progroup

INTERIM FINANCIAL REPORT

30 September / Third Quarter 2021

KEY FIGURES

(in € thousands)

SALES
January – September 2021

963,448

Reported EBITDA
January – September 2020

141,247

Reported EBITDA
January – September 2021

180,369

Reported EBITDA margin
January – September 2021

18.7%

Net leverage
30/09/2021

3.8

Net financial debt
30/09/2021

820,270

Key operating figures

(in € thousands)

	July – September		January – September	
	2021	2020	2021	2020
Sales	355,860	219,717	963,448	649,262
Reported EBITDA [1]	70,894	38,857	180,369	141,247
Reported EBITDA margin (in % of net sales)	19.9%	17.7%	18.7%	21.8%
EBIT [2]	43,183	15,070	98,187	86,672
Consolidated net income for the period	26,841	4,954	57,915	44,022
Cash flows from operating activities	32,651	40,548	80,142	115,477
Cash flows from investing activities	-23,873	-79,549	-71,329	-254,908
Free cash flow [3]	8,778	-39,001	8,813	-139,431

Key balance sheet figures

(in € thousands)

	30/09/2021	31/12/2020
Total assets	1,699,524	1,577,252
Equity	493,215	435,534
Cash in hand, bank balances	142,693	130,465
Financial liabilities (bonds, bank loans and accrued interest)	962,963	935,282

Key financial figures

(in € thousands)

	30/09/2021	31/12/2020
Net leverage [4]	3.8	4.5
LTM EBITDA	217,209	178,087
Net financial debt [5]	820,270	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) Net leverage (not a German GAAP measure) is calculated by dividing net financial debt as at 30 September 2021 and 31 December 2020, respectively, by adjusted EBITDA for the last twelve months (LTM) ended on the relevant date.

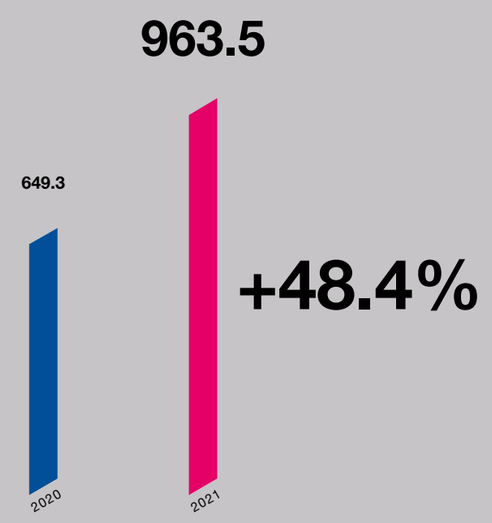
(5) Net financial debt (not a German GAAP measure) is calculated as financial liabilities (bonds, bank loans, finance leases and accrued interest) minus cash in hand, bank balances.

HIGHLIGHTS

01

In the first nine months of 2021, Progroup continued to achieve a significant growth in sales volumes in our two key businesses despite the ongoing coronavirus pandemic. The price levels for both corrugated board and containerboard continued to increase in the third quarter of 2021, albeit to a lesser degree than in the first half. The purchasing price for our main raw material recovered paper increased again in Q3, but less strongly and is expected to stabilise at a high level.

SALES
January – September
(in € million)



02

Sales grew strongly by 48.4% to €963.5 mn in the first nine months of 2021, compared to €649.3 mn in 2020. The steep increase was driven by the strong sales volume growth in our two key businesses and higher sales price levels.

03

The volume of corrugated board sales grew by 8.2% in the third quarter of 2021 compared to the third quarter of 2020. Containerboard sales volumes also saw an increase of 30.3% in the third quarter of 2021. This was driven by higher production capacities with the start-up of the new PM3 paper machine. Throughout this fiscal year, we experienced an exceptionally strong demand in both businesses.

04

Integration between the two main businesses of Progroup decreased, but not to the extent expected, due to an increased external sales volume in containerboard with the start-up of PM3. Consequently, integration including swap agreements reached 88% in the third quarter of 2021, after 90% in the previous year's third quarter. Excluding swap agreements, integration reached 76% in the third quarter of 2021, after 83% in the respective period of 2020.

19%

EBITDA margin
January – September 2021

06

EBITDA reached €180.4 mn in the first nine months of 2021, compared to €141.3 mn in the previous year. In the third quarter of 2021, EBITDA increased by 82.4% to €70.9 mn compared to €38.9 mn in 2020. The improved EBITDA performance was due to higher sales and a higher gross margin as a result of an increased sales volume and higher price levels.

05

The EBITDA margin reached 18.7% in the first nine months of 2021, after 21.8% in 2020. In the third quarter of 2021, the EBITDA margin reached 19.9%, after 17.7% in the previous year's third quarter, showing the first quarter with improving margins compared to previous year. The EBITDA margin is still below the 5-year average, but steadily improving.

07

Net leverage improved from 4.5 on 31 December 2020 to 3.8 as at 30 September 2021. The decrease is attributable to a higher LTM EBITDA. As a result, Progroup has achieved the predicted turnaround. We expect a further, clear improvement and will reach the target corridor for net leverage of between 2.5 and 3.0 in the short term.

08

Despite the ongoing coronavirus pandemic, Progroup had a strong sales volume growth in the first nine months of 2021 and will continue on its growth path. Construction on PW14 in Poland commences according to our expectations and the construction works are currently ongoing. As announced in the previous quarterly report, the planning for PW15 in Germany has started. In addition, we have started the planning of a second refuse-derived fuel power plant PPO2 right next to our PM3 paper mill.

CONTENT

LETTER TO INVESTORS

Dear investors and business partners,

In the third quarter, the business environment remains challenging due to the coronavirus pandemic and constraints in supply chains worldwide. After optimistic previous months, economic expectations fell to a low for the year in the third quarter. In contrast, Progroup continues to grow. We have started planning for a state-of-the-art refuse-derived fuel (RDF) power plant in Sandersdorf-Brehna, which is forward-looking in terms of sustainability and fits seamlessly into our circular economy strategy.

Construction of the new PW14 corrugated sheet feeder plant is progressing according to plan. The demand for our products increased again, enabling us to record a growth in sales of paper and board – with recovered paper prices moving sideways at a high level. Our sales leapt by 62.0% compared to the third quarter of the previous year, and at the same time we generated the highest quarterly sales in our company's history. A further increase in sales prices had a positive effect on the profit margin. Progroup is therefore very confident about the future.

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

Planning for RDF power plant in Sandersdorf-Brehna, growth projects PW14 and PW15 go according to plan

Progroup continues to implement its sustainable growth strategy. In the third quarter, for example, planning began for a state-of-the-art refuse-derived fuel (RDF) power plant in Sandersdorf-Brehna (Saxony-Anhalt, Germany), on the site of the high-tech PM3 paper mill. In future, the new power plant will provide a large part of the paper mill's process heat and power supply. 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, commissioning is planned for the end of 2025.

Progroup also started preparations for building the PW15 corrugated sheet feeder plant in Petersberg (Rhineland-Palatinate, Germany) in the third quarter. From the second quarter of 2023, up to 450 mn square metres of corrugated sheet board per year are expected to be produced here. Around 60 new jobs for highly qualified employees and apprentices will be created in the approximately 28,000 square metre plant.

In Stryków, Poland, the construction of the PW14 corrugated sheet feeder plant is progressing as planned. The new plant will produce up to 200,000 tonnes of corrugated sheet board per year from the fourth quarter of 2022. Progroup is thus consistently strengthening its market position in Central and Eastern Europe. With a production capacity of 825 mn square metres, Stryków will become one of the largest locations for corrugated board production worldwide.

Market and business development

Recovered paper prices almost tripled compared to the same quarter of the previous year

Since the fourth quarter of 2020, prices for recovered paper have risen steadily. This is due to stronger demand, resulting from new capacities on the European market for containerboard. After a temporary stabilisation at a high level, recovered paper prices recorded another slight increase towards the end of the third quarter.

Progroup again significantly improves sales in the paper and board businesses

Booming e-commerce continues to ensure stable demand for corrugated sheet board at a very high level. It is a major factor for the expansion of internal paper sales.

Sales of corrugated sheet board advanced by 8.2%, compared to the same quarter of the previous year. Comparison with the first three-quarters of 2020 shows a growth of 14.9%. This expansion is due, above all, to the new high-tech corrugated sheet feeder plant PW13 in Eisfeld (Germany).

Progroup's paper sales volume increased by 30.3% quarter-on-quarter and 43.3% in the first three quarters. The new PM3 paper mill made a significant contribution in this respect.

Integration decreased slightly as a result of augmented external sales volumes, but not to the extent expected due to the high internal demand for containerboard.

Key financial indicators at a glance

Highest quarterly sales in the company's history
Group sales in the third quarter grew strongly by 62.0% compared to the same quarter of the previous year and represent the highest quarterly sales ever realised in Progroup's history. Compared to the first three-quarters of the previous year, they increased by 48.4%. This puts Progroup on track towards the highest annual revenue the company has achieved to date.

Increased EBITDA thanks to higher sales revenues and gross margins
EBITDA in the third quarter of 2021 climbed by 82.4% to €70.9 mn (Q2 2021: €63.9 mn). The increase mainly resulted from higher sales and gross margins. At 19.9%, the EBITDA margin remained at the level of the third quarter of 2021 and is below the 5-year average.

Compared to the same quarter of the previous year, EBITDA rose by €32.0 mn. The higher revenue was partly offset by increased raw material and energy costs, higher personnel costs, higher maintenance costs and lower own work capitalised.

Asset and financial ratios
Financial liabilities again went up slightly compared to year-end 2020. The reason is the increase in bank liabilities of around €32.2 mn. These arose from drawing on the facility to finance general corporate and operating purposes as well as from utilisation of the remaining facility to finance growth projects. Exchange rate effects also had an impact.

In the third quarter of 2021, due to the high liquidity and good business perspectives, there was no need to draw on the €50 mn remaining in the €100 mn facility, with the consequence that this amount expired. In addition, scheduled repayments of the PLN Facilities and EUR Facilities reduced bank liabilities.

The rise in LTM EBITDA led to a clear improvement in net leverage by 0.7 to 3.8 in the third quarter of 2021 (Q4 2020: 4.5), despite a small increase in net financial debt. The net leverage ratio is improving much faster than initially anticipated and the target corridor is expected to be reached within the next two to three quarters.

In the third quarter, free cash flow continued to improve in line with the guidance. While it was €-39.0 mn in the same quarter of the previous year, it rose to €8.8 mn this quarter.

Cash flows from operating activities amounted to €32.6 mn, down from €40.6 mn in the third quarter of 2020. In line with expectations, cash outflow from investing activities decreased further. It was €-23.9 mn in the reporting period, compared to €-79.5 mn in the third quarter of 2020. Cash flows from financing activities fell from €18.6 mn in the previous quarter to €-22.1 mn.

Outlook: Continuation of sustainable growth and return of the profit margin to the target corridor
All figures point to a very positive overall result. We expect positive general conditions and a good earnings development. In the long run, Progroup will benefit from strong demand and capacity expansion. Progroup thus sees its long-term strategy and solid financing confirmed.

Yours sincerely,

Jürgen Heindl
Chief Executive Officer

Dr. Volker Metz
Chief Financial Officer

Maximilian Heindl
Deputy Chief Executive Officer

Philipp Kosloh
Chief Operating Officer

CAPITAL MARKET ACTIVITIES

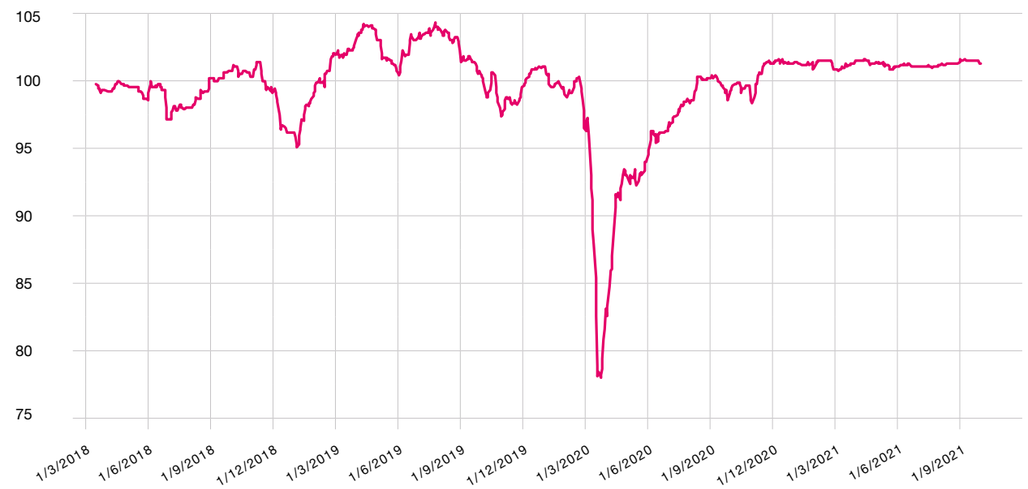
An overview of the features of our senior secured fixed rate notes and their market performance as at 30 September 2021 is presented below.

Capital market activities Progroup AG

ISIN	DE000A2G8WB1 (144A) / DE000A2YNWZ8 (144A temporary) / 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

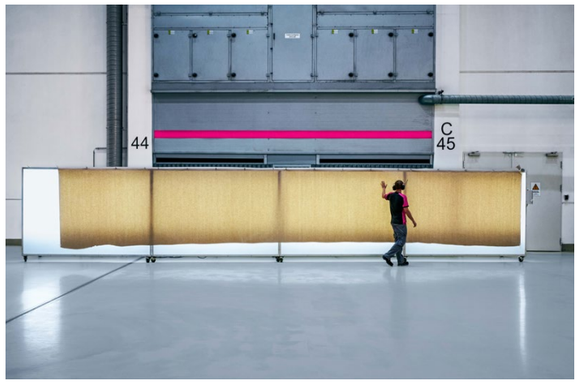


Fixed Rate Notes 2018

Source of price data: Deutsche Bank AG

BUSINESS

Quality check: Recycled containerboard



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

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

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

Quality check: corrugated sheetboard

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

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

Progroup Board PW10 plant
Trzcinica, Poland

Corrugated board production

Paper manufactures containerboard at our three paper mills in Germany, with an envisaged total annual production capacity of approximately 1,850,000 tonnes of containerboard. Our three paper machines, PM1 in Burg, PM2 in Eisenhüttenstadt and PM3 in Sandersdorf-Brehna, have complementary production layouts which allow us to produce brown containerboard with grammages between 60 and 230g/m² using almost exclusively recovered paper. This, in turn, allows us to internally source consistently high quality containerboard with the appropriate widths for Board's eleven corrugated board production sites in the Czech Republic, France, Germany, Italy, Poland and the United Kingdom with a total annual production capacity of approximately 1,615,000 tonnes of corrugated board. Our historic greenfield location strategy ensures close customer proximity and high production flexibility.

RECENT DEVELOPMENTS

Construction site Progroup Board PW15, date: November 2021
Petersberg, Rhineland-Palatinate, Germany

Corrugated board production site in Poland

At the beginning of 2021, we proceeded with the project of the next corrugated board production site PW14 in Poland. The already mentioned project of the newest state-of-the-art corrugated sheetboard plant in Stryków (Poland), with an annual capacity of up to 200,000 tonnes, was put on hold in 2020 due to the current pandemic crisis. Production is scheduled to start in the fourth quarter of 2022. Currently, the construction works of the production hall and high-bay warehouse are ongoing.

Next corrugated board production site in Germany

In the third quarter, Progroup started preparations for the construction of the PW15 corrugated sheet feeder plant near the towns of Petersberg and Höheischweiler (Rhineland-Palatinate, Germany). From the second quarter of 2023, up to 450 mn square metres of corrugated sheetboard per year are expected to be produced here. The modern production facility will be built directly next to the plant of packaging manufacturer G&G Preißer. The cooperation between the two companies will create a new packaging park on the site, in which the neighbouring packaging manufacturer will be supplied just-in-time with corrugated board from Progroup via a direct connection.

Construction site Progroup Board PW14, date: November 2021
Stryków, Poland

Leading Progroup into the future

Maximilian Heindl appointed as Deputy CEO.
Maximilian Heindl, son of the founder of the company and CEO of Progroup, Jürgen Heindl, took on more responsibility in the company's senior management team when he became deputy CEO on 1 July 2021. Progroup is thus taking the next step in the carefully planned transition between the generations.

Resource-conserving, clean energy: Progroup plans RDF power plant in Sandersdorf-Brehna

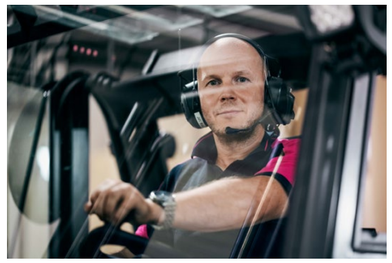
Doing business sustainably to benefit generations to come is a key component of Progroup's strategy. This is why the family-run company is planning to build a state-of-the-art refuse-derived fuel (RDF) power plant right next to its high-tech PM3 paper mill. It will supply a large portion of the process 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. This will save 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.

MARKET DEVELOPMENTS

Corrugated board stock

Demand for our products is generally driven by the level of economic growth and activity, since these factors typically result in higher per capita use of packaging materials through higher rates of consumption and transportation of goods. An increase in the use of packaging materials (including paper-based packaging materials) results in an increase in the demand for our recycled containerboard and corrugated board products. Therefore, the less favourable economic situation as a result of the coronavirus pandemic, also affects Progroup. However, our key product corrugated sheetboard is and will remain systemically relevant to safeguard the distribution of vital goods. In addition, the pandemic led to an increase in demand in the e-commerce sector. Due to these two reasons, we are not as strongly affected as other sectors.

Prices for recovered paper have stabilised at high level



Recovered paper is our main raw material for the production of recycled containerboard. In light of the coronavirus pandemic and the changed market situation with limited access to waste paper, prices increased in the second quarter of 2020. In the third quarter, the market situation normalised and prices decreased. As a result of a stronger demand for recovered paper, which was due to new capacities on the European market for containerboard, prices for recovered paper have been rising sharply since the third quarter of 2020. Throughout the 2021 fiscal year, prices have been steadily increasing, showing a slowdown in the third quarter of 2021 and with signs of stabilising at this high level (+2% compared to the second quarter of 2021).

In the period from the fourth quarter of 2019 to the first quarter of 2020, prices for recycled containerboard declined in several steps. At the end of the first and beginning of the second quarter of 2020, prices for containerboard slightly increased. Due to the lower demand in the second quarter of 2020, prices showed a downward step in the third quarter of 2020. Driven by a strong demand, prices for containerboard have been increasing since the fourth quarter of 2020 and throughout the first nine months of 2021 (Q3 2021 compared to Q2 2021: +14%).

Prices for corrugated board declined until the beginning of the second quarter of 2020. In the middle of the second quarter of 2020, prices for corrugated board slightly increased. In the middle of the third quarter, prices for corrugated board decreased. Following the recycled containerboard's price development with the typical time lag, prices increased since the end of the year 2020 and throughout the first nine months of 2021 (Q3 2021 compared to Q2 2021: +15%).

Price development Q3 2021 compared to Q2 2021

+15% Corrugated board

+14% Recycled containerboard

+2% Recovered paper

FINANCIAL REPORT

RESULTS OF OPERATIONS

01

Sales volume

(in thousands of tonnes)

	July – September		January – September	
	2021	2020	2021	2020
Corrugated board	**370**	**342**	**1,136**	**988**
Containerboard	**392**	**301**	**1,195**	**834**
– thereof external	94	52	300	152
– thereof internal	298	249	895	682

Sales

(in € thousands)

	July – September		January – September	
	2021	2020	2021	2020
Sales	**355,860**	**219,717**	**963,448**	**649,262**

01

The corrugated board business is our main external sales driver. We were able to increase our sales volume of corrugated board by 8.2% (+27.9 thousand tonnes) in the third quarter of 2021, compared to the prior year's same quarter. Concerning the first nine months of 2021, we were able to increase our sales volume of corrugated board by 14.9% (+147.6 thousand tonnes). The main growth momentum came from our new German operations and the impact of the coronavirus pandemic on sales volumes in the second quarter of the previous year.

The total sales volume of containerboard in the third quarter of 2021 strongly increased by 30.3%, compared to the prior year's same quarter. The increased sales volume of corrugated board led to a higher internal usage of containerboard (+19.5% or +48.7 thousand tonnes). In the third quarter of 2021, we were also able to increase our external volume sold (+81.7% or +42.4 thousand tonnes). Concerning the first nine months of 2021, we were also able to significantly increase our sales volume of containerboard by 43.3% (+360.8 thousand tonnes). As the new PM3 paper machine started operations at the end of August 2020, the growth rate is supported by this additional volume.

The level of integration of our containerboard business, including swap agreements, slightly increased to 88% in the third quarter of 2021, after 87% in the second quarter of 2021.

Total sales strongly increased by 62.0% (€136.1 mn) to €355.9 mn in the third quarter of 2021, compared to €219.7 mn in the same quarter of the prior year. This increase in sales is attributable to the higher external sales volume of corrugated board as well as containerboard and the increase in price levels. In the first nine months of 2021, total sales strongly increased by 48.4% (€314.2 mn), also following the higher sales volume and increased price levels.

02

Other operating income

(in € thousands)

	July – September		January – September	
	2021	2020	2021	2020
Investment subsidies	417	167	1,251	491
Income from exchange rate differences	664	1,838	5,650	3,872
Income from other periods	6,223	690	10,212	4,169
Extraordinary income	0	0	0	372
Other income	255	861	731	1,439
Other operating income	**7,560**	**3,557**	**17,843**	**10,344**

02

Other operating income increased by 112.5% (€4.0 mn) to €7.6 mn in the third quarter of 2021, mainly due to higher income from other periods. The income from other periods mainly comprises electricity-related refunds. Concerning the first nine months of 2021, the increase in other operating income is attributable to the same facts.

03

Costs of materials

(in € thousands)

	July – September		January – September	
	2021	2020	2021	2020
Costs of raw materials, consumables and supplies	178,505	78,995	474,298	240,417
Costs of purchased services	42,343	26,236	109,205	68,251
Costs of materials	**220,848**	**105,231**	**583,503**	**308,668**

03

Costs of materials increased by 109.9% (€115.6 mn) to €220.8 mn in the third quarter of 2021, primarily resulting from higher costs of raw materials, consumables and supplies. This development was mainly driven by increasing prices for recovered paper and externally purchased containerboard as well as the new PM3 paper mill. Concerning the first nine months of 2021, costs of materials increased by 89.0% (€274.8 mn) to €583.5 mn, driven by the same factors.

04 Personnel expenses

(in € thousands)

	July – September		January – September	
	2021	2020	2021	2020
Wages and salaries	21,653	21,003	68,004	62,603
Social security and pensions	3,886	3,606	12,002	10,942
– thereof for pension expenses	14	25	51	92
Personnel expenses	**25,540**	**24,609**	**80,006**	**73,545**

04

Personnel expenses increased by 3.8% (€0.9 mn) to €25.5 mn in the third quarter of 2021. This increase is mainly attributable to a higher average number of employees and of administrative and group positions, reflecting our strong growth. Therefore, the increase of personnel expenses in the first nine months of 2021 (8.9% or €6.5 mn to €80.0 mn) is mainly due to the same reason.

05 Other operating expenses

(in € thousands)

	July – September		January – September	
	2021	2020	2021	2020
Freight expenses	21,268	17,486	63,583	52,226
Maintenance and repair	17,943	16,053	36,717	33,801
Paper machine clothings	0	1,685	0	4,310
Rental and leasing costs	2,483	2,352	7,470	6,608
Legal and consulting fees	991	2,607	4,785	5,067
Personnel-related expenses	2,331	1,494	5,651	4,294
Expenses from exchange rate differences	3,320	2,256	5,541	7,885
Expenses from other periods	143	247	1,350	1,012
Extraordinary expenses	8	647	8	649
Others	10,648	8,319	27,893	23,677
Other operating expenses	**59,135**	**53,146**	**152,997**	**139,529**

05

Other operating expenses increased by 11.3% (€6.0 mn) to €59.1 mn in the third quarter of 2021, primarily due to higher freight expenses, maintenance and repair costs and an increase in personnel-related expenses. Concerning the first nine months of 2021, other operating expenses increased by 9.7% (€13.5 mn) to €153.0 mn, driven by the same factors. In contrast, a reclassification of consumption accounts from other operating expenses to costs of materials reduced the 2021 figure. These costs amounted to €11.5 mn in the third quarter of 2020 and to €19.0 mn in the first nine months of 2020.

06 Results of operations

(in € thousands)

	July – September		January – September	
	2021	2020	2021	2020
EBITDA	**70,894**	**38,857**	**180,369**	**141,247**
Amortisation and depreciation of fixed assets	-27,712	-23,787	-82,182	-54,575
Net interest result	-7,605	-7,561	-23,445	-22,694
Extraordinary income/expenses (other operating income/expenses)	-8	-647	-8	-277
Taxes on income	-8,730	-1,908	-16,820	-19,679
Consolidated net income for the period	**26,841**	**4,954**	**57,915**	**44,022**

06

In the third quarter of 2021, EBITDA strongly increased by 82.4% (€32.0 mn) to €70.9 mn, mainly driven by higher sales combined with the increased sales volume and the higher sales price level. Concerning the first nine months of 2021, EBITDA increased by 27.7% (€39.1 mn) to €180.4 mn, driven by higher sales offsetting the higher raw materials and energy costs as well as the higher costs for maintenance and repair.

The net interest result of the third quarter of 2021 was slightly higher than the result of the same period in the prior year, based on a higher amount of financial liabilities. Concerning the first nine months of 2021, net interest result increased by 3.3% (€0.8 mn) to €-23.4 mn due to the same reason.

In the third quarter as well as in the first nine months of 2021, there were almost no extraordinary expenses.

In the third quarter, taxes on income increased, but overall taxes on income decreased in the first nine months of 2021.

NET ASSET POSITION

The following statements describe the main changes in the balance sheet as at 30 September 2021 compared to 31 December 2020.

Assets

(in € thousands)

		30/09/2021	31/12/2020
A.	Fixed assets	1,192,051	1,205,349
B.	Current assets	495,342	358,896
I.	Inventories	143,616	116,427
II.	Receivables and other assets	209,033	112,005
III.	Cash in hand, bank balances	142,693	130,465
C.	Prepaid expenses and deferred charges	12,131	13,007
	Total assets	**1,699,524**	**1,577,252**

Equity and liabilities

(in € thousands)

		30/09/2021	31/12/2020
A.	Shareholder's equity	493,215	435,534
B.	Investment grants for fixed assets	19,959	21,210
C.	Provisions	102,146	83,038
D.	Liabilities	1,070,513	1,031,734
I.	Bonds	600,000	600,000
II.	Bank loans	362,963	330,782
III.	Trade payables	90,263	84,829
IV.	Liabilities from affiliated companies	0	12
V.	Other liabilities	17,286	16,111
E.	Deferred income	1,620	1,912
F.	Deferred tax liabilities	12,071	3,825
	Total equity and liabilities	**1,699,524**	**1,577,252**

Inventories amounted to €143.6 mn as at 30 September 2021, which is above the level as at 31 December 2020 (23.4% or €27.2 mn) and mainly driven by an increase in spare parts, higher recovered paper stock and higher price levels for raw materials and finished goods.

Trade receivables increased by €79.4 mn or 86.8% to €170.7 mn as at 30 September 2021, mainly due to increased sales and year-end effects as at 31 December 2020.

Other assets increased by €20.2 mn or 111.1% to €38.3 mn as at 30 September 2021, mainly in connection with higher sales tax prepayments.

Shareholder's equity increased by €57.7 mn from €435.5 mn as at 31 December 2020 to €493.2 mn as at 30 September 2021 as a result of consolidated net income.

Other provisions increased by €22.9 mn to €96.6 mn, mainly due to higher provisions for outstanding invoices.

As at 30 September 2021, **bank loans** increased by €32.2 mn to €363.0 mn due to the €25 mn drawdown from the €100 mn facility to finance general corporate and operating purposes, the drawdown of the remaining €25 mn from the €75 mn facilities to finance growth projects and effects resulting from the significant changes in GBP exchange rates. The remaining €50 mn of the €100 mn facility was not drawn due to our good liquidity position. This was partly offset by scheduled repayments of the Senior Secured PLN Facilities and the EUR Facilities.

The increase in **trade payables** by €5.4 mn or 6.4% to €90.3 mn as at 30 September 2021 is related to higher costs of materials.

The increase in **other liabilities** by €1.2 mn or 7.3% to €17.3 mn as at 30 September 2021 is mainly related to higher sales tax liabilities and therefore partly due to reporting date factors.

As at 30 September 2021, **deferred tax liabilities** increased by €8.3 mn to €12.1 mn, primarily caused by the declining-balance method of depreciation in the new PM3 paper machine within its tax balances.

FINANCIAL POSITION

Summary of cash flows

(in € thousands)

	July – September		January – September	
	2021	2020	2021	2020
Cash flows from operating activities	32,651	40,548	80,142	115,477
Cash flows from investing activities	-23,873	-79,549	-71,329	-254,908
Free cash flow	**8,778**	**-39,001**	**8,813**	**-139,431**
Cash flows from financing activities	-22,145	-15,417	2,080	39,066

Cash flows from operating activities decreased by €-7.9 mn to €32.6 mn in the third quarter of 2021 compared to the third quarter of 2020, following an increase in working capital. Furthermore, higher consolidated net income impacted cash flows from operating activities. For the first nine months of 2021, the decrease of cash flow from operating activities followed an increase in working capital.

Cash flows from investing activities amounted to €-23.9 mn in the third quarter of 2021. They were mainly attributable to our new PM3 paper machine and our corrugated board plant project PW14 in Poland. As usual, several smaller investments in different plants as part of our continuous maintenance capital expenditures were also included.

Free cash flow, calculated as cash flows from operating activities plus cash flows from investing activities, increased significantly in the third quarter of 2021 compared to the respective prior-year period; this was the result of the lower cash outflows from investing activities. The positive development of free cash flow in the first nine months of 2021 was attributable to the same facts.

Cash flows from financing activities in the period ended 30 September 2021 was lower than in the same quarter of the previous year. The available drawing of the remaining €50 mn facility was not utilised due to the high liquidity and good business perspectives. The abovementioned cash flows from financing activities were partly offset by scheduled repayments of the Senior Secured PLN Facilities and the EUR Facilities as well as interest payments.

Cash funds (cash in hand, bank balances) increased by €12.6 mn and amounted to €142.7 mn as at 30 September 2021, compared to €130.5 mn as at 31 December 2020.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September / Q3 2021

CONSOLIDATED BALANCE SHEET

Assets

(in € thousands)

		30/09/2021*	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	11,256	13,441
2.	Prepayments on intangible assets	11,605	3,465
		22,861	**16,906**
II.	**Tangible assets**		
1.	Land and buildings including buildings on leasehold land	406,886	409,822
2.	Technical equipment and machinery	706,440	754,657
3.	Other equipment, factory and office equipment	17,279	16,016
4.	Prepayments and constructions in process	38,586	7,949
		1,169,190	**1,188,443**
		1,192,051	**1,205,349**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials, consumables and supplies	93,268	82,823
2.	Work in process	40,607	28,871
3.	Finished goods	9,683	4,638
4.	Prepayments	3	94
5.	Pollutant emission rights	55	0
		143,616	**116,427**
II.	**Receivables and other assets**		
1.	Trade receivables	171,312	91,961
2.	Other assets	37,721	20,044
		209,033	**112,005**
III.	**Cash in hand, bank balances**	**142,693**	**130,465**
		495,342	**358,896**
C.	**Prepaid expenses and deferred charges**	**12,131**	**13,007**
	Total assets	**1,699,524**	**1,577,252**

* Unaudited consolidated interim financial information

Equity and liabilities

(in € thousands)

		30/09/2021*	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	-6,763	-6,530
5.	Consolidated net retained profits	415,568	357,653
		493,215	**435,534**
B.	**Investment grants for fixed assets**	**19,959**	**21,210**
C.	**Provisions**		
1.	Provisions for pensions	558	516
2.	Tax provisions	4,986	8,817
3.	Other provisions	96,603	73,705
		102,146	**83,038**
D.	**Liabilities**		
1.	Bonds	600,000	600,000
2.	Bank loans	362,963	330,782
3.	Trade payables	90,263	84,829
4.	Liabilities from affiliated companies	0	12
5.	Other liabilities	17,286	16,111
		1,070,513	**1,031,734**
E.	**Deferred income**	**1,620**	**1,912**
F.	**Deferred tax liabilities**	**12,071**	**3,825**
	Total equity and liabilities	**1,699,524**	**1,577,252**

* Unaudited consolidated interim financial information

Consolidated Income Statement

(in € thousands)

		July – September*		January – September*	
		2021	2020	2021	2020
1.	Sales	355,860	219,717	963,448	649,262
2.	Increase/decrease in finished goods and work in process	12,991	-10,701	16,002	-16,419
3.	Other own work capitalised	478	9,051	941	20,836
4.	Other operating income	7,560	3,557	17,843	10,344
5.	Costs of materials				
a)	Costs of raw materials, consumables and supplies	-178,505	-78,995	-474,298	-240,417
b)	Costs of purchased services	-42,343	-26,236	-109,205	-68,251
		-220,848	-105,231	-583,503	-308,668
6.	Personnel expenses				
a)	Wages and salaries	-21,653	-21,003	-68,004	-62,603
b)	Social security and pensions	-3,886	-3,606	-12,002	-10,942
		-25,540	-24,609	-80,006	-73,545
7.	Amortisation and depreciation of fixed intangible and tangible assets	-27,712	-23,787	-82,182	-54,575
8.	Other operating expenses	-59,135	-53,146	-152,997	-139,529
9.	Other interest and similar income	3	4	11	71
10.	Interest and similar expenses	-7,608	-7,564	-23,457	-22,765
11.	Taxes on income	-8,730	-1,908	-16,820	-19,679
12.	**Earnings after taxes**	**27,319**	**5,382**	**59,282**	**45,333**
13.	Other taxes	-479	-428	-1,367	-1,311
14.	**Consolidated net income for the period**	**26,841**	**4,954**	**57,915**	**44,022**
15.	Consolidated unappropriated retained earnings brought forward			357,653	311,782
16.	**Consolidated net retained profits**			**415,568**	**355,804**

* Unaudited consolidated interim financial information

Consolidated Cash Flow Statement

(in € thousands)

		July – September*		January – September*	
		2021	2020	2021	2020
1.	**Cash flows from operating activities**				
	Consolidated net income for the period	26,841	4,954	57,915	44,022
	Amortisation and depreciation of fixed assets	27,712	23,787	82,182	54,575
	Increase (+)/decrease (-) in provisions	16,084	12,267	34,133	13,296
	Other non-cash expenses (+)/income (-)	817	-1,558	0	-645
	Increase (-)/decrease (+) in inventories, trade receivables and other assets**	-37,236	6,966	-125,473	-9,393
	Increase (+)/decrease (-) in trade payables and other liabilities**	-12,489	5,027	14,629	12,400
	Interest expenses (+) /income (-)	7,605	7,560	23,445	22,694
	Expenditure (+) /income (-) of exceptional size or incidence	8	647	8	277
	Income tax expenses (+) /income (-)	8,730	1,908	16,820	19,679
	Income taxes paid (-)	-5,421	-21,010	-23,517	-41,428
	Cash flows from operating activities	**32,651**	**40,548**	**80,142**	**115,477**
2.	**Cash flows from investing activities**				
	Proceeds (+) from disposal of intangible and tangible fixed assets	0	0	0	932
	Payments (-) to acquire intangible fixed assets	-1,990	-472	-8,277	-1,287
	Payments (-) to acquire tangible fixed assets	-21,883	-79,077	-63,052	-254,616
	Interest received (+)	0	0	0	63
	Cash flows from investing activities	**-23,873**	**-79,549**	**-71,329**	**-254,908**
3.	**Cash flows from financing activities**				
	Proceeds (+) from the issuance of bonds and borrowings	0	0	55,000	75,000
	Cash repayments (-) of bonds and borrowings	-10,804	-3,590	-27,062	-10,815
	Proceeds (+) from grants received	0	0	0	679
	Cash payments (-) relating to expenditure of exceptional size or incidence	0	-383	0	-416
	Interest paid (-)	-11,341	-11,444	-25,858	-25,382
	Cash flows from financing activities	**-22,145**	**-15,417**	**2,080**	**39,066**
4.	**Cash funds at end of period**				
	Net change in cash funds	-13,367	-54,418	10,893	-100,365
	Effect on cash funds of exchange rate movements	732	831	1,335	-1,877
	Cash funds at beginning of period	155,328	154,120	130,465	202,775
	Cash funds at end of period	**142,693**	**100,533**	**142,693**	**100,533**
5.	**Composition of cash funds**				
	Cash and cash equivalents	142,693	100,533	142,693	100,533
	Cash funds at end of period	142,693	100,533	142,693	100,533

* Unaudited consolidated interim financial information

** Not attributable to investing or financing activities

Consolidated Statement of Changes in Equity

(in € thousands)

	Subscribed capital	Capital reserve	Consolidated equity generated		Currency translation adjustment	Group equity
			Revenue reserves	Consolidated net retained profits		
01 January 2021	**7,588**	**75,414**	**1,408**	**357,653**	**-6,530**	**435,534**
Consolidated net profit for the period	0	0	0	57,915	0	57,915
Other changes	0	0	0	0	-233	-233
30 September 2021*	**7,588**	**75,414**	**1,408**	**415,568**	**-6,763**	**493,215**

* Unaudited consolidated interim financial information

DISCLAIMER

Financial information
The unaudited consolidated financial information of Progroup AG ("Progroup") as at and for the period ended 30 September 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.

ADDITIONAL EXPLANATORY INFORMATION

Accounting policies
The unaudited consolidated interim financial information of Progroup AG as at and for the period ended 30 September 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.

The accounting policies in the period under review generally correspond to those used for the audited consolidated financial statements for the year ended 31 December 2020.

Please refer to the notes to the audited consolidated financial statements for the year ended 31 December 2020 for a detailed description of our significant accounting policies.

Scope of consolidation
In the period ended 30 September 2021, there were no changes in the scope of consolidation compared to the year ended 31 December 2020.

Information on material risks
As at 30 September 2021, there are no significant changes with regard to the risks for Progroup AG compared with the year ended 31 December 2020 and described in the respective annual financial statements.

LEGAL NOTICE AND INFORMATION

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Philipp Kosloh (COO)

Issue date of this report:
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