

PFLEIDERER GRAJEWO GROUP
DIRECTORS' INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GRAJEWO GROUP
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2015

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfleiderer Grajewo Group in the period from 1 January to 30 June 2015

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1. Financial highlights

	Jan 1–Jun 30 2015	Jan 1–Jun 30 2014	Jan 1–Jun 30 2015	Jan 1–Jun 30 2014
	PLN '000		EUR '000	
Revenue	786,477	695,713	190,241	186,113
Results from operating activities	77,440	35,708	18,732	16,816
Profit before tax	73,531	21,115	17,786	14,966
Profit of the period attributable to shareholders of the Company	59,926	49,923	14,496	11,948
Net cash provided by operating activities	71,478	100,955	17,290	24,161
Net cash (used in) investing activities	(25,620)	(50,746)	(6,197)	(12,145)
Net cash (used in) financing activities	(40,056)	(38,027)	(9,689)	(9,101)
Total cash flow	5,802	12,182	1,404	2,915
Basic earnings per share (PLN/EUR)	1.21	1.01	0.29	0.24
Diluted earnings per share (PLN/EUR)	1.21	1.01	0.29	0.24
PLN/EUR average exchange rate			4.1341	4.1784

	Jun 30 2015	Dec 31 2014	Jun 30 2015	Dec 31 2014
	PLN '000		EUR '000	
Total assets	1,235,410	1,216,993	294,538	285,525
Total liabilities	415,376	460,623	99,031	108,069
Non-current liabilities	162,880	176,518	38,833	41,414
Current liabilities	252,496	284,105	60,198	66,655
Total equity	820,034	756,370	195,507	177,456
Share capital	16,376	16,376	3,904	3,842
Number of shares	49,624,000	49,624,000	49,624,000	49,624,000
Book value per share (PLN/EUR)	16.52	15.24	3.94	3.58
PLN/EUR exchange rate as at the reporting date			4.1944	4.2623

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2. General information

The Pfleiderer Grajewo Group consists of one-platform enterprises. The Group's parent Company i.e. Pfleiderer Grajewo S.A. (the Parent) operates in Grajewo, a town located in the north-east part of Poland.

The Parent Company, under its former name of Zakłady Płyt Wiórowych S.A. in Grajewo, was registered on 1 July 1994 by the Direct Court, Commercial Court of Łomża, in section B of the Commercial Register under entry No. 270. Subsequently, on 9 May 2001, it was registered by the District Court of Białystok, XII Commercial Division of the National Court Register, under entry No. KRS 0000011422. On 18 September 2002, the Group's Management Board received the decision of the District Court of Białystok on entering the Parent Company's new name: Pfleiderer Grajewo S.A., in the National Court Register. The Company's registered office is at 1 Wiórowa Street, Grajewo, Poland. Pfleiderer Grajewo S.A. shares are publicly traded. In accordance with the Polish Classification of Business Activities, the Parent Company's business is registered under No. 1621Z. Tax Identification Number (NIP): 719-10-00-479, Industry Identification Number (REGON): 450093817.

2.1 List of companies of the Pfleiderer Grajewo Group as at 30 June 2015, with brief description of principal business activity:

The Pfleiderer Grajewo Group relying on long-term experience on the market of wood based products, is the Central-European Business Centre of an International Pfleiderer Group. The Group has a strong presence in the Central and Eastern Europe and grows rapidly, entering new markets, targeting new segments as well as adding new products to its portfolio.

The mission of the Group is to build a long-term relationship with the clients. In the business context, the Company desires to gain and maintain customer's full confidence and achieve maximum professionalism at all levels of cooperation.

The Grajewo Group consists of production plants of various profiles of the activity. The list of Group's entities with their activities:

The business of Pfleiderer Grajewo S.A., the Parent Company, consists of:

- manufacture and veneering of wood and wood-based products,
- paper refine,
- domestic and abroad trade.

Pfleiderer Prospan S.A. – a joint-stock company entered in the commercial register maintained by the District Court of Kalisz under No. RHB1754 on 23 September 1997 as Zakłady Płyt Wiórowych Prospan S.A. On 17 September 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, raw chipboards and other wood and wood-based products,
- paper refine,
- domestic and abroad trade,
- generation and distribution of heat.

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

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

Principal business activity:

The company ensures 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, XII Commercial Division of the National Court Register in Białystok, under entry No. KRS 174810, on 9 October 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 as well as 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 24 November 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 29 June 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 20 December 2005.

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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.

2.2 List of jointly-controlled entities:

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.

The Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A. and Pfleiderer MDF Sp. z o.o. operations consist of the manufacturing and refining of wood and wood-based products, impregnation of paper, domestic and abroad trade, provision of industrial services related to its core business, as well as other services based on resources held. The other entities provide services and supply raw materials to the Group entities.

2.3 Composition of the Company's Management Board and the Supervisory Board and changes therein in the reporting periods

As at 30 June 2015, the composition of the Pfleiderer Grajewo S.A. Management Board 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 there were the following changes based on decision of the Supervisory Board of Pfleiderer Grajewo S.A.:

- appointment Mr. Michael Wolff to the Management Board for a position of President of Management Board;
- appointment Mr. Gerd Schubert to the Management Board for a function of Chief Operating Officer;
- recalled Mr. Wojciech Gątkiewicz from a function of President of Management Board and appointed for a function of Member of Management Board - Chief Transformation Officer.

As at 30 June 2015, the composition of the Supervisory Board was as follows:

1. Paolo G. Antoniotti	Chairman of the Supervisory Board
2. Michael F. Keppel	Vice - 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
6. Christoph Mikulski	Member of the Supervisory Board
7. Gerd Hammerschmidt	Member of the Supervisory Board

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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 Pfeleiderer Grajewo Supervisory Board and Mr Gerd Schubert was recalled from the position of Member of the Pfeleiderer Grajewo Supervisory Board.

On 30 January 2015, Mr Paolo G. Antonietti and Mr. Michael F. Keppel were appointed to the position of Member of the Grajewo S.A. Supervisory Board.

On 16 February 2015, Supervisory Board has appointed Mr. Paolo G. Antonietti to the position of Chairman of the Grajewo S.A. Supervisory Board and Mr. Michaela F. Keppel to the position of Vice – Chairman of the Grajewo S.A. Supervisory Board.

In accordance with a resolution of the Extraordinary General Meeting, dated 8 June 2015, Mr Christoph Mikulski and Mr Greg Hammerschmidt were appointed to the position of Member of the Pfeleiderer Grajewo S.A. Supervisory Board.

On 30 June 2015, the Supervisory Board resolved to appoint an Audit Committee and a Nomination and Remuneration Committee at the Company's Supervisory Board.

3. Structure of the Group

Pfleiderer Grajewo S.A. is the Parent Company with respect to the following subsidiaries:

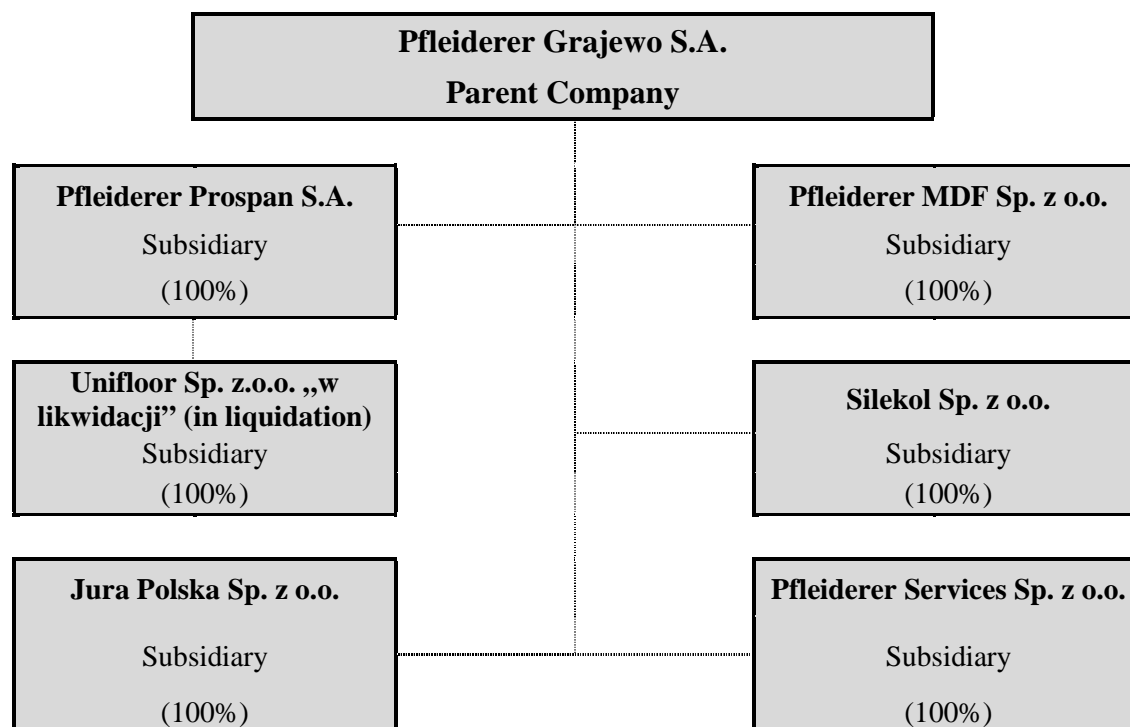
Subsidiaries:		30 Jun 2015	31 Dec 2014
1. Pfeleiderer Prospan S.A.	Wieruszów	100%	100%
2. Silekol Sp. z o.o.	Kędzierzyn Koźle	100%	100%
3. Pfeleiderer MDF Sp. z o.o.	Grajewo	100%	100%
4. Jura Polska Sp. z o.o.	Grajewo	100%	100%
5. Unifloor Sp. z o.o. (in liquidation)	Wieruszów	100%	100%
6. Grajewo OOO	Novgorod, Russia	0%	100%
7. Pfeleiderer Services Sp. z o.o.	Grajewo	100%	100%

Equity-accounted jointly-controlled entities:

1. Blitz 11-446 GmbH	Neumarkt	50%	50%
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Structure of the Group as at 30 June 2015:



As at 30 June 2015, Pfleiderer Grajewo S.A. is a subsidiary of Pfleiderer Service GmbH, which holds 65.11% of the shares and voting rights in Parent Company.

Changes in the Group's structure in the reporting period

On 30 April 2015, Pfleiderer Grajewo S.A. sold a 100% equity interest of Grajewo OOO. The sale price was 4 PLN (1 EUR).

4. Pfleiderer Grajewo S.A. shareholders structure

Shareholding structure	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%

In the period from 1 January 2015 to the date of this Director's Interim Condensed Consolidated Report, the number of the Company shares held by its shareholder, Pfleiderer Service GmbH, did not change.

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The information related to the number of Pfleiderer Grajewo S.A. shares held by the Aviva OFE comes from the most recent notification of shareholders change, received by the Parent on 10 July 2007.

The information related to the number of Pfleiderer Grajewo S.A. shares held by ING OFE comes from the most recent notification of shareholders change, received by the Parent on 5 June 2009.

The Group is not aware of any other changes in its shareholders structure.

5 Pfleiderer Grajewo S.A. shares held by its management and supervisory boards members

In the period from 1 January 2015 to the date of this Director's Interim Condensed Consolidated Report, the number of the Company's shares held by its members of the Management and Supervisory Boards has changed as in comparison to the end of the prior financial year and as for the date of this Director's Interim Condensed Consolidated Report was as follows:

- | | |
|---|--|
| - Member of the Management Board Wojciech Gątkiewicz | - 5,400 Pfleiderer Grajewo S.A. shares |
| - Member of the Management Board Rafał Karcz | - 3,472 Pfleiderer Grajewo S.A. shares |
| - Member of the Management Board Dariusz Tomaszewski | - 4,108 Pfleiderer Grajewo S.A. shares |
| - Member of the Supervisory Board Paolo G. Antonietti | - 4,000 Pfleiderer Grajewo S.A. shares |

A at 30 June 2015 other members of the Management and Supervisory Boards did not held any shares of the parent Company.

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6 Essential information to assess Group's personnel situation, financial standing and performance, and its changes, as well as to assess Group's ability to fulfil its obligations

6.1 Financial standing of the Pfleiderer Grajewo Group

As at the reporting date, a structure of financing of the Group's assets was as follows:

<i>all amounts in PLN thousand</i>	Jun 30 2015	Dec 31 2014
Equity (attributable to owners of the Company)	820,034	756,370
Total equity	820,034	756,370
Non-current liabilities	162,880	176,518
Long-term capital (total equity + non-current liabilities)	982,914	932,888
Current liabilities	252,496	284,105

Pfleiderer Grajewo Group finances its operations through own funds as well as bank loans. In June 2013, the Parent Company and the subsidiaries: Pfleiderer Prospan S.A. and Silekol Sp. z o.o. concluded current credit facility agreements. The total credit limit available under the facilities provided by four banks amounts to PLN 300,000 thousand and secures the financial liquidity of the Parent Company and its subsidiaries.

As at 30 June 2015, the Group's liabilities under bank borrowings were PLN 73,691 thousand, (31 December 2014: PLN 108,351 thousand).

For detailed information on the bank loans and borrowings from related parties, see Note 8 in this Condensed Consolidated Report.

Moreover, the Group is a party to factoring agreements without recourse rights within which the insured receivables are sold to PEKAO Faktoring Sp. z o.o. and BZ WBK Faktor Sp. z o.o. This financing facility is available for Pfleiderer Grajewo S.A., Pfleiderer MDF Sp. z o.o., Pfleiderer Prospan S.A. as well as Silekol Sp. z o.o. for the aggregate amount, which may not exceed PLN 265,000 thousand. The factoring agreements with BZ WBK Faktor Sp. z o.o. are concluded for an indefinite period, while the terms of the agreements with PEKAO Faktoring Sp. z o.o. are definite, not shorter than one year. Agreements are automatically rolled by another 12 months if neither party notifies the other party of its intention not to extend an agreement, provided that such notice will be sent no later than two months before the expiry of a given agreement.

The internal financing in the Pfleiderer Grajewo Group comprises mainly loans advanced by Pfleiderer Grajewo S.A. to its subsidiary Pfleiderer MDF Sp. z o.o. as well as short-term bond program (commercial papers). The bonds are usually issued by Pfleiderer Grajewo S.A. and purchased by Pfleiderer Prospan S.A. The aim of bond program as well as borrowings agreements with related parties is to finance and optimization of liquidity management within the entire Group.

6.2 Revenues from sales and financial results

Revenues from sales of the Group in the period from 1 January to 30 June 2015 amounted to PLN 786,477 thousand and increased by 8,822 thousand i.e. 1.13% as compared to the same period of the previous year.

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The table below presents revenues by product group:

<i>all amounts in PLN thousand</i>	Jan 1–Jun 30 2015	% share	Jan 1–Jun 30 2014	% share
Revenue from sale of products	760,152	96.7%	752,716	96.8%
Chipboard ((<i>raw boards, melamine-faced boards, fibre mats, MFP</i>))	403,143	51.3%	412,389	53.0%
MDF boards, (<i>raw MDF, enamelled MDF, fibre mats</i>)	167,495	21.3%	165,138	21.2%
Glues (<i>basic resin, specialised resin</i>)	148,741	18.9%	125,685	16.2%
Other (<i>films, foils, edge banding, packaging, and other</i>)	40,773	5.2%	49,504	6.4%
Revenue from sale of merchandise and materials	5,187	0.6%	16,549	0.8%
Materials	3,272	0.4%	3,187	0.4%
Merchandise	1,915	0.2%	3,229	0.4%
Revenue from rendering of services	21,138	2.7%	18,523	2.4%
Total sales	786,477	100.0%	777,655	100.0%

In the audited period, sales of products increased by 0.99%. Sales structure of particular finished goods did not change significantly as well.

The operating profit of the Group for the period from 1 January to 30 June 2015 of PLN 77,440 thousand increased by PLN 7,174 thousand as compared to the last comparable period. Increase was determined by two main reasons: decrease of costs of sales as well as increase of other operating income.

The increase of net profit of PLN 10,003 thousand to PLN 59,926 thousand is mainly determined by the lower financial costs in the audited six months period.

6.3 Group's HR and payroll issues

As at 30 June 2015, the employment of the Group was 1,258 including management as well as employees hired based on managerial agreements or appointed by the Supervisory Board.

The Group's employment structure as at the end of the reporting period:

	Jun 30 2015	Dec 31 2014
Employees directly involved in production	662	666
Employees indirectly involved in production	274	272
Administration, office and other employees	322	329
	1,258	1,267

Remuneration paid and payable for the reporting period to members of the Parent's Management Board, including bonuses, amounted to PLN 1,116 thousand. In addition, members of the Parent's Management Board received remuneration at Pfleiderer Prospan S.A., of PLN 1,102 thousand.

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The managerial contracts of Wojciech Gątkiewicz provide, in case of termination of the contract prior to December 31, 2016, a contractual penalty amounting to the half of the remuneration remaining until December 31, 2016.

The managerial contract of Rafał Karcz provide, in case of termination of the contract prior to December 31, 2015, a contractual penalty amounting to the remuneration remaining until December 31, 2015.

Additionally, the managerial contract between the Pfleiderer Prospan S.A. and Dariusz Tomaszewski contains a provision entitling Dariusz Tomaszewski to receive a one-off termination payment equal to one month of his remuneration if the contract is terminated with notice.

Remuneration paid to members of the Supervisory Board of Pfleiderer Grajewo S.A. for the period from 1 January to 30 June 2015 amounted to PLN 297 thousand.

As at 30 June 2015, Mr Dariusz Tomaszewski, Member of the Management Board of Pfleiderer Prospan S.A., had an outstanding debt of PLN 26 thousand, (as at 31 December 2014 PLN 26 thousand). The other members of Parent's Management Board had no outstanding loan-related debt towards the Group.

7 Material related-party transactions

For the information regarding related-party transactions as at 30 June 2015 and for the period from 1 January to 30 June 2015, see Note 12 in supplementary notes to the interim condensed consolidated financial statements of the Pfleiderer Grajewo Group.

In the period from 1 January to 30 June 2015, all related-party transactions were executed on an arm's length basis.

8. Financial instruments

8.1 Overview of financial instruments

a) Derivative instruments

Forward and swap agreements are forward foreign currency transactions conducted at a predetermined exchange rate.

The Group applies hedge accounting, which results in that the effective portion of gains or losses on fair value of hedging instruments (forward transactions) is included in other operating income and presented as a separate equity position "cash flow hedge". The gains or losses previously recognized in other operating income are transferred to profit or loss for the current period over the same period and in the same position in which the hedged cash flows are recognized in the statement of comprehensive income. The ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

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b) Borrowings

As at 30 June 2015, the Group did not carry any borrowings from related parties.

c) Bank loans

On 26 and 27 June 2013, the Parent Company and the subsidiaries: Pfleiderer Prospan S.A. and Silekol Sp. z o.o. concluded current credit facility agreements with four banks: Bank Millennium S.A., Alior Bank S.A., Bank Zachodni WBK S.A., and Bank Ochrony Środowiska S.A. The total credit limit available under the facilities provided by those banks amounts to PLN 300,000 thousand and secures the financial liquidity of the Parent Company and its subsidiaries.

Credit agreements for special purposes:

Investment facility agreement with PKO BP S.A.

On 15 January 2007, Pfleiderer MDF Sp. z o.o., a subsidiary, entered into a PLN 235,022 thousand investment facility agreement with PKO BP S.A. It is a special-purpose facility obtained to finance the construction of the MDF board production plant in Grajewo. As at 30 June 2015, the Group's debt outstanding under this facility was PLN 73,476 thousand (31 December 2014: PLN 85,396 thousand).

Multi-purpose facility agreement with PKO BP S.A.

On 29 August 2007, Pfleiderer MDF Sp. z o.o., a subsidiary, entered into a PLN 65,000 thousand multi-purpose facility agreement with PKO BP S.A. The original value of the loan amounted to PLN 65,000 thousand and involved overdraft of PLN 30,000 thousand, working overdraft facility of PLN 30,000 thousand as well as limit on guarantees and letters of credit in the amount of PLN 5,000 thousand.

Under the amendment, the amount of the multi-purpose facility loan was reduced and at 30 June 2015 amounted to PLN 54,000 thousand. As at 30 June 2015, the amount outstanding under the facility was PLN 215 thousand (31 December 2014: PLN 11,185 thousand).

On 10 June 2015, Pfleiderer MDF Sp. z o.o., a subsidiary, signed an amendment to the multi-purpose facility agreement with PKO BP S.A. According to the amendment, the terms of multi-purposes facility agreement was extended until 31 May 2018.

For information on the interest rates applicable to the loans please refer to Note 8 of supplementary notes to the interim condensed consolidated financial statements of the Group.

1.2 Financial risks related to the Group's operations

a) Objectives and methods of financial risk management applied by the Group

The Group manages all types of financial risk described below which may have a significant effect on its future operations; in particular, the Group puts emphasis on management of:

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

The aim in management of credit risk is to minimise the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In order to reduce the risk of

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customers' insolvency, the Group insures receivables as well as signs factoring agreements.

The purpose of market risk management is to reduce the unfavourable effects of changes in market risk to set appropriate risk limits and controls and to monitor risks and adherence to limits. The objective of currency risk management is to minimise losses arising from unfavourable changes in foreign exchange rates. The Group monitors its currency position in order to protect its cash flows. To manage the currency risk, the Group primarily relies on natural hedging and, where necessary, forward contracts. The time horizon adopted for position monitoring and hedging transactions is up to 24 months.

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

b) Credit risk

In accordance with the Management Board's policy, credit risk exposure is monitored on an ongoing basis. Credit rating is carried out in relation to all customers who required credit over the limits granted.

The credit risk which relates to trade receivables is limited due to the large and diversified customer base. Moreover, the Group runs a strict receivables management policy, whereby the risk of customer insolvency is mitigated through the use of insurance and factoring agreements. As at 30 June 2015, 90% of total trade receivables from non-related parties were covered with credit insurance. Insurance agreement secures credit risk and in the event of non-payments is receive from customers, insurance company covers the losses (the Group's own share in this losses is 10%).

In the period from 1 January to 30 June 2015, the Group did not incur any significant losses resulting from failure to collect receivables from customers. Based on detailed analysis allowances are recognised on uninsured receivables, as well as on the own share in losses.

c) Interest rate risk

The Group holds cash at banks and has liabilities under bank borrowings. Interest rate risk relates to the cash flow of interests related with financial liabilities dependent on the floating interest rates. Group did not hedge against the interest rate risk.

d) Currency risk

The Group is exposed to currency risk through trade transactions denominated in foreign currencies, including both purchases of materials and merchandise, and sales of finished goods. Therefore, in the event of any exchange rate fluctuations the exchange gains and losses are partially offset. The Group monitors its currency position on an ongoing basis and if needed, primarily relies on natural hedging and, where necessary, forward, swap contracts. The Group monitors its risk exposure in terms of cash flow.

In the first half of 2015, the Group entered into a number of EUR/PLN forward contracts to hedge against currency risk related to planned trade transactions (sale of products, purchase of . As at 30 June 2015, the Group possessed 28 open EUR/PLN forward contracts with an exposure amounting to EUR 52,090 thousand. The fair value of the open contracts amounted to PLN 3,786 thousand (level-2). In first half of 2015, gains on realized forward contracts amounted to PLN 5,075 thousand.

e) Liquidity risk

The Parent Company and its subsidiaries are protected against any material distortion of cash flow, thanks to extensive credit facilities available at any time. All extraordinary expenditures are always planned in advance and applied in the management process.

As at 30 June 2015, the Pfleiderer Grajewo Group possessed debt under bank borrowings of PLN 73,691 thousand and on the same time, it also had undrawn credit facilities of PLN 347,486 thousand. In addition, the

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Group also held cash of PLN 23,314 thousand.

The Group maintains full payment capacity as well as a relatively high creditworthiness in the assessment of the key lenders. Consequently, even taking into account the possible deterioration of macroeconomic conditions, in the management assessment, there are no possible material liquidity risk factors.

The exposure to the currency, credit and interest rate risks did not materially change from the release of the Group's most recent full-year report for 2014 financial year.

9 Contingent liabilities and securities over the Group's assets

As at 30 June 2015, the Group has established the following securities:

9.1 Mortgage over properties and registered pledge over machines.

A mortgage over properties and a registered pledge over machines are set as security for an investment credit facility granted to Pfleiderer MDF Sp. z o.o. by PKO Bank Polski S.A. on 15 January 2007. It is a special purpose facility obtained to finance the construction of the new MDF production plant in Grajewo. The mortgage over properties secures a liability of up to PLN 356,860 thousand.

The registered pledge over machines safeguard liabilities of up to PLN 450,000 thousand and was created over the circulating assets owned by Pfleiderer MDF Sp. z o.o. The pledge is updated on a quarterly basis in case of change of circulating assets (machines, vehicles). As at 30 June 2015, the Group's debt under the investment facility amounted to PLN 73,476 thousand, (31 December 2014: PLN 85,396 thousand).

9.2 Mortgage over property located at Wiórowa Street, Grajewo and registered pledge over assets and rights

A mortgage of up to PLN 80,000 thousand over property located at Wiórowa Street, Grajewo, on which the MDF plant is situated, set as security for a multi-purpose credit facility for a total amount of PLN 54,000 thousand, granted to the Group by PKO Bank Polski S.A. under a credit facility agreement signed with Pfleiderer MDF Sp. z o.o. on 29 August 2007.

The registered pledge was created based on the agreement dated 30 July 2010 over assets and rights between Pfleiderer MDF Sp. z o.o. and PKO Bank Polski S.A. The abovementioned registered pledge in favour of PKO Bank Polski S.A. secures liabilities of up to PLN 83,163 thousand under a multi-purpose credit facility of PLN 54,000 thousand. The pledge is a result of the repayment term extension of abovementioned credit facility by three years, until 31 May 2018. On the same assets earlier pledge was created for the benefit of PKO Bank Polski S.A. in connection with an investment credit facility agreement signed on 15 January 2007.

As at 30 June 2015, the Group's debt under the multi-purpose credit facility amounted to PLN 215 thousand (31 December 2014: PLN 11,185 thousand).

9.3 Mortgages over properties in Grajewo and Wieruszów, established based on the credit facility agreements signed by Pfleiderer Grajewo S.A. (the Parent), Pfleiderer Prospan S.A. and Silekol Sp. z o.o. (the Subsidiaries).

Mortgages over developed properties, including the Parent's production plant in Grajewo, and Pfleiderer Prospan S.A.'s production plant in Wieruszów, in favour of four banks including:

- in favour of Bank Millennium S.A. for up to PLN 97,500 thousand to safeguard: a PLN 75,000 thousand credit facility granted to Pfleiderer Grajewo S.A. (multi-product production line facility agreement), an overdraft credit facility with an overdraft limit of PLN 25,000 thousand granted to Pfleiderer Grajewo S.A., an

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overdraft facility with an overdraft limit of PLN 10,000 thousand issued to Pfleiderer Prospan S.A., and an overdraft facility with an overdraft limit of PLN 10,000 thousand granted to Silekol Sp. z o.o.,

- in favour of Alior Bank S.A. for up to PLN 150,000 thousand to secure: a PLN 75,000 thousand credit facility granted to Pfleiderer Grajewo S.A., and an overdraft facility with an overdraft limit of PLN 25,000 thousand granted to Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A. and Silekol Sp. z o.o.,
- in favour of Bank Zachodni WBK S.A. for up to PLN 120,000 thousand to secure: a PLN 45,000 thousand credit facility granted to Pfleiderer Grajewo S.A., and an overdraft facility with an overdraft limit of PLN 15,000 thousand granted to Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A. and Silekol Sp. z o.o.,
- in favour of Bank Ochrony Środowiska S.A. for up to PLN 60,000 thousand to secure a PLN 40,000 thousand credit facility advanced to Pfleiderer Grajewo S.A.

Additional security of credit facilities for a total of PLN 300,000 thousand was created over equipment installed in both plants owned by, Pfleiderer Grajewo S.A. and Pfleiderer Prospan S.A. respectively.

The registered pledge agreements provide for the following maximum amounts of security:

- in case of the registered pledge in favour of Bank Millennium S.A. – PLN 66,150 thousand (for Pfleiderer Grajewo S.A.'s machine) and PLN 46,350 thousand (for Pfleiderer Prospan S.A. machine);
- in case of the registered pledge in favour of Alior Bank S.A. – PLN 200,000 thousand, for all pledged equipment;
- in case of the registered pledge in favour of Bank Zachodni WBK S.A. – PLN 120,000 thousand, for all pledged equipment;
- in case of the registered pledge in favour of Bank Ochrony Środowiska S.A. – PLN 14,258 thousand, for all pledged equipment.

In addition, Pfleiderer Prospan S.A. and Silekol Sp. z o.o. provided a guarantee for the Parent's liabilities under the credit facilities signed with Bank Millennium S.A. and Alior Bank S.A. for up to PLN 115,000 thousand.

10 Anti-trust proceedings

Following a dawn-raid in October 2011, on 30 March 2012 the Polish Office of Competition and Consumer Protection (the "OCCP") commenced proceedings against 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., regarding possible horizontal price fixing and exchange of information on conditions of sale in the chipboard and fibreboard markets in Poland, which may constitute breaches of Article 6 of the Act on Competition and Consumer Protection and Article 101(1)(a) of the Treaty on the Functioning of the European Union. At this stage, given the fact-intensive nature of the issues involved and the inherent uncertainty of such investigation, it is not possible to evaluate the outcome and potential financial consequences of this still pending and long-lasting investigation, management has determined that not all of the conditions have been met to require a provision for this matter. The maximum fines that the OCCP may impose on Pfleiderer Grajewo S.A. and/or Pfleiderer Prospan S.A. in these proceedings amount to 10% of their respective tax revenues in the year preceding the issuance of the infringement decision. The end date of the proceedings is still uncertain, however one cannot expect that the proceedings will be completed in 2015.

At the date of the publication of these condensed interim consolidated financial statements it is unclear whether OCCP will determine any breaches of Article 6 of the Act on Competition and Consumer Protection and Article 101(1)(a) of the Treaty on the Functioning of the European Union. Therefore as at 31 December 2014 (30 June 2015) no provision has been recognized by the Group in these condensed interim consolidated financial statements.

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11 Management Board's comments on the possibility of realization of previously published financial results

The Pfleiderer Grajewo Group did not publish any forecasts for the 2015 financial year. Due to the current market situation, the Group suspended to publish its financial forecast for 2016 until the situation on the furniture market in Poland will be stabilised.

12 Events subsequent to the end of the reporting period

Currently, 65.11% of the share capital in Grajewo is held by Pfleiderer Service GmbH, a wholly-owned subsidiary of Pfleiderer GmbH. Grajewo is currently the parent company of the Core East of the Pfleiderer Group and Pfleiderer GmbH is the holding Company of the Core West and Core East of the Pfleiderer Group. Grajewo intends to enter into a series of transactions in purpose of purchasing all shares in Pfleiderer GmbH and become the holding company of the Pfleiderer Group.

The reorganization of the Group will lead to the full integration of the operations focused on one core market (CEE) and is to provide a basis for the implementation of further synergies.

Management Board of Pfleiderer Grajewo S.A. and Pfleiderer Prospan S.A.

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Michael Wolff

President of the Management Board

Rafał Karcz

*Member of the Management Board, Chief
Financial Officer*

Gerd Schubert

*Member of the Management Board, Chief
Operating Officer*

Wojciech Gątkiewicz

*Member of the Management Board, Chief
Transformation Officer*

Dariusz Tomaszewski

*Member of the Management Board, Sales
Director*

Grajewo, 7 August 2015