

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report Qsr 1 / 2015

quarter / year

.....(prepared in accordance with Par. 82.2 and Par. 83.3 of the Regulation of the Minister of Finance dated February 19th 2009 - Dz.U. No. 33, item 259)

for issuers conducting manufacturing, construction, trade or services business

for the 1st quarter of the financial year 2015, covering the period from January 1st to March 31st 2015,

including condensed consolidated financial statements prepared in accordance with the IFRS

currency: PLN

and condensed non-consolidated financial statements prepared in accordance with the IFRS

currency: PLN

Date of filing: May 13th 2015

Pfleiderer Grajewo Spółka Akcyjna

(full name)

GRAJEWO

(abbreviated name)

19-203

(postal code)

Wiórowa

(street)

0-86 272 96 00

(telephone number)

grajewo@pfleiderer.pl

(e-mail)

719-10-00-479

(NIP – Tax Identification Number)

wood products

(sector according to the Warsaw Stock Exchange's classification)

Grajewo

(registered office)

1

(number)

0-86 272 39 83

(fax number)

www.pfleiderer.pl

(web site)

4500933817(REGON – Industry Registration Number)

FINANCIAL HIGHLIGHTS	PLN '000		EUR '000	
	1 quarter cumulative / 2015 Jan 1-Mar 31 2015	1 quarter cumulative / 2014 Jan 1-Mar 31 2014	1 quarter cumulative / 2015 Jan 1-Mar 31 2015	1 quarter cumulative / 2014 Jan 1-Mar 31 2014
	Condensed consolidated financial statements data			
I. Sales revenue	403 346	396 822	97 218	94 720
II. Operating profit/(loss)	36 892	30 076	8 892	7 179
III. Profit/(loss) before tax	35 545	25 724	8 567	6 140
IV. Net profit	29 149	20 320	7 026	4 850
V. Net profit attributable to equity holders of the parent	29 149	20 320	7 026	4 850
VI. Net cash provided by (used in) operating activities	37 876	31 506	9 129	7 520
VII. Net cash provided by (used in) investing activities	-2 656	-29 468	-640	-7 034
VIII. Net cash provided by (used in) financing activities	-30 927	1 863	-7 454	445
IX. Total net cash flow	4 293	3 901	1 035	931
X. Total assets	1 216 870	1 216 993	297 596	285 525
XI. Liabilities	420 592	460 623	102 859	108 069
XII. Non-current liabilities	169 037	176 518	41 339	41 414
XIII. Current liabilities	251 555	284 105	61 520	66 655
XIV. Equity	796 278	756 370	194 737	177 456
XV. Share capital	16 376	16 376	4 005	3 842
XVI. Weighted average number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XVII. Weighted average diluted number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XVIII. Earnings per ordinary share (PLN/EUR)	0,59	0,41	0,14	0,10
XIX. Diluted earnings per ordinary share (PLN/EUR)	0,59	0,41	0,14	0,10
XX. Book value per share (PLN/EUR)	16,05	15,24	3,92	3,58
XXI. Diluted book value per share (PLN/EUR)	16,05	15,24	3,92	3,58
XXII. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00
Condensed financial statements data				
XXIII. Sales revenue	163 203	171 281	39 336	40 884
XXIV. Operating profit/(loss)	8 506	7 120	2 050	1 700
XXV. Profit/(loss) before tax	8 071	3 821	1 945	912
XXVI. Net profit/(loss)	6 760	3 092	1 629	738
XXVII. Net cash provided by (used in) operating activities	17 307	12 462	4 171	2 975
XXVIII. Net cash provided by (used in) investing activities	6 513	-34 625	1 570	-8 265
XXIX. Net cash provided by (used in) financing activities	-16 398	26 653	-3 952	6 362
XXX. Total net cash flow	7 422	4 490	1 789	1 072
XXXI. Total assets	1 081 197	1 084 496	264 416	254 439
XXXII. Liabilities	379 316	399 705	92 765	93 777
XXXIII. Non-current liabilities	8 754	10 991	2 141	2 579
XXXIV. Current liabilities	370 562	388 714	90 624	91 198
XXXV. Equity	701 881	684 791	171 651	160 662
XXXVI. Share capital	16 376	16 376	4 005	3 842
XXXVII. Weighted average number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XXXVIII. Weighted average diluted number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XXIX. Earnings per ordinary share (PLN/EUR)	0,14	0,06	0,03	0,01
XL. Diluted earnings per ordinary share (PLN/EUR)	0,14	0,06	0,03	0,01
XLI. Book value per share (PLN/EUR)	14,14	13,80	3,46	3,24
XLII. Diluted book value per share (PLN/EUR)	14,14	13,80	3,46	3,24
XLIII. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00

data in lines : X-XV, XXXI-XXXVI are presented accordingly:
column.1 - for 31.03.2015
column.2 - for 31.12.2014
column.3 - for 31.03.2015
column.4 - for 31.12.2014

Consolidated Quarterly Report QSr 1 / 2015

Pursuant to Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (consolidated text: Dz.U. of 2014, item 133).

The Management Board of the Parent, Pfleiderer Grajewo S.A., publishes quarterly report for Q1 2015.

PRESIDENT'S INTRODUCTION TO THE Q1 2015 CONSOLIDATED QUARTERLY REPORT**Ladies and Gentlemen,**

In Q1 2015, when compared to Q1 2014, the Pfleiderer Grajewo Group reported an increase in revenue and a strong improvement in financial performance, supported by the robust furniture manufacturing market, which noted stable growth. In contrast, demand in the markets east of Poland weakened, mainly due to geopolitical instability and deteriorating economic conditions in the region, which also reflected in rising imports of competitive products, prompted by devaluation of local currencies.

In Q1 2015, our revenue amounted to PLN 403m and was slightly above the level posted in the same period last year, which was the bestselling quarter of 2014.. The available capacities at our key production lines were almost fully utilised, ensuring optimum distribution of fixed costs. The impact of synergies from intensified cooperation with Pfleiderer Group along with improvement initiatives impacted positively operating efficiency. These conditions together with fell of key raw materials prices enabled to increase return on sales up 1 pp.

The Group improved its performance at all levels of the income statement. EBIDTA reached almost PLN 52.6m, which constitutes an increase of 25% when compared to Q1 2014. The profits growth reflected the improved cost structure, supported by lower prices of key raw materials, and operational efficiency improvements delivered by our investment projects as well as marketing initiatives designed to promote growth of the wholesale network. Net profit attributable to majority shareholders came in at PLN 29.1m, a rise of over 43% when compared to analogical period of prior year, was due to improved operating profit and reduced debt servicing cost as the key growth factors.

The Group is pursuing a long-term investment programme to upgrade its plants, better align its production capacities with market needs, and generate cost efficiencies. Capital expenditure totalled PLN 6.1m in Q1 2015, with a major portion of the CapEx budget planned to be spent in the second and third quarter of the year. The Group's overall CapEx is to exceed PLN 100m in 2015. The Group has plans for capacity expansion on its existing lines, to be able to serve the growing market demand in the near term.

The sound liquidity situation is the result of the Group's strategic decision to dispose shares of Russian entities, which decreased indebtedness and enabled Pfleiderer Grajewo to refinance its bank loans on a preference conditions, visibly decreasing interest costs. Significantly lower indebtedness, lower bank margins as well as preferable interest rates reflected in decline of the net interest costs in the Q1 2015 from PLN 4.4m to PLN 1.3m.

Our strategy for 2015 is strongly geared towards building multi-level cooperation within the Pfleiderer Group, and it provides for partial unification of the organisational structures and harmonisation of internal processes, to improve the Group's competitiveness in the market place, promote trade and technology transfers, and unlock the potential for synergies from joint operations.

Yours faithfully,
Michael Wolff
President of the Management Board

I. GENERAL INFORMATION

1. General overview of Pfleiderer Grajewo S.A. (the Parent)

Pfleiderer Grajewo S.A., the Parent of the Pfleiderer Grajewo Group, is a listed joint-stock company registered in Poland.

The Parent, under its former name of Zakłady Płyt Wiórowych S.A. of Grajewo, was originally registered on July 1st 1994 by the District Court, Commercial Court of Łomża, in Section B of the Commercial Register under entry No. 270. Subsequently, on May 9th 2001, it was registered by the District Court of Białystok, 12th Commercial Division of the National Court Register, under entry No. KRS 0000011422.

The Parent's registered office is located at ul. Wiórowa 1, Grajewo, Poland.

On September 18th 2002, the Parent's Management Board received the decision of the District Court of Białystok on entering the Parent's new name in the National Court Register. Accordingly, on September 18th 2002, the Parent's name was changed from Zakłady Płyt Wiórowych S.A. to Pfleiderer Grajewo S.A.

In accordance with the Polish Classification of Business Activities, the Parent's business is registered under No. 1621Z.

2. Composition of the Parent's Management Board and the Supervisory Board and changes in the reporting period

As at the end of the reporting period, the composition of the Management Board of Pfleiderer Grajewo S.A. was as follows:

1. Michael Wolff	President of the Management Board
2. Rafał Karcz	Member of the Management Board
3. Gerd Schubert	Member of the Management Board
4. Wojciech Gątkiewicz	Member of the Management Board
5. Dariusz Tomaszewski	Member of the Management Board

On 16 February 2015 the Supervisory Board of Pfleiderer Grajewo S.A.:

- elected Mr. Michael Wolff to the Management Board of the Company and entrusted him a function of President of Management Board;
- elected Mr. Gerd Schubert to the Management Board of the Company and entrusted him a function of Chief Operating Officer;
- recalled Mr. Wojciech Gątkiewicz from a function of President of Management Board and entrusted him a function of Member of Management Board - Chief Transformation Officer.

Composition of the Supervisory Board as at March 31st 2015:

1. Paolo G. Antonietti	Chairman of the Supervisory Board
2. Michael F. Keppel	Deputy Chairman of the Supervisory Board
3. Jochen Schapka	Member of the Supervisory Board
4. Richard Mayer	Member of the Supervisory Board
5. Jan Woźniak	Member of the Supervisory Board

In accordance with a resolution of the Extraordinary General Meeting, dated 30 January 2015 Mr Michael Wolff was recalled from the position of Chairman of the Pfleiderer Grajewo Supervisory Board and Mr Gerd Schubert was recalled from the position of Member of the Pfleiderer Grajewo Supervisory Board.

On January 30th 2015 Mr Paolo G. Antonietti and Mr Michael F. Keppel were appointed to the Pfleiderer Grajewo Supervisory Board.

On February 16th 2015 the Supervisory Board appointed Mr Paolo G. Antonietti for a position of Chairman of Supervisory Board and Mr. Michael F. Keppel for a position of Vice Chairman of the Supervisory Board.

All duties and responsibilities of the audit committee were entrusted to the Parent's Supervisory Board.

3. Periods covered by the consolidated financial statements and comparative data

The condensed consolidated quarterly statement of financial position was prepared as of March 3rd 2015, while the comparative financial data and notes present the Company's standing as of December 31st 2014 and March 31st 2014.

The statement of comprehensive income was prepared for the period January 1st – March 31st 2015, and includes comparative data for the same period of 2014.

The following companies are fully consolidated: the Parent – Pfleiderer Grajewo S.A. (financial statements prepared in accordance with the IFRS), and the subsidiaries: Pfleiderer Prospan S.A., Silekol Sp. z o.o., Pfleiderer MDF Sp. z o.o., Jura Polska Sp. z o.o., Unifloor Sp. z o.o., and Grajewo OOO.

Financial information for the comparative period of Q1 2014 comprises data from the financial statements of Pfleiderer Grajewo S.A. (the Parent), prepared in accordance with the IFRS, and the financial statements of the subsidiaries: Pfleiderer Prospan S.A., Silekol Sp. z o.o., Pfleiderer MDF Sp. z o.o., Jura Polska Sp. z o.o., Unifloor Sp. z o.o., and Grajewo OOO.

II. CHANGES IN ACCOUNTING POLICIES

1. Description of accounting policies

(a) Statement of compliance

The Group's financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* endorsed by the European Union.

The Group has not used the option of early application of the new standards and interpretations which have already been published and endorsed by the European Union but are applicable for annual periods beginning on or after January 1st 2015.

These financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of these financial statements, no circumstances were identified which would indicate any threat to the Group's continuing as a going concern.

The Group's financial statements for Q1 2015 and comparative data have been prepared in accordance with the accounting policies applied to prepare the most recent full-year financial statements of the Group, and give a true, fair and clear view of the Group's assets and financial result.

(b) Basis of preparation

The following Group companies: Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF Sp. z o.o. and Silekol Sp. z o.o., maintain their accounting records in accordance with IFRSs. Subsidiary Grajewo OOO applies Russian accounting standards, and its accounts have been restated in accordance with IFRSs for the purposes of the consolidation. Subsidiaries Jura Polska Sp. z o.o. and Unifloor Sp. z o.o. keep their accounting records in accordance with the policies and practices generally applied by Polish companies. Their accounts have also been restated for the consolidation purposes.

These consolidated financial statements, prepared on the basis of the accounting records of Group entities, contain adjustments made to present the consolidated financial position, results and cash flows of the Group in accordance with the International Financial Reporting Standards, which include standards and interpretations approved by the International Accounting Standards Board and the Standing Interpretations Committee.

These consolidated financial statements of the Group and the separate financial statements of the Parent prepared as at March 31st 2015 have not been audited.

The Parent's separate financial statements as at March 31st 2015 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* endorsed by the European Union.

(c) Significant accounting policies

The Group's accounting policies have been applied consistently in all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

III. FINANCIAL HIGHLIGHTS

1. Group's consolidated financial results and changes in revenue

The following table presents a comparison of the statements of comprehensive income for Q1 2015 and Q1 2014.

	Q1 2015		Q1 2014	
	Jan 1 2015 – Mar 31 2015		Jan 1 2014 – Mar 31 2014	
	(PLN '000)	%	(PLN '000)	%
Items of the statement of comprehensive income	/A/	/B/	/C/	/D/
Revenue	403,346	100.0%	396,822	100.0%
Cost of sales	(326,025)	(80.8%)	(324,441)	(81.8%)
Gross profit	77,321	19.2%	72,381	18.2%
Other operating income	7,500	1.9%	3,121	0.8%
Distribution costs	(27,069)	(6.7%)	(29,536)	(7.4%)
Administrative expenses	(15,801)	(3.9%)	(14,042)	(3.5%)
Other operating expenses	(5,059)	(1.2%)	(1,848)	(0.5%)
Operating profit	36,892	9.1%	30,076	7.6%
Finance income	1,774	0.4%	285	0.1%
Finance costs	(3,121)	(0.8%)	(4,637)	(1.2%)
Net finance costs	(1,347)	(0.3%)	(4,352)	(1.1%)
Profit before tax	35,545	8.8%	25,724	6.5%
Income tax expense	(6,396)	(1.6%)	(5,404)	(1.4%)
Net profit	29,149	7.2%	20,320	5.1%
Net profit for the reporting period, attributable to:				
Owners of the parent	29,149	7.2%	20,320	5.1%
Non-controlling interests	0	0.0%	0	0.0%
EBITDA	52,564	13.0%	42,086	10.6%

Commentary to the statement of comprehensive income

Market situation in the first quarter of 2015 was shaped predominantly by the demand in the domestic and export markets in Western Europe. Demand for Eastern markets decreased, mainly as a consequence of the unstable geopolitical situation and the weakening local-East-markets currencies.

Revenues from sales remained at a similar level when compared to the same period of last year. This was caused by changes in a product mix – namely increase in sales volumes of raw chipboard and a decrease in laminated board sales volumes. It was also attributable to changes in the pricing policy in relation to selected products. At the same time margin on sales increased by nearly 1 percentage point compared to first quarter of 2014 and reached PLN 77,321 thousand. The gross margin ratio amounted to 19%.

Group's profits improved at all levels of the statement of comprehensive income. EBITDA profit amounted to PLN 52,564 thousand and increased by 25% when compared to Q1 2014. The increase in profit is a result of the preferable cost structure due to a fall in prices of major raw materials and operational efficiency improvement. The upswing is also a result of an increased funds expenditure on the strategic marketing to support wholesale network. Net profit for majority shareholders reached the level of PLN 29,149 thousand, which is more than 43% increase in the result comparing to the previous period. It is the result of both improving the operating result, as well as a substantial reduction in debt servicing costs. The reduction in net financial costs in the reporting period was due to debt reduction and final settlement of the sale of shares of Russian entities.

2. Net cash position

As at March 31st 2015, the Group's net debt under bank borrowings (debt less cash) was PLN 57,469 thousand, having dropped by PLN 32,370 thousand in Q1 2015.

3. Equity

As at the end of Q1 2015, the Group's equity was PLN 796,278 thousand, having increased by PLN 39,908 thousand over the period, predominantly due to the net profit earned.

4. Shares and fixed assets disposal

In Q1 2015, the Pfleiderer Grajewo Group reported a gain of PLN 89 thousand on sale of property, plant and equipment.

After the reporting period Grajewo OOO was disposed by Parent entity (shares value in a separate Parent financial statement PLN 9 thousand, net assets value in consolidated financial statements PLN 173 thousand). Proceeds from disposal amounted to EUR 1.

5. Factors and events which may affect the Group's future results

The Group will focus on development and promotion of new products and market segments, adaptation of the product mix to market expectations, cost reduction and improvement of product quality, through further initiatives under its long-term investment programme and implementation of a standardised visual concept for Pfleiderer Partner sale outlets.

IV. GROUP SALES

1. Domestic and export sales

Sales improved by 1.6% year on year in Q1 2015. Below is presented a geographical breakdown of the Group's sales (*PLN '000*):

COUNTRY	Jan 1 2015 – Mar 31 2015	Jan 1 2014 – Mar 31 2014
Poland	267,378	266,682
Germany	61,259	45,696
Lithuania	13,988	16,221
Sweden	10,614	11,998
Russia	9,371	17,858
Czech Republic	6,881	7,194
Romania	3,941	2,630
Latvia	3,939	3,819
Slovakia	3,645	3,229
Netherlands	2,941	3,047
Hungary	2,892	1,489
Ukraine	2,536	2,274
Denmark	1,822	1,981
Belarus	1,387	3,449
Finland	1,361	1,480
Switzerland	1,309	0
Italy	1,300	777
Estonia	1,144	412
San Marino	1,105	941
Kazakhstan	933	1,577
Other countries < PLN 1m	3,600	4,068
Total	403,346	396,822

1.1. Sales by distribution channels

The long-term sales strategy of the Pfleiderer Grajewo Group is based on three key distribution channels:

- direct sales to industrial customers,
- Sales to the Pfleiderer Partner dealership network (PP network)
- foreign sales

Sales structure in Q1 2015 and Q1 2014 (PLN '000)

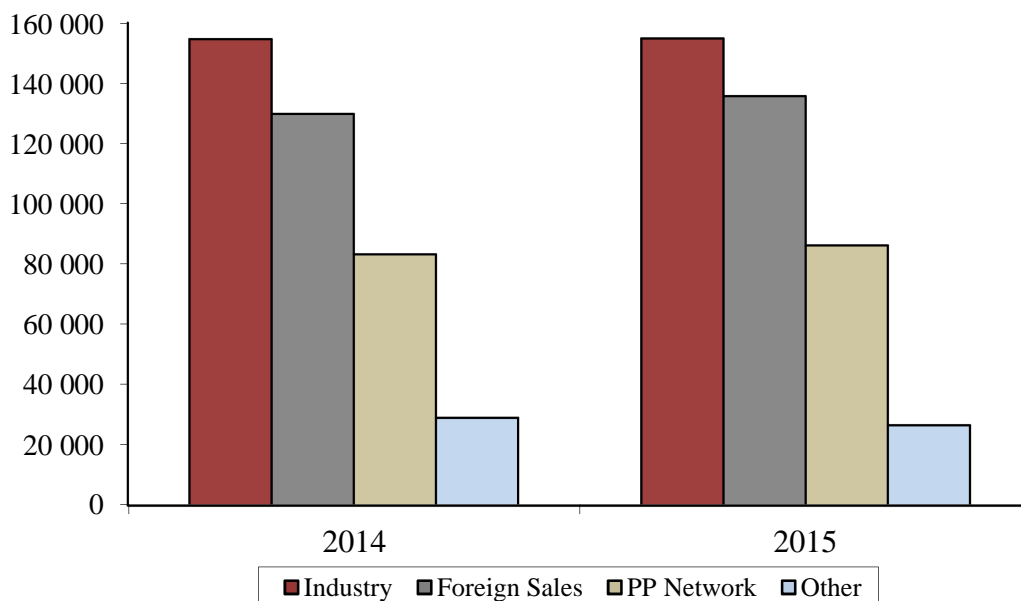


Figure: Sales structure in Q1 2015 and Q1 2014 (PLN '000)

In the Polish market, direct sales to large and medium-sized furniture manufacturers, foreign sales and the Pfleiderer Partner network continued to represent the most important distribution channels.

In the first quarter of 2015 compared with the same period of the previous year, there was an increase in the value of sales to the Pfleiderer Partner network by 3.5%. The value of sales to large furniture manufacturers remained at last year's level.

Foreign sales increased in the same period by 4.5% - rise attributable to sales of Silekol Sp. z o.o., the subsidiary producing raisin. After excluding raisin revenues, abroad sale of boards decreased in comparison to Q1 2014, mainly due to situation on Eastern markets.

The shares of individual distribution channels in first quarter 2015 were as follows:

Shares of distribution channels in Q1 2015 sales:

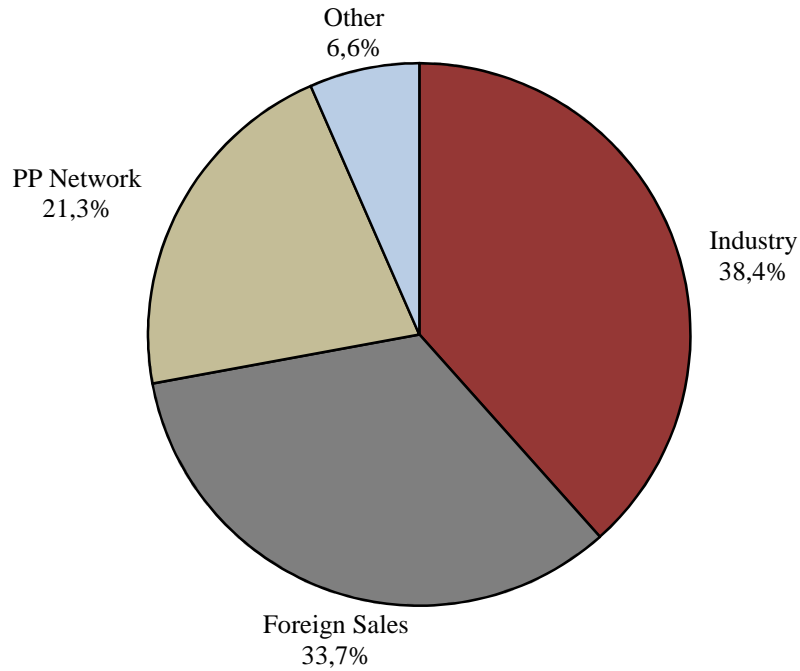


Figure: Sales by distribution channels in Q1 2015 (%).

The sales structure and shares of individual distribution channels in the first quarter of 2015 compared with the same period previous year changed as follows:

The share of foreign sales increased from 32.8% to 33.7%. The share of sales to Pfleiderer Partner network grew up from 21.0% to 21.3%. The share of direct sales to large and medium-sized furniture manufacturers fell down from 39.0% to 38.4% and the share of sales through other distribution channels decreased from 7.3 to 6.6%.

2. Seasonality of operations

Chipboard sales are subject to seasonal changes driven by cycles in the furniture and construction markets. Typically, sales fall in the second quarter and peak in the second half of the calendar year.

V. Q1 2015 RESULTS
1. Composition of the Pfleiderer Grajewo Group
a) Structure of the Pfleiderer Grajewo Group

In the period from January 1st to March 31st 2015, Pfleiderer Grajewo S.A. was the parent with respect to the following entities:

Consolidated subsidiaries:		Mar 31 2015	Dec 31 2014	
1.	Pfleiderer Prospan S.A.	Wieruszów	100%	100%
2.	Silekol Sp. z o.o.	Kędzierzyn Koźle	100%	100%
3.	Pfleiderer MDF Sp. z.o.o.	Grajewo	100%	100%
4.	Jura Polska Sp. z o.o.	Grajewo	100%	100%
5.	Unifloor Sp. z o.o. (in liquidation)	Wieruszów	100%	100%
6.	Grajewo OOO*	Novgorod, Russia	100%	100%

* Entity disposed as of 30 April 2015

Equity-accounted jointly-controlled entities:

7.	Blitz 11-446 GmbH	Neumarkt	50%	50%
----	-------------------	----------	-----	-----

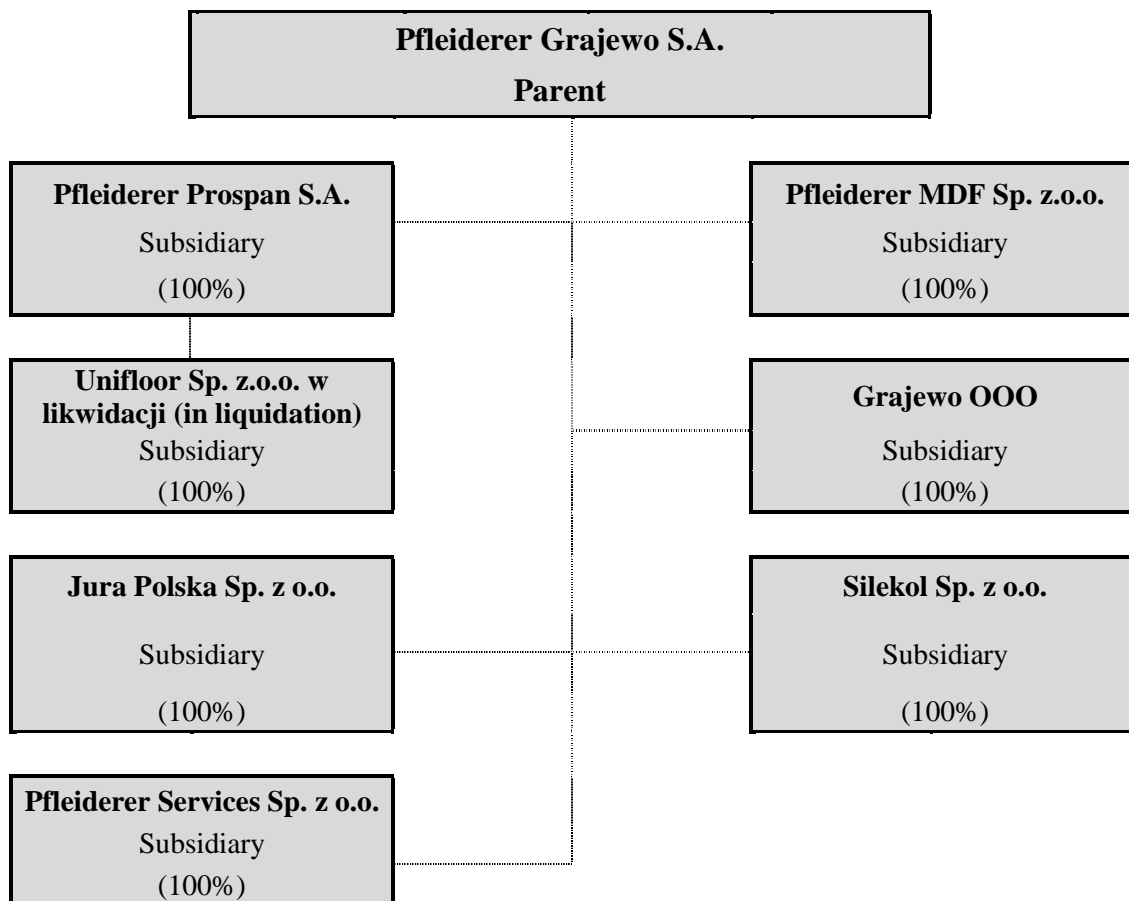
Entities which are not consolidated and are not equity-accounted:

8.	Pfleiderer Services Sp. z o.o.	Grajewo	100%	100%
----	--------------------------------	---------	------	------

Re. 5 indirectly through Pfleiderer Prospan S.A.

Re. 6 purchase of shares on April 16th 2013.

As at March 31st 2015, the structure of the Group was as follows:



These interim consolidated financial statements of the Pfleiderer Grajewo Group comprise the financial data of Pfleiderer Grajewo S.A., the Parent, and its subsidiaries.

b) Changes in the Group's structure in the reporting period

There were no changes in the Group's structure in the reporting period.

However on 30 April 2015 Grajewo OOO was disposed by the Parent. Proceeds from disposal amounted to 1 EUR, whereas net assets sold were in the amount of PLN 173 thousand.

c) Pfleiderer Grajewo Group companies and their principal business activities

The Pfleiderer Grajewo Group, with many years of experience on the market of wood-based products used in construction, furniture manufacture and interior design, is an arm of the international Pfleiderer Group and its Business Centre for Eastern Europe. The Group enjoys a strong position on the markets of Central and Eastern Europe and grows dynamically by entering new markets, reaching new segments and enhancing its product mix.

The mission of the Pfleiderer Grajewo Group is to establish long-term relations with both direct customers and product end users. The Group seeks to win and maintain complete customer confidence and develop a fully professional approach at all levels of its relationship with customers. The Group operates manufacturing plants with various production profiles.

Principal business activity of Pfleiderer Grajewo S.A., the Parent:

- manufacture and veneering of wood and wood-based products,
- paper finishing,
- trade at home and abroad.

Pfleiderer Prospan S.A. – a joint-stock company entered in the commercial register maintained by the District Court of Kalisz under No. RHB1754 on September 23rd 1997 as Zakłady Płyt Wiórowych Prospan S.A. On September 17th 2001, the company was registered with the District Court of Łódź-Śródmieście in Łódź, 20th Division of the National Court Register under entry No. KRS: 0000042082.

Industry Identification Number (REGON): 250744416
Tax Identification Number: 619-17-42-967
Registered address: ul. Bolesławiecka 10, 98-400 Wieruszów, Poland

Principal business activity:

- manufacture of melamine-faced and raw chipboards and other wood and wood-based products,
- paper finishing,
- trade at home and abroad,
- generation and distribution of heat.

Silekol Sp. z o.o. – a company entered in the National Court Register by the District Court of Opole, 8th Commercial Division of the National Court Register of Opole, under entry No. KRS 0000225788 on January 6th 2005.

Industry Identification Number (REGON): 160003017
Tax Identification Number: 749-19-69-061
Registered address: ul. Mostowa nr 30 K, 47-220 Kędzierzyn-Koźle, Poland

The company is a source of steady supplies of adhesives used in chipboard manufacture to the Parent and its subsidiaries.

Principal business activity:

- manufacture of dyes and pigments,
- manufacture of other organic and inorganic chemicals,
- manufacture of paints and varnishes,
- manufacture of glues and gelatines.

Pfleiderer MDF Sp. z o.o. – entered in the National Court Register by the District Court of Białystok, 12th Commercial Division of the National Court Register in Białystok, under entry No. KRS 174810, on October 9th 2003.

Industry Identification Number (REGON): 330994545
Tax Identification Number: 719-13-99-317
Registered address: ul. Wiórowa nr 1, 19-203 Grajewo, Poland

Principal business activity:

- sale and intermediation in the sale of raw and melamine-faced chipboards, films and foils,
- veneering of chipboards,
- manufacture of melamine-faced and raw chipboards and other wood-based materials.

Jura Polska Sp. z o.o. – entered in the National Court Register by the District Court of Katowice, Commercial Division of the National Court Register, under No. KRS 149282, on November 24th 1999.

Industry Identification Number (REGON): 276746151
Tax Identification Number (NIP): 629-215-85-14
Registered address: ul. Wiórowa 1, 19-203 Grajewo, Poland

Principal business activity:

- transport,
- road transport of goods with specialised vehicles,
- road transport of goods with universal vehicles,
- lease of trucks,

Unifloor Sp. z o.o. (in liquidation) – entered in the National Court Register by the District Court of Białystok, Commercial Division of the National Court Register, under No. KRS 0000237233, on June 29th 2005.

Industry Identification Number (REGON): 200021250
Tax Identification Number (NIP): 719-149-38-49
Registered address: ul. Bolesławiecka 10, 98-400 Wieruszów, Poland

Unifloor Sp. z o.o. is currently in liquidation.

Pfleiderer Services Sp. z o.o. – a company entered in the National Court Register by the District Court of Białystok, XII Commercial Division of the National Court Register in Białystok, under No. KRS 0000247423, on December 20th 2005.

Industry Identification Number (REGON): 200052769
Tax Identification Number (NIP): 719-15-03-973
Registered address: ul. Wiórowa 1, 19-203 Grajewo, Poland

The company has suspended its operations.

Grajewo OOO – a limited liability company incorporated under the laws of the Russian Federation, registered on August 12th 2009 by Interregional Inspection No. 9 for the Novgorod Region at the Ministry of Customs and Taxes of the Russian Federation.

Uniform Registration Number: 1095321004130
Tax Identification Number (NIP): 5321135070
Registered address: 21/43 Studenitzeskaya Street, Veliky Novgorod,
Russia

The company trades in Russia.

Blitz 11-446 GmbH – entered in the Commercial Register by the Court in Nuremberg, under No. HRB 28 166.

HRB Registry Number: 28 166
Tax Identification Number (NIP): 201/116/21366
Registered address: Ingolstädter Strasse 51, Neumarkt, Germany

Principal business activity:

- exports, in particular to Russia and Eastern Europe,
- provision of investment-related services.

2. Consolidated financial results
Consolidated statement of financial position as at March 31st 2015 (PLN '000)

	Note	Total Mar 31 2015	Total Dec 31 2014	Total Mar 31 2014
Assets				
Property, plant and equipment		667,117	679,019	620,700
Intangible assets		2,444	2,665	1,656
Goodwill		107,829	107,829	107,829
Investments in jointly controlled entities		52	52	52
Other non-current financial assets		3,075	5,075	3,845
Investment property		3,860	3,860	3,995
Deferred tax asset		18,945	17,390	15,429
Prepayments for property, plant and equipment		7,318	4,787	11,156
Government grants receivable		66,759	69,336	12,573
Derivatives		4,144	626	0
Non-current assets		881,543	890,639	777,235
Inventories		158,516	181,016	146,048
Trade and other receivables	1	142,383	122,908	135,327
Income tax receivable		1,554	984	20,846
Cash and cash equivalents		22,805	18,512	20,351
Other current financial assets		2,079	2,347	1,035
Derivatives		7,990	587	609
Current assets		335,327	326,354	324,216
Total assets		1,216,870	1,216,993	1,101,451
Equity and liabilities				
Equity				
Share capital		16,376	16,376	16,376
Share premium		289,806	289,806	289,806
Statutory reserve funds		293,812	293,812	207,809
Revaluation reserve		619	619	619
Effective portion of gains on fair-value measurement of hedging instruments		11,917	1,213	456
Exchange differences on translating foreign operations		(403)	(458)	(158)
Retained earnings		184,151	155,002	158,069
Equity (attributable to owners of the parent)		796,278	756,370	672,977
Non-controlling interests		0	0	0
Total equity		796,278	756,370	672,977
Liabilities				
Borrowings and other debt instruments		58,271	63,696	81,376
Employee benefit obligations		10,986	10,986	8,020
Provisions		815	815	786
Deferred tax liabilities		12,326	13,674	11,004
Deferred income from government grants		86,639	87,347	29,133
Non-current liabilities		169,037	176,518	130,319
Borrowings and other debt instruments		22,003	44,655	109,482
Income tax payable		1,601	5,320	1,113
Trade and other payables	2	199,743	206,289	166,399
Employee benefit obligations		23,714	23,349	19,812
Deferred income from government grants		4,494	4,492	1,349
Current liabilities		251,555	284,105	298,155
Total liabilities		420,592	460,623	428,474
Total equity and liabilities		1,216,870	1,216,993	1,101,451

Off-balance-sheet items

For information on issued guarantees and off-balance-sheet liabilities, see Section VII.8 and VII.9 of the Notes to these financial statements.

Commentary to changes in key items of the statement of financial position.

Change in property, plant and equipment is primarily a result of investments made in Q1 2015, offset by depreciation charges.

Change in other non-current financial assets as at the end of the first quarter results from proceeds from the repayment of a loan granted to 3Spare by Pfleiderer Prospan S.A., the subsidiary.

The amount of government grants receivable changed following the revaluation of their total estimated value, calculated based on amounts budgeted for the future years.

As at the end of first quarter 2015, inventories balance amounted to PLN 158,516 thousand and decreased, as expected, from the level reported at the end of the previous year as a result of sale of finished goods from the stock, which were accumulated in winter period (due to seasonality of the Group's operations).

As at March 31st 2015, the balance of trade and other receivables was higher than as at the end of 2014. The change was mainly driven by an increase in trade receivables, due to higher turnover and revenue, attributable to seasonality of the Group's operations.. The increase was partially compensated by decline in the position of other receivables due to release of funds blocked in escrow accounts as a result of the final settlement of Russian entities shares disposal.

Derivatives balance in short and long term part relates to valuation of forex forward contracts, which hedge the future cash flows from trade contract with Forte of EUR 71 m value.

The Group's equity balance as at March 31st 2015 amounted to PLN 796,278 thousand, having increased when compared to December 31st 2014 mainly as a result of the PLN 29,149 thousand net profit earned in the year 2014.

Liabilities balance as of 31 March 2015 amounted to PLN 420,592 thousand and decreased when compared to the end of 2014 by PLN 40,031 thousand predominantly due to the decrease in the balance of bank loans by PLN 28,077 thousand and trade liabilities decrease of PLN 6,546 thousand. This decline is the result of effective liquidity management in the Group and intended use of cash surplus to repay revolving bank loans in order to optimize financial costs.

Consolidated statement of comprehensive income for the period January 1st – March 31st 2015 (PLN '000)

	Total	Total
	Jan 1 2015– Mar 31 2015	Jan 1 2014 – Mar 31 2014
	Note	
Revenue	403,346	396,822
Cost of sales	(326,025)	(324,441)
Gross profit	77,321	72,381
Other operating income	7,500	3,121
Distribution costs	(27,069)	(29,536)
Administrative expenses	(15,801)	(14,042)
Other operating expenses	(5,059)	(1,848)
Operating profit	36,892	30,076
Finance income	1,774	285
Finance costs	(3,121)	(4,637)
Net finance costs	3 (1,347)	(4,352)
Profit before tax	35,545	25,724
Income tax expense	(6,396)	(5,404)
Net profit	29,149	20,320
Net profit for the reporting period, attributable to:		
Owners of the Parent	29,149	20,320
Non-controlling interests	0	0
Net profit for the reporting period	29,149	20,320
EBITDA	52,564	42,086
Other items of comprehensive income		
Exchange differences on translating foreign operations	55	(74)
Effective portion of gains on fair-value measurement of hedging instruments	10,704	456
Other items of comprehensive income	10,759	382
Comprehensive income for the period attributable to:		
Owners of the Parent	39,908	20,702
Non-controlling interests	0	0
Comprehensive income for the period	39,908	20,702
Basic earnings per share (PLN)	0.59	0.41
Diluted earnings per share (PLN)	0.59	0.41

Consolidated statement of changes in equity for the period January 1st – March 31st 2015 (PLN '000)

	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Cash flow hedges	Retained earnings	Total
As at Jan 1 2015	16,376	289,806	293,812	619	(458)	1,213	155,002	756,370
Comprehensive income for the period								
Net profit	0	0	0	0	0	0	29,149	29,149
Other comprehensive income								
Exchange differences on translating foreign operations	0	0	0	0	55	0	0	55
Effective portion of gains on fair-value measurement of hedging instruments	0	0	0	0	0	10,704	0	10,704
Total other comprehensive income	0	0	0	0	55	10,704	0	10,759
Total comprehensive income for the period	0	0	0	0	55	10,704	29,149	39,908
Transactions with owners recognised in equity								
As at Mar 31 2015	0	0	0	0	0	0	0	0
As at Mar 31 2015	16,376	289,806	293,812	619	(403)	11,917	184,151	796,278

Consolidated statement of changes in equity for the period January 1st – December 31st 2014 (PLN '000)

	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Cash flow hedges	Retained earnings	Total
As at Jan 1 2014	16,376	289,806	207,809	619	(84)	0	137,749	652,275
Comprehensive income for the period								
Net profit	0	0	0	0	0	0	103,256	103,256
Other comprehensive income								
Exchange differences on translating foreign operations	0	0	0	0	(374)	0	0	(374)
Effective portion of gains on fair-value measurement of hedging instruments	0	0	0	0	0	1,213	0	1,213
Total other comprehensive income	0	0	0	0	(374)	1,213	0	839
Total comprehensive income for the period	0	0	0	0	(374)	1,213	103,256	104,095
Transactions with owners recognised in equity								
Transfer of part of 2013 net profit to statutory reserve funds	0	0	86,003	0	0	0	(86,003)	0
Transactions with owners recognised in equity	0	0	86,003	0	0	0	(86,003)	0
As at Dec 31 2014	16,376	289,806	293,812	619	(458)	1,213	155,002	756,370

Consolidated statement of changes in equity for the period January 1st – March 31st 2014 (PLN '000)

	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Cash flow hedges	Retained earnings	Total
As at Jan 1 2014	16,376	289,806	207,809	619	(84)	0	137,749	652,275
Comprehensive income for the period								
Net profit	0	0	0	0	0	0	20,320	20,320
Other comprehensive income								
Exchange differences on translating foreign operations	0	0	0	0	(74)	0	0	(74)
Effective portion of gains on fair-value measurement of hedging instruments	0	0	0	0	0	456	0	456
Total other comprehensive income	0	0	0	0	(74)	456	0	382
Total comprehensive income for the period	0	0	0	0	(74)	456	20,320	20,702
Transactions with owners recognised in equity								
	0	0	0	0	0	0	0	0
As at Mar 31 2014	16,376	289,806	207,809	619	(158)	456	158,069	672,977

Consolidated statement of cash flows for the period January 1st – March 31st 2015 (PLN '000)

	Jan 1 2015 – Mar 31 2015	Jan 1 2014 – Mar 31 2014
Cash flows from operating activities		
Net profit	29,149	20,320
Adjustments	16,270	13,075
Depreciation and amortisation	15,672	12,010
Foreign exchange gains	(2,067)	(231)
Interest for the period	2,994	4,192
Profit on investing activities	(89)	(158)
Income tax disclosed in profit or loss of the period	6,396	5,404
Net result from discontinued operations	(1,253)	0
Increase in trade and other receivables	(38,701)	(12,829)
Decrease in inventories	22,500	31,644
Change in trade and other payables	9,516	(24,704)
Change in employee benefit obligations	365	(2,222)
Amortisation of government grants	(705)	(207)
Change in exchange differences on translating foreign operations	43	(70)
Other adjustments	0	78
Result on forward contracts	1,599	168
Cash flows from operating activities	45,419	33,395
Interest received	20	59
Income tax paid	(7,563)	(1,948)
Net cash from operating activities	37,876	31,506
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	133	184
Acquisition of intangible assets and property, plant and equipment	(19,796)	(27,256)
Proceeds from disposal of discontinued operations	14,660	2,158
Loans advanced to other entities	0	(4,770)
Proceeds from repayment of loans advanced to other entities	2,000	0
Interest received	347	216
Net cash from investing activities	(2,656)	(29,468)
Cash flows from financing activities		
Repayment of borrowings and other debt instruments	(28,077)	(1,000)
Proceeds from borrowings and other debt instruments	0	37,327
Acquisition of non-controlling interests	0	(30,311)
Interest paid	(2,850)	(4,153)
Net cash from financing activities	(30,927)	1,863
Increase in cash	4,293	3,901
Cash at beginning of the period	18,512	16,450
Cash at end of the period	22,805	20,351

VI. CAPITAL EXPENDITURE

In Q1 2015, the Pfleiderer Grajewo Group's additions in capital expenditure amounted to PLN 6,122 thousand.

VII. SUPPLEMENTARY INFORMATION

2. Material agreements

In the three months ended March 31st 2015, Pfleiderer Grajewo S.A., the Parent, and its subsidiaries did not enter into any material agreements.

3. Inventories written down to net realisable value and reversal of inventory write-downs

In the statement of financial position, inventories are recognised net of write-downs. In Q1 2015, inventory write-downs were lower by PLN 995 thousand. Inventory write-downs are recognised under other expenses, and their reversals – under other income.

4. Impairment losses and reversal of impairment losses on financial assets, property, plant and equipment, intangible assets and other assets

In Q1 2015, the Group did not recognise any impairment losses on property, plant and equipment. Impairment losses on receivables were reduced by PLN 269 thousand.

5. Provisions

As at the end of Q1 2015, the Group carried a provision for employee benefits of PLN 11,549 thousand, revised as at December 31st 2014. This is the only provision carried by the Group in accordance with IAS/IFRS.

6. Deferred tax assets and liabilities

Deferred tax assets rose by PLN 1,555 thousand in Q1 2015 relative to the end of 2014. Deferred tax liabilities decreased by PLN 1,348 thousand relative to December 31st 2014.

7. Material purchase and sale transactions in fixed assets

In Q1 2015, the Group brought to use property, plant and equipment totalling to PLN 14,714 thousand, including:

Line for recycled wood	PLN 11,210 thousand
Modernization of an impregnating machine	PLN 1,201 thousand
Other received assets with a value below PLN 500 thousand	PLN 2,303 thousand

In Q1 2015, the Group did not recognise any material decreases resulting from sale of fixed assets.

8. Contingent liabilities under purchase of fixed assets

As at March 31st 2015, the Group had contractual commitments mainly to acquire property, plant and equipment as well as intangible assets. The commitments related to 22 open investment projects and were incurred under agreements concluded by the Group as part of its investment activities.

	<u>Mar 31 2015</u>	<u>Dec 31 2014</u>
Commitments to acquire fixed assets	25,534	17,291
- <i>property, plant and equipment</i>	25,157	17,062
- <i>intangible assets</i>	377	229

9. Guarantees and sureties

As at March 31st 2015, the Pfleiderer Group subsidiaries carried sureties issued in respect of other Group entities. There were no sureties or guarantees for liabilities of any entities from outside the Pfleiderer Grajewo Group.

The existing sureties had been issued by Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A. and Silekol Sp. z o.o. and secured liabilities of other Group entities under bank borrowings.

- a) Pfleiderer Grajewo S.A., the Parent, issued six sureties for a total amount of up to PLN 65,557 thousand. As at March 31st 2015, the amount of underlying debt secured with the sureties was PLN 4,559 thousand.
- b) The subsidiary Pfleiderer Prospan S.A. issued seven sureties for a total amount of up to PLN 268,000 thousand, with the largest being:
 - two sureties for a total amount of up to PLN 115,000 thousand, securing the repayment of credit facilities extended to Pfleiderer Grajewo S.A. by Bank Millennium S.A. under an agreement of June 26th 2013,
 - two sureties for a total amount of up to PLN 115,000 thousand, securing the repayment of credit facilities extended to Pfleiderer Grajewo S.A. by Alior Bank under an agreement of June 26th 2013.

As at March 31st 2015, the amount of underlying debt secured with the sureties was PLN 99 thousand.

- c) The subsidiary Silekol Sp. z o.o. issued seven sureties for a total amount of up to PLN 268,000 thousand, with the largest being:
 - two sureties for a total amount of up to PLN 115,000 thousand, securing the repayment of credit facilities extended to Pfleiderer Grajewo S.A. by Bank Millennium S.A. under an agreement of June 26th 2013,
 - two sureties for a total amount of up to PLN 115,000 thousand, securing the repayment of credit facilities extended to Pfleiderer Grajewo S.A. by Alior Bank under an agreement of June 26th 2013.

As at March 31st 2015, the amount of underlying debt secured with the sureties was PLN 99 thousand.

Other Group subsidiaries did not issue any sureties or guarantees.

10. Changes in contingent assets and liabilities

The Group uses some of its production assets under operating leases. The average lease term is three years, and the lease agreements expire in years 2015–2018. Monthly lease payments are charged to the reporting period's profit or loss using the straight-line method.

The Group also leases cars under operating lease agreements. The term of all these agreements is 36 months and the agreements will expire in 2015–2017.

The costs incurred by the Group under the operating leases in Q1 2015 were PLN 1,715 thousand (Q1 2014: PLN 2,169 thousand).

Lease payments outstanding as at the end of the reporting period are presented in the table below.

	Mar 31 2015	Dec 31 2014
Up to one year	5,697	7,095
From 1 to 5 years	1,399	1,499
Total	7,096	8,594

For information on contingent liabilities under surety agreements, see Section 8.

11. Issue, redemption and repayment of equity and non-equity securities

In Q1 2015, Pfleiderer Grajewo S.A. carried out 13 issues of commercial paper in the form of short-term notes with a view to optimising the Group's financial liquidity management. The notes were issued under the Note Issue Programme Agreement executed on July 22nd 2003 with Bank PEKAO S.A., in accordance with the Polish Bonds Act of June 29th 1995, as PLN-denominated, unsecured, zero-coupon bearer securities in book-entry form. The notes are redeemed at par value.

The notes were acquired by subsidiary Pfleiderer Prospan S.A.

12. Defaults under bank borrowings and other debt instruments with respect to which no remedial action was taken by the end of the reporting period

As at March 31st 2015, no such events occurred.

13. Dividend

In Q1 2015, no decisions concerning dividend payment were made.

The Supervisory Board recommended to the General Meeting of Shareholders to transfer net profit for the year 2014 in the total amount of PLN 60,549 thousand to statutory reserve funds, in accordance with a motion of Management Board of the Parent entity.

14. Forecast of financial results

Given the fast-changing market environment, Pfleiderer Grajewo S.A., the Parent, did not publish any financial results forecasts for 2015.

15. Material events subsequent to March 31st 2015

After March 31st 2015, Pfleiderer Grajewo S.A. carried out 4 issues of commercial paper in the form of short-term notes with a view to optimising the Group's liquidity management. The notes were issued under the Note Issue Programme Agreement executed on July 22nd 2003 with Bank PEKAO S.A., in accordance with the Polish Bonds Act of June 29th 1995, as PLN-denominated, unsecured, zero-coupon bearer securities in book-entry form. The notes are redeemed at par value. The notes were acquired by subsidiary Pfleiderer Prospan S.A.

16. Changes in the Group structure

On 30 April 2015 Grajewo OOO, subsidiary with seat in Novgorod, was disposed. Proceeds from disposal amounted to 1 EUR, whereas value of net assets disposed amounted to PLN 173 thousand.

All IC transactions are conducted on arm's length principle.

17. Increase/(decrease) in the number of shares or options held by the management and supervisory personnel

As at the date of this report, the Management Board members held the following equity interests in Pfleiderer Grajewo S.A.:

Member of the Management Board Wojciech Gątkiewicz	5,400 Company shares
Member of the Management Board Rafał Karcz	3,472 Company shares
Member of the Management Board Dariusz Tomaszewski	4,108 Company shares

As at this report date, members of the Pfleiderer Grajewo Supervisory Board did not hold any shares in the Parent.

18. Pfleiderer Grajewo Group shareholding structure as at the report release date

Shareholding structure as at May 13th 2015	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM
Pfleiderer Service GmbH	32,308,176	65.11%	32,308,176	65.11%
Aviva OFE Aviva BZ WBK	4,928,816	9.93%	4,928,816	9.93%
ING OFE	2,639,144	5.32%	2,639,144	5.32%
Other shareholders	9,747,864	19.64%	9,747,864	19.64%
TOTAL	49,624,000	100.00%	49,624,000	100.00%

The information on the number of Company shares held by Aviva OFE (formerly Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK) is sourced from the most recent notification of shareholding change, received by the Company on July 9th 2007.

The information on the number of Pfleiderer Grajewo S.A. shares held by ING OFE is sourced from the most recent notification of shareholding change, received by the Parent on June 5th 2009.

The number of Parent shares held by its main shareholder, Pfleiderer Service GmbH, did not change in the reporting period.

19. Court proceedings

On April 2nd 2012, Pfleiderer Grajewo S.A. (the Parent) and Pfleiderer Prospan S.A. (a subsidiary) received a decision of the President of the Office of Competition and Consumer Protection, dated March 30th 2012, concerning the instigation of anti-trust proceedings on suspicion that Kronospan Szczecinek Sp. z o.o., Kronospan Mielec Sp. z o.o., Kronopol Sp. z o.o., Pfleiderer Grajewo S.A. and Pfleiderer Prospan S.A. acted in collusion to frustrate competition on the domestic chipboard and fibreboard markets.

In the course of the proceedings, Pfleiderer Grajewo S.A. and Pfleiderer Prospan S.A., its subsidiary, provided additional information required by the Office. At present, based on the available information the Parent's Management Board is not able to assess the risk of a negative outcome of the proceedings or determine the estimated closing date of the proceedings.

Other than the proceedings referred to above, there are no court, arbitration or administrative proceedings pending with respect to any liabilities or claims of the Group entities, whose value would represent 10% or more of the Parent's equity.

20. Material settlements under court proceedings

In the reporting period, the Group did not record any material settlements related to court proceedings, and there were no circumstances which would be a basis for the recognition of any provisions for costs of court proceedings.

21. Corrections of prior periods' errors

By the end of Q1 2015, the Group did not adjust any prior periods' errors.

22. Other material information

There were no other material events in Q1 2015.

23. Financial instruments

The Group manages all types of financial risk described below, which may have a significant effect on its operations in the future. In its risk management process, the Group focuses on the following risk types:

- credit risk,
- market risk, including interest rate risk and currency risk,
- liquidity risk.

The objective of the Group's credit risk management is to reduce losses which could be incurred due to customers' insolvency. This risk is mitigated by using receivables insurance and factoring services.

The purpose of market risk management is to control this risk and maintain market risk exposure within assumed parameters as well as to minimise losses arising out of adverse changes of foreign exchange rates. The Group monitors its currency position in terms of cash flows. To manage its currency risk, it first relies on natural hedging and where necessary uses forward contracts and currency swaps.

The Group applies the following hierarchy for disclosing information about fair value of financial instruments – by valuation technique:

Level 1: quoted prices in active markets (unadjusted) for identical assets or liabilities;

Level 2: valuation techniques in which inputs that are significant to fair value measurement are observable, directly or indirectly, market data;

Level 3: valuation techniques in which inputs that are significant to fair value measurement are not based on observable market data.

As at March 31st 2015, Pfleiderer Grajewo S.A., the Parent, was party to 25 open EUR/PLN forex forward contracts for the sale of a total of EUR 53,260 thousand by the end of 2016. The contracts were measured at PLN 11,543 thousand (fair value – level 2) as at March 31st 2015. The result on realised forex forward transactions in the first quarter of 2015 amounted to PLN 1,486 thousand.

As at March 31st 2015, Silekol Sp. z.o.o., a subsidiary, was party to 3 open EUR/PLN forex forward contracts for the sale of a total of EUR 5,300 thousand by June 10th 2015. The contracts were measured at PLN 591 thousand (fair value – level 2) as at March 31st 2015. The result on realised forex forward transactions in the first quarter of 2015 amounted to PLN 113 thousand.

As at March 31st 2015, no other Group companies were party to derivative contracts.

In Q1 2015, the Group did not hedge its exposure to interest rate risk or commodity price risk.

The objective of financial liquidity management is to protect the Group from insolvency. This objective is pursued through regular projection of debt levels in a five-year horizon, and arrangement of appropriate financing sources.

24. Business segments

Since 2013, the Group has identified Poland as its only geographical segment.

The Group's sales in Q1 2015 rose 1.6% year on year. In the same period, export sales accounted for 33.7% of the Group's total sales. The Group's key export destinations include Germany, Lithuania, Sweden, Russia, and the Czech Republic.

25. Notes to the consolidated statement of financial position
25.1. Note 1 – Trade and other receivables (PLN '000)

	<u>Mar 31</u> <u>2015</u>	<u>Dec 31</u> <u>2014</u>	<u>Mar 31</u> <u>2014</u>
Trade receivables	88,464	41,719	67,651
Trade receivables from related parties	36,996	36,724	34,176
Current prepayments and accrued income	5,972	6,418	6,764
Current VAT receivables	7,373	16,422	4,910
Other receivables	3,578	21,625	21,826
Total	<u>142,383</u>	<u>122,908</u>	<u>135,327</u>

25.2. Note 2 – Trade and other payables (PLN '000)

	<u>Mar 31</u> <u>2015</u>	<u>Dec 31</u> <u>2014</u>	<u>Mar 31</u> <u>2014</u>
Trade payables	139,097	125,260	107,680
Trade payables to related parties	5,117	4,886	7,824
VAT liabilities	0	809	40
Liabilities under factoring agreements	36,592	42,811	32,403
Liabilities for supplies under investment projects	4,625	18,374	5,367
Liabilities under forward contracts	0	394	0
Prepaid deliveries	1,057	2,096	963
Other liabilities	13,255	11,659	12,122
Total	<u>199,743</u>	<u>206,289</u>	<u>166,399</u>

Other liabilities include primarily accrued expenses and other provisions.

26. Notes to the consolidated statement of comprehensive income (PLN '000)
26.1. Note 3 – Finance income and costs

	<u>Jan 1 2015 –</u> <u>Mar 31 2015</u>	<u>Jan 1 2014–</u> <u>Mar 31 2014</u>
Finance income		
Interest income	126	125
Gain on settlement of derivative instruments	394	150
Foreign exchange gains	0	10
Investment revaluation	1,253	0
Other finance income	1	0
	<u>1,774</u>	<u>285</u>
Finance costs		
Interest expense	(3,041)	(4,317)
Loss on settlement of derivative instruments	0	(102)
Other finance costs	(80)	(218)
	<u>(3,121)</u>	<u>(4,637)</u>
Net finance costs	<u>(1,347)</u>	<u>(4,352)</u>

27. Currency translation of financial data

Data of the subsidiary Grajewo OOO was translated as follows:

- items from the statement of financial position were translated at the closing exchange rate quoted by the National Bank of Poland (NBP) for the reporting date;
- items from the statement of comprehensive income were translated at the exchange rate computed as the arithmetic mean of monthly exchange rates quoted in Q1 2015.

Date	RUB	PLN
Jan 31 2015	RUB 1	0.0532
Feb 28 2015	RUB 1	0.0606
Mar 31 2015	RUB 1	0.0661
RUB exchange rate at the end of Q1 2015		0,0661
Arithmetic mean for Q1 2015		0.0600

Selected financial information presented in these financial statements was translated into the euro in the following manner:

- items from the Group's statement of financial position were translated at the closing exchange rate quoted by the National Bank of Poland (NBP) for the reporting date;
- items from the statement of comprehensive income were translated at the exchange rate computed as the arithmetic mean of monthly exchange rates quoted in Q1 2015.

Date	EUR	PLN
Jan 31 2015	EUR 1	4.2081
Feb 28 2015	EUR 1	4.1495
Mar 31 2015	EUR 1	4.0890
EUR exchange rate at the end of Q1 2015		4.0890
Arithmetic mean for Q1 2015		4.1489

**VIII. CONDENSED SEPARATE FINANCIAL STATEMENTS OF
 PFLEIDERER GRAJEWO S.A., THE PARENT**
Separate statement of financial position as at March 31st 2015 (PLN '000)

	Note	Total Mar 31 2015	Total Dec 31 2014	Total Mar 31 2014
Assets				
Property, plant and equipment		152,302	155,814	113,899
Intangible assets		2,377	2,582	1,672
Investments in related entities		785,752	785,752	785,752
Other non-current financial assets		75	75	75
Deferred tax asset		674	0	0
Non-current loans advanced to subsidiaries		10,143	10,027	9,652
Non-current receivables – prepayments for property, plant and equipment		0	0	5,637
Derivatives		4,144	626	0
Non-current assets		955,467	954,876	916,687
Inventories		60,585	74,031	59,108
Income tax receivable		0	0	20,419
Trade and other receivables	1	45,797	50,475	69,524
Cash and cash equivalents		11,949	4,527	9,316
Derivatives		7,399	587	456
Current assets		125,730	129,620	158,823
Total assets		1,081,197	1,084,496	1,075,510
Equity				
Share capital		16,376	16,376	16,376
Share premium		289,806	289,806	289,806
Statutory reserve funds		293,765	293,765	207,762
Cash flow hedges		11,543	1,213	456
Retained earnings		90,391	83,631	112,177
Total equity		701,881	684,791	626,577
Liabilities				
Employee benefit obligations		8,754	8,754	6,114
Deferred tax liabilities		0	2,237	1,154
Non-current liabilities		8,754	10,991	7,268
Borrowings and other debt instruments		99	11,149	44,728
Income tax payable		174	470	0
Liabilities to related entities under debt securities		275,401	278,503	301,619
Trade and other payables	2	81,372	85,184	84,128
Employee benefit obligations		13,516	13,408	11,190
Current liabilities		370,562	388,714	441,665
Total liabilities		379,316	399,705	448,933
Total equity and liabilities		1,081,197	1,084,496	1,075,510

OFF-BALANCE-SHEET ITEMS	As at Mar 31 2015 (PLN '000)	As at Dec 31 2014 (PLN '000)	As at Mar 31 2014 (PLN '000)
Contingent liabilities	4,559	5,373	17,700
To other entities, including:	4,559	5,373	17,700
- guarantees and sureties issued	4,559	5,373	17,700
Total off-balance-sheet items	4,559	5,373	17,700

Separate statement of comprehensive income for the period January 1st – March 31st 2015 (PLN '000)

	Total Jan 1 2015 – Mar 31 2015	Total Jan 1 2014 – Mar 31 2014
Revenue	163,203	171,281
Cost of sales	<u>(142,536)</u>	<u>(148,152)</u>
Gross profit	20,667	23,129
Other operating income	4,078	2,472
Distribution costs	(7,893)	(11,042)
Administrative expenses	(6,479)	(6,624)
Other operating expenses	<u>(1,867)</u>	<u>(815)</u>
Operating profit	8,506	7 120
Finance income	1,895	319
Finance costs	<u>(2,330)</u>	<u>(3,618)</u>
Net finance costs	(435)	(3,299)
Profit before tax	8,071	3,821
Income tax expense	(1,311)	(729)
Net profit	<u>6,760</u>	<u>3,092</u>
Net profit for the reporting period	6,760	3,092
Other comprehensive income		
Effective portion of gains on fair-value measurement of hedging instruments	<u>10,330</u>	<u>456</u>
Total comprehensive income for the period	<u>17,090</u>	<u>3,548</u>
Basic earnings per share (PLN)	0.14	0.06
Diluted earnings per share (PLN)	0.14	0.06

Separate statement of changes in equity for the period January 1st–March 31st 2015 (PLN '000)

	Share capital	Share premium	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
As at Jan 1 2015	16,376	289,806	293,765	1,213	83,631	684,791
Comprehensive income for the period						
Net profit	0	0	0	0	6,760	6,760
Effective portion of gains on fair-value measurement of hedging instruments	0	0	0	10,330	0	10,330
Comprehensive income for the period	0	0	0	10,330	6,760	17,090
Transactions with owners recognised in equity	0	0	0	0	0	0
As at Mar 31 2015	16,376	289,806	293,765	11,543	90,391	701,881

Separate statement of changes in equity for the period January 1st – December 31st 2014 (PLN '000)

	Share capital	Share premium	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
As at Jan 1 2014	16,376	289,806	207,762	0	109,085	623,029
Comprehensive income for the period						
Net profit	0	0	0	0	60,549	60,549
Effective portion of gains on fair-value measurement of hedging instruments	0	0	0	1,213	0	1,213
Comprehensive income for the period	0	0	0	1,213	60,549	61,762
Transactions with owners recognised in equity						
Transfer of part of 2013 net profit to statutory reserve funds	0	0	86,003	0	(86,003)	0
Transactions with owners recognised in equity	0	0	86,003	0	(86,003)	0
As at Dec 31 2014	16,376	289,806	293,765	1,213	83,631	684,791

Separate statement of changes in equity for the period January 1st – March 31st 2014 (PLN '000)

	Share capital	Share premium	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
As at Jan 1 2014	16,376	289,806	207,762	0	109,085	623,029
Comprehensive income for the period						
Net profit	0	0	0	0	3,092	3,092
Effective portion of gains on fair-value measurement of hedging instruments	0	0	0	456	0	456
Comprehensive income for the period	0	0	0	456	3,092	3,548
Transactions with owners recognised in equity	0	0	0	0	0	0
As at Mar 31 2014	16,376	289,806	207,762	456	112,177	626,577

Separate statement of cash flows for the period January 1st – March 31st 2015 (PLN '000) and the comparative period

	Jan 1 2015 – Mar 31 2015	Jan 1 2014 – Mar 31 2014
Cash flows from operating activities		
Net profit	6,760	3,085
Adjustments	15,073	9,359
Depreciation and amortisation	5,087	3,520
Foreign exchange losses/gains	(1,216)	(219)
Dividend and interest for the period	1,689	3,269
Gain on disposal of shares	(1,253)	0
Profit on investing activities	(59)	(116)
Income tax assessed	1,311	729
Increase in trade and other receivables	(14,498)	(6,040)
Decrease in inventories	13,446	6,132
Increase in trade and other payables	8,972	3,197
Change in employee benefit obligations	108	(1,405)
Result on forward contracts	1,486	214
Other adjustments	0	78
Cash flows from operating activities	21,833	12,444
Interest received	14	31
Interest paid	(21)	(13)
Income tax paid	(4,519)	0
Net cash from operating activities	17,307	12,462
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	59	116
Dividend and profit distributions	460	0
Acquisition of shares in a subsidiary	0	(30,341)
Proceeds from disposal of a subsidiary	18,098	2,158
Acquisition of intangible assets and property, plant and equipment	(12,104)	(6,558)
Net cash from investing activities	6,513	(34,625)
Cash flows from financing activities		
Repayment of borrowings and other debt instruments	(11,050)	0
Proceeds from borrowings and other debt instruments	0	18,076
Redemption of debt securities	(345,950)	(373,422)
Issue of debt securities	342,907	384,699
Interest paid	(2,305)	(2,700)
Cash flows from financing activities	(16,398)	26,653
Increase in cash	7,422	4,490
Cash at beginning of the period	4,527	4,826
Cash at end of the period	11,949	9,316

Supplementary notes to the condensed separate financial statements of Pfleiderer Grajewo S.A., the Parent
1. Notes to the separate statement of financial position
1.1. Note 1 – Trade and other receivables (PLN '000)

	<u>Mar 31</u> <u>2015</u>	<u>Dec 31</u> <u>2014</u>	<u>Mar 31</u> <u>2014</u>
Trade receivables from other entities	15,490	11,870	23,450
Trade and other receivables from related parties	23,709	8,322	18,247
Current prepayments and accrued income	3,174	3,153	3,363
Current VAT receivables	1,157	6,467	4,071
Receivables under disposal of a subsidiary	0	19,180	18,771
Other receivables	2,267	1,483	1,622
Total	<u>45,797</u>	<u>50,475</u>	<u>69,524</u>

1.2. Note 2 – Trade and other payables (PLN '000)

	<u>Mar 31</u> <u>2015</u>	<u>Dec 31</u> <u>2014</u>	<u>Mar 31</u> <u>2014</u>
Trade payables	31,501	30,936	33,547
Liabilities to related entities	24,854	18,274	28,898
Liabilities under factoring agreements	17,783	16,498	14,110
Liabilities for supplies under investment projects	3,337	14,217	2,044
Other liabilities	3,897	5,259	5,529
Total	<u>81,372</u>	<u>85,184</u>	<u>84,128</u>

Other liabilities include primarily accrued expenses and other provisions.