

# INTERIM FINANCIAL REPORT

30 September / Third Quarter 2022



# KEY FIGURES

(in € thousands)

SALES  
January – September 2022

1,355,475

Reported EBITDA  
January – September 2021

180,369

Reported EBITDA  
January – September 2022

309,391

Reported EBITDA margin  
January – September 2022

22.8%

Net leverage  
30/09/2022

1.7

Net financial debt  
30/09/2022

691,576

## Key operating figures

(in € thousands)

	July – September		January – September	
	2022	2021	2022	2021
Sales	431,272	355,860	1,355,475	963,448
Reported EBITDA <sup>(1)</sup>	73,213	70,894	309,391	180,369
Reported EBITDA margin (in % of net sales)	17.0%	19.9%	22.8%	18.7%
EBIT <sup>(2)</sup>	45,511	43,183	224,233	98,187
Consolidated net income for the period	23,371	26,841	149,189	57,915
Cash flows from operating activities	111,491	32,651	264,909	80,142
Cash flows from investing activities	-43,590	-23,873	-103,534	-71,329
Free cash flow <sup>(3)</sup>	67,901	8,778	161,375	8,813

## Key balance sheet figures

(in € thousands)

	30/09/2022	31/12/2021
Total assets	1,780,119	1,682,491
Equity and equity-like items <sup>(4)</sup>	616,942	555,290
Cash in hand, bank balances	132,140	99,512
Financial liabilities <sup>(5)</sup>	823,716	879,414

## Key financial figures

(in € thousands)

	30/09/2022	31/12/2021
Net leverage <sup>(6)</sup>	1.7	2.9
LTM EBITDA	402,199	273,177
Net financial debt <sup>(7)</sup>	691,576	779,903

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

(6) Net leverage (not a German GAAP measure) is calculated by dividing net financial debt as at 30 September 2022 and 31 December 2021, respectively, by adjusted EBITDA for the last twelve months (LTM) ended on the relevant date.

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

# HIGHLIGHTS

01

In the first nine months of 2022, Progroup continued to achieve significant growth in sales in our two key businesses despite the implications from the Russian aggression against Ukraine and the ongoing coronavirus pandemic. The price levels for both corrugated board and containerboard continued to increase slightly in the third quarter of 2022. In the third quarter, the purchase price for our main raw material recovered paper decreased the first time this year. The significantly higher energy prices impacted our results. However, our existing hedging strategy mitigated the negative price effects.

03

The volume of corrugated board sales decreased by 3.8% in the first nine months of 2022 compared to the prior-year period. This drop was due to the strong price increase and weaker market environment. Containerboard sales volumes were up slightly by 0.5% in the first nine months of 2022.

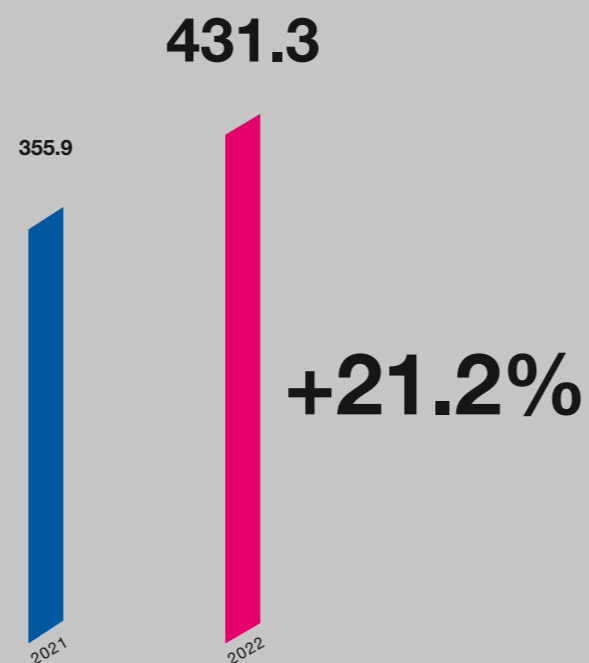
04

Integration between the two main businesses of Progroup remained on a high level. Integration including swap agreements reached 85% in the

02

**Sales grew strongly by 40.7% to €1,355.5 mn in the first nine months of 2022, after €963.4 mn in 2021. The steep increase was mainly driven by higher sales price levels.**

SALES  
July – September  
(in € million)



third quarter of 2022, after 88% in the previous year's third quarter. Excluding swap agreements, integration reached 75% in the third quarter of 2022, after 76% in the previous year's third quarter.

05

The third quarter was characterised by several maintenance and market-related downtimes. The annual maintenance shutdown of the combined heat and power plant took place from late August until late September. All three

# 23%

EBITDA margin  
January – September 2022

06

**The EBITDA margin reached 17.0% in the third quarter of 2022, after 19.9% in the third quarter of 2021. As usual, the EBITDA margin in the third quarter is below the full-year margin due to the summer season effects and the impact of the maintenance shutdowns. The EBITDA margin for the first nine months was 22.8%.**

paper mills had regular maintenance downtimes. Additionally, due to the very high energy prices, we curtailed paper production in the course of the third quarter.

07

Despite the challenging market environment, EBITDA increased to €73.2 mn in the third quarter

of 2022 compared to €70.9 mn in the previous year. In the first nine months of 2022, EBITDA increased by 71.5% from €180.4 mn in 2021 to €309.4 mn. The improved EBITDA performance was due to higher sales and a higher gross margin as a result of higher price levels supported by our existing energy hedges. The EBITDA for the first

nine months exceeds the previous EBITDA record for the full year 2018 (€275.5 mn).

08

Net leverage improved from 2.9 as at 31 December 2021 to 1.7 as at 30 September 2022. The decrease is attributable to a higher LTM EBITDA and lower net financial debt. Net leverage is therefore below the long-term target range of 2.5 to 3.0. In addition to scheduled repayments of existing loans, bonds with a nominal value of €30 million were purchased in the open market in the second and third quarter.

09

Despite the ongoing coronavirus pandemic and the uncertainties from the Russian war against Ukraine, Progroup will continue on its strategic growth path. Construction on PW14 in Poland is in line with our expectations and the trial runs have started on 2 November 2022. Our next corrugated board project PW15 in Germany is progressing according to plan and the construction of another corrugator in Italy was announced recently. In addition, the planning of the second refuse-derived fuel power plant, right next to our PM3 paper mill, is progressing according to plan.





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# LETTER TO INVESTORS

**Dear investors and business partners,**

On 5 November, Progroup celebrated its 30th anniversary and the change of generations to be implemented at the end of the year. Progroup founder and CEO Jürgen Heindl will hand over the position of CEO to his son Maximilian Heindl, until now Deputy CEO. Jürgen Heindl will be moving to the Supervisory Board and will run JH Holding GmbH. Maximilian Heindl's clear aim is to continue to lead the family business, following his vision, and to expand it to secure its future.



These milestones were achieved in a challenging environment. In the third quarter, the general conditions were aggravated by the Russia-Ukraine war and soaring energy prices, rising inflation and the continued disruption of supply chains. The seasonally weaker market also dampened demand for our products. Nevertheless, Progroup has persistently performed well. Increased sales prices had a positive impact on our profit margin.

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

## Long-term growth course can be maintained

We continued our long-term growth course. The first corrugated board was produced in test operation at the PW14 corrugated sheetfeeder plant, on 2 November 2022. The start of the commercial production is scheduled for January 2023. The construction work at PW15, our next corrugated board plant in Germany, is progressing well according to plan. In the growth market of Italy, a new corrugated sheetfeeder plant, PW16, is being built. Due to its long-term strategy, Progroup is cautiously optimistic about the future despite an uncertain environment.

### Four projects enable further growth

In Stryków, Poland, the first corrugated board was produced at the new PW14 corrugated sheet-feeder plant in November as planned. From 2023 onwards, up to 200,000 tonnes of corrugated board are to roll off the production line here annually. The new plant strengthens Progroup's market position in Central and Eastern Europe. With two corrugated sheetfeeder plants and a manufacturing capacity of 825 million square metres, Stryków is set to become one of the largest corrugated board production sites in the world.

At the PW15 corrugated sheetfeeder plant, the building of the high-bay warehouse and the construction of the production hall are proceeding according to plan. In Petersberg (Rhineland-Palatinate, Germany), up to 450 million square metres of corrugated board are expected to be made per year once construction is completed in late 2023/beginning of 2024. Around 60 new jobs for highly qualified employees and apprentices are to be generated at the plant, which will manufacture on approximately 28,000 square metres.

As part of our growth strategy, we are planning the new PW16 corrugated sheetfeeder plant in the industrial area of Cessalto, Italy, in the direct vicinity of a packaging producer. Progroup will invest more than €90 mn in the plant and create almost 65 jobs. Construction is scheduled to start in spring 2023, and the first corrugated board is expected to roll off the production line by the end of 2024.

Our state-of-the-art combined heat and power (CHP) plant in Sandersdorf-Brehna (Saxony-Anhalt, Germany) will be another milestone on the way to a carbon-neutral circular economy. It is in the final stage of the approval process. The contract for the refused derived fuel boiler has been awarded. The CHP plant will be built next to the high-tech PM3 paper mill and which will draw a large part of its process heat and power supply from CHP in the future. The energy will originate from the thermal utilisation of residual materials from the mill's own production and those from the region. Construction is scheduled to start at the end of 2022, and operations are expected to begin at the end of 2025.

### First sustainability report published

In September, Progroup published its first sustainability report in which the company presents its reviewed and expanded sustainability strategy. We linked our existing ecological and social activities to other aspects of sustainable business and developed a cohesive long-term strategy as an integral part of the corporate strategy. Progroup sets out targets for every material topic to keep ensuring its contribution to sustainable development in the future.

## Market and business development

**Paper prices continue to rise, recovered paper prices fall again for the first time**  
Containerboard prices rose by 1% compared to the second quarter, and corrugated board formats experienced a price increase of around 3% in the same period. The reasons for the high price level were the substantial energy price increases and the rise in costs for other goods and services (e.g. freight, starch). Recovered paper prices peaked in July. However, they fell for the first time during the third quarter by around 5% compared to the second quarter of 2022.

### Increase in energy prices still largely hedged

The sharp increase in energy prices will only affect a portion of Progroup's consumption until the end of 2022, as the company has already concluded long-term contracts for most of its energy needs in previous years. However, unhedged costs for gas and electricity reached an unprecedented record high in August. Additionally, high diesel prices affected freight costs, customer prices and company profits.

### Progroup moves in line with the weaker market in sales of corrugated board and paper

Price increases and a cautious market – not least due to declines in mail order business – led to a visible drop in order intake and sales volume at Progroup Board and Paper. In line with the market, Progroup reduced its production in August and September due to the high spot prices on the energy market. During this period, we carried out the planned downtime of the machines.

In the third quarter, sales volumes of corrugated board at Progroup Board decreased by 9.4% compared to the same quarter of the previous year. The reasons for the lower order intake in most markets are the significant price increases in the second quarter and the weaker market. The Italian market was an exception, where we recorded relatively strong growth.

Containerboard sales volumes at Progroup Paper fell by 4.0% compared to the same period of the previous year.

Integration remained on a high level due to lower external sales volumes.

## Key financial indicators at a glance

Quarterly sales revenues increased compared to the previous year. Group revenue went up 21.2% or €75.4 mn to €431.3 mn compared to the third quarter of 2021, driven primarily by higher corrugated board and paper price levels. Nine-month revenue increased by 40.7% or €392.0 mn, from €963.4 mn to €1,355.5 mn.

### EBITDA on track due to higher sales revenue

EBITDA in the third quarter of 2022 rose by 3.3% compared to the same quarter of the past year. The increase was mainly due to price-related revenue growth and the resulting better gross margin. This was offset by higher energy costs and, to a lesser extent, personnel costs. The EBITDA margin decreased from 19.9% in the same quarter of the previous year to 17.0% and was thus below the five-year average of 23.5%. This decline is usual for the third quarter based on seasonal effects and maintenance reasons.

### Asset and financial ratios

Financial liabilities again went down compared to the previous year. This was due to the scheduled repayments of existing loans and the repurchase of bonds with a nominal value of €30 mn. For this purpose, we used our high level of cash and cash equivalents.

The increase in LTM EBITDA and the decrease in net financial debt resulted in a significant improvement in net leverage by 1.2 since 2021 to a very good ratio of 1.7 in the third quarter of 2022.

Free cash flow continued to improve in the third quarter. While it had been €8.8 mn in the same quarter of the previous year, it increased to €67.9 mn in the reporting quarter. Compared to the first nine months of 2021, it increased by €152.6 mn to €161.4 mn.

The operating cash flow increased compared to the same period last year. The major contributing factors are the good performance and a reporting date effect due to our SAP migration in the third quarter. Cash flows from investing activities decreased from €-23.9 mn in the third quarter of 2021 to €-45.6 mn. Cash flows from financing activities increased slightly from €-22.1 mn in the third quarter of 2021 to €-18.5 mn in the reporting quarter.

**Outlook: cautiously optimistic – long-term growth strategy remains on track**

In an uncertain environment, we expect Progroup's results to reach a new record high for the full year 2022, well above the previous year. In 2023, we expect a stronger decline. The energy price brake, however, will have a positive impact on our cost structure for us as an energy-intensive company. Beside the governmental support, our comparably new and energy-efficient plants can utilise their competitive advantage over the much older and less efficient industry average. Therefore, we assume to be very well positioned in the industry cost curve. Another positive effect will be the fact that we will not have to deal with refinancing issues.

As Progroup pursues a long-term strategy, the company will benefit from stable demand eventually and the increasing expansion of its capacities. For the coming quarter, we expect these to be largely utilised and to increase significantly once the new plants have been commissioned. Also, the solid financing will be beneficial to the company's success.

Yours sincerely,



**Jürgen Heindl**  
Chief Executive  
Officer



**Dr. Volker Metz**  
Chief Financial  
Officer



**Maximilian Heindl**  
Chief Development  
Officer and  
Deputy Chief  
Executive Officer



## CAPITAL MARKET ACTIVITIES

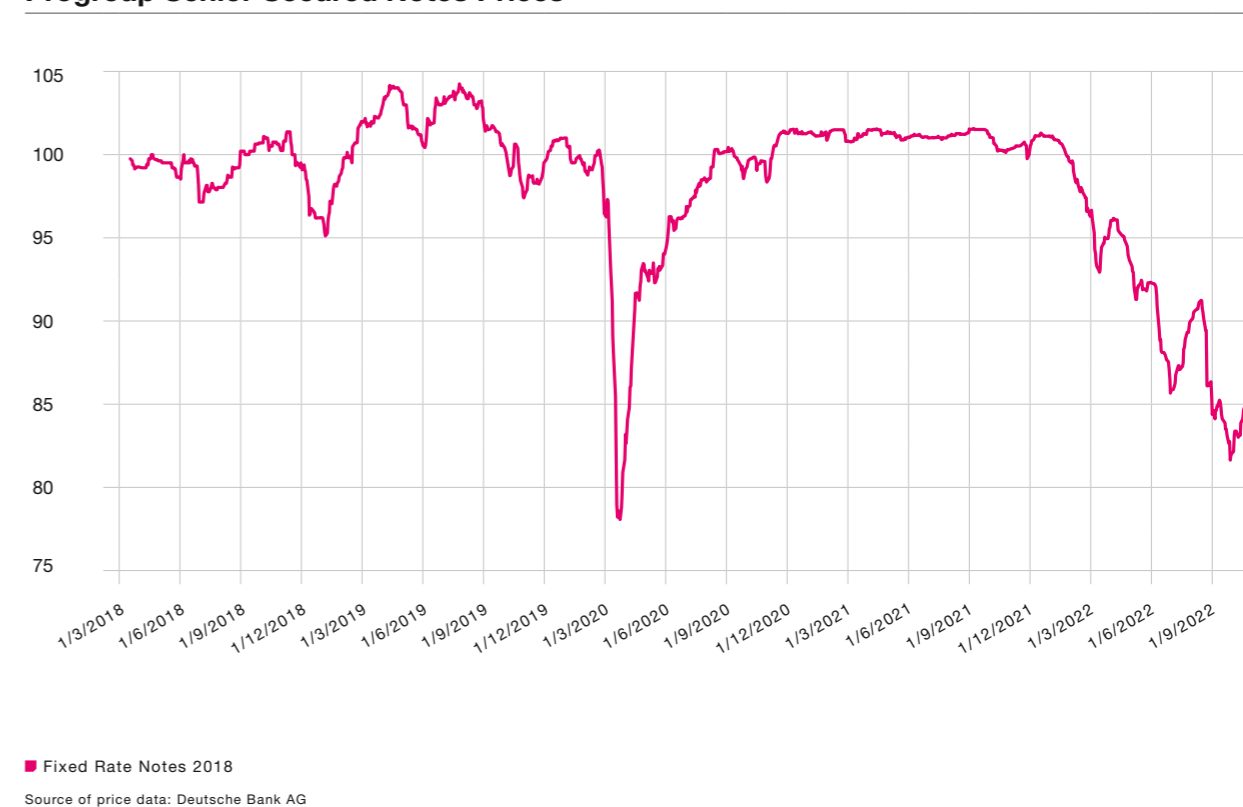
An overview of the features of our senior secured fixed rate notes and their market performance as at 30 September 2022 is presented below.

### 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
<b>Ratings</b>	
S&P	BB-
Moody's	Ba3

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

### Progroup Senior Secured Notes Prices



## BUSINESS

### Corrugated board production

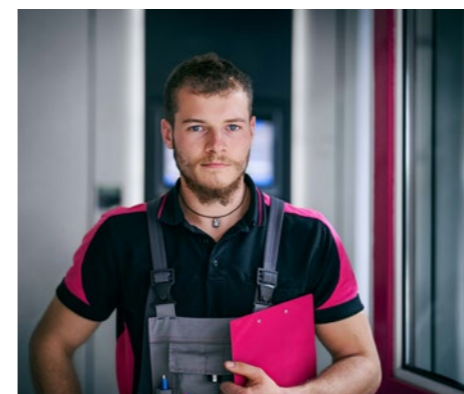


We are a leading, family-owned producer and supplier of containerboard and corrugated board in Central Europe and headquartered in Landau, Germany. According to an independent market consultant, we are the third largest producer of corrugated board in Europe (by production capacity) through our Progroup Board business (“Board”) and the 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



Productivity and growth create challenging jobs

general trend towards a more efficient and sustainable use of raw materials and energy, which can help reduce both costs and CO<sub>2</sub> 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



Progroup Board PW10 plant  
Trzcinica, Poland

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



Corrugated sheetboard production

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



## RECENT DEVELOPMENTS



Construction site Progroup Board PW15, date: October 2022  
Petersberg, Rhineland-Palatinate, Germany

### Trial runs of our new corrugated board production site in Poland

At the beginning of 2021, we proceeded with the project of the newest corrugated board production site PW14 in Poland. The already mentioned project involving the newest state-of-the-art corrugated sheetboard plant in Stryków (Poland), with an annual capacity of up to 200,000 tonnes. Trial runs and test operations started on the second November 2022. Commencement of commercial production will be at the beginning of 2023. In the future, the corrugated board formats produced by Progroup will be transported directly to the customer of the Janmar packaging park at the right time and in exact quantities.

### Next corrugated board production site in Germany

In the third quarter 2021, Progroup started preparations for the construction of the PW15 corrugated sheet feeder plant near the towns of Petersberg and Höheischweiler (Rhineland-Palatinate, Germany). From late 2023 or beginning of 2024, up to 450 million square metres of corrugated sheetboard per year are expected to be produced here. The modern production facility will be built directly next to the plant of packaging manufacturer G&G Preißer. The cooperation between the two companies will create a new packaging park on the site, in which the neighbouring packaging manufacturer will be supplied just-in-time with corrugated board from Progroup via a direct connection. The PW15 construction site also continues to make progress. In the third quarter, the construction of the high-bay warehouse and the production hall progressed according to plan.

### Growth market Italy: Progroup plans new plant PW16 in Cessalto

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



Construction site Progroup Board PW14, date: October 2022  
Stryków, Poland

### Financial liabilities further reduced

In addition to scheduled repayments of existing loans, own bonds with a nominal value of €30 mn were purchased in the open market in June and July. In October, a further €2 mn of own bonds were purchased. These purchases could be realised based on the strong cash flow generation.

### Progroup AG publishes the first sustainability report

In its first sustainability report, Progroup presents its reviewed and expanded sustainability strategy. We linked our existing ecological and social activities to other aspects of sustainable business and developed a cohesive long-term strategy as an integral part of the corporate strategy.

Progroup sets out targets for every material topic to keep ensuring its contribution to sustainable development in the future.

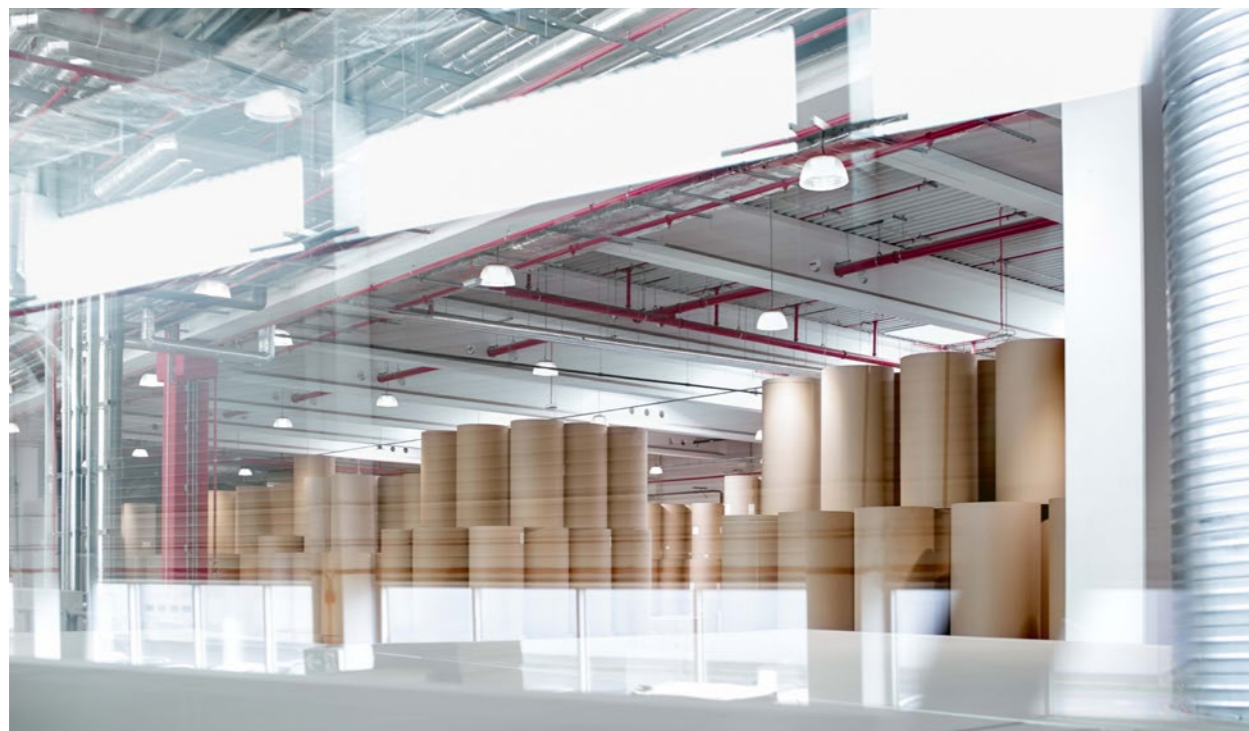
### Leading Progroup into the future: Generational transition from Jürgen Heindl to Maximilian Heindl

Preparations regarding the change of the CEO in 2023 are continuing. Maximilian Heindl will take over further tasks from Jürgen Heindl to ensure an orderly handover. Jürgen Heindl will be available to the company as member of the Supervisory Board from 2023 and will help to accompany the successful development of the company in his new role. On 5 November, the handover was symbolically celebrated at the anniversary party in Leipzig.



# 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 and the Russian-Ukrainian war are also affecting Progroup. However, our key product corrugated sheetboard is and will remain systemically relevant to

Prices for recovered paper have slightly decreased



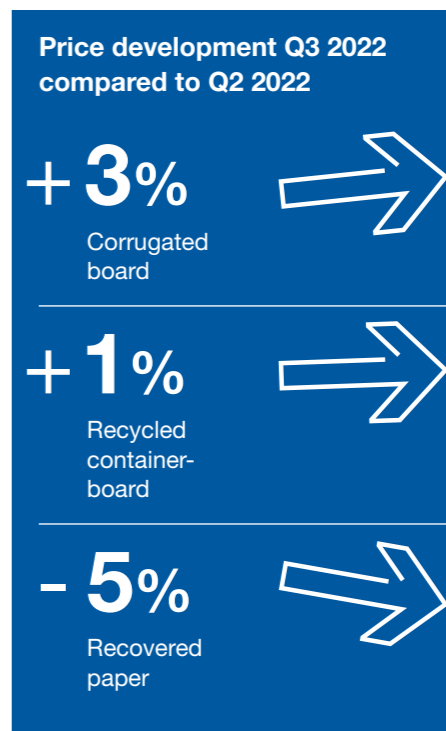
safeguard the distribution of vital goods. In addition, the pandemic led to an increase in demand in the e-commerce sector.

Recovered paper is our main raw material for the production of recycled containerboard. In view of the coronavirus pandemic and the changed market situation with limited access to recovered paper, prices rose significantly in 2020. Throughout 2021, prices continued to rise steadily, with a slowdown in the second half of 2021 and signs of stabilisation at this high level in the first quarter of 2022, prices increased again, before decreasing by 5% in the third quarter of 2022. The price decrease was driven by a significant decline in demand due to industry-wide containerboard production cuts in the third quarter.

Containerboard prices also showed significant increases in 2021. Due to strong demand, containerboard prices increased by 83% from the fourth quarter of 2020 to the end of 2021. While prices rose by 10% in the first half of the year 2022, the third quarter

showed only a slight increase of 1% compared with the second quarter of 2022. The price movements in 2022 were basically cost-driven following the massive price increases for energy and other factor costs.

Prices for corrugated board follow the price development of recycled containerboard with the typical time lag. Accordingly, prices for corrugated board also increased significantly in 2021. From the end of 2020 to the end of 2021, prices increased by 58%. In the third quarter of 2022, corrugated board prices showed an increase of 3% compared to the second quarter of 2022.







# FI NAN CIAL RE PORT



# RESULTS OF OPERATIONS

## 01 Sales volume

(in thousands of tonnes)

	July – September		January – September	
	2022	2021	2022	2021
<b>Corrugated board</b>	<b>335</b>	<b>370</b>	<b>1,092</b>	<b>1,136</b>
<b>Containerboard</b>	<b>376</b>	<b>392</b>	<b>1,200</b>	<b>1,195</b>
– thereof external	94	94	313	300
– thereof internal	283	298	887	895

## Sales

(in € thousands)

	July – September		January – September	
	2022	2021	2022	2021
<b>Sales</b>	<b>431,272</b>	<b>355,860</b>	<b>1,355,475</b>	<b>963,448</b>

### 01

The corrugated board business is our main external sales driver. In the third quarter of 2022, our sales volume of corrugated board remained below the prior year. The decrease amounted to 9.4% (-34.6 thousand tonnes) compared to the prior year's same quarter. In the first nine months of 2022, the decline was somewhat milder at 3.8%. The reasons for the lower order intake in most markets are the significant price increases in the second quarter and a weaker market environment. Exceptions were the Italian market, where we recorded strong growth, and the PW13 plant in Eisfeld, where sales volumes also increased considerably.

Sales of containerboard also fell by 4.0%, compared to the prior year's same quarter. The exceptionally high spot prices for energy in the third quarter led to production curtailments and also to lower sales volumes. The external sales volume decreased

slightly by 0.8% or 0.7 thousand tonnes. Concerning the first nine months of 2022, we were able to increase our sales volume of containerboard by 0.5% (+5.7 thousand tonnes). The further improvement of the production of PM3 continues to support the growth rate.

The level of integration of our containerboard business, including swap agreements, slightly increased to 85% in the third quarter of 2022, after 84% in the second quarter of 2022.

Total sales increased by 21.2% (€75.4 mn) to €431.3 mn in the third quarter of 2022, compared to €355.9 mn in the same quarter of the prior year. This increase in sales is mainly attributable to the increase in price levels. In the first nine months of 2022, total sales increased strongly by 40.7% (€392.0 mn), also following the increased price levels.

## 02 Other operating income

(in € thousands)

	July – September		January – September	
	2022	2021	2022	2021
Investment subsidies	634	417	1,902	1,251
Income from exchange rate differences	616	664	5,459	5,650
Income from other periods	344	6,223	7,746	10,212
Extraordinary income	-14	0	-12	0
Other income	381	255	1,136	731
<b>Other operating income</b>	<b>1,962</b>	<b>7,560</b>	<b>16,230</b>	<b>17,843</b>

### 02

Other operating income decreased by 74.0% (€-5.6 mn) to €2.0 mn in the third quarter of 2022, mainly due to lower income from other periods. The income from other periods mainly relates to

the release of provisions. Concerning the first nine months of 2022, the decrease in other operating income is attributable to the same fact.

## 03 Costs of materials

(in € thousands)

	July – September		January – September	
	2022	2021	2022	2021
Costs of raw materials, consumables and supplies	189,476	178,505	602,512	474,298
Costs of purchased services	66,094	42,343	195,686	109,205
<b>Costs of materials</b>	<b>255,570</b>	<b>220,848</b>	<b>798,198</b>	<b>583,503</b>

### 03

Costs of materials increased by 15.7% (€34.7 mn) to €255.6 mn in the third quarter of 2022, primarily resulting from higher costs of purchased services. Additionally, costs of raw materials, consumables and supplies also increased in the third quarter. This development was mainly driven by increasing prices for starch and externally purchased

containerboard. The increase of costs of purchased services was driven by significantly higher electricity and gas costs. Concerning the first nine months of 2022, costs of materials increased by 36.8% (€214.7 mn) to €798.2 mn, driven by the same factors but also due to higher recovered paper costs.

## 04 Personnel expenses

(in € thousands)

	July – September		January – September	
	2022	2021	2022	2021
Wages and salaries	24,414	21,653	75,386	68,004
Social security and pensions	4,320	3,886	13,219	12,002
– thereof for pension expenses	-31	14	-20	51
<b>Personnel expenses</b>	<b>28,734</b>	<b>25,540</b>	<b>88,605</b>	<b>80,006</b>

04

Personnel expenses increased by 12.5% (€3.2 mn) to €28.7 mn in the third quarter of 2022. This increase is mainly attributable to a higher average number of employees in our operations and of administrative and group positions,

reflecting our strong growth and the regular increase of salaries and wages. Therefore, the increase of personnel expenses in the first nine months of 2022 (10.7% or €8.6 mn to €88.6 mn) is mainly due to the same reason.

## 05 Other operating expenses

(in € thousands)

	July – September		January – September	
	2022	2021	2022	2021
Freight expenses	25,806	21,268	80,778	63,583
Maintenance and repair	15,131	17,943	36,435	36,717
Rental and leasing costs	2,662	2,483	8,103	7,470
Legal and consulting fees	510	991	3,999	4,785
Personnel-related expenses	3,322	2,331	7,393	5,651
Expenses from exchange rate differences	4,050	3,320	11,566	5,541
Expenses from other periods	81	143	1,434	1,350
Extraordinary expenses	2	8	2	8
Others	12,547	10,648	35,255	27,893
<b>Other operating expenses</b>	<b>64,111</b>	<b>59,135</b>	<b>184,965</b>	<b>152,997</b>

05

Other operating expenses increased by 8.4% (€5.0 mn) to €64.1 mn in the third quarter of 2022, primarily due to higher freight expenses, personnel-related expenses and other operating expenses. Maintenance and repair

costs were below the prior year quarter. Concerning the first nine months of 2022, other operating expenses increased by 20.9% (€32.0 mn) to €185.0 mn, mainly driven by the same factors.

## 06 Results of operations

(in € thousands)

	July – September		January – September	
	2022	2021	2022	2021
<b>EBITDA</b>	<b>73,213</b>	<b>70,894</b>	<b>309,391</b>	<b>180,369</b>
Amortisation and depreciation	-29,861	-27,712	-87,346	-82,182
Net interest result	-6,508	-7,605	-20,055	-23,445
Extraordinary income/expenses (other operating income/expenses)	-16	-8	-13	-8
Taxes on income	-13,458	-8,730	-52,787	-16,820
<b>Consolidated net income for the period</b>	<b>23,371</b>	<b>26,841</b>	<b>149,189</b>	<b>57,915</b>

06

In the third quarter of 2022, EBITDA increased by 3.3% (€2.3 mn) to €73.2 mn, mainly driven by higher sales due to the higher sales price level which offset the higher material and energy costs. Concerning the first nine months of 2022, EBITDA increased by 71.5% (€129.0 mn) to €309.4 mn, driven by higher sales offsetting the higher raw material and energy costs but also the higher freight expenses.

The net interest result of the third quarter of 2022 improved compared to the same period in the prior year, based on a lower amount of financial liabilities. Concerning the first nine months of 2022, net interest result improved by 14.5% (€3.4 mn) to €-20.1 mn due to the same reason.

In the third quarter as well as in the first nine months, taxes on income increased due to the significantly higher EBITDA.

## NET ASSET POSITION

The following statements describe the main changes in the balance sheet as at 30 September 2022 compared to 31 December 2021.

### Assets

(in € thousands)

	30/09/2022	31/12/2021
A. Fixed assets	1,181,601	1,220,272
B. Current assets	588,486	452,019
I. Inventories	186,715	162,642
II. Receivables and other assets	245,137	189,866
III. Securities	24,494	0
IV. Cash in hand, bank balances	132,140	99,512
C. Prepaid expenses and deferred charges	10,032	10,200
<b>Total assets</b>	<b>1,780,119</b>	<b>1,682,491</b>

### Equity and liabilities

(in € thousands)

	30/09/2022	31/12/2021
A. Shareholder's equity	593,893	530,910
B. Investment grants for fixed assets	32,927	34,829
C. Provisions	166,731	92,062
D. Liabilities	966,860	1,005,993
I. Bonds	600,000	600,000
II. Bank loans	248,210	274,914
III. Trade payables	101,406	111,113
IV. Liabilities from affiliated companies	0	68
V. Other liabilities	17,244	19,898
E. Deferred income	1,304	1,575
F. Deferred tax liabilities	18,402	17,123
<b>Total equity and liabilities</b>	<b>1,780,119</b>	<b>1,682,491</b>

**Inventories** amounted to €186.7 mn as at 30 September 2022, which is above the level as at 31 December 2021 (14.8% or €24.1 mn), mainly driven by an increase in price levels for raw materials and finished goods.

**Trade receivables** increased by €33.0 mn or 19.7% to €200.6 mn as at 30 September 2022, mainly due to increased sales and year-end effects as at 31 December 2021.

**Other assets** increased by €22.2 mn or 99.7% to €44.6 mn as at 30 September 2022, mainly in connection with higher sales tax prepayments.

**Securities** comprise the book value of the purchased own bonds outstanding with a nominal amount of €30 mn.

**Shareholder's equity** increased by €63.0 mn from €530.9 mn as at 31 December 2021 to €593.9 mn as at 30 September 2022 as a result of consolidated net income, partly offset by the dividend payments amounting to approximately €80 mn.

**Tax provisions** increased by €46.3 mn to €52.6 mn, mainly due to significantly higher EBITDA in the first nine months of 2022.

As at 30 September 2022, **bank loans** decreased by €26.7 mn to €248.2 mn. The decrease is due to scheduled repayments of the senior secured facilities.

The decrease in **trade payables** by €9.7 mn or 8.7% to €101.4 mn as at 30 September 2022 is related to year-end effects.

**Other liabilities decreased** by €2.7 mn or 13.3% to €17.2 mn as at 30 September 2022 is mainly related to lower personnel liabilities.



## FINANCIAL POSITION

### Summary of cash flows

(in € thousands)

	July – September		January – September	
	2022	2021	2022	2021
Cash flows from operating activities	111,491	32,651	264,909	80,142
Cash flows from investing activities	-43,590	-23,873	-103,534	-71,329
<b>Free cash flow</b>	<b>67,901</b>	<b>8,778</b>	<b>161,375</b>	<b>8,813</b>
Cash flows from financing activities	-18,506	-22,145	-126,447	2,080

**Cash flows from operating activities** increased by €78.8 mn to €111.5 mn in the third quarter of 2022 compared to the third quarter of 2021, mainly due to an increase in current provisions and positive working capital effects. For the first nine months of 2022, the increase of cash flows from operating activities was attributable to higher consolidated net income and working capital effects.

**Cash flows from investing activities** amounted to €-43.6 mn in the third quarter of 2022. They were mainly attributable to our corrugated board plant projects PW14 in Poland and PW15 in Germany. As usual, several smaller investments in different plants as part of our continuous maintenance capital expenditures were also included. Additionally, the purchase of own bonds in the open market is included in this figure.

**Free cash flow** calculated as cash flows from operating activities plus cash flows from investing activities, increased significantly in the third quarter of 2022 compared to the respective prior-year period as a result of the significantly higher cash flows from operating activities. The positive development of free cash flow in the first nine months of 2022 was attributable to the same facts.

**Cash outflows from financing activities** in the period ended 30 September 2022 were mainly related to a dividend payment to our shareholders (€80.1 mn in May), the scheduled repayments of senior secured facilities and interest payments.

**Cash funds** (cash in hand, bank balances) increased by €32.6 mn and amounted to €132.1 mn as at 30 September 2022, compared to €99.5 mn as at 31 December 2021.

# UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September / Q3 2022

## CONSOLIDATED BALANCE SHEET

### Assets

(in € thousands)

	30/09/2022*	31/12/2021
<b>A. Fixed assets</b>		
<b>I. Intangible assets</b>		
1. Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	8,593	10,623
2. Prepayments on intangible assets	18,115	14,353
	<b>26,707</b>	<b>24,976</b>
<b>II. Tangible assets</b>		
1. Land and buildings including buildings on leasehold land	392,064	407,710
2. Technical equipment and machinery	629,720	693,759
3. Other equipment, factory and office equipment	17,836	19,174
4. Prepayments and constructions in process	115,272	74,651
	<b>1,154,891</b>	<b>1,195,294</b>
<b>III. Financial assets</b>		
1. Equity investments	2	2
	<b>1,181,601</b>	<b>1,220,272</b>
<b>B. Current assets</b>		
<b>I. Inventories</b>		
1. Raw materials, consumables and supplies	110,266	96,804
2. Work in process	61,454	53,480
3. Finished goods	11,320	12,200
4. Prepayments	3,552	20
5. Pollutant emission rights	125	139
	<b>186,715</b>	<b>162,642</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables	200,581	167,537
2. Receivables from affiliated companies	0	12
3. Other assets	44,556	22,317
	<b>245,137</b>	<b>189,866</b>
<b>III. Securities</b>		
1. Other securities	24,494	0
	<b>24,494</b>	<b>0</b>
<b>IV. Cash in hand, bank balances</b>	132,140	99,512
	<b>588,486</b>	<b>452,019</b>
<b>C. Prepaid expenses and deferred charges</b>	10,032	10,200
<b>Total assets</b>	<b>1,780,119</b>	<b>1,682,491</b>

\* Unaudited consolidated interim financial information

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## Equity and liabilities

(in € thousands)

	30/09/2022*	31/12/2021
<b>A. Shareholder's equity</b>		
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	-12,072	-5,922
5. Consolidated net retained profits	521,555	452,421
	<b>593,893</b>	<b>530,910</b>
<b>B. Investment grants for fixed assets</b>	<b>32,927</b>	<b>34,829</b>
<b>C. Provisions</b>		
1. Provisions for pensions	580	583
2. Tax provisions	52,558	6,246
3. Other provisions	113,594	85,232
	<b>166,731</b>	<b>92,062</b>
<b>D. Liabilities</b>		
1. Bonds	600,000	600,000
2. Bank loans	248,210	274,914
3. Trade payables	101,406	111,113
4. Liabilities from affiliated companies	0	68
5. Other liabilities	17,244	19,898
	<b>966,860</b>	<b>1,005,993</b>
<b>E. Deferred income</b>	<b>1,304</b>	<b>1,575</b>
<b>F. Deferred tax liabilities</b>	<b>18,402</b>	<b>17,123</b>
<b>Total equity and liabilities</b>	<b>1,780,119</b>	<b>1,682,491</b>

\* Unaudited consolidated interim financial information

## Consolidated Income Statement

(in € thousands)

	July – September*		January – September*	
	2022	2021	2022	2021
1. Sales	431,272	355,860	1,355,475	963,448
2. Increase/decrease in finished goods and work in process	-12,399	12,991	7,094	16,002
3. Other own work capitalised	1,316	478	3,760	941
4. Other operating income	1,962	7,560	16,230	17,843
5. Costs of materials				
a) Costs of raw materials, consumables and supplies	-189,476	-178,505	-602,512	-474,298
b) Costs of purchased services	-66,094	-42,343	-195,686	-109,205
	<b>-255,570</b>	<b>-220,848</b>	<b>-798,198</b>	<b>-583,503</b>
6. Personnel expenses				
a) Wages and salaries	-24,414	-21,653	-75,386	-68,004
b) Social security and pensions	-4,320	-3,886	-13,219	-12,002
	<b>-28,734</b>	<b>-25,540</b>	<b>-88,605</b>	<b>-80,006</b>
7. Amortisation and depreciation of fixed intangible and tangible assets	-27,702	-27,712	-85,157	-82,182
8. Other operating expenses	-64,111	-59,135	-184,965	-152,997
9. Other interest and similar income	684	3	1,188	11
10. Depreciation on financial assets and of securities held as current assets	-2,159	0	-2,189	0
11. Interest and similar expenses	-7,192	-7,608	-21,243	-23,457
12. Taxes on income	-13,458	-8,730	-52,787	-16,820
<b>13. Earnings after taxes</b>	<b>23,911</b>	<b>27,319</b>	<b>150,604</b>	<b>59,282</b>
14. Other taxes	-539	-479	-1,415	-1,367
<b>15. Consolidated net income for the period</b>	<b>23,371</b>	<b>26,841</b>	<b>149,189</b>	<b>57,915</b>
16. Consolidated unappropriated retained earnings brought forward			372,366	357,653
<b>17. Consolidated net retained profits</b>			<b>521,555</b>	<b>415,568</b>

\* Unaudited consolidated interim financial information

2	Key Figures	18	Business	30	Net Asset Position	40	Disclaimer
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## Consolidated Cash Flow Statement

(in € thousands)

	July – September*		January – September*	
	2022	2021	2022	2021
<b>1. Cash flows from operating activities</b>				
Consolidated net income for the period	23,371	26,841	149,189	57,915
Amortisation and depreciation of fixed assets	27,701	27,712	85,157	82,182
Increase (+)/decrease (-) in provisions	42,346	16,084	39,703	34,133
Other non-cash expenses (+)/income (-)	-115	817	856	0
Increase (-)/decrease (+) in inventories, trade receivables and other assets**	9,758	-37,236	-63,368	-125,473
Increase (+)/decrease (-) in trade payables and other liabilities**	-1,760	-12,489	-2,943	14,629
Interest expenses (+) /income (-)	6,508	7,605	20,055	23,445
Expenditure (+) /income (-) of exceptional size or incidence	15	8	13	8
Income tax expenses (+) /income (-)	13,458	8,730	52,787	16,820
Income taxes paid (-)	-9,791	-5,421	-16,540	-23,517
<b>Cash flows from operating activities</b>	<b>111,491</b>	<b>32,651</b>	<b>264,909</b>	<b>80,142</b>
<b>2. Cash flows from investing activities</b>				
Payments (-) to acquire intangible fixed assets	-169	-1,990	-2,529	-8,277
Payments (-) to acquire tangible fixed assets	-27,033	-21,883	-72,645	-63,052
Payments (-) to acquire financial assets as part of financial short-term planning	-16,388	0	-28,360	0
<b>Cash flows from investing activities</b>	<b>-43,590</b>	<b>-23,873</b>	<b>-103,534</b>	<b>-71,329</b>
<b>3. Cash flows from financing activities</b>				
Proceeds (+) from the issuance of bonds and borrowings	0	0	0	55,000
Cash repayments (-) of bonds and borrowings	-7,578	-10,804	-22,734	-27,062
Interest paid (-)	-10,928	-11,341	-23,657	-25,858
Dividends paid to shareholders of the parent entity (-)	0	0	-80,056	0
<b>Cash flows from financing activities</b>	<b>-18,506</b>	<b>-22,145</b>	<b>-126,447</b>	<b>2,080</b>
<b>4. Cash funds at end of period</b>				
Net change in cash funds	49,395	-13,367	34,928	10,893
Effect on cash funds of exchange rate movements	-1,553	732	-2,300	1,335
Cash funds at beginning of period	84,298	155,328	99,512	130,465
<b>Cash funds at end of period</b>	<b>132,140</b>	<b>142,693</b>	<b>132,140</b>	<b>142,693</b>
<b>5. Composition of cash funds</b>				
Cash and cash equivalents	132,140	142,693	132,140	142,693
Cash funds at end of period	132,140	142,693	132,140	142,693

\* 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		
<b>01 January 2022</b>	<b>7,588</b>	<b>75,414</b>	<b>1,408</b>	<b>452,421</b>	<b>-5,922</b>	<b>530,910</b>
Consolidated net profit for the period	0	0	0	149,189	0	149,189
Distribution of profit	0	0	0	-80,056	0	-80,056
Other changes	0	0	0	0	-6,150	-6,150
<b>30 September 2022*</b>	<b>7,588</b>	<b>75,414</b>	<b>1,408</b>	<b>521,555</b>	<b>-12,072</b>	<b>593,893</b>

\* 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 2022 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 2022 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 2021.

Please refer to the notes to the audited consolidated financial statements for the year ended 31 December 2021 for a detailed description of our significant accounting policies.

### Scope of consolidation

In the period ended 30 September 2022, there were no changes in the scope of consolidation compared to the year ended 31 December 2021.

### Information on material risks

As at 30 September 2022, the Russia-Ukraine war was added to the list of risks. Besides this risk, there have been no significant changes with regard to the risks for Progroup AG compared with the year ended 31 December 2021 and described in the respective annual financial statement.

# LEGAL NOTICE AND INFORMATION

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Court:  
Amtsgericht Landau, HRB Nr. 2268

Board:  
Jürgen Heindl (CEO, Chairman)  
Dr. Volker Metz (CFO)  
Maximilian Heindl (Deputy CEO, CDO)

Issue date of this report:  
29/11/2022