

POLISH FINANCIAL SUPERVISION AUTHORITY

Condensed Half-Year Report PSr 2016
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 half of the financial year 2016, covering the period from
January 1st to June 30st, 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: August 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 -	Jan. 1 -
	Jun. 30, 2016	Jun. 30, 2015
I. Sales revenue	458,461	189,929
II. Operating profit/(loss)	16,126	18,702
III. Profit/(loss) before tax	4,975	17,758
IV. Net profit	7,110	14,472
V. Net profit attributable to equity holders of the parent	7,110	14,472
VI. Net cash provided by (used in) operating activities	43,102	17,261
VII. Net cash provided by (used in) investing activities	-28,709	-6,187
VIII. Net cash provided by (used in) financing activities	47,319	-9,609
IX. Total net cash flow	61,712	1,465
X. Total assets	965,851	397,304
XI. Liabilities	703,453	117,997
XII. Non-current liabilities	485,460	42,485
XIII. Current liabilities	217,993	75,512
XIV. Equity	262,398	279,307
XV. Share capital	6,692	5,573
XVI. Weighted average number of shares (units)	63,127,034	49,624,000
XVII. Weighted average diluted number of shares (units)	63,127,034	49,624,000
XVIII. Earnings per ordinary shares (EUR)	0.11	0.29
XIX. Diluted earnings per ordinary share (EUR)	0.11	0.29
XX. Book value per share (EUR)	4.06	5.63
XXI. Diluted book value per share (EUR)	4.06	5.63
XXII. Declared or paid dividend per share (EUR)	0.23	0.00

Condensed separate financial statements data

'000 Euro	Jan. 1 -	Jan. 1 -
	Jun. 30, 2016	Jun. 30, 2015
XXIII. Sales revenue	68,782	76,297
XXIV. Operating profit/(loss)	2,682	4,282
XXV. Profit/(loss) before tax	15,841	14,651
XXVI. Net profit	15,668	13,976
XXVII. Net cash provided by (used in) operating activities	9,728	11,556
XXVIII. Net cash provided by (used in) investing activities	-138,544	588
XXIX. Net cash provided by (used in) financing activities	130,918	-10,782
XXX. Total net cash flow	2,102	1,361
XXXI. Total assets	545,974	262,519
XXXII. Liabilities	295,204	84,703
XXXIII. Non-current liabilities	2,176	2,087
XXXIV. Current liabilities	293,028	82,616
XXXV. Equity	250,770	177,817
XXXVI. Share capital	6,692	3,904
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)	0.25	0.28
XL. Diluted earnings per ordinary share (EUR)	0.25	0.28
XLI. Book value per share (EUR)	3.88	3.58
XLII. Diluted book value per share (EUR)	3.88	3.58
XLIII. Declared or paid dividend per share (EUR)	0.23	0.00

Ladies and Gentlemen

In the first half of 2016, the Pfleiderer Grajewo Group exhibited a very satisfying set of financial results in comparison to HY 2015. This was supported by favorable market conditions, thanks to the strong growth of national economies and a positive outlook for the construction markets in DACH, Poland and also in France and the UK.

The Western European business has boosted the performance of the Pfleiderer Group for the 5.5 months from 19 January 2016. In the first half of 2016, the Group's revenues amounted to EUR 489.3 million (on a comparable full 6-month period), slightly below the level posted in the same period last year (EUR 497.5 million). This reduction was mainly affected by lower sales prices and a negative exchange rate effect by EUR 14.6 million, but was compensated by a stable volume growth (EUR 9.2 million) and favorable material prices.

The Western European segment increased its revenues by 3.2% to EUR 336.6 million, mainly due to higher volumes sold across all segments, in particular by value-added products such as MFC and HPL, despite ongoing pressure on sales prices.

Nevertheless, the overall development in the Eastern Europe segment is less positive – revenues fell from EUR 190 million to EUR 169.7 million in H1 2016. The main reasons for this development are the drop in turnover of our HDF-plant MDF Grajewo (negative contribution of EUR 11.7 million due to overcapacity in the market) and the pricing pressure in Poland for particle boards imported from Belarus and Ukraine to the Polish domestic market. Furthermore, revenues were affected by a negative exchange rate effect by EUR 4.4 million. Conversely, value-added products, such as HPL, increased significantly year-on-year in Eastern Europe. Quantity-wise, the available capacities at our key production lines were almost fully-utilized. This enabled an efficient compensation of fixed costs, together with new measures designed to improve operating efficiency in productivity: quality cost reductions led to a 2.8 percentage point increase in raw gross margin ex works.

The Group's sustainable EBITDA – the EBITDA adjusted by non-sustainable issues – increased by 9.2% to EUR 70.4 million. The EBITDA margin was raised to 14.4% of revenue and overachieved our expectations for the reporting period. The Group is well on track and we are expecting the sustainable EBITDA to increase by a low double-digit percentage over the full year. Taking into consideration expenses for the re-IPO (EUR 10.2 million) and efforts from the integration of our Eastern and Western businesses (EUR 4.2 million), we see 2016 as an extraordinary year regarding non-sustainable expenses.

Bottom line, the Pfleiderer Group generated for the aforementioned reasons a net profit (after tax) of EUR 4.1 million in the first half of 2016 compared to EUR 14 million in the same period 2015.

Financially, we continued our consolidation path. As of 30 June, net working capital amounted to 2.7% of sales (down from 4.6% as of June 2015), and the net financial leverage reached a ratio of 1.88, which is well within our target of 1.5-2%.

The capital expenditures totaled EUR 15.8 million in the first half of 2016. All our strategic Capex projects are well on track. At the end of July this year, we launched – 4 weeks in ad-

vance – a new lacquering line in the Grajewo plant as a part of the “4Pack” project. With this investment we will shift commodities into value-added products and will overcome HDF-plant difficulties. In March this year, the “Worktop Line” project in our Wieruszów plant was finalized, where the new press line will allow a boost sales in volume by improvements in the production process, increasing Pfleiderer’s competitiveness in the worktop market.

Our integration efforts are also contributing as expected. ONE PFLEIDERER reached all milestones and reported realized savings of EUR 6.2 million to the end of H1 2016. The main objective for H2 2016 is a strong focus on the Group’s internal integration to push faster decision-making processes and a more streamlined operational structure management in order to confirm previously announced cost savings of at least EUR 30 million by the end of 2018.

On June 16, we hosted Capital Market Day in the Wieruszów plant. We discussed, in detail, market perspectives for the upcoming years, which look very promising in all areas as a base to continue our growth plans.

On June 29, Pfleiderer Grajewo S.A. held our annual general assembly, and we want to thank our shareholders for their support. Financial statements for 2015 were adopted, proposed and changes in our structural organization as well as the proposal for a dividend on PLN 1 per share was confirmed. After the resignation of Dr Paolo Antonietti and Mr Christoph Mikulski, Mr Jason Clarke and Mr Tod Kersten were appointed as new members of the Supervisory Board – a big welcome to both! Paolo and Christoph stepped down from their positions as they see the mission of integrating the Western and Eastern organization to be on a successful track. We want to thank them for their continuous support in developing our company.

On 29 July, the Pfleiderer Grajewo Group paid dividends to our shareholders totaling PLN 64.7 million, equal to 57.7% of the consolidated net profit earned in 2015.

Finally, we started the preparatory work for a possible refinancing of our debt structure. We are checking the possibility of reducing our financial expenses, and that could also include an early redemption of the bond launched by Pfleiderer GmbH.

Yours faithfully



Michael Wolff
President of the Management Board

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

**PFLEIDERER GRAJEWO GROUP
DIRECTORS' INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GRAJEWO GROUP
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2016**

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

Contents

1.	Financial highlights.....	3
2.	Introduction.....	3
3.	General information.....	5
4.	Structure of the Group.....	14
5.	Pfleiderer Grajewo S.A. shares held by its management and supervisory boards members.....	16
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.....	16
7.	Material related-party transactions.....	19
8.	Financial instruments	19
9.	Security over the Group's assets	22
10.	Contingent liabilities	24
11.	Management Board's comments on the possibility of realization of previously published financial results.....	25
12.	Events subsequent to the end of the reporting period	26

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

1. FINANCIAL HIGHLIGHTS

Profit or loss accounts and cash flows

'000 EUR	Jan. 1 - Jun. 30, 2016	Jan. 1 - Jun. 30, 2015
Sales revenue	458,461	189,929
Results from operating activities	16,126	18,702
Profit before taxes	4,975	17,758
Net profit attributable to shareholders of the Company	7,110	14,472
Net cash provided by operating activities	43,102	17,261
Net cash used in investing activities	-28,709	-6,187
Net cash provided by / used in financing activities	47,319	-9,609
Total net cash flow	61,712	1,465
Basic earnings per share (in Euro)	0.11	0.29
Diluted earnings per share (in Euro)	0.11	0.29
PLN/EUR average exchange rate	4.3677	4.1409

Total assets and total equity and liabilities

'000 EUR	Jun. 30, 2016	Dec. 31, 2015
Total assets	965,851	397,304
Liabilities	703,453	117,997
Non-current liabilities	485,460	42,485
Current liabilities	217,993	75,512
Equity	262,398	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	63,127,034	49,624,000
Book value per shares (in Euro, number of shares at period end)	4.06	5.63
PLN/EUR exchange rate as at the reporting date	4.4362	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 Pfeiderer 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.

In connection with the registration of the share capital increase of Pfeiderer Grajewo S.A., the Parent Company and Atlantik S.A. entered on January 19, 2016, into an agreement under which the Company

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

acquired the sole share in Pfeiderer GmbH, with the nominal value of EUR 30,000 thousand, representing 100% of the share capital of Pfeiderer GmbH and authorising the exercise of 100% of voting rights at the general meeting of shareholders of Pfeiderer 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 Pfeiderer Grajewo S.A. and the subsidiaries Pfeiderer Prospan S.A., Pfeiderer MDF Sp. z o.o. and Silekol Sp. z o.o. became borrowers under the Revolving Facility Agreement (along with Pfeiderer GmbH and Pfeiderer Holzwerkstoffe GmbH).

Pfeiderer Grajewo S.A. shareholder structure

On January 21, 2016, Parent Company Pfeiderer Grajewo S.A. received notifications from Atlantik S.A., Pfeiderer Service GmbH and Pfeiderer 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 Pfeiderer 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 directly after Public Offering is as follows:

Shareholder 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%
Avia 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 Pfeiderer Grajewo S.A. as follows:

Shareholding structure	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM
Yellow Saphire 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, Pfeiderer 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 Saphire S.a.r.l. (indirect purchase of shares).

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

The table below presents the change in the structure of the shareholders from December 31, 2015 to the reporting date June 30, 2016:

Changes in the shareholding structure	June 30, 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%
Nationale-Nederlanden OFE / ING OFE	6,400,000	9.89%	2,639,144	5.32%
Aviva OFE Aviva BZ WBK	6,000,000	9.27%	4,928,816	9.93%
Pfleiderer Service GmbH	0	0.00%	32,308,176	65.11%
Other shareholders	19,153,614	29.60%	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 Pfeiderer Grajewo Group consists of one-platform enterprises. The Group's parent Company i.e. Pfeiderer 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: Pfeiderer Grajewo S.A., in the National Court Register. The Company's registered office is at 1 Wiórowa Street, Grajewo, Poland. Pfeiderer 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.

The Ordinary General Shareholders' Meeting adopted on June 29, 2016, a resolution on the change of the name and registered office of the Parent. On the basis of the aforementioned resolution, the name of the Parent will be changed from Pfeiderer Grajewo S.A. on the Pfeiderer Group Spółka Akcyjna. Moreover the Parent's registered office will be changed from Grajewo to Wrocław. The aforementioned changes will occur on the date of registration of amendments in the National Court Register.

3.1 List of companies of the Pfeiderer Grajewo Group as at June 30, 2016, with brief description of principal business activity:

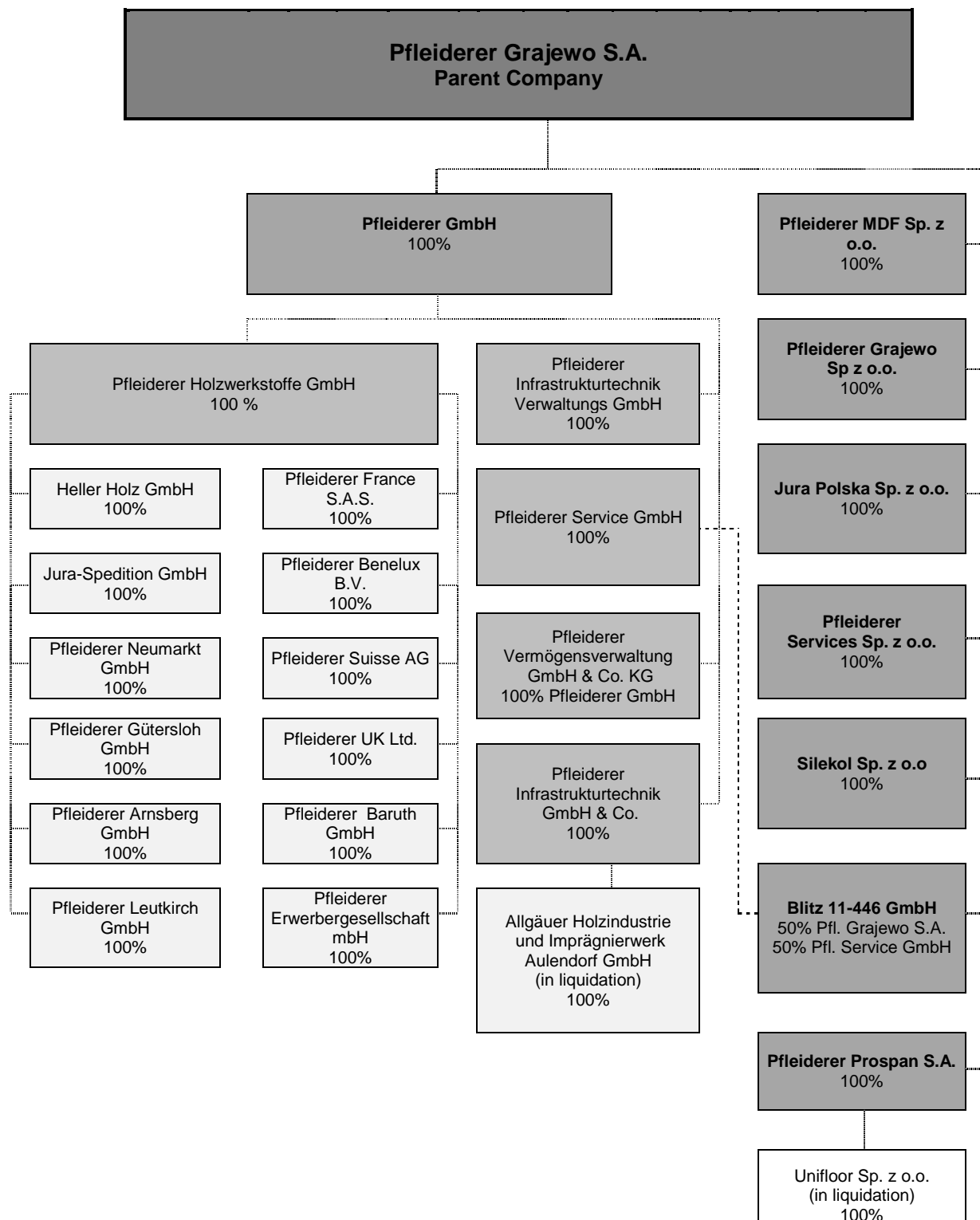
The Pfeiderer Grajewo Group relies on long-term experience on the market of wood based products. The Group has a strong presence in the Eastern, Western and Central Europe and grows steadily, attempting to enter new markets, targeting new segments as well as adding new products to its portfolio.

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

PFLEIDERER GRAJEWO GROUP

**Directors' Interim Condensed Consolidated Report on the operations of the Pfei-
derer Grajewo Group in the period from January 1 to June 30, 2016**



The Grajewo Group consists of production plants of various profiles of the activity. The list of Group's

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

entities with their activities:

The business of the Eastern European entities consists of:

Pfleiderer Grajewo S.A., the Parent Company:

Principal business activity:

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

Pfleiderer Grajewo Sp. z o.o., Grajewo, Poland:

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 0000621539 on June 03, 2016.

Industry Identification Number (REGON): 364479779
Tax Identification Number: 719-15-68-458
Registered address: Wiórowa 1, PL-19-203 Grajewo, Poland

Principal business activity:

- non-operative so far,
- intended to take over the operational activity conducted currently by Pfeiderer Grajewo S.A. pursuant to the resolution No. 8 of the Ordinary General Meeting of Shareholders of Pfeiderer Grajewo S.A. dated 29 June 2016.

Pfleiderer Prospan S.A., Wieruszów, Poland:

A joint-stock company entered as Zakłady Płyt Wiórowych Prospan S.A. in the Commercial Register maintained by the District Court of Kalisz, under entry no. RHB1754 on September 23, 1997. 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 on September 17, 2001.

Industry Identification Number (REGON): 250744416
Tax Identification Number: 619-17-42-967
Registered address: Bolesławiecka 10, PL-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., Kędzierzyn-Koźle, Poland:

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 entry no. KRS 0000225788 on January 6, 2005.

Industry Identification Number (REGON): 160003017
Tax Identification Number: 749-19-69-061
Registered address: Mostowa 30K, post box 163, PL-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:

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

- 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., Grajewo, Poland:

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 0000174810 on 9 October 2003.

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

Principal business activity:

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

Jura Polska Sp. z o.o., Grajewo, Poland:

A company entered in the National Court Register by the District Court of Katowice, Commercial Division of the National Court Register, under entry no. KRS 0000149282 on November 24, 1999.

Industry Identification Number (REGON): 276746151
Tax Identification Number (NIP): 629-21-58-514
Registered address: Wiórowa 1, PL-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., Wieruszów, Poland (in liquidation):

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

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

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

Pfleiderer Services Sp. z o.o., Grajewo, Poland:

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 0000247423 on December 20, 2005.

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

Principal business activity:

- non-operative so far,
- intended to become the central Polish sale, supply and service company.

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

The business of the Western European entities consists of:

Pfleiderer GmbH, Neumarkt, Germany:

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

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

Principal business activity:
▪ holding company for the German entities.

Pfleiderer Holzwerkstoffe GmbH, Neumarkt, Germany:

A company entered in the Commercial Register of Nürnberg Germany, under entry 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 entry 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 entry 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 entry no. HR B 610151.

Tax Identification Number: 91080/23247
Registered address: Wurzacher Straße 32, 88299 Leutkirch, Germany

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

Principal business activity:

- manufacture of particle board,
- manufacture of HPL (High Pressure Laminate) / Elements / Compacts,
- coating / veneering,
- impregnation.

Pfleiderer Arnsberg GmbH, Neumarkt, Germany:

A company entered in the Commercial Register of Nürnberg, Germany, under entry 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 entry 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 entry 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 entry 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 Erwerbergesellschaft mbH, Neumarkt, Germany:

A company entered in the Commercial Register of Nürnberg, Germany, under entry no. HR B 32971.

Tax Identification Number: 201 / 116 / 21277

Registered address: Ingolstädter Straße 51, 92318 Neumarkt, Germany

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

Principal business activity:

- acquisition of assets, non-operative so far,
- manufacture of particle board,
- coating / veneering.

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

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

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

Principal business activity:

- sales agency.

Pfleiderer Benelux B.V., Deventer, Netherlands:

A company entered in the Commercial Register of Brabant, Netherlands, under entry 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 entry 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 entry no. 01330499.

Tax Identification Number: 168 601 8948
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 Nürnberg Germany, under entry no. HR B 12438.

Tax Identification Number: 201 / 116 / 20394
Registered address: Ingolstädter Straße 51, 92318 Neumarkt, Germany

Principal business activity:

- holding company.

As disclosed in the note 12 of this in this condensed consolidated report, on July 25, 2016 the merger of Pfeiderer Service GmbH and Pfeiderer GmbH was registered and thus became effective on that date.

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

Pfleiderer Vermögensverwaltungs GmbH & Co. KG, Neumarkt, Germany:

A company entered in the Commercial Register of Nürnberg, Germany, under entry no. H RA 16384.

Tax Identification Number: 235 / 172 / 07004
Registered address: Ingolstädter Straße 51, 92318 Neumarkt, Germany

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 entry 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 entry 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 entry 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 Nürnberg, Germany, under entry 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.

3.2 Composition of Company's Management Board and Supervisory Board and changes

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfeiderer Grajewo Group in the period from January 1 to June 30, 2016

therein in the reporting period

As at June 30, 2016, the composition of the Pfeiderer 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
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.

Mr. Gerd Schubert, performing the function of Member of the Management Board of the company, Chief Operating Officer until the date hereof, was recalled from the Company's Management Board on June 1, 2016.

As at June 30, 2016, the composition of the Supervisory Board was as follows:

Zbigniew Prokopowicz	Chairman of the Supervisory Board
Michael F. Keppel	Vice-Chairman of the Supervisory Board
Jason Clarke	Vice-Chairman of the Supervisory Board
Krzysztof Sędzikowski	Member of the Supervisory Board
Jan Woźniak	Member of the Supervisory Board
Stefan Wegener	Member of the Supervisory Board
Tod Kersten	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.

Mr. Christoph Mikulski (Member of the Supervisory Board of the Company) submitted his resignation from the position of the Company's Supervisory Board on June 22, 2016. Mr. Paolo G. Antonietti (Chairman of the Supervisory Board) resigned from the position of the Chairman of the Company's Supervisory Board on June 23, 2016. Their resignations became effective as of the date of appointment of new members in their place by the General Meeting of Shareholders. Mr. Jason Clarke and Mr. Tod Kersten have been appointed to Company's Supervisory Board on June 29, 2016. The Company's Supervisory Board elected from its members Mr. Zbigniew Prokopowicz as the Chairman of the Company's Supervisory Board on June 29, 2016.

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

4. STRUCTURE OF THE GROUP

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

		Jun. 30, 2016	Dec. 31, 2015
Eastern Europe			
Jura Polska Sp. z o.o.	Grajewo	100.00%	100.00%
Pfleiderer Grajewo Sp. z o.o.	Grajewo	100.00%	0.00%
Pfleiderer MDF Sp. z o.o.	Grajewo	100.00%	100.00%
Pfleiderer Prospan S.A.	Wieruszów	100.00%	100.00%
Pfleiderer Service Sp. z o.o.	Grajewo	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%
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 Erwerbengesellschaft GmbH	Neumarkt, Germany	100.00%	0.00%
Pfleiderer Arnsberg 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%

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, assumption of obligation of Atlantik S.A. due to Pfeiderer Service GmbH representing proceeds from sale of Pfeiderer Grajewo S.A. shares held by Pfeiderer Service GmbH after the settlement of Secondary Offering to Atlantik S.A. .

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

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

thousand.

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

Acquisition-related costs

The Group incurred acquisition related costs of EUR 3,274 thousand (PLN 14,469 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 2,409 thousand (PLN 10,826 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 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
	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 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.

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfeiderer Grajewo Group in the period from January 1 to June 30, 2016

The amounts of revenue and loss of the Pfeiderer GmbH since the acquisition date included in the consolidated statement of profit and loss and other comprehensive income for the six month period ended June 30, 2016, are as follows:

- Revenue: EUR 303,026 thousand
- Loss: EUR 1,952 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 489,275 thousand
- Profit: EUR 4,098 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

As at June 30, 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 Pfeiderer Grajewo Group

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

'000 EUR	Jun. 30, 2016	Dec. 31, 2015
Equity (attributable to owners of the Company)	262,398	279,307
Total equity	262,398	279,307
Non-current liabilities	485,460	42,485
Long-term capital (total equity + non-current liabilities)	747,858	321,792
Current liabilities	217,993	75,512

Pfeiderer Grajewo Group finances its operations through own funds as well as a revolving credit facility and a so-called High Yield Bond. On January 19, 2016, an amendment to Revolving Credit Facility Agreement came into force which provided Pfeiderer 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 1,494 thousand and PLN 6,559 thousand. The Revolving Credit Facility Agreement provides Pfeiderer Holzwerkstoffe GmbH and Pfeiderer GmbH with up to EUR 60.0 million (Tranche A). This Tranche A is partially drawn by bank guarantees with EUR 2,102 thousand and PLN 1,040 thousand (EUR 234 thousand).

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

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 June 30, 2016, the Group's financial liabilities totalled EUR 343,671 thousand (previous year: EUR 14,696 thousand). The financial liabilities consist mainly of the High Yield Bond with EUR 331,349 thousand (previous year EUR 0) plus accrued interest for the High Yield Bond with EUR 10,555 thousand (previous year EUR 0).

For detailed information on the bank loans and borrowings from related parties, see Note 7 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.

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 June 30, 2016, amounted to EUR 458,461 thousand compared to EUR 189,929 thousand 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 EUR	Jun. 30, 2016	Jun. 30, 2015
Western Europe	305,742	0
Eastern Europe	169,672	189,929
Consolidation	-16,953	0
Net revenue	458,461	189,929

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

The table below presents revenues by product group:

	January 1 - June 30, 2016		January 1 - June 30, 2015	
	'000 Euro	%-share	'000 Euro	%-share
Chipboards	298,904	65.2%	115,293	60.7%
MDF/HDF-Boards	55,031	12.0%	24,532	12.9%
HPL / Elements	73,030	15.9%	4,992	2.6%
Glues	20,009	4.4%	22,719	12.0%
Other	4,470	1.0%	5,083	2.7%
Sale of products	451,444	98.5%	172,619	90.9%
Electricity	15,817	3.4%	0	0.0%
Merchandise and materials	1,629	0.4%	2,297	1.2%
Other (incl. IC-eliminations)	-10,429	-2.3%	15,013	7.9%
Other incl. sales deductions	7,017	1.5%	17,310	9.1%
Total revenue	458,461	100.0%	189,929	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 19.5% to 22.4% of net sales due to a growing share of value-added products.

The operating profit EUR 16,126 thousand is thus hardly comparable to the prior year's operating profit (EUR 18,702 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 11,926 thousand) and the release of the fair value adjustments on inventories (EUR 2,345 thousand) and order backlog (EUR 1,712 thousand)).

All-in-all the Group generated net profits with EUR 7,110 thousand compared to EUR 14,472 thousand in the last year's period.

c. Group's HR and payroll issues

As at June 30, 2016, the number of headcounts of the Group was 3,439 (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:

Full time equivalents (FTE)	Jun. 30, 2016	Dec. 31, 2015
Western Europe	2,190	2,194
Eastern Europe	1,249	1,269
Total	3,439	3,463

According to the new organizational structure the Management Board consists of Michael Wolff (President and CEO), Dr. Gerd Schubert (COO) until June 1, 2016, Rafal Karcz (CAO), Richard Mayer (CFO) and Wojciech Gatkiewicz (CTO).

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

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 EUR 2,075 thousand and of Polish Board Members at PLN 2,719 thousand.

The contracts of the German Board Members are limited contracts, Michael Wolff's contract ends December 31, 2017 and Richard Mayer's contract ends December 31, 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. By Supervisory Board resolution Dr. Gerd Schubert was removed from office as managing director of Pfeiderer GmbH since June 2, 2016. His contract is therefore terminated as per July 31, 2016.

The managerial contract between Pfeiderer Grajewo S.A. and Wojciech Gątkiewicz, 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 Gątkiewicz is entitled to get remuneration for the period until the end of his notice period.

The contract of Rafał 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 June 30, 2016 amounted to EUR 229 thousand (prior year EUR 72 thousand).

7. MATERIAL RELATED-PARTY TRANSACTIONS

For the information regarding related-party transactions as at June 30, 2016 and for the period from January 1 to June 30, 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 June 30, 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

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

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 June 30, 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 PLN 260,000 thousand 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 S.A. and Polish material subsidiaries amounting to 200 million PLN and for Pfeiderer GmbH and Pfeiderer Holzwerkstoffe GmbH amounting to EUR 60 million. On June 27, 2014, Pfeiderer GmbH issued a 7.875% Senior Secured Notes due 2019 with a face value of EUR 321,684 thousand.

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 PLN 235,022 thousand investment facility agreement with PKO BP S.A. It is a special-purpose facility obtained to finance the construction of the MDF board production plant in Grajewo. This bank loan was repaid fully on February 11, 2016.

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

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

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

On June 10, 2015, Pfeiderer 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 possible extend.

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

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

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

b) Credit risk

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

The credit risk which relates to trade receivables is limited due to the large and diversified customer base. Moreover, the Group runs a strict receivables management policy, whereby the risk of customer insolvency is mitigated through the use of insurance and factoring agreements. As at June 30, 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, 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 June 30, 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 six months period of 2016, the Group entered into a number of EUR/PLN forward contracts to hedge against currency risk related to contracted or planned trade transactions (sale of products, purchase of raw materials, capital expenditures in foreign currencies). As at June 30, 2016, the Group possessed 58 open EUR/PLN forward contracts with an exposure amounting to EUR 55,800 thousand. The fair value of the open contracts amounted to EUR 1,033 thousand (liability).

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 June 30, 2016, the Pfeleiderer Grajewo Group possessed debt under bank borrowings and senior secured notes of EUR 342,244 thousand – mainly from the senior secured notes with a book value of EUR 331,349 thousand and a face value of EUR 321,684 thousand, due 2019 and on the same time, it

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

also had undrawn credit facilities of PLN 183,819 thousand and EUR 57,663 thousand. In addition, the Group also held cash of EUR 82,443 thousand.

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

The exposure to the currency, credit and interest rate risks did not materially change from the release of the Group's most recent full-year report for 2015 financial year.

9. SECURITY OVER THE GROUP'S ASSETS

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

As at June 30, 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*, Pfeiderer 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 (nominal value) 7.875% senior secured notes due 2019 issued by Pfeiderer GmbH:

9.1. Security interest over shares

Pfeiderer Grajewo S.A. has entered into the agreements for financial and registered pledges over shares in Pfeiderer Prospan S.A., Pfeiderer 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 1,286,228,472.

9.2. Security interest over receivables under bank account agreements

Pfeiderer Grajewo S.A., Pfeiderer Prospan S.A., Pfeiderer 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 1,286,228,472.

9.3. Pledges over movable assets and rights

Pfeiderer Grajewo S.A., Pfeiderer Prospan S.A., Pfeiderer 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 1,286,228,472.

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

Pfeiderer Grajewo S.A., Pfeiderer Prospan S.A., Pfeiderer 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 1,286,228,472 (each) have been established in favour of the Security Agent:

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

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

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.

9.6. 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 1,286,228,472.

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

As at June 30, 2016, certain members of the Group have established the following 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 Pfeiderer GmbH EUR 321,684 thousand 7.875% Senior Secured Notes due 2019 and certain hedging arrangements.

9.7. Security interest over shares

Pfeiderer Grajewo S.A., 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.

9.8. 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 pledgors have granted pledges over their bank accounts.

9.9. 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.

9.10. 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).

9.11. Security interest over intellectual property

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

9.12. Mortgages

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

C) Guarantees by the members of the Group

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

As at June 30, 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 Pfeiderer GmbH and due in 2019, such members of the Group are: Pfeiderer Grajewo S.A., 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, Pfeiderer Vermögensverwaltung GmbH & Co. KG, Pfeiderer Prospan S.A., Pfeiderer 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., Pfeiderer Grajewo S.A. and Pfeiderer 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 Pfeiderer Grajewo S.A. and/or Pfeiderer 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 June 30, 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 Pfeiderer GmbH (then, Pfeiderer 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 grounds of violating German and European competition laws by entering into anticompetitive agreements. Pfeiderer GmbH's share of the fine is repaid in yearly installments.

Two of the Pfeiderer Group's customers have sued the Pfeiderer Group in connection with these antitrust violations for damages. 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

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfeiderer Grajewo Group in the period from January 1 to June 30, 2016

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. 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 and has reduced its claim to EUR 55 million in May 2016. 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). Court has passed a judgement on May 31, 2016 according to which the claim are justified on the merits but subject to further discussion regarding quantum. 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 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 Pfeiderer GmbH (formerly Pfeiderer AG) by Atlantik S.A. in November 2012, tax losses generated by the German subsidiaries in 2012 may not be utilized in full. The extent to which this also applies to an entity with joint tax-filing status has yet to be fully determined. It cannot be ruled out that the fiscal authorities will reject the position taken by Pfeiderer Holzwerkstoffe GmbH, which could in turn lead to an assessment requiring payments of tax arrears. As a result of the change in shareholders at Pfeiderer 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 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.

PFLEIDERER GRAJEWO GROUP

Directors' Interim Condensed Consolidated Report on the operations of the Pfei- derer Grajewo Group in the period from January 1 to June 30, 2016

12. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The merger of Pfeiderer Service and Pfeiderer GmbH was registered on July 25, 2016, and thus became effective on that date.

Management Board of Pfeiderer Grajewo S.A.



Michael Wolff
President of the Management Board



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



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



Rafał Karcz
*Member of the Management Board, Chief
Administration Officer*

Grajewo, August 11, 2016

Management Board's Statement

Pursuant to the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (consolidated text: Dz.U. of 2014, item 133), the Management Board of Pfeiderer Grajewo S.A. (the Parent) represents that to the best of its knowledge the unaudited condensed consolidated interim financial statements and unaudited condensed separate interim financial statements for the three and six month periods ended 30 June 2016, and the comparative data have been prepared in compliance with the applicable accounting policies and give a fair and clear view of the Pfeiderer Grajewo Group assets and financial results, and that the interim condensed consolidated Director's Report on the Pfeiderer Grajewo Group give a fair view of its development, achievements and financial standing, including a description of the key risks and threats Pfeiderer Grajewo Group.

The Management Board of Pfeiderer Grajewo S.A. (the Parent) represents that the audit firm which reviewed these condensed consolidated interim financial statements of Pfeiderer Grajewo Group and condensed separate interim financial statements of Pfeiderer Grajewo S.A. (the Parent) was appointed in compliance with applicable laws, and that both the audit firm and the auditor who performed the review met the conditions required to issue an objective and independent auditors review report on these condensed consolidated interim financial statements, and condensed separate interim financial statements in accordance with the applicable laws and professional standards.



Michael Wolff
President of the Management Board



Richard Mayer
Member of the Management Board, Chief Financial Officer



Wojciech Gątkiewicz
Member of the Management Board, Chief Transformation Officer



Rafał Karcz
Member of the Management Board, Chief Administration Officer



KPMG Audyt
Spółka z ograniczoną
odpowiedzialnością sp.k.
ul. Inflancka 4A
00-189 Warszawa
Poland

Telefon +48 22 528 11 00
Fax +48 22 528 10 09
E-mail kpmg@kpmg.pl
Internet www.kpmg.pl

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 UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS
ENDED 30 JUNE 2016

To the Shareholders of Pfeleiderer Grajewo S.A.

Introduction

We have reviewed the accompanying 30 June 2016 unaudited condensed consolidated interim financial statements of Pfeleiderer Grajewo S.A., with its parent company's registered office in – Grajewo, ul. Wiórowa 1 (“the unaudited condensed consolidated interim financial statements”), which comprise:

- the unaudited interim condensed consolidated statement of financial position as at 30 June 2016,
- the unaudited interim condensed consolidated statements of profit and loss and other comprehensive income for the three and six month periods ended 30 June 2016,
- the unaudited interim condensed consolidated statement of changes in equity for the six month period ended 30 June 2016,
- the unaudited interim condensed consolidated statement of cash flows for the six month period ended 30 June 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 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 30 June 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

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

11 August 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 AND SIX MONTH PERIODS ENDED
JUNE 30, 2016**

PFLEIDERER GRAJEWO GROUP
**Unaudited condensed consolidated interim financial statements for the three and
six month periods ended June 30, 2016**

CONTENTS

Unaudited interim condensed consolidated statement of financial position.....	3
Unaudited interim condensed consolidated statements of profit and loss and other comprehensive income.....	4
Unaudited interim condensed consolidated statement of changes in equity	5
Unaudited interim condensed consolidated statement of cash flows	7
Notes to the unaudited interim condensed consolidated financial statements	8

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 and six month periods ended June 30, 2016

(all amounts in EUR thousand unless otherwise stated)

Unaudited interim condensed consolidated statement of financial position

ASSETS			
'000 Euro	Note	Jun. 30, 2016	Dec. 31, 2015
Property, plant and equipment	7.	532,728	163,895
Intangible assets		93,311	958
Goodwill	2.	66,958	25,303
Other long-term investments		536	30
Investment property		870	906
Deferred tax assets		5,816	4,773
Advances paid for property, plant and equipment and intangible assets		8,947	7,083
Government grants receivables		19,485	21,165
Non-current assets		728,651	224,113
Inventories		90,432	36,656
Trade receivables and other	9.	59,507	113,148
Income tax receivable	8.	2,787	101
Government grant receivables		1,336	1,147
Cash and cash equivalents		82,443	20,731
Fair value of hedging instruments		0	640
Other short term financial assets		695	768
Current assets		237,200	173,191
Total assets		965,851	397,304

'000 EUR		Jun. 30, 2016	Dec. 31, 2015
Share capital	10.	6,692	5,573
Share premium	10.	146,374	68,250
Reserves	10.	76,647	164,331
Retained earnings	10.	32,685	41,153
Total equity attributable to owners of the Company		262,398	279,307
Total equity		262,398	279,307
Loans and borrowings	11.	331,349	9,604
Provisions for employee benefits		61,014	2,268
Provisions		1,684	201
Deferred tax liabilities		64,740	3,751
Fair value of hedging instruments		424	107
Deferred income from government grants		24,822	26,554
Other non-current liabilities		1,427	0
Non-current liabilities		485,460	42,485
Loans and borrowings	11.	10,895	5,092
Income tax payable		13,176	853
Trade payables and other	12.	166,070	62,511
Employee related payables		26,479	5,627
Deferred income from government grant		1,373	1,429
Current liabilities		217,993	75,512
Total liabilities		703,453	117,997
Total equity and liabilities		965,851	397,304

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 and six month periods ended June 30, 2016

(all amounts in EUR thousand unless otherwise stated)

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

'000 Euro	Note	Jan. 1 - Jun. 30, 2016	Jan. 1 - Jun. 30, 2015	Apr. 1 - Jun. 30, 2016	Apr. 1 - Jun. 30, 2015
Revenue		458,461	189,929	242,939	93,725
Cost of sales		-355,967	-152,934	-185,757	-75,172
Profit on sales		102,494	36,995	57,182	18,553
Other income		4,689	3,365	2,066	1,576
Distribution expenses		-53,238	-13,384	-29,406	-6,928
General and administrative expenses		-24,804	-7,250	-12,052	-3,481
Other expenses		-13,015	-1,024	-4,313	183
Result from operating activities		16,126	18,702	13,477	9,903
Financial income	6.	1,759	463	827	40
Financial expenses	6.	-13,489	-1,407	-7,446	-663
Exchange differences	6.	579	0	-7,289	0
Net financial result		-11,151	-944	-13,908	-623
Profit before tax		4,975	17,758	-431	9,280
Income tax expense		2,135	-3,286	3,265	-1,760
Net profit for the period		7,110	14,472	2,834	7,520
Other comprehensive income					
Actuarial gains and losses net of related tax		-4,419	0	-2,010	0
Exchange differences		-8,230	2,680	-1,139	-5,082
Items that will not be reclassified subsequently to profit or loss		-12,649	2,680	-3,149	-5,082
Cash flow hedge on acquisition of the subsidiary reclassified to goodwill		917	0	917	0
Translation difference on foreign operations		0	107	0	94
Cash flow hedge - effective portion of changes in fair value net of related tax		-1,082	1,821	-1,008	-1,087
Cash flow hedge - reclassified to profit or loss net of related tax		-289	-1,029	-364	-674
Items that are or may be reclassified subsequently to profit or loss		-454	899	-455	-1,667
Other comprehensive income		-13,103	3,579	-3,604	-6,749
Total comprehensive income for the period		-5,993	18,051	-770	771
Profit for the period attributable to:					
Shareholders of the Company		7,110	14,472	2,834	7,520
Profit for the period		7,110	14,472	2,834	7,520
Total comprehensive income attributable to:					
Shareholders of the Company		-5,993	18,051	-770	771
Total comprehensive income for the period		-5,993	18,051	-770	771
Number of shares at the end of the reporting period		64,701,007	49,624,000	64,701,007	49,624,000
Average number of shares during the reporting period		63,127,034	49,624,000	64,701,007	49,624,000
Basic and diluted earnings per share		0.11	0.29	0.04	0.15
Weighted-average number of ordinary shares (basic and diluted)					
	days	Jan. 1 - Jun. 30, 2016	Jan. 1 - Jun. 30, 2015	Apr. 1 - Jun. 30, 2016	Apr. 1 - Jun. 30, 2015
31.12 / 1.04		49,624,000	49,624,000	64,701,007	49,624,000
19.01.2016 (Capital increase)	19	15,077,007	0	0	0
30.06	163	64,701,007	49,624,000	64,701,007	49,624,000
Average number of shares	182	63,127,034	49,624,000	64,701,007	49,624,000

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 and six month periods ended June 30, 2016

(all amounts in EUR thousand unless otherwise stated)

Unaudited interim condensed consolidated statement of changes in equity

For the six month period ended June 30, 2016:

'000 EUR	Share capital	Share premium	Un-registered issuance of shares	Reserve for own shares	Statutory reserves	Revaluation reserve	Translation reserve	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	7,110	7,110
Other comprehensive income	0	0	0	0	0	0	-8,230	-4,419	-454	0	-13,103
Total comprehensive income for the period	0	0	0	0	0	0	-8,230	-4,419	-454	7,110	-5,993
Transactions with owners recognised in equity											
Transfer of part of 2015 net profit to statutory reserve funds	0	0	0	0	993	0	0	0	0	-993	0
Share issue	1,119	78,124	-75,574	0	0	0	0	0	0	0	3,669
Dividend payment	0	0	0	0	0	0	0	0	0	-14,585	-14,585
Total transactions with owners recognised in equity	1,119	78,124	-75,574	0	993	0	0	0	0	-15,578	-10,916
As at Jun. 30, 2016	6,692	146,374	0	32,734	59,067	145	-10,044	-4,419	-836	32,685	262,398

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 and six month periods ended June 30, 2016

(all amounts in EUR thousand unless otherwise stated)

For the six month period ended June 30, 2015:

'000 EUR	Share capital	Share premium	Statutory reserves	Revaluation reserve	Exchange differences on translating foreign operations	Translation reserve	Actuarial gains and losses	Cash flow hedges	Retained earnings	Total
As at Jan. 1, 2015	5,573	68,250	76,341	145	-107	-1,841	0	285	28,811	177,456
Comprehensive income for the period										
Net profit	0	0	0	0	0	0	0	0	14,472	14,472
Other comprehensive income	0	0	0	0	107	2,680	0	792	0	3,579
Total comprehensive income for the period	0	0	0	0	107	2,680	0	792	14,472	18,051
Transactions with owners recognised in equity										
Transfer of part of 2014 net profit to statutory reserves	0	0	14,476	0	0	0	0	0	-14,476	0
Transactions with owners recognised in equity	0	0	14,476	0	0	0	0	0	-14,476	0
As at Jun. 30, 2015	5,573	68,250	90,817	145	0	839	0	1,077	28,807	195,507

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 and six month periods ended June 30, 2016

(all amounts in EUR thousand unless otherwise stated)

Unaudited interim condensed consolidated statement of cash flows

'000 Euro	Jan. 1 - Jun. 30, 2016	Jan. 1 - Jun. 30, 2015
Net profit for the reporting period	7,110	14,472
Depreciation and amortisation	34,629	7,561
Exchange gains	-579	-1,276
Interest for the period	11,730	1,065
Profit on investing activities	0	-18
Income tax expense	-2,135	3,286
Amortisation of government grants	-622	-543
Result on forward contracts	-1,555	1,226
Increase in exchange differences on foreign operations	-349	111
Other adjustments	0	-162
Changes in	-997	-6,265
<i>trade and other receivables</i>	-15,589	-11,835
<i>inventories</i>	4,974	3,929
<i>trade and other payables</i>	10,931	2,128
<i>employee benefit obligations</i>	-1,139	-492
<i>provisions</i>	-174	5
Cash generated from operating activities	47,232	19,457
Interest received	0	23
Income tax paid	-4,130	-2,219
Net cash provided by operating activities	43,102	17,261
Disposal of property, plant and equipment	-55	38
Income from disposal of discontinued operations	0	3,540
Interests received	53	84
Repayment of loans by other entities	0	483
Acquisition of intangible assets and property, plant and equipment	-19,015	-10,332
Acquisition of subsidiary, net of cash acquired	-9,692	0
Net cash used in investing activities	-28,709	-6,187
Repayment of borrowings and other debt instruments	-18,507	-8,370
Share issue	80,863	0
Interest paid	-15,117	-1,303
Other financing activities	80	64
Net cash provided by / used in financing activities	47,319	-9,609
Total cash flows	61,712	1,465
Increase in cash	61,712	1,465
Cash at beginning of the period	20,731	4,332
Cash at the end of the period	82,443	5,797

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
**Unaudited condensed consolidated interim financial statements for the three and
six month periods ended June 30, 2016**

(all amounts in EUR thousand unless otherwise stated)

Notes to the unaudited interim condensed consolidated financial statements

1.	General information.....	9
2.	Structure of the Group	9
3.	Basis of preparation.....	12
4.	Operating segments	14
5.	Seasonality of operations	15
6.	Finance income and costs.....	15
7.	Property, plant and equipment	16
8.	Income tax expense	16
9.	Trade receivables and other	17
10.	Equity	17
11.	Borrowings and other debt instruments	18
12.	Trade payables and other.....	20
13.	Financial instruments.....	20
14.	Contingent liabilities and security	20
15.	Significant related parties transactions.....	24
16.	Events subsequent to the end of the reporting period	25

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

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless 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 August 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:

		Jun. 30, 2016	Dec. 31, 2015
Eastern Europe			
Jura Polska Sp. z o.o.	Grajewo	100.00%	100.00%
Pfleiderer Grajewo Sp. z o.o.	Grajewo	100.00%	0.00%
Pfleiderer MDF Sp. z o.o.	Grajewo	100.00%	100.00%
Pfleiderer Prospan S.A.	Wieruszów	100.00%	100.00%
Pfleiderer Service Sp. z o.o.	Grajewo	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%
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 Erwerbgesellschaft GmbH	Neumarkt, Germany	100.00%	0.00%
Pfleiderer Arnsberg 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.

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless 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 261,707 thousand. The acquisition was an integral part of the "ONE Pfleiderer" project aimed at the creation a fully integrated Group. The new group structure is presented above.

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, assumption of obligation of Atlantik S.A. due to Pfleiderer Service GmbH representing proceeds from the sale of Pfleiderer Grajewo S.A shares held by Pfleiderer Service GmbH after the settlement of the Secondary Offering to Atlantik S.A.

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

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

Acquisition-related costs

The Group incurred acquisition related costs of EUR 3,274 thousand (PLN 14,469 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 2,409 thousand (PLN 10,826 thousand) have been incurred in the current reporting period. The costs were recognized as general and administrative expenses in profit or loss for 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:

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

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless 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
	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 on fair value adjustments	8,075
Deferred tax liabilities on fair value adjustments	-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 determined as follows (on a provisional basis):

'000 EUR	Acquired net assets (fair value)	Consideration transferred	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 six month period ended June 30, 2016, is as follows:

- Revenue: EUR 303,026 thousand
- Loss: EUR 1,952 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:

- Revenue: EUR 489,275 thousand
- Profit: EUR 4,098 thousand

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

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

3. BASIS OF PREPARATION

a) Statement of compliance

These interim condensed consolidated financial statements were prepared in accordance with the 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 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.

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 use 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. 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.

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

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 Pfeleiderer 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 functional currency of the parent Company, Pfeleiderer Grajewo S.A. is the Polish Zloty. Nevertheless approximately two-third of the Group's 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, with effect from January 1, 2016 Pfeleiderer 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 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 de-

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

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

scribed 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 alleged or actual violation of the competition law is uncertain (on the merits and to the extent) the damage cannot be measured reliably by the Group. 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 June 30, 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 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 - Jun. 30, 2016 '000 Euro	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	303,026	155,435	0	458,461
Intersegment revenues	2,716	14,237	-16,953	0
Profit/loss before income taxes	-4,843	8,165	1,653	4,975
Financial result	8,508	2,643	0	11,151
Result from operating activities (EBIT)	3,665	10,808	1,653	16,126
Depreciation and amortisation	26,413	8,216	0	34,629
Segment EBITDA	30,078	19,024	1,653	50,755
Cash and cash equivalents	-60,467	-21,578	-398	-82,443
Current financial liabilities	10,895	0	0	10,895
Non-current financial liabilities	332,776	0	0	332,776
Net debt	283,204	-21,578	-398	261,228
Receivables before factoring	61,057	42,024	0	103,081
Inventories	57,385	33,047	0	90,432
Liabilities	-60,073	-32,386	1	-92,458
Net working capital before factoring	58,369	42,685	1	101,055
Segment capital expenditure	6,235	8,681	1,640	16,556

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

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

Jan. 1 - Jun. 30, 2015 '000 Euro	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	0	189,929	0	189,929
Intersegment revenues	0	0	0	0
Profit/loss before income taxes	0	17,758	0	17,758
Financial result	0	944	0	944
Result from operating activities (EBIT)	0	18,702	0	18,702
Depreciation and amortisation	0	7,561	0	7,561
Segment EBITDA	0	26,263	0	26,263
Cash and cash equivalents	0	-5,801	0	-5,801
Current financial liabilities	0	5,229	0	5,229
Non-current financial liabilities	0	12,354	0	12,354
Net debt	0	11,782	0	11,782
Receivables before factoring	0	36,680	0	36,680
Inventories	0	39,309	0	39,309
Liabilities	0	-99,108	0	-99,108
Net working capital before factoring	0	-23,119	0	-23,119
Segment capital expenditure	0	-10,332	0	-10,332

5. SEASONALITY OF OPERATIONS

Chipboard sales are subject to 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.

6. FINANCE INCOME AND EXPENSES

6.1 Recognized in profit or loss for the period:

'000 Euro	Jan. 1 - Jun. 30, 2016	Jan. 1 - Jun. 30, 2015	Apr. 1 - Jun. 30, 2016	Apr. 1 - Jun. 30, 2015
Interest income	1,759	176	827	146
Net exchange gains (non-operating)	0	31	0	31
Gains on forward contracts	0	95	0	1
Revaluation of investments	0	0	0	-299
Other finance income	0	161	0	161
Finance income	1,759	463	827	40
Interest expense	-13,486	-1,193	-7,445	-468
Loss on sale of subsidiary	0	-166	0	-166
Other finance costs	-3	-48	-1	-29
Finance expenses	-13,489	-1,407	-7,446	-663
Exchange differences	-2	0	-2	0
Losses on translation of foreign currency financial position	581	0	-7,287	0
Other financial result	579	0	-7,289	0
Net finance costs	-11,151	-944	-13,908	-623

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 loans denominated in EUR granted by Pfeleiderer Services GmbH to Pfeleiderer Grajewo S.A. within project Pinehurst.

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

PFLEIDERER GRAJEW

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

6.2 Recognized in other comprehensive income:

'000 Euro	Jan. 1 - Jun. 30, 2016	Jan. 1 - Jun. 30, 2015	Apr. 1 - Jun. 30, 2016	Apr. 1 - Jun. 30, 2015
Cash flow hedge - effective portion of changes in fair value net of related tax	-1,082	1,821	-1,008	-1,087
Cash flow hedge - reclassified to profit or loss net of related tax	-289	-1,029	-364	-674
Cash flow hedge on acquisition of subsidiary reclassified to goodwill	917	0	917	0
	-454	792	-455	-1,761

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 six month period ended June 30, 2016 were EUR 15,827 thousand (including advance payments), while the capital expenditures including advance payments for the six month period ended June 30, 2015, were EUR 4,472 thousand and EUR 27,290 thousand for the entire financial year 2015.

As at June 30, 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. the "4 pack"-project (cutting, sanding, customizing & lacquering of board), Dynasteam, ONE SAP etc.).

'000 EUR	Jun. 30, 2016	Dec. 31, 2015
Property, plant and equipment	19,868	8,472
Intangible assets	491	2
Commitment to purchase	20,359	8,474

8. INCOME TAX EXPENSE

Income tax expense comprises both current income tax 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 for 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% (in previous year 28.85%) for German companies.

The fluctuation of the tax rate compared to prior year's tax rate is caused mainly by local differences in tax rate, in particular in Germany with an average tax rate of 28.85%, and numerous permanent differences in the German tax group.

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

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

9. TRADE RECEIVABLES AND OTHER

'000 Euro	Jun. 30, 2016	Dec. 31, 2015
Trade receivables	28,302	9,703
Current prepayments and accrued income	6,840	3,616
Current VAT receivables	3,288	4,555
Trade receivables from related parties	8	9,801
Receivables related to capital increase	0	84,911
Other receivables	21,069	562
Total	59,507	113,148

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:

	Jun. 30, 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:

	Jun. 30, 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.

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 and as of the reporting date is as follows:

Shareholding structure as at June 29, 2016*	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%
Nationale-Nederlanden OFE	6,400,000	9.89%	6,400,000	9.89%
Aviva OFE Aviva BZ WBK	6,000,000	9.27%	6,000,000	9.27%
Other shareholders	19,153,614	29.60%	19,153,614	29.60%
Total	64,701,007	100.00%	64,701,007	100.00%

* according to the latest available information

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

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

Dividends

The Ordinary General Meeting of the Company adopted a resolution concerning distribution of net profit for the period of January 1, 2015 to December 31, 2015, providing for a dividend payment for the Company's shareholders in the amount of EUR 14,585 thousand (PLN 64,701 thousand) representing PLN 1.00 per share. Additionally, the Ordinary General Shareholder Meeting set the following dates:

- dividend date – the date used to prepare the list of shareholders eligible to receive the dividend – was set for July 15, 2016 and
- dividend payment date was set for July 29, 2016.

The remaining part of the profit for 2015 in the amount of EUR 993 thousand (PLN 4,405 thousand) was allocated to the Company's reserves.

11. BORROWINGS AND OTHER DEBT INSTRUMENTS

Non-current borrowings and other debt instruments:

'000 EUR	Jun. 30, 2016	Dec. 31, 2015
Non-current portion of interest-bearing bonds	331,349	0
Bank borrowings	0	9,604
Total	331,349	9,604

Current borrowings and other debt instruments:

'000 Euro	Jun. 30, 2016	Dec. 31, 2015
Current portion of interests-bearing bonds	10,555	0
Bank liabilities due within one year	0	5,092
Other interest bearing liabilities	340	0
Total	10,895	5,092

Bank loans and corporate bonds

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

On June 26, 2013, the Parent Company and the subsidiaries: Pfeiderer 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 amounted 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 reserves and were replaced by new Revolving Credit Facilities ("RCF") agreement with a consortium of four German and four Polish banks with a sublimit for Pfeiderer Grajewo S.A. and significant Polish subsidiaries amounting to PLN 200 million and for Pfeiderer GmbH and Pfeiderer Holzwerkstoffe GmbH amounting to EUR 60 million.

On January 19, 2016, an amendment to the RCF Agreement came into force which provided Pfeiderer Grajewo S.A. 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 bank guarantees and letters of credits were issued within this credit line for the total amount of EUR 1,494 thousand and PLN 6,559 thousand respectively. The RCF Agreement provides Pfeiderer Holzwerkstoffe GmbH and Pfeiderer GmbH with up to EUR 60.0 million (Tranche A). This Tranche A is partially drawn for bank guarantees of EUR 2,102 thousand and PLN 1,040 thousand (EUR 234 thousand). This RCF

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

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

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 June 30, 2016 and December 31, 2015, was as follows:

'000 PLN						Jun. 30, 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	October 15, 2018	mortgage, registered pledge, assignments	n/a	0	0	21,700*	40,926**
354,000						0	0	21,700	40,926

* equivalent of EUR 5,092 thousand

** equivalent of EUR 9,604 thousand

The credit facility 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, Pfleiderer 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.

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 the 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.

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

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

12. TRADE PAYABLES AND OTHER

'000 Euro	Jun. 30, 2016	Dec. 31, 2015
Trade payables	92,460	32,457
Trade payables to related parties	0	1,828
Outstanding dividend distribution	14,585	0
Liabilities under factoring agreements	23,430	14,130
Insolvency-related liabilities of Pfeiderer GmbH	10,662	0
Penalty for past antitrust violations Pfeiderer GmbH	2,199	0
VAT liabilities	1,211	0
Liabilities for capital expenditures	1,086	3,508
Liabilities for capital expenditures to related parties	0	478
Valuation forward contracts	610	0
Prepaid deliveries	294	412
Other liabilities	19,533	9,698
Total	166,070	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 June 30, 2016 and December 31, 2015 with the exception of the High Yield Bond, listed at the Irish Stock Exchange, quoted at 103.1% (level 1) on June 30, 2016, equal to EUR 331,682 thousand (carrying amount of EUR 331,349 thousand, plus accrued interest of EUR 10,555 thousand).

13.2. Valuation of financial assets and liabilities at fair value

As at June 30, 2016, the Group held 58 open forward contracts with a nominal exposure amounting to EUR 55,800 thousand. The fair value of the open contracts amounted to EUR 1,033 thousand (liability), 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.

Market comparison techniques are used in measuring fair value of currency forward. The fair value are based on brokers quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

14. CONTINGENT LIABILITIES AND SECURITY

14.1. Security

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

As at June 30, 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) between, *inter alios*, Pfeiderer 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 Pfeiderer GmbH.

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

PFLEIDERER GRAJEWÓ

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

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

Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer 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 members of the Group established in Germany

As at June 30, 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 the Pfleiderer GmbH with nominal value of EUR 321,684 thousand 7.875% Senior Secured Notes due 2019 and certain hedging arrangements:

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

PFLEIDERER GRAJEW

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

Security interest over shares

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

Security interest over bank accounts

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

Security interest over receivables

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

Security interest over moveable assets

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

Security interest over intellectual property

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

Mortgages

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

C) Guarantees by the members of the Group

As at June 30, 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 with the nominal value of EUR 321,684 thousand issued by Pfleiderer GmbH and due in 2019. These members of the Group are: Pfleiderer Grajewo S.A., Pfleiderer GmbH, Pfleiderer Holzwerkstoffe GmbH, Pfleiderer Service GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH, Jura-Spedition GmbH, Pfleiderer Vermögensverwaltung GmbH & Co. KG, Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. and Silekol sp. z o.o.

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

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

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., Pfeiderer Grajewo S.A. and Pfeiderer Prospan S.A., regarding possible horizontal price fixing and exchange of information on conditions of sale in the chip-board 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 Pfeiderer Grajewo S.A. and/or Pfeiderer 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 June 30, 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 Pfeiderer GmbH (then, Pfeiderer 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 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.

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

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

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 court has passed a judgement on May 31st 2016 according to which the claim are justified on the merits but subject to further discussion regarding quantum. 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 pay. 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 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 Pfeiderer GmbH (formerly Pfeiderer AG) by Atlantik S.A. in November 2012, tax losses generated by the German subsidiaries in 2012 may not be utilized in full. The extent to which this also applies to an entity with joint tax-filing status has yet to be fully determined. It cannot be ruled out that the fiscal authorities will reject the position taken by Pfeiderer Holzwerkstoffe GmbH, which could in turn lead to an assessment requiring payments of tax arrears. As a result of the change in shareholders of Pfeiderer GmbH that occurred as of January 19, 2016, it is possible that the tax losses for the financial year 2016 may also not be recovered. It cannot be ruled out that the fiscal authorities will reject the position taken by Pfeiderer 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 Pfeiderer 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 Pfeiderer GmbH (and its subsidiaries) recognized valuation allowances on receivables to the so-called "Non Core"- companies of the former Pfeiderer 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 Pfeiderer GmbH, which could cause additional tax payments.

15. SIGNIFICANT RELATED PARTIES 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) until June 2, 2016, Rafal Karcz (CAO), Richard Mayer (CFO) and Wojciech Gątkiewicz (CTO).

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

PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)

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

Short-term employee benefits

'000 Euro	Jun. 30, 2016	Jun. 30, 2015
Remuneration of the Management Board	2,422	270
Remuneration of the Supervisory Board	229	72
	2,651	342

Beside the regular remuneration of Mr. Gerd Schubert, the Group recorded a provision for severance payment (termination benefits) due to his dismissal in the amount of EUR 630 thousand.

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

As at June 30, 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 Gałkiewicz	5,400
Member of the Management Board	Rafał Karcz	3,472

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

16. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The merger of Pfeleiderer Service and Pfeleiderer GmbH was registered on July 25, 2016, and thus became effective on that date.

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

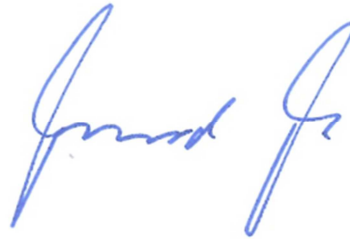
PFLEIDERER GRAJEWO

Unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016

(all amounts in PLN thousand unless otherwise stated)



Michael Wolff
President of the Management Board



Richard Mayer
Member of the Management Board, Chief Financial Officer



Wojciech Gałkiewicz
Member of the Management Board, Chief Transformation Officer



Rafał Karcz
Member of the Management Board, Chief Administration Officer

Grajewo, August 11, 2016

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



KPMG Audyt
Spółka z ograniczoną
odpowiedzialnością sp.k.
ul. Inflancka 4A
00-189 Warszawa
Poland

Telefon +48 22 528 11 00
Fax +48 22 528 10 09
E-mail kpmg@kpmg.pl
Internet www.kpmg.pl

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 UNAUDITED CONDENSED SEPARATE
INTERIM
FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS
ENDED 30 JUNE 2016

To the Shareholders of Pfeiderer Grajewo S.A.

Introduction

We have reviewed the accompanying 30 June 2016 unaudited condensed separate interim financial statements of Pfeiderer Grajewo S.A., with its registered office in – Grajewo, ul. Wiórowa 1 (“the unaudited condensed separate interim financial statements”), which comprise:

- the unaudited interim condensed separate statement of financial position as at 30 June 2016,
- the unaudited interim condensed separate statements of profit and loss and other comprehensive income for the three and six month periods ended 30 June 2016,
- the unaudited interim condensed separate statement of changes in equity for the six month period ended 30 June 2016,
- the unaudited interim condensed separate statement of cash flows for the six month period ended 30 June 2016, and
- notes to the unaudited interim condensed separate financial statements.

Management is responsible for the preparation and presentation of these 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 separate 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 separate interim financial statements as at 30 June 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

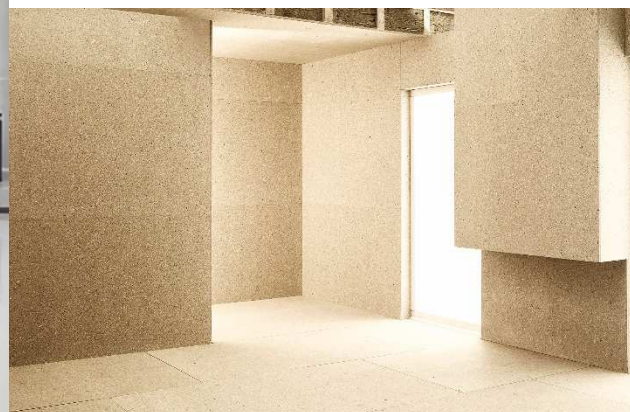
Signed on the Polish original

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

11 August 2016

PFLEIDERER GRAJEWO S.A.

UNAUDITED CONDENSED SEPARATE INTERIM
FINANCIAL STATEMENTS FOR THE THREE AND
SIX MONTH PERIODS ENDED 30 JUNE 2016



2016

 **PFLEIDERER**



CONTENTS

CONTENTS	2
UNAUDITED INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS	3
UNAUDITED INTERIM CONDENSED SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
UNAUDITED INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY	5
UNAUDITED INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS	6
NOTES TO THE UNAUDITED INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS	7
1. General information	7
2. Basis of preparation	7
3. Property, plant and equipment	8
4. Investments in subsidiaries	8
5. Equity	9
6. Borrowings and other debt instruments	10
7. Liabilities to related parties due to debt securities	11
8. Financial instruments	11
9. Contingent liabilities and securities over the Company's assets	11
9.1. Guarantees granted	11
9.2. Securities	11
9.3. Other contingent liabilities	12
10. Significant related party transactions	13
11. Distribution of the 2015 net profit	16
12. Events subsequent to the end of the reporting period	16

UNAUDITED INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Assets

	Note	30.06.2016	31.12.2015
Property, plant and equipment	3	164 573	162 348
Intangible assets		3 108	4 045
Investments in subsidiaries	4	1 962 992	785 743
Other non-current financial assets		75	75
Non-current loans granted to subsidiaries	4	93 147	10 473
Deferred tax assets		1 042	-
Advances paid for property, plant and equipment and intangible assets		875	814
Non-current assets		2 225 812	963 498
Inventories		54 442	55 161
Trade and other receivables		101 629	415 454
Income tax receivables		-	375
Cash and cash equivalents		40 165	30 983
Fair value of hedging instruments		-	2 436
Current assets		196 236	504 409
Total assets		2 422 048	1 467 907

Equity and liabilities

	Note	30.06.2016	31.12.2015
Share capital	5	21 351	16 376
Share premium		625 240	289 806
Reserves		374 359	676 532
Retained earnings		91 515	92 188
Total equity		1 112 465	1 074 902
Liabilities			
Employee related payables		7 773	7 773
Deferred tax liabilities		-	587
Fair value of hedging instruments		1 881	455
Non-current liabilities		9 654	8 815
Loans and borrowings	6	800 978	-
Income tax payable		1 111	-
Liabilities to related parties under debt securities	7	280 211	233 767
Trade and other payables		201 069	137 020
Employee related payable		14 046	13 352
Fair value of hedging instruments		2 514	51
Current liabilities		1 299 929	384 190
Total liabilities		1 309 583	393 005
Total equity and liabilities		2 422 048	1 467 907

The notes on pages 7 to 18 are an integral part of these unaudited condensed separate financial statements

UNAUDITED INTERIM CONDENSED SEPARATE STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	01.01.2016 30.06.2016	01.01.2015 30.06.2015	01.04.2016 30.06.2016	01.04.2015 30.06.2015
Revenue	300 421	315 419	149 635	152 216
Cost of sales	(251 703)	(273 467)	(123 459)	(130 931)
Profit on sales	48 718	41 952	26 176	21 285
Other income	3 361	7 200	914	3 998
Distribution expenses	(18 693)	(17 611)	(10 313)	(9 718)
General and administrative expenses	(19 422)	(12 508)	(9 694)	(6 029)
Other expenses	(2 248)	(1 330)	(1 181)	(339)
Result from operating activities	11 716	17 703	5 902	9 197
Financial income	72 050	46 927	38 038	45 032
Financial expenses	(14 577)	(4 063)	(11 723)	(1 733)
Net financing result	57 473	42 864	26 315	43 299
Profit before tax	69 189	60 567	32 217	52 496
Income tax expense	(756)	(2 789)	6 325	(1 478)
Net profit for the reporting period	68 433	57 778	38 542	51 018
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Cash flow hedges – effective portion of changes in fair value	(6 804)	7 524	(5 825)	(4 292)
Cash flow hedges – net change in fair value reclassified to current year profit or loss	1 262	(4 259)	483	(2 773)
Cash flow hedge – settlement of the currency forward hedging the purchase of shares	23 048	-	-	-
Other comprehensive income	17 506	3 265	(5 342)	(7 065)
Total comprehensive income for the period	85 939	61 043	33 200	43 953
Basic and diluted earnings per share (PLN)	1,08	1,16	0,60	1,03

UNAUDITED INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 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	-	-	-	-	-	68 433	68 433
Other comprehensive income	-	-	-	-	17 506	-	17 506
Total comprehensive income for the period	-	-	-	-	17 506	68 433	85 939
Transactions with owners recognised in equity							
Transfer of 2015 net profit to statutory reserve funds	-	-	4 405	-	-	(4 405)	-
Share issue	4 975	335 434	(324 084)	-	-	-	16 325
Planned dividend payment	-	-	-	-	-	(64 701)	(64 701)
Total transactions with owners recognised in equity	4 975	335 434	(319 679)	-	-	(69 106)	(48 376)
30 Jun 2016	21 351	625 240	218 719	140 000	15 640	91 515	1 112 465

For the six month period ended 30 June 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	-	-	-	-	57 778	57 778
Other comprehensive income	-	-	-	3 265	-	3 265
Total comprehensive income for the period	-	-	-	3 265	57 778	61 043
Transactions with owners recognised in equity						
Transfer of 2014 net profit to statutory reserve funds	-	-	60 549	-	(60 549)	-
Total transactions with owners recognised in equity	-	-	60 549	-	(60 549)	-
30 Jun 2015	16 376	289 806	354 314	4 478	80 860	745 834

UNAUDITED INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS

	01.01.2016 30.06.2016	01.01.2015 30.06.2015
Net profit for the reporting periods	68 433	57 778
Adjustments:	(24 188)	(4 414)
Depreciation and amortisation	12 567	10 507
Foreign exchange gains	(2 807)	(4 070)
Dividends and interests for the period	(53 361)	(42 080)
Gain on investing activities	(123)	(34)
Income tax disclosed in profit or loss of the period	756	2 789
Result on forward contracts	(1 262)	4 259
Other adjustments	-	(659)
Changes in:		
- trade and other receivables	18 109	180
- inventories	719	13 135
- trade and other payables	520	13 002
- employee benefit obligations	694	(1 443)
Cash flows from operating activities	44 245	53 364
Interests received	59	32
Interests paid	-	(24)
Income tax paid/received	(1 815)	(5 599)
Net cash provided by operating activities	42 489	47 773
Cash flows from investing activities		
Disposal of intangible assets, property, plant and equipment	123	75
Dividend received	-	460
Aquisition of subsidiary	(531 439)	-
Settlement of forward contract hedging the acquisition of investment in subsidiaries	21 330	-
Disposal of subsidiary	-	18 098
Aquisition of intangible assets and property, plant and equipment	(14 132)	(16 204)
Granting loan to the subsidiary	(81 000)	-
Net cash used in/ provided by investing activities	(605 118)	2 429
Cash flows from financing activities		
Granting of borrowings and other debt instruments	193 919	-
Repayment of borrowings and other debt instruments	-	(11 149)
Proceeds from issuance of shares	336 345	-
Redemption of debt securities	(671 297)	(679 876)
Issue of debt securities	717 728	650 821
Interests paid	(4 884)	(4 370)
Net cash provided by/used in financing activities	571 811	(44 574)
Total net cash flows	9 182	5 628
Increase in cash	9 182	5 628
Cash at the beginning of the period	30 983	4 527
Cash at the end of the period	40 165	10 155

NOTES TO THE UNAUDITED INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1. General information

Pfleiderer Grajewo S.A. is a listed joint-stock company registered in Poland.

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.

On 29 June 2016 the Ordinary General Shareholder Meeting adopted Resolution on the change of the name and registered office of the Company. On the basis of the aforementioned resolution, the name of the Company will be changed from Pfleiderer Grajewo S.A. to Pfleiderer Group Spółka Akcyjna. Moreover the Company's registered office will be changed from Grajewo to Wrocław. The aforementioned changes will occur on the date of registration of amendments in the National Court Register.

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

Principal business activities are:

- manufacture and processing of wood and wood-based chipboards,
- paper processing,
- trade at home and abroad.

2. Basis of preparation

a) Statement of compliance

The foregoing interim condensed separate 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").

The foregoing interim condensed separate financial statements are published along with the interim condensed consolidated financial statements of the Pfleiderer Grajewo S.A. Group. To have a full understanding of the financial results of the Company, these interim condensed separate financial statements should be read in conjunction with the interim condensed consolidated financial statements of the Pfleiderer Grajewo S.A. Group.

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

These interim condensed separate financial statements for the period from 1 January to 30 June 2016 were authorized for publication by the Company's Management Board on 11 August 2016.

b) Basis of accounting

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

The Company's accounting policies have been applied consistently in all periods presented in these interim condensed separate financial statements.

c) 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 Company reviews its assets on an ongoing basis and, if necessary, recognises impairment losses in profit and loss. Allowances are primarily recognised on trade receivables and inventories i.e. materials and finished goods. In addition, the Company 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 Company's annual separate financial statements as at and for the year ended 31 December 2015.

3. Property, plant and equipment

In 2016 the Company 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 six month period ended 30 June 2016 were PLN 13,855 thousand (together with the advance payments in amount of PLN 13,915 thousand), while the capital expenditures for the six month period ended 30 June 2015 were PLN 5,543 thousand (together with the advance payments in amount of PLN 5,543 thousand).

As at 30 June 2016, the Company has purchase commitments for the property, plant and equipment and intangible assets. These commitments relate to the signed agreements by the Company with respect to future investment plans (mainly modernization of fire tank, modernization of press control panel and purchase of matrices).

	30.06.2016	31.12.2015
	6	5
Commitment to purchase:	7 557	2 765
- property, plant and equipment	7 510	2 756
- intangible assets	47	9

4. Investments in subsidiaries

The Company's investments in subsidiaries are:

	30.06.2016	31.12.2015
Shares in subsidiaries	1 962 992	785 743
Non-current loans granted to subsidiaries	93 147	10 473
	2 056 139	796 216

Acquisition of Pfeleiderer GmbH:

On 19 January 2016, Pfeleiderer Grajewo S.A. acquired from Atlantik S.A. the only share in Pfeleiderer 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 PLN 1,177,243 thousand. The acquisition was an integral part of project "ONE Pfeleiderer" aimed at the creation a fully integrated Group.

Consideration transferred:

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

- EUR 75,766 thousand (PLN 336,962 thousand) – cash payments.
- EUR 43,587 thousand (PLN 193,919 thousand) – cash payments financed by loan granted by subsidiary

PFLIDERER GRAJEWO S.A.

Unaudited condensed separate interim financial statements for the three and six month periods ended June 30, 2016
(all amounts in PLN thousand if not otherwise stated)

- EUR 7,375 thousand (PLN 32,813 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 (PLN 600,521 thousand)- non-cash settlement, assumption of obligation of Atlantik S.A. due to Pfeleiderer Service GmbH representing proceeds from sale of Pfeleiderer Grajewo S.A shares held by Pfeleiderer Service GmbH after the settlement of Secondary Offering to Atlantik S.A.

Acquisition–related costs:

The Company incurred acquisition related costs of PLN 13,028 thousand (EUR 2,931 thousand) on advisory costs as well as German tax on purchase of property and notarial fees. The costs increased the initial value of acquired investment.

Subscription of shares in Pfeleiderer Grajewo Sp. z o.o.:

Pfeleiderer Grajewo Sp. z o.o. was founded on 27 April 2016. All shares in newly established entity was acquired by its sole shareholder Pfeleiderer Grajewo S.A.

5. Equity

	30.06.2016	31.12.2015
Par value of share capital (PLN)	21 351 332	16 375 920
Number of shares at the beginning of period (fully paid)	49 624 000	49 624 000
Number of shares at the end of period (fully paid)	64 701 007	49 624 000
Par value per share (PLN)	0,33	0,33

All shares issued by the Company 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.

On 19 January 2016, the District Court in Białystok registered an increase in the share capital of Pfeleiderer Grajewo S.A. from the sum of PLN 16,376 thousand to the sum of PLN 21,351 thousand through the issue of 15,077,007 series E ordinary shares of PLN 0.33 in par value each, issued pursuant to Resolution No. 3 of the Extraordinary General Shareholders Meeting of 27 July 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 series E shares were issued by the Company at an issue price of PLN 24.00 for 1 share.

The shareholder structure after issuing the new shares as well as of the reporting date is as follows:

Shareholder structure as at 29 June 2016*	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%
Atlantic S.A.	16 374 497	25,31%	16 374 497	25,31%
Nationale-Nederlanden OFE	6 400 000	9,89%	6 400 000	9,89%
Aviva OFE Aviva BZ WBK	6 000 000	9,27%	6 000 000	9,27%
Other shareholders	19 153 614	29,60%	19 153 614	29,60%
Total	64 701 007	100,00%	64 701 007	100,00%

*according to latest available information

**Subsidiaries of Strategic Value Partners LLC directly holding shares in Pfeleiderer Grajewo S.A.:

Shareholder structure as at 4 February 2016*	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM
Yellow Sapphire S.a.r.I.	6 172 705	9,54%	6 172 705	9,54%
Brookside S.a.r.I.	5 076 738	7,85%	5 076 738	7,85%
Field Point IV S.a.r.I.	3 079 810	4,76%	3 079 810	4,76%
Kings Forest S.a.r.I.	1 745 520	2,70%	1 745 520	2,70%
Field Point V S.a.r.I.	449 409	0,69%	449 409	0,69%
Field Point Acquisition S.a.r.I.	248 714	0,38%	248 714	0,38%
Total	16 772 896	25,92%	16 772 896	25,92%

*according to latest available information

Until the date of publication of this report the Company has not received any information about other changes in the shareholding structure.

6. Borrowings and other debt instruments

Current borrowings and other debt instruments:	30.06.2016	31.12.2015
Overdraft facilities	-	-
Borrowings from subsidiaries	195 515	-
Other financial liabilities	605 463	-
Total	800 978	-

Bank loans

On 26 June 2013, the Company and its subsidiaries: Pfeleiderer 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 Company and its subsidiaries. All these bank credit lines were repaid fully on 11 February 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 Pfeleiderer Grajewo S.A. and significant Polish subsidiaries amounting to PLN 200 million and for Pfeleiderer GmbH and Pfeleiderer Holzwerkstoffe GmbH amounting to EUR 60 million.

On 19 January 2016, an amendment to the RCF Agreement came into force which provided Pfeleiderer Grajewo S.A. 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 990 thousand and PLN 6,559 thousand. This RCF expires on 30 April 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.

Borrowings from subsidiaries

On 6 October 2015, Pfeleiderer Grajewo S.A. in order to finance the acquisition of a subsidiary, entered into a loan agreement with Pfeleiderer Service GmbH. Transfer of funds in the amount of EUR 43,587 thousand (PLN 193,919 thousand) took place in January 2016. Both parties can terminate the agreement at any time with 3 month notice period. The amount of indebtedness under the loan amounted to EUR 44,179 thousand (PLN 195,515 thousand) as at 30 June 2016.

Other financial liabilities

In connection with the acquisition of a subsidiary Pfeleiderer GmbH on 5 October 2015 Pfeleiderer Grajewo S.A. has signed an agreement with Atlantik S.A., under which Pfeleiderer Grajewo S.A. took over an obligation of Atlantik S.A. representing proceeds from sale of Pfeleiderer Grajewo S.A. shares held by Pfeleiderer Service GmbH after the settlement of Secondary Offering to Atlantik S.A. The amount of debt due on 30 June 2016 amounted to EUR 136,812 thousand (PLN 605,463 thousand).

7. Liabilities to related parties due to debt securities

	30.06.2016	31.12.2015
Liabilities to related parties under debt securities	280 211	233 767
Total	280 211	233 767

The liabilities arising from debt securities amounted to PLN 280,211 thousand as at 30 June 2016, (31 December 2015 PLN 233,767 thousand) and relate to issued commercial papers in the form of short-term notes purchased by the Pfeleiderer Prospan S.A., the subsidiary.

These notes were issued pursuant to a Debt Issuance Programme concluded with PEKAO S.A on July 22, 2003. The maximum value of the notes that may be issued under the programme, ending 30 June 2018 is PLN 500,000 thousand.

These notes are issued in accordance with Bonds Act of 29 June 1995 as PLN denominated, bearer, dematerialized, unsecured and zero-coupon notes.

The purpose of the notes issue is to optimize liquidity funds management within the Group, reduce external debt of the Company and finance its day-to-day operations.

8. Financial instruments

a. Fair value of financial assets and liabilities

The fair value of financial assets and liabilities approximate their carrying amounts both as at 30 June 2016 and 31 December 2015

b. Valuation of financial assets and liabilities at fair value

As at 30 June 2016 the Company has 42 open forward contracts with a nominal exposure amounting to EUR 42,900 thousand. The fair value of the open contracts amounted to PLN 4,395 thousand (liabilities) based on level 2 input factors.

As at 31 December 2015, the Group has 29 open forward contracts with exposure amounting to EUR 56,800 thousand. The fair value of the open contracts amounted to PLN 1,981 thousand (asset) based on level 2 input factors.

Additionally, as at 31 December 2015 the Company held 1 open EUR/PLN FX forward for EUR purchase for the amount of PLN 509,219 thousand with settlement period on 27 January 2016. This transaction secured the PLN/EUR risk resulting from Company's liability to pay for acquisition of shares in Pfeleiderer GmbH. As at 31 December 2015 Pfeleiderer Grajewo S.A. recognized a loss on valuation of this open contract of PLN (3,847) thousand (fair value – level 2).

9. Contingent liabilities and securities over the Company's assets

9.1. Guarantees granted

As at 30 June 2016, Pfeleiderer Grajewo S.A and certain of its subsidiaries have granted the following guarantees securing the liabilities under the RCF Agreement of EUR 60 million and PLN 200 million as well as the liabilities under Pfeleiderer GmbH EUR 321,684 thousand 7.875% Senior Secured Notes due 2019. Guarantees are granted by following entities: 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. oraz Silekol Sp. z o.o.

9.2. Securities

As at 30 June 2016, Pfeleiderer Grajewo S.A. and certain of its subsidiaries 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 4 July 2014 (as amended and restated) entered into in connection with the EUR 60 million and PLN 200 million RCF Agreement dated 4 July 2014 (as amended and restated) among, inter alios, Pfeleiderer Grajewo S.A. and certain

PFLEIDERER GRAJEWO S.A.

Unaudited condensed separate interim financial statements for the three and six month periods ended June 30, 2016
(all amounts in PLN thousand if not otherwise stated)

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 Pfeiderer GmbH.

Security interest over shares

Pfeiderer Grajewo S.A. has entered into agreements for financial and registered pledges over shares in Pfeiderer Prospan S.A., Pfeiderer 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 bank accounts

Pfeiderer Grajewo S.A. has entered into agreements for financial and registered pledge over bank accounts and has granted power of attorney to dispose of funds from its 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

Pfeiderer Grajewo S.A. has 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

Pfeiderer Grajewo S.A. has entered into agreements for assignment of rights under commercial contracts, intercompany loan agreements and insurance agreements.

Mortgages

The following mortgage up to the amount of EUR 1,286 million have been established in favour of the Security Agent: mortgage over properties and perpetual usufructs of Pfeiderer Grajewo S.A. in Grajewo and Rajgród.

Submissions to enforcement

Pfeiderer Grajewo S.A. has 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.

9.3. Other contingent liabilities

Following a dawn-raid in October 2011, on 30 March 2012, the Polish Office of Competition and Consumer Protection (the "OCCP") commenced proceedings against Kronospan Szczecinek Sp. z o.o., Kronospan Mielec Sp. z o.o., Kronopol Sp. z o.o., Pfeiderer Grajewo S.A. and Pfeiderer 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 Pfeiderer Grajewo S.A. and/or Pfeiderer 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 separate 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 June 30, 2016, no provision has been recognized by the Company in these condensed interim separate financial statements.

PFLEIDERER GRAJEWO S.A.

Unaudited condensed separate interim financial statements for the three and six month periods ended June 30, 2016
(all amounts in PLN thousand if not otherwise stated)

10. Significant related party transactions

Transactions with related parties:

**01.01.2016 –
30.06.2016**

Entity	Sale of products, materials and merchandise	Sale of services	Finance income	Other income	Purchase of products, merchandise and materials	Purchase of services (incl. royalties)	Purchase of property, plants and equipment	Finance costs	Capitalized costs
Pfleiderer Service GmbH	-	-	-	319	-	-	-	10 650	95
Pfleiderer Prospan S.A.	3 944	5 904	37 721	2 580	1 038	96	657	2 216	-
Pfleiderer MDF Sp. z o.o.	32 360	5 308	1 673	726	31 796	2 321	98	-	-
Silekol Sp. z o.o.	238	527	27 354	166	24 436	-	7	-	-
Jura Polska Sp. z o.o.	-	522	-	77	1 825	9 577	55	-	-
Pfleiderer GmbH	-	-	-	5 169	-	1 629	-	-	5 715
Pfleiderer Neumarkt GmbH	1 103	-	-	-	-	-	350	-	-
Pfleiderer Holzwerkstoffe GmbH & Co. KG	269	-	-	150	37	323	4 298	-	-
Pfleiderer Gütersloh GmbH	-	-	-	-	-	402	346	-	-
Pfleiderer Leutkirch GmbH	-	-	-	-	-	-	412	-	-
Pfleiderer Baruth GmbH	-	-	-	-	-	-	54	-	-
Pfleiderer Arnsberg GmbH	-	-	-	-	-	-	477	-	-
Jura Speditions GmbH	-	-	-	-	-	-	27	-	-
Heller Holz GmbH	-	-	-	-	-	-	22	-	-
Total	37 914	12 261	66 748	9 187	59 132	14 348	6 803	12 866	5 810

The notes on pages 7 to 18 are an integral part of these unaudited condensed separate financial statements

PFLEIDERER GRAJEWO S.A.

Unaudited condensed separate interim financial statements for the three and six month periods ended June 30, 2016
(all amounts in PLN thousand if not otherwise stated)

01.01.2015 - 30.06.2015

Entity	Sale of products, materials and merchandise	Sale of services	Finance income	Other income	Purchase of products, merchandise and materials	Purchase of services (incl. royalties)	Finance costs
Pfleiderer Service GmbH	-	-	-	-	-	-	-
Pfleiderer Prospan S.A.	1 083	6 429	31 379	279	1 426	1 627	2 494
Pfleiderer MDF Sp. z o.o.	52 079	6 260	224	114	30 500	3 379	-
Silekol Sp. z o.o.	-	512	13 527	64	29 990	-	-
Grajewo OOO	-	-	512	-	-	-	-
Jura Polska Sp. z o.o.	-	408	-	11	10 926	-	-
Pfleiderer GmbH	-	11	-	-	-	1 652	-
Pfleiderer Neumarkt GmbH	21	-	-	-	-	-	-
Pfleiderer Holzwerkstoffe GmbH & Co. KG	-	-	-	-	1 179	21	-
Pfleiderer Gütersloh GmbH	-	-	-	-	-	429	-
Total	53 183	13 620	45 642	468	74 021	7 108	2 494

The notes on pages 7 to 18 are an integral part of these unaudited condensed separate financial statements

PFLEIDERER GRAJEWO S.A.

Unaudited condensed separate interim financial statements for the three and six month periods ended June 30, 2016
(all amounts in PLN thousand if not otherwise stated)

Related party balances as at 30 June 2016 and 31 December 2015:

Entity	30.06.2016			31.12.2015		
	Loans granted	Trade receivables	Dividend receivables	Loans granted	Trade receivables	Dividend receivables
Pfleiderer Prospan S.A.	-	2 240	37 721	-	491	-
Pfleiderer MDF Sp. z o.o.	93 147	11 315	-	10 473	27 082	-
Silekol Sp. z o.o.	-	137	27 354	-	116	-
Jura Polska Sp. z o.o.	-	182	-	-	134	-
Pfleiderer Neumarkt GmbH	-	85	-	-	549	-
Pfleiderer Gütersloh GmbH	-	-	-	-	160	-
Pfleiderer Holzwerkstoffe GmbH & Co. KG	-	43	-	-	158	-
Total	93 147	14 002	65 075	10 473	28 690	-

Entity	30.06.2016			31.12.2015		
	Liabilities under debt securities	Trade payables	Liabilities for capital expenditures	Liabilities under debt securities	Trade payables	Liabilities for capital expenditures
Pfleiderer Prospan S.A.	280 211	-	539	233 767	-	-
Pfleiderer MDF Sp. z o.o.	-	11 981	89	-	6 592	-
Silekol Sp. z o.o.	-	19 692	7	-	13 414	52
Jura Polska Sp. z o.o.	-	1 191	40	-	3 549	3
Pfleiderer GmbH	-	1 939	-	-	1 451	19
Pfleiderer Service GmbH	800 978	-	-	-	-	-
Pfleiderer Neumarkt GmbH	-	-	350	-	-	86
Pfleiderer Gütersloh GmbH	-	-	346	-	61	105
Pfleiderer Leutkirch GmbH	-	-	412	-	-	57
Pfleiderer Baruth GmbH	-	-	54	-	-	29
Pfleiderer Arnsberg GmbH	-	-	477	-	-	104
Jura Speditions GmbH	-	-	27	-	2	9
Heller Holz GmbH	-	-	22	-	-	9
Pfleiderer Holzwerkstoffe GmbH & Co. KG	-	126	5 977	-	55	1 617
Total	1 081 189	34 929	8 340	233 767	25 124	2 090

The notes on pages 7 to 18 are an integral part of these unaudited condensed separate financial statements

PFLEIDERER GRAJEWÓ S.A.

Unaudited condensed separate interim financial statements for the three and six month periods ended June 30, 2016
(all amounts in PLN thousand if not otherwise stated)

Remuneration of key management personnel

Remuneration of members of the Management Board as well as Supervisory Board of Pfeiderer Grajewo S.A., including bonuses paid and payable for the reporting period.

	01.01.2016	01.01.2015
Short – term benefits	30.06.2016	30.06.2015
Remuneration of Management Board	2 107	1 116
Remuneration of Supervisory Board	998	297
	3 105	1 413

As at 30 June 2016 and 31 December 2015 members of Management and Supervisory Boards of Pfeiderer Grajewo S.A. had no outstanding loan-related debt towards the Company.

11. Distribution of the 2015 net profit

Based on the resolution of the Ordinary Shareholders Meeting held on 29 June 2016, net profit for the financial year 2015 in the amount of PLN 4,405 thousand was transferred to the reserve capital and PLN 64,701 thousand was declared as a dividend to Company Shareholders.

12. Events subsequent to the end of the reporting period

On 9 August 2016 the Management Board granted its consent to take up new shares in the increased share capital of Pfeiderer Grajewo Sp. z o.o., which will be covered with the contribution in kind of Company's enterprise. The decision of Management Board was made in connection with the Resolution no. 8 of the Ordinary Shareholders Meeting held on 29 June 2016 on the consent to transfer the Company's enterprise, including, being a part of the enterprise, rights of perpetual usufruct to lands and ownership right of buildings and equipment erected thereon, constituting subject of ownership separated from lands, to the Company's subsidiary. The contribution in kind of Company's enterprise and acquisition of new shares of Pfeiderer Grajewo Sp. z o.o. are scheduled for 31 August 2016.

PFLEIDERER GRAJEWO S.A.

Unaudited condensed separate interim financial statements for the three and six month periods ended June 30, 2016
(all amounts in PLN thousand if not otherwise stated)



Michael Wolff

President of the Management Board



Rafał Karcz

Member of the Management Board, Chief Administration Officer



Richard Mayer

Member of the Management Board, Chief Financial Officer



Wojciech Gątkiewicz

Member of the Management Board, Chief Transformation Officer

Grajewo, 11 August 2016

CONTACT

Pfleiderer Grajewo S.A.
Grajewo, Wiórowa Street 1
19-203 Grajewo
Tel: +48 86 272 96 00
Mail: grajewo@pfleiderer.pl