

THE PFLEIDERER GRAJEWO GROUP
UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2015

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PFLEIDERER GRAJEWO GROUP**Unaudited condensed consolidated interim financial statements for the three and six month periods ended 30 June 2015**

(all amounts in PLN thousand)

Unaudited interim condensed consolidated statement of financial position

	Note	30 Jun 2015	31 Dec 2014
Assets			
Property, plant and equipment	7	666,337	679,019
Intangible assets		2,697	2,665
Goodwill		107,829	107,829
Investments in jointly controlled entities		52	52
Other long-term investments		3,075	5,075
Investment property		3,860	3,860
Deferred tax assets		18,990	17,390
Advances paid on fixed assets		17,797	4,787
Government grant receivables		60,787	69,336
Fair value of hedging instruments		1,492	626
Non-current assets		882,916	890,639
Inventories		164,746	181,016
Trade receivables and other	9	153,731	122,908
Income tax receivable		546	984
Government grant receivables		4,028	-
Cash and cash equivalents		24,314	18,512
Fair value of hedging instruments		2,986	587
Other short term financial assets		2,143	2,347
Current assets		352,494	326,354
TOTAL ASSETS		1,235,410	1,216,993
Equity and liabilities			
Equity			
Share capital	10	16,376	16,376
Share premium		289,806	289,806
Statutory reserve funds		354,361	293,812
Reserves		5,112	1,374
Retained earnings		154,379	155,002
Total equity attributable to owners of the Company		820,034	756,370
Total equity		820,034	756,370
Liabilities			
Loans and borrowings	11	51,776	63,696
Employee related payables		10,986	10,986
Provisions		835	815
Deferred tax liabilities		14,186	13,674
Deferred income from government grants		85,097	87,347
Total non-current liabilities		162,880	176,518
Loans and borrowings	11	21,915	44,655
Income tax payable		2,428	5,320
Trade and other payables	12	202,347	206,289
Employee related payables		21,312	23,349
Deferred income from government grants		4,494	4,492
Total current liabilities		252,496	284,105
Total liabilities		415,376	460,623
TOTAL EQUITY AND LIABILITIES		1,235,410	1,216,993

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP**Unaudited condensed consolidated interim financial statements for the three and six month periods ended 30 June 2015**

(all amounts in PLN thousand)

Unaudited interim condensed consolidated statement of profit and loss and other comprehensive income

		Six months ended 30 Jun 2015	Six months ended 30 Jun 2014	Three months ended 30 Jun 2015	Three months ended 30 Jun 2014
	Note				
Revenue	4	786,477	777,655	383,131	380,833
Cost of sales		(633,286)	(626,083)	(306,789)	(301,642)
Profit on sales		153,191	151,572	76,342	79,191
Other income		13,934	4,916	8,428	1,795
Distribution expenses		(55,423)	(55,211)	(28,354)	(25,675)
General and administrative expenses		(30,022)	(27,589)	(14,221)	(13,547)
Other expenses		(4,240)	(3,422)	(1,647)	(1,574)
Results from operating activities		77,440	70,266	40,548	40,190
Financial income		1,916	899	142	682
Financial expenses		(5,825)	(8,632)	(2,704)	(4,063)
Net financing costs	6	(3,909)	(7,733)	(2,562)	(3,381)
Profit before taxes		73,531	62,533	37,986	36,809
Income tax expense	8	(13,605)	(12,610)	(7,209)	(7,206)
Net profit for the period		59,926	49,923	30,777	29,603
Other comprehensive income/(loss)					
Items that are or may be reclassified to profit or loss					
Exchange differences on translating foreign operations		458	(18)	403	56
Cash flow hedge – effective portion of changes in fair value		7,539	1,086	(4,651)	413
Cash flow hedge – reclassified to profit or loss		(4,259)	(779)	(2,773)	(562)
Other comprehensive income/(loss)		3,738	289	(7,021)	(93)
Total comprehensive income for the period		63,664	50,212	23,756	29,510
Profit for the period attributable to:					
Shareholders of the Company		59,926	49,923	30,777	29,603
Profit for the period		59,926	49,923	30,777	29,603
Total comprehensive income attributable to :					
Shareholders of the Company		63,664	50,212	23,756	29,510
Total comprehensive income for the period		63,664	50,212	23,756	29,510
Basic and diluted earnings per share (PLN)		1.21	1.01	0.62	0.60
Basic and diluted earnings per share (PLN)- continuing operations		1.21	1.01	0.62	0.60

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP**Unaudited condensed consolidated interim financial statements for the three and six month periods ended 30 June 2015**

(all amounts in PLN thousand)

Unaudited interim condensed consolidated statement of changes in equity

For the six month period ended 30 Jun 2015

	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Cash flow hedges	Retained earnings	Total
As at 1 Jan 2015	16,376	289,806	293,812	619	(458)	1,213	155,002	756,370
Comprehensive income for the period								
Net profit	-	-	-	-	-	-	59,926	59,926
Other comprehensive income	-	-	-	-	458	3,280	-	3,738
Total comprehensive income for the period	-	-	-	-	458	3,280	59,926	63,664
Transactions with owners recognised in equity								
Transfer of part of 2014 net profit to statutory reserve funds	-	-	60,549	-	-	-	(60,549)	-
Transactions with owners recognised in equity	-	-	60,549	-	-	-	(60,549)	-
As at 30 Jun 2015	16,376	289,806	354,361	619	-	4,493	154,379	820,034

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP**Unaudited condensed consolidated interim financial statements for the three and six month periods ended 30 June 2015**

(all amounts in PLN thousand)

Unaudited interim condensed consolidated statement of changes in equity - continued

For the six month period ended 30 Jun 2014

	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Cash flow hedges	Retained earnings	Total
As at 1 Jan 2014	16,376	289,806	207,809	619	(84)	-	137,749	652,275
Comprehensive income for the period								
Net profit	-	-	-	-	-	-	49,923	49,923
Other comprehensive income/(loss)	-	-	-	-	(18)	307	-	289
Total comprehensive income/(loss) for the period	-	-	-	-	(18)	307	49,923	50,212
Transactions with owners recognised in equity								
Transfer of part of 2013 net profit to statutory reserve funds	-	-	86,003	-	-	-	(86,003)	-
Transactions with owners recognised in equity	-	-	86,003	-	-	-	(86,003)	-
As at 30 Jun 2014	16,376	289,806	293,812	619	(102)	307	101,669	702,487

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP**Unaudited condensed consolidated interim financial statements for the three and six month periods ended 30 June 2015**

(all amounts in PLN thousand)

Unaudited interim condensed consolidated statement of cash flows

	Note	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014
Net profit for the reporting period		59,926	49,923
Adjustments for:		20,643	33,789
Depreciation and amortisation		31,309	24,651
Foreign exchange gains		(5,282)	(1,204)
Interest for the period		4,409	8,009
Loss on investing activities		(73)	(217)
Income tax disclosed in profit or loss of the period		13,605	12,610
Amortisation of government grants		(2,247)	(657)
Result on forward contracts	6.2	5,075	980
Increase/(decrease) in exchange differences on translating foreign operations		458	(17)
Other adjustments		(667)	116
Changes in:			
- trade and other receivables		(49,009)	(5,359)
- inventories		16,270	23,432
- trade and other payables		8,812	(27,082)
- employee benefit obligations		(2,037)	(1,482)
- provisions		20	9
Cash flows from operating activities		80,569	83,712
Interest received		96	174
Income tax (paid)/received		(9,187)	17,069
Net cash provided by operating activities		71,478	100,955
Cash flows from investing activities			
Disposal of property, plant and equipment		156	273
Income from disposal of discontinued operations		14,660	6,389
Interests received		347	216
Repayment/(granting) loan to other entities		2,000	(7,000)
Acquisition of intangible assets and property, plant and equipment		(42,783)	(50,624)
Net cash (used in) investing activities		(25,620)	(50,746)
Cash flows from financing activities			
Repayment of borrowings and other debt instruments		(34,661)	(15,296)
Increase of borrowings and other debt instruments		-	15,855
Acquisition of non-controlling interests		-	(30,341)
Interest paid		(5,395)	(8,245)
Net cash used in financing activities		(40,056)	(38,027)
Total cash flows		5,802	12,182
Increase in cash		5,802	12,182
Cash at beginning of the period		18,512	16,450
Cash at end of the period		24,314	28,632

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PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six month periods ended 30 June 2015

(all amounts in PLN thousand)

Notes to the unaudited interim condensed consolidated financial statements

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The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six month periods ended 30 June 2015

(all amounts in PLN thousand)

1. General information

Pfleiderer Grajewo S.A. ("the Company") is a company domiciled in Poland, which shares are publicly traded.

The Company was registered by the District Court of Białystok, XII Commercial Division of the National Court Register, under entry No. KRS 0000011422.

The Company's registered office is at 1 Wiórowa Street, Grajewo, Poland.

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

These interim condensed consolidated financial statements of the Pfleiderer Grajewo Group comprise the interim condensed financial data of the Company and its subsidiaries (collectively the "Group"). They were authorized for issue by the Company's Management Board on 7 August 2015.

The Group is primarily involved in manufacturing and veneering of wood and wood-based products and paper finishing, as well as it is engaged in domestic and foreign trade.

2. Structure of the Group

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

Subsidiaries:		30 Jun 2015	31 Dec 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	0%	100%
7. Pfleiderer Service Sp. z o.o.	Grajewo	100%	100%

Re 6. sale of shares on 30 April 2015, for details please refer to note no 6

Equity-accounted jointly-controlled entities:

1. Blitz 11-446 GmbH	Neumarkt	50%	50%
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Re 1. The Group does not have any obligation to cover losses in the jointly controlled entity- Blitz 11-446 GmbH, therefore, it stopped equity accounting for the investment.

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six month periods ended 30 June 2015

(all amounts in PLN thousand)

3. Basis of preparation

a) Statement of compliance

The foregoing interim condensed consolidated financial statements were prepared in accordance with requirements of IAS 34 “Interim financial reporting” as adopted for use by European Union and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-member state (consolidated text: Official Journal 2014, item 133) (“Regulation”).

b) Changes in accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies described in audited consolidated financial statements of Pfleiderer Grajewo Group for the financial year ended 31 December 2014. These interim condensed consolidated financial statements do not contain all information required in annual financial statements; therefore, they should be read in conjunction with the Group's audited annual consolidated financial statements for the financial year ended 31 December 2014. The unaudited condensed consolidated statement of financial position as of 31 December 2014 included herein was derived from the audited consolidated financial statements as of that date.

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning on or after 1 January 2015 and have not been applied in these interim condensed consolidated financial statements. The Group intends to use them for the periods for which they are applicable for the first time.

The following amendments to the existing standards, endorsed by the European Union, are applicable to the Group's financial statements for the financial year beginning 1 January 2015:

Amendment to IAS 19 Employee Benefits Defined Benefit Plans: Employee Contributions, effective for annual periods beginning on or after 1 July 2014.

Amendments to the International Financial Reporting Standards 2010–2012 (annual improvements to IFRS 2010–2012 include eight amendments to seven standards, together with relevant amendments to other standards and interpretations), effective for annual periods beginning on or after 1 July 2014.

Amendments to the International Financial Reporting Standards 2011–2013 (annual improvements to IFRS 2011–2013 include four amendments to standards, together with relevant amendments to other standards and interpretations), effective for annual periods beginning on or after 1 July 2014.

c) Basis of accounting

These interim condensed consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and investment properties, which are measured at fair value.

These interim condensed consolidated financial statements were prepared under the assumption that the Pfleiderer Grajewo S.A. Group will continue to operate as a going concern for the foreseeable future.

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six month periods ended 30 June 2015

(all amounts in PLN thousand)

d) Functional and presentation currency

These interim condensed consolidated financial statements are presented in the Polish zloty (PLN) and all amounts have been rounded to the nearest thousand (PLN'000) unless stated otherwise.

Functional currency of the Company is Polish zloty.

e) Estimates and judgements

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Any change in accounting estimates is recognised in the period in which such change occurred or in the current and future periods if the estimate change relates to both the current and future periods.

The Group reviews its assets on an ongoing basis and, if necessary, recognises impairment losses in profit and loss accounts. Allowances are primarily recognised on trade receivables and inventories i.e. materials and finished goods. In addition, the Group reviews the economic useful life of fixed assets and factors influencing the recoverable amount of non-current assets. Retirement provision is calculated based on assumptions using actuarial method.

Estimates and underlying assumptions applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2014.

4. Operating segments

The Group has determined that it does not have any operating segments as that term is defined in IFRS 8, *Operating Segments*.

5. Seasonality of operations

Chipboard sale is subject to the seasonal changes, in particular changes relate to the seasonal nature of the construction cycle. The highest sales can be observed in a second half of the year whereas the lowest sales are normally generated in a second quarter of the calendar year.

PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six month periods ended 30 June 2015

(all amounts in PLN thousand)

6. Finance income and costs

6.1 Recognised in profit or loss for the period:

	1 Jan – 30 Jun 2015	1 Jan– 30 Jun 2014	1 Apr– 30 Jun 2015	1 Apr– 30 Jun 2014
Finance income				
Interest income	727	347	142	222
Net foreign exchange gains (non-operating)	127	10	-	-
Gains on forward contracts	394	542	-	460
Other finance income	668	-	-	-
	<u>1,916</u>	<u>899</u>	<u>142</u>	<u>682</u>
Finance costs				
Interest expense	(4,939)	(8,356)	(1,898)	(4,039)
Losses on forward contracts	-	(34)	-	-
Loss on sale of subsidiary	(688)	-	(688)	-
Other finance costs	(198)	(242)	(118)	(24)
	<u>(5,825)</u>	<u>(8,632)</u>	<u>(2,704)</u>	<u>(4,063)</u>
Net finance costs of continuing operations	<u>(3,909)</u>	<u>(7,733)</u>	<u>(2,562)</u>	<u>(3,381)</u>

On 30 April 2015, Pfleiderer Grajewo S.A. sold 100% shares of its subsidiary Grajewo OOO. The sale price was 4 PLN (1 EUR) and the loss on sale of subsidiary amounted to PLN 688 thousand.

6.2 Recognised in other comprehensive income:

	1 Jan– 30 Jun 2015	1 Jan – 30 Jun 2014	1 Apr – 30 Jun 2015	1 Apr – 30 Jun 2014
Cash flow hedge - effective portion of changes in fair value	7,539	1,086	(4,651)	413
Cash flow hedge – reclassified to profit or loss	(4,259)	(779)	(2,773)	(562)
	<u>3,280</u>	<u>307</u>	<u>(7,424)</u>	<u>(149)</u>

The amount of PLN 5,075 thousand relates to realized income on forward contracts and was presented as other income (out of which PLN 4,259 thousand was reclassified to profit and loss from other comprehensive income). The remaining amount of PLN 816 thousand was directly recognised in profit and loss as it relates to the result on forward contracts concluded by a subsidiary Silekol Sp. z o.o. which did not apply hedge accounting.

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six month periods ended 30 June 2015

(all amounts in PLN thousand)

7. Property, plant and equipment

In 2015 the Group continues a long-term investment programme designed to align its production capacities to market needs and to enhance its cost effectiveness and productivity. The capital expenditures for the six months period ended 30 June 2015 were PLN 18,742 thousand.

As at 30 June 2015, the Group possessed purchase commitments for the tangible and intangible fixed assets. These commitments relate to the signed agreements by the members of the Group due to the future investments perspectives i.e. a boiler for biomass as well as a wrapping line for kitchen countertops)

	<u>30 Jun 2015</u>	<u>31 Jun 2014</u>
Commitment to purchase	39,934	17,291
- <i>tangible fixed assets</i>	39,729	17,062
- <i>intangible fixed assets</i>	205	229

8. Income tax expense

Tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

9. Trade and other receivables

	<u>30 Jun 2015</u>	<u>31 Dec 2014</u>
Trade receivables	94,937	41,719
Trade receivables from related parties	41,268	36,724
Current prepayments and accrued income	4,920	6,418
Current VAT receivables	8,896	16,422
Receivables related to discontinued operations	-	19,180
Other receivables	3,710	2,445
Total	<u>153,731</u>	<u>122,908</u>

10. Equity

	<u>30 Jun 2015</u>	<u>31 Dec 2014</u>
Par value of share capital	16,376	16,376
Number of shares at beginning of period (fully paid up)	49,624,000	49,624,000
Number of shares at end of period (fully paid up)	49,624,000	49,624,000
Par value per share (PLN)	0.33	0.33
	<u>1 Jan – 30 Jun 2015</u>	<u>1 Jan – 30 Jun 2014</u>
Earnings per share attributable to owners of the Company (PLN)	1.21	1.01

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six month periods ended 30 June 2015

(all amounts in PLN thousand)

All shares issued by the Group are ordinary shares. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares entitle to the same rights to share in the distribution, if any, of the Company's assets.

Pfleiderer Grajewo S.A. (the Parent) is a subsidiary of Pfleiderer Service GmbH, which holds 65.11% of the shares in Parent Company's ordinary capital. In the period from 1 January 2015 to 30 June 2015, the number of the Company shares held by its shareholder, Pfleiderer Service GmbH, did not change. The ultimate controlling party of Pfleiderer Grajewo S.A. is Mr. Berthold Brinkmann..

Statutory reserve funds

In 2015, the Group transferred PLN 60,549 thousand from its 2014 net profit to statutory reserve funds.

Dividends

In accordance with the Shareholder's Resolution taken in the first half of the year no dividend is to be paid for the financial year 2014.

11. Borrowings and other debt instruments

	<u>30 Jun 2015</u>	<u>31 Dec 2014</u>
Non-current liabilities		
Non-current portion of interest-bearing bank borrowings	51,776	63,696
Total	<u>51,776</u>	<u>63,696</u>
Current liabilities		
Overdraft facility payable within 12 months from the reporting date	215	22,955
Current portion of interest-bearing bank borrowings	21,700	21,700
Total	<u>21,915</u>	<u>44,655</u>

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six month periods ended 30 June 2015

(all amounts in PLN thousand)

Bank loans

As at 30 June 2015, liabilities under bank borrowings were PLN 73,691 thousand, (as at 31 December 2014, were PLN 108,351 thousand). All credit lines used by the Group bear variable interest equal to WIBOR plus margin. In the period from 1 January to 30 June 2015, the Pfleiderer Grajewo S.A. and the subsidiaries: Pfleiderer Prospan S.A. and Silekol Sp. z o.o. paid all their liabilities from overdraft facilities from 31 January 2015 in amount of PLN 6,672 thousand. Pfleiderer MDF Sp. z o.o., a subsidiary, paid its liabilities from multi-purpose facilities in amount of PLN 10,970 thousand as well as two instalments of the investment loan of PLN 11,920 thousand.

Terms and repayment schedules of the bank borrowings as at 30 June 2015 and 31 December 2014:

Lender	Currency	Interest rate	Maturity date	Security	Credit limit	30 Jun 2015		31 Dec 2014	
						Current portion	Non-current portion	Current portion	Non-current portion
Millennium S.A.	PLN	1M WIBOR + margin	25 Jun 2018	mortgage	75,000	-	-	2,373	-
Millennium S.A.	PLN	1M WIBOR + margin	25 Jun 2016	mortgage	25,000	-	-	2,582	-
Alior Bank S.A.	PLN	1M WIBOR + margin	25 Jun 2018	mortgage	75,000	-	-	826	-
Alior Bank S.A.	PLN	1M WIBOR + margin	25 Jun 2016	mortgage	25,000	-	-	868	-
Bank Zachodni WBK S.A.	PLN	1M WIBOR + margin	25 Jun 2018	mortgage	45,000	-	-	-	-
Bank Zachodni WBK S.A.	PLN	1M WIBOR + margin	25 Jun 2016	mortgage	15,000	-	-	2,396	-
Bank Ochrony Środowiska S.A.	PLN	1M WIBOR + margin	25 Jun 2018	mortgage	40,000*)	-	-	2,725	-
PKO Bank Polski S.A.	PLN	1M WIBOR + margin	31 Aug 2015	mortgage, registered pledge, assignments	54,000	215	-	11,185	-
PKO Bank Polski S.A.	PLN	3M WIBOR + margin	15 Oct 2018	pledge, assignments	-	21,700	51,776	21,700	63,696
					354,000	21,915	51,776	44,655	63,696

*) On 26 June 2017, total limit under overdraft facility shall be decreased to the amount of PLN 30,000 thousand.

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six month periods ended 30 June 2015

(all amounts in PLN thousand)

On 26 and 27 June 2013, the Pfleiderer Grajewo S.A. 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 Company and its subsidiaries. As of 30 June 2015, the undrawn amount of these credit facilities is PLN 293,700 thousand.

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 term of multi-purpose facility agreement was extended until 31 May 2018.

Liabilities under borrowings from related parties

As at 30 June 2015 and 31 December 2014, the Group did not carry any borrowings from related parties.

12. Trade and other payables

	<u>30 Jun 2015</u>	<u>31 Dec 2014</u>
Trade payables	140,663	125,260
Trade payables to related parties	5,406	4,886
Liabilities under factoring agreements	36,909	42,811
VAT liabilities	-	809
Liabilities for capital expenditures	7,243	18,374
Liabilities from derivatives (forward contracts)	692	394
Prepaid deliveries	1,186	2,096
Other liabilities	10,248	11,656
Total	<u>202,347</u>	<u>206,289</u>

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six month periods ended 30 June 2015

(all amounts in PLN thousand)

13. Financial instruments

13.1. Fair value of financial assets and liabilities

The fair value of financial assets and liabilities approximate their carrying amounts as at 30 June 2015 and 31 December 2014.

13.2 Valuation of financial assets and liabilities at fair value

As at 30 June 2015, the Group held 28 open forward contracts with exposure amounting to EUR 52,090 thousand. The fair value of the open contracts amounted to PLN 3,786 thousand (level 2).

As at 31 December 2014, the Group hold 33 open forward contracts with exposure amounting to EUR 70,880 thousand. The fair value of the open contracts amounted to PLN 819 thousand (level 2).

14. Contingent liabilities and security

14.1. Security

As at 30 June 2015, properties with a carrying amount of PLN 346,121 thousand (as at 31 December 2014: PLN 353,588 thousand) were subject to a registered debenture that forms security for bank loans.

14.2. Contingent liabilities

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., Pfeleiderer Grajewo S.A. and Pfeleiderer 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 Pfeleiderer Grajewo S.A. and/or Pfeleiderer 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.

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended to 30 June 2015

(all amounts in PLN thousand)

15. Material related parties transactions

Transactions with related parties which are Group entities:

Entity	1 Jan – 30 Jun 2015					
	Sale of products, materials and merchandise	Sale of services	Other costs	Purchases of products, raw materials and merchandise	Payments of royalties under licence agreements	Purchase of services
Pfleiderer Service GmbH	-	-	-	-	-	-
Pfleiderer GmbH	-	11	-	-	2,694	-
Pfleiderer Holzwerkstoffe GmbH & Co.KG	756	-	61	8,762	-	231
Pfleiderer Neumarkt GmbH	22,873	-	-	-	-	-
Pfleiderer Leutkirch GmbH	3,514	-	22	-	-	-
Pfleiderer Gutersloh GmbH	13,801	-	-	-	-	429
Pfleiderer Industrie Limited	-	-	-	-	-	3
Pfleiderer B.V.	-	-	-	-	-	13
Jura Speditions GmbH	-	706	-	-	-	2,725
Pfleiderer Amsberg GmbH	3,02	1	-	-	-	16
Pfleiderer Baruth GmbH	21,218	-	597	-	-	-
Pfleiderer France S.A.S.	-	-	-	-	-	-
Total	65,182	718	680	8,762	2,694	3,417

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP**Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended to 30 June 2015**

(all amounts in PLN thousand)

Entity	1 Jan – 30 Jun 2014					
	Sale of products, materials and merchandise	Sale of services	Other income	Purchases of products, raw materials and merchandise	Payments of royalties under licence agreements	Purchase of services
Pfleiderer Service GmbH	-	-	-	-	-	49
Pfleiderer GmbH	-	-	-	-	2,674	-
Pfleiderer Holzwerkstoffe GmbH & Co.KG	1,830	-	145	10,729	-	128
Pfleiderer Neumarkt GmbH	13,262	-	-	-	-	-
Pfleiderer Leutkirch GmbH	2,089	-	-	91	-	-
Pfleiderer Gutersloh GmbH	8,584	-	-	-	-	424
Pfleiderer Industrie Limited	-	-	-	-	-	3
Pfleiderer B.V.	-	-	-	-	-	-
Jura Speditions GmbH	-	1	-	-	-	1,865
Pfleiderer Amsberg GmbH	84	-	-	14	-	-
Pfleiderer Baruth GmbH	23,912	-	-	-	-	-
Pfleiderer France S.A.S.	-	-	-	-	-	1
Total	49,761	1	145	10,834	2,674	2,470

All related-party transactions were executed on an arm's length basis.

No security was created for any outstanding receivables, and all such receivables will be settled in cash. No guarantees were issued to or received from related parties. In the reporting period, no costs related to doubtful or non-performing receivables under related-party transactions were recognised.

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP**Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended to 30 June 2015**

(all amounts in PLN thousand)

Related party intercompany balances:

Entity	30 Jun 2015			31 Dec 2014		
	Trade receivables	Trade payables	Liabilities for capital expenditures	Trade receivables	Trade payables	Liabilities for capital expenditures
Pfleiderer GmbH	12	1,076	-	-	1,265	-
Pfleiderer Holzwerkstoffe GmbH & Co. KG	95	3,062	524	-	2,922	533
Pfleiderer Neumarkt GmbH	13,289	-	-	8,010	-	-
Pfleiderer Leutkirch GmbH	2,182	22	-	2,386	-	-
Pfleiderer Gütersloh GmbH	9,715	75	-	8,298	52	-
Pfleiderer B.V.	-	7	-	-	-	-
Jura Speditions GmbH	336	667	-	-	647	-
Pfleiderer Amsberg GmbH	1,863	-	-	314	-	-
Pfleiderer Baruth GmbH	13,776	497	-	-	-	-
Kunz Faserplattenwerk Baruth GmbH	-	-	-	17,716	-	-
Total	41,268	5,406	524	36,724	4,886	533

The notes on pages 9 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWÓ GRUPO

Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended to 30 June 2015

(all amounts in PLN thousand)

Remuneration of key management personnel

Remuneration of members of the Parent's Management Board as well as Parent's Supervisory Board, including bonuses, paid and payable for the reporting period:

	<u>1 Jan – 30 Jun 2015</u>	<u>1 Jan – 30 Jun 2014</u>
Remuneration of Management Board	1,116	1,449
Remuneration of Supervisory Board	<u>297</u>	<u>312</u>
	<u>1,413</u>	<u>1,761</u>

In addition, members of the Parent's Management Board received the following remuneration for holding management positions at Pfleiderer Prospan S.A.:

	<u>1 Jan – 30 Jun 2015</u>	<u>1 Jan – 30 Jun 2014</u>
Remuneration of Management Board	<u>1,102</u>	<u>984</u>
	<u>1,102</u>	<u>984</u>

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, under a loan taken out in 1997 from the Privatisation Fund to finance purchase of Prospan shares, (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.

As at 30 June 2015 members of the Management and Supervisory Boards held the following number of Pfleiderer Grajewo shares:

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

In addition, on 4 July 2015 Chairman of the Supervisory Board Mr Paolo G. Antonietti purchased 4,000 Company shares.

The other members of Parent's Management Board had no outstanding loan-related debt towards the Group.

PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended to 30 June 2015

(all amounts in PLN thousand)

16. Events subsequent to the end of the reporting period

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

PFLEIDERER GRAJEWO GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended to 30 June 2015

(all amounts in PLN thousand)

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

Ewa Stańska

Person responsible for the accounting records

Grajewo, 7 August 2015