

POLISH FINANCIAL SUPERVISION AUTHORITY**Condensed Quarterly Report Qsr 1/2016**

quarter/year

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

For issuers conducting manufacturing, construction, trade or services business

For the 1st quarter of the financial year 2016, covering the period from January 1st to March 31st, 2016,

Including condensed consolidated financial statements prepared in accordance with the IFRS
Currency: EUR

And condensed non-consolidated financial statements in accordance with IFRS
Currency: PLN

Date of filing: May 11th, 2016

Pfleiderer Grajewo Spółka Akcyjna
(full name)

Grajewo
(abbreviated name)

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

19-203
(postal code)

Grajewo
(registered office)

Wiórowa
(street)

1
(number)

0-86 272 96 00
(telephone number)

0-86 272 39 83
(fax number)

grajewo@pfleiderer.pl
(e-mail)

www.pfleiderer.pl
(web site)

719-10-00-479
(NIP – Tax Identification Number)

4500933817
(REGON – Industry Registration Number)

FINANCIAL HIGHLIGHTS

Condensed consolidated financial statements data

'000 Euro		Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
I.	Sales revenue	215,522	96,204
II.	Operating profit/(loss)	2,649	8,799
III.	Profit/(loss) before tax	5,406	8,478
IV.	Net profit	4,276	6,952
V.	Net profit attributable to equity holders of the parent	4,276	6,952
VI.	Net cash provided by (used in) operating activities	13,617	9,255
VII.	Net cash provided by (used in) investing activities	-16,531	-633
VIII.	Net cash provided by (used in) financing activities	51,757	-7,377
IX.	Total net cash flow	48,843	1,245
X.	Total assets	960,716	297,596
XI.	Liabilities	682,964	102,859
XII.	Non-current liabilities	492,156	41,339
XIII.	Current liabilities	190,808	61,520
XIV.	Equity	277,752	109,586
XV.	Share capital	6,692	5,573
XVI.	Weighted average number of shares (units)	61,553,060	49,624,000
XVII.	Weighted average diluted number of shares (units)	61,553,060	49,624,000
XVIII.	Earnings per ordinary shares (EUR)	0.07	0.14
XIX.	Diluted earnings per ordinary share (EUR)	0.07	0.14
XX.	Book value per share (EUR)	4.29	2.21
XXI.	Diluted book value per share (EUR)	4.29	2.21
XXII.	Declared or paid dividend per share (EUR)	0.00	0.00

Condensed separate financial statements data

'000 Euro		Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
XXIII.	Sales revenue	34,551	39,336
XXIV.	Operating profit/(loss)	1,332	2,050
XXV.	Profit/(loss) before tax	8,472	1,945
XXVI.	Net profit	6,849	1,629
XXVII.	Net cash provided by (used in) operating activities	1,170	4,171
XXVIII.	Net cash provided by (used in) investing activities	-136,471	1,570
XXIX.	Net cash provided by (used in) financing activities	133,127	-3,952
XXX.	Total net cash flow	-2,173	1,789
XXXI.	Total assets	550,391	264,416
XXXII.	Liabilities	281,703	92,765
XXXIII.	Non-current liabilities	3,486	2,141
XXXIV.	Current liabilities	278,217	90,624
XXXV.	Equity	268,688	171,651
XXXVI.	Share capital	6,692	4,005
XXXVII.	Weighted average number of shares (units)	61,553,060	49,624,000
XXXVIII.	Weighted average diluted number of shares (units)	61,553,060	49,624,000
XXXIX.	Earnings per ordinary shares (EUR)	0.11	0.03
XL.	Diluted earnings per ordinary share (EUR)	0.11	0.03
XLI.	Book value per share (EUR)	4.15	3.46
XLII.	Diluted book value per share (EUR)	4.15	3.46
XLIII.	Declared or paid dividend per share (EUR)	0.00	0.00

Letter from the President of the Management Board

Ladies and Gentlemen,

In January 2016, the Pfeiderer Grajewo Group successfully completed the legal and financial integration of the Eastern and Western European businesses. This created “One Pfeiderer”, a group which offers a wide range of diversified products in a fast growing markets at the heart of Europe. Market development is strongly supported by the growth of the national economies and it shows positive outlook for the construction markets in both DACH and Poland.

This legal and financial integration will be supplemented by an organizational and operational integration of the previously two separate components of the Pfeiderer Group – Core East and Core West in order to continue building multi-level cooperation within the Pfeiderer Group to unlock the potential for further synergies from joint operations. The project “ONE PFLEIDERER” will enter into a transnational organization with harmonized sourcing, production planning, distribution and a common collection. We intend to achieve our organizational goals in 2017. 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.

Due to the acquisition of Pfeiderer GmbH and its subsidiaries both the operational performance and the net assets are hardly comparable to the prior year’s reporting of Grajewo Group. The acquired business contributed in the past with approximately two-third to the turnover of the “old” Pfeiderer Group which was approximately EUR 1 billion.

The first quarter of 2016 developed satisfactorily from an operational point of view, even if the results are influenced by several non-sustainable issues, *inter alia* deriving from the first consolidation of the acquired Pfeiderer GmbH and its subsidiaries, which can be attributed to accounting-related specifics. The Western European business boosted the performance of the Grajewo Group since January 19, 2016, thus for approximately two and a half months.

The entire Group’s revenues increased to EUR 215.5 million in the reporting period from EUR 96.2 million in the first three months of 2015. The Western European segments contributed for the period from January 19 until March 31, 2016 EUR 136.6 million (third party sales) first-time.

All product groups contributed to the increase of sales, in particular value added products, such as HPL and MFC. In the Western Europe positive sales performance was mainly driven by higher volumes across all segments. The first quarter of 2016 sales results in Core West markets exceeded the previous year (+3.9%), despite ongoing pressure on sales prices resulting from low material purchase prices. Nevertheless, the overall development in the Eastern Europe segments is less positive – revenues fell from EUR 96.2 million to EUR 86.3 million in the first three months of the fiscal year 2016, which has been driven mainly by the decrease in turnover of our HDF-plant MDF Grajewo (negative contribution of EUR 5 million due to overcapacity in the market) and the pricing pressure due in Poland for particle boards imported from Belarus and Ukraine to the Polish domestic market, resulting primarily from geopolitical instability and deteriorating economic conditions in these regions, as well as increased competition from manufacturers in these regions prompted by devaluation of local currencies (negative exchange rate effect by EUR 3.5 million). Also Silekol suffered from low sales prices due to the decrease of raw material prices which follows market trends. Quantity-wise, the available capacities at our key production lines were almost fully-utilized, enabling an efficient distribution of fixed costs.

EBITDA “as reported” rose from EUR 12.6 million to EUR 19.3 million. Several non-sustainable influencing factors burdened the EBITDA “as reported”. The sustainable EBITDA – the EBITDA adjusted by non-sustainable issues – well developed to EUR 28 million equals to 13.0% of sales and exceeded slightly our expectations for the reporting period. As the Grajewo Group we are on track and expect the sustainable EBITDA to increase on a low double digit percentage number over the year.

Bottom line, the Grajewo Group generated for the aforementioned reasons a net profit (after tax) of EUR 4.3 million in the first quarter of 2016 compared to EUR 7.0 million in the same period 2015.

For the year 2016, we are planning several significant investments, such as customized back wall solutions in Grajewo to introduce more lacquered, sanded and customized product variants to avoid future market risks and “Worktop Line” project in Wieruszow which was finalized in March 2016, where the new press line will allow to boost sales volume by improvements in the production process and thus to increase Pfeleiderer’s competitiveness on the worktop market.

The main objective for 2016 is a strong focus on internal integration of processes to push the important operative projects such as the first integrated collection - the “ONE Collection”, implementation of unified processes, the “ONE SAP” in connection with the overall-project “ONE PFLEIDERER” and the realization of the efficiency gains.

“ONE PFLEIDERER” proves that we are a market leader in a very good shape and we continue to grow by means of revenues and improvement of earnings.

Yours faithfully,

Michael Wolff
President of the Management Board



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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.

**INDEPENDENT AUDITORS' REPORT
ON REVIEW OF THE INTERIM
FINANCIAL STATEMENTS
FOR THE PERIOD
FROM 1 JANUARY 2016 TO 31 MARCH 2016**

To the Shareholders of Pfleiderer Grajewo S.A.

Introduction

We have reviewed the accompanying 31 March 2016 unaudited condensed consolidated interim financial statements of Pfleiderer 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 31 March 2016,
- the unaudited interim condensed consolidated statement of profit and loss and other comprehensive income for the three-month period ended 31 March 2016,
- the unaudited interim condensed consolidated statement of changes in equity for the three-month period ended 31 March 2016,
- the unaudited interim condensed consolidated statement of cash flows for the three-month period ended 31 March 2016, and
- notes to the unaudited interim condensed consolidated financial statements.

Management of the parent company 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 International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as adopted by the National Council of Certified Auditors as the National Standard on Assurance 2410. 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 Assurance or 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 as at 31 March 2016 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

Signed on the Polish original

.....

Mirosław Matusik
Key Certified Auditor
Registration No. 90048
Limited Liability Partner with power of attorney

11 May 2016

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 31 MARCH 2016**

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfleiderer Grajewo Group in the period from January 1 to March 31, 2016

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Directors' Interim Condensed Consolidated Report on the operations of the Pfleiderer Grajewo Group in the period from January 1 to March 31, 2016

1. Financial highlights

Profit or loss accounts and cash flows

'000 EUR	Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
Revenue	215,522	96,204
Results from operating activities	2,649	8,799
Profit before taxes	5,406	8,478
Profit of the period attributable to shareholder of the Company	4,276	6,952
Net cash provided by operating activities	13,617	9,255
Net cash (used in) investing activities incl. acquisition of subsidiary	-16,531	-633
Net cash (provided by/used in) financing activities	51,757	-7,377
Total cash flow	48,843	1,245
Basis earnings per share (in Euro)	0.07	0.14
Diluted earnings per share (in Euro)	0.07	0.14
PLN/EUR average exchange rate	4.3641	4.1926

Total assets and total equity and liabilities

'000 EUR	Mar. 31 2016	Dec. 31 2015
Total assets	960,716	397,304
Total liabilities	682,964	117,997
Non-current liabilities	492,156	42,485
Current liabilities	190,808	75,512
Total equity	277,752	279,307
Share capital	6,692	5,573
Outstanding shares at the end of the reporting period	64,701,007	49,624,000
Average outstanding shares (number) for the reporting period	61,553,060	49,624,000
Book value per shares (in Euro, number of shares at period end)	4.29	5.63
PLN/EUR exchange rate as at the reporting date	4.2576	4.2615

2. Introduction

Registration of capital from the issue of series E shares

On January 19, 2016, the District Court in Białystok registered the share capital increase of Pfleiderer Grajewo S.A. from the amount of PLN 16,376 thousand to the amount of PLN 21,351 thousand through the issuance of 15,077,007 ordinary shares of series E with a nominal value of PLN 0.33 each, issued pursuant to Resolution No. 3 of the Extraordinary General Shareholders Meeting of July 27, 2015, concerning the increase in the share capital of the Company by way of issuing of new shares, a public offering of newly issued shares, the exclusion of all the pre-emptive rights of the existing shareholders with respect to all the newly issued shares, the dematerialization and seeking of the admission of the rights to shares and the newly issued shares to trading on a regulated market operated by the Warsaw Stock Exchange and the amendment to the Company's statute, as well as authorizing the Supervisory Board of the Company to adopt the consolidated text of the Company's statute.

The aforementioned new shares of E series were issued by the Company at an issue price of PLN 24.00 for one share.

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In connection with the registration of the share capital increase of Pfeleiderer Grajewo S.A., the Parent Company and Atlantik S.A. entered on January 19, 2016, into an agreement under which the Company acquired the sole share in Pfeleiderer GmbH, with the nominal value of 30,000 thousand Euro, representing 100% of the share capital of Pfeleiderer GmbH and authorising the exercise of 100% of voting rights at the general meeting of shareholders of Pfeleiderer GmbH.

The aforementioned agreement was concluded based on a conditional sale agreement entered into on October 5, 2015, by the Parent Company and Atlantik S.A.

Revolving facility agreement

Moreover, on January 19, 2016, along with the completion of the Capital Group's reorganization, the Parent Company Pfeleiderer Grajewo S.A. and the subsidiaries Pfeleiderer Prospan S.A., Pfeleiderer MDF Sp. z o.o. and Silekol Sp. z o.o. become borrowers under the Revolving Facility Agreement (along with Pfeleiderer GmbH and Pfeleiderer Holzwerkstoffe GmbH). This is the result of the fulfilment of certain conditions contained in the Amending Agreement of October 5, 2015.

Pfeleiderer Grajewo S.A. shareholder structure

On January 21, 2016, Parent Company Pfeleiderer Grajewo S.A. received notifications from Atlantik S.A., Pfeleiderer Service GmbH and Pfeleiderer GmbH concerning the reduction of share in the total number of voting rights at the General Meeting of shareholders of the Company. On January 25, 2016, and February 4, 2016, Parent Company Pfeleiderer Grajewo S.A. received a notification from Strategic Value Partners, LLC, concerning an increase in the total number of voting rights at the General Meeting of shareholders of the Company.

The shareholder structure after Public Offering is as follows:

Shareholding structure	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM
Strategic Value Partners LLC	16,772,896	25.92%	16,772,896	25.92%
Atlantik S.A.	16,374,497	25.31%	16,374,497	25.31%
Aviva OFE Aviva BZ WBK	4,928,816	7.62%	4,928,816	7.62%
ING OFE	2,639,144	4.08%	2,639,144	4.08%
Other shareholders	23,985,654	37.07%	23,985,654	37.07%
Total	64,701,007	100.00%	64,701,007	100.00%

The subsidiaries of Strategic Value Partners LLC directly holding shares of Pfeleiderer Grajewo S.A. as follows:

Shareholding structure	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM
Yellow Sapphire S.a.r.l.	6,172,705	9.54%	6,172,705	9.54%
Brookside S.a.r.l.	5,076,738	7.85%	5,076,738	7.85%
Field Point IV S.a.r.l.	3,079,810	4.76%	3,079,810	4.76%
Kings Forest S.a.r.l.	1,745,520	2.70%	1,745,520	2.70%
Field Point V S.a.r.l.	449,409	0.69%	449,409	0.69%
Field Point Acquisitions S.a.r.l.	248,714	0.38%	248,714	0.38%
Total	16,772,896	25.92%	16,772,896	25.92%

Additionally, Pfeleiderer Grajewo S.A. received notification on the purchase of shares by:

- 1) Strategic Value Partners LLC (direct purchase of shares),
- 2) Brookside S.a.r.l. oraz Yellow Sapphire S.a.r.l. (indirect purchase of shares).

PFLEIDERER GRAJEWO GROUP

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The table below presents the change in the structure of the shareholders from December 31, 2015 to the reporting date March 31, 2016:

Changes in the shareholding structure	March 31, 2016		December 31, 2015	
	Number of shares	Ownership interest	Number of shares	Ownership interest
Strategic Value Partners LLC	16,772,896	25.92%	0	0.00%
Atlantik S.A.	16,374,497	25.31%	0	0.00%
Aviva OFE Aviva BZ WBK	4,928,816	7.62%	4,928,816	9.93%
ING OFE	2,639,144	4.08%	2,639,144	5.32%
Pfleiderer Service GmbH	0	0.00%	32,308,176	65.11%
Other shareholders	23,985,654	37.07%	9,747,864	19.64%
Total	64,701,007	100.00%	49,624,000	100.00%

Until the date of the publication of this report the Company did not receive further information about a change in the structure of the main shareholders.

3. General information

The Pfeleiderer Grajewo Group consists of one-platform enterprises. The Group's parent Company i.e. Pfeleiderer 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 July 1, 1994, by the Direct Court, Commercial Court of Łomża, in section B of the Commercial Register under entry No. 270. Subsequently, on May 9, 2001, it was registered by the District Court of Białystok, XII Commercial Division of the National Court Register, under entry No. KRS 0000011422. On September 18, 2002, the Group's Management Board received the decision of the District Court of Białystok on entering the Parent Company's new name: Pfeleiderer Grajewo S.A., in the National Court Register. The Company's registered office is at 1 Wiórowa Street, Grajewo, Poland. Pfeleiderer 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.

3.1 List of companies of the Pfeleiderer Grajewo Group as at March 31, 2016, with brief description of principal business activity:

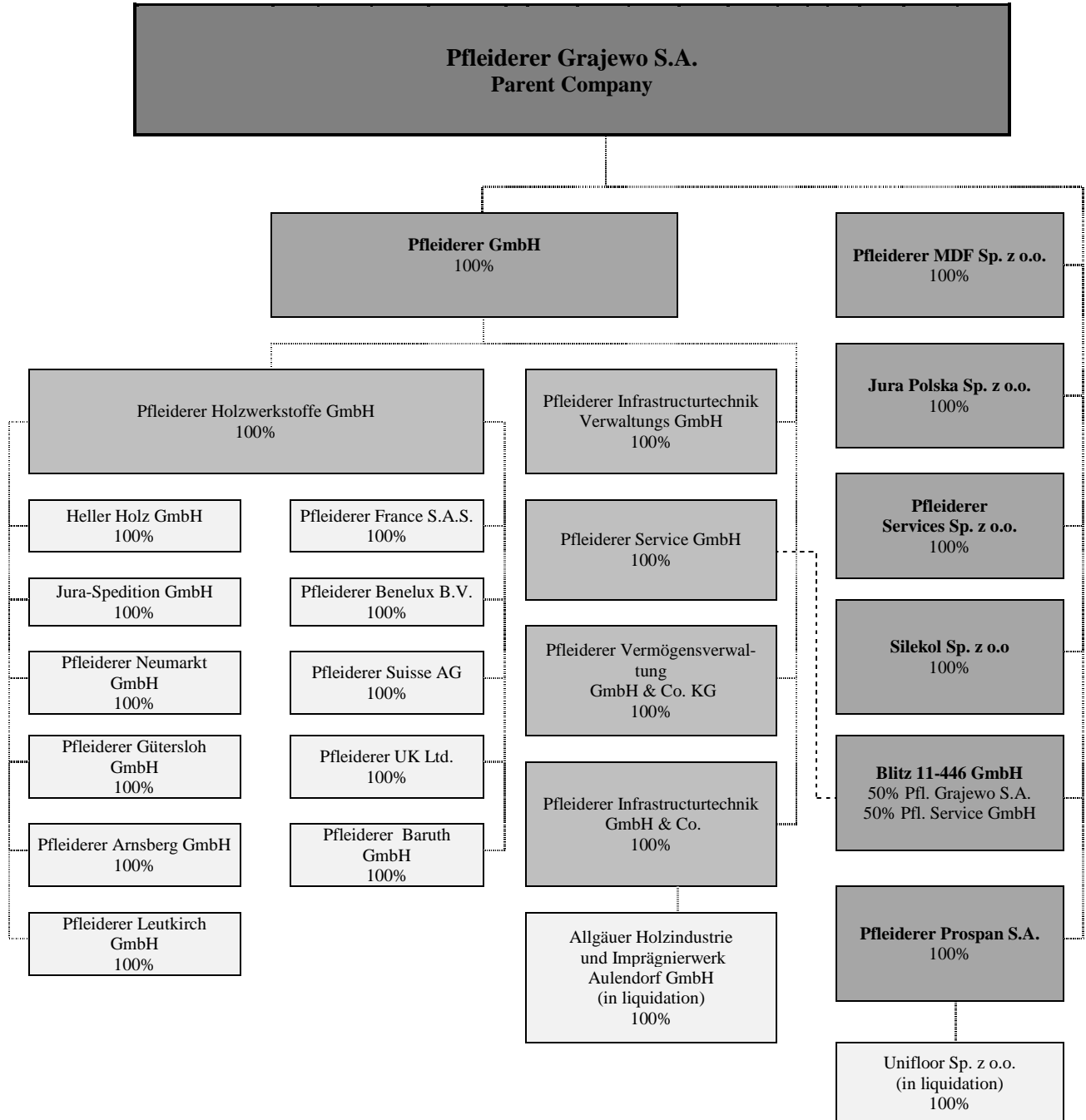
The Pfeleiderer Grajewo Group relies on long-term experience on the market of wood based products. The Group has a strong presence in the Eastern, Western and Central Europe and grows steadily, attempting to enter new markets, targeting new segments as well as adding new products to its portfolio.

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.

As a result of the acquisition of Pfeleiderer GmbH by Pfeleiderer Grajewo S.A. (as described in details in point 2), the new Group structure was created. Pfeleiderer GmbH was the indirect parent of the Parent Company prior to January 19, 2016. The acquisition of the share in Pfeleiderer GmbH by the Parent Company was the final part of the process of reorganization of the Capital Group Pfeleiderer, as a result of which the Pfeleiderer Grajewo S.A. became the Parent Company of Pfeleiderer Group. At the date of publication of this report, the structure of the Capital Group is as follows:

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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 the Eastern European entities consists of:

Pfleiderer Grajewo S.A., the Parent Company:

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

Pfleiderer Prospan S.A.:

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

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

Principal business activity:

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

Silekol Sp. z o.o.:

A company entered in the National Court Register by the District Court of Opole, VIII Commercial Division of the National Court Register of Opole, under No. KRS 0000225788 on 6 January 2005.

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

The company 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.:

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 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

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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.:

A company 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):

A company entered in the National Court Register by the District Court of Białystok, Commercial Division of the National Court Register, under No. KRS 0000237233, on 29 June 2005.

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

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

Pfleiderer Services Sp. z o.o.:

A company entered in the National Court Register by the District Court of Białystok, XII Commercial Division of the National Court Register in Białystok, under No. KRS 0000247423, on 20 December 2005.

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.

The business of the Western European entities consists of:

Pfleiderer GmbH, Neumarkt, Germany:

A company entered in the Commercial Register of Nürnberg, Germany, under No. HR B 30135

Tax Identification Number: 201/116/20203
Registered address: Ingolstädter Straße 51, 92318 Neumarkt, Germany

Principal business activity:

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- Holding company for the German entities.

Pfleiderer Holzwerkstoffe GmbH, Neumarkt, Germany

A company entered in the Commercial Register of Nürnberg Germany, under No. HR B 25279

Tax Identification Number: 201/116/21099

Registered address: Ingolstädter Straße 51,92318 Neumarkt, Germany

Principal business activity:

- Holding company for the German production and the European sales companies,
- Sales organization for the German production companies,
- Central sourcing of raw material,
- Owner and lessor of the major part of property, plant and equipment to the German production companies,
- Generation and distribution of heat and electricity.

Pfleiderer Neumarkt GmbH, Neumarkt, Germany

A company entered in the Commercial Register of Nürnberg Germany, under No. HR B 19661

Tax Identification Number: 201 / 116 / 20904

Registered address: Ingolstädter Straße 51,92318 Neumarkt, Germany

Principal business activity:

- Manufacture of particle board,
- Coating / Veneering.

Pfleiderer Gütersloh GmbH, Neumarkt, Germany:

A company entered in the Commercial Register of Nürnberg Germany, under No. HR B 19716

Tax Identification Number: 201 / 116 / 20882

Registered address: Ingolstädter Straße 51,92318 Neumarkt, Germany

Principal business activity:

- Manufacture of particle board,
- Coating / Veneering,
- Impregnation.

Pfleiderer Leutkirch GmbH, Leutkirch, Germany

A company entered in the Commercial Register of Ulm, Germany, under No. HR B 610151

Tax Identification Number: 91080/23247

Registered address: Wurzacher Straße 32, 88299 Leutkirch, Germany

Principal business activity:

- Manufacture of particle board,
- Manufacture of HPL (High Pressure Laminate) / Elements / Compacts,
- Coating / Veneering,
- Impregnation.

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Pfleiderer Arnsberg GmbH, Neumarkt, Germany

A company entered in the Commercial Register of Nürnberg, Germany, under No. HR B 21658

Tax Identification Number: 201/116/21072
Registered address: Ingolstädter Straße 51,92318 Neumarkt, Germany

Principal business activity:

- Manufacture of particle board,
- Manufacture of HPL (High Pressure Laminate) / Elements / Compacts,
- Coating / Veneering,
- Impregnation.

Pfleiderer Baruth GmbH, Baruth, Germany

A company entered in the Commercial Register of Potsdam, Germany, under No. HR B 12965 P

Tax Identification Number: 201 / 116 / 21153
Registered address: An der Birkenpühlheide 3, 15837 Baruth/Mark, Germany

Principal business activity:

- Manufacture of HDF/MDF.

Heller Holz GmbH, Neumarkt, Germany

A company entered in the Commercial Register of Nürnberg, Germany, under No. HR B 21788

Tax Identification Number: 201 / 116 / 20963
Registered address: Ingolstädter Straße 51,92318 Neumarkt, Germany

Principal business activity:

- Purchasing and distribution of recycled wood and other wood.

JURA Spedition GmbH, Neumarkt, Germany

A company entered in the Commercial Register of Nürnberg, Germany, under No. HR B 19659

Tax Identification Number: 201 / 116 / 20890
Registered address: Ingolstädter Straße 51,92318 Neumarkt, Germany

Principal business activity:

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

Pfleiderer France S.A.S., Reims, France

A company entered in the Commercial Register of Reims, France, under No. 441480530 RCS

Tax Identification Number: 312919
Registered address: 12 Rue Clement Ader, F-51100 Reims, France

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Principal business activity:

- Sales agency.

Pfleiderer Benelux B.V., Deventer, Netherlands:

A company entered in the Commercial Register of Brabant, Netherlands, under No. 8082957

Tax Identification Number: 808535920

Registered address: De Ketting 16 a, 5261 LJ Vught, Netherlands

Principal business activity:

- Sales agency.

Pfleiderer Suisse AG, Rapperswil, Switzerland

A company entered in the Commercial Register of St. Gallen, Switzerland, under No. CH-320.3.043.856-5

Tax Identification Number: 17966

Registered address: Neue Jonastrasse 60, 8640 Rapperswil SG, Switzerland

Principal business activity:

- Sales agency.

Pfleiderer UK Ltd., Macclesfield, United Kingdom

A company entered in the Commercial Register of United Kingdom, under No. 01330499

Tax Identification Number: unknown

Registered address: Oakfield House, Springwood Way, Tytherington Business Park, Macclesfield, Cheshire SK 10 2XA. Great Britain

Principal business activity:

- Sales agency.

Pfleiderer Service GmbH, Neumarkt, Germany

A company entered in the Commercial Register of Neumarkt, Germany, under No. HR B 12438

Tax Identification Number: 201 / 116 / 20394

Registered address: Ingolstädter Straße 51, 92318 Neumarkt, Germany

Principal business activity:

- Holding company.

Pfleiderer Vermögensverwaltungs GmbH & Co. KG, Neumarkt, Germany

A company entered in the Commercial Register of Neumarkt, Germany, under No. H RA 16384

Tax Identification Number: unknown

Registered address: Ingolstädter Straße 51, 92318 Neumarkt, Germany

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Principal business activity:

- Holding company.

Pfleiderer Infrastrukturtechnik GmbH & Co. KG, Düsseldorf (in insolvency), Germany

A company entered in the Commercial Register of Düsseldorf, Germany, under No. HR A 21946

Tax Identification Number: 235 / 186 / 00109
Registered address: Cecilienallee 54/55, 40474 Düsseldorf, Germany

Principal business activity:

- The company has suspended its operations.

Pfleiderer Infrastrukturtechnik Verwaltungs GmbH, Düsseldorf (in insolvency), Germany

A company entered in the Commercial Register of Düsseldorf, Germany, under No. HR B 67504

Tax Identification Number: 201 / 116 / 20467
Registered address: Cecilienallee 54/55, 40474 Düsseldorf, Germany

Principal business activity:

- The company has suspended its operations.

Allgäuer Holzindustrie und Imprägnierwerk Aulendorf GmbH, Aulendorf (in liquidation), Germany

A company entered in the Commercial Register of Ulm, Germany, under No. HR B 600102

Tax Identification Number: unknown
Registered address: unknown

Principal business activity:

- The company has suspended its operations and is in liquidation.

Blitz 11-446 GmbH, Neumarkt, Germany

A company entered in the Commercial Register of Ulm, Germany, under No. HR B 28166

Tax Identification Number: 201/116/21366
Registered address: Ingolstädter Straße 51,92318 Neumarkt, Germany

Principal business activity:

- The company has suspended its operations.

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3.2 Composition of Company's Management Board and Supervisory Board and changes therein in the reporting period

As at March 31, 2016, the composition of the Pfleiderer Grajewo S.A. Management Board was as follows:

Michael Wolff	President of the Management Board
Richard Mayer	Member of the Management Board
Rafał Karcz	Member of the Management Board
Gerd Schubert	Member of the Management Board
Wojciech Gątkiewicz	Member of the Management Board

The Company's Supervisory Board elected on March 2, 2016, Mr. Richard Mayer to the Management Board and entrusted him a function of Member of the Management Board – Chief Financial Officer (CFO) and changed the function of Mr. Rafał Karcz in the Management Board by recalling Mr. Rafał Karcz from a function of Member of Management Board – Chief Financial Officer (CFO) and appointing him a function of Member of Management Board – Chief Administration Officer (CAO). Mr. Dariusz Tomaszewski submitted resignation from the position of Member of Management Board – Sales Director on March 2, 2016.

As at March 31, 2016, the composition of the Supervisory Board was as follows:

Paolo G. Antonietti	Chairman of the Supervisory Board
Michael F. Keppel	Vice-Chairman of the Supervisory Board
Zbigniew Prokopowicz	Vice-Chairman of the Supervisory Board
Krzysztof Sędzikowski	Member of the Supervisory Board
Jan Woźniak	Member of the Supervisory Board
Christoph Mikulski	Member of the Supervisory Board
Stefan Wegener	Member of the Supervisory Board

Mr. Richard Mayer (Member of the Supervisory Board of the Company), Mr. Gerd Hammerschmidt (Member of the Supervisory Board of the Company) and Jochen Schapka (Member of the Supervisory Board of the Company) submitted their resignation from their respective positions of the Company's Supervisory Board on January 19, 2016.

Mr. Zbigniew Prokopowicz, Mr. Krzysztof Sędzikowski and Mr. Stefan Wegener were appointed to the Company's Supervisory Board on February 19, 2016.

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4. Structure of the Group

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

		Mar. 31, 2016	Dec. 31, 2015
Eastern Europe			
Jura Polska Sp. z o.o.	Grajewo	100.00%	100.00%
Pfeiderer MDF Sp. z o.o.	Grajewo	100.00%	100.00%
Pfeiderer Prospan S.A.	Wieruszów	100.00%	100.00%
Silekol Sp. z o.o.	Kędzierzyn-Koźle	100.00%	100.00%
Unifloor Sp. z o.o. w likwidacji	Wieruszów	100.00%	100.00%
Pfeiderer Service Sp. z o.o.	Grajewo	100.00%	100.00%
Western Europe			
Pfeiderer GmbH, Neumarkt	Neumarkt, Germany	100.00%	0.00%
Pfeiderer Holzwerkstoffe GmbH	Neumarkt, Germany	100.00%	0.00%
Pfeiderer Neumarkt GmbH	Neumarkt, Germany	100.00%	0.00%
Pfeiderer Gütersloh GmbH	Neumarkt, Germany	100.00%	0.00%
Pfeiderer Leutkirch GmbH	Leutkirch, Germany	100.00%	0.00%
Pfeiderer Arnsberg GmbH	Neumarkt, Germany	100.00%	0.00%
Pfeiderer Baruth GmbH	Baruth, Germany	100.00%	0.00%
Heller Holz GmbH	Neumarkt, Germany	100.00%	0.00%
JURA-Spedition GmbH	Neumarkt, Germany	100.00%	0.00%
Pfeiderer France S.A.S.	Reims, France	100.00%	0.00%
Pfeiderer Benelux B.V.	Deventer, Netherlands	100.00%	0.00%
Pfeiderer Suisse AG	Rapperswil, Switzerland	100.00%	0.00%
Pfeiderer UK Ltd.	Macclesfield, United Kingdom	100.00%	0.00%
Pfeiderer Service GmbH	Neumarkt, Germany	100.00%	0.00%
Pfeiderer Vermögensverwaltung GmbH & Co. KG	Neumarkt, Germany	100.00%	0.00%
Pfeiderer Infrastrukturtechnik GmbH & Co. KG (in Insolvenz)	Düsseldorf, Germany	100.00%	0.00%
Pfeiderer Infrastrukturtechnik Verwaltungs-GmbH (in Insolvenz)	Düsseldorf, Germany	100.00%	0.00%
Allgäuer Holzindustrie und Imprägnierwerk Aulendorf GmbH (i.L.)	Aulendorf, Germany	100.00%	0.00%
Blitz 11-446 GmbH	Neumarkt, Germany	100.00%	50.00%

Changes in the Group's structure in the reporting period

Acquisition of subsidiary

On January 19, 2016, Pfeiderer Grajewo S.A. acquired from Atlantik S.A. the only share in Pfeiderer GmbH and its subsidiaries, representing 100% of the share capital and authorizing the exercise of 100% of voting rights at the general meeting of shareholders. The purchase price amounted to EUR 257,403 thousand. The acquisition was an integral part of project "ONE Pfeiderer" aimed at creation a fully integrated Capital Group.

Consideration transferred

The acquisition-date-fair value of the total consideration was EUR 261,707 thousand (PLN 1,164,215 thousand). The consideration compiled as follows

- EUR 119,353 thousand – cash payments.
- EUR 7,375 thousand – non-cash settlement, the amount which was settled through reduction of the purchase price and it represents a surplus of transaction costs over the limit in the amount of EUR 11.0 million agreed with Atlantik S.A.
- EUR 134,979 thousand - non-cash settlement, acquisition of the receivable of Pfeiderer Service GmbH from Atlantik S.A. which was offset against payable to Atlantik S.A. in the same amount.

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The consideration was reduced by the amount of the effective portion of cash flow hedge of EUR 4,304 thousand.

Consideration	'000 EUR
Cash consideration	261,707
Effective portion of cash flow hedge - gains	-4,304
	257,403

Acquisition-related costs

The Group incurred acquisition related costs of EUR 3,390 thousand (PLN 14,966 thousand) on legal fees and advisory costs of which EUR 865 thousand (PLN 3,643 thousand) incurred in the previous year (2015) and the remaining costs of EUR 2,525 thousand (PLN 11,323 thousand) have been incurred in the current reporting period. The costs were recognized as expenses in the profit or loss in the periods in which these expenses were incurred.

Identifiable assets and liabilities assumed

Since the acquisition occurred only in January 2016 the determination of fair values of acquired assets and liabilities has not been finalized yet and thus has been recorded on a provisional basis. The fair value of the acquired assets and liabilities on a provisional basis:

'000 EUR	Fair value
Intangible assets	96,116
Property, plant and equipment	396,012
Inventories	59,858
Receivables (incl. "PSG-claim" of EUR 134,979k)	145,195
Cash and cash equivalents	109,661
Other assets (incl. tax receivables)	15,341
Deferred tax assets	47
Total assets	822,230
Pension provisions	-49,911
Other provisions	-5,532
Financial liabilities	-343,662
Trade payables	-65,152
Other liabilities (incl. intercompany)	-59,219
Tax liabilities	-9,866
Deferred tax liabilities	2,140
Total liabilities	-531,202
Deferred tax assets	8,075
Deferred tax liabilities	-83,248
Deferred taxes on fair value adjustments	-75,173
Total identifiable net assets acquired	215,855

Goodwill

The Group expects significant synergies through the integration and the alignment of all operating and administrative processes to result in double-digit savings (in million EUR) per year.

Goodwill in the amount of EUR 41,548 thousand arising from acquisition has been recognized as

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follows (on a provisional basis):

'000 EUR	Acquired net assts (fair value)	Consideration transferred	Residual goodwill
Determination of goodwill	215,855	257,403	41,548

None of the goodwill recognized is expected to be deductible for tax purposes.

The amounts of revenue and loss of the Pfleiderer GmbH since the acquisition date included in the consolidated statement of profit and loss and other comprehensive income for the three month period ended March 31, 2016, is as follows:

- Revenue – EUR 136,644 thousand
- Loss – EUR 4,097 thousand

The revenue and profit of the combined entity for the current reporting period as though the acquisition date for the business combination that occurred during the year had been as of January 1, 2016, is as follows:

- Revenue - EUR 246,335 thousand
- Profit – EUR 1,265 thousand

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

In the period from January 1, 2016 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 not 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:

Function	Name	Number of shares
Member of the Management Board	Wojciech Gątkiewicz	5,400
Member of the Management Board	Rafał Karcz	3,472
Member of the Supervisory Board	Paolo G. Antonietti	4,000

As at March 31, 2016 other members of the Management and Supervisory Boards did not hold 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

a. Financial standing of the Pfleiderer Grajewo Group

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

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'000 Euro	Mar. 31, 2016	Dec. 31, 2015
Equity (attributable to owners of the Company)	277,752	279,307
Total equity	277,752	279,307
Non-current liabilities	492,156	42,485
Long-term capital (total equity + non-current liabilities)	769,908	321,792
Current liabilities	190,808	75,512

Pfleiderer Grajewo Group finances its operations through own funds as well as a revolving credit facilities and a so-called High Yield Bond. On January 19, 2016, an amendment to Revolving Credit Facility Agreement came into force which provided Pfeleiderer Grajewo S.A. and Polish material subsidiaries the limit of PLN 200 million (Tranche B) for financing of working capital and other corporate needs. At the balance sheet date this financing wasn't drawn in cash form while some bank guarantees and letter of credits were issued within this line for the total amount of EUR 1,973 thousand and PLN 6,432 thousand. The Revolving Credit Facility Agreement provides Pfeleiderer Holzwerkstoffe GmbH and Pfeleiderer GmbH with up to EUR 60.0 million (Tranche A). This Tranche A is partially drawn by bank guarantees with EUR 2,346 thousand.

Pfleiderer GmbH issued Senior Secured Notes with EUR 321,684 thousand in July 2014 which is due 2019. The total credit limit available under the facilities and the bond secures the financial liquidity of the Parent Company and its subsidiaries.

As at March 31, 2016, the Group's financial liabilities totalled EUR 336,703 thousand (previous year: EUR 14,696 thousand). The financial liabilities consist mainly of the High Yield Bond with EUR 332,139 thousand (previous year EUR 0) plus accrued interest for the High Yield Bond with EUR 4,222 thousand (previous year EUR 0).

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

Moreover, the Polish companies of the Group are party to factoring agreements without recourse rights within which the insured receivables are sold to PEKAO Faktoring Sp. z o.o. and BZ WBK Faktor Sp. z o.o. This financing facility is available for 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 for 1 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 German companies - Pfeleiderer Holzwerkstoffe GmbH, Pfeleiderer Arnsberg GmbH, Pfeleiderer Neumarkt GmbH, Pfeleiderer Leutkirch GmbH, Pfeleiderer Gütersloh GmbH, Jura - Spedition GmbH and Heller Holz GmbH - are party to an Asset Backed Commercial Paper Transaction Structure without recourse rights. The aforementioned companies sell their insured trade receivables to Wood Finance Inc., Grand Cayman / Cayman Islands within the scope of the Receivables Purchase Agreement up to a volume of EUR 60.0 million (Transaction Limit).

The internal financing in the Polish part of 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.

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The internal financing in the German part of the Group is conducted by intercompany loans and a cash-pool.

b. Revenues from sales and financial results

Revenues from sales of the Group in the period from January 1 to March 31, 2016, amounted to EUR 215,522 thousand compared to 96,204 thousand Euro the same period of the previous year. The increase is to be attributed to the first consolidation of Pfeleiderer GmbH and its subsidiaries on January 19, 2016:

'000 Euro	Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
Western Europe	137,878	0
Eastern Europe	86,259	96,204
Consolidation	-8,615	0
Net revenue	215,522	96,204

The table below presents revenues by product group:

	January 1 - March 31, 2016		January 1 - March 31, 2015	
	'000 Euro	%-share	'000 Euro	%-share
Chipboards	140,812	65.3%	59,643	62.0%
MDF/HDF-Boards	25,780	12.0%	12,465	13.0%
HPL / Elements	32,126	14.9%	2,345	2.4%
Glues	10,360	4.8%	11,047	11.5%
Other	2,589	1.2%	3,016	3.1%
Sale of products	211,666	98.2%	88,517	92.0%
Electricity	7,474	3.5%	0	0.0%
Merchandise and materials	813	0.4%	916	1.0%
Other (incl. IC-eliminations)	-4,431	-2.1%	6,771	7.0%
Other incl. sales deductions	3,855	1.8%	7,687	8.0%
Total revenue	215,522	100.0%	96,204	100.0%

Chipboards = raw boards, melamine-faced boards, fibre mats
MDF/HDF-Boards = raw and laminated MDF and HDF, fibre mats
Glues = basic resin, specialised resin
Other = films, foils, edge banding, packaging, and other

Percental shares of product- and other sales changed due to the new Group-structure. Approximately two-thirds of the Group revenues are now generated by the Western European segment and one-third from the Eastern European segment. Electricity sales came from the three power plants in Germany. The significant increase in HPL / Elements sales is attributable almost entirely on the acquired German companies.

The gross margin increased from 19.2% to 21.0% of net sales due to a growing share of value-added products.

The operating profit EUR 2,649 thousand is thus hardly comparable to the prior year's operating profit (EUR 8,799 thousand) and burdened by several non-sustainable items as well as accounting-related issues with no cash-impact (e.g. additional depreciation and amortization on fair value adjustments on tangible and intangible assets (EUR 7,041 thousand) and the release of the fair value adjustments on inventories (EUR 2,345 thousand) and order backlog (EUR 1,712 thousand)).

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All-in-all the Group generated net profits with EUR 4,276 thousand compared to EUR 6,952 thousand in the last year's period.

c. Group's HR and payroll issues

As at March 31, 2016, the number of headcounts of the Group was 3,431 (Full Time Equivalents, "FTE", including apprentices) including management as well as employees hired based on managerial agreements or appointed by the Supervisory Board (as at December 31, 2015, 3,463 FTE).

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

	Mar. 31, 2016	Dec. 31, 2015
Full time equivalents (FTE)		
Western Europe	2,193	2,194
Eastern Europe	1,238	1,269
Total	3,431	3,463

According to the new organizational structure the Management Board consists of Michael Wolff (President and CEO), Dr. Gerd Schubert (CTO), Rafal Karcz (CAO), Richard Mayer (CFO) and Wojciech Gatkiewicz (CSO).

For the German members of the Board a split contract is in place. They receive two thirds of their fixed remuneration in Germany and by a service contract one third paid out in Poland. The remuneration of the German members is to pay out in Euro.

The Polish Board members are paid totally in Polish PLN in Poland.

The yearly target remuneration at 100% target achievement of the German Board Members total 2,075 thousand Euro and of Polish Board Members at 2,719 thousand PLN.

The contracts of the German Board Members are limited contracts, Michael Wolff's contract ends December 31, 2017, Richard Mayer's contract ends December 31, 2018, and Gerd Schubert's contracts ends February 28, 2018. In case of termination before end of the term all German Board Members are entitled of a severance payment of their fixed monthly salary for the rest of their term, at maximum 20 months.

The managerial contract between Pfeiderer Grajewo S.A. and Wojciech Gatkiewicz, a member of the Management Board, was concluded for an unlimited period with a notice period of 12 months first time June 2016. Based on the agreement in case of termination of his contract Wojciech Gatkiewicz is entitled to get remuneration for the period until the end of his notice period.

The contract of Rafal Karcz is also unlimited with a notice period of 12 months but December 2018 at earliest time. The managerial contract of Rafał Karcz provides, in case of termination of the contract prior to December 31, 2018, a contractual penalty amounting to twice the basic salary in effect as at the date of the termination the contract and the number of months in the period from the date of the termination of this contract to December 31, 2019, which would have constituted the date of termination of the Contract had the notice of termination of the Agreement been submitted by the Company on December 31, 2018 .

Remuneration paid to members of the Supervisory Board of Pfeiderer Grajewo S.A. for the period from 1 January to March 31, 2016 amounted to EUR 109 thousand (prior year EUR 171 thousand).

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7. Material related-party transactions

For the information regarding related-party transactions as at March 31, 2016 and for the period from January 1 to March 31, 2016, see Note 15 in supplementary notes to the interim condensed consolidated financial statements of the Pfeiderer Grajewo Group.

In the period from January 1 to March 31, 2016, all related-party transactions were executed on an arm's length basis.

8. Financial instruments

a. 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. The effective portion of cash flow hedge with respect to the firm purchase commitment to acquire shares in Pfeiderer GmbH was included in the amount of goodwill recognized on the acquisition date.

b) Borrowings

As at March 31, 2016, the Group did not carry any borrowings from related parties.

c) Bank loans and corporate bonds

On June 26, 2013, the Parent Company and the subsidiaries: Pfeiderer 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. and Bank Zachodni WBK S.A. The total credit limit available under the facilities provided by those banks amounts to 260,000 thousand PLN and secures the financial liquidity of the Parent Company and its subsidiaries. All these bank lines were repaid fully on February 11, 2016, by owned cash surplus and replaced by new RCF agreement with consortium of 4 German and 4 Polish banks with sublimit for Pfeiderer Grajewo SA and Polish material subsidiaries amounting to 200 million PLN and for Pfeiderer GmbH and Pfeiderer Holzwerkstoffe GmbH amounting to 60 million Euro. On June 27, 2014, Pfeiderer GmbH issued a 7.875% Senior Secured Notes due 2019 with a face value of 321,684 thousand Euro.

Credit agreements for special purposes:

Investment facility agreement with PKO BP S.A.

On January 15, 2007, Pfeiderer MDF Sp. z o.o., a subsidiary, entered into a 235,022 thousand PLN 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. This bank loan was repaid fully on Feb-

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bruary 11, 2016.

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

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

Under the amendment, the amount of the multi-purpose facility loan was reduced to 54,000 thousand PLN.

On June 10, 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 May 31, 2018. This bank loan was repaid fully on February 11, 2016.

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.

b. 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 to a highest responsible extend.

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 grant-

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ed.

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 March 31, 2016, approx. 90% of total trade receivables from non-related parties were covered with credit insurance in Eastern Europe and in Western Europe approx. 97%. 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 these losses is 10% in Eastern Europe and in general 20% for domestic customers and 10% for abroad customers in Western Europe).

In the period from January 1 to March 31, 2016, 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, under Factoring Agreements and under Senior secured notes (High Yield Bond). 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 three months period of 2016, the Group entered into a number of EUR/PLN forward contracts to hedge against currency risk related to contracted or planed trade transactions (sale of products, purchase of raw materials, capital expenditures in foreign currencies). As at March 31, 2016, the Group possessed 41 open EUR/PLN forward contracts with an exposure amounting to EUR 57,350 thousand. The fair value of the open contracts amounted to EUR 797 thousand (level-2).

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 March 31, 2016, the Pfleiderer Grajewo Group possessed debt under bank borrowings and senior secured notes of 338,182 thousand Euro – mainly from the senior secured notes with a book value of 332,139 thousand Euro and a face value of 321,684 thousand Euro, due 2019 and on the same time, it also had undrawn credit facilities of 181,909 thousand PLN and 57,654 thousand Euro. In addition, the Group also held cash of 69,574 thousand Euro.

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

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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 2015 financial year.

9. Security over the Group's assets

A) Security Relating to the members of the Group established in Poland

As at March 31, 2016, certain members of the Group have established the following security for the repayment of claims of Commerzbank Aktiengesellschaft, Filiale Luxemburg acting as security agent (the "**Security Agent**") arising from the parallel debt in accordance with the intercreditor agreement dated July 4, 2014 (as amended and restated) entered into in connection with the EUR 60,000,000 and PLN 200,000,000 revolving facilities agreement dated July 4, 2014 (as amended and restated) among, *inter alios*, Pfleiderer Grajewo S.A. and certain of its subsidiaries as borrowers, the Security Agent and certain financial institutions as original lenders and EUR 321,684,000 7.875% senior secured notes due in 2019 issued by Pfleiderer GmbH:

9.1. Security interest over shares

Pfleiderer Grajewo S.A. has entered into the agreements for financial and registered pledges over shares in Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. and has granted powers of attorney to exercise corporate rights from the pledged shares in these companies in favour of the Security Agent. The registered pledges over shares were established up to the maximum secured amount of EUR 1,286 million.

9.2. Security interest over receivables under bank account agreements

Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. have entered into the agreements for financial and registered pledges over bank accounts and have granted the powers of attorney to dispose funds from their bank accounts in favour of the Security Agent. The registered pledges over bank accounts were established up to the maximum secured amount of EUR 1,286 million.

9.3. Pledges over movable assets and rights

Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. have entered into the agreements for registered pledges over movable property and rights (*zbiór rzeczy ruchomych i praw*). The registered pledges over movable property and rights were established up to the maximum secured amount of EUR 1,286 million.

9.4. Assignments of rights under commercial contracts, intercompany loan agreements and insurance agreements

Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. have entered into the agreements for security assignment of rights under commercial contracts, intercompany loan agreements and insurance agreements.

9.5. Mortgages

The following mortgages up to the amount of EUR 1,286 million (each) have been established in favour of the Security Agent:

- (a) Mortgage over properties and perpetual usufructs of Pfleiderer Grajewo S.A. in Rajgród and Grajewo;
- (b) Mortgage over properties and perpetual usufructs of Pfleiderer Prospan S.A. in Wieruszów

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- and Klatka;
- (c) Mortgage over perpetual usufructs of Pfeleiderer MDF Sp. z o.o. in Grajewo; and
 - (d) Mortgage over properties and perpetual usufructs of Silekol Sp. z o.o. in Kędzierzyn-Koźle.

9.6. Submissions to enforcement

Pfleiderer Grajewo S.A., Pfeleiderer Prospan S.A., Pfeleiderer MDF sp. z o.o. and Silekol sp. z o.o. have executed the submissions to enforcement (*oświadczenie o poddaniu się egzekucji*) in favour of the Security Agent up to the amount of EUR 1,286 million.

B) Security Relating to the members of the Group established in Germany

As at March 31, 2016, certain members of the Group have established the following pledges securing the liabilities under the senior secured revolving credit facility of EUR 60,000,000 and PLN 200,000,000 as well as the liabilities under Pfeleiderer GmbH EUR 321,684 thousand 7.875% Senior Secured Notes due in 2019.

9.7. Security interest over shares

Pfleiderer GmbH, Pfeleiderer Holzwerkstoffe GmbH and Pfeleiderer Vermögensverwaltung GmbH & Co. KG as pledgors have granted pledges over shares in Pfeleiderer GmbH, Pfeleiderer Holzwerkstoffe GmbH, Pfeleiderer Service GmbH, Pfeleiderer Neumarkt GmbH, Pfeleiderer Leutkirch GmbH, Pfeleiderer Gütersloh GmbH, Pfeleiderer Arnsberg GmbH, Pfeleiderer Baruth GmbH and Jura-Spedition GmbH and over partnership interests in Pfeleiderer Vermögensverwaltung GmbH & Co. KG.

9.8. Security interest over bank accounts

Pfleiderer GmbH, Pfeleiderer Holzwerkstoffe GmbH, Pfeleiderer Service GmbH, Pfeleiderer Neumarkt GmbH, Pfeleiderer Leutkirch GmbH, Pfeleiderer Gütersloh GmbH, Pfeleiderer Arnsberg GmbH, Pfeleiderer Baruth GmbH, Jura-Spedition GmbH and Pfeleiderer Vermögensverwaltung GmbH & Co. KG as pledgors have granted pledges over their bank accounts.

9.9. Security interest over receivables

Pfleiderer GmbH, Pfeleiderer Holzwerkstoffe GmbH, Pfeleiderer Service GmbH, Pfeleiderer Neumarkt GmbH, Pfeleiderer Leutkirch GmbH, Pfeleiderer Gütersloh GmbH, Pfeleiderer Arnsberg GmbH, Pfeleiderer Baruth GmbH, Jura-Spedition GmbH and Pfeleiderer Vermögensverwaltung GmbH & Co. KG as assignors have assigned as security their receivables under the intercompany loans, trade and insurance receivables.

9.10. Security interest over moveable assets

Pfleiderer Holzwerkstoffe GmbH, Pfeleiderer Neumarkt GmbH, Pfeleiderer Leutkirch GmbH, Pfeleiderer Arnsberg GmbH and Pfeleiderer Baruth GmbH as transferors have transferred as security their moveable assets (including, plant and machinery, inventory).

9.11. Security interest over intellectual property

Pfleiderer GmbH, Pfeleiderer Holzwerkstoffe GmbH, Pfeleiderer Neumarkt GmbH, Pfeleiderer Leutkirch GmbH and Pfeleiderer Arnsberg GmbH as assignors have assigned as security their intellectual property rights.

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9.12. Mortgages

Land charges (*Grundschulden*) over real estate owned by Pfeleiderer Holzwerkstoffe GmbH and Pfeleiderer Baruth GmbH have also been granted as security.

C) Guarantees by the members of the Group

As at March 31, 2016, certain members of the Group have guaranteed the liabilities under the senior secured revolving credit facility of EUR 60,000,000 and PLN 200,000,000 as well as the liabilities under 7.875% senior notes of EUR 321,684,000 issued by Pfeleiderer GmbH and due in 2019, such members of the Group are: Pfeleiderer Grajewo S.A., Pfeleiderer GmbH, Pfeleiderer Holzwerkstoffe GmbH, Pfeleiderer Service 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.

10. Contingent liabilities

Eastern Europe:

Following a dawn-raid in October 2011, on March 30, 2012, the Polish Office of Competition and Consumer Protection (the "OCCP") commenced proceedings against Kronospan Szczecinek Sp. z o.o., Kronospan Mielec sp. z o.o., Kronopol sp. z o.o., Pfeleiderer Grajewo S.A. and Pfeleiderer Prospan S.A., regarding possible horizontal price fixing and exchange of information on conditions of sale in the chipboard and fibreboard markets in Poland, which may constitute breaches of Article 6 of the Act on Competition and Consumer Protection and Article 101(1)(a) of the Treaty on the Functioning of the European Union. The maximum fines that the OCCP may impose on Pfeleiderer Grajewo S.A. and/or Pfeleiderer Prospan S.A. in these proceedings amount to 10% of their respective tax revenues in the year preceding the issuance of the infringement decision. The end date of the proceedings is still uncertain.

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. 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. Therefore as at March 31, 2016 no provision has been recognized by the Group in these condensed interim consolidated financial statements.

Western Europe:

An earlier investigation by the German Federal Cartel Office in 2009 concluded in 2011 that Pfeleiderer GmbH (then, Pfeleiderer AG) and certain competitors had, for a period from at least 2004 through 2007, violated German competition law by coordinating price increases and minimum prices in the German market. As a result, the German Federal Cartel Office in September 2011 fined this group of market participants and certain individuals a total of 42 million Euro on the grounds of violating German and European competition laws by entering into anticompetitive agreements. Pfeleiderer GmbH's share of the fine is repaid in yearly installments..

Two of the Pfeleiderer Group's customers have sued the Pfeleiderer Group in connection with these antitrust violations for damages. There is one other company seeking compensation in connection

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with these antitrust violations. The outcome of the respective extrajudicial negotiations or proceedings is difficult to predict. Depending on the outcome of the negotiations and/or the proceedings, the Group could be obligated to make substantial payments.

There is a risk that additional follow-on claims for damages might be raised by third parties, including customers, against the Group in respect thereof. The amount of any such follow-on claims for damages cannot currently be determined with any certainty, but could be substantial. The realization of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations.

In December 2012, W. Classen GmbH & Co. KG ("Classen"), one of the Pfeleiderer Group's current customers, filed an action against the custodian (Sachwalter) of Pfeleiderer GmbH (then Pfeleiderer AG) seeking the acceptance of its claim to the insolvency schedule (Insolvenztabelle) filed in May 2012. After the lifting of insolvency proceedings, which became legally effective on December 31, 2012, Classen extended its claim to Pfeleiderer GmbH. Classen claims damages amounting to 22 million Euro (plus interest) on the same grounds as in the claim against Pfeleiderer Baruth GmbH. Any claim against Pfeleiderer GmbH would in general be reduced to the applicable insolvency quota (Insolvenzquote) according to the insolvency plan (Insolvenzplan) of Pfeleiderer AG.

In December 2012, Classen also filed an action for damages with the regional court of Düsseldorf (Landgericht Düsseldorf) against Pfeleiderer Baruth GmbH (then: Pfeleiderer Faserplattenwerk Baruth GmbH) amounting to approximately 67 million Euro (plus interest). The plaintiff claims to have suffered damages due to the Chipboard Cartel. The proceeding is still pending and the outcome, i.e. the potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid, cannot be assessed yet.

In December 2014 Alno AG ("Alno"), one of the Pfeleiderer Group's customers, has claimed substantial damages from Pfeleiderer GmbH on its own behalf and on behalf of two of its subsidiaries. Alno claims to have suffered damages due to the Chipboard Cartel and has filed actions for damages against Pfeleiderer GmbH and another party in late December 2015 (in total 32.9 million Euro plus interest). The proceeding is still pending and the outcome, i.e. the potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid, cannot be assessed yet.

In December 2012, Oeseder Möbel-Industrie Mathias Weimann GmbH & Co. KG ("Oeseder"), one of the Pfeleiderer Group's customers, filed an action for damages with the regional court of Hanover (Landgericht Hannover) against Glunz AG amounting to approximately 26 million Euro (plus interest). The plaintiff claims to have suffered damages due to the Chipboard Cartel. Following a third party notice (Streitverkündung) by Glunz, Pfeleiderer GmbH has joined the legal proceedings as an intervener (Nebenintervenient). The proceeding is still pending. Pfeleiderer GmbH cannot assess the likelihood of success or the potential costs that may arise in connection with this litigation nor the amount of damages that it might be required to pay. Pfeleiderer GmbH's obligation for substantial payments may result from a claim based on the joint and several debt (Gesamtschuld), if Glunz or any other third party having received a notice (Streitverkündung) is obligated to pay compensation to Oeseder.

The Western European segment is subject to certain tax risks. In light of the change in shareholders in 2012, there are certain risks with regard to the amount of tax loss utilized by the Group. Due to the acquisition of all shares in Pfeleiderer GmbH (formerly Pfeleiderer AG) by Atlantik S.A. in November 2012, tax losses generated by the German subsidiaries in 2012 may not be utilized in full. It cannot be ruled out that the fiscal authorities will reject the position taken by Pfeleiderer Holzwerkstoffe GmbH, which could in turn lead to an assessment requiring payments of tax arrears. As a result of the change in shareholders at Pfeleiderer GmbH that was implemented as of January 19, 2016, it is possible that the tax losses may not be recovered in the 2016 financial year too. It cannot be ruled

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out that the fiscal authorities will reject the position taken by Pfeiderer GmbH, which could in turn lead to an assessment requiring payments of tax arrears. In addition, there was a change in shareholders at the level of the shareholder of Pfeiderer GmbH in December 2015, which may lead to risks with regard to the possibility of tax loss utilization for the 2015 financial year. In 2014 the Pfeiderer GmbH (and its subsidiaries) recorded valuation allowances on receivables to the so-called "Non Core"-companies of the former Pfeiderer Group resulting from interests receivables and foreign currency gains on these receivables and treated these valuation allowances as tax-deductible. It cannot be ruled out that the fiscal authorities will reject the position taken by Pfeiderer GmbH, which could cause additional tax payments.

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

The Pfeiderer Grajewo Group did not publish any forecasts for the 2016 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 and Eastern Europe in general will be stabilised.

Management Board of Pfeiderer Grajewo S.A.

Michael Wolff

President of the Management Board

Richard Mayer

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

Rafał Karcz

Member of the Management Board, Chief Administration Officer

Grajewo, May 11, 2016

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

**THE PFLEIDERER GRAJEWO S.A. GROUP
UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED
MARCH 31, 2016**

PFLEIDERER GRAJEWO GROUP

Unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2016

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The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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Unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2016

(all amounts in EUR thousand if not otherwise stated)

Unaudited interim condensed consolidated statement of financial position

'000 Euro	Note	Mar. 31, 2016	Dec. 31, 2015
Property, plant and equipment	7.	547,383	163,895
Intangible assets	2.	94,335	958
Goodwill	2.	67,177	25,303
Investments in jointly controlled entities		0	15
Other long-term investments		547	15
Investment property		906	906
Deferred tax assets		5,516	4,773
Advances paid for property, plant and equipment and intangible assets		7,423	7,083
Government grants receivables		20,732	21,165
Non-current assets		744,019	224,113
Inventories		90,169	36,656
Trade receivables and other	9.	51,816	113,148
Income tax receivable	8.	2,502	101
Government grant receivables		1,179	1,147
Cash and cash equivalents		69,574	20,731
Fair value of hedging instruments		743	640
Other short term financial assets		714	768
Current assets		216,697	173,191
Total assets		960,716	397,304

'000 Euro		Mar. 31, 2016	Dec. 31, 2015
Share capital	10.	6,692	5,573
Share premium	10.	146,373	68,250
Reserves	10.	79,258	164,331
Retained earnings	10.	45,429	41,153
Total equity attributable to owners of the Company		277,752	279,307
Total equity		277,752	279,307
Loans and borrowings	11.	332,139	9,604
Provisions for employee benefits		58,648	2,268
Provisions		1,455	201
Deferred tax liabilities		72,198	3,751
Fair value of hedging instruments		16	107
Deferred income from government grants		26,221	26,554
Other non-current liabilities		1,479	0
Non-current liabilities		492,156	42,485
Loans and borrowings	11.	4,564	5,092
Income tax payable		11,773	853
Trade payables and other	12.	145,951	62,511
Employee related payables		27,090	5,627
Deferred income from government grant		1,430	1,429
Current liabilities		190,808	75,512
Total liabilities		682,964	117,997
Total equity and liabilities		960,716	397,304

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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Unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2016

(all amounts in EUR thousand if not otherwise stated)

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

'000 Euro		Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
Revenue		215,522	96,204
Cost of sales		-170,210	-77,762
Profit on sales		45,312	18,442
Other income		2,623	1,789
Distribution expenses		-23,832	-6,456
General and administrative expenses		-12,752	-3,769
Other expenses		-8,702	-1,207
Result from operating activities		2,649	8,799
Financial income	6.	932	423
Financial expenses	6.	-6,043	-744
Exchange differences	6.	7,868	0
Net financial result		2,757	-321
Profit before tax		5,406	8,478
Income tax expense		-1,130	-1,526
Net profit for the period		4,276	6,952

Other comprehensive income

Actuarial gains and losses		-2,409	0
Items that will not be reclassified subsequently to profit or loss		-2,409	0
Exchange rate differences		-7,091	7,762
Foreign currency differences on translating foreign operations		0	13
Cash flow hedge - effective portion of changes in fair value		-74	2,908
Cash flow hedge - reclassified to profit or loss		75	-355
Items that are or may be reclassified subsequently to profit or loss		-7,090	10,328
Other comprehensive income		-9,499	10,328
Total comprehensive income for the period		-5,223	17,281

Profit for the period attributable to:

Shareholders of the Company		4,276	6,952
Profit for the period		4,276	6,952

Total comprehensive income attributable to:

Shareholders of the Company		-5,223	9,519
Total comprehensive income for the period		-5,223	17,281

Number of shares at the end of the reporting period		64,701,007	49,624,000
Average number of shares during the reporting period		61,553,060	49,624,000
Basic and diluted earnings per share		0.07	0.14

Weighted-average number of ordinary shares (basic and diluted)	days	Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
31.12		49 624 000	49 624 000
19.01.2016 (Share issue)	19	15 077 007	0
31.03	72	64 701 007	49 624 000
Average number of shares	91	61 553 060	49 624 000

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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Unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2016

(all amounts in EUR thousand if not otherwise stated)

Unaudited interim condensed consolidated statement of changes in equity

For the three month period ended March 31, 2016:

'000 Euro	Share capital	Share premium	Un-registered issuance of shares	Reserve for own shares	Statutory reserve funds	Revaluation reserve	Exchange rate differences	Actuarial gains and losses	Cash flow hedges	Retained earnings	Total
As at Jan. 1, 2016	5,573	68,250	75,574	32,734	58,074	145	-1,814	0	-382	41,153	279,307
Comprehensive income for the period											
Net profit	0	0	0	0	0	0	0	0	0	4,276	4,276
Other comprehensive income	0	0	0	0	0	0	-7,091	-2,409	1	0	-9,499
Total comprehensive income for the period	0	0	0	0	0	0	-7,091	-2,409	1	4,276	-5,223
Transactions with owners recognised in equity											
Share issue	1,119	78,123	-75,574	0	0	0	0	0	0	0	3,668
Total transactions with owners recognised in equity	1,119	78,123	-75,574	0	0	0	0	0	0	0	3,668
As at Mar. 31, 2016	6,692	146,373	0	32,734	58,074	145	-8,905	-2,409	-381	45,429	277,752

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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Unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2016

(all amounts in EUR thousand if not otherwise stated)

For the three month period ended March 31, 2015:

'000 Euro	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Exchange rate differences	Cash flow hedges	Retained earnings	Total
As at Jan. 1, 2015	5,573	68,250	76,341	145	-107	-1,841	285	28,811	177,456
Comprehensive income for the period									
Net profit	0	0	0	0	0	0	0	6,952	6,952
Other comprehensive income	0	0	0	0	13	7,762	2,552	0	10,328
Total comprehensive income for the period	0	0	0	0	13	7,762	2,552	6,952	17,281
Transactions with owners recognised in equity	0	0	0	0	0	0	0	0	0
As at Mar. 31, 2015	5,573	68,250	76,341	145	-94	5,921	2,837	35,763	194,737

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

**Unaudited condensed consolidated interim financial statements for the three month period
ended March 31, 2016**

(all amounts in EUR thousand if not otherwise stated)

Unaudited interim condensed consolidated statement of cash flows

'000 Euro	Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
Net profit for the reporting period	4,276	6,952
Depreciation and amortisation	16,695	3,738
Foreign exchange gains	-7,869	-303
Interest for the period	5,111	605
Profit on investing activities	0	-21
Income tax disclosed in profit or loss of the period	1,130	1,526
Amortisation of government grants	0	-168
Result on forward contracts	0	381
Other adjustments	-233	-149
Changes in	-3,091	-1,507
<i>trade and other receivables</i>	-9,612	-9,231
<i>inventories</i>	6,543	5,367
<i>trade and other payables</i>	554	2,270
<i>employee benefit obligations</i>	-576	87
Cash generated from operating activities	16,019	11,054
Interest received	0	5
Income tax (paid)/received	-2,402	-1,804
Net cash provided by operating activities	13,617	9,255
Disposal of property, plant and equipment	-84	32
Income from disposal of discontinued operations	0	3,497
Interest received	24	83
Repayment/(granting) loan to other entities	-106	477
Acquisition of intangible assets and property, plant and equipment	-6,673	-4,722
Acquisition of subsidiary, net of cash acquired	-9,692	0
Net cash used in investing activities	-16,531	-633
Repayment of borrowings and other debt instruments	-23,064	-6,697
Share issue	80,863	0
Interest paid	-6,077	-680
Other financing activities	35	0
Net cash used in financing activities	51,757	-7,377
Total cash flows	48,843	1,245
Increase in cash	48,843	1,245
Cash at beginning of the period	20,731	4,332
Cash at the end of the period	69,574	5,577

The cash flow from share issue resulted from the issuance of 15,077,007 new shares. The cash flow from acquisition of subsidiary resulted mainly from the cash-payment to the seller of Pfeleiderer GmbH and its subsidiaries (EUR 119,353 thousand) after deducting the cash and cash equivalents held by the acquiree (EUR 109,661 thousand). The cash flow from repayment of borrowings reflects the extinguishment of financial debts in the course of the refinancing on January 19, 2016 (please refer to note 11).

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

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(all amounts in EUR thousand if not otherwise stated)

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 information of the Company and its subsidiaries (collectively the "Group"). They were authorized for issue by the Company's Management Board on May 11, 2016.

The Pfleiderer Grajewo S.A. Group (the "Group" or "Pfleiderer Grajewo Group") is primarily involved in manufacturing and veneering of wood and wood-based products and paper finishing, as well as domestic and foreign trade.

2. Structure of the Group

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

		Mar. 31, 2016	Dec. 31, 2015
Eastern Europe			
Jura Polska Sp. z o.o.	Grajewo	100.00%	100.00%
Pfleiderer MDF Sp. z o.o.	Grajewo	100.00%	100.00%
Pfleiderer Prospan S.A.	Wieruszów	100.00%	100.00%
Silekol Sp. z o.o.	Kędzierzyn-Koźle	100.00%	100.00%
Unifloor Sp. z o.o. w likwidacji	Wieruszów	100.00%	100.00%
Pfleiderer Service Sp. z o.o.	Grajewo	100.00%	100.00%
Western Europe			
Pfleiderer GmbH, Neumarkt	Neumarkt, Germany	100.00%	0.00%
Pfleiderer Holzwerkstoffe GmbH	Neumarkt, Germany	100.00%	0.00%
Pfleiderer Neumarkt GmbH	Neumarkt, Germany	100.00%	0.00%
Pfleiderer Gütersloh GmbH	Neumarkt, Germany	100.00%	0.00%
Pfleiderer Leutkirch GmbH	Leutkirch, Germany	100.00%	0.00%
Pfleiderer Amsberg GmbH	Neumarkt, Germany	100.00%	0.00%
Pfleiderer Baruth GmbH	Baruth, Germany	100.00%	0.00%
Heller Holz GmbH	Neumarkt, Germany	100.00%	0.00%
JURA-Spedition GmbH	Neumarkt, Germany	100.00%	0.00%
Pfleiderer France S.A.S.	Reims, France	100.00%	0.00%
Pfleiderer Benelux B.V.	Deventer, Netherlands	100.00%	0.00%
Pfleiderer Suisse AG	Rapperswil, Switzerland	100.00%	0.00%
Pfleiderer UK Ltd.	Macclesfield, United Kingdom	100.00%	0.00%
Pfleiderer Service GmbH	Neumarkt, Germany	100.00%	0.00%
Pfleiderer Vermögensverwaltung GmbH & Co. KG	Neumarkt, Germany	100.00%	0.00%
Pfleiderer Infrastrukturtechnik GmbH & Co. KG (in Insolvenz)	Düsseldorf, Germany	100.00%	0.00%
Pfleiderer Infrastrukturtechnik Verwaltungs-GmbH (in Insolvenz)	Düsseldorf, Germany	100.00%	0.00%
Allgäuer Holzindustrie und Imprägnierwerk Aulendorf GmbH (i.L.)	Aulendorf, Germany	100.00%	0.00%
Blitz 11-446 GmbH	Neumarkt, Germany	100.00%	50.00%

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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(all amounts in EUR thousand if not otherwise stated)

Changes in the Group's structure in the reporting period

Acquisition of subsidiary

On January 19, 2016, Pfleiderer Grajewo S.A. acquired from Atlantik S.A. the only share in Pfleiderer GmbH and its subsidiaries, representing 100% of the share capital and authorizing the exercise of 100% of the voting rights at the general meeting of shareholders. The purchase price amounted to EUR 257,403 thousand. The acquisition was an integral part of project "ONE Pfleiderer" aimed at the creation a fully integrated Group. The new group structure is presented in note 2.

Consideration transferred

The acquisition-date-fair value of the total consideration was EUR 261,707 thousand (PLN 1,164,215 thousand). The consideration was comprised as follows:

- EUR 119,353 thousand – cash payments.
- EUR 7,375 thousand – non-cash settlement, the amount which was settled through reduction of the purchase price and representing a surplus of transaction costs in excess of the limit in the amount of EUR 11.0 million agreed with Atlantik S.A.
- EUR 134,979 thousand - non-cash settlement, the receivable of Pfleiderer Service GmbH from Atlantik S.A. which was offset against the payable to Atlantik S.A. in the same amount.

The consideration was reduced by the amount of the effective portion of the cash flow hedge of EUR 4,304 thousand.

Consideration	'000 EUR
Cash consideration	261,707
Effective portion of cash flow hedge - gains	-4,304
	257,403

Acquisition-related costs

The Group incurred acquisition related costs of EUR 3,390 thousand (PLN 14,966 thousand) on legal fees and advisory costs of which EUR 865 thousand (PLN 3,643 thousand) was incurred in the previous year (2015) and the remaining costs of EUR 2,525 thousand (PLN 11,323 thousand) have been incurred in the current reporting period. The costs were recognized as general and administrative expenses in profit or loss in the periods in which these expenses were incurred.

Identifiable assets and liabilities assumed

Since the acquisition only occurred in January 2016 the determination of fair values of acquired assets and liabilities has not been finalized yet and thus has been recognized on a provisional basis. The fair value of the acquired assets and liabilities on a provisional basis are as follows:

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(all amounts in EUR thousand if not otherwise stated)

'000 EUR	Fair value
Intangible assets	96,116
Property, plant and equipment	396,012
Inventories	59,858
Receivables (incl. "PSG-claim" of EUR 134,979k)	145,195
Cash and cash equivalents	109,661
Other assets (incl. tax receivables)	15,341
Deferred tax assets	47
Total assets	822,230
Pension provisions	-49,911
Other provisions	-5,532
Financial liabilities	-343,662
Trade payables	-65,152
Other liabilities (incl. intercompany)	-59,219
Tax liabilities	-9,866
Deferred tax liabilities	2,140
Total liabilities	-531,202
Deferred tax assets	8,075
Deferred tax liabilities	-83,248
Deferred taxes on fair value adjustments	-75,173
Total identifiable net assets acquired	215,855

The Company acquired trade receivables with a gross nominal amount of EUR 5,794 thousand, with a fair value of EUR 5,268 thousand and thus contractual cash flows not expected to be collected amounting to EUR 526 thousand.

Goodwill

The Group expects significant synergies through the integration and the alignment of all operating and administrative processes to result in double-digit savings (in million EUR) per year.

Goodwill in the amount of EUR 41,548 thousand arising from acquisition has been recognized as follows (on a provisional basis):

'000 EUR	Acquired net assts (fair value)	Consideration transferred	Residual goodwill
Determination of goodwill	215,855	257,403	41,548

None of the goodwill recognized is expected to be deductible for tax purposes.

The amounts of revenue and loss of the former Pfeleiderer GmbH Group since the acquisition date included in the consolidated statement of profit and loss and other comprehensive income for the three month period ended March 31, 2016, is as follows:

- Revenue – EUR 136,644 thousand
- Loss – EUR 4,097 thousand

The revenue and profit of the combined entity for the current reporting period as though the acquisition date for the business combination had occurred as of January 1, 2016, is as follows:

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(all amounts in EUR thousand if not otherwise stated)

- Revenue - EUR 246,335 thousand
- Profit – EUR 1,265 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 the European Union and in the scope required under the Minister of Finance Regulation of February 19, 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) (the “Regulation”).

b) Changes in accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies described in the audited consolidated financial statements of the Pfleiderer Grajewo S.A. Group for the financial year ended December 31, 2015. 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 December 31, 2015.

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning on or after January 1, 2016 and have not been applied in these interim condensed consolidated financial statements. The Group intends to apply them for the periods for which they are effective 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 January 1, 2016:

Amendments to IFRS 11 – Joint arrangements

These amendments contain rules on the recognition and profit and loss treatment of joint ventures and joint operations. These changes did not have a material impact on the Group's consolidated financial statements.

Amendments to IAS 1 – Presentation of Financial Statements

These amendments relate to a variety of reporting issues. They clarify that disclosures in the notes are necessary only if their content is not insignificant. This is also explicitly the case if an IFRS stipulates a list of minimum disclosures. The amendments also provide explanatory notes on the aggregation and disaggregation of items in the statement of financial position and the statement of comprehensive income. These changes did not have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets

With these amendments, the IASB provides further guidance for determining an acceptable method of depreciation and amortization. These changes did not have a material impact on the Group's consolidated financial statements.

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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Amendments to IAS 16 and IAS 41 – Property, Plant and Equipment and Agriculture

To date, under IAS 41, all biological assets have been measured at fair value less estimated selling costs. Under the new requirements, bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16, because their operation is similar to that of manufacturing. These changes did not have a material impact on the Group's consolidated financial statements.

Amendments to IAS 19 – Employee Benefits

These amendments clarify the rules dealing with allocation of employee or third-party contributions to periods of service in circumstances in which the contributions are linked to the term of service. They also allow simplifications for cases in which contributions are independent of the years of service performed. These changes did not have a material impact on the Group's consolidated financial statements.

Amendments to IAS 27 – Separate Financial Statements

This amendment permits use of the equity method as an accounting option for recognition of shares in subsidiaries, joint ventures and associates in the separate financial statements of an investor. These changes did not have a material impact on the Group's consolidated financial statements.

Improvements to IFRS 2010 - 2012

Changes were made to seven standards as part of the annual improvement project. Revisions in the wording of individual IFRSs are intended to clarify existing provisions. There are also changes with an effect on disclosures in the notes. The standards affected are IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These changes did not have a material impact on the Group's consolidated financial statements.

Improvements to IFRS 2012 - 2014

Changes were made to four standards as part of the annual improvement project. Revisions in the wording of individual IFRSs/IASs are intended to clarify existing provisions. The standards affected are IFRS 5, IFRS 7, IAS 19 and IAS 34. These 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.

d) Functional and presentation currency

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

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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(all amounts in EUR thousand if not otherwise stated)

The functional currency of the parent Company, Pfleiderer Grajewo S.A. is the Polish Zloty. Nevertheless approximately two-third of the group revenues are generated by the West European segment in Euro and additionally a more than insignificant share of the Polish sales and sourcing is conducted in Euro as well. The Western European segment accounts for more than two-thirds of the Group's assets (such as tangible and intangible assets and inventories) and most of the group's liabilities. In view of the share of the Euro-denominated business and assets as well as liabilities, starting from January 1, 2016 Pfleiderer Grajewo selected the EUR as the presentation currency for its consolidated financial statements.

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 or loss. 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. The retirement provision is calculated based on assumptions using an 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 December 31, 2015 except for the judgements and estimates related to the acquired business as described in note 14.2 Contingent liabilities.

Contingent liabilities in relation to the described risks (note 14.2 Contingent liabilities) relating to prior antitrust violations could not be measured reliable. The contingent liabilities include potential damages and payments for out-of-court settlements. As the potential damage caused by the violation of the competition law is uncertain (on the merits and to the extent) the damage cannot be measured reliable by the Company. At this stage, given the nature of the issues involved and the inherent uncertainty of such issues, it is not possible to evaluate the outcome and the financial consequences of the corresponding law suits and the out-of-court negotiations. Management has determined that not all of the conditions have been met to require a provision for these matters. Therefore and as at March 31, 2016 no provision has been recognised by the Group in the condensed consolidated interim financial statements.

4. Operating segments

The extended Grajewo Group presently consists of two former largely independent business segments which are currently subject to an overall integration project. The project is still ongoing and is planned to result in a fully integrated European company. The Group is taking steps towards creating a fully integrated company and is still regionally and legally broadly separated into business segments which however will coalesce more and more into one integrated company in the future.

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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(all amounts in EUR thousand if not otherwise stated)

The Group has determined two operating segments – Western Europe and Eastern Europe. Both are components of the Company that engage in business activities from which they earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision maker and for which discrete financial information is available.

Segment reporting is as follows:

Jan. 1 - Mar. 31, 2016 '000 Euro	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	136,644	78,878	0	215,522
Intersegment revenues	1,234	7,381	-8,615	0
Profit/loss before income taxes	-4,012	9,622	-204	5,406
Financial result	4,621	-7,378	0	-2,757
Result from operating activities (EBIT)	609	2,244	-204	2,649
Depreciation and amortisation	12,551	4,144	0	16,695
Segment earnings EBITDA	13,160	6,388	-204	19,344
Cash and cash equivalents	-56,111	-13,064	-399	-69,574
Current financial liabilities	4,564	0	0	4,564
Non-current financial liabilities	332,139	0	0	332,139
Net debt	280,592	-13,064	-399	267,129
Receivables before factoring	55,968	45,621	0	101,589
Inventories	57,965	32,204	0	90,169
Liabilities	-52,217	-33,376	0	-85,593
Net working capital before factoring	61,716	44,449	0	106,165
Segment capital expenditure	1,725	3,917	0	5,642

Jan. 1 - Mar. 31, 2015 '000 Euro	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	0	96,204	0	96,204
Intersegment revenues	0	0	0	0
Profit/loss before income taxes	0	8,478	0	8,478
Financial result	0	321	0	321
Result from operating activities (EBIT)	0	8,799	0	8,799
Depreciation and amortisation	0	3,738	0	3,738
Segment earnings EBITDA	0	12,537	0	12,537
Cash and cash equivalents	0	-5,577	0	-5,577
Current financial liabilities	0	5,381	0	5,381
Non-current financial liabilities	0	14,251	0	14,251
Net debt	0	14,055	0	14,055
Receivables before factoring	0	34,821	0	34,821
Inventories	0	38,766	0	38,766
Liabilities	0	-102,859	0	-102,859
Net working capital before factoring	0	-29,272	0	-29,272
Segment capital expenditure	0	4,841	0	4,841

5. Seasonality of operations

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

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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6. Finance income and costs

6.1 Recognized in profit or loss for the period:

'000 Euro	Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
Interest income	932	30
Gains on forward contracts	0	94
Investments revaluation	0	299
Finance income	932	423
Interest expense	-6,041	-725
Other finance costs	-2	-19
Finance costs	-6,043	-744
Exchange differences	7,868	0
Other financial result	7,868	0
Net finance costs	2,757	-321

The increase of the interest expenses derives from the interest on the 7.875% Senior Secured Notes issued by Pfeleiderer GmbH in 2014. The gains on translation of foreign currency financial positions resulted from the translation of intercompany settlements denominated in EUR and resulted from project Pinehurst.

6.2 Recognized in other comprehensive income:

'000 Euro	Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
Cash flow hedge - effective portion of changes in fair value	-74	2,908
Cash flow hedge – reclassified to profit or loss	75	-355
	1	2,553

7. Property, plant and equipment

In 2016 the Group continues a long-term investment program designed to align its production capacities to market needs and to enhance its cost effectiveness and productivity. The capital expenditures for the three months period ended March 31, 2016 were EUR 5,269 thousand (together with the advance payments), while the capital expenditures together with the advance payments for the three month period ended March 31, 2015, were EUR 1,460 thousand and for 2015, EUR 27,290 thousand.

As at March 31, 2016, the Group has purchase commitments for the property, plant and equipment and intangible assets. These commitments relate to the signed agreements by the members of the Group with respect to future investments plans (i.e. worktop production line as well as the 4 pack project (cutting, sanding, customizing & lacquering of board)).

'000 Euro	Mar. 31, 2016	Dec. 31, 2015
Property, plant and equipment	16,855	8,472
Intangible assets	7	2
Commitment to purchase	16,862	8,474

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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8. Income tax expense

Income tax expense comprises both actual income tax to be paid and deferred taxes. Income tax expense is recognized as the best estimate of the weighted-average annual income tax rate expected for the whole year multiplied by the pre-tax income of the interim reporting period.

The Polish Group companies are taxed at a corporate tax rate of 19% (previous year: 19%). The German Group companies are taxed at a corporate tax rate of 15%, plus solidarity surcharge of 5.5% on the corporate tax rate (+0,83%) plus an average trade tax rate of 13.02%, thus 28.85% all-in-all. The respective local tax rates apply for other foreign companies.

Current and deferred taxes are recognized on the basis of an overall tax rate of 19% (previous year: 19%) for Polish companies and of an overall tax rate of 28.85% for German companies.

9. Trade receivables and other

'000 Euro	Mar. 31, 2016	Dec. 31, 2015
Trade receivables	37 069	9 703
Current prepayments and accrued income	3 893	3 616
Current VAT receivables	2 674	4 555
Trade receivables from related parties	51	9 801
Receivables related to capital increase	0	84 911
Other receivables	8 129	561
Total	51 816	113 147

10. Equity

The par value of the share is denominated in PLN and thus is disclosed in its local currency (last line of the following table) and is translated into EUR at its historical exchanges rates:

	Mar. 31, 2016	Dec. 31, 2015
Par value of share capital (PLN)	21,351,332	16,375,920
Number of shares at beginning of period (fully paid up)	49,624,000	49,624,000
Number of shares at end of period (fully paid up)	64,701,007	49,624,000
Par value per share (PLN)	0.33	0.33

The par value of the share capital translated into Euro at its historical exchange rates was as follows:

	Mar. 31, 2016	Dec. 31, 2015
Par value of share capital ('000 EUR)	6,692	5,573
Number of shares at beginning of period (fully paid up)	49,624,000	49,624,000
Number of shares at end of period (fully paid up)	64,701,007	49,624,000

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 are entitled to the same rights to share in the distribution, if any, of the Company's assets.

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Pfleiderer Grajewo S.A. (the Parent) issued 15,077,007 new ordinary shares on January 19, 2016. The shareholder structure after issuing the new shares as well as of the reporting date is as follows:

Shareholding structure	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM
Strategic Value Partners LLC	16,772,896	25.92%	16,772,896	25.92%
Atlantik S.A.	16,374,497	25.31%	16,374,497	25.31%
Aviva OFE Aviva BZ WBK	4,928,816	7.62%	4,928,816	7.62%
ING OFE	2,639,144	4.08%	2,639,144	4.08%
Other shareholders	23,985,654	37.07%	23,985,654	37.07%
Total	64,701,007	100.00%	64,701,007	100.00%

Dividends

The management board recommended on March 21, 2016, to allocate PLN 64,701,007 (equals EUR 15,194,807 translated at the exchange rate at the date of the recommendation) in total, equivalent to PLN 1.00 per share for payment of a dividend and to allocate the remaining part of the profit for 2015 to the Company's reserves. The management board adopted an appropriate resolution on a motion to the General Meeting of Shareholders.

11. Borrowings and other debt instruments

Non-current borrowings and other debt instruments:

'000 Euro	Mar. 31, 2016	Dec. 31, 2015
Non-current portion of interest-bearing bonds	332,139	9,604
Total	332,139	9,604

Current borrowings and other debt instruments:

'000 Euro	Mar. 31, 2016	Dec. 31, 2015
Current portion of interests-bearing bonds	4,222	5,092
Bank liabilities due within one year	152	0
Other interest bearing liabilities	190	0
Total	4,564	5,092

Bank loans and corporate bonds

On June 26, 2013, the Parent Company and the subsidiaries: Pfleiderer Prospan S.A. and Silekol Sp. z o.o. concluded credit facility agreements with the following banks: Bank Millennium S.A., Alior Bank S.A. and Bank Zachodni WBK S.A. The total credit limit available under the facilities provided by those banks amounts to PLN 260 million and secured the financial liquidity of the Parent Company and its subsidiaries. All these bank credit lines were repaid fully on February 11, 2016, from own cash surplus and replaced by new Revolving Credit Facilities ("RCF") agreement with a consortium of four German and four Polish banks with sublimit for Pfleiderer Grajewo SA and significant Polish subsidiaries amounting to PLN 200 million and for Pfleiderer GmbH and Pfleiderer Holzwerkstoffe GmbH amounting to EUR 60 million.

On June 27, 2014, Pfleiderer GmbH issued 7.875% Senior Secured Notes due 2019 with a face value of EUR 321,684 thousand.

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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On January 19, 2016, an amendment to the RCF Agreement came into force which provided Pfeleiderer Grajewo SA and Polish subsidiaries a limit of PLN 200 million (Tranche B) for financing of working capital and other corporate needs. At the reporting date this financing was not drawn in cash whilst some bank guarantees and letters of credits were issued within this credit line for the total amount of EUR 1,973 thousand and PLN 6,432 thousand. The RCF Agreement provides Pfeleiderer Holzwerkstoffe GmbH and Pfeleiderer GmbH with up to EUR 60.0 million (Tranche A). This Tranche A is partially drawn for bank guarantees of EUR 2,346 thousand. This RCF expires on April 30, 2019. Interest on cash drawings is accrued at EURIBOR (for EUR-drawings) plus margin, WIBOR (for PLN-drawings) plus margin, LIBOR (for drawings in other currencies) plus margin.

The terms and repayments schedule of the bank borrowings, beside the aforementioned RCF, as at March 31, 2016 and December 31, 2015, was as follows:

'000 PLN						Mar. 31, 2016		Dec. 31, 2015	
Lender	Currency	Interest rate	Maturity date	Security	Credit limit	Current portion	Non-current portion	Current portion	Non-current portion
Millenium S.A.	PLN	1M WIBOR + margin	June 25, 2018	mortgage	75 000	0	0	0	0
Millenium S.A.	PLN	1M WIBOR + margin	June 25, 2016	mortgage	25 000	0	0	0	0
Alior Bank S.A.	PLN	1M WIBOR + margin	June 25, 2018	mortgage	75 000	0	0	0	0
Alior Bank S.A.	PLN	1M WIBOR + margin	June 25, 2016	mortgage	25 000	0	0	0	0
Bank Zachodni WBK S.A.	PLN	1M WIBOR + margin	June 25, 2018	mortgage	45 000	0	0	0	0
Bank Zachodni WBK S.A.	PLN	1M WIBOR + margin	June 25, 2016	mortgage	15 000	0	0	0	0
Bank Ochrony Środowiska S.A.	PLN	1M WIBOR + margin	June 25, 2018	mortgage	40 000	0	0	0	0
PKO Bank Polski S.A.	PLN	1M WIBOR + margin	May 31, 2018	mortgage, registered pledge, assignments	54 000	0	0	0	0
PKO Bank Polski S.A.	PLN	3M WIBOR + margin	Oct. 15, 2018	mortgage, registered pledge, assignments	n/a	0	0	21 700	40 926
354 000						0	0	21 700	40 926

The credit line with Bank Ochrony Środowiska SA was fully repaid on October 14, 2015. All the other bank loans and credit loans were repaid in full on February 11, 2016.

Credit agreements for special purposes:

Investment facility agreement with PKO BP S.A.

On January 15, 2007, Pfeleiderer MDF Sp. z o.o., a subsidiary, entered into a PLN 235,022 thousand investment facility agreement with PKO BP S.A. This is a special-purpose facility obtained to finance the construction of the MDF board production plant in Grajewo. This bank loan was fully repaid on February 11, 2016.

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

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(all amounts in EUR thousand if not otherwise stated)

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

On August 29, 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 included an overdraft of PLN 30,000 thousand, a working overdraft facility of PLN 30,000 thousand as well as a facility for guarantees and letters of credit with a limit of PLN 5,000 thousand.

On June 10, 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 May 31, 2018. Under the amendment, the amount of the multi-purpose facility loan was reduced to PLN 54,000 thousand. This bank loan was repaid fully on February 11, 2016.

12. Trade payables and other

'000 Euro	Mar. 31, 2016	Dec. 31, 2015
Trade payables	85,593	32,457
Liabilities under factoring agreements	20,803	14,130
Insolvency-related liabilities of Pfleiderer GmbH	10,662	0
Cartel-fine for past antitrust violations Pfleiderer GmbH	2,199	0
VAT liabilities	2,094	0
Liabilities for capital expenditures	1,515	3,508
Prepaid deliveries	203	412
Other liabilities	22,882	12,004
Total	145,951	62,511

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 March 31, 2016 and December 31, 2015 with the exception of the High Yield Bond, listed at the Irish Stock Exchange, quoted at 104.2% on March 31, 2016, equal to EUR 335,195 thousand (carrying amount of EUR 332,139 thousand, plus accrued interest of EUR 4,222 thousand).

13.2. Valuation of financial assets and liabilities at fair value

As at March 31, 2016, the Group held 41 open forward contracts with a nominal exposure amounting to EUR 57,350 thousand. The fair value of the open contracts amounted to EUR 727 thousand (asset), based on level 2 input factors.

As at December 31, 2015, the Group held 37 open forward contracts for sales of EUR for PLN with nominal exposure amounting to EUR 67,800 thousand and for the purchase of EUR for PLN in the nominal amount of EUR 119.353 thousand. The fair value of the open contracts amounted to EUR 521 thousand (asset), based on level 2 input factors.

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PFLEIDERER GRAJEWO GROUP

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(all amounts in EUR thousand if not otherwise stated)

14. Contingent liabilities and security

14.1. Security

A) Security Relating to the members of the Group established in Poland

As at March 31, 2016, certain members of the Group have established the following security for the repayment of claims of Commerzbank Aktiengesellschaft, Filiale Luxemburg acting as security agent (the "Security Agent") arising from the parallel debt in accordance with the intercreditor agreement dated July 4, 2014 (as amended and restated) entered into in connection with the EUR 60 million and PLN 200 million RCF Agreement dated July 4, 2014 (as amended and restated) among, *inter alios*, Pfleiderer Grajewo S.A. and certain of its subsidiaries as borrowers, the Security Agent and certain financial institutions as original lenders and the EUR 321,684 thousand 7.875% Senior Secured Notes due 2019 issued by Pfleiderer GmbH:

Security interest over shares

Pfleiderer Grajewo S.A. has entered into agreements for financial and registered pledges over shares in Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. and has granted powers of attorney to exercise corporate rights from the pledged shares in these companies in favour of the Security Agent. The registered pledges over shares were established up to the maximum secured amount of EUR 1,286 million.

Security interest over receivables under bank account agreements

Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. have entered into agreements for financial and registered pledges over bank accounts and have granted powers of attorney to dispose of funds from their bank accounts in favour of the Security Agent. The registered pledges over bank accounts were established up to the maximum secured amount of EUR 1,286 million.

Pledges over movable assets and rights

Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. have entered into agreements for registered pledges over movable property and rights (*zbiór rzeczy ruchomych i praw*). The registered pledges over movable property and rights were established up to the maximum secured amount of EUR 1,286 million.

Assignments of rights under commercial contracts, intercompany loan agreements and insurance agreements

Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o. have entered into agreements for assignment of rights under commercial contracts, intercompany loan agreements and insurance agreements.

Mortgages

The following mortgages up to the amount of EUR 1,286 million (each) have been established in favour of the Security Agent:

- (a) Mortgage over properties and perpetual usufructs of Pfleiderer Grajewo S.A. in Grajewo and Rajród;

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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(all amounts in EUR thousand if not otherwise stated)

- (b) Mortgage over properties and perpetual usufructs of Pfeiderer Prospan S.A. in Wieruszów and Klatka;
- (c) Mortgage over perpetual usufructs of Pfeiderer MDF Sp. z o.o. in Grajewo; and
- (d) Mortgage over properties and perpetual usufructs of Silekol Sp. z o.o. in Kędzierzyn-Koźle.

Submissions to enforcement

Pfeiderer Grajewo S.A., Pfeiderer Prospan S.A., Pfeiderer MDF sp. z o.o. and Silekol sp. z o.o. have executed the submissions to enforcement (*oświadczenie o poddaniu się egzekucji*) in favour of the Security Agent up to the amount of EUR 1,286 million.

B) Security Relating to the members of the Group established in Germany

As at March 31, 2016, certain members of the Group have established the following securing the liabilities under the RCF Agreement of EUR 60 million and PLN 200 million as well as the liabilities under Pfeiderer GmbH EUR 321,684 thousand 7.875% Senior Secured Notes due 2019 and certain hedging arrangements:

Security interest over shares

Pfeiderer GmbH, Pfeiderer Holzwerkstoffe GmbH and Pfeiderer Vermögensverwaltung GmbH & Co. KG as pledgors have granted pledges over shares in Pfeiderer GmbH, Pfeiderer Holzwerkstoffe GmbH, Pfeiderer Service GmbH, Pfeiderer Neumarkt GmbH, Pfeiderer Leutkirch GmbH, Pfeiderer Gütersloh GmbH, Pfeiderer Arnsberg GmbH, Pfeiderer Baruth GmbH and Jura-Spedition GmbH and over partnership interests in Pfeiderer Vermögensverwaltung GmbH & Co. KG.

Security interest over bank accounts

Pfeiderer GmbH, Pfeiderer Holzwerkstoffe GmbH, Pfeiderer Service GmbH, Pfeiderer Neumarkt GmbH, Pfeiderer Leutkirch GmbH, Pfeiderer Gütersloh GmbH, Pfeiderer Arnsberg GmbH, Pfeiderer Baruth GmbH, Jura-Spedition GmbH and Pfeiderer Vermögensverwaltung GmbH & Co. KG as pledgers, have granted pledges over their bank accounts.

Security interest over receivables

Pfeiderer GmbH, Pfeiderer Holzwerkstoffe GmbH, Pfeiderer Service GmbH, Pfeiderer Neumarkt GmbH, Pfeiderer Leutkirch GmbH, Pfeiderer Gütersloh GmbH, Pfeiderer Arnsberg GmbH, Pfeiderer Baruth GmbH, Jura-Spedition GmbH and Pfeiderer Vermögensverwaltung GmbH & Co. KG as assignors, have assigned as security their receivables under the intercompany loans, trade and insurance receivables.

Security interest over moveable assets

Pfeiderer Holzwerkstoffe GmbH, Pfeiderer Neumarkt GmbH, Pfeiderer Leutkirch GmbH, Pfeiderer Arnsberg GmbH and Pfeiderer Baruth GmbH as transferors, have transferred as security their moveable assets (including, plant and machinery, inventory).

Security interest over intellectual property

Pfeiderer GmbH, Pfeiderer Holzwerkstoffe GmbH, Pfeiderer Neumarkt GmbH, Pfeiderer

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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(all amounts in EUR thousand if not otherwise stated)

Leutkirch GmbH and Pfeleiderer Arnsberg GmbH as assignors, have assigned as security their intellectual property rights.

Mortgages

Land charges (*Grundschulden*) over real estate owned by Pfeleiderer Holzwerkstoffe GmbH and Pfeleiderer Baruth GmbH have also been granted as security.

C) Guarantees by the members of the Group

As at March 31, 2016, certain members of the Group have guaranteed the liabilities under the RCF Agreement of EUR 60 million and PLN 200 million as well as the liabilities under the 7.875% senior notes of EUR 321,684 thousand issued by Pfeleiderer GmbH and due in 2019. These members of the Group are: Pfeleiderer Grajewo S.A., Pfeleiderer GmbH, Pfeleiderer Holzwerkstoffe GmbH, Pfeleiderer Service 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.

14.2. Contingent liabilities

Eastern Europe:

Following a dawn-raid in October 2011, on March 30, 2012, the Polish Office of Competition and Consumer Protection (the "OCCP") commenced proceedings against Kronospan Szczecinek Sp. z o.o., Kronospan Mielec Sp. z o.o., Kronopol Sp. z o.o., Pfeleiderer Grajewo S.A. and Pfeleiderer Prospan S.A., regarding possible horizontal price fixing and exchange of information on conditions of sale in the chipboard and fibreboard markets in Poland, which may constitute breaches of Article 6 of the Act on Competition and Consumer Protection and Article 101(1)(a) of the Treaty on the Functioning of the European Union. The maximum fines that the OCCP may impose on Pfeleiderer Grajewo S.A. and/or Pfeleiderer Prospan S.A. in these proceedings amount to 10% of their respective taxable revenues in the year preceding the issuance of the infringement decision. The end date of the proceedings is still uncertain.

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. 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. Therefore as at March 31, 2016, no provision has been recognized by the Group in these condensed interim consolidated financial statements.

Western Europe:

An earlier investigation by the German Federal Cartel Office in 2009 concluded in 2011 that Pfeleiderer GmbH (then, Pfeleiderer AG) and certain competitors had, for a period from at least 2004 through 2007, violated German competition law by coordinating price increases and minimum prices in the German market. As a result, the German Federal Cartel Office in September 2011 fined this group of market participants and certain individuals a total of EUR 42 million on

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

Unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2016

(all amounts in EUR thousand if not otherwise stated)

the grounds of violating German and European competition laws by entering into anticompetitive agreements. Pfeiderer GmbH's share of the fine is settled in yearly installments.

Two of the Pfeiderer Group's customers have sued the Pfeiderer Group for damages in connection with these antitrust violations. There is one other company seeking compensation in connection with these antitrust violations. The outcome of the respective extrajudicial negotiations or proceedings is difficult to predict. Depending on the outcome of the negotiations and/or the proceedings, the Group could be obligated to make substantial payments.

There is a risk that additional follow-on claims for damages might be raised by third parties, including customers, against the Group in respect thereof. The amount of any such follow-on claims for damages cannot currently be determined with any certainty, but could be substantial. The realization of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations.

In December 2012, W. Classen GmbH & Co. KG ("Classen"), one of the Pfeiderer Group's current customers, filed an action against the custodian (Sachwalter) of Pfeiderer GmbH (then Pfeiderer AG) seeking the acceptance of its claim to the insolvency schedule (Insolvenztabelle) filed in May 2012. After the lifting of insolvency proceedings, which became legally effective on December 31, 2012, Classen extended its claim to Pfeiderer GmbH. Classen claims damages amounting to EUR 22 million (plus interest) on the same grounds as in the claim against Pfeiderer Baruth GmbH, as described below. Any claim against Pfeiderer GmbH would in general be reduced to the applicable insolvency quota (Insolvenzquote) according to the insolvency plan (Insolvenzplan) of Pfeiderer AG.

In December 2012, Classen also filed an action for damages with the regional court of Düsseldorf (Landgericht Düsseldorf) against Pfeiderer Baruth GmbH (then: Pfeiderer Faserplattenwerk Baruth GmbH) amounting to approximately EUR 67 million (plus interest). The plaintiff claims to have suffered damages due to the Chipboard Cartel. The proceeding is still pending and the outcome, i.e. the potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid, cannot be assessed yet.

In December 2014 Alno AG ("Alno"), one of the Pfeiderer Group's customers, has claimed substantial damages from Pfeiderer GmbH on its own behalf and on behalf of two of its subsidiaries. Alno claims to have suffered damages due to the Chipboard Cartel and has filed actions for damages against Pfeiderer GmbH and another party in late December 2015 (in total EUR 32.9 million plus interest). The proceeding is still pending and the outcome, i.e. the potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid, cannot be assessed yet.

In December 2012, Oeseder Möbel-Industrie Mathias Weimann GmbH & Co. KG ("Oeseder"), one of the Pfeiderer Group's customers, filed an action for damages with the regional court of Hanover (Landgericht Hannover) against Glunz AG amounting to approximately EUR 26 million (plus interest). The plaintiff claims to have suffered damages due to the Chipboard Cartel. Following a third party notice (Streitverkündung) by Glunz, Pfeiderer GmbH has joined the legal proceedings as an intervener (Nebenintervenient). The proceeding is still pending. Pfeiderer GmbH cannot assess the likelihood of success or the potential costs that may arise in connection with this litigation nor the amount of damages that it might be required to be paid. Pfeiderer GmbH's obligation for substantial payments may result from a claim based on joint and several liability (Gesamtschuld), if Glunz or any other third party having received a notice (Streitverkündung) is obligated to pay compensation to Oeseder.

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

Unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2016

(all amounts in EUR thousand if not otherwise stated)

The Western European segment is subject to certain tax risks. In light of the change in shareholders in 2012, there are certain risks with regard to the amount of tax loss utilized by the Group. Due to the acquisition of all shares in Pfeleiderer GmbH (formerly Pfeleiderer AG) by Atlantik S.A. in November 2012, tax losses generated by the German subsidiaries in 2012 may not be utilized in full. It cannot be ruled out that the fiscal authorities will reject the position taken by Pfeleiderer Holzwerkstoffe GmbH, which could in turn lead to an assessment requiring payments of tax arrears. As a result of the change in shareholders at Pfeleiderer GmbH that was implemented as of January 19, 2016, it is possible that the tax losses may also not be recovered in the 2016 financial year too. It cannot be ruled out that the fiscal authorities will reject the position taken by Pfeleiderer GmbH, which could in turn lead to an assessment requiring payment of tax arrears. In addition, there was a change in shareholders at the level of the shareholder of Pfeleiderer GmbH in December 2015, which may lead to uncertainty with regard to the possibility of tax loss utilization for the 2015 financial year. In 2014 the Pfeleiderer GmbH (and its subsidiaries) recognized valuation allowances on receivables to the so-called "Non Core"-companies of the former Pfeleiderer Group on account of interest receivable and foreign currency gains on these receivables and treated these valuation allowances as tax-deductible. It cannot be ruled out that the fiscal authorities will reject the position taken by Pfeleiderer GmbH, which could cause additional tax payments.

15. Significant related party transactions

No transactions with related parties other than described below were conducted in the reporting period.

Remuneration of key management personnel

According to the new organizational structure the Management Board consists of Michael Wolff (President and CEO), Dr. Gerd Schubert (COO), Rafal Karcz (CAO), Richard Mayer (CFO) and Wojciech Gatkiewicz (CTO).

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:

'000 Euro	Mar. 31, 2016	Mar. 31, 2015
Remuneration of Management Board	2,132	1,797
Remuneration of Supervisory Board	109	171
	2,241	1,968

The aforementioned remuneration includes all payments from all Group companies to the Board. No member of Parent's Management Board had outstanding loan-related debt towards the Group.

As at March 31, 2016, members of the Management and Supervisory Boards held the following number of Pfeleiderer Grajewo shares:

Function	Name	Number of shares
Member of the Management Board	Wojciech Gatkiewicz	5,400
Member of the Management Board	Rafał Karcz	3,472
Member of the Supervisory Board	Paolo G. Antonietti	4,000

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

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

PFLEIDERER GRAJEWO GROUP

**Unaudited condensed consolidated interim financial statements for the three month period
ended March 31, 2016**

(all amounts in EUR thousand if not otherwise stated)

Michael Wolff
President of the Management Board

Richard Mayer
*Member of the Management Board, Chief
Financial Officer*

Gerd Schubert
*Member of the Management Board, Chief Op-
erating Officer*

Wojciech Gątkiewicz
*Member of the Management Board, Chief
Transformation Officer*

Rafał Karcz
*Member of the Management Board, Chief Ad-
ministration Officer*

Grajewo, May 11, 2016

The notes are an integral part of these unaudited condensed consolidated interim financial statements.

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

**THE PFLEIDERER GRAJEWO
UNAUDITED CONDENSED SEPARATE
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED
MARCH 31, 2016**

PFLEIDERER GRAJEWO

**Unaudited condensed separate interim financial statements for the three month period
ended March 31, 2016**

(all amounts in PLN thousand if not otherwise stated)

Unaudited interim condensed separate Parent statement of financial position

	<u>31 Mar 2016</u>	<u>31 Dec 2015</u>
Assets		
Property, plant and equipment	157,559	162,348
Intangible assets	3,577	4,045
Investments in subsidiaries	1,962,985	785,743
Other non-current financial assets	75	75
Non-current loans granted to subsidiaries	92,068	10,473
Non-current receivables – advances paid for property, plant and equipment and intangible assets	814	814
Non-current assets	<u>2,217,078</u>	<u>963,498</u>
Inventories	49,099	55,161
Trade receivables and other	53,402	415,454
Income tax receivables	-	375
Cash and cash equivalents	21,498	30,983
Fair value of hedging instruments	2,266	2,436
Current assets	<u>126,265</u>	<u>504,409</u>
TOTAL ASSETS	<u>2,343,343</u>	<u>1,467,907</u>
Equity		
Share capital	21,351	16,376
Share premium	625,240	289,806
Reserves	375,296	676,532
Retained earnings	122,079	92,188
Total equity	<u>1,143,966</u>	<u>1,074,902</u>
Liabilities		
Provisions for employee benefits	7,773	7,773
Deferred tax liabilities	7,003	587
Fair value of hedging instruments	66	455
Total non-current liabilities	<u>14,842</u>	<u>8,815</u>
Loans and borrowings	186,978	-
Income tax payable	1,320	-
Liabilities to related parties under debt securities	272,108	233,767
Fair value of hedging instruments	-	51
Trade and other payables	710,991	137,020
Employee related payables	13,138	13,352
Total current liabilities	<u>1,184,535</u>	<u>384,190</u>
Total liabilities	<u>1,199,377</u>	<u>393,005</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,343,343</u></u>	<u><u>1,467,907</u></u>

PFLEIDERER GRAJEWO

**Unaudited condensed separate interim financial statements for the three month period
ended March 31, 2016**

(all amounts in PLN thousand if not otherwise stated)

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

	Three months ended 31 Mar 2016	Three months ended 31 Mar 2015
Revenue	150,786	163,203
Cost of sales	(128,244)	(142,536)
Profit on sales	22,542	20,667
Other income	2,447	3,202
Distribution expenses	(8,380)	(7,893)
General and administrative expenses	(9,728)	(6,479)
Other expenses	(1,067)	(991)
Results from operating activities	5,814	8,506
Financial income	34,012	1,895
Financial expenses	(2,854)	(2,330)
Net financing income	31,158	(435)
Profit before tax	36,972	8,071
Income tax expense	(7,081)	(1,311)
Net profit for the reporting period	29,891	6,760
OTHER COMPREHENSIVE INCOME		
Items that are or may be reclassified to profit or loss		
Cash flow hedge – effective portion of changes in fair value	(979)	10 544
Cash flow hedge – reclassified to profit or loss	779	(214)
Cash flow hedge – settlement of the forward hedging the purchase of shares	23 048	-
Other comprehensive income	22,848	10,330
Total comprehensive income for the period	52,739	17,090
Basic and diluted earnings per share (PLN)	0.49	0.14

PFLEIDERER GRAJEWO

Unaudited condensed separate interim financial statements for the three month period ended March 31, 2016

(all amounts in PLN thousand if not otherwise stated)

Unaudited interim condensed separate Parent statement of changes in equity

For the three month period ended 31 March 2016

	Share capital	Share premium	Statutory reserve funds	Other reserves	Cash flow hedges	Retained earnings	Total
1 Jan 2016	16,376	289,806	538,398	140,000	(1,866)	92,188	1,074,902
Comprehensive income for the period							
Net profit	-	-	-	-	-	29,891	29,891
Other comprehensive income for the period	-	-	-	-	22,848	-	22,848
Total comprehensive income for the period	-	-	-		22,848	29,891	52,739
Transactions with owners recognised in equity							
Share issue	4,975	335,434	(324,084)	-	-	-	16,325
Total transactions with owners recognised in equity	4,975	335,434	(324,084)		-	-	16,325
31 Mar 2016	21,351	625,240	214,314	140,000	20,982	122,079	1,143,966

For the three month period ended 31 March 2015

	Share capital	Share premium	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
1 Jan 2015	16,376	289,806	293,765	1,213	83,631	684,791
Comprehensive income for the period						
Net profit	-	-	-	-	6,760	6,760
Other comprehensive income for the period	-	-	-	10,330	-	10,330
Total comprehensive income for the period	-	-	-	10,330	6,760	17,090
Transactions with owners recognised in equity						
Total transactions with owners recognised in equity	-	-	-	-	-	-
31 Mar 2015	16,376	289,806	293,765	11,543	90,391	701,881

PFLEIDERER GRAJEWO

**Unaudited condensed separate interim financial statements for the three month period
ended March 31, 2016**

(all amounts in PLN thousand if not otherwise stated)

Unaudited interim condensed separate Parent statement of cash flows

	1 Jan 2016 31 Mar 2016	1 Jan 2015 31 Mar 2015
Net profit for the reporting periods	29,891	6,760
Adjustments for:	(23,020)	15,073
Depreciation and amortisation	6,603	5,087
Foreign exchange gains	(31,475)	(1,343)
Dividends and interests for the period	1,098	1,231
Gain on investing activities	(45)	(59)
Income tax recognised in profit or loss of the period	7,081	1,311
Result on forward contracts	(779)	1,486
Other	-	(668)
Changes in:		
- trade and other receivables	1,043	(14,498)
- inventories	6,062	13,446
- trade and other payables	(12,395)	8,972
- employee benefit obligations	(214)	108
Cash generated from operating activities	6,870	21,833
Interest received	32	14
Interest paid	-	(21)
Income tax paid	(862)	(4,519)
Net cash from operating activities	6,040	17,307
Cash flows provided by investing activities		
Disposal of property, plant and equipment	45	59
Dividend received	-	460
Acquisition of investments in subsidiaries	(530,962)	-
Settlement of forward contract hedging the acquisition of investments in subsidiaries	21,330	-
Disposal of subsidiary	-	18,098
Acquisition of intangible assets and property, plant and equipment	(4,987)	(12,104)
Granting of loan to subsidiaries	(81,000)	-
Net cash (used in)/ provided by investing activities	(595,574)	6,513
Cash flows from financing activities		
Inflows from share issue	350,241	-
Increase in borrowings and other debt instruments	193,919	-
Repayment of borrowings and other debt instruments	-	(11,050)
Redemption of debt securities	(353,452)	(345,950)
Issue of debt securities	391,769	342,907
Interest paid	(2,428)	(2,305)
Net cash provided by/ (used in) financing activities	580,049	(16,398)
Total cash flows	(9,485)	7,422
(Decrease)/ Increase in cash	(9,485)	7,422
Cash at beginning of the period	30,983	4,527
Cash at end of the period	21,498	11,949

PFLEIDERER GRAJEWO

**Unaudited condensed separate interim financial statements for the three month period
ended March 31, 2016**

(all amounts in PLN thousand if not otherwise stated)

Michael Wolff

President of the Management Board

Richard Mayer

*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*

Rafał Karcz

*Member of the Management Board, Chief
Administration Officer*

Grajewo, May 11, 2016