

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report Qsr 3 / 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 3rd quarter of the financial year 2015, covering the period from January 1st to September 30th 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: November 12th 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	
	3 quarter cumulative / 2015 Jan 1-Sep 30 2015	3 quarter cumulative / 2014 Jan 1-Sep 30 2014	3 quarter cumulative / 2015 Jan 1-Sep 30 2015	3 quarter cumulative / 2014 Jan 1-Sep 30 2014
	Condensed consolidated financial statements data			
I. Sales revenue	1 160 746	1 148 961	279 126	274 851
II. Operating profit/(loss)	108 380	106 369	26 062	25 445
III. Profit/(loss) before tax	102 789	95 124	24 718	22 755
IV. Net profit	82 430	75 903	19 822	18 157
V. Net profit attributable to equity holders of the parent	82 430	75 903	19 822	18 157
VI. Net cash provided by (used in) operating activities	110 838	157 629	26 653	37 708
VII. Net cash provided by (used in) investing activities	-56 141	-97 097	-13 500	-23 227
VIII. Net cash provided by (used in) financing activities	-51 947	-50 958	-12 492	-12 190
IX. Total net cash flow	2 750	9 574	661	2 290
X. Total assets	1 278 634	1 216 993	301 664	285 525
XI. Liabilities	437 929	460 623	103 319	108 069
XII. Non-current liabilities	157 556	176 518	37 172	41 414
XIII. Current liabilities	280 373	284 105	66 148	66 655
XIV. Equity	840 705	756 370	198 345	177 456
XV. Share capital	16 376	16 376	3 864	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)	1,66	1,53	0,40	0,37
XIX. Diluted earnings per ordinary share (PLN/EUR)	1,66	1,53	0,40	0,37
XX. Book value per share (PLN/EUR)	16,94	15,24	4,00	3,58
XXI. Diluted book value per share (PLN/EUR)	16,94	15,24	4,00	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	468 140	490 958	112 574	117 446
XXIV. Operating profit/(loss)	25 353	30 412	6 097	7 275
XXV. Profit/(loss) before tax	66 772	59 662	16 057	14 272
XXVI. Net profit/(loss)	62 767	55 441	15 094	13 262
XXVII. Net cash provided by (used in) operating activities	39 927	64 429	9 601	15 413
XXVIII. Net cash provided by (used in) investing activities	39 496	-43 322	9 498	-10 363
XXIX. Net cash provided by (used in) financing activities	-70 074	-15 565	-16 851	-3 723
XXX. Total net cash flow	9 349	5 542	2 248	1 326
XXXI. Total assets	1 104 288	1 084 496	260 531	254 439
XXXII. Liabilities	355 146	399 705	83 789	93 777
XXXIII. Non-current liabilities	9 240	10 991	2 180	2 579
XXXIV. Current liabilities	345 906	388 714	81 609	91 198
XXXV. Equity	749 142	684 791	176 743	160 662
XXXVI. Share capital	16 376	16 376	3 864	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)	1,26	1,12	0,30	0,27
XL. Diluted earnings per ordinary share (PLN/EUR)	1,26	1,12	0,30	0,27
XLI. Book value per share (PLN/EUR)	15,10	13,80	3,56	3,24
XLII. Diluted book value per share (PLN/EUR)	15,10	13,80	3,56	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 31.09.2015
column.2 - for 31.12.2014
column.3 - for 31.09.2015
column.4 - for 31.12.2015

Letter from the President of the Management Board

Ladies and Gentlemen,

In the first nine months of 2015, the Pfleiderer Grajewo Group maintained revenues and demonstrated a strong financial performance in comparison to the first nine months of 2014. This was supported by stable demand in the domestic furniture manufacturing market, and was despite weakened demand in the markets east of Poland resulting primarily from geopolitical instability and deteriorating economic conditions in those regions, as well as increased competition from manufacturers in those regions prompted by devaluation of local currencies.

In the first three quarters of 2015, our revenues amounted to PLN 1,160.7m, slightly above the level posted in the same period last year (PLN 1,149.0m). The demanding situation in the Group's export markets influenced a change of product mix and a decline of some product prices. Nonetheless, the Group saw a substantial upswing in the volume of MFC sold, representing strong growth in the Group's value-added products' share of total sales volume. Prices for key raw materials (wood, resin and paper) decreased during the period, while the cost of energy increased. The available capacities at our key production lines were almost fully utilised, permitting an efficient distribution of fixed costs. These developments resulted in stable margin levels when compared to the first nine months of 2014.

The Group's results of operations in the first nine months of 2015 remained stable compared to the first nine months of 2014. EBIT reached almost PLN 108.4m, which constitutes an increase of 2% when compared to the first three quarters of 2014. This result reflects our 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 and distribution network. Non-recurring advisory and efficiency programs costs for the first nine months of 2015 amounted to PLN 11.6m, as compared to PLN 5.9m in first three quarters of 2014. These expenditures are intended to enable the Group to unlock further synergies in the future. Net profit attributable to majority shareholders amounted to PLN 82.4m, an increase of 9% when compared to the same period of the prior year, mainly due to reduced debt servicing cost.

The Group continues to pursue a long-term investment programme intended to upgrade its plants, better align its production capacities with market demands, and generate cost efficiencies. Capital expenditure totalled PLN 61.2m in the first nine months of 2015, with a significant portion of the Group's CapEx budget remaining to be spent in the fourth quarter of the year. During the third quarter of 2015, the Group also decided to invest in expanding its range of lacquered, sanded and customized product variants at our MDF plant in Grajewo. The new capital investment is expected to significantly expand our capacity for and range of value-added products and is intended to diversify the Group's product portfolio by increasing the higher margin products' share of total sales volume. The Group also has plans to increase capacity on its existing lines in order to serve expected growing market demand in the near term.

Before the end of the first quarter of 2016, we intend to complete the acquisition of all shares of Pfeiderer GmbH, in order to continue building multi-level cooperation within the Pfeiderer Group, to provide increased integration of the organisational structures and harmonisation of internal processes and to unlock the potential for further synergies from joint operations. We expect further integration of the Group to result in improved competitiveness in the market, an increase in our value-added products offering, and to serve as a basis for selective geographical expansion. The integration process is also intended to further improve the financial performance of the Pfeiderer Grajewo Group companies.

Yours faithfully,

Michael Wolff
President of the Management Board



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INDEPENDENT AUDITORS' REPORT
ON REVIEW OF THE UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS FOR
THE THREE AND NINE MONTH PERIODS ENDED
30 SEPTEMBER 2015 AND 30 SEPTEMBER 2014

To the Shareholders of Pfeiderer Grajewo S.A.

Introduction

We have reviewed the accompanying 30 September 2015 and 30 September 2014 unaudited condensed consolidated interim financial statements of Pfeiderer Grajewo S.A. and subsidiaries (the "Group"), with its registered office in Grajewo, ul. Wiórowa 1 ("the unaudited condensed consolidated interim financial statements"), which comprise:

- the unaudited interim condensed consolidated statement of financial position as at 30 September 2015 and 30 September 2014,
- the unaudited interim condensed consolidated statements of profit and loss and other comprehensive income for the three and nine month periods ended 30 September 2015 and 30 September 2014,
- the unaudited interim condensed consolidated statement of changes in equity for the nine-month periods ended 30 September 2015 and 30 September 2014,
- the unaudited interim condensed consolidated statement of cash flows for the nine-month periods ended 30 September 2015 and 30 September 2014, and
- notes to the unaudited interim condensed consolidated financial statements.

Management of the Group is responsible for the preparation and presentation of these unaudited condensed consolidated interim financial statements in accordance with the IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on these unaudited condensed consolidated interim financial statements, based on our review.

Scope of Review

We conducted our review in accordance with the National Standard on Auditing no. 3 *General principles of review of the financial statements/condensed financial statements and conducting of other assurance services* issued by the National Council of Certified Auditors and the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with national standards on auditing and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed consolidated interim financial statements of Pfeiderer Grajewo S.A. as at 30 September 2015 and 30 September 2014 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
registration number 3546
ul. Inflancka 4A, 00-189 Warsaw



.....
Monika Bartoszewicz
Key Certified Auditor
Registration No. 10268
Limited Liability Partner with power of attorney

12 November 2015

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

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

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

	1 Jan – 30 Sep 2015	1 Jan – 30 Sep 2014	1 Jan – 30 Sep 2015	1 Jan – 30 Sep 2014
	PLN '000		EUR '000	
Revenue	1,160,746	1,148,961	279,126	274,851
Results from operating activities	108,380	106,369	26,062	25,445
Profit before taxes	102,789	95,124	24,718	22,755
Profit of the period attributable to shareholders of the Company	82,430	75,903	19,822	18,157
Net cash provided by operating activities	110,838	157,629	26,653	37,708
Net cash (used in) investing activities	(56,141)	(97,097)	(13,500)	(23,227)
Net cash (used in) financing activities	(51,947)	(50,958)	(12,492)	(12,190)
Total cash flow	2,750	9,754	661	2,290
Basic earnings per share (PLN/EUR)	1.66	1.53	0.40	0.37
Diluted earnings per share (PLN/EUR)	1.66	1.53	0.40	0.37
PLN/EUR average exchange rate			4.1585	4.1803

	30 Sep 2015	31 Dec 2014	30 Sep 2015	31 Dec 2014
	PLN '000		EUR '000	
Total assets	1,278,634	1,216,993	301,664	285,525
Total liabilities	437,929	460,623	103,319	108,069
Non-current liabilities	157,556	176,518	37,172	41,414
Current liabilities	280,373	284,105	66,148	66,655
Total equity	840,705	756,370	198,345	177,456
Share capital	16,376	16,376	3,864	3,842
Number of shares	49,624,000	49,624,000	49,624,000	49,624,000
Book value per share (PLN/EUR)	16.94	15.24	4.00	3.58
PLN/EUR exchange rate as at the reporting date			4.2386	4.2623

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

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 September 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 steadily, attempting to enter 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.

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

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.

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.

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

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.

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.

2.1. Skład osobowy Zarządu oraz Rady Nadzorczej Jednostki Dominującej oraz zmiany w okresie sprawozdawczym

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

1. Paolo G. Antonietti	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

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

- | | | |
|----|--------------------|---------------------------------|
| 6. | Christoph Mikulski | Member of the Supervisory Board |
| 7. | Gerd Hammerschmidt | 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 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 Pfleiderer 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 Sep 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 Services Sp. z o.o.	Grajewo	100%	100%

Equity-accounted jointly-controlled entities:

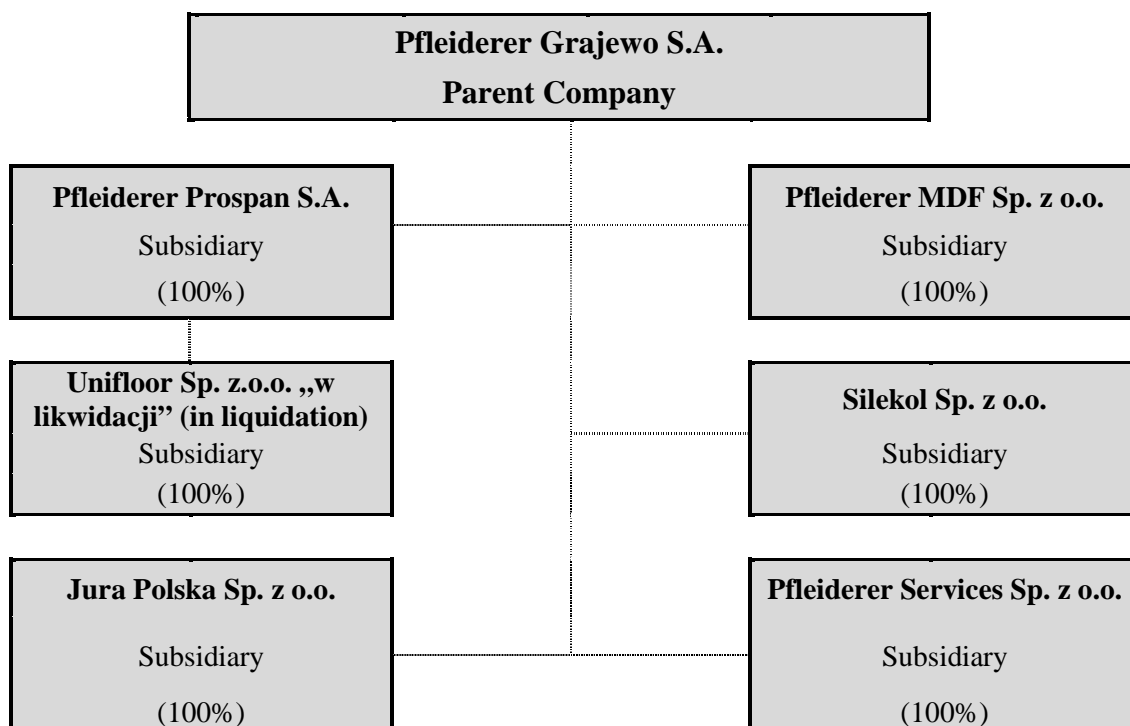
8.	Blitz 11-446 GmbH	Neumarkt	50%	50%
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re 5. indirectly through Pfleiderer Prospan S.A.

re 6. sale of shares on 30 April 2015.

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

Structure of the Group as at 30 September 2015:



As at 30 September 2015, Pfeiderer Grajewo S.A. is a subsidiary of Pfeiderer 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, Pfeiderer Grajewo S.A. sold a 100% equity interest of Grajewo OOO. The sale price was 4 PLN (1 EUR).

4. Pfeiderer Grajewo S.A. shareholders structure

Shareholding structure	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM
Pfeiderer 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, Pfeiderer Service GmbH, did not change.

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

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

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

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 (all amounts in PLN thousand):

	<u>30 Sep 2015</u>	<u>31 Dec 2014</u>
Equity (attributable to owners of the Company)	840,705	756,370
Total equity	840,705	756,370
Non-current liabilities	157,556	176,518
Long-term capital (total equity + non-current liabilities)	998,261	932,888
Current liabilities	280,373	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 September 2015, the Group's liabilities under bank borrowings were PLN 68,063 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

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receivables are sold to PEKAO Faktoring Sp. z o.o. and BZ WBK Faktor Sp. z o.o. This financing facility is available for Pfeleiderer Grajewo S.A., Pfeleiderer MDF Sp. z o.o., Pfeleiderer 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 Pfeleiderer Grajewo Group comprises mainly loans advanced by Pfeleiderer Grajewo S.A. to its subsidiary Pfeleiderer MDF Sp. z o.o. as well as short-term bond program (commercial papers). The bonds are usually issued by Pfeleiderer Grajewo S.A. and purchased by Pfeleiderer 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 September 2015 amounted to PLN 1,160,746 thousand and increased by 11,785 thousand i.e. 1.03% as compared to the same period of the previous year.

The table below presents revenues by product group:

all amounts in PLN thousand

	1 Jan – 30 Sep 2015	% share	1 Jan – 30 Sep 2014	% share
Revenue from sale of products	1,121,126	96.6%	1,110,376	96.7%
Chipboard (<i>raw boards, melamine-faced boards, fibre mats, MFP</i>)	604,676	52.1%	603,911	52.6%
MDF boards, (<i>raw MDF, enamelled MDF, fibre mats</i>)	225,938	19.5%	237,875	20.7%
Glues (<i>basic resin, specialised resin</i>)	227,363	19.6%	193,313	16.8%
Other (<i>films, foils, edge banding, packaging, and other</i>)	63,149	5.4%	75,277	6.6%
Revenue from sale of merchandise and materials	7,886	0.7%	10,172	0.9%
Materials	4,296	0.4%	5,248	0.5%
Merchandise	3,590	0.3%	4,924	0.4%
Revenue from rendering of services	31,734	2.7%	28,413	2.5%
Total sales	1,160,746	100.0%	1,148,961	100.0%

In the analysed period, sales of products increased by 0.97%. Percentage share of sales of chipboard remained at a similar level, while the decline in the percentage of sales of MDF boards and other products was offset by an increase in sales of glue resins and other chemical products.

The operating profit of the Group for the period from 1 January to 30 September 2015 of PLN 108,380 thousand and increased by PLN 2,011 thousand as compared to the last comparable period. Increase was determined by an increase in other operating income which was partly compensated by an increase of general and administrative expenses and other operating expenses. Profit on sales remained at a similar level.

The increase of net profit of PLN 6,527 thousand to PLN 82,430 thousand is mainly determined by the lower financial costs in the analysed nine months period.

6.3. Group's HR and payroll issues

As at 30 September 2015, the employment of the Group was 1,260 including management as well as employees hired based on managerial agreements or appointed by the Supervisory Board (as at 31 December 2014 1,267 employees).

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

	<u>30 Sep 2015</u>	<u>31 Dec 2014</u>
Employees directly involved in production	657	666
Employees indirectly involved in production	272	272
Administration, office and other employees	331	329
Total	<u>1,260</u>	<u>1,267</u>

Remuneration paid and payable for the reporting period to members of the Parent's Management Board, including bonuses, amounted to PLN 2,506 thousand. In addition, members of the Parent's Management Board received remuneration at Pfleiderer Prospan S.A., of PLN 1,657 thousand.

The managerial contract between Pfleiderer Grajewo S.A. and Wojciech Gątkiewicz, a member of the Management Board, was concluded for the period ended 31 December 2016. Based on the agreement Wojciech Gątkiewicz is entitled to get remuneration for the period until 31 December 2016. In the case of termination of the contract prior to December 31, 2016 Wojciech Gątkiewicz will be entitled to 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 September 2015 amounted to PLN 507 thousand.

As at 30 September 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 the 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 September 2015 and for the period from 1 January to 30 September 2015, see Note 15 in supplementary notes to the interim condensed consolidated financial statements of the Pfleiderer Grajewo Group.

In the period from 1 January to 30 September 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 September 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 September 2015, the Group's debt outstanding under this facility was PLN 68,051 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 September 2015 amounted to PLN 54,000 thousand. As at 30 September 2015, the amount outstanding under the facility was PLN 0 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 11 of supplementary notes to the interim condensed consolidated financial statements of the Group.

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

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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 September 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 September 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 nine months period of 2015, the Group entered into a number of EUR/PLN forward contracts to hedge against currency risk related to planed trade transactions (sale of products, purchase of raw materials, capital expenditures in foreign currencies). As at 30 September 2015, the Group possessed 26 open EUR/PLN forward contracts with an exposure amounting to EUR 48,120 thousand. The fair value of the open contracts amounted to PLN 2,659 thousand (level-2). In nine months period of 2015, gains on realized forward contracts amounted to PLN 5,545 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 September 2015, the Pfleiderer Grajewo Group possessed debt under bank borrowings of PLN 68,083 thousand and on the same time, it also had undrawn credit facilities of PLN 339,976 thousand. In addition, the Group also held cash of PLN 21,262 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

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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 September 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 September 2015, the Group's debt under the investment facility amounted to PLN 68,051 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 September 2015, the Group's debt under the multi-purpose credit facility amounted to PLN 0 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 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

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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 30 September 2015 no provision has been recognized by the Group in these condensed interim consolidated financial statements.

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.

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As part of the transaction on 5 October 2015 the Company and Atlantik S.A. entered into a conditional agreement to acquire sole shareholding in Pfleiderer GmbH with the nominal value of EUR 30,000 thousand, representing 100% of the share capital of Pfleiderer GmbH and entitling to 100% votes at the shareholders meeting.

The reorganization of the Group is also intended to include:

- a public offering of newly issued shares of the Company;
- selling by Pfleiderer Service GmbH a number of existing shares of the Company together with the newly issued shares held by Pfleiderer Service GmbH in the context of a private placement; and
- selling by Pfleiderer Services to Atlantik all the shares held by Pfleiderer Service GmbH, after settlement of a private placement.

In connection with the reorganization, the Group has obtained the votes of holders of Senior Secured Notes issued by Pfleiderer GmbH with an interest rate of 7.875% in connection with certain changes and amendments connected with documentation relating to the financing of the Pfleiderer Group, and has refinanced the current debt of certain entities belonging to the Core West segment of the Pfleiderer Group.

Due to the planned reorganization of the Group, on 5 October 2015, the Company and other companies from the Group, i.e. Pfleiderer GmbH, Pfleiderer Service GmbH, Pfleiderer Holzwerkstoffe GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH, JURA Spedition GmbH, Pfleiderer Vermögensverwaltung GmbH & Co. KG, Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. entered into the amendment agreement relating to the super senior revolving credit facility agreement, dated 4 July 2014 with Commerzbank Aktiengesellschaft, Deutsche Bank AG Filiale Deutschlandgeschäft, KfW, BNP Paribas S.A. Niederlassung Deutschland, Powszechna Kasa Oszczędności Bank Polski S.A., Alior Bank S.A., Bank Zachodni WBK S.A., Bank Millennium S.A. (as mandated lead arrangers), Commerzbank International S.A. (as facility agent) and Commerzbank Aktiengesellschaft, Filiale Luxemburg (as security agent).

All of the amendments to the revolving credit facility are subject to and will become effective substantially concurrently with the completion of the corporate reorganization (ie., among others, after registration of the capital increase with the new issue of Company's shares and the finalization of the acquisition by the Company of shares in Pfleiderer GmbH), but not later than 31 March 2016. Upon the effective date, Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. (in addition to Pfleiderer GmbH and Pfleiderer Holzwerkstoffe GmbH) will become borrowers under the revolving credit facility agreement.

Pursuant to the Revolving Credit Facility Agreement an additional tranche of PLN 200 million will be added to the actual amount of EUR 60 million of the revolving credit facility. The termination date of the credit facility is 30 April 2019. Borrowings under the Revolving Credit Facility Agreement will be used to finance the general corporate and working capital purposes of the Pfleiderer Group. The Revolving Credit Facility Agreement bears interest at a rate per annum equal to EURIBOR or WIBOR increased by a variable margin depends on the ratio of net financial debt to EBITDA.

The liabilities under the revolving credit facility agreement are guaranteed by Pfleiderer GmbH, Pfleiderer Service GmbH, Pfleiderer Holzwerkstoffe GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH, JURA-Spedition GmbH and Pfleiderer Vermögensverwaltung GmbH & Co. KG. With effect from the effective date, the revolving credit facility agreement will be also guaranteed by Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o.

Moreover, in order to secure the revolving credit facility agreement, on 21 October 2015 the Company and its subsidiaries i.e. Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. entered into agreements and undertook certain actions in relation to the establishment of collateral. The collateral secures the claims due to Commerzbank Aktiengesellschaft, Filiale Luxemburg, as the security agent pursuant to the revolving credit facility agreement with principal amount of up to EUR 60 million and up to PLN 200 million plus interest, certain fees and hedging liabilities and due to senior secured notes issued by Pfleiderer GmbH on

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7 July 2014 for principal amount of EUR 321.7 million, due in 2019. Thus, liabilities under the revolving credit facility agreement will be secured by the same security as bonds.

Pfleiderer Grajewo and its subsidiaries, ie. Pfleiderer Prospan SA, Pfleiderer MDF Sp. z o.o. and Silekol Sp. z o.o. and the security agent executed and signed agreements and other documents including establishment of the following Collateral: (i) the financial and registered pledges over shares (representing 100% of the share capital), of, respectively, Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o.; (ii) the powers of attorney to exercise corporate rights from the pledged shares in, respectively, Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. held by the Company; (iii) the financial and registered pledges over receivables under bank account agreements; (iv) the powers of attorney to block and disburse the funds from bank accounts; (v) the registered pledge over assets (whole business, including trademarks); (vi) the security assignment over receivables under insurance policies and material contracts (including intercompany loan agreements); and (vii) the mortgages on real estate properties on which production facilities are located.

On 22 October 2015 Extraordinary General Shareholders' Meeting adopted a resolution on the authorization to purchase treasury shares. Based on the above resolution, the Company, in order to stabilize the price of shares and rights to shares in connection with the public offering of series E shares, is entitled to purchases of treasury shares or rights to treasury shares from the entity (or entities) responsible for stabilization efforts of shares or rights to shares in a number not exceeding 15% of the final number of newly issued series E shares in the Company, but not more than 4,000,000. The Company's treasury shares purchased by the Company pursuant to the above-mentioned authorization may be designated for resale, offering to authorized persons under the Company's incentive scheme or redemption. In order to finance the acquisition of the shares or rights to shares the General Shareholders' Meeting resolves to establish a capital reserve, to which the amount of PLN 140,000,000 out of the Company's supplementary capital is transferred.

The reorganization of the Group is intended to 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.

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

Management Board of Pfleiderer Grajewo S.A.

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, 12 November 2015

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

**THE PFLEIDERER GRAJEWO GROUP
UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED
30 SEPTEMBER 2015 AND 30 SEPTEMBER 2014**

PFLEIDERER GRAJEWO GROUP
Unaudited condensed consolidated interim financial statements for the three and nine
month periods ended 30 September 2015 and 30 September 2014

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The notes on pages 9 to 28 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 nine month periods ended 30 September 2015 and 30 September 2014**

(all amounts in PLN thousand)

Unaudited interim condensed consolidated statement of financial position

	<u>Note</u>	<u>30 Sep 2015</u>	<u>31 Dec 2014</u>	<u>30 Sep 2014</u>
Assets				
Property, plant and equipment	7	675,491	679,019	661,993
Intangible assets		4,437	2,665	2,155
Goodwill		107,829	107,829	107,829
Investments in jointly controlled entities		52	52	52
Other long-term investments		3,075	5,075	5,076
Investment property		3,860	3,860	3,995
Deferred tax assets		19,533	17,390	16,855
Advances paid on fixed assets		20,327	4,787	11,917
Government grant receivables		59,684	69,336	7,661
Fair value of hedging instruments		625	626	-
Non-current assets		894,913	890,639	817,533
Inventories		171,456	181,016	147,678
Trade receivables and other	9	182,752	122,908	133,647
Income tax receivable		585	984	89
Government grant receivables		3,286	-	-
Cash and cash equivalents		21,262	18,512	26,024
Fair value of hedging instruments		2,172	587	381
Other short term financial assets		2,208	2,347	2,244
Current assets		383,721	326,354	310,063
TOTAL ASSETS		1,278,634	1,216,993	1,127,596
Equity and liabilities				
Equity				
Share capital	10	16,376	16,376	16,376
Share premium		289,806	289,806	289,806
Statutory reserve funds		354,361	293,812	293,812
Reserves		3,279	1,374	765
Retained earnings		176,883	155,002	127,649
Total equity attributable to owners of the Company		840,705	756,370	728,408
Total equity		840,705	756,370	728,408
Liabilities				
Loans and borrowings	11	46,351	63,696	69,121
Employee related payables		10,986	10,986	8,020
Provisions		835	815	795
Deferred tax liabilities		15,410	13,674	14,427
Deferred income from government grants		83,974	87,347	28,529
Total non-current liabilities		157,556	176,518	120,892
Loans and borrowings	11	21,712	44,655	76,824
Income tax payable		3,328	5,320	5,162
Trade payables and other	12	228,285	206,289	175,144
Employee related payables		22,554	23,349	19,859
Deferred income from government grants		4,494	4,492	1,307
Total current liabilities		280,373	284,105	278,296
Total liabilities		437,929	460,623	399,188
TOTAL EQUITY AND LIABILITIES		1,278,634	1,216,993	1,127,596

The notes on pages 9 to 28 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 nine month periods ended 30 September 2015 and 30 September 2014

(all amounts in PLN thousand)

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

	Note	Nine months ended 30 Sep 2015	Nine months ended 30 Sep 2014	Three months ended 30 Sep 2015	Three months ended 30 Sep 2014
Revenue	4	1,160,746	1,148,961	374,269	371,306
Cost of sales		(933,832)	(921,955)	(300,546)	(295,872)
Profit on sales		226,914	227,006	73,723	75,434
Other income		20,610	7,072	6,676	2,156
Distribution expenses		(82,511)	(82,845)	(27,088)	(27,634)
General and administrative expenses		(47,290)	(40,441)	(17,268)	(12,852)
Other expenses		(9,343)	(4,423)	(5,103)	(1,001)
Results from operating activities		108,380	106,369	30,940	36,103
Financial income		2,020	1,150	104	251
Financial expenses		(7,611)	(12,395)	(1,786)	(3,763)
Net financing costs	6	(5,591)	(11,245)	(1,682)	(3,512)
Profit before taxes		102,789	95,124	29,258	32,591
Income tax expense	8	(20,359)	(19,221)	(6,754)	(6,611)
Net profit for the period		82,430	75,903	22,504	25,980
Other comprehensive income/(loss)					
Items that are or may be reclassified to profit or loss					
Exchange differences on translating foreign operations		458	(85)	0	(67)
Cash flow hedge – effective portion of changes in fair value		6,805	1,467	(734)	381
Cash flow hedge – reclassified to profit or loss		(5,358)	(1,152)	(1,099)	(373)
Other comprehensive income/(loss)		1,905	230	(1 833)	(59)
Total comprehensive income for the period		84,335	76,133	20,671	25,921
Profit for the period attributable to:					
Shareholders of the Company		82,430	75,903	22,504	25,980
Profit for the period		82,430	75,903	22,504	25,980
Total comprehensive income attributable to :					
Shareholders of the Company		84,335	76,133	20,671	25,921
Total comprehensive income for the period		84,335	76,133	20,671	25,921
Basic and diluted earnings per share (PLN)		1.66	1.53	0.45	0.52

The notes on pages 9 to 28 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 nine month periods ended 30 September 2015 and 30 September 2014**

(all amounts in PLN thousand)

Unaudited interim condensed consolidated statement of changes in equity**For the nine month period ended 30 September 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	-	-	-	-	-	-	82,430	82,430
Other comprehensive income	-	-	-	-	458	1,447	-	1,905
Total comprehensive income for the period	-	-	-	-	458	1,447	82,430	84,335
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 Sep 2015	16,376	289,806	354,361	619	-	2,660	176,883	840,705

The notes on pages 9 to 28 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 nine month periods ended 30 September 2015 and 30 September 2014**

(all amounts in PLN thousand)

For the nine month period ended 30 September 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	-	-	-	-	-	-	75,903	75,903
Other comprehensive income/(loss)	-	-	-	-	(85)	315	-	230
Total comprehensive income/(loss) for the period	-	-	-	-	(85)	315	75,903	76,133
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 Sep 2014	16,376	289,806	293,812	619	(169)	315	127,649	728,408

The notes on pages 9 to 28 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 nine month periods ended 30 September 2015 and 30 September 2014**

(all amounts in PLN thousand)

Unaudited interim condensed consolidated statement of cash flows

		Nine months ended 30 Sep 2015	Nine months ended 30 Sep 2014
Net profit for the reporting period	Note	82,430	75,903
Adjustments for:		40,840	65,551
Depreciation and amortisation		47,417	38,477
Foreign exchange gains		(5,690)	(1,581)
Interest for the period		6,091	11,718
Profit/(loss) on investing activities		(183)	711
Income tax disclosed in profit or loss of the period		20,359	19,221
Amortisation of government grants		(3,371)	(855)
Result on forward contracts	6.2	5,545	1,366
Increase in exchange differences on translating foreign operations		458	-
Other adjustments		586	36
Changes in:			
- trade and other receivables		(67,886)	(15,968)
- inventories		9,560	30,014
- trade and other payables		28,729	(15,424)
- employee benefit obligations		(795)	(2,173)
- provisions		20	9
Cash generated from operating activities		123,270	141,454
Interest received		121	221
Income tax (paid)/received		(12,553)	15,954
Net cash provided by operating activities		110,838	157,629
Cash flows from investing activities			
Disposal of property, plant and equipment		266	522
Income from disposal of discontinued operations		14,660	5,860
Interests received		347	216
Repayment/(granting) loan to other entities		2,000	(7,000)
Acquisition of intangible assets and property, plant and equipment		(73,414)	(96,695)
Net cash used in investing activities		(56,141)	(97,097)
Cash flows from financing activities			
Repayment of borrowings and other debt instruments		(40,288)	(20,868)
Increase of borrowings and other debt instruments		-	12,282
Acquisition of non-controlling interests		-	(30,341)
Prepaid costs related to the planned capital increase		(4,734)	
Interest paid		(6,925)	(12,031)
Net cash used in financing activities		(51,947)	(50,958)
Total cash flows		2,750	9,574
Increase in cash		2,750	9,574
Cash at beginning of the period		18,512	16,450
Cash at end of the period		21,262	26,024

The notes on pages 9 to 28 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 nine month periods ended 30 September 2015 and 30 September 2014

(all amounts in PLN thousand)

Notes to the unaudited interim condensed consolidated financial statements

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The notes on pages 9 to 28 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWÓ GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and nine month periods ended 30 September 2015 and 30 September 2014

(all amounts in PLN thousand)

1. General information

Pfleiderer Grajewo S.A. (the “Company”; the “Parent”) 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 12 November 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 Sep 2015	31 Dec 2014	30 Sep 2014
1. Pfleiderer Prospan S.A.	Wieruszów	100%	100%	100%
2. Silekol Sp. z o.o.	Kędzierzyn Koźle	100%	100%	100%
3. Pfleiderer MDF Sp. z o.o.	Grajewo	100%	100%	100%
4. Jura Polska Sp. z o.o.	Grajewo	100%	100%	100%
5. Unifloor Sp. z o.o. (in liquidation)	Wieruszów	100%	100%	100%
6. Grajewo OOO	Novgorod, Russia	0%	100%	100%
7. Pfleiderer Services Sp. z o.o.	Grajewo	100%	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%	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 28 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 nine month periods ended 30 September 2015 and 30 September 2014

(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.

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:

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).

IFRIC 21 - is an interpretation of IAS 37. The amendment particularly clarifies the question as to when a present obligation arises as a result of levies assessed by the public authorities and a provision or liability must be recognized.

The above changes did not have a material impact on the Group's consolidated financial statements.

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 28 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 nine month periods ended 30 September 2015 and 30 September 2014

(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 and the functional currency of foreign subsidiary Grajewo OOO until 30 April 2015 was the Russian ruble (RUB).

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.

Significant judgements and estimates applied in these interim financial statements are substantially unchanged to those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2014.

However, as at 30 September 2015, due to the planned increase in share capital, the Management Board of the Parent company assessed the accounting for the transaction costs related to the planned share capital increase. Based on management's judgement, as at 30 September 2015 these transaction costs meet the relevant asset recognition criteria until the equity increase is recognised, when they will be offset against the relevant equity line items. Consequently, the transaction costs of PLN 11,093 thousand incurred until 30 September 2015 were recognised as short-term assets presented in the line "Trade receivables and other" in the statement of financial position.

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.

The notes on pages 9 to 28 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWÓ GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and nine month periods ended 30 September 2015 and 30 September 2014

(all amounts in PLN thousand)

6. Finance income and costs

6.1 Recognised in profit or loss for the period:

	<u>1 Jan – 30 Sep 2015</u>	<u>1 Jan – 30 Sep 2014</u>	<u>1 Jul – 30 Sep 2015</u>	<u>1 Jul – 30 Sep 2014</u>
Finance income				
Interest income	831	516	104	169
Net foreign exchange gains (non-operating)	127	11	-	1
Gains on forward contracts	394	623	-	81
Other finance income	668	-	-	-
	<u>2,020</u>	<u>1,150</u>	<u>104</u>	<u>251</u>
	<u>1 Jan – 30 Sep 2015</u>	<u>1 Jan – 30 Sep 2014</u>	<u>1 Jul – 30 Sep 2015</u>	<u>1 Jul – 30 Sep 2014</u>
Finance costs				
Interest expense	(6,656)	(12,073)	(1,717)	(3,717)
Losses on forward contracts	-	(34)	-	-
Loss on sale of subsidiary	(688)	-	-	-
Other finance costs	(267)	(288)	(69)	(46)
	<u>(7,611)</u>	<u>(12,395)</u>	<u>(1,786)</u>	<u>(3,763)</u>
Net finance costs of continuing operations	<u>(5,591)</u>	<u>(11,245)</u>	<u>(1,682)</u>	<u>(3,512)</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:

	<u>1 Jan – 30 Sep 2015</u>	<u>1 Jan – 30 Sep 2014</u>	<u>1 Jul – 30 Sep 2015</u>	<u>1 Jul – 30 Sep 2014</u>
Cash flow hedge - effective portion of changes in fair value	6,805	1,467	(734)	381
Cash flow hedge – reclassified to profit or loss	(5,358)	(1,152)	(1,099)	(373)
	<u>1,447</u>	<u>315</u>	<u>(1,833)</u>	<u>8</u>

The amount of PLN 5,545 thousand relates to realized income on forward contracts and was presented as other income (out of which PLN 5,358 thousand was reclassified to profit and loss from other comprehensive income). The remaining amount of PLN 187 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 28 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 nine month periods ended 30 September 2015 and 30 September 2014

(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 nine months period ended 30 September 2015 were PLN 45,745 thousand (together with the advance payments PLN 61,285 thousand), while the capital expenditures together with the advance payments for the nine month period ended 30 September 2014 were PLN 84,759 thousand and for 2014 PLN 112,860 thousand

As at 30 September 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 Sep 2015</u>	<u>31 Dec 2014</u>	<u>30 Sep 2015</u>
Commitment to purchase:	26,870	17,291	32,669
- <i>tangible fixed assets</i>	26,733	17,062	32,511
- <i>intangible fixed assets</i>	137	229	158

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 receivables and other

	<u>30 Sep 2015</u>	<u>31 Dec 2014</u>	<u>30 Sep 2014</u>
Trade receivables	103,323	41,719	59,760
Trade receivables from related parties	42,009	36,724	35,157
Current prepayments and accrued income	10,643	6,418	8,969
Prepayments related to the planned capital increase	11,093	-	-
Current VAT receivables	11,844	16,422	8,301
Receivables related to discontinued operations	-	19,180	18,790
Other receivables	3,840	2,445	2,670
Total	<u>182,752</u>	<u>122,908</u>	<u>133,647</u>

10. Equity

	<u>30 Sep 2015</u>	<u>31 Dec 2014</u>	<u>30 Sep 2014</u>
Par value of share capital	16,376	16,376	16,376
Number of shares at beginning of period (fully paid up)	49,624,000	49,624,000	49,624,000
Number of shares at end of period (fully paid up)	49,624,000	49,624,000	49,624,000
Par value per share (PLN)	0.33	0.33	0.33
		<u>1 Jan –</u>	<u>1 Jan –</u>
		<u>30 Sep 2015</u>	<u>30 Sep 2014</u>

The notes on pages 9 to 28 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 nine month periods ended 30 September 2015 and 30 September 2014

(all amounts in PLN thousand)

Earnings per share attributable to owners of the Company (PLN) 1.66 1.53

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 September 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 nine months of 2015 year no dividend is to be paid for the financial year 2014.

11. Borrowings and other debt instruments

	<u>30 Sep 2015</u>	<u>31 Dec 2014</u>	<u>30 Sep 2014</u>
Non-current liabilities			
Non-current portion of interest-bearing bank borrowings	46,351	63,696	69,121
Total	<u>46,351</u>	<u>63,696</u>	<u>69,121</u>
Current liabilities			
Overdraft facility payable within 12 months from the reporting date	12	22,955	59,549
Current portion of interest-bearing bank borrowings	21,700	21,700	17,275
Total	<u>21,712</u>	<u>44,655</u>	<u>76,824</u>

The notes on pages 9 to 28 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 nine month periods ended 30 September 2015 and 30 September 2014

(all amounts in PLN thousand)

Bank loans

As at 30 September 2015, liabilities under bank borrowings were PLN 68,063 thousand (as at 31 December 2014, were PLN 108,351 thousand and as at 30 September 2014, were PLN 145,945 thousand). All credit lines used by the Group bear variable interest equal to WIBOR plus margin. In the period from 1 January to 30 September 2015, the Pfleiderer Grajewo S.A. and the subsidiaries: Pfleiderer Prospan S.A. and Silekol Sp. z o.o. paid all of their liabilities from overdraft facilities from 31 December 2014 in the amount of PLN 6,672 thousand and PLN 5,086 thousand from multi-purpose facility agreements. Pfleiderer MDF Sp. z o.o., a subsidiary, paid its liabilities from multi-purpose facilities in the amount of PLN 11,185 thousand as well as three instalments of the investment loan of PLN 17,345 thousand.

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

Lender	Currency	Interest rate	Maturity date	Security	Credit limit	30 Sep 2015		31 Dec 2014		30 Sep 2014		
						Current portion	Non-current portion	Current portion	Non-current portion	Current portion	Non-current portion	
Millenium S.A.	PLN	1M WIBOR + margin	25 Jun 2018	mortgage	75,000	12	-	2,373	-	12,776	-	
Millenium S.A.	PLN	1M WIBOR + margin	25 Jun 2016	mortgage	25,000	-	-	2,582	-	4,016	-	
Alior Bank S.A.	PLN	1M WIBOR + margin	25 Jun 2018	mortgage	75,000	-	-	826	-	123	-	
Alior Bank S.A.	PLN	1M WIBOR + margin	25 Jun 2016	mortgage	25,000	-	-	868	-	3,743	-	
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	-	3,136	-	
Bank Ochrony Środowiska S.A.	PLN	1M WIBOR + margin	25 Jun 2018	mortgage	40,000*)	-	-	2,725	-	15,141	-	
PKO Bank Polski S.A.	PLN	1M WIBOR + margin	31 May 2018	mortgage, registered pledge, assignments	54,000	-	-	11,185	-	20,614	-	
PKO Bank Polski S.A.	PLN	3M WIBOR + margin	15 Oct 2018	mortgage, registered pledge, assignments	-	21,700	46,351	21,700	63,696	17,275	69,121	
						354,000	21,712	46,351	44,655	63,696	76,824	69,121

The notes on pages 9 to 28 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 nine month periods ended 30 September 2015 and 30 September 2014

(all amounts in PLN thousand)

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

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Notes to the unaudited interim condensed consolidated financial statements for the three and nine month periods ended 30 September 2015 and 30 September 2014

(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 September 2015, the undrawn amount of these credit facilities is PLN 286,478 thousand.

11.1. Credit agreements for special purposes

11.1.1. 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 September 2015, the Group's debt outstanding under this facility was PLN 68,051 thousand (31 December 2014: PLN 85,396 thousand, 30 September 2014: PLN 86,396 thousand).

11.1.2. 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 September 2015 amounted to PLN 54,000 thousand. As at 30 September 2015, the amount outstanding under the facility was PLN 0 thousand (31 December 2014: PLN 11,185 thousand, 30 September 2014: 20,614 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 September 2015, 31 December 2014 and 30 September 2014, the Group did not carry any borrowings from related parties.

12. Trade payables and other

	<u>30 Sep 2015</u>	<u>31 Dec 2014</u>	<u>30 Sep 2014</u>
Trade payables	162,389	125,260	113,396
Trade payables to related parties	2,776	4,886	5,616
Liabilities under factoring agreements	29,779	42,811	32,313
VAT liabilities	517	809	520
Liabilities for capital expenditures	6,206	18,374	5,354
Liabilities from derivatives (forward contracts)	138	394	-
Advances for deliveries received	1,294	2,096	940
Other liabilities	17,595	11,659	17,005
Liabilities related to the planned capital increase	7,591	-	-
Total	<u>228,285</u>	<u>206,289</u>	<u>175,144</u>

The notes on pages 9 to 28 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 nine month periods ended 30 September 2015 and 30 September 2014

(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 September 2015, 31 December 2014 and 30 September 2014.

13.2. Valuation of financial assets and liabilities at fair value

As at 30 September 2015, the Group held 26 open forward contracts with exposure amounting to EUR 48,120 thousand. The fair value of the open contracts amounted to PLN 2,659 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).

As at 30 September 2014, the Group held 10 open forward contracts with exposure amounting to EUR 17,800 thousand. The fair value of the open contracts amounted to PLN 381 thousand (level 2).

14. Contingent liabilities and security

14.1. Security

As at 30 September 2015, properties with a carrying amount of PLN 353,715 thousand (as at 31 December 2014: PLN 353,588 thousand, as at 30 September 2014: PLN 356,746 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., 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 30 September 2015 no provision has been recognized by the Group in these condensed interim consolidated financial statements.

The notes on pages 9 to 28 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 nine months ended 30 September 2015 and 30 September 2014**

(all amounts in PLN thousand)

15. Material related parties transactions

Transactions with related parties which are Group entities:

Entity	1 Jan – 30 Sep 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 GmbH	-	106	-	-	3,761	-
Pfleiderer Holzwerkstoffe GmbH & Co.KG	1,855	-	-	13,056	-	415
Pfleiderer Neumarkt GmbH	36,405	-	-	-	-	-
Pfleiderer Leutkirch GmbH	5,541	-	-	32	-	22
Pfleiderer Gütersloh GmbH	17,435	-	-	-	-	570
Pfleiderer Industrie Limited	-	-	-	-	-	4
Pfleiderer B.V.	-	-	-	-	-	13
Jura Speditions GmbH	-	1,254	-	3	-	4,188
Pfleiderer Amsberg GmbH	5,150	1	-	-	-	16
Pfleiderer Baruth GmbH	32,437	-	-	-	-	597
Total	98,823	1,361		13,091	3,761	5,825

The notes on pages 9 to 28 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 nine months ended 30 September 2015 and 30 September 2014**

(all amounts in PLN thousand)

	1 Jan – 30 Sep 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	Purchase of fixed assets
Entity							
Pfleiderer Service GmbH	-	-	-	-	-	49	-
Pfleiderer GmbH	-	-	-	-	3,725	-	-
Pfleiderer Holzwerkstoffe GmbH & Co.KG	2,854	-	145	15,161	-	213	21
Pfleiderer Neumarkt GmbH	19,417	-	-	-	-	-	-
Pfleiderer Leutkirch GmbH	4,290	-	-	91	-	-	-
Pfleiderer Gütersloh GmbH	14,219	-	-	-	-	560	-
Pfleiderer Industrie Limited	-	-	-	-	-	3	-
Pfleiderer B.V.	-	-	-	-	-	13	-
Jura Speditions GmbH	-	5	-	-	-	2,872	-
Pfleiderer Amsberg GmbH	212	-	-	14	-	-	-
Pfleiderer Baruth GmbH	37,581	-	-	-	-	-	-
Pfleiderer France S.A.S.	-	-	-	-	-	9	-
Total	78,573	5	145	15,266	3,725	3,719	21

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 28 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 nine months ended 30 September 2015 and 30 September 2014

(all amounts in PLN thousand)

Related party balances:

	30 Sep 2015			31 Dec 2014			30 Sep 2014		
	Trade receivables	Trade payables	Liabilities for capital expenditures	Trade receivables	Trade payables	Liabilities for capital expenditures	Trade receivables	Trade payables	Liabilities for capital expenditures
Pfleiderer GmbH	95	1,094	-	-	1,265	-	-	1,050	-
Pfleiderer Holzwerkstoffe GmbH & Co.KG	853	986	-	-	2,922	533	250	3,501	522
Pfleiderer Neumarkt GmbH	16,437	-	-	8,010	-	-	7,588	-	-
Pfleiderer Leutkirch GmbH	2,650	32	-	2,386	-	-	2,559	-	-
Pfleiderer Gütersloh GmbH	6,477	62	-	8,298	52	-	6,719	50	-
Jura Spedition GmbH	95	602	-	-	647	-	1	1,007	-
Pfleiderer Amsberg GmbH	1,066	-	-	314	-	-	77	-	-
Pfleiderer Baruth GmbH	14,336	-	-	-	-	-	17,963	-	-
Kunz Faserplattenwerk Baruth GmbH	-	-	-	17,716	-	-	-	-	-
Pfleiderer France S.A.S.	-	-	-	-	-	-	-	8	-
Total	42,009	2,776	-	36,724	4,886	533	35,157	5,616	522

The notes on pages 9 to 28 are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWÓ GROUP

Notes to the unaudited interim condensed consolidated financial statements for the three and nine months ended 30 September 2015 and 30 September 2014

(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:

	1 Jan – 30 Sep 2015	1 Jan – 30 Sep 2014
Remuneration of Management Board	2,506	2,174
Remuneration of Supervisory Board	507	470
	3,013	2,644

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

	1 Jan – 30 Sep 2015	1 Jan – 30 Sep 2014
Remuneration of Management Board	1,657	1,476
	1,657	1,476

As at 30 September 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 and 30 September 2014: PLN 26 thousand).

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

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

- 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 Pan Dariusz Tomaszewski 4,108 Company shares
- Member of the Supervisory Board Paolo G. Antonietti 4,000 Company shares

The other members of the Parent's Management Board and Supervisory Board had no shares of the Company.

The notes on pages 9 to 28 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 nine months ended 30 September 2015 and 30 September 2014**

(all amounts in PLN thousand)

16. Unaudited condensed separate Parent interim financial statements for the three and nine month periods ended 30 September 2015 and 30 September 2014**Unaudited interim condensed separate Parent statement of financial position**

	<u>30 Sep 2015</u>	<u>31 Dec 2014</u>	<u>30 Sep 2014</u>
Assets			
Property, plant and equipment	149,588	155,814	139,835
Intangible assets	4,393	2,582	2,057
Investments in subsidiaries	785,743	785,752	785,752
Other non-current financial assets	75	75	75
Non-current loans granted to subsidiaries	10,362	10,027	9,908
Non-current receivables – advances paid on fixed assets	236	-	2,836
Fair value of hedging instruments	625	626	-
Non-current assets	951,022	954,876	940,463
Inventories	68,416	74,031	63,775
Trade receivables and other	68,802	50,475	82,560
Cash and cash equivalents	13,876	4,527	10,368
Fair value of hedging instruments	2,172	587	315
Current assets	153,266	129,620	157,018
TOTAL ASSETS	1,104,288	1,084,496	1,097,481
Equity			
Share capital	16,376	16,376	16,376
Share premium	289,806	289,806	289,806
Reserves	357,111	294,978	294,080
Retained earnings	85,849	83,631	78,523
Total equity	749,142	684,791	678,785
Liabilities			
Employee related payables	8,754	8,754	6,114
Deferred tax liabilities	486	2,237	3,345
Total non-current liabilities	9,240	10,991	9,459
Loans and borrowings	12	11,149	38,934
Income tax payable	518	470	1,301
Liabilities to related parties under debt securities	229,740	278,503	271,486
Trade and other payables	102,815	85,184	85,722
Employee related payables	12,821	13,408	11,794
Total current liabilities	345,906	388,714	409,237
Total liabilities	355,146	399,705	418,696
TOTAL EQUITY AND LIABILITIES	1,104,288	1,084,496	1,097,481

The notes on pages 9 to 28 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 nine months ended 30 September 2015 and 30 September 2014**

(all amounts in PLN thousand)

Unaudited interim condensed separate Parent statement of profit or loss and other comprehensive income

	Nine months ended 30 Sep 2015	Nine months ended 30 Sep 2014	Three months ended 30 Sep 2015	Three months ended 30 Sep 2014
Revenue	468,140	490,958	152,721	157,600
Cost of sales	(402,586)	(415,752)	(129,119)	(130,706)
Profit on sales	65,554	75,206	23,602	26,894
Other income	9,728	3,867	2,528	1,198
Distribution expenses	(25,873)	(28,797)	(8,262)	(9,768)
General and administrative expenses	(21,285)	(18,648)	(8,777)	(5,756)
Other expenses	(2,771)	(1,216)	(1,441)	(227)
Results from operating activities	25,353	30,412	7,650	12,341
Financial income	47,043	39,123	116	229
Financial expenses	(5,624)	(9,873)	(1,561)	(3,104)
Net financing income	41,419	29,250	(1,445)	(2,875)
Profit before tax	66,772	59,662	6,205	9,466
Income tax expense	(4,005)	(4,221)	(1,216)	(1,861)
Profit for the period	62,767	55,441	4,989	7,605
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to profit or loss				
Cash flow hedge – effective portion of changes in fair value	6,942	1,467	(582)	381
Cash flow hedge – reclassified to profit or loss	(5,358)	(1,152)	(1,099)	(373)
Other comprehensive income (loss)	1,584	315	(1,681)	8
Total comprehensive income for the period	64,351	55,756	3,308	7,613
Basic and diluted earnings per share (PLN)	1.26	1.12	0.10	0.15

The notes on pages 9 to 28 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 nine months ended 30 September 2015 and 30 September 2014**

(all amounts in PLN thousand)

Unaudited interim condensed separate Parent statement of changes in equity

For the nine month period ended 30 September 2015

	Share capital	Share premium	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
As at 1 Jan 2015	16,376	289,806	293,765	1,213	83,631	684,791
Comprehensive income for the period						
Net profit	-	-	-	-	62,767	62,767
Other comprehensive income for the period	-	-	-	1,584	-	1,584
Total comprehensive income for the period	-	-	-	1,584	62,767	64,351
Transactions with owners recognised in equity						
Transfer of 2014 net profit to statutory reserve funds	-	-	60,549	-	(60,549)	-
Total transactions with owners recognised in equity	-	-	60,549	-	(60,549)	-
As at 30 Sep 2015	16,376	289,806	354,314	2,797	85,849	749,142

For the nine month period ended 30 September 2014

	Share capital	Share premium	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
As at 1 Jan 2014	16,376	289,806	207,762	-	109,085	623,029
Comprehensive income for the period						
Net profit	-	-	-	-	55,441	55,441
Other comprehensive income for the period	-	-	-	315	-	315
Total comprehensive income for the period	-	-	-	315	55,441	55,756
Transactions with owners recognised in equity						
Transfer of 2014 net profit to statutory reserve funds	-	-	86,003	-	(86,003)	-
Total transactions with owners recognised in equity	-	-	86,003	-	(86,003)	-
As at 30 Sep 2014	16,376	289,806	293,765	315	78,523	678,785

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PFLEIDERER GRAJEWO GROUP**Notes to the unaudited interim condensed consolidated financial statements for the three and nine months ended 30 September 2015 and 30 September 2014**

(all amounts in PLN thousand)

Unaudited interim condensed separate Parent statement of cash flows

	Nine months ended 30 Sep 2015	Nine months ended 30 Sep 2014
Net profit for the reporting period	62,767	55,441
Adjustments for:	(17,194)	(11,526)
Depreciation and amortisation	16,076	12,012
Foreign exchange gains	(5,166)	(1,466)
Dividends and interests for the period	(40,634)	(28,733)
Gain on investing activities	(28)	(201)
Income tax disclosed in profit or loss of the period	4,005	4,221
Result on forward contracts	5,358	1,152
Other	(658)	116
Changes in:		
- trade and other receivables	(25,263)	(2,883)
- inventories	5,615	1,465
- trade and other payables	24,088	3,592
- employee benefit obligations	(587)	(801)
Cash generated from operating activities	45,573	43,915
Interest received	37	112
Interest paid	(26)	(17)
Income tax (paid)/received	(5,657)	20,419
Net cash from operating activities	39,927	64,429
Cash flows provided by investing activities		
Disposal of property, plant and equipment	69	201
Dividend received	45,366	16,977
Acquisition of non-controlling interests	-	(30,341)
Income from disposal of discontinued operations	18,098	5,860
Acquisition of intangible assets and property, plant and equipment	(24,037)	(36,019)
Net cash from/ (used in) investing activities	39,496	(43,322)
Cash flows from financing activities		
Repayment of borrowings and other debt instruments	(11,137)	-
Increase in borrowings and other debt instruments	-	12,282
Redemption of debt securities	(763,011)	(1,138,980)
Issue of debt securities	713,781	1,120,367
Prepaid costs related to the planned capital increase	(4 734)	-
Interest paid	(4,973)	(9,234)
Net cash used in financing activities	(70,074)	(15,565)
Total cash flows	9,349	5,542
Increase in cash	9,349	5,542
Cash at beginning of the period	4,527	4,826
Cash at end of the period	13,876	10,368

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17. Events subsequent to the end of the reporting period

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

As part of the transaction on 5 October 2015 the Company and Atlantik S.A. entered into a conditional agreement to acquire sole shareholding in Pfeleiderer GmbH by the Company with the nominal value of EUR 30,000 thousand, representing 100% of the share capital of Pfeleiderer GmbH and entitling to 100% votes at the shareholders meeting.

The reorganization of the Group is also intended to include:

- a public offering of newly issued shares of the Company;
- selling by Pfeleiderer Service GmbH a number of existing shares of the Company together with the newly issued shares held by Pfeleiderer Service GmbH in the context of a private placement; and
- selling by Pfeleiderer Services to Atlantik all the shares held by Pfeleiderer Service GmbH, after settlement of a private placement.

In connection with the reorganization, the Group has obtained the votes of holders of Senior Secured Notes issued by Pfeleiderer GmbH with an interest rate of 7.875% in connection with certain changes and amendments connected with documentation relating to the financing of the Pfeleiderer Group, and has refinanced the current debt of certain entities belonging to the Core West segment of the Pfeleiderer Group.

Due to the planned reorganization of the Group, on 5 October 2015, the Company and other companies from the Group, i.e. Pfeleiderer GmbH, Pfeleiderer Service GmbH, Pfeleiderer Holzwerkstoffe GmbH, Pfeleiderer Neumarkt GmbH, Pfeleiderer Leutkirch GmbH, Pfeleiderer Gütersloh GmbH, Pfeleiderer Arnsberg GmbH, Pfeleiderer Baruth GmbH, JURA Spedition GmbH, Pfeleiderer Vermögensverwaltung GmbH & Co. KG, Pfeleiderer Prospan S.A., Pfeleiderer MDF sp. z o.o. and Silekol sp. z o.o. entered into the amendment agreement relating to the super senior revolving credit facility agreement, dated 4 July 2014 with Commerzbank Aktiengesellschaft, Deutsche Bank AG Filiale Deutschlandgeschäft, KfW, BNP Paribas S.A. Niederlassung Deutschland, Powszechna Kasa Oszczędności Bank Polski S.A., Alior Bank S.A., Bank Zachodni WBK S.A., Bank Millennium S.A. (as mandated lead arrangers), Commerzbank International S.A. (as facility agent) and Commerzbank Aktiengesellschaft, Filiale Luxemburg (as security agent).

All of the amendments to the revolving credit facility are subject to and will become effective substantially concurrently with the completion of the corporate reorganization (ie., among others, after registration of the capital increase with the new issue of Company's shares and the finalization of the acquisition by the Company of shares in Pfeleiderer GmbH), but not later than 31 March 2016. Upon the effective date, Pfeleiderer Grajewo S.A., Pfeleiderer Prospan S.A., Pfeleiderer MDF sp. z o.o. and Silekol sp. z o.o. (in addition to Pfeleiderer GmbH and Pfeleiderer Holzwerkstoffe GmbH) will become borrowers under the revolving credit facility agreement.

Pursuant to the Revolving Credit Facility Agreement an additional tranche of PLN 200 million will be added to the actual amount of EUR 60 million of the revolving credit facility. The termination date of the credit facility is 30 April 2019. Borrowings under the Revolving Credit Facility Agreement will be used to finance the general corporate and working capital purposes of the Pfeleiderer Group. The Revolving Credit Facility Agreement bears interest at a rate per annum equal to EURIBOR or WIBOR increased by a variable margin depends on the ratio of net financial debt to EBITDA.

The liabilities under the revolving credit facility agreement are guaranteed by Pfeleiderer GmbH,
The notes on pages 9 to 28 are an integral part of these unaudited condensed consolidated interim financial statements.

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(all amounts in PLN thousand)

Pfleiderer Service GmbH, Pfleiderer Holzwerkstoffe GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH, JURA-Spedition GmbH and Pfleiderer Vermögensverwaltung GmbH & Co. KG. With effect from the effective date, the revolving credit facility agreement will be also guaranteed by Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o.

Moreover, in order to secure the revolving credit facility agreement, on 21 October 2015 the Company and its subsidiaries i.e. Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. entered into agreements and undertook certain actions in relation to the establishment of collateral. The collateral secures the claims due to Commerzbank Aktiengesellschaft, Filiale Luxemburg, as the security agent pursuant to the revolving credit facility agreement with principal amount of up to EUR 60 million and up to PLN 200 million plus interest, certain fees and hedging liabilities and due to senior secured notes issued by Pfleiderer GmbH on 7 July 2014 for principal amount of EUR 321.7 million, due in 2019. Thus, liabilities under the revolving credit facility agreement will be secured by the same security as bonds.

Pfleiderer Grajewo and its subsidiaries, ie. Pfleiderer Prospan SA, Pfleiderer MDF Sp. z o.o. and Silekol Sp. z o.o. and the security agent executed and signed agreements and other documents including establishment of the following Collateral: (i) the financial and registered pledges over shares (representing 100% of the share capital), of, respectively, Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o.; (ii) the powers of attorney to exercise corporate rights from the pledged shares in, respectively, Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. held by the Company; (iii) the financial and registered pledges over receivables under bank account agreements; (iv) the powers of attorney to block and disburse the funds from bank accounts; (v) the registered pledge over assets (whole business, including trademarks); (vi) the security assignment over receivables under insurance policies and material contracts (including intercompany loan agreements); and (vii) the mortgages on real estate properties on which production facilities are located.

On 22 October 2015 Extraordinary General Shareholders' Meeting adopted a resolution on the authorization to purchase treasury shares. Based on the above resolution, the Company, in order to stabilize the price of shares and rights to shares in connection with the public offering of series E shares, is entitled to purchases of treasury shares or rights to treasury shares from the entity (or entities) responsible for stabilization efforts of shares or rights to shares in a number not exceeding 15% of the final number of newly issued series E shares in the Company, but not more than 4,000,000. The Company's treasury shares purchased by the Company pursuant to the above-mentioned authorization may be designated for resale, offering to authorized persons under the Company's incentive scheme or redemption. In order to finance the acquisition of the shares or rights to shares the General Shareholders' Meeting resolves to establish a capital reserve, to which the amount of PLN 140,000,000 out of the Company's supplementary capital is transferred.

The reorganization of the Group is intended to 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.

The notes on pages 9 to 28 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 nine months ended 30 September 2015 and 30 September 2014

(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 Gałkiewicz

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, 12 November 2015

The notes on pages 9 to 28 are an integral part of these unaudited condensed consolidated interim financial statements.