained his Ph.D., and at the University of Wales.

PHILIPP KOSLOH

1973
2016
31 October 2026
Chief Operating Officer

Progroup Paper PM1 GmbH - Progroup Paper PM2 GmbH - Progroup Paper PM3 GmbH - Progroup Power 2 GmbH - Progroup Board GmbH - Progroup Board S.A.S. - Progroup Board s.r.o. - Progroup Board sp. z o.o. - Progroup Board Ltd. - Progroup Board S.r.l. - Progroup Board Kft.

Philipp Kosloh is the first Chief Operating Officer of Progroup AG. He began his professional career as production engineer at Kellogg's Company of Great Britain Limited, Manchester, in 1999. From 1998 to 2000, he was employed as consultant at Berndt & Partner GmbH, Berlin. From 2001 to 2009, Mr. Kosloh was member of the extended management board of Progroup AG and Progroup AG's predecessor PROWELL Papierverarbeitung GmbH and managing director of the logistics subsidiary Prologistik GmbH. In 2009, he was general manager for the region southwest Germany at Smurfit Kappa. As at 1 November 2016, Mr. Kosloh returned to Progroup AG. Before commencing his future career, Mr. Kosloh studied packaging engineering at the technical college of Berlin, followed by an MBA course at the Southbank University Business School, London.

MAXIMILIAN HEINDL

1983
2017
31 July 2027
Chief Development Officer and Deputy Chief Executive Officer

Progroup Paper PM1 GmbH - Progroup Paper PM2 GmbH - Progroup Paper PM3 GmbH - Progroup Power 2 GmbH - Progroup Board GmbH - Progroup Board s.r.o. - Progroup Board sp. z.o.o. - Progroup Board Ltd. - Progroup Board S.r.l. - Progroup Board Kft. - Progroup Board S.A.S.

Maximilian Heindl is Progroup's Chief Development Officer and Deputy CEO. In 2011, he started his professional career as an international trainee at Voith Paper Holding GmbH & Co. KG in Heidenheim. In 2013, Mr. Heindl was appointed as assistant to the Management Board of the Businessline P&S EMEA, where he was promoted to become Director of Production in 2015. In summer 2016, Maximilian Heindl took up his first position at Progroup as Head of Production and Technology Paper for Propapier. As at 1 August 2017, Mr. Heindl was appointed as deputy member of the Executive Board of Progroup AG and on 1 January 2019, he became Progroup's Chief Development Officer. On 1 July 2021, he became Progroup´s deputy Chief Executive Officer. Maximilian Heindl studied industrial engineering at the Karlsruhe Institute of Technology (KIT), before he commenced his professional career.

CAPITAL MARKET ACTIVITIES

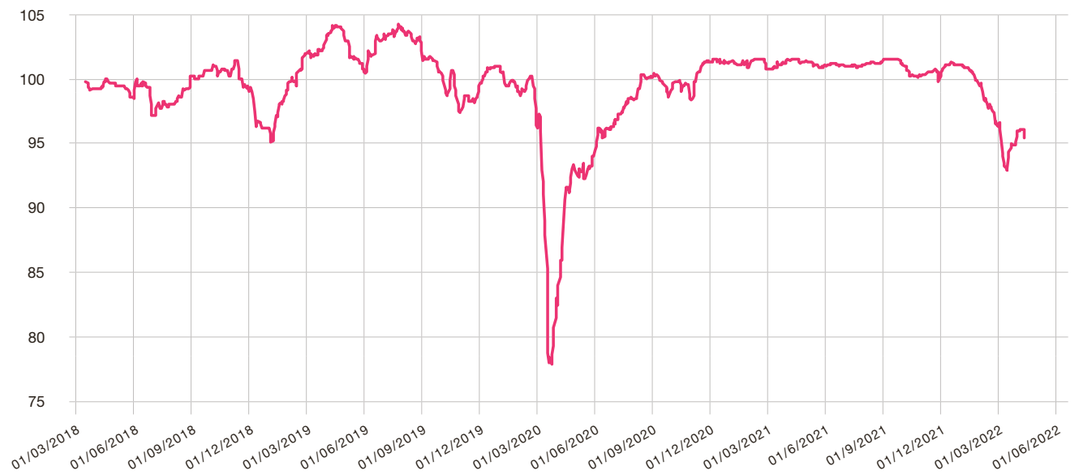
An overview of the features of our senior secured fixed rate notes and their market performance as at 31 December 2021 is presented below.

Capital market activities Progroup AG

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

Ratings	
S&P	BB-
Moody's	Ba3

Progroup Senior Secured Notes Prices



Fixed Rate Notes 2018

Source of price data: Deutsche Bank AG

B

PROGROUP FUNDAMENTALS

2021 – A YEAR OF GROWTH

Growth projects
Progroup continues to follow its growth strategy and is constructing new plants. In this context, the Company is commencing construction works for its second corrugated sheetboard plant in Stryków, thus further strengthening its market position in Central and Eastern Europe. With an annual production capacity of up to 200,000 tonnes, PW14 in Stryków is going to become one of the largest factories for corrugated board worldwide. Another plant is being constructed in Germany. The PW15 corrugated sheet feeder plant, which is being erected close to Petersberg and Höheischweiler (Rhineland-Palatinate, Germany), will be manufacturing up to 450 million square metres of corrugated board sheets per year from 2023.

200,000 t

With 200,000 tonnes Stryków is going to become one of the largest factories for corrugated board worldwide

World record! 572,064 square metres of corrugated board in eight hours

Meanwhile, existing factories are delivering best-in-class performance. The paper mill PM3 in Sandersdorf-Brehna has reached an important milestone with a record production output of more than 56,000 tonnes of containerboard in March 2022. The corrugated sheetfeeder plant in Ellesmere Port has even set a new world record: it reached an output of 572,064 square metres in one shift (eight hours), making it the fastest producer of corrugated board around the globe. This top ranking is thanks to the state-of-the-art technology and the efficient cooperation among our employees.

Sustainability
Progroup is taking the next steps on the path to carbon neutrality as it is currently planning the construction of a state-of-the-art refuse-derived fuel (RDF) power plant in Sandersdorf-Brehna. Thus, a large portion of process heat and electricity is generated directly next to the high-tech paper mill PM3.

PM3 in Sandersdorf-Brehna, Germany

€1 bn

Progroup records sales revenue of more than €1 bn for the first time in the company's history.

Company
Progroup records sales revenue of more than €1 bn for the first time in the company's history. The previous year's level was surpassed already in October.

This record coincides with an anniversary: the corrugated sheetfeeder plant PW02 in Douvrin, close to Lille in France, turns 25 years old, making it Progroup's longest-operating plant. More than one third of the employees have been working there for over 20 years.

PROGROUP AT A GLANCE

11

STATE-OF-THE-ART CORRUGATORS

+2 under construction

+2 in planning

1

RDF POWER PLANT

(APPROX.)

€1,357 MN

SALES 2021

3

STATE-OF-THE-ART PAPER MILLS

1,554

EMPLOYEES

(as at 31/12/2021)

59

VEHICLES TRUCK FLEET

OUR BUSINESS

Progroup manufactures corrugated board formats in a highly productive and ecological manner and supplies small and medium-sized packaging manufacturers with such formats. Our goal is to be a sustainable market, technology and cost leader in Central Europe and to grow alongside our customers. The production process consists of a closed-loop circular economy to the largest extent possible, from energy generation through paper production and corrugated board production to the delivery to customers. Corrugated board revenue is expected to double by 2025 compared to 2015, while the production of paper is expected to rise by 75 per cent. All activities are focused on profitable, sustainable growth.

PW10 in Trzcinica, Poland

Green Hightech Strategy
The major factor for long-term success is technological innovation. Based on its green hightech strategy, Progroup is pursuing a comprehensive investment, manufacturing and product concept that focuses on lightweight papers, raw material and energy savings as well as carbon reduction and sustainability measures.

Efficient structure of the value chain
In the course of further developing its business model, Progroup also covers upstream and downstream stages of the value chain without competing with its customers. Meanwhile, three paper mills produce containerboard for the currently eleven corrugated board plants. At the Eisenhüttenstadt site, the refuse-derived fuel (RDF) power plant supplies the local paper mill with the process heat required for paper production and, to a large extent, with electric power. Another power plant is planned for Sandersdorf-Brehna. In order to supply its partners quickly, efficiently and reliably, Progroup operates a logistics company that ensures reliable deliveries to customers both with its own fleet of vehicles and as part of a long-term cooperation with transport partners.

High synergy effects and growth through packaging parks
Progroup and a packaging manufacturer continue to intensify their cooperation in the context of a so-called packaging park where they have their production facilities at close range. This is a compelling structure with advantages for both sides: a high-performance corrugated board plant is combined with specialised packaging production. The production of corrugated board and packaging is automated, with quantities being aligned throughout the process.

This close proximity enables a smooth manufacturing process and ensures reliable delivery. Short-term needs can be managed more easily and more quickly as the two players can interact flexibly. By interconnecting the production and IT systems, the level of flexibility and efficiency in the production processes has been increased considerably. In doing so, Progroup massively supports the growth strategies of its customers and strengthens its own competitiveness.

GENERATIONAL CHANGE AT PROGROUP INITIATED LONG AGO

Progroup founder and CEO Jürgen Heindl has been working on the complex task of succession planning for a long time. A major milestone in his strategy to secure the company's viability in the long-term was getting his son Maximilian on board. Maximilian Heindl joined the company in 2016 as Head of Production and Technology Paper, after completing a profound training where he gained a lot of experience in a company operating in a related industry. In August 2017, he was appointed a Deputy Member of the Executive Board, and in July 2021, he was appointed Deputy Chief Executive Officer. In addition, in his role as Chief Development Officer and member of the Management Board, he has been driving forward the company's development since 2019, focussing primarily on organisation, digitisation and value-based corporate management.

In the following interview, both entrepreneurs provide insights as to how they intend to lead the company into the future.

Maximilian Heindl, you are taking over the position of Chief Executive Officer from your father at the end of 2022. This means that the future of Progroup will be your responsibility from 2023 onwards. What are your plans?

MAXIMILIAN HEINDL We have a clear commitment: We want to continue on our growth path, and we want to push ahead with technological modernisation, also at our existing sites. We want to become more interconnected, and thus become more sustainable. In this context, we focus on zero waste, zero emissions, closed water treatment and material loops. As a family, we share common values and a very similar attitude on many issues. For me, this is a sound footing on which to continue to build and expand my father's success story. In my view, the advantage of a family business is the fact that we can retain existing experience and market knowledge in the company over the long term.

JÜRGEN HEINDL We initiated the right measures at an early stage to ensure Progroup's successful development over the long term. Our objective in the future remains unchanged: to use our business model to operate sustainably in the market and grow in line with our partners and customers – the Power of Cooperation, as we call it. The close link across various generations guarantees our employees and customers the continuity and reliability of Progroup as a strong partner.

Permanent growth is a central component of your corporate strategy, but the market for paper and corrugated board is highly competitive. How have you managed to continue to grow since 30 years?

J_H Companies that want to survive in a capital-intensive industry such as paper and corrugated board production must have a long-term mindset, grow profitably and therefore follow the primacy of technology and cost leadership. We do not manufacture packaging ourselves, but rather supply medium-sized packaging manufacturers in Central Europe with the precise quantity of corrugated board, exactly when they need it. We therefore do not follow the standard business model in the industry. We do not compete with our customers but focus on growing alongside them over the long term.

M_H More importantly, corrugated board is a strong product for the future – a view that is confirmed with compelling evidence by the growth rates in the corrugated board industry. Sustainability plays an important role in this context. Consumers want to buy goods that use as little packaging material as possible. And we cater for this attitude. Our paper and corrugated board formats are recyclable and are part of a very efficient and sustainable circular economy. The continuous technological development is a major factor for this approach. We want to set the right course here in the future as well.

It is one thing to come up with ambitious growth plans, but how do you make them work in day-to-day business?

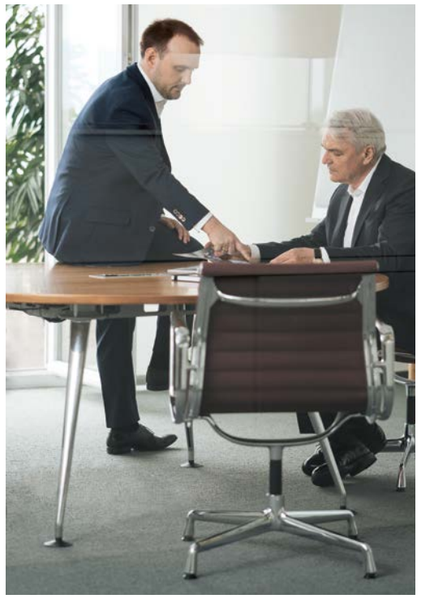
M_H You will need professional structures. At Progroup, we established a team early on whose task it is to build a new corrugated board plant almost every year. This can only work when the processes are standardised as much as possible. This is why we build each type of plant at least three times.

JÜRGEN HEINDL
founder and CEO of Progroup AG

"We want to become more interconnected, and thus become more sustainable."

MAXIMILIAN HEINDL

MAXIMILIAN HEINDL
As Chief Development Officer and Deputy CEO, he manages the transformation of the company. At the end of 2022, he will take over the chair from his father.



"I am convinced that we are in an excellent position for the future. The company has grown with a young and highly dedicated team. We are united by the ambition to push technological boundaries and set new benchmarks."

JÜRGEN HEINDL

Do you have any concerns that Progroup's rapid growth story may come to its limits at some point?

J_H I am convinced that we are in an excellent position for the future. The company has grown with a young and highly dedicated team. We are united by the ambition to push technological boundaries and set new benchmarks.

M_H We offer our employees a state-of-the-art working environment, high-tech plants, a pleasant working atmosphere and a corporate culture that connects people and in which cooperation, team spirit and trust are not just lip service. In doing so, we create long-term perspectives and provide opportunities for development.

Where is Progroup headed, let's say in five years?

M_H We will have implemented further growth projects and will have started the related operations. In the process, we will have increased the level of sustainability in our plants. We will also have made massive progress in terms of digitisation – both internally and externally. Thus, we will have raised collaboration with our customers and employees to a whole new level.

SUSTAINABILITY IS A MAJOR COMPONENT OF OUR CORPORATE PHILOSOPHY

For Progroup, sustainability and the focus on future generations have been firmly anchored in its DNA since its foundation. A major element of the corporate strategy is the circular economy. The company has introduced its Green Hightech Strategy to pursue a comprehensive investment, manufacturing and product concept. The fundamental components of this concept are lightweight papers, raw material and energy savings as well as CO_2 reduction and sustainability measures. The aim is to reduce the carbon footprint gradually to zero. Economic success, protection of the environment and corporate social responsibility are objectives of equal importance for Progroup.

Sustainability strategy defined
In the financial year 2021, Progroup adopted its sustainability strategy. As a resource- and capital-intensive company that works closely with its customers, Progroup has identified its essential themes: sustainable production through innovative technologies, fair cooperation and social involvement. A roadmap defines the measures and the time frame for the implementation of the strategy and communication. In order to transparently document its commitment, **Progroup will publish its first sustainability report in 2022.**

100%

WASTE PAPER FOR THE PRODUCTION OF CONTAINERBOARD

Sustainable production
Our containerboard products are fully based on recovered paper, a fully recycled raw material. The products are part of a very efficient sustainable ecosystem based on closed loops to the greatest extent possible. For example, the paper machines PM1 in Burg and PM3 in Sandersdorf-Brehna operate with closed loop water treatment systems. These unique water treatment systems save several million tonnes of fresh water every year.

The final product, corrugated board formats, can be re-used, and can be re-added to the circular system thanks to waste separation by consumers and existing collection systems. Progroup's self-developed paper and corrugated board formats are lightweight and consume less energy during transport. The lightweight products have similar technical properties like standard products but consume less raw materials. Innovative technologies, in which Progroup invests in the construction of new plants in accordance with its Green Hightech Strategy, enable sustainable growth.

REDUCED USE OF FRESH WATER IN THE PAPER PRODUCTION

SUSTAINABILITY MEASURES IN PRODUCTION AND LOGISTICS REDUCE CARBON EMISSIONS

Fair cooperation
As a family-run business with a long-term strategy, Progroup attaches great importance to fair cooperation. Close, long-term cooperation based on a level playing field, with mostly medium-sized customers, is part of Progroup's corporate strategy. Together with its customers, the company invests in packaging parks, which ensures maximum resource efficiency for both sides. As a fair employer, Progroup offers its employees secure jobs with an above-average pay level. At all manufacturing sites, Progroup ensures good working conditions within the framework of social sustainability.

REDUCED USE OF FOSSIL FUELS DUE TO OWN ENERGY PRODUCTION (BIOGAS, RDF POWER PLANT)

Social involvement
Progroup shows social commitment by participating in public life at all of its locations. Accordingly, the company is in continuous dialogue with relevant stakeholders at the local sites and supports in particular children and youth work. This can be in the field of education or sports, or the company specifically supports disadvantaged children and young people. Nevertheless, Progroup also helped regional players and lived up to its responsibility of being a good corporate citizen during nationwide disasters such as the coronavirus pandemic or the floods in the Ahr valley in the northern parts of Rhineland-Palatinate.

100%

THE END PRODUCT: CORRUGATED BOARD IS 100% RECYCLABLE

COMBINED GROUP MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC AND MARKET SPECIFIC DEVELOPMENTS

Demand for our products is generally driven by the level of economic growth and activity, since these factors typically result in higher per capita use of packaging materials through higher rates of consumption and transportation of goods. An increase in 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 slowly recovering economic development in Europe 2021, despite the continuing coronavirus crisis, has positively affected Progroup. The demand for our key product corrugated sheetboard has increased as it is systemically relevant to safeguard the distribution of vital goods.

Furthermore, market conditions and therefore prices for containerboard and corrugated board are usually influenced considerably by the balance of supply and demand, especially in the market for containerboard, since production capacity cannot readily be adapted to reflect changing market conditions. Hence, material market entries can heavily affect conditions and prices on the market for containerboard, leading to similar effects on the market for corrugated board with a slight time lag.

In general, prices for corrugated board usually follow the development of containerboard prices. Containerboard prices used to follow the price development of recovered paper, however during the past years this price correlation was significantly weaker than in the past.

After the recession of the German economy in 2020 due to the coronavirus pandemic, a recovery of 2,6% was recorded according to the German Federal Statistical Bureau in 2021. However, there is a split in the development of the industrial output which increased further by 2.8% in December, despite the ongoing delivery shortage of certain important pre-products, and the retail business which is still struggling with the impact of the coronavirus pandemic and the related limitation of consumption. The increase of industrial output is strengthening the demand of corrugated board, but the reduced retail business impacts recovered paper prices. The European Commission reported a calendar-adjusted GDP increase in the eurozone of 4.8% in 2021.

With respect to the economic development in Germany and the eurozone throughout the financial year of 2021 with the ongoing coronavirus pandemic, we saw mixed conditions in the markets for containerboard and corrugated board. However, we were able to address the challenges and increased our business above the general recovery level.

+8.6%
increase of the German containerboard market in 2021

The market volume of the German reference market for containerboard increased by approximately 8.6%, while the German corrugated board market increased by approximately 7% in 2021, compared to 2020. Therefore, both the development of the containerboard market and the development of the corrugated board market exceeded the general economic development.

+29%
price increase of Progroup's corrugated board 2021 vs. 2020

Concerning the externally sold volume of Progroup's recycled containerboard, the average price per tonne increased year-on-year by 53% (for the overall externally sold product portfolio mix). After price decreases for recycled containerboard in the first quarter of 2020, there was a slight increase at the end of the first and beginning of the second quarter of 2020. Due to the lower demand in the second quarter of 2020, prices showed another downward step in the third quarter of 2020. In the fourth quarter of 2020, prices for recycled containerboard started to increase. In 2021, the price development showed a continuous significant increase throughout the year. This development usually follows the price development of recovered paper. Due to the changed market situation with limited access to wastepaper, prices increased in the second quarter of 2020. In the third quarter of 2020, the market situation normalised and prices decreased. However, prices increased again already in the fourth quarter; this upward movement was continued in 2021 until the early summer months. During summer the prices stabilised for a short period before increasing further in the second half of the year. As a result of a stronger demand for recovered paper due to new capacities on the European market for containerboard, prices for recovered paper rose to new all-time highs in the course of 2021.

Prices for corrugated board usually follow the development of containerboard prices. In 2021, Progroup's average price per tonne for corrugated board increased significantly by 29.6%, compared to the average price for the year 2020. Following the containerboard market, prices for corrugated board declined until the beginning of the second quarter of 2020. In the middle of the second quarter, prices slightly increased. From the middle of the third quarter until the middle of the fourth quarter of 2020, prices for corrugated board decreased. With the typical time lag, corrugated board prices followed the recycled containerboard prices and showed the first price increases at the end of 2020. Throughout 2021, the corrugated board price increased on a monthly basis.

OVERALL ASSESSMENT OF BUSINESS PERFORMANCE

Construction site Progroup Board PW14
Stryków, Poland

Overall, and despite the ongoing coronavirus pandemic and the higher raw material and energy costs, we are proud of the results achieved for Progroup in the financial year 2021. On the one hand, we generated significantly growing sales volumes in our two key businesses. On the other hand, we started construction of two new Corrugated Board Productions, one in Stryków (Poland) and another one in Petersberg (Germany). Furthermore, we started the planning of a new state-of-the-art refuse-derived fuel (RDF) power plant right next to its high-tech PM3 paper mill in Sandersdorf-Brehna (Germany), which also underlines the sustainability strategy of Progroup.

Operationally, a strong increase in sales volume, especially in the first half of the financial year 2021, could not entirely compensate the increase of raw material and energy prices in the first half of 2021, which led to a lower EBITDA level. In the second half of the year, the price increases for containerboard and corrugated board led to margin improvements and higher quarterly EBITDAs. The level of integration between the two key businesses decreased slightly due to higher external sales but less than anticipated with the further ramp-up of PM3 production. Progroup's consolidated sales significantly increased by 54.1% to €1,357.0 mn in 2021, exceeding for the first time the 1 billion euro level. The good operational performance resulted in an EBITDA increase by 53.4% to €273.2 mn. In line with this development, and despite higher depreciation and income tax, the consolidated annual net income increased by 106.6% to €94.8 mn.

Looking on our financial performance, the free cash flow increased to a positive level of €43.8 mn. Driven by the good operating results and the decrease in investment costs, the free cash flow could be improved significantly. During 2021, net leverage decreased from 4.5 as at 31 December 2020 to 2.9 as at 31 December 2021, due to the improved operational performance and the related increase of EBITDA and the reduction of CAPEX spending. Only three quarters after the peak in net leverage, we returned to our target corridor much faster than expected.

The following sections "results of operations", "net asset position" and "financial position" will provide detailed information and analyses of the development of our business performance in 2021.

RESULTS OF OPERATIONS

The following table sets out certain information with respect to our consolidated income statement for the years ended 31 December 2021 and 2020:

Results of operations

(in € thousands)

	2021	2020	Change (%)
Sales	1,356,971	880,756	54.1
Increase/decrease in finished goods and work in process	32,170	-6,576	-
Other own work capitalised	1,815	21,052	-91.4
Other operating income	26,950	20,963	28.6
Total output [1]	**1,417,905**	**916,195**	**54.8**
Costs of materials	-825,692	-440,988	87.2
Gross profit [2]	**592,213**	**475,207**	**24.6**
Personnel expenses	-107,988	-100,377	7.6
Other operating expenses	-209,414	-195,136	7.3
Reported EBITDA [3]	**273,177**	**178,087**	**53.4**
Amortisation and depreciation of assets	-110,467	-82,238	34.3
Other interest and similar income	95	135	-29.9
Interest and similar expenses	-32,211	-30,761	4.7
Taxes on income	-35,790	-19,222	86.2
Earnings after taxes	**96,437**	**47,608**	**102.6**
Other taxes	-1,669	-1,736	-3.9
Consolidated net income for the year	**94,768**	**45,872**	**106.6**
Consolidated unappropriated retained earnings brought forward	357,653	311,782	14.7
Consolidated net retained profits	**452,421**	**357,653**	**26.5**

(1) Total output (not a German GAAP measure) is calculated as the sum of sales, increase/decrease in finished goods and work in process, other own work capitalised and other operating income.

(2) Gross profit (not a German GAAP measure) is calculated by deducting costs of materials from total output.

(3) 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.

01 Sales volume

(in thousands of tonnes)

	2021	2020	Change (%)
Corrugated sheetboard	**1,503**	**1,354**	**11.0**
Containerboard	**1,587**	**1,188**	**33.6**
– thereof external	400	215	86.3
– thereof internal	1,187	973	22.0

Total consolidated sales increased by €476.2 mn or 54.1%, from €880.8 mn in 2020 to €1,357.0 mn in 2021. This increase in sales was attributable to an increase in both businesses and is the result of significantly higher prices compared to 2020. Both internal and external containerboard sales volumes increased significantly, mainly due to the further ramp-up of the production volume of PM3 and the favourable market conditions as well as strong internal demand growth. Corrugated board sales volumes grew strongly by approximately 149 thousand tonnes, from approximately 1,354 thousand tonnes in 2020 to approximately 1,503 thousand tonnes in 2021. This significant increase in sales volume was attributable to (i) the successful ramp-up at our corrugated board production site (PW13) in Eisfeld, Germany, following commencement of commercial production in the first quarter of 2020, (ii) our ongoing efforts to improve the effectiveness of our sales and marketing activities as part of our continuous improvement program as well as (iii) our continuing efforts to further optimise production of our corrugated board plants. Our total containerboard sales volume increased strongly by approximately 399 thousand tonnes or 33.6%, from approximately 1,188 thousand tonnes in 2020 to approximately 1,587 thousand tonnes in 2021. External sales volume of containerboard significantly increased by approximately 185 thousand tonnes or 86.3% from approximately 215 thousand tonnes in 2020 to approximately 400 thousand tonnes in 2021. This was due to higher production capacities with the commencement of production at PM3 at the end of August 2020. As a result, the average grade of integration between both businesses, including swap agreements, decreased from 91% in 2020 to 87% in 2021. The average price of corrugated board in 2021 was significantly above the average price of 2020 (+29.6%). Following the containerboard market, prices for corrugated board rose continuously in 2021. The average price per tonne for externally sold containerboard in 2021 was significantly above the average price in 2020 (+53.2%). In 2021, prices followed a continuous increase in every quarter.

01 Sales

(in € thousands)

	2021	2020	Change (%)
Sales in Germany (origin)	777,785	474,297	64.0
Sales abroad (origin)	579,186	406,459	42.5
Total Sales	**1,356,971**	**880,756**	**54.1**

01

In 2021, sales in Germany accounted for 57.3% of total sales, compared to 53.9% of total sales in 2020. Sales in Germany increased by €303.5 mn or 64.0%, from €474.3 mn in 2020 to €777.8 mn in 2021 following strong growth of external sales volume of containerboard. Sales abroad also increased by €172.7 mn or 42.5%, from €406.5 mn in 2020 to €579.2 mn in 2021, due to the increasing price levels and higher sales volumes.

02

Increase/decrease in finished goods and work in process

Our finished goods and work in process increased by €38.7 mn in 2021, primarily due to increased market prices in 2021 and therefore higher valuation prices.

03

Other own work capitalised

Other own work capitalised is mainly related to our new plants PW14 in Stryków, Poland, and PW15 in Petersberg, Germany.

04 Other operating income

(in € thousands)

	2021	2020	Change (%)
Investment subsidies	3,000	1,079	178.2
Income from exchange rate differences	9,344	5,660	65.1
Income from other periods	13,423	11,136	20.5
Extraordinary income	197	1,365	-85.6
Other income	986	1,723	-42.8
Other operating income	**26,950**	**20,963**	**28.6**

04

Other operating income increased by €6.0 mn or 28.6% from €21.0 mn in 2020 to €27.0 mn in 2021. This was primarily due to higher income from exchange rate differences, which increased by €3.7 mn or 65.1% from €5.7 mn in 2020 to €9.3 mn in 2021 as well as income from other periods rising by €2.3 mn or 20.5% from €11.1 mn in 2020 to €13.4 mn in 2021. Furthermore, income from investment subsidies increased by €1.9 mn or 178.2% from €1.1 mn in 2020 to €3.0 mn in 2021.

Contrary effects came from lower extraordinary income, which decreased by €1.2 mn or 85.6% from €1.4 mn in 2020 to €0.2 mn in 2021.

05 Costs of materials

(in € thousands)

	2021	2020	Change (%)
Costs of raw materials, consumables and supplies	669,906	340,838	96.5
Costs of purchased services	155,786	100,151	55.6
Costs of materials	**825,692**	**440,988**	**87.2**

05

Costs of materials increased by €384.7 mn or 87.2%, from €441.0 mn in 2020 (50.1% of sales, or 48.1% of total output) to €825.7 mn in 2021 (60.8% of sales, or 58.2% of total output). This increase was due to the increase of €55.6 mn or 55.6% in the costs of purchased services from €100.2 mn in 2020 to €155.8 mn in 2021. The increase in costs of purchased services mainly resulted from higher energy costs. Energy costs increased significantly from €64.7 mn in 2020 to €107.5 mn in 2021. This was due to higher energy consumption following the ramp-up of the new PM3 paper machine in Sandersdorf-Brehna, Germany accompanied by increased market prices for energy. The main effect results from significantly higher costs of raw materials, consumables and supplies which increased by €329.1 mn or 96.5% from €340.8 mn in 2020 to €669.9 mn in 2021 as a result of higher price levels for containerboard and for recovered paper. In addition, higher volumes of recovered paper due to the ramp-up of the PM3 paper machine contributed to the increase. In 2021, the price of recovered paper more than doubled until the beginning of the second quarter compared to the end of 2020, then stabilised on that high level until the end of August 2021. At the end of the third quarter and in the fourth quarter, prices for recovered paper increased further. As a result, the average costs per tonne for our recovered paper purchases in 2021 were significantly higher (+133.2%) compared to 2020. The higher production volume and the significantly higher price levels resulted in an increase of recovered paper costs from €102.0 mn in 2020 to €330.1 mn in 2021. Costs of raw materials also include the costs of externally purchased containerboard as raw material for our corrugated board plants, which rose from €192.1 mn in 2020 to €234.0 mn in 2021. This increase was attributable to significantly higher average purchase prices for external containerboard but a lower amount of externally sourced recycled containerboard that was replaced by internally provided volumes.

06

Gross profit

Gross profit increased by €117.0 mn or 24.6%, from €475.2 mn (54.0% of sales, or 51.9% of total output) in 2020 to €592.2 mn (43.6% of sales, or 41.8% of total output) in 2021. This increase is the result of higher sales price levels and increasing sales volumes.

07 Personnel expenses

(in € thousands)

	2021	2020	Change (%)
Wages and salaries	91,982	85,737	7.3
Social security and pensions	16,006	14,641	9.3
- thereof for pension expenses	-4	74	-105.1
Personnel expenses	**107,988**	**100,377**	**7.6**

07

Personnel expenses increased by €7.6 mn or 7.6%, from €100.4 mn in 2020 to €108.0 mn in 2021, reflecting a €6.2 mn or 7.3% increase in wages and salaries and a €1.4 mn or 9.3% increase in social security and pensions. These increases were due to (i) a 5.6% increase in the average number of employees (from 1,377 in 2020 to 1,455 in 2021), primarily as a result of the new plant PW13 in Eisfeld, Germany and an increase in the number of central functions in line with our strong growth and (ii) regular annual salary and wage increases.

08 Average number of employees

	2021	2020	Change (%)
Average number of administrative employees	417	381	9.4
Average number of factory workers	1,038	996	4.2
Average number of employees	**1,454**	**1,377**	**5.6**

08

Both the average number of administrative employees and the average number of factory workers increased from 381 and 996 respectively, in 2020 to 417 and 1,038, respectively, in 2021. The higher number of administrative employees is due to structural changes we made in different departments in line with our strong growth. The increase in the number of factory workers is mainly related to our new plant PW13 in Eisfeld, Germany.

09 Other operating expenses

(in € thousands)

	2021	2020	Change (%)
Freight expenses	86,621	71,662	20.9
Maintenance and repair	49,046	46,640	5.2
Paper machine clothings	0	7,183	-100.0
Rental and leasing costs	10,708	9,067	18.1
Legal and consulting fees	7,201	7,227	-0.4
Personnel-related expenses	8,108	6,489	25.0
Expenses from exchange rate differences	7,534	9,653	-22.0
Expenses from other periods	2,469	1,716	43.9
Extraordinary expenses	231	1,495	-84.5
Other	37,495	34,004	10.3
Other operating expenses	**209,414**	**195,136**	**7.3**

09

Other operating expenses increased by €14.3 mn or 7.3%, from €195.1 mn in 2020 to €209.4 mn in 2021. Freight expenses significantly increased by €15.0 mn or 20.9%, from €71.7 mn in 2020 to €86.6 mn in 2021. Other expenses increased by €3.5 mn or 10.3%, from €34.0 mn in 2020 to €37.5 mn in 2021. Furthermore, costs for maintenance and repair increased by €2.4 mn or 5.2%, from €46.6 mn in 2020 to €49.0 mn in 2021.

The paper machine clothings (€9.9 mn in 2021) were reclassified in 2021 to cost of materials. In 2020, paper machine clothings amounted to €7.2 mn.

10 EBITDA

(in € thousands)

	2021	2020	Change (%)
EBITDA	**273,177**	**178,087**	**53.4**

10

Our EBITDA increased by €95.1 mn or 53.4%, from €178.1 mn in 2020 to €273.2 mn in 2021, as a result of the factors described above, following the strong operating performance and influenced by the higher price levels.

11 Amortisation and depreciation of assets

(in € thousands)

	2021	2020	Change (%)
Amortisation on intangible assets	-3,097	-3,107	-0.3
Depreciation on tangible fixed assets	-107,370	-79,131	35.7
Amortisation and depreciation of assets	**-110,467**	**-82,238**	**34.3**

11

Amortisation and depreciation expenses increased by €28.2 mn or 34.3%, from €82.2 mn in 2020 to €110.5 mn in 2021. This increase is related to the commencement of production at our new paper machine PM3 in Sandersdorf-Brehna, Germany, as well as the adjustment of the remaining useful life of our paper machine PM2 in Eisenhüttenstadt, Germany in the course of 2020.

12 Interest income/expenses, net

(in € thousands)

	2021	2020	Change (%)
Other interest and similar income	95	135	-29.9
Interest and similar expenses	-32,211	-30,761	4.7
Interest income/expenses, net	**-32,117**	**-30,626**	**4.9**

12

Our net interest income/expenses in 2021 increased by €1.5 mn or 4.9%, from a net expense of €30.6 mn in 2020 to a net expense of €32.1 mn in 2021. This is related to an increase in interest and similar expenses by €1.5 mn or 4.7%, from €30.8 mn in 2020 to €32.2 mn in 2021. Other interest and similar income had no material changes.

13 Taxes

(in € thousands)

	2021	2020	Change (%)
Taxes on income	-35,790	-19,222	86.2
Other taxes	-1,669	-1,736	-3.9
Total taxes	**-37,459**	**-20,958**	**78.7**

13

Total taxes increased significantly by €16.5 mn or 78.7%, from €21.0 mn in 2020 to €37.5 mn in 2021. Total taxes mainly include trade tax and corporate income tax for the current financial year.

14

Consolidated net income for the year

(in € thousands)

	2021	2020	Change (%)
Consolidated net income for the year	**94,768**	**45,872**	**106.6**
Consolidated unappropriated retained earnings brought forward	357,653	311,782	14.7
Consolidated net retained profits	**452,421**	**357,653**	**26.5**

14

Consolidated net income for the year more than doubled by €48.9 mn or 106.6%, from a profit of €45.9 mn in 2020 to a profit of €94.8 mn in 2021. This was the result of the factors described above.

NET ASSET POSITION

The following paragraphs explain the main changes in the balance sheet as at 31 December 2021 compared to 31 December 2020. For detailed information on our balance sheet items, please refer to section D "Consolidated Financial Statements".

Assets

(in € thousands)

		31/12/2021	31/12/2020
A.	Fixed assets	1,220,272	1,205,349
B.	Current assets	452,019	358,896
I.	Inventories	162,642	116,427
II.	Receivables and other assets	189,866	112,005
III.	Cash in hand, bank balances	99,512	130,465
C.	Prepaid expenses and deferred charges	10,200	13,007
	Total assets	**1,682,491**	**1,577,252**

Equity and liabilities

(in € thousands)

		31/12/2021	31/12/2020
A.	Shareholder´s equity	530,910	435,534
B.	Investment grants for fixed assets	34,829	21,210
C.	Provisions	92,062	83,038
D.	Liabilities	1,005,993	1,031,734
I.	Bonds	600,000	600,000
II.	Bank loans	274,914	330,782
III.	Trade payables	111,113	84,829
IV.	Liabilities from affiliated companies	68	12
V.	Other liabilities	19,898	16,111
E.	Deferred income	1,575	1,912
F.	Deferred tax liabilities	17,123	3,825
	Total equity and liabilities	**1,682,491**	**1,577,252**

As at 31 December 2021, **fixed assets** amounted to €1,220.3 mn, reflecting an increase of €14.9 mn or 1.2% compared to 31 December 2020. Additions to fixed assets (€119.1 mn) and exchange rate differences (€8.5 mn) were partly offset by amortisation and depreciation amounting to €110.5 mn. Additions during 2021 were mainly related to our new plant PW14 (€33.0 mn) in Stryków, Poland, as well as for our new paper machine PM3 (€21.5 mn) in Sandersdorf-Brehna, Germany. Furthermore, we had additions for a number of other strategic projects and several smaller maintenance investments concerning our existing plants.

The increase in **inventories** by €46.2 mn or 39.7% to €162.6 mn is mainly driven by an increase of the price levels for containerboard and corrugated board and therefore a higher valuation of our finished goods. Furthermore, raw materials, consumables and supplies increased as a result of a higher number of spare parts.

Trade receivables significantly increased by €75.6 mn or 82.2% to €167.5 mn as a result of a higher sales volume and significantly higher price levels at the year-end 2021.

Other assets increased by €2.3 mn or 11.3% to €22.3 mn as at 31 December 2021, mainly in connection with higher VAT receivables.

Cash in hand, bank balances amounted to €99.5 mn as at 31 December 2021 compared to €130.5 mn as at 31 December 2020. A portion of our comfortable liquidity position was used to redeem outstanding bank loans ahead of schedule in the course of the fourth quarter of 2021. For more detailed information, please refer to section C “Financial Position”.

Prepaid expenses and deferred charges decreased by €2.8 mn to €10.2 mn, primarily due to the release of lump sum fees.

Shareholder’s equity increased by €95.4 mn from €435.5 mn as at 31 December 2020 to €530.9 mn as at 31 December 2021. The increase is primarily based on a positive net income (€94.8 mn).

Investment grants for fixed assets increased from €21.2 mn as at 31 December 2020 to €34.8 mn as at 31 December 2021, driven by grants received in connection with our new paper machine PM3 in Sandersdorf-Brehna, Germany.

Tax provisions decreased by €2.6 mn to €6.2 mn, mainly related to higher tax payments in the course of 2021.

Other provisions increased by €11.5 mn to €85.2 mn, mainly due to higher provisions for outstanding invoices.

The amount of **bonds** was unchanged at €600 mn as at 31 December 2021.

Bank loans decreased by €55.9 mn or 16.9%, from €330.8 mn as at 31 December 2020 to €274.9 mn as at 31 December 2021. Progroup used its very good liquidity to repay a KfW special loan from 2020 and a loan to finance PM3 ahead of schedule, in addition to regular repayments. While Progroup’s liquidity was reduced by these repayments, it remains on a high level of around €100 mn.

The increase in **trade payables** by €26.3 mn or 31.0% to €111.1 mn as at 31 December 2021 is mainly related to higher price levels for purchased raw materials and purchased services and due to year-end effects.

The increase in **other liabilities** from €16.1 mn as at 31 December 2020 to €19.9 mn as at 31 December 2021 was mainly related to VAT liabilities.

Deferred income decreased from €1.9 mn as at 31 December 2020 to €1.6 mn as at 31 December 2021. This decrease is due to the reversal of the premium in connection with the issuance of additional senior secured fixed rate notes in June 2019.

The deferred tax liability increased from €3.8 mn as at 31 December 2020 to €17.1 mn as at 31 December 2021.

FINANCIAL POSITION

The following table sets out a summary of our cash flows for the years ended 31 December 2021 and 2020. For detailed information on our cash flows, please refer to section D "Consolidated Financial Statements".

Summary of cash flows

(in € thousands)

	2021	2020
Cash flows from operating activities	155,890	175,723
Cash flows from investing activities	-112,110	-300,038
Free cash flow [1]	**43,780**	**-124,315**
Cash flows from financing activities	-75,131	54,472

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

Cash flows from operating activities

In 2021, our cash flows from operating activities decreased by 19.8 mn, from €175.7 mn in 2020 to €155.9 mn in 2021. Despite the higher absolute EBITDA, cash flows are below the same level as in the previous year due to the significant increase in working capital, from €123.6 mn as at 31 December 2020 to €219.1 mn as at 31 December 2021.

The significant increase in our trade working capital is attributable to an increase in our inventories (€46.2 mn) and an increase in our trade receivables (€75.6 mn). A contrary effect comes from an increase in trade payables (€26.3 mn). For further details about the development of the single positions included in our trade working capital, please refer to section C "Net Asset Position".

Trade working capital

(in € thousands)

	2021	2020
Inventories	162,642	116,427
Trade receivables	167,537	91,961
Trade payables	-111,113	-84,829
Trade working capital [2]	**219,066**	**123,559**

(2) Trade working capital (not a German GAAP measure) is calculated as inventories plus trade receivables, minus trade payables.

Cash flows from investing activities

Cash flows from investing activities generally consist of cash outflows for investments in tangible and intangible fixed assets as well as cash inflows from the disposal of fixed assets and interest received concerning financial assets and cash in hand.

In 2021, our cash outflows from investing activities significantly decreased by €187.9 mn, from €300.0 in 2020 to €112.1 mn in 2021. This resulted mainly from significantly lower investments for the construction of the new corrugated board plants PW14 in Stryków, Poland, PW15 in Petersberg, Germany, and investments in further growth projects compared to the high cash outflows in 2020 that were especially related to the construction of the PM3 paper machine.

Free cash flow

We define free cash flow as cash flows from operating activities plus cash flows from investing activities. Free cash flow comprises the cash surplus or deficit after expenditure on investments and taxes, but before net cash used in/provided by financing activities, and before taking into account cash proceeds and payments relating to shareholders` equity and financial liabilities. The reasons for changes in the free cash flow are therefore the same as explained above. In 2021, our free cash flow increased by €168.1 mn, from a free cash outflow of €124.3 mn in 2020 to a free cash inflow of €43.8 mn in 2021.

Cash flows from financing activities

In 2021, cash flows from financing activities amounted to €75.1 mn of cash outflows, compared to €54.5 mn of cash inflows in 2020.

In the year ended 31 December 2021, we reported a cash outflow from financing activities of €75.1 mn, mainly as a result of (i) the €117.4 mn repayment of bonds and borrowings, which related to scheduled repayments of the Senior Secured PLN Facilities (€14.9 mn), scheduled repayments of the EUR Facilities (€22.5 mn) and the early repayment of bank liabilities to finance PM3 (€30 mn) and the bank loans to finance general corporate and operating purposes (€50 mn) and (ii) €29.4 mn of interest paid containing interest for our senior secured notes as well as bank loans. No dividends were paid in the financial year 2021. These cash outflows were more than offset the cash inflows of (i) proceeds of bonds and borrowings in the amount of €55.0 mn, containing €30 mn of bank loans in connection with our new corrugated board plant PW 14 in Stryków, Poland, and €25 mn of a bank loan to finance general corporate and operating purposes, as well as (ii) proceeds from grants received amounting to €16.6 mn in connection with the new paper machine PM3 in Sandersdorf-Brehna, Germany.

In the year ended 31 December 2020, we reported a cash inflow from financing activities of €54.5 mn, mainly as a result of (i) proceeds of bonds and borrowings in the amount of €100.0 mn, containing €30 mn of bank loans in connection with our new paper machine PM3 in Sandersdorf-Brehna, Germany, and €45 mn of bank loans to finance growth projects and €25 mn of bank loans to finance general corporate and operating purposes, as well as (ii) proceeds from grants received amounting to €15.7 mn in connection with the new paper machine PM3 in Sandersdorf-Brehna, Germany, and the new corrugated board plant PW13 in Eisfeld, Germany. These cash inflows from financing activities more than offset the cash outflows for (i) the €32.4 mn repayment of bonds and borrowings, which related to scheduled repayments of the Senior Secured PLN Facilities (€9.6 mn) and scheduled repayments of the EUR Facilities (€22.8 mn), (ii) €28.3 mn of interest paid containing interest for our senior secured notes as well as bank loans, as well as (iii) the €0.6 mn cash outflows for payments relating to expenditure of exceptional size or incidence due to extraordinary expenses in connection with financing agreements.

Financial liabilities and leverage

(in € thousands)

	2021	2020
Financial liabilities (bonds, bank loans and accrued interest)	879,414	935,282
Cash in hand, bank balances	99,512	130,465
Net financial debt	779,903	804,817
LTM EBITDA	273,177	178,087
Leverage	**2.9**	**4.5**

In 2021, our financial liabilities, including bonds (€600 mn), bank loans (€274.9 mn) and accrued interest (€4.5 mn), decreased by €55.9 mn from €935.3 mn as at 31 December 2020 to €879.4 mn as at 31 December 2021. Due to regular and unscheduled repayments, liabilities to banks were reduced by approximately € 55.9 mn.

Cash in hand, bank balances decreased to €99.5 mn as at 31 December 2021 compared to €130.5 mn as at 31 December 2020.

As a result of the above-described developments, net financial debt, calculated as financial liabilities minus cash in hand, bank balances, decreased by €24.9 mn, from €804.8 mn as at 31 December 2020 to €779.9 mn as at 31 December 2021.

Our net leverage, calculated by dividing net financial debt by EBITDA for the last twelve months, decreased from 4.5 as at 31 December 2020 to 2.9 as at 31 December 2021.

D

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Assets

(in € thousands)

		31/12/2021	31/12/2020
A.	**Fixed assets**		
I.	**Intangible assets**		
1.	Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	10,623	13,441
2.	Prepayments on intangible assets	14,353	3,465
		24,976	**16,906**
II.	**Tangible assets**		
1.	Land and buildings including buildings on leasehold land	407,710	409,822
2.	Technical equipment and machinery	693,759	754,657
3.	Other equipment, factory and office equipment	19,174	16,016
4.	Prepayments and construction in process	74,651	7,949
		1,195,294	**1,188,443**
III.	**Financial Assets**		
1.	Equity investments	**2**	**0**
		1,220,272	**1,205,349**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials, consumables and supplies	96,943	82,823
2.	Work in process	53,480	28,871
3.	Finished goods	12,200	4,638
4.	Prepayments	20	94
		162,642	**116,427**
II.	**Receivables and other assets**		
1.	Trade receivables	167,537	91,961
2.	Receivables from affiliated companies	12	0
3.	Other assets	22,317	20,044
		189,866	**112,005**
III.	**Cash in hand, bank balances**	**99,512**	**130,465**
		452,019	**358,896**
C.	**Prepaid expenses and deferred charges**	**10,200**	**13,007**
	Total assets	**1,682,491**	**1,577,252**

Equity and liabilities

(in € thousands)

		31/12/2021	31/12/2020
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	-5,922	-6,530
5.	Consolidated net retained profits	452,421	357,653
		530,910	**435,534**
B.	**Investment grants for fixed assets**	**34,829**	**21,210**
C.	**Provisions**		
1.	Provisions for pensions	583	516
2.	Tax provisions	6,246	8,817
3.	Other provisions	85,232	73,705
		92,062	**83,038**
D.	**Liabilities**		
1.	Bonds	600,000	600,000
2.	Bank loans	274,914	330,782
3.	Trade payables	111,113	84,829
4.	Liabilities from affiliated companies	68	12
5.	Other liabilities	19,898	16,111
		1,005,993	**1,031,734**
E.	**Deferred income**	**1,575**	**1,912**
F.	**Deferred tax liabilities**	**17,123**	**3,825**
	Total equity and liabilities	**1,682,491**	**1,577,252**

CONSOLIDATED INCOME STATEMENT

(in € thousands)

		2021	2020
1.	Sales	1,356,971	880,756
2.	Increase/decrease in finished goods and work in process	32,170	-6,576
3.	Other own work capitalised	1,815	21,052
4.	Other operating income	26,950	20,963
5.	Costs of materials		
a)	Costs of raw materials, consumables and supplies	-669,906	-340,838
b)	Costs of purchased services	-155,786	-100,151
		-825,692	-440,988
6.	Personnel expenses		
a)	Wages and salaries	-91,982	-85,737
b)	Social security and pensions	-16,006	-14,641
		-107,988	-100,377
7.	Amortisation and depreciation of fixed intangible and tangible assets	-110,467	-82,238
8.	Other operating expenses	-209,414	-195,136
9.	Other interest and similar income	95	135
10.	Interest and similar expenses	-32,211	-30,761
11.	Taxes on income	-35,790	-19,222
12.	**Earnings after taxes**	**96,437**	**47,608**
13.	Other taxes	-1,669	-1,736
14.	**Consolidated net income for the period**	**94,768**	**45,872**
15.	Consolidated unappropriated retained earnings brought forward	357,653	311,782
16.	**Consolidated net retained profits**	**452,421**	**357,653**

CONSOLIDATED CASH FLOW STATEMENT

(in € thousands)

		2021	2020
1.	**Cash flows from operating activities**		
	Consolidated net income for the period	94,768	45,872
	Amortisation and depreciation of fixed assets	110,467	82,238
	Increase (+)/decrease (-) in provisions	15,096	18,421
	Other non-cash expenses (+)/income (-)	-1,749	226
	Increase (-)/decrease (+) in inventories, trade receivables and other assets[1]	-124,017	-3,228
	Increase (+)/decrease (-) in trade payables and other liabilities[1]	21,948	28,165
	Interest expenses (+)/income (-)	32,117	30,626
	Expenditure (+)/income (-) of exceptional size or incidence	35	129
	Income tax expenses (+)/income (-)	35,790	19,222
	Income taxes paid (-)	-28,565	-45,948
	Cash flows from operating activities	**155,890**	**175,723**
2.	**Cash flows from investing activities**		
	Proceeds (+) from disposal of intangible and tangible fixed assets	0	932
	Payments (-) to acquire intangible fixed assets	-11,139	-4,326
	Payments (-) to acquire tangible fixed assets	-100,969	-296,707
	Payments (-) to acquire financial fixed assets	-2	0
	Interest received (+)	0	63
	Cash flows from investing activities	**-112,110**	**-300,038**
3.	**Cash flows from financing activities**		
	Proceeds (+) from the issuance of bonds and borrowings	55,000	100,000
	Cash repayments (-) of bonds and borrowings	-117,353	-32,367
	Proceeds (+) from grants received	16,613	15,679
	Cash payments (-) relating to expenditure of exceptional size or incidence	0	-572
	Interest paid (-)	-29,391	-28,268
	Cash flows from financing activities	**-75,131**	**54,472**
4.	**Cash funds at end of period**		
	Net change in cash funds	-31,351	-69,843
	Effect on cash funds of exchange rate movements	398	-2,467
	Cash funds at beginning of period	130,465	202,775
	Cash funds at end of period	**99,512**	**130,465**
5.	**Composition of cash funds**		
	Cash and cash equivalents	99,512	130,465
	Cash funds at end of period	99,512	130,465

(1) 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 [2]		
01 January 2020	**7,588**	**75,414**	**1,408**	**311,781**	**-1,207**	**394,985**
Consolidated net profit for the year	0	0	0	45,872	0	45,872
Other changes	0	0	0	0	-5,323	-5,323
31 December 2020	**7,588**	**75,414**	**1,408**	**357,653**	**-6,530**	**435,534**
01 January 2021	**7,588**	**75,414**	**1,408**	**357,653**	**-6,530**	**435,534**
Consolidated net profit for the year	0	0	0	94,768	0	94,768
Other changes	0	0	0	0	608	608
31 December 2021	**7,588**	**75,414**	**1,408**	**452,421**	**-5,922**	**530,910**

(2) The consolidated retained earnings are subject to a distribution block from the measurement of pension obligations in accordance with Sec. 253 (6) HGB from the annual financial statements of Progroup AG in the amount of € 0.1 million (previous year: € 0.2 million). As of December 31, 2021, € 441.2 million (previous year: € 335.9 million) is available for distribution to the shareholders from the annual financial statements of Progroup AG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PROGROUP AG, Offenbach a. d. Queich,
Commercial Register Landau, HRB No. 2268

A. GENERAL INFORMATION

The consolidated financial statements of Progroup AG, comprising the consolidated balance sheet, consolidated income statement, notes to the consolidated financial statements, the consolidated cash flow statement and the consolidated statement of changes in equity, have been prepared in accordance with the applicable provisions of Parts One and Two of the Third Book of the Handelsgesetzbuch (HGB—German Commercial Code) and the supplementary provisions of the Aktiengesetz (AktG—German Stock Corporation Act). The previous year's figures are stated for comparative purposes.

In the interest of greater clarity and transparency, below-the-line items to be reported for consolidated balance sheet or consolidated income statement line items pursuant to the statutory provisions, as well as disclosures and below-the-line items which may be reported either in the consolidated balance sheet and consolidated income statement or in the notes to the consolidated financial statements have all been reported in the notes to the consolidated financial statements. Insofar as individual consolidated balance sheet items and/or consolidated income statement items have been combined as part of the statutory regulations so as to provide better transparency, the composition of these line items is presented in the notes to the consolidated financial statements.

B. SIGNIFICANT BUSINESS TRANSACTIONS

I. Investments in a new Progroup Board plant in Germany

Planning for the PW15 corrugated sheetfeeder plant are proceeding as planned. The line item "Prepayments and construction in process" of Progroup Board GmbH increased in the financial year 2021 by €10.1 mn. This growth was mainly attributable to the construction of the PW15 corrugated sheetfeeder plant in Petersberg (Rhineland-Palatinate). Construction on the plant is expected to be completed in the second quarter of 2023.

II. Investments in a new Progroup Board plant in Poland

Completion of PW14 in Stryków, Poland, is getting closer. The construction works have continued as planned so that the PW14 corrugated sheetfeeder plant will be producing corrugated board as from the fourth quarter of 2022. In the context of these construction works, the line item "Prepayments and construction in process" rose by €32.3 mn.

III. Early repayment of loans in the amount of €80.0 mn

Two loans were fully redeemed thanks to the growth of cash funds in 2021. One 30 million euro facility, originally used to finance the PM3 investment and with final maturity on 31 December 2023, was fully repaid at the end of 2021. The facility granted by the German state development bank Kreditanstalt für Wiederaufbau (KfW) in the amount of €100 mn was agreed during the first phase of the coronavirus pandemic in order to have sufficient flexibility in order to account for any uncertainties surrounding the pandemic situation. As at 31 December 2020, an amount of €25 mn was utilised. In January 2021, a further amount of €25 mn was drawn down. Overall, only an amount of €50 mn of the original nominal value was utilised. The total amount outstanding was repaid during the fourth quarter as a result of the comfortable liquidity position. The final maturity of this amortising loan was end of 2025.

IV. Use of prior year net retained profits

On 12 May 2021, the Annual General Meeting resolved to carry forward to new account the full net retained profits of €339,730,371.12, as reported. As in the previous year, there was no dividend distribution.

C. BASIS OF CONSOLIDATION

The subsidiaries included in the consolidated financial statements are presented in section F. III. 3 and 4 of the notes to the consolidated financial statements.

The scope of consolidation remains unchanged compared with 31 December 2020.

D. PRINCIPLES OF CONSOLIDATION

Acquisitions made until 31 December 2009 continue to be accounted for in accordance with section 66(3) of the Einführungsgesetz zum Handelsgesetzbuch (EGHGB—Introductory Act to the German Commercial Code), using the carrying amount method under section 301(1) no. 1 of the HGB (former version) by eliminating the cost of the equity investments against the proportionate amount that these shares represent in the equity of the subsidiaries.

Acquisitions made after 31 December 2009 are accounted for in accordance with section 301(1) no. 1 of the HGB (as amended) using the purchase method. With this method, the acquisition cost of the investments is eliminated against the equity reflecting the fair value of the assets, liabilities, prepaid expenses and deferred income as well as special items to be included in the consolidated financial statements at the acquisition date.

Receivables and liabilities between consolidated companies have been eliminated, with receivables and liabilities of €1,319,900 thousand being eliminated outside profit or loss.

In the financial year 2021, intercompany profits from Progroup Paper PM1 GmbH's, Progroup Paper PM2 GmbH's and Progroup Paper PM3 GmbH's paper deliveries to affiliated companies increased to €4,406 thousand; they were eliminated through profit or loss. Intragroup sales, intragroup other operating income and interest income have been eliminated against corresponding expenses, with expenses and income of €740,841 thousand having been eliminated.

Deferred taxes are generally recognised for consolidation adjustments recognised outside profit or loss as well as for consolidation adjustments recognised through profit or loss. In 2021, consolidation adjustments recognised through profit or loss related exclusively to the elimination of intercompany profits. Deferred tax assets of €1,574 thousand (previous year: €260 thousand) were recognised on eliminated intercompany profits of €5,277 thousand (previous year: €871 thousand).

E. SIGNIFICANT ACCOUNTING POLICIES

I. Disclosure of accounting policies applied

Intangible assets are measured at cost less amortisation. Amortisation is calculated on a straight-line basis over the standard useful lives. The intangible assets are amortised over a useful life of 3 to 10 years. To the extent that the fair values of individual intangible fixed assets fall below their carrying amounts, additional impairment losses are recorded in case of an expected permanent impairment.

Tangible fixed assets are measured at purchase and production cost less depreciation. Depreciation on additions to tangible fixed assets is generally recorded pro rata temporis. To the extent that the fair values of individual assets fall below their carrying amounts, additional impairment losses are recorded in case of an expected permanent impairment.

The purchase costs comprise expenses incurred to acquire an asset and to bring it to its working condition to the extent that such costs can be allocated individually to such asset. Production cost comprises, if applicable, direct material costs, direct labour costs and special costs of production, appropriate indirect material costs and indirect labour costs, general and administrative costs and expenses for social amenities, for voluntary social benefits and for occupational pensions. Borrowing costs have also been included in production cost to the extent that they were attributable to the period of production.

Depreciation is calculated on a straight-line basis over the standard useful lives. Buildings are depreciated over a useful life of 33 years, technical equipment and machinery over a useful life of 10–17 years, and other equipment, factory and office equipment over a useful life of 3–8 years.

As at 1 July 2020, the useful life for the paper mill (PM2) was adjusted from previously 25 to now 17 years. This resulted in an increase of depreciation by €13.0 mn in 2021 (previous year, 1 July to 31 December 2020: €6.5 mn).

Prepayments made are presented in the balance sheet at their nominal amount.

Financial assets are measured at cost or, in the event of an expected permanent impairment, at their lower fair value as at the balance sheet date.

Investment grants are reported separately at their nominal amount on the liabilities side under the special item "Investment grants for fixed assets" and are reversed in accordance with the useful lives of the fixed assets for which the grants were awarded.

Low-value assets costing up to €250.00 each are fully written off in the year of acquisition. Assets which are capable of being used independently and which cost between €250.00 and €1,000.00 are posted to a collective item in the year of acquisition; this collective item is reversed as a charge to profit or loss over 5 years.

Inventories are measured at cost, taking account of the lower of cost or market value. Appropriate valuation allowances are recorded for any identifiable risks resulting from above-average storage periods, reduced recoverability and/or lower replacement costs. In all cases, fair value measurement was applied, i. e. write-downs are recognised to the extent that the expected selling prices less costs incurred prior to disposal result in a lower fair value.

Raw materials, consumables and supplies are measured at actual cost or, taking account of the principle of lower of cost or market value, at lower market values as at the reporting date. Replacement parts for machines are also recognised under raw materials, consumables and supplies. Appropriate valuation allowances are applied to inventories which are obsolete, second-hand, damaged or slow-moving. Lump-sum valuation

allowances amounting to €8,394 thousand (previous year: €7,184 thousand) were applied to replacement parts which are obsolete, second-hand or slow-moving.

Work in process and finished goods are measured at production cost. Production cost comprises, if applicable, direct material costs, direct labour costs and special costs of production, appropriate and necessary indirect material costs, indirect labour costs, depreciation and amortisation of fixed assets that is attributable to the production process and general and administrative costs and costs of occupational pensions. Borrowing costs are not included in production cost.

Receivables and other assets as well as the remaining assets are recognised at their principal amount or at their lower fair value as at the balance sheet date.

Appropriate valuation allowances are applied to receivables whose recoverability is associated with identifiable risks; irrecoverable receivables are written off in full.

To cover the general risk from trade receivables, a global valuation allowance of 1% is recognised on domestic and foreign receivables (net of value added tax) which are not subject to a specific valuation allowance.

Cash in hand and bank balances are measured at their nominal amounts.

Payments before the balance sheet date are recognised as **prepaid expenses** to the extent that they represent an expense for a specific period of time after this date.

Subscribed capital is recognised at its calculated amount.

Provisions are recognised at the settlement amount dictated by prudent business judgement. Provisions are recognised for liabilities of uncertain timing and/or amount as well as for losses from onerous contracts. All risks arising up to the balance sheet date and identifiable up to the date of the preparation of the financial statements have been taken into account. Provisions with a remaining term of more than one year have to be discounted using the average market interest rate of the last seven years applicable for their remaining term, while pension provisions are discounted using the average market interest rate of the past ten years.

Liabilities are carried at their settlement amount.

Payments received before the reporting date are recognised as **deferred income** to the extent that they represent income for a specific time period after this date.

Deferred tax liabilities are recognised at their calculated amount. For further explanations, please refer to Chapter F of the notes to the consolidated financial statements.

II. Changes in accounting policies applied

As from January 2021, the accounting policies applied within the Group were changed due to the high share of pallet sales. Pallets held as external inventory are now reported as current assets (balance as at 31 December 2021: €1.6 mn). Furthermore, production-related maintenance expenses were reclassified in the financial year 2021 from other operating expenses to costs of materials (1 January – 31 December 2021: €24.9 mn; comparative period 1 January – 31 December 2020: €19.9 mn), following an analysis of expense accounts.

III. Currency translation disclosures

Receivables, other assets, cash and cash equivalents and provisions and liabilities denominated in foreign currencies are translated during the year into euros. Measurement as at the balance sheet date is at the average spot exchange rate on 31 December 2021, with the principle of lower of cost or market value, or higher settlement amount, as appropriate, being taken into account for receivables and liabilities with a maturity of over one year in accordance with section 256a of the HGB.

Foreign exchange gains or losses arising from currency translation are recognised in other operating income or expenses.

Translation of foreign subsidiary annual financial statements is carried out using the modified closing rate method in accordance with section 308a HGB.

Currency translation differences from the consolidation of intercompany balances are recognised directly in currency translation adjustments in equity.

F. DISCLOSURES AND EXPLANATIONS ON INDIVIDUAL LINE ITEMS IN THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT

The financial year of all companies included in the consolidated financial statements corresponds to the calendar year.

I. Consolidated balance sheet

1. Fixed assets

In connection with the acquisition of Progroup Power 1 GmbH in 2015 and related revaluation of acquired fixed assets in correspondence with the capital consolidation, an operating license at acquisition cost of €23,894 thousand has been acquired. Subsequently, the operating license has been amortised since 2015 over a remaining useful life of 10 years. As at the balance sheet date, the residual carrying amount is €9,629 thousand with a remaining term of 4 years.

The classification and movement in the financial year of the fixed asset accounts recognised in the consolidated financial statements are separately presented as an appendix to the notes to the financial statements in the fixed asset movement schedule.

Intangible assets include prepayments for the implementation of SAP S4 Hana in the amount of €14.4 mn (previous year: €3.5 mn).

Fixed asset production cost includes capitalised borrowing costs of €35 thousand which were attributable to the period of production. The capitalised borrowing costs were recognised in tangible fixed assets in the line item "Construction in process" and were subsequently reclassified to factory buildings as well as to technical equipment and machinery. Interest capitalised in previous years was capitalised in tangible fixed assets, primarily in buildings and technical equipment and machinery.

The value of construction in process as at 31 December 2021 is €74.7 mn (previous year: €7.9 mn), mainly resulting from the Progroup Board plant in Stryków, Poland, as well as the Progroup Board plants in Piadena Drizzona, Italy, and in Petersberg (Rhineland-Palatinate), Germany.

2. Receivables and other assets

As in the previous year, receivables and other assets do not include receivables due in more than one year.

There were no receivables from affiliated companies as at the balance sheet date. The full amount of receivables from shareholders refers to sales and services.

Furthermore, other assets include input tax refund claims in an amount of €268 thousand (previous year: €456 thousand), which in accordance with tax law provisions come into existence only after the balance sheet date.

3. Prepaid expenses

Prepaid expenses for the financial year total €10,200 thousand (previous year: €13,007 thousand).

As a result of the pledging of shares of the shareholders, these shareholders were granted a liability compensation. This liability compensation is reported as prepaid expenses in the financial statements of Progroup AG and is reversed rateably over the term of the financings. The amount deferred as at the reporting date amounts to €8,645 thousand (previous year: €11,488 thousand).

4. Subscribed capital
The share capital of the parent company is €7,588,236.00 and is divided into 7,588,236 no-par value shares with a calculated amount of subscribed capital of one euro each.
Distribution potential is based on the annual financial statements of Progroup AG. The articles of association do not contain any restrictions on distributions. There is a restriction on distributions pursuant to section 253(6) of the HGB in connection with the measurement of pension obligations in the amount of €119 thousand (previous year: €154 thousand).

5. Investment grants for fixed assets
Investment grants as well as redemption subsidies for fixed assets are reported as a special reserve and are reversed on a pro rata basis in accordance with the useful lives of the fixed assets for which the grants were awarded.

6. Pension provisions
As at 31 December 2021, the balance amounts to €583 thousand (previous year: €516 thousand).

This amount mainly includes pension provisions which were measured in accordance with the PUC method using Prof. Dr. Klaus Heubeck's 2018 G mortality tables.

The provisions were discounted at the market interest rate of the preceding ten years published by Deutsche Bundesbank (10-year average interest rate) assuming that all liabilities have a remaining maturity of 15 years (section 253(2) sent. 2 of the HGB).

Measurement of pension provisions is based on the following assumptions:

- Pension increase: 2.00% (unchanged from 2020)
- Salary increase: 0% (unchanged from 2020)
- Interest rate (10-year average): 1.90%
- Interest rate (7-year average): 1.36%

Pension obligations for which provisions were required to be recognised amounted to €1,646 thousand as at the balance sheet date (10-year average rate). These obligations are offset against assets that serve exclusively to settle liabilities from post-employment benefit obligations and are exempt from attachment by third parties (so-called plan assets). A pledged pension liability insurance policy was classified as a plan asset. Plan assets that serve a specific purpose, have been pledged and are protected against insolvency were measured based on information from the insurer as at 31 December 2021 at the asset value (€1,290 thousand; this corresponds to the fair value). The balance remaining after the offset with the carrying amount of the pension provision (€356 thousand) is reported under "provisions for pensions".

Effect on profit in 2021:

- Interest expense from pension provision: €38 thousand
- Interest income from plan assets: €45 thousand

The balance of interest expenses from the measurement of the pension provision (including the effect from changes in interest) and interest income from the measurement of the plan assets was reported net in the financial result. For the financial year, the balance between the measurement of the pension provision with the 7-year average interest rate and the 10-year average interest rate amounts to €119 thousand and is subject to a distribution restriction at the level of the individual financial statements of Progroup AG.

In addition, there are pension obligations within Progroup Board S.A.S., Douvrin, France, in the amount of approximately €226 thousand as at the balance sheet date.

07 Tax provisions

(in € thousands)

Tax provisions	2021	2020
Corporate income tax	3,747	910
Trade tax	2,469	7,870
Other tax	30	37
	6,246	**8,817**

8. Other provisions
This item comprises the following provisions:

08 Other provisions

(in € thousands)

Provision for	2021	2020
Outstanding invoices	46,664	40,348
Personnel expenses (bonuses, special payments, severance payments, holiday obligations, overtime)	19,514	19,445
Customer bonuses still to be granted	13,130	8,689
Costs of preparing the annual financial statements, legal and consulting costs, storage	2,316	1,880
Maintenance not undertaken, expected to be undertaken in the first quarter of the following year	2,439	2,356
Berufsgenossenschaft (Employer's Liability Insurance Association), Schwerbehindertenabgabe (levy for not employing disabled persons)	1,169	987
	85,232	**73,705**

09 Liabilities

(in € thousands)

	Remaining Term				
	less than 1 year	more than 1 year	thereof more than 5 years	Total	thereof secured
Notes	0	600,000	0	600,000	600,000
Previous year	0	600,000	600,000	600,000	600,000
Bank loans	30,312	244,602	40,577	274,914	274,914
Previous year	36,312	294,470	56,359	330,782	330,782
Trade payables	111,113	0	0	111,113	0
Previous year	84,829	0	0	84,829	0
Payables to shareholders	68	0	0	68	0
Previous year	12	0	0	12	0
Other liabilities	19,898	0	0	19,898	4,500
Previous year	16,111	0	0	16,111	4,500
Total liabilities	**161,391**	**844,602**	**40,577**	**1,005,993**	**879,414**
Previous year	137,264	894,470	656,359	1,031,734	935,282

As in the previous year, the full amount of liabilities to shareholders refers to sales and services.

€8,733 thousand of other liabilities was attributable to tax liabilities (previous year: €6,866 thousand) and €689 thousand to social security liabilities (previous year: €489 thousand).

Of the liabilities reported, a total of €879,414 thousand is mainly secured as follows:

- Pledges of shares in Progroup AG and company shares in its main subsidiaries included in the consolidated financial statements of Progroup AG (Progroup Board GmbH, Progroup Paper PM1 GmbH, Progroup Paper PM2 GmbH, Progroup Paper PM3 GmbH, Progroup Power 1 GmbH, Progroup Logistics GmbH, Progroup Board sp. z o.o., Progroup Board s.r.o., Progroup Board S.A.S., Progroup Board Ltd.)
- Pledging of bank deposits of Progroup AG in Germany
- Real estate liens (i. e. land charges or mortgages) on substantial land and buildings of Progroup Board GmbH, Progroup Paper PM1 GmbH, Progroup Paper PM2 GmbH, Progroup Paper PM3 GmbH, Progroup Power 1 GmbH, Progroup Board sp. z o.o., and Progroup Board s.r.o.
- Assignment by way of security/pledge of technical equipment and machinery as well as other office equipment of Progroup Board GmbH, Progroup Paper PM1 GmbH, Progroup Paper PM2 GmbH, Progroup Paper PM3 GmbH, Progroup Power 1 GmbH, Progroup Board sp. z o.o., Progroup Board s.r.o. and Progroup Board Ltd.

In addition to the issuance of the note (amount as at 31 December 2021: €600 mn), there still is a revolving credit facility in the amount of €50 mn which was granted by a syndicate of banks (Super Senior Revolving Credit Facility). As at 31 December 2021, the revolving credit facility was not utilised by the company or any of its subsidiaries.

Moreover, as at 31 December 2021, there is a loan from Goldman Sachs Bank USA in the amount of GBP 70 mn, which is fully utilised by Progroup Board Ltd. As at 31 December 2021, Progroup AG utilised a loan in the amount of €27.3 mn from IKB Deutsche Industriebank AG, a loan in the amount of €29.1 mn from Landesbank Baden-Württemberg, a loan in the amount of €28.1 mn from Erste Group Bank AG, and a loan in the amount of €15 mn from Landesbank Saar.

Progroup Paper PM3 GmbH has one loan from Landesbank Saar (balance as at 31 December 2021: €17.1 mn), one loan from IKB Deutsche Industriebank AG (balance as at 31 December 2021: €17.1 mn) and three loans from Commerzbank AG (balance as at 31 December 2021: €57.9 mn).

The notes, the Super Senior Revolving Credit Facility, the GBP loan and the EUR loans are secured pari passu as mentioned above. In an Intercreditor Agreement, the creditors under the Super Senior Revolving Credit Facility were granted priority satisfaction from possible proceeds of sale.

Trade payables are also secured under the customary retention of title.

10. Deferred income

As at 31 December 2021, this item amounts to €1,575 thousand (previous year: €1,912 thousand), mainly comprising the difference between the settlement value and the payment amount of the note issued in 2019, which is released as adjustment to interest expenses through profit or loss over the term of the note until 2026. This figure was €1,530 thousand (previous year: €1,891 thousand) as at the balance sheet date.

11 Deferred taxes

(in € thousands)

Balance sheet account	Deferred tax assets 31/12/2020	Deferred tax assets 31/12/2021	Deferred tax liabilities 31/12/2020	Deferred tax liabilities 31/12/2021
Tax loss carryforwards/eligible interest carried forward	4,790	4,220	0	0
Elimination of intercompany profits	260	1,574	0	0
Assets				
Intangible fixed assets	0	0	3,511	2,779
Tangible fixed assets/financial assets	4,129	5,725	9,900	26,078
Inventories, receivables and other assets	408	302	133	251
Liabilities				
Provisions	187	164	0	0
Liabilities	0	0	55	0
Total deferred tax (gross)	**9,774**	**11,985**	**13,599**	**29,108**
Deferred tax disclosed (net and rounded)	**0**	**0**	**3,825**	**17,123**

To determine deferred taxes based on temporary differences between the financial statement carrying amounts for assets, liabilities, prepaid expenses and deferred charges and deferred income, and their tax bases, or based on tax loss carryforwards and interest carried forward, the amounts of the resulting tax liability and benefit were measured at the individual companies' tax rates (19% – 29.83%) at the point in time when the differences are reversed; they were not discounted. Deferred tax assets relating to loss carryforwards were taken into account if it was probable that the loss would be offset within the next five years. Today's assessment may change in accordance with the companies' income positions and tax legislation in future years and may require to be adjusted. In addition, deferred tax assets were recognised in financial year 2021 on consolidation adjustments for the elimination of intercompany profits in accordance with section 306 HGB as well as deferred tax liabilities from initial consolidation of Progroup Power 1 GmbH acquired in 2015.

Deferred tax assets on tax loss carryforwards of €4,220 thousand (previous year: €4,790 thousand) were fully recognised because the underlying tax planning confirms that the amounts recognised could actually be utilised to reduce tax liabilities in the next 5 years. Eligible interest carried forward from the German earnings stripping rule or from other comparable rules in foreign countries did not exist as at the balance sheet date. Deferred tax assets and deferred tax liabilities are reported net.

II. Consolidated income statement

The consolidated income statement has been prepared under the total cost (nature of expense) method.

1. Sales

01 **Sales breakdown by country of origin**

(in € thousands)

		2021	2020
Domestic	Corrugated sheetboard	539,171	370,676
	Containerboard	194,641	68,182
	Other	43,973	35,439
Other European countries	Corrugated sheetboard	578,786	406,334
	Other	400	125
Total		1,356,971	880,756

2. Own work capitalised

Own work capitalised in the amount of €1,815 thousand (previous year: €21,052 thousand) in the financial year mainly results from the Stryków plant (Progroup Board SP. Z o.o.).

3. Other operating income

This item includes income from the proportionate reversal of investment grants and allowances for fixed assets amounting to €2,994 thousand (previous year: €1,075 thousand).

Other operating income also includes prior-period income of €13,620 thousand (previous year: €12,501 thousand). This mainly comprises income from the reversal of provisions in the amount of €3,416 thousand (previous year: €4,145 thousand) as well as income and compensation in connection with the supply of energy amounting to €7,908 thousand (previous year: €5,654 thousand).

Moreover, revenue from the decrease of loss allowances for receivables in the amount of €336 thousand (previous year: €548 thousand) were incurred. Furthermore, insurance recovery income was incurred in the amount of €187 thousand (previous year: €1,100 thousand).
In addition, income from currency translation amounting to €9,344 thousand (previous year: €5,660 thousand) are recognised in other operating income.

4. Cost of materials

The costs of materials for the financial year increased to €825,692 thousand (previous year: €440,988 thousand).

5. Personnel expenses

The personnel expenses for the financial year total €107,988 thousand (previous year: €100,377 thousand). They include expenses for pensions amounting to €–4 thousand in the financial year (previous year: €74 thousand).

6. Amortisation and depreciation

This item includes amortisation of intangible assets and depreciation of tangible assets amounting to €110,467 thousand (previous year: €82,238 thousand).

7. Other operating expenses

This item includes prior-period expenses amounting to €2,464 thousand (previous year: €1,672 thousand), mainly referring to additions to provisions that affect previous financial years.

It also comprises expenses of exceptional size amounting to €35 thousand (previous year: €1,495 thousand), largely resulting from bank charges and consulting fees of prior periods in connection with the issue of notes.

Furthermore, the item contains rental and leasing expenses of €10,708 thousand (previous year: €9,067 thousand) as well as expenses from currency translation of €7,534 thousand (previous year: €9,653 thousand).

8. Other interest and similar income

This item in an amount of €95 thousand (previous year: €135 thousand) mainly includes interest received on credit balances held at banks as well as interest on the asset value of pensions. It does not include income from the discounting of provisions.

9. Interest and similar expenses

Overall, the amount of interest paid in the financial year 2021 was €29,391 thousand (previous year: €28,268 thousand).

The expenses from discount unwinding of discounted pension provisions amounted to €38 thousand in 2021 (previous year: €43 thousand).

Interest includes expenses similar to interest due to shareholders in an amount of €2,589 thousand (previous year: €2,294 thousand).

Interest expenses resulting from the financing of the note in the financial year amounted to €17,639 thousand (previous year: €17,639 thousand). Moreover, expenses similar to interest from commitment fees were incurred in the reporting year in the amount of €1,634 thousand (previous year: €2,179 thousand).

10. Taxes on income

This item mainly includes trade tax and corporate income tax expense for the current financial year in the amount of €22,475 thousand (previous year: €13,783 thousand) and refunds from taxes on income for previous years in the amount of €–109 thousand (previous year: €–1,081 thousand). It also includes expenses arising from the adjustment of deferred taxes in the amount of €13,147 thousand (previous year: €6,184 thousand). In the financial year 2021, the total amount of tax paid was €28,565 thousand (financial year: €45,948 thousand).

III. Other disclosures

1. Contingent liabilities, off-balance sheet transactions and other financial commitments

The bonds outstanding on the balance sheet date and the Super Senior Revolving Credit Facility, which can also be utilised by subsidiaries of Progroup AG, as well as of all bank loans existing within the Progroup Group are secured by pledging all shares in Progroup AG and the company shares in its main subsidiaries, by pledging the bank deposits of the parent company, by assigning tangible fixed assets of the subsidiaries and by granting real estate liens. Furthermore, certain covenants apply with regard to the loans and/or bonds.

The notes, the Super Senior Revolving Credit Facility as well as any bank loans of the Progroup Group are secured pari passu as mentioned above. However, in an Intercreditor Agreement, the creditors under the Super Senior Revolving Credit Facility were granted a priority satisfaction from any proceeds from realisation.

Furthermore, the parent company has provided letters of comfort and guarantees for a total amount of €59,327 thousand to various suppliers of subsidiaries. The parent company also has assumed joint and several co-liability vis-à-vis CommerzFactoring GmbH for obligations of Progroup Board GmbH from a forfaiting framework agreement.

The risk of enforcement should be regarded as low as none of the affiliates have a strained liquidity position.

The companies lease forklifts and trucks under operating lease agreements so that these assets are not recognised in the companies' financial statements. As at 31 December 2021, the remaining obligations from the lease agreements were €15,442 thousand. In addition, there were rental and lease agreements for movable assets as well as for the rental of factory buildings and areas as at the balance sheet date. As at 31 December 2021, the remaining obligations from these rental/lease agreements for subsequent years were €18,601 thousand (nominal amount). The advantage of these agreements is that a lower amount of capital is tied up in the beginning than with a purchase and there is an absence of realisation risk. Risks could arise from the lease agreement periods if the assets can no longer be fully utilised, although there are currently no indications of this.

As at the balance sheet date, there were steam supply contracts in place for the reliable supply of energy at fixed prices which did not lead, however, to a recognition of a provision for contingent losses. These agreements have terms of up to 3 years (31 December 2024).

Due to specific contractual agreements entered into as at the balance sheet date, total obligations for the following year 2022 amount to €72,750 thousand (31 December 2020: €33,408 thousand).

In addition, as at the balance sheet date there were contractual purchase commitments for waste paper and corrugated board base paper supplies; respective commitments for the following year are €58,639 thousand (31 December 2020: €48,209 thousand). Furthermore, there are outstanding purchase commitments for other services in the amount of €108,150 thousand (31 December 2020: €56,506 thousand).

2. Employees

The average number of employees during the financial year changed as follows:

02 **Employees**

	2021	2020
Salaried employees	417	381
Wage earners	1,038	996
Total	**1,454**	**1,377**

The disclosure only includes employees of consolidated companies.

03 **List of companies included in the consolidated financial statements**

Consolidated companies

(in %)	Percentage shareholding as at 31/12/2021
Progroup Paper PM1 GmbH, Burg, Germany	100.00
Progroup Paper PM2 GmbH, Eisenhüttenstadt, Germany [1]	100.00
Progroup Paper PM3 GmbH, Burg, Germany [1]	100.00
Progroup Logistics GmbH, Burg, Germany	100.00
Progroup Power 1 GmbH, Eisenhüttenstadt, Germany	100.00
Progroup Power 2 GmbH, Burg, Germany	100.00
Progroup Board GmbH, Offenbach a. d. Queich, Germany	100.00
Progroup Board s.r.o., Rokycany, Czech Republic [1]	100.00
Progroup Board Sp. z o.o., Stryków, Poland [1]	100.00
Progroup Board Limited, Ellesmere Port, England [1]	100.00
Progroup Board S.A.S., Douvrin, France [1]	100.00
Progroup Board s.r.l. Milan, Italy [1]	100.00
Progroup Board Kft., Budapest, Hungary [1]	100.00
Prowell Verwaltungs GmbH, Offenbach a. d. Queich, Germany	100.00

(1) indirect equity interest

4. Parent company
The holding company of the largest and, at the same time, smallest consolidation group is JH- Holding GmbH, Neustadt a. d. Weinstrasse, Germany. The consolidated financial statements of JH-Holding GmbH are submitted to the operator of the Bundesanzeiger (Federal Gazette) for publication.

5. Subsidiaries
Progroup Paper PM1 GmbH, Burg, Progroup Paper PM2 GmbH, Eisenhüttenstadt, Progroup Power 1 GmbH, Eisenhüttenstadt, Progroup Board GmbH, Offenbach a. d. Queich, Progroup Power 2 GmbH, Burg, as well as Progroup Paper PM3 GmbH, Burg will make use of the exemption pursuant to section 264 (3) of the HGB for the financial year 2021 within the context of the disclosure.

6. Emission allowances
At the balance sheet date, the Group held 932,404 CO_2 emission allowances (allocation for 2021: 134,535 CO_2 emission allowances). These were acquired free of charge as part of a public allocation. The allowances are recognised at their reminder value. The quoted market price as at the balance sheet date was approximately €79.61 per certificate (31 December 2020: approximately €33.74 per certificate). The fair value of the allowances recognised at a carrying amount of €0 thousand therefore amounted to around €74.2 mn (31 December 2020: €31.1 mn).

7. Cash flow statement
The cash flow statement has been prepared in accordance with the provisions of DRS 21 (German Accounting Standard—GAS 21) using the indirect method. Cash funds have been exclusively defined as cash and cash equivalents.

8. Proposal for the appropriation of profits
The Management Board proposes to the general meeting of shareholders to distribute to the shareholders from the net retained profits reported in the annual financial statements for the 2021 financial year in an amount of €411,271,140.56 a dividend of €10.55 (gross) per share entitled to dividends, i. e. a total amount of €80,055,889.80 (gross), and to carry the full remaining net retained profit in the amount of €331,215,250.76 forward to new account.

9. Management Board
The following were members of the Management Board in the financial year:

Jürgen Heindl, Dipl.Wirt.Ing., Neustadt a. d. Weinstrasse, Germany (Chairman of the Management Board)

Dr. Volker Metz, Dipl.Kfm., Hochdorf-Assenheim, Germany (CFO – Chief Financial Officer)

Philipp Kosloh, Dipl.Ing., Speyer am Rhein, Germany (COO – Chief Operating Officer)

Maximilian Heindl, Dipl.Wirt.Ing., Neustadt a. d. Weinstrasse, Germany (Deputy Chairman of the Management Board)

10. Supervisory Board
The Supervisory Board was composed of as follows during the financial year:

Rainer Dietmann, Lawyer, Partner of Rittershaus Rechtsanwälte Partnerschaftsgesellschaft mbB, Mannheim, Germany (Chairman)

Prof. Dr. Rudolf Wimmer, Vice President of Witten/Herdecke University, Vienna, Austria (Vice Chairman)

Christian Buchel, member of the Management Board of ENEDIS Paris, France

11. Total remuneration
The Management Board's total remuneration in the financial year for exercising its responsibilities in the holding company and the subsidiaries was €10,816 thousand (2020: €15,973 thousand).

Supervisory Board remuneration in 2021 amounted to €121 thousand (2020: €121 thousand).

12. Auditors' fees
The group auditor's fees recognised as an expense in the financial year amounted to €258 thousand (2020: €231 thousand) for audit services and €42 thousand (2020: €15 thousand) for other assurance services.

Furthermore, expenses for voluntary assurance services amounted to €42 thousand (previous year: €84 thousand).

IV. Report on subsequent events

No operating or structural changes or business matters have occurred after the balance sheet date that have a material effect on the net assets, financial position and results of operations of Progroup AG.

The effects from the Russia-Ukraine conflict cannot be foreseen at the moment. In this context, we refer to the description of potential opportunities and risks included in the management report.

Offenbach a. d. Queich, Germany, 17 March 2022

Management Board

Jürgen Heindl	Dr. Volker Metz	Maximilian Heindl	Philipp Kosloh
Chief Executive Officer	Chief Financial Officer	Deputy Chief Executive Officer	Chief Operating Officer

CONSOLIDATED FIXED ASSET MOVEMENT SCHEDULE

Appendix to the Notes to the Consolidated Financial Statements

Consolidated Fixed Asset Movement Schedule 2021 [1]

(in € thousands)	Acquisition or manufacturing cost							Amortisation/depreciation					Net book values	
	01/01/2021	Exchange differences	Additions	Disposals		Transfers	31/12/2021	01/01/2021	Exchange differences	Additions	Disposals	31/12/2021	31/12/2021	31/12/2020
A. Fixed assets														
I. Intangible assets	37,114	31	11,139	0		0	48,283	20,208	3	3,097	0	23,307	24,976	16,906
1. Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	33,649	31	250	0		0	33,930	20,208	3	3,097	0	23,307	10,623	13,441
2. Prepayments on intangible assets	3,465	0	10,889	0		0	14,353	0	0	0	0	0	14,353	3,465
II. Tangible assets	1,939,280	8,498	107,993	183		0	2,055,588	750,837	2,258	107,370	171	860,295	1,195,294	1,188,443
1. Land and buildings including buildings on leasehold land	551,867	4,697	10,426	0		193	567,184	142,046	876	16,552	0	159,474	407,710	409,822
2. Technical equipment and machinery	1,342,406	3,918	22,329	77		1,223	1,369,798	587,749	1,345	87,017	73	676,038	693,759	754,657
3. Other equipment, factory and office equipment	35,517	83	6,610	99		257	42,368	19,501	36	3,755	98	23,194	19,174	16,016
4. Prepayments and construction in process	9,490	-201	68,628	7		-1,672	76,239	1,542	0	47	0	1,588	74,651	7,949
III. Financial assets	0	0	2	0		0	2	0	0	0	0	0	2	0
1. Other loans	0	0	2	0		0	2	0	0	0	0	0	2	0
	1,976,394	**8,529**	**119,134**	**183**		**0**	**2,103,874**	**771,045**	**2,260**	**110,467**	**171**	**883,602**	**1,220,272**	**1,205,349**

(1) Certain numerical figures included in the consolidated fixed asset movement schedule have been rounded. Discrepancies between totals and the sums of the amounts listed may occur due to such rounding.

INDEPENDENT AUDITOR'S REPORT

To Progroup AG, Offenbach/Queich, Germany

Audit Opinions

We have audited the consolidated financial statements of Progroup AG, Offenbach/Queich, Germany, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of Progroup AG for the financial year from 1 January to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German Legally Required Accounting Principles, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent from the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information.

The annual report is expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for

such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mannheim, 17 March 2022

PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft

Dr. Ralf Worster
(German Public Auditor)

ppa. Stefan Sigmann
(German Public Auditor)

SUPERVISORY BOARD

OVERVIEW

The Supervisory Board currently consists of three members, which are elected by the Issuer's shareholders at the general shareholders' meeting by a simple majority of the votes cast.

The Supervisory Board members elect one of the members as Chairman (Vorsitzender) and another one as Vice Chairman (Stellvertreter) by a simple majority of the votes cast.

Unless the general shareholder's meeting elects the member for a shorter period, the term of a member of the Supervisory Board elected by the shareholders generally expires at the end of the shareholders'meeting which formally approves the actions of the Supervisory Board's members for the fourth full financial year following their (re-)election. If a member of the Supervisory Board retires or is removed from office prior to the end of its term of office, the substitute member's term of office expires at the end of the term of the resigning or removed board member, unless the general shareholders' meeting decides otherwise. There is no compulsory retirement age for the members of the Supervisory Board. No former Executive Board members of Progroup AG are currently serving on the Supervisory Board.

Unless otherwise required by applicable law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In order to constitute a quorum, all members of the Supervisory Board must participate in the voting.

The Supervisory Board is required to meet at least twice in each half of every calendar year.

Members of the Supervisory Board from left to right: Christian Buchel, RA Rainer Dietmann, Prof. Dr. Rudolf Wimmer

MEMBERS OF THE SUPERVISORY BOARD

Member Appointed:

RA RAINER DIETMANN

(Chairman)

Born: 1956
Member since: 2007
Appointed until: 2022

Other principal positions:

Chairman of the supervisory board of Global Vermögensberatung AG, Wiesbaden - Chairman of the supervisory board of SSP Deutschland GmbH, Frankfurt am Main - Chairman of the foundation board of Heinrich-Vetter-Stiftung, Ilvesheim

Mr. Dietmann studied law at the University of Mannheim and the London School of Economics. He began his career as attorney-at-law in Munich in 1985. In 1986, he joined Rittershaus Wissmann & von Rosenstiel, predecessor of today's Rittershaus Rechtsanwälte Steuerberater PartmbB, where he became partner in 1988 and has, since then, placed a particular focus on corporate law including advisory work for directors and officers, mergers & acquisitions and financing transactions.

PROF. DR. RUDOLF WIMMER

(Vice Chairman)

1946
2008
2022

Vice Chairman of the supervisory board of PBS-Holding AG, Wels/Austria - Chairman of the advisory board of Diagramm Halbach GmbH & Co. KG, Schwerte

Prof. Dr. Wimmer studied law and political science at the University of Wien. From 1970 to 1975, he was active as assistant professor at the Institute for Constitutional and Administrative Law at the University of Wien. In the years 1975 to 1977, he enjoyed a research grant at the University of Klagenfurt. Since 1977, Prof. Dr. Wimmer has been active as an independent trainer and advisor for organisational development. In 1990, Prof. Dr. Wimmer wrote his professional thesis on group dynamics and organisation at the University of Klagenfurt. In 1999, he assumed the professorship for management and organisation at the newly established Institute for Family-Owned Enterprises at the University of Witten/Herdecke.

CHRISTIAN BUCHEL

1963
2019
2022

Member of the board, Director for Customers, Markets and Territories of Enedis, Paris - Chairman of EDSO for Smart Grids Brussels

Christian Buchel holds an engineering degree from Ecole Supérieure d'Electricité (Supélec, Paris) and was a research fellow at CERN, Geneva. During his early career, he held both managerial and operational responsibilities, covering the entire value chain of the electricity industry. After serving as an advisor to EDF's CEO in the late 1990s, he held various top-management positions within the EDF Group. He was notably a Member of the Board and COO of Energie Baden-Württemberg (EnBW) in Germany as well as CEO of Electricité de Strasbourg. As Chief Digital Officer of Enedis he managed the digital and big data transformation of the company during three years. Today, Christian Buchel is a Member of the Board of Enedis (turnover of 13 billion euros), the distribution system operator in charge of operating, developing and maintaining the medium-voltage and low-voltage power grids across 95% of mainland France. Since May 2018, he has been Director for Customer, Markets and Territories of Enedis. He is also Chairman of EDSO for Smart grids, the European association representing leading electricity distribution system companies that are cooperating to make the European smart grid vision a reality.

SUPERVISORY BOARD REPORT

pursuant to §§ 171 (2), 314 (2) German Stock Corporation Act (AktG)

I.
The Supervisory Board of Progroup AG was composed of the following members in the past financial year from 1 January 2021 to 31 December 2021 ("Reporting Period"):

RA Rainer Dietmann, Chairman

Prof. Dr. Rudolf Wimmer, Deputy Chairman

Dipl.-Ing. Christian Buchel

As the requirements pursuant to the One-Third Participation Act (Drittelbeteiligungsgesetz) and the Co-Determination Act (Mitbestimmungsgesetz) are not fulfilled, no employee representatives were members of the Supervisory Board during the Reporting Period.

II.
After the Supervisory Board received the report of the Management Board regarding the Reporting Period at the meeting on 8 April 2022 and also the reports presented to the Supervisory Board on 8 April 2022 by the Management Board regarding the annual financial statements (individual financial statements) and the consolidated financial statements of Progroup AG as per 31 December 2021, regarding the situation of the company and the group and also regarding the relationship between the company and affiliated companies, and finally the Auditor's Report regarding the audit of the annual financial statements as per 31 December 2021, including the management report, the consolidated financial statements as per 31 December 2021, including the group management report and the dependency report for the 2021 financial year, and taking into account the subsequent discussion of the reports of the Management Board and the auditor, the Supervisory Board unanimously resolved in its meeting on 8 April 2022 to report to the Shareholders Meeting on its activities during the Reporting Period and on the result of its assessment pursuant to §§ 171 (2), 314 (2) AktG as follows:

1. During the Reporting Period, formal Supervisory Board meetings took place on 11 March 2021, 25 June 2021, 26 July 2021, 23 August 2021, 16/17 September 2021 and 10 December 2021.

   In its meeting on 11 March 2021 ("Accounts Review Meeting") in Mannheim, the Management Board's reports on the 2020 financial year and also the auditor's reports were presented. The auditing procedures incumbent on the Supervisory Board were conducted at that meeting and the annual and consolidated financial statements as per 31 December 2020 were approved. During the Accounts Review Meeting, the Supervisory Board also prepared the ordinary Shareholders' Meeting 2021 and dealt with the Management Board's reports regarding the current assets, earnings and financial situation of the company and the group, including the risk report, with strategic projects, with management measures requiring approval as well as with matters relating to the Management Board and human resources.

   The meeting on 25 June 2021 again focused on the group's current economic situation and outlook as well as strategic sales aspects, strategic projects, group financing, management measures requiring approval and matters relating to the Management Board.

   The subject matter of the meeting on 16 July 2021 included the Management Board's reports on company organisation as well as matters relating to human resources.

   In its meeting on 23 August 2021, the Supervisory Board dealt with strategic investment projects.

   In its two-day meeting on 16 and 17 September 2021, the Supervisory Board dealt with detailed reports of the Management Board about the group's current economic situation, including the year-end forecast, about strategic projects and company organisation and also dealt with management measures requiring approval, matters relating to the Management Board and aspects relating to the shareholder structure.

   In its meeting on 10 December 2021, the Supervisory Board discussed the reports of the Management Board as regards the current economic situation and the forecast for the end of the financial year, strategic projects, company planning, company organisation as well as compliance management. In addition, the Supervisory Board again dealt with matters relating to the Management Board.

   In addition to the foregoing, the Chairman of the Supervisory Board and the other members of the Supervisory Board and the Management Board were in constant contact, either in person or by telephone, to keep the members of the Supervisory Board updated on the then prevailing economic situation of the group and on the current business, and also to discuss significant or far-reaching matters. Finally, the Management Board kept the Supervisory Board informed by sending monthly reports regarding the then prevailing assets, earnings and financial situation and also regularly updated forecasts regarding the expected development of the earnings situation of the group.

2. The reviews of the annual financial statements and the consolidated financial statements of the company as per 31 December 2021, of the management reports and also of the dependency report have not raised any concerns. The Supervisory Board found that the provisions of the Articles of Association of the company and the pertinent provisions of commercial and company law were all duly complied with.

   The result of the audit of the annual financial statements and the consolidated financial statements as per 31 December 2021, and also the result of the audit of the dependency report for the 2021 financial year were discussed in depth at the Supervisory Board meeting on 08 April 2022 with the Management Board and the auditor, based on the audit reports submitted. Any questions asked during this Supervisory Board meeting regarding individual items from the balance sheet or income statement or the management reports or the dependency report were answered convincingly by the Management Board and the auditor. Based on its review, the Supervisory Board found that the annual financial statements and

the consolidated financial statements of the company as per 31 December 2021 render a true and fair view of the assets, financial and earnings situation of the company and of the group. Based on the results of the review by the Supervisory Board, the management reports accurately and comprehensively present the risks and opportunities expected to arise from the development of business in the past year and from future developments. Based on the results of its review of the dependency report, the Supervisory Board found that the relationships with affiliated companies were also accurately described therein.

3. The review and discussion of the reports issued by the auditor of the company on 17 March 2022 regarding the audit of the annual financial statements and the consolidated financial statements as per 31 December 2021 and the management reports, for which the auditor issued an unqualified audit opinion, did not give cause for any objections, either. The same is true for the report on the audit of the dependency report for the 2021 financial year which was also presented on 17 March 2022 and for which the auditor issued the following audit opinion: "Upon completion of our audit and assessment in accordance with professional standards, we confirm that (1) the factual information contained in the report is correct, and (2) the company's consideration regarding the legal transactions described in the report was not unreasonably high." The audit reports comply with all statutory and legal requirements with respect to the audit of the company and the group.

4. After its own examination, the Supervisory Board also approved the proposal of the Management Board to pay a gross dividend of EUR 10.55 per share entitled to dividends from the net retained profits reported in the annual financial statements for the 2021 financial year in an amount of EUR 411,271,140.56, corresponding to a total gross amount of EUR 80,055,889.80 and to carry forward to new account the remaining net retained profits of EUR 331,215,250.76.

5. Final declarations

   a) According to the final result of the review by the Supervisory Board, there are no objections to be raised with regard to the annual financial statements and the consolidated financial statements against the accounting, the management reports, the management in the financial year from 1 January 2021 to 31 December 2021 or against the auditor's reports.

      The Supervisory Board approved the annual financial statements prepared by the Management Board and the consolidated financial statements prepared by the Management Board as per 31 December 2021; hence the annual financial statements of Progroup AG as per 31 December 2021 are deemed adopted.

   b) According to the final result of the review by the Supervisory Board, there are no objections to be raised against the declaration by the Management Board at the end of the dependency report for the 2021 financial year.

Mannheim, 8 April 2022

Rainer Dietmann
Chairman of the Supervisory Board

DISCLAIMER

Financial information
The consolidated financial information of Progroup AG ("Progroup") as at and for the period ended 31 December 2021 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.

FINANCIAL CALENDAR

01

20
22

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MAY

Interim Financial Report
First Quarter 2022

02

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AUGUST

Interim Financial Report
Second Quarter 2022

03

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22

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NOVEMBER

Interim Financial Report
Third Quarter 2022

04

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23

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FEBRUARY

Condensed Interim Report
Fourth Quarter 2022

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Dr. Volker Metz (CFO)
Maximilian Heindl (CDO & Deputy CEO)
Philipp Kosloh (COO)

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29/04/2022