POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 1 / 2017

quarter / year

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

for issuers conducting manufacturing, construction, trade or services business

for the 1st quarter of the financial year 2017, covering the period from January 1st to March 31st 2017,

including condensed consolidated financial statements prepared in accordance with the IFRS

currency: EUR

and condensed non-consolidated financial statements prepared in accordance with the IFRS

currency: PLN

Date of filing: May 11th 2017

Pfleiderer Group Spólka Akcyjna

(full name)

Pfleiderer Group SA (abbreviated name)	**wood products** (sector according to the Warsaw Stock Exchange's classification)
53-611 (postal code)	**Wrocław** (registered office)
ul. STRZEGOMSKA (street)	**42AB** (number)
+48 71 747 11 00 (telephone number)	**+48 71 747 11 41** (fax number)
office@pfleiderer.pl (e-mail)	www.pfleiderer.pl (web site)
719-10-00-479 (NIP – Tax Identification Number)	**4500933817** (REGON – Industry Registration Number)

FINANCIAL HIGHLIGHTS	PLN '000 1 quarter cumulative / 2017 Jan 1-Mar 31 2017	PLN '000 1 quarter cumulative / 2016 Jan 1-Mar 31 2016	EUR '000 1 quarter cumulative / 2017 Jan 1-Mar 31 2017	EUR '000 1 quarter cumulative / 2016 Jan 1-Mar 31 2016
Condensed consolidated financial statements data				
I. Sales revenue			252 410	215 522
II. Operating profit/(loss)			12 438	2 649
III. Profit/(loss) before tax			13 807	5 406
IV. Net profit			10 360	4 276
V. Net profit attributable to equity holders of the parent			10 360	4 276
VI. Net cash provided by (used in) operating activities			11 936	13 617
VII. Net cash provided by (used in) investing activities			-9 101	-16 531
VIII. Net cash provided by (used in) financing activities			-13 682	51 757
IX. Total net cash flow			-10 847	48 843
X. Total assets			975 050	954 580
XI. Liabilities			689 970	683 325
XII. Non-current liabilities			469 238	472 203
XIII. Current liabilities			220 732	211 122
XIV. Equity			285 080	271 255
XV. Share capital			6 692	6 692
XVI. Outstanding shares at the end of the reporting period			64 701 007	64 701 077
XVII. Earnings per ordinary share (EUR)			0,16	0,07
XVIII. Book value per share (EUR)			4,41	4,19
XIX. Declared or paid dividend per share (EUR)			0,00	0,00
Condensed financial statements data				
XX. Sales revenue	0	150 786	0	34 546
XXI. Operating profit/(loss)	-7 925	5 814	-1 834	1 332
XXII. Profit/(loss) before tax	24 408	36 972	5 647	8 470
XXIII. Net profit/(loss)	19 054	29 891	4 409	6 848
XXIV. Net cash provided by (used in) operating activities	-5 877	6 040	-1 360	1 384
XXV. Net cash provided by (used in) investing activities	-4	-595 574	-1	-136 449
XXVI. Net cash provided by (used in) financing activities	3 096	580 049	716	132 892
XXVII. Total net cash flow	-2 785	-9 485	-644	-2 173
XXVIII. Total assets	2 226 071	2 224 785	527 530	502 890
XXIX. Liabilities	955 699	973 467	226 480	220 042
XXX. Non-current liabilities	5 710	356	1 353	80
XXXI. Current liabilities	949 989	973 111	225 127	219 962
XXXII. Equity	1 270 372	1 251 318	301 050	282 848
XXXIII. Share capital	21 351	21 351	5 060	4 826
XXXIV. Weighted average number of shares	64 701 077	64 701 077	64 701 077	64 701 077
XXXV. Earnings per ordinary share (PLN/EUR)	0,29	0,49	0,07	0,11
XXXVI. Book value per share (PLN/EUR)	19,63	19,34	4,65	4,37
XXXVII. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00

data in lines : X-XV, XXVIII-XXXIII are presented accordingly:
column.1 - for 31.03.2017
column.2 - for 31.12.2016
column.3 - for 31.03.2017
column.4 - for 31.12.2016

PFLEIDERER

INSPIRATIONS
CLOSE
TO YOU

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT

ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A.
AND THE CAPITAL GROUP FOR THE PERIOD
FROM 1 JANUARY TO 31 MARCH 2017

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LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

MICHAEL

President and CEO

"Pfleiderer Group reachedstrong growth in volumes across all segments"

"Thanks to the investments conducted in 2016 the Group currently has greater production capacities at its disposal"

Dear Shareholders,

The first quarter of 2017 developed satisfactorily from the operational point of view and our Core Markets are supported by the growth of the national economies with positive outlook for the construction markets in both regions DACH and Poland, and was boosted by the strong demand from the furniture industry.

Throughout Q1, 2017 Group's revenues amounted to EUR 252 million and increased by 2.5% against the same period in 2016 (including first 19 days of 2016, Q1 revenues without first 19 days amounted to EUR 215.5 million). Value - added products reached already a share of 67%. Our Pfleiderer Group reached a strong growth in volumes across all segments in an amount of +EUR 16.3 million due to strong demand from furniture and construction segments. However, sales prices compared to Q1, 2016 where still down by EUR - 10.3 million. Nevertheless, margin could be maintained due to strong additional margin generated by the volume growth.

The Group's reported EBITDA amounted to EUR 30.8 million compared to EUR 20.4 million in the same period of last year (+51%) (Q1 2016 including first 19 days, Q1 2016 EBITDAwithout 19 days amounted to EUR 19.3 million, which constitutes 59.6% growth). In Q1, 2016 we have to take into account the expenses incurred in connection with the process of re-IPO and ONE Pfleiderer project. The reported EBITDA margin reached the level of 12.2% which was in line with our expectations. On comparable basis sustainable EBITDA in Q1, 2017 was EUR 33.9 million and exactly on the same level of previous year. Additional margin from volume growth has fully compensated price disadvantages. The Group is well on track to achieve its targets for 2017.

The available capacities at our key production lines were almost fully-utilized, enabling efficient distribution of fixed costs.Thanks to the investments conducted in 2016 the Group currently has greater production capacities at its disposal (including the line to produce kitchen worktops in Wieruszów and the incremental production capacity obtained by implementing the 4Pack Project in Grajewo). It intends to achieve more savings by continuing to tweak operating efficiency and the duration of uninterrupted operations and by curtailing bottlenecks.

In 2017, capital expenditures will exceed the level of EUR 60 million. In Q1, 2017 the spending's were at the level of EUR 7.5 million. The key projects planned for this year include completion and implementation of the sanding line in the biggest plant in Neumarkt, execution of an investment project to increase recycling wood and cut raw material costs in Neumarkt, and commissioning of a lacquering line in Leutkirch. In 2017, the Pfleiderer Group will also focus on intensifying sales and marketing activities under "ONE COLLECTION".

In Q1, 2017 we successfully refinanced the debt raised in 2014. The new debt service terms will contribute to a significant reduction of financing expenses.

On 25 April 2017, The Management Board recommended PLN 71,171,107.70 for payment of the dividend out of the 2016 net profit, amounting to 1.10 PLN per one share.

We and especially I would like to say "thank you" to all of our employees for their great work and contribution to the generated results, as well as for the personal engagement to develop our Pfleiderer Group forward.

Yours faithfully,

Michael Wolff
CEO PFLEIDERER Group

PFLEIDERER GROUP IN Q1, 2017AT A GLANCE

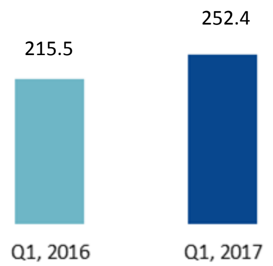
GOOD SET OF FINANCIAL RESULTS SUPPORTED BY FAVORABLE MARKET CONDITIONS

12.2%	EBITDA margin thanks to improvement of the operational efficiency over the last periods
59.6%	Growth EBITDA (Q1)* - to EUR 30.8 million
EUR 7.485 million	Capital Expenditures - continued investments on strategic projects with attractive payback
23.8%	Increase of the Pfleiderer Group S.A. market capitalization

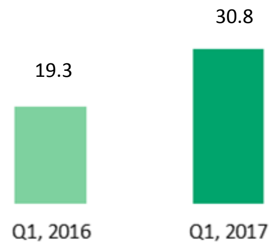
*Calculation comprised Q1 2016 EBITDA without first 19 days of January 2016

The financial information of the Q1 2016 and Q1, 2017 represents consolidated data of the Pfleiderer Group S.A. Group. The data for Q1 2016 do not comprise first 19 days of the year 2016 of Core West segment.

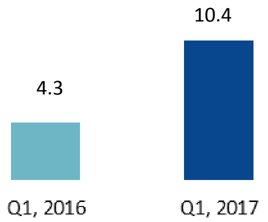
REVENUES
(EUR M)



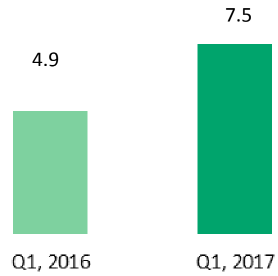
REPORTED EBITDA
(EUR M)



NET PROFIT
(EUR M)



CAPEX
(EUR M)



KEY EVENTS AND ACHIEVEMENTS OF THE PFLEIDERER GROUP IN Q1, 2017

COMMERCIAL PAPERS ISSUANCE

After 31 March 2017, Pfleiderer Prospan S.A. has acquired from Pfleiderer Group S.A. commercial papers in the form of short-term notes of PLN 4 997 thousand, par value: PLN 5 000 thousand on 6 April 2017. Additionally on 20 April 2017 Pfleiderer Group S.A. rolled over commercial papers.

After 31 December 2016, Pfleiderer Group S.A. has rolled over commercial papers in the form of short-term notes on 17 January 2017, 15 February 2017 and 15 March 2017 with a view to optimising the Company's financial liquidity management.

The notes were issued under the Note Issue Programme Agreement executed on 22 July 2003 with Bank PEKAO S.A. The notes were issued in accordance with the Polish Bonds Act of 29 June 1995 as PLN-denominated, unsecured, zero-coupon bearer securities in book-entry form. The notes are redeemed at par value. The notes were acquired by subsidiary Pfleiderer Prospan S.A.

CHANGES IN SHAREHOLDER STRUCTURE

For information regarding changes in shareholder structure after the end the reporting period see point 4.1.

STANDARD & POOR'S ASSIGNS A B1 CORPORATE FAMILY RATING

On January 20, 2017, Standard & Poor's Ratings Services raised long-term corporate credit rating on Poland-based wood panels producer Pfleiderer Group S.A. and its wholly-owned Germany-based subsidiary PCF GmbH to 'B+' from 'B' with positive outlook.

CHANGES IN THE MANAGEMENT BOARD

On 2 March 2017 the Supervisory Board of Pfleiderer Group S.A. appointed Thomas Schäbinger as President and Chief Executive Officer (CEO). Mr. Schäbinger succeeds Michael Wolff, Pfleiderer Group’s President and CEO who does not wish to extend his contract which expires in December 2017 and who will therefore leave the Group.

Accordingly to ad hoc reports no. 19/2017 and 20/2017 changes are effective as of 1 June 2017.

On 28 April Mr. Wojciech Gątkiewicz has resigned from the position of Member of the Management Board, Chief Sales Officer, effectively from 1 August 2017. On 9 May Mr.Ivo Schintz was nominated on a position of Member of the Management Board, Chief Commercial Officer, effectively from 1 August 2017.

REFINANCING

On 20 March 2017, Pfleiderer Group S.A. announced that they mandated Credit Suisse International, Deutsche Bank AG, London Branch and Goldman Sachs Bank USA as Mandated Lead Arrangers and Joint Bookrunners to arrange €450.0 million senior secured credit facilities comprising (i) a €350.0 million 7-year covenant-lite term loan B facility and (ii) a €100.0 million 5-year revolving credit facility. The proceeds from the Facilities are intended to be used to redeem the existing €321,684,000 7.875% senior secured notes issued by PCF GmbH, to refinance the existing senior secured revolving credit facility and to fund related transaction fees, redemption premium and expenses as well as general corporate purposes and working capital requirements. Subject to the Facilities being completed, Pfleiderer currently intends the redemption of the Notes to occur on or after August 1, 2017 at a redemption price of 101.969%.

On 7 April 2017, Pfleiderer Group S.A. announces that it has successfully priced and allocated a €350.0 million 7-year covenant-lite term loan B facility carrying an interest margin of 325bps (Euribor floor: 0.75%) and 99.0 OID. The new €100.0 million 5-year revolving credit facility will have an interest margin of 300bps (Euribor floor: 0%).

MOODY'S UPGRADED PFLEIDERER’S CFR (CORPORATE FAMILY RATING) TO BA3 WITH STABLE OUTLOOK

On 22 March 2017 the Moody’s rating agency upgraded Pfleiderer’s CFR (corporate family rating) from B1 to Ba3 with stable outlook. Moody's has assigned provisional (P)Ba3 instrument ratings to the proposed EUR 350 million senior secured term loan B (TLB, 7-year) and EUR 100 million equivalent senior secured revolving credit facility (RCF, 5-year) to be raised by PCF GmbH, a direct subsidiary of Pfleiderer Group S.A.

S&P GLOBAL RATINGS AFFIRMED ITS 'B+' LONG-TERM CORPORATE CREDIT RATING ON PFLEIDERER GROUP S.A.

On March 24, 2017, S&P Global Ratings affirmed its 'B+' long-term corporate credit rating for Pfleiderer Group S.A. and its wholly owned Germany-based subsidiary PCF GmbH. The outlook remained positive. At the same time, S&P assigned 'B+' issue rating to the proposed €350 million senior secured loan due 2024 and the €100 million revolving credit facility (RCF) to be issued by PCF GmbH.

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2017

KEY INFORMATION ABOUT THE GROUP

1. KEY INFORMATION ABOUT THE GROUP

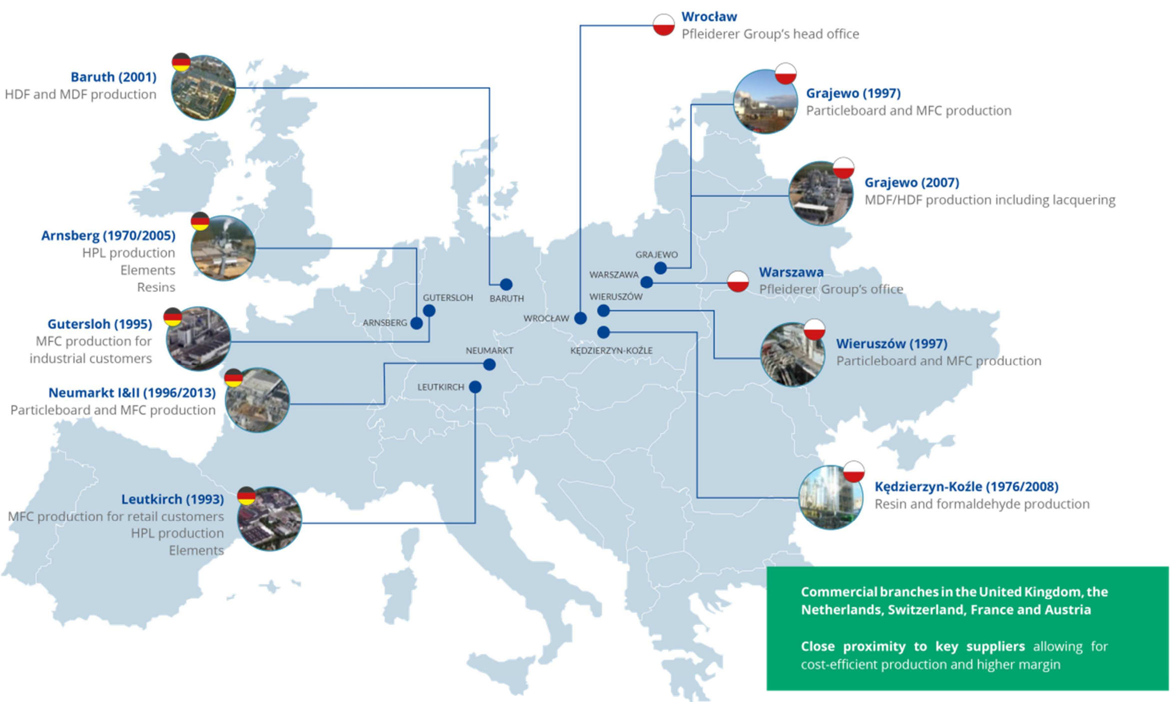
1.1. BUSINESS PROFILE – ACTIVITIES OF THE GROUP

The Pfleiderer Group, with 122 years of experience, is a leading European manufacturer of wood based products, specializing in the production of materials in the furniture industry, the interior industry and construction.

Pfleiderer Group provides furniture boards, kitchen worktops, HPL laminates and artificial wall coverings to the biggest furniture manufacturers in Poland and DACH (Germany, Austria and Switzerland) and several thousand medium and lesser companies of furniture industry. Pfleiderer products are known across the Eastern and Southern Europe, and Scandinavia. The company is headquartered in Wrocław (Poland) and operates nine manufacturing facilities located in Poland and Germany as well as commercial departments in the UK, the Netherlands, Switzerland, France and Austria. Sustainability is an integral part of our corporate strategy, Pfleiderer sees it as a matter of course to conserve energy and raw materials, reduce emissions and produce environmentally friendly products.

The Pfleiderer Group consists of production plants of various profiles of the activity.

FIGURE 1: PFLEIDERER GROUP ENTITIES



1.2. STRUCTURE OF THE GROUP

The Pfleiderer Group consists of one-platform enterprises. The Group's parent Company i.e. Pfleiderer Group S.A. ("the Parent", previously Pfleiderer Grajewo S.A.) operates in Wrocław.

At the end of the reporting period, the structure of the Capital Group is as follows:

FIGURE 2: STRUCTURE OF THE CAPITAL GROUP AS OF 11MAY, 2017

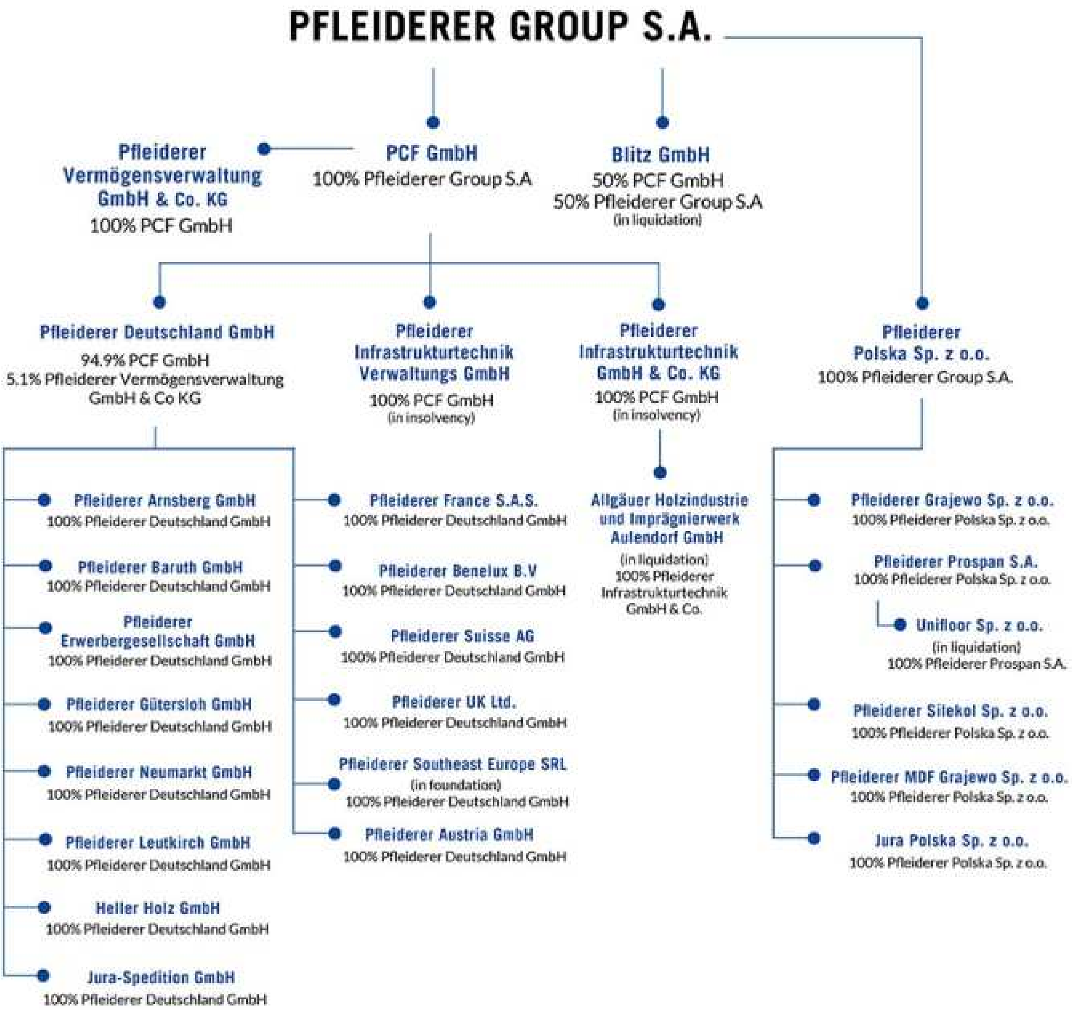


TABLE 1: SUBSIDIARIES OF THE PFLEIDERER GROUP

Eastern Europe		Mar. 31, 2017	Dec. 31, 2016
Jura Polska Sp. z o.o.	Grajewo	100.00%	100.00%
Pfleiderer Grajewo Sp. z o.o.	Grajewo	100.00%	100.00%
Pfleiderer MDFSp. z o.o.	Grajewo	100.00%	100.00%
Pfleiderer Prospan S.A.	Wieruszów	100.00%	100.00%
Pfleiderer Polska Sp. z o.o.	Wrocław	100.00%	100.00%
Pfleiderer 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		**Mar. 31, 2017**	**Dec. 31, 2016**
PCF GmbH (Previously Pfleiderer GmbH)	Neumarkt, Germany	100.00%	100.00%
Pfleiderer DeutchlandGmbH (prev. Pfleiderer Holzwerstoffe GmbH)	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Neumarkt GmbH	Neumarkt, Germany	100.00%	100.00%

Pfleiderer Gütersloh GmbH	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Leutkirch GmbH	Leutkirch, Germany	100.00%	100.00%
Pfleiderer Erwerbergesellschaft GmbH	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Arnsberg GmbH	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Baruth GmbH	Baruth, Germany	100.00%	100.00%
Heller Holz GmbH	Neumarkt, Germany	100.00%	100.00%
JURA-Spedition GmbH	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Austria GmbH	Wien, Austria	100.00%	0.00%
Pfleiderer France S.A.S.	Reims, France	100.00%	100.00%
Pfleiderer Benelux B.V.	Deventer, Netherlands	100.00%	100.00%
Pfleiderer Suisse AG	Rapperswil, Switzerland	100.00%	100.00%
Pfleiderer UK Ltd.	Macclesfiels, United Kingdom	100.00%	100.00%
Pfleiderer Southeast Europe SRL (in foundation)	Romania	100.00%	0.00%
Pfleiderer Vermögensverwaltung GmbH & Co. KG	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Infrastrukturtechnik GmbH & Co. KG (in Insolvency)	Dusseldorf, Germany	100.00%	100.00%
Pfleiderer Infrastrukturtechnik Verwaltungs-GmbH (in Insolvency)	Dusseldorf, Germany	100.00%	100.00%
Allgäuer Holzindustrie und Imprägnierwerk Aulendorf GmbH (i.L.)	Aulendorf, Germany	100.00%	100.00%
Blitz 11-446 GmbH	Neumarkt, Germany	100.00%	100.00%

1.2.1. PFLEIDERER GROUP COMPANIES AND THEIR BUSINESS ACTIVITIES

The Group consists of the holding company, which is responsible for governing the Pfleiderer Group, operating companies and production companies.

The Parent Company and holding company of the Group is Pfleiderer Group S.A., registered in Poland, with its shares being publically traded.

The Company, under its former name of Zakłady Płyt Wiórowych S.A. in Grajewo, was registered on 1 July 1994 by the Direct Court, Commercial Court of Łomża, in section B of the Commercial Register under entry No. 270. Subsequently, on 9 May 2001, it was registered by the District Court of Białystok, XII Commercial Division of the National Court Register, under entry No. KRS 0000011422. On 18 September 2002, the Management Board received the decision of the District Court of Białystok on entering the Company's new name: Pfleiderer Grajewo S.A., in the National Court Register.

On 30 September 2016 the District Court of Białystok registered a change in the Company's name and registered office as well as its bylaws. The Company's name was changed from Pfleiderer Grajewo S.A. to Pfleiderer Group S.A. The Company's registered office was moved from Grajewo to Wrocław. The above mentioned changes were conducted based on resolution no 9 of Ordinary General Shareholder Meeting which took place on 29 June 2016.

The Company's headquarters are located in Wrocław, at Strzegomska St. 42AB.

In accordance with the Polish Classification of Business Activities, the Parent Company's business is registered under No. 1621Z. The business activity of Pfleiderer Group S.A. is manufacture and veneering of wood and wood-based products, paper refine, domestic and abroad trade, rendering industrial services related to its core business, as well as other services based on resources held. The Company conducts holding services and other financial services.

The list of Group's entities with their activities(at the time of publication of the report):

The business of the Eastern European entities consists of:

Pfleiderer Group S.A., Wrocław, Poland, the Parent Company being a holding company of Pfleiderer Group:

Pfleiderer Polska Sp. z o.o., Wrocław, 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: Strzegomska St. 42AB, 53-611 Wrocław, Poland

Principal business activity:

- central Polish sale, supply and service company.

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 3, 2016.

Industry Identification Number (REGON): 364479779

Tax Identification Number: 7191568458

Registered address: Wiórowa 1, PL-19-203 Grajewo, Poland

Principal business activity:

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

Pfleiderer Grajewo sp. z o.o. on August 31, 2016, took over the operational activity conducted previously by Pfleiderer Group S.A. pursuant to the resolution No. 8 of the Ordinary General Meeting of Shareholders of Pfleiderer Group S.A. dated June 29, 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, XX 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.

Pfleiderer 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:

- 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 October 9, 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.

The business of the Western European entities consists of:

PCF 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 Deutschland 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
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 Birkenpfuhlheide 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

Principal business activity:

- dormant company.

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 Austria GmbH

A company entered on 16 March 2017 in the Commercial Register of Republic of Austria, under register number FN 468194 x.

Registered address: Am Modenpark 10, 1030 Wien

Principal business activity:

- sale of engineered wood.

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

A company entered in the Commercial Register of Nürnberg, Germany, under entry no. HRA 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.

1.2.2. DESCRIPTION OF CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP IN THE REPORTING PERIOD

Beginning from 1 January 2017 all sales activities of Pfleiderer Group are concentrated solely in the two sales entities. Pfleiderer Polska Sp. z o.o., which is responsible for all customers allocated to the sales territory "East" and Pfleiderer Deutschland GmbH, which is responsible for all customers allocated to the sales territory "West".

In Q1 2017 there were no changes of the group structure except for settling new selling entity in Austria and Romania.

1.3. INVESTMENT PROGRAM

During Q1, 2017 Pfleiderer Group incurred EUR 7,485 thousand capital expenditures.

TABLE 2: CAPEX 2017 – MAIN PROJECTS AT THE GROUP LEVEL

Investment	Capex	Rational	Expected outcome
Sanding Line (Neumarkt)	EUR 5.8 million	More flexibility in production (planned launch in August 2017)	EUR 2.0 million EBITDA
Recycled wood	EUR 9.5 million	Increasing consumption of recycled wood fibre and reducing cost for wood (planned launch at the end of 2017)	EUR 5.0 million EBITDA

Lacquering line (Leutkirch)	EUR 12.0 million	New functional surface technology, new high gloss and dull surfaces (planned launch in the Q1, 2018)	EUR 8.4 million EBITDA
Commercial Growth Strategy	EUR 11.5 million	Growth of current & new products and exploring new markets; securing & increasing production capacity; development of resins and quality improvement (planned launch in theH2 2018)	EUR 6.4 million EBITDA

1.4. MARKETING ACTIVITIES IN Q1, 2017

In January 2017 new ONE COLLECTION was launched, which is an unified offer to all markets with the following segments:

- Product offer consisting of Raw Boards, Melamine Faced boards as well as HPL and Elements,
- Redesigned collection (portfolio of decors) including “color worlds”,
- New structures as well as structure strategy up to 2020,
- New communication package including newly designed booth for fairs,
- New corporate design for the entire Pfleiderer Group,
- Redesigned Marketing Services program.

In addition to this unified offer the Group’s marketing prepared the following areas around it:

- Unified boards size for MFC (2.10m width in East),
- New centralized impregnation strategy,
- Newly defined stock programs,
- Standardized SLA (Service Level Agreements).

In the forefront of the official market launch in January 2017, Pfleiderer organized preview events for customers and employees to present the new collection and all mentioned additional activities. Over 700 participants joined these very successful events: Warsaw and Frankfurt in October 2016 and gave us thoroughly positive feedback.

Successful work of the marketing mix program in the last years has been very much appreciated by well-known institutes who gave the following rewards to Pfleiderer Group:

TABLE 3: REWARDS GIVEN TO PFLEIDERER GROUP IN Q1, 2017

Date	Award	Product/Category	Institution
2017	Listed Company of the Year 2016	Category: “Investor Relations”	“Puls Biznesu” daily and TNS Polska
2017	Iconic Award interior innovation	SolidColor Xtreme	Rat für Formgebung Service GmbH
2017	pro-K Award	SolidColor Xtreme	pro-K Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e.V.
2017	German Design Award 2017	SolidColor Xtreme, Mattlack, Natural Wood	Rat für Formgebung Service GmbH
2017	Red Dot Award: Product Design 2017	SolidColor Xtreme	red dot GmbH & Co. KG
2017	Interzum award: intelligent material & design 2017	SolidColor Xtreme	Interzum

Plans and development prospects for 2017

In 2017, the Group’s marketing focus is mainly on official rollout of ONE PFLEIDERER and ONE COLLECTION with following activities:

- Exhibiting at leading fairs:
  - BAU (Munich) January incl. press conference,

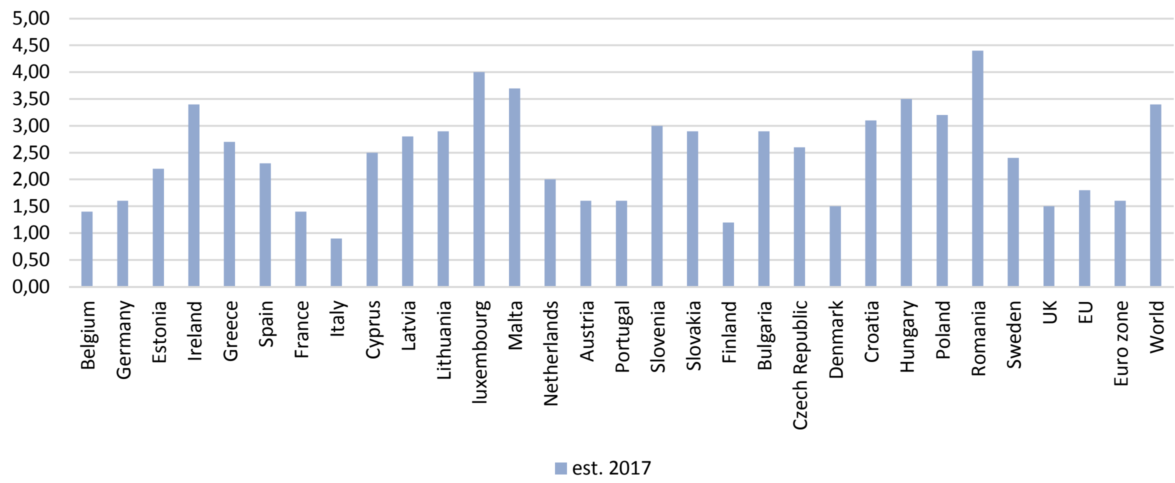
  - EuroShop (Düsseldorf),
  - Arena design@ MEBLE (Poznan),
  - INTERZUM (Cologne).
- Launch of program in all relevant markets and segments,
- Special events ”INSPIRATION DAYS” incountries’ of the Core West and East to support the furniture industry segment in presenting actual décor trends, developments and novelties for 2018.

1.5. MARKET POSITION AND CONSTRUCTION MARKET OVERVIEW

Macroeconomic situation in Q1, 2017

According to the European Commission’s latest forecasts[1], the Eurozone’s economic expansion will reach 1.6 per cent this year and accelerate to 1.8 per cent in 2018, compared with 1.7 per cent in 2016. The forecast is 0.1 percentage point higher than EurCom’s previous outlook from the fall of 2016 and 0.2 percentage point above the International Monetary Fund’s forecast for next year. This steady but moderate expansion should remain driven by domestic demand. The start of year 2017 seems to be good in the euro zone economy. The business climate indicators are rising, showing that economic growth this year may surprise to the upside again. What is important, for the first time since the crisis started, there seems to be a generalized and, to some extent, coordinated recovery in the largest euro zone economies. The solid economic growth abroad seems to continue in the coming quarters, although there are some question marks on the horizon, including the political uncertainty related to the looming elections in France and Germany, the discrepancy between the confidence indicators and the ‘hard data’ (especially in the USA), and the building evidence of weakening credit growth in main economies.

FIGURE 3: GDP GROWTH IN EST. 2017 (%)



Source: European Commission, European Economic Forecast Winter 2017

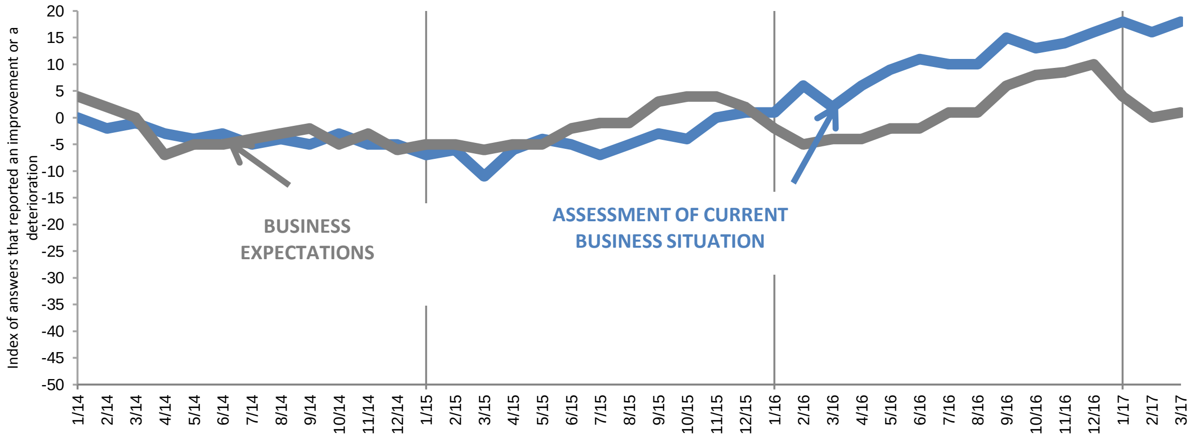
Available data suggest that Poland’s economic growth in Q1 2017 accelerated markedly and probably has exceeded 3.5% YoY versus 2.5% YoY in Q4 2016. The increase may be mainly driven by the rebound in investments, which could have risen by almost 4% YoY, after having dropped by 9.8% YoY in Q4 2016. The evidence of the improvement in investments is, among others, the rebound in construction output and investment goods output. Industry also scored higher, which resulted in accelerated exports. The increase of private consumption presumably stayed at the relatively high level observed at the end of 2016, supported by a good situation on the labor market and benefits from the 500+ program. Robust domestic demand caused that imports accelerated more than exports. As a result, the improving trend of the foreign trade balance, observed in the previous quarters, started to reverse at the beginning of 2017.

[1] Winter 2017 Economic Forecast, EurCom

Business climate in construction

In Q1 after marked declines in recent months, the business climate index in the construction sector rose in March. Assessments of the current business situation reached their highest level since 1991. Contractors are also more optimistic about the months ahead.

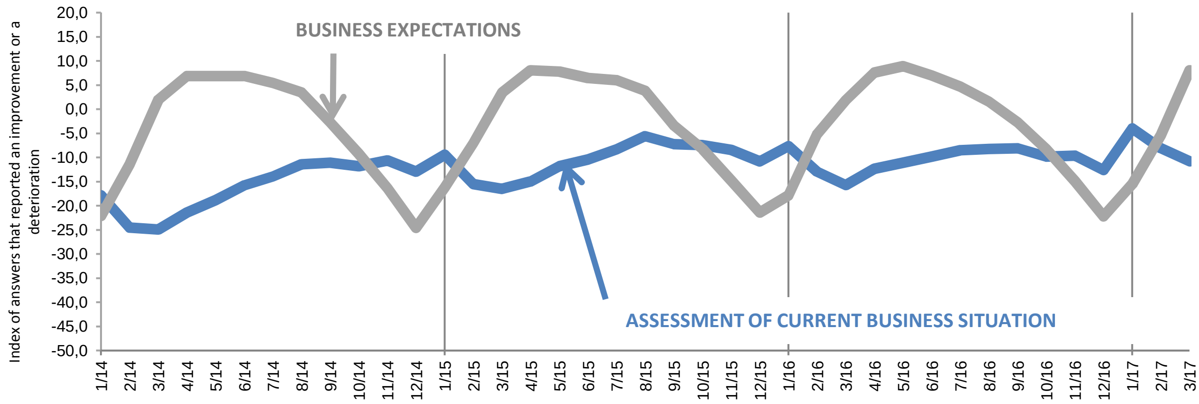
FIGURE 4: BUSINESS CLIMATE IN CONSTRUCTION - GERMANY



Source: Ifo

In Poland the first quarter of 2017 was marked with decline of current situation assessment, but expectations about future has turned into positive. It's likely that after the seasonal drop of business climate evaluation in previous months, the situation will start to improve since Q2.

FIGURE 5: BUSINESS CLIMATE IN CONSTRUCTION – POLAND



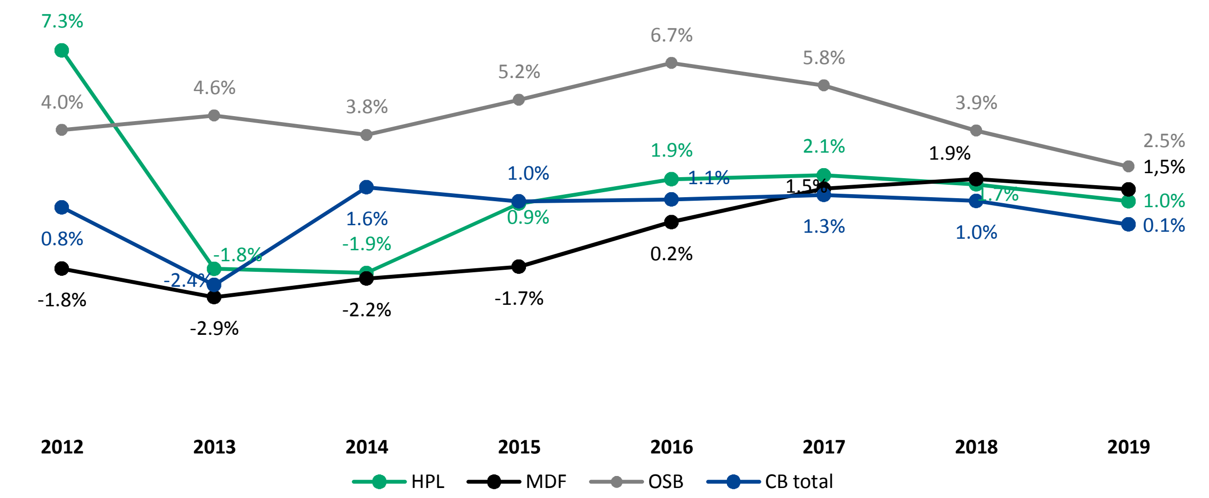
Source: GUS

Market dynamic

Pfleiderer strongly builds its position in furniture and construction market. The last one includes not only building residential and non-residential objects, but also interior design. In terms of product portfolio the reference points are chipboard, laminate, MDF and OSB markets. For the nearest 2 years all those markets shows positive trend.

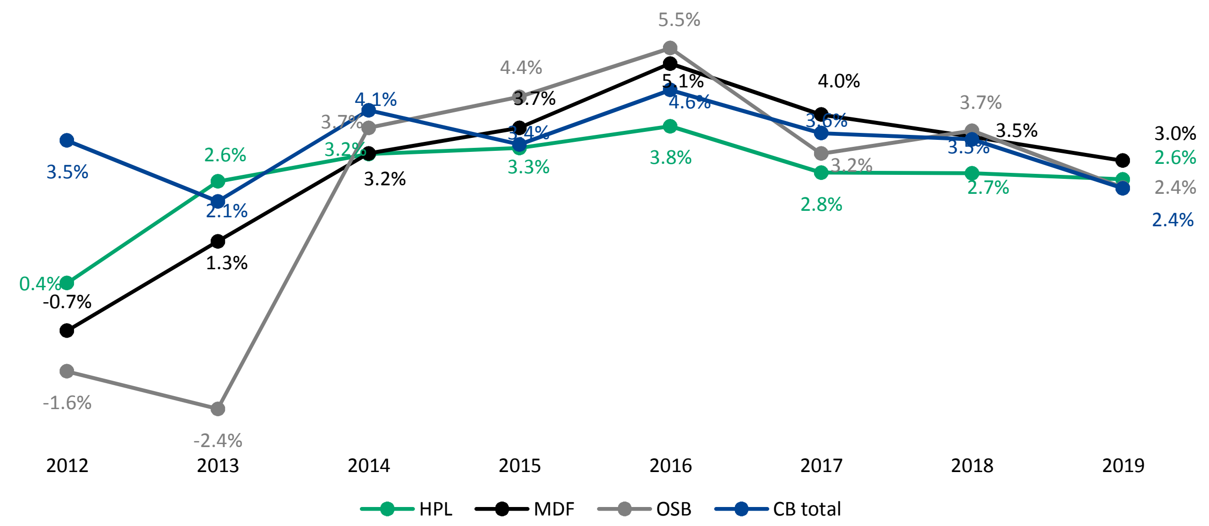
In case of DACH countries OSB market characterizes the highest growth dynamic. Moderate positive change is expected at HPL and MDF/HDF market. In Poland there's expectation that all product marketwill have comparable growth dynamic.

FIGURE 6: MARKET SIZE DYNAMIC (VOLUME) - DACH



Source: B&L

FIGURE 7: MARKET SIZE DYNAMIC (VOLUME) - POLAND

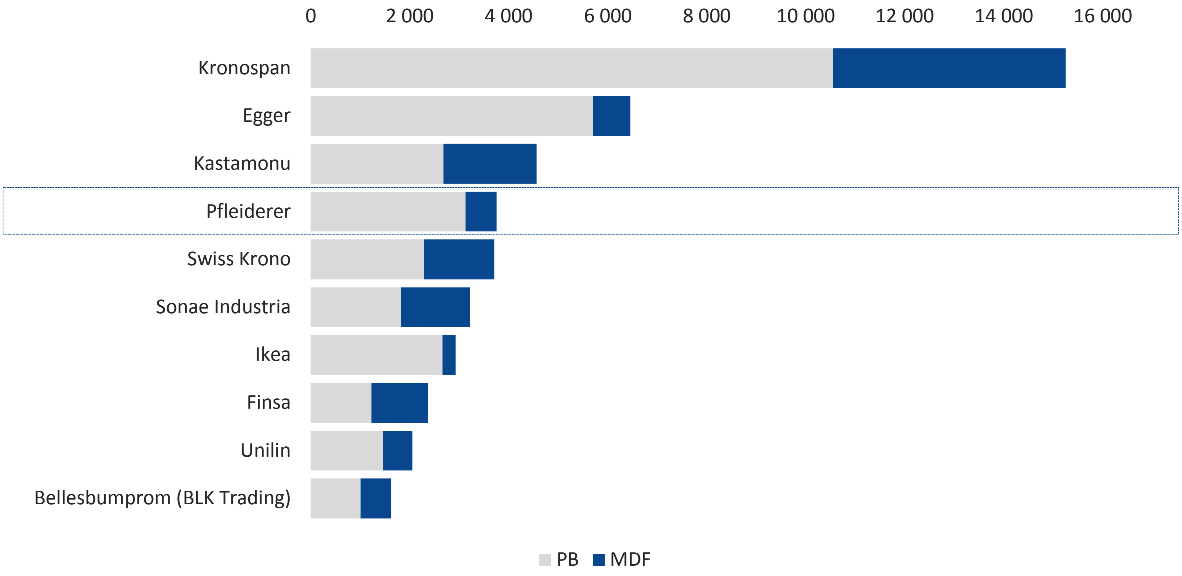


Source: B&L

Production capacity position in Europe

The overall European particleboard and MDF productioncapacity is foreseen to increase by around 0.9% in 2016, and remain below the 40 million m^3 of MFP and around 15 million m^3 of MDF. On that market Pfleiderer is one of the TOP 5 player.

FIGURE 8: PRODUCTION CAPACITY IN EUROPE – TOP 10 PLAYERS X1000 M³



Source: EPF

Construction markets development perspective

Construction business at core markets, in Poland and DACH countries, is expected to grow. DACH market is bigger, Polish market develops more dynamically (at the background of other European countries, Poland is one of most dynamically developing markets). Till 2018 one can expect average yearly growth rate at level of 0.7% for DACH and 4.2% for Poland.

TABLE 4: AVERAGE YEARLY GROWTH 2016-2018

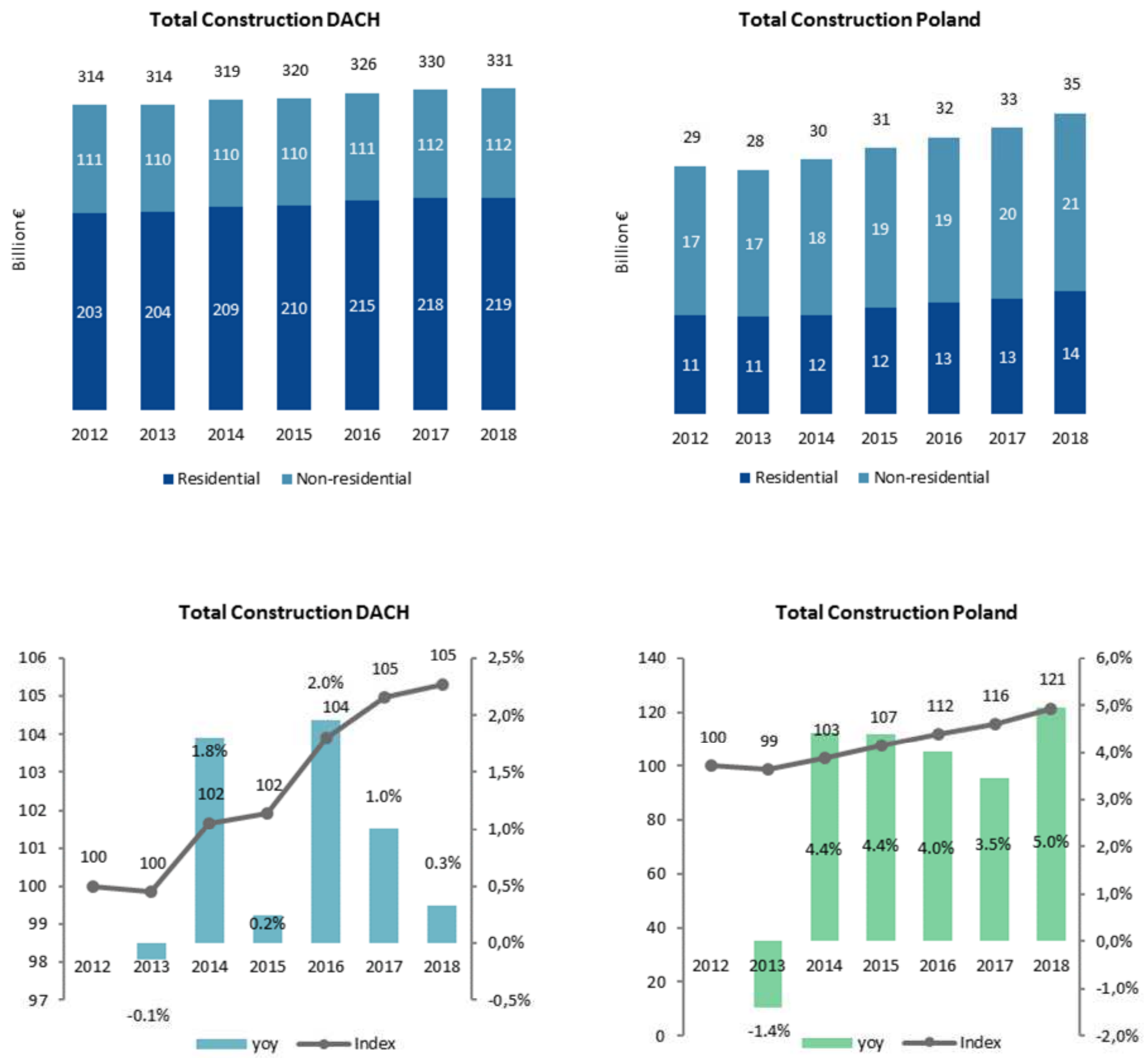
	CAGR 2016-2018		
	Total	**Residential**	**Non-residential**
Poland	**4.2%**	4.6%	3.9%
DACH	**0.7%**	0.7%	0.5%
Germany	**0.6%**	0.8%	0.2%
Austria	**1.9%**	1.9%	2.0%
Switzerland	**0.4%**	-0.3%	1.3%
France	**3.7%**	4.4%	2.6%
Italy	**1.3%**	0.9%	1.9%
United Kingdom	**2.3%**	1.8%	2.7%
Belgium	**2.1%**	1.8%	2.5%
Netherlands	**4.9%**	6.2%	3.1%

Source: Euroconstruct

Drivers of construction market

In DACH countries construction market is driven more by residential construction. Opposite to the market is Poland, driven mostly by non-residential buildings.

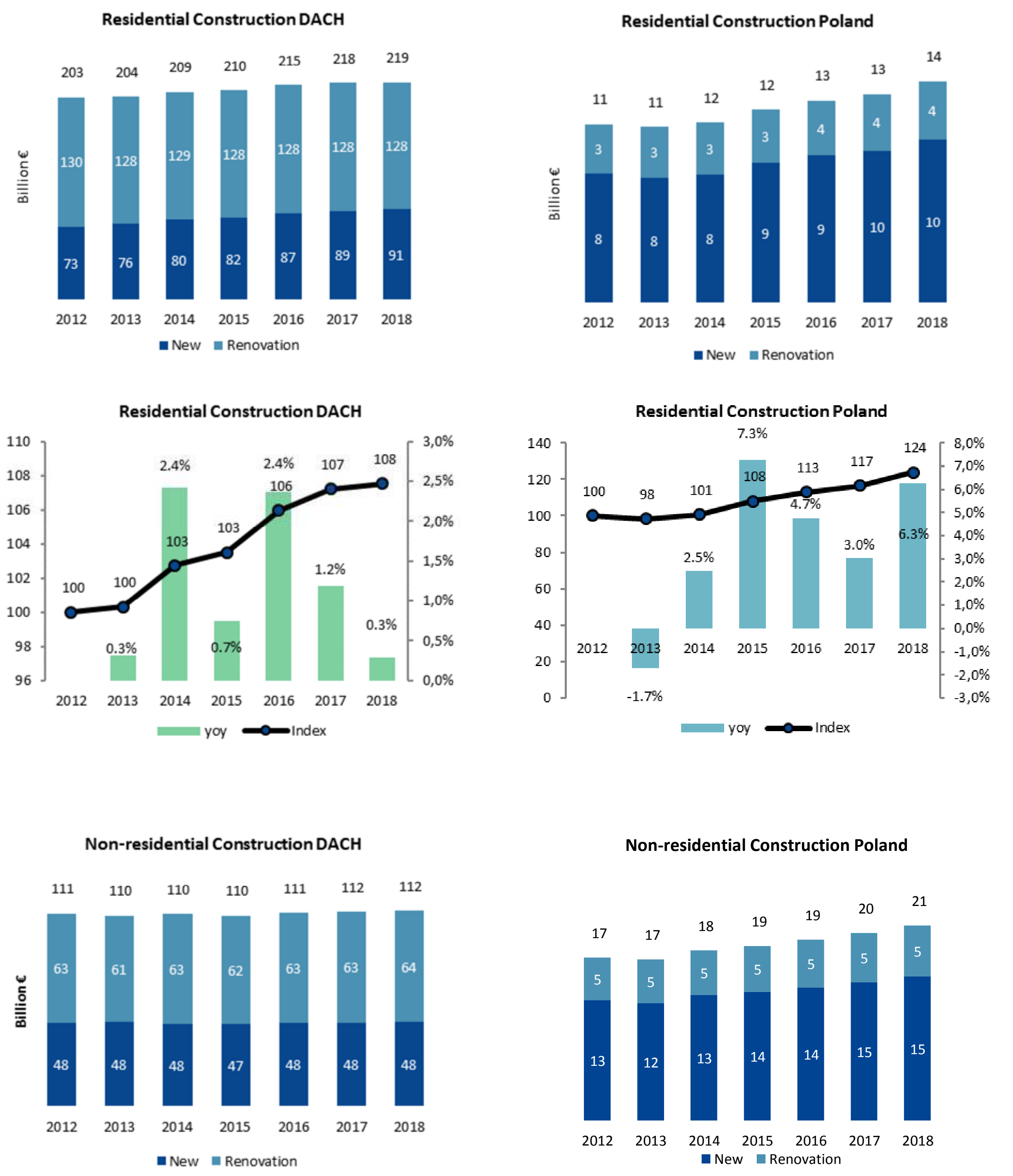
FIGURE 9: TOTAL CONSTRUCTION



Source: Euroconstruct

German language speaking countries markets are based mostly on renovation construction (in residential and non-residential building). In Poland there’s different situation – new buildings takes bigger part of the construction business.

FIGURE 10: RESIDENTIAL AND NON-RESIDENTIAL CONSTRUCTION



Source: Euroconstruct

1.6. EXTERNAL AND INTERNAL FACTORS AFFECTING THE GROUP'S BUSINESS

External factors affecting the Group's business:

- Broader collaboration with customers, based on long-term framework agreements, providing the parties with assurance of stable cooperation and long-term development.

- Customer insolvency risk – the Group monitors the financial liquidity of its customers on an ongoing basis, and mitigates the risk by using trade credit insurance.
- Close cooperation with suppliers – key raw materials purchased by the Group include wood and wood waste, decorative paper, chemical substances, and machine parts. The Group mitigates the related risk by using diversified sources of supplies. Increases in the prices of the raw materials affect the Group as well as its competitors and therefore have no adverse impact on the Group's competitive position.
- Currency risk – the Group monitors its exposure to exchange-rate fluctuations on an ongoing basis and relies on natural hedging and forward transactions to hedge the risk.
- Seasonality – sales typically fall in the second quarter and peak in the second half of the calendar year. Seasonal changes do not give rise to a significant risk for the Group as lower sales in the period are accompanied by lower purchases of raw materials. The Group's liquidity remains stable in the second quarter.

Internal factors affecting the Group's business:

- Technological process – the technologies implemented by the Group result in exposure to fire hazard. To mitigate the risk, the Group uses a number of technical and organizational safeguards. The risk of unplanned downtime is reduced through the implementation of an annual maintenance and modernization as well as maintaining a strategic stock of spare parts.
- Liquidity risk – as the Parent, Pfleiderer Group S.A. bears all the burdens related to the financing of investment projects. The debt level is monitored on an ongoing basis. To mitigate the liquidity risk, the Group uses a full spectrum of available financial instruments.

1.7. RISK MANAGEMENT

The Pfleiderer Group is currently reorganizing and repositioning itself on the market. This is particularly reflected in a Group-wide, fundamental project to reorganize business and operating activities. This project with the name "ONE PFLEIDERER" has the objective of harmonizing and optimizing operational business processes such as procurement, supply chain management, sales, production planning etc. and the administrative processes of the two existing divisions "Core West" and "Core East" under the management of the new parent company Pfleiderer Group S.A. This is visible not least in a uniform collection for the entire Capital Group that is offered in both Eastern and Western Europe starting in 2017. Processes were and further are be standardized and improved for the entire Pfleiderer Group in order to reduce and overcome duplications and inefficiencies, not only in operations but also in the administrative area. Pfleiderer "West" and "East" will fully grow together – as ONE PFLEIDERER – if we:

- coordinate our brand presentation with one another,
- improve our competitiveness and growth rates,
- have a more extensive presence in our core markets,
- utilize existing advantages with the aid of shared supplier management,
- adapt more quickly to market conditions on the basis of a leaner and more dynamic organization,
- break down internal "borders" and tap existing skills transnationally, and
- optimize the performance of individual units, thereby boosting profitability.

Risk report

All entrepreneurial activity is inextricably linked with risk. For this reason, effective management of risk is an important factor for the success of any effort to sustainably safeguard enterprise value. One of the fundamental tasks of management, in accordance with the applicable requirements of corporate governance and the principles of best practice, is the establishment and operation of an effective internal control system (ICS), risk management system (RMS) and compliance management system (CMS).

Like other companies, Pfleiderer Group is also exposed to risks relating to its business activities. The Company confronts uncertainties and constant change in the legislation and regulations in the various jurisdictions relevant to the Pfleiderer Group with a standard, Group-wide control and risk management system and the internal auditing department. These instruments are evolving on an ongoing basis and are adapted to changing conditions.

Within the scope of existing processes, the Company's management and Supervisory Board are regularly informed of risks that could significantly affect the business performance of the operating divisions and the Group.

The risks are assigned to different risk classes based on a risk matrix using the dimensions of "amount of loss" (less than EUR 5 million, EUR 5-10 million, EUR 10-20 million, and more than EUR 20 million) and "probability" (from 1% "unlikely" via seven levels to 90% "occurrence is imminent"). In turn, these risk classes are classified as "low," "medium," "significant," "serious", or "endangering the Group's continued existence" depending on their impact on net assets, financial position and results of operations. Countermeasures are defined, and the identified risks and countermeasures are actively managed and regularly reviewed.

Central risk areas

In the view of the management at Pfleiderer, the central risk areas comprise risks of developments that would be likely to have a significant impact on the Company's net assets, financial position and results of operations. We have essentially identified the following issues as risks that go beyond the usual market risks (net amount of loss of more than EUR 1 million):

Legal risks:

Past legal violations resulted and could further result in claims for damages against the Pfleiderer Group, the amounts of which could far exceed damage payments associated with the normal course of business and could thus have a serious impact. These risks cannot be quantified based on the evidence and information available at this time. In response to such claims for damages, Pfleiderer pursues legal defenses and court proceedings which it bases on counter-assessments.

Legal and regulatory risks:

The revised German Renewable Energy Resources Act 2014 (EEG 2014) came into effect on August 1, 2014. Because the new legislation considerably tightened the requirements for use of the (partial) exemption from the EEG reallocation charge, there is a risk that, in the future, one or more companies of the Pfleiderer Group will no longer meet the requirements for partial relief from the EEG, or will not come under what is known as the "hardship rule" [Härtefallregelung]. The likelihood that the EEG relief for hardship cases will cease to apply in the future is considered to be conceivable and the loss could be significant. This risk is countered by obtaining external expertise and implementing internal measures to ensure that the stricter conditions are met.

Tax risks:

The Western European segment is subject to certain tax risks. In the 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 PCF GmbH (formerly Pfleiderer 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 Pfleiderer Deutschland GmbH, which could in turn lead to an assessment requiring payments of tax arrears. As a result of the change in shareholders of PCF GmbH that occurred as of January 19, 2016, it is possible that the tax losses for 2016 may also not be realizable. It cannot be ruled out that the fiscal authorities will reject the position taken by PCF 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 PCF GmbH in December 2015, which may lead to uncertainty with regard to the possibility of tax loss utilization for the 2015 financial year. As at 31 March 2017 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in the condensed consolidated interim financial statements.

In 2014 PCF GmbH (and its subsidiaries) recognized valuation allowances on receivables to the so-called "Non Core"-companies of the former Pfleiderer Group in respect of foreign currency gains recognized 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 PCF GmbH, which could cause additional tax payments. As at 31 March 2017 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in the condensed consolidated interim financial statements.

PCF GmbH is subject to a tax risk regarding the restructuring gain incurred in 2012 in connection with the insolvency plan. The tax treatment of the restructuring gain may be affected by a judgment of the Federal Fiscal High Court published on February 07, 2017 (GrS 1/15). According to the decision, the decree of the Federal Ministry of Finance dated March 27, 2003 (so called "Sanierungserlass") which ensures a preferential treatment of the restructuring gain is not correct. This decision may lead to uncertainty regarding the possibility of receiving a waiver from the tax authorities for any taxes due on the restructuring gain to the extent that PCF is not protected by binding rulings issued by the competent authorities. As at

31 March 2017 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in the condensed consolidated interim financial statements.

Market and price risks:

In the event of an inadequate R&D strategy, Pfleiderer could lose market share due to a lack of new and innovative products. Insufficient investment in research and development could mean that new product and process development goals are not achieved to an adequate extent. This could result in lower pricing power and consequently an unfavorable development of the Group. This is regarded as a significantrisk. The Company responded to this risk by realigning and reorganizing its R&D activities.

Alternative products such as painted fronts, stone countertops, etc. could represent competition to Pfleiderer's market potential. This is regarded as a medium risk. This risk is countered by developing an appropriate product strategy.

A fairly significant portion of our product range relates to commodities, which are associated with high price volatility. The risk is made up of interchangeability of products, rising material costs, and the disappearance of international sales markets. Furthermore, it cannot be ruled out that reopening closed plants or expansion of capacity by other competitors may lead to an adverse development of sales prices. This risk is considered to be medium. To counter these risks, emergency plans are drawn up that anticipate the Company's reactions to different scenarios of these developments.

Environmental and production risks:

A lack of replacement investments or maintenance in the past could result in a backlog of maintenance and investment. Insufficient replacement investments and postponed repairs and maintenance work may lead to breakdowns of machinery and production facilities. This is classified as a medium risk. In addition, investment requirements may arise due to a failure to meet legal requirements, for example in relation to fire safety. If regulations and specifications are not complied with, there is a need to take action.

Through the oligopolistic and – in the case of strips, the monopolistic – procurement market, there is a danger of "not-on-time" availability of structured sheet metal and strips that also fail to meet requirements. There is also a risk due to the closing-down of production of the Sandvik Surface Solution company, as it will only be possible to procure strips from the remaining competitor Berndorf. While Berndorf will take over some of the equipment and the know-how, it will still have to familiarise itself with this technology, as it uses digital technology. This is classified as a significant risk.

1.8. INFORMATION ON MATERIAL AGREEMENTS AND TRANSACTIONS

Material party-related transactions in Q1, 2017

For the information regarding related-party transactions as at 31 March 2017 and for the period from 1 January to 31 March2017see Note 15in the notes to the condensed consolidated interim financial statements of the Pfleiderer Group S.A.

In the period from 1 January to 31 March 2017, all related-party transactions were executed on an arm's length basis.

1.9. COURT PROCEEDINGS

Information related to significant settlement of litigation

As at 31 March 2017, the Group did not carry any material settlements under court proceedings.

Contingent liabilities

Eastern Europe:

Following an inspection in October 2011, on 30 March 2012 the Polish Office of Competition and Consumer Protection (the "OCCP") commenced proceedings against Kronospan Szczecinek sp. z o.o., Kronospan Mielec sp. z o.o., Kronopol sp. z o.o., Pfleiderer Group S.A. (formerly Pfleiderer Grajewo S.A.) and Pfleiderer Prospan S.A., regarding possible horizontal price fixing and exchange of information on conditions of sale in the chipboard and fiberboard 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 Pfleiderer Group S.A. and/or

Pfleiderer Prospan S.A. in these proceedings amount to 10% of their respective tax revenues in the year preceding the issuance of the infringement decision. The end date of the proceedings is still uncertain.

At the date of the publication of these 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 recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in the consolidated financial statements.

Western Europe:

An earlier investigation by the German Federal Cartel Office in 2009 concluded in 2011 that PCF GmbH (then, Pfleiderer 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. PCF GmbH’s share of the fine was settled in yearly instalments and fully repaid by the end of 2016.

As described below, two of the Pfleiderer Group’s customers have sued the Pfleiderer Group for damages in connection with these antitrust violations. The companies are seeking compensation in connection with these antitrust violations. The outcome of the respective extrajudicial negotiations or proceedings is difficult to predict. Based on its best knowledge the Management estimated as of 31 December 2016 liabilities related to antitrust violations of EUR 7 650 thousand, as of 31 March 2017 the balance stayed unchanged and subsequently the amount of EUR 2 500 thousand was settled with Huels on 18 April 2017. As of 31 March 2017 the liability of EUR 7 650 thousand included costs related to legal proceedings with Classen as well as legal costs and amicable settlements of claims from Alno, Oesder and Huels. Depending on the final outcome of the negotiations and/or the proceedings, the Group could be obligated to make further 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 Pfleiderer Group’s current customers, filed an action with the regional court of Düsseldorf (Landgericht Düsseldorf) against the custodian (Sachwalter) of PCF GmbH (then Pfleiderer AG) seeking the acceptance of its claim to the insolvency schedule (Insolvenztabelle) filed in May 2012. The insolvency proceedings ended in December 2012. In April 2013, after the insolvency proceedings had ended, Classen extended its claim to PCF GmbH. Classen seeks payment of the insolvency quota in the amount of EUR 1.3 million based on a claim for potential damages arising from the same deliveries as in the case against Pfleiderer Baruth GmbH, as described below. By judgement of 27 April 2017 the regional court of Dusseldorf dismissed the claim in its entirety, because it deemed the claim against custodian as inadmissible due to the absence of authority to litigate at the time the claim was served on the (then former) custodian (January 2013). As regards PCF GmbH, the court foundthat Classen did not meet the exclusion period stipulated in the insolvency plan.Classen may file an appeal against this judgement with the higher regional court Dusseldorf. The time ,limit for filing an appeal is one month.

In December 2012, Classen also filed an action for damages with the regional court of Düsseldorf (Landgericht Düsseldorf) against Pfleiderer Baruth GmbH (then: Pfleiderer Faserplattenwerk Baruth GmbH) currently amounting to approximately EUR 55.4 million (plus interest). The proceeding is still pending and the outcome, i.e. the further 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. At the recent oral hearing on 2 February 2017, the court has not clearly indicated whether it deems the claim justified as to the merits or not. The court intends to decide on the further proceedings on 22 June 2017. As a result, the management has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in these condensed consolidated interim financial statements. Accrued legal costs for Classen are comprised in the total amount of EUR 7 650 thousand.

In December 2014 Alno AG (“Alno”), one of the Pfleiderer Group’s customers, has claimed substantial damages from PCF 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 PCF GmbH and another party in late December 2015 (in the minimum amount ofEUR 32.9 million, which has now been reduced to EUR 28.4 million plus interest). As at 31 March 2017 the Management based on its best knowledge recognised anaccrual for the expected outcome which is included in the total amount of EUR 7 650 thousand. It is intended that the parties try to negotiate an out-of-court settlement. However, the first settlement offer in the amount of EUR 1 million cash and EUR 0.4 million in discounts on future deliveries has been rejected by ALNO. The proceeding is still pending and the outcome, i.e. the further potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid could change significantly.

In December 2012, Oeseder Möbel-Industrie Mathias Wiemann GmbH & Co. KG ("Oeseder"), one of the Pfleiderer 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, PCF GmbH has joined the legal proceedings as an intervener (Nebenintervenient). The court has passed a judgement on 31 May 2016 according to which the claim is justified on the merits but subject to further discussion regarding quantum. Glunz AG has filed an appeal against this decision with the higher regional court in Celle. The oral hearing is scheduled for 17 October 2017. As at 31 March 2017 the Management based on its best knowledge recognised an accrual for the expected outcome, which is included in the total amount of EUR 7 650 thousand. PCF GmbH's obligation for substantial payments may result from a contribution claim (Gesamtschuldnerinnenausgleichsanspruch) based on PCF GmbH's joint and several liability (Gesamtschuld), if Glunz or any other third party is obligated to pay compensation to Oeseder. The proceeding is still pending and the outcome, i.e. the further potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid could change significantly.

PCF GmbH has successfully reached an out-of-court settlement with Hüls covering all claims arising from direct and/or indirect deliveries from the Pfleiderer Group to the Hüls Group for a total payment of EUR 2.5 million, included in total amount of accrual EUR 7 650 thousand and paid in April 2017.

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 PCF GmbH (formerly Pfleiderer 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 Pfleiderer Deutschland GmbH, which could in turn lead to an assessment requiring payments of tax arrears. As a result of the change in shareholders of PCF GmbH that occurred as of 19 January 2016, it is possible that the tax losses for 2016 may also not be realizable. It cannot be ruled out that the fiscal authorities will reject the position taken by PCF 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 PCF GmbH in December 2015, which may lead to uncertainty with regard to the possibility of tax loss utilization for the 2015 financial year. As at 31 March 2017 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in the condensed consolidated interim financial statements.

In 2014 PCF GmbH (and its subsidiaries) recognized valuation allowances for receivables to the so-called "Non Core"-companies of the former Pfleiderer Group in respect of foreign currency gains recognised 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 PCF GmbH, which could cause additional tax payments. As at 31 March 2017 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in the condensed consolidated interim financial statements.

PCF GmbH is subject to a tax risk regarding the restructuring gain incurred in 2012 in connection with the insolvency plan. The tax treatment of the restructuring gain may be affected by a judgment of the Federal Fiscal High Court published on February 07, 2017 (GrS 1/15). According to the decision, the decree of the Federal Ministry of Finance dated March 27, 2003 (so called "Sanierungserlass") which ensures a preferential treatment of the restructuring gain is incorrect. This decision may lead to uncertainty regarding the possibility of receiving a waiver from the tax authorities for any taxes due on the restructuring gain to the extent that PCF is not protected by binding rulings issued by the competent authorities. As at 31 March 2017 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in the condensed consolidated interim financial statements.

KEY OPERATIONAL DATA

2. KEY OPERATIONAL DATA

2.1. PRODUCTION VOLUME AND STRUCTURE

In Q1, 2017 and Q1, 2016the production volumes of main product groups at the group level were as follows:

TABLE 5: PRODUCTION VOLUMES OF MAIN PRODUCT GROUPS AT THE GROUP LEVEL

		1 Jan. – 31 Mar. 2017	1 Jan. – 31 Mar. 2016	Change (%)
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	ths. cubic m	834	769	8%
Laminated boards	ths.sqm	28,860	25,946	11%
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	ths. cubic m	142	136	4%

The sizeable YoY growths resulted from organic development in the East and West part as well as changes within the Group's structures.

TABLE 6: PRODUCTION VOLUMES OF MAIN PRODUCT GROUPS IN BUSSINES SEGMENTS

		1 Jan. – 31 Mar. 2017 Core West	1 Jan. – 31 Mar. 2017 Core East
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	ths. cubic m	500	334
Laminated boards	ths sqm	17,875	10,985
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	ths. cubic m	90	52

2.2. SALES STRUCTURE

Revenue reported by the Group in Q1 2017was EUR 252,410thousand and increased 17% when compared to Q1, 2016 (excluding 19 days of Q1 2016 for Core West).

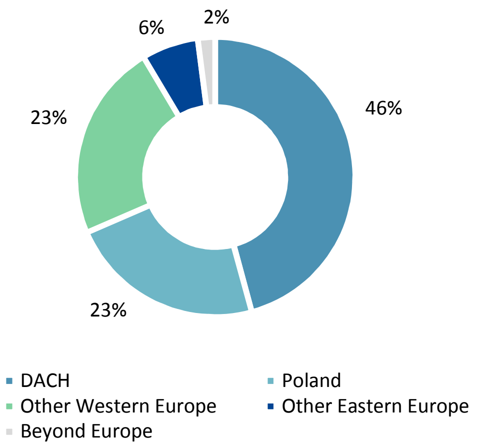
Salesvolumes by product group wereas follows:

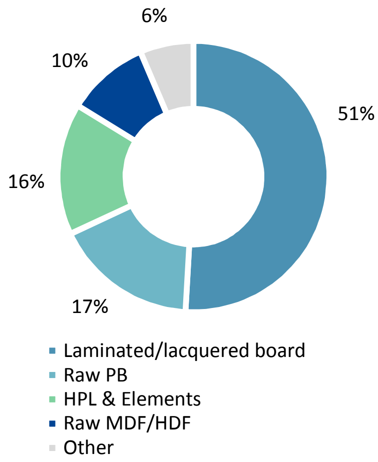
TABLE 7: SALES VOLUMES BY PRODUCT GROUP AT THE GROUP LEVEL

Cbm; Tqm	1 Jan. – 31 Mar. 2017	1 Jan. – 31 Mar. 2016
Laminated particleboard [sqm]	27,096,744	24,487,431
HPL [sqm]	3,062,931	2,903,626
Raw particleboard [cbm]	271,959	263,250
Laminated MDF/HDF board [sqm]	803,214	839,849
Raw MDF/HDF board [cbm]	96,848	93,059

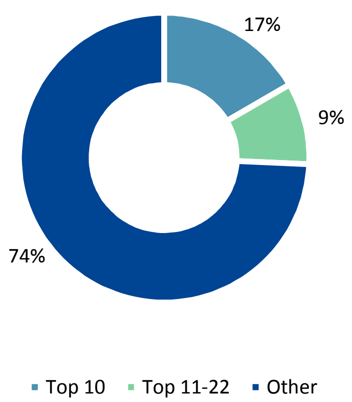
FIGURE 11: REVENUE AND CUSTOMER SPLIT

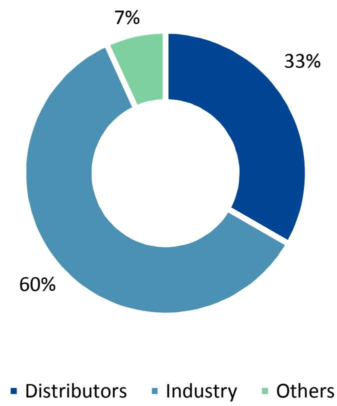
REVENUE SPLIT Q1, 2017





CUSTOMER SPLIT Q1 2017





MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2017

FINANCIAL PERFORMANCE

3. FINACIAL PERFORMANCE

3.1. EXPLANATION OF THE ECONOMIC FINANCIAL DATA DISCLOSED IN THE CONDENSEDCONSOLIDATED INTERIM FINANCIAL STATEMENTS

3.1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

TABLE 8: CONSOLIDATED STATEMENTS OF PROFIT AND LOSS IN Q1,2017

'000 Euro	Mar. 31, 2017	Mar. 31, 2016
Revenue	252,410	215,522
Cost of sales	-192,811	-170,210
Profit on sales	**59,599**	**45,312**
Other income	4,187	2,623
Distribution expenses	-34,386	-23,832
General and administrative expenses	-12,644	-12,752
Other expenses	-4,318	-8,702
Result from operating activities	**12,438**	**2,649**
Financial income	799	932
Financial expenses	-7,350	-6,043
Exchange differences on translating foreign operations	7,920	7,868
Net financing costs	**1,369**	**2,757**
Profit before tax	**13,807**	**5,406**
Income tax expense	-3,447	-1,130
Net profit for the period	**10,360**	**4,276**

Note: data for Q1 2016 do not comprise first 19 days of Core West segment.

Revenues came in at EUR 252,410 thousand, up 17% YoY.The East part of the group contributed EUR 72,240 thousand, while the West part more than twice as much with Q1 2017 revenues at EUR 180,170 thousand (external sales). The YoY 8% fall in external revenues from the East part resulted from sales price pressure and lower HDF demand from IKEA. YoY growth on margin on overall sales amounted to 12% and followed growth on revenues, as the share of value-added products sold increased YoY, which was partially netted of by price pressure. As a result, the group's gross profit margin expanded from 21,0% in Q1 2016 to 23,6% in Q1 2017.

Dynamic revenue growth came at a cost, with Distribution expenses growing 44% YoY in Q1 2017.Due to costs cautiousness, general and administrative expenses remained stable YoY in Q1 2017. In total, these expenses reached EUR 47,030 thousand in Q1 2017, constituting 18.6% of quarterly revenues, comparable to the FY 2016 level. Extraordinary expenses representing one-off activities related to the restructuring and integration process with the Group amounted to EUR 3,140 thousand in Q1 2017, and EUR 13,487 thousand in Q1 2016.Nevertheless, the Group's result from operating activities reached EUR 12,438 thousand, growing 4 times compared to Q1 2016. The East segment contributed EUR 2,965, up 32% YoY. The West segment added EUR 9,111 thousand to Q1 2017 group EBIT.

As a result, group net income more than doubled YoY, reaching EUR 10,360 thousand, despite higher net financial expenses and pick-up in effective taxation.

3.1.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TABLE 9: CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH, 2017

'000 Euro	Mar. 31 2017	31 Dec. 2016
Assets		
Property, plant and equipment	543,291	548,863
Intangible assets	81,514	83,091
Goodwill	67,237	66,171
Long term investments	515	515
Investment property	913	875
Deferred tax asset	6,821	5,948
Advances paid on fixed assets	7,252	3,016
Government grants receivable	13,196	12,921
Other non-current assets	2	2
Non-current assets	**720,741**	**721,402**
Inventories	97,368	91,903
Trade and other receivables	67,588	42,531
Income tax receivable	792	376
Government grants receivable	887	642
Cash and cash equivalents	86,879	97,726
Fair value of hedging instruments	500	-
Other short-term financial assets	295	-
Current assets	**254,309**	**233,178**
Total assets	**975,050**	**954,580**
Equity and liabilities		
Equity		
Share capital	6,692	6,692
Share premium	146,375	146,375
Statutory reserves fund	91,801	91,801
Reserves	-10,472	-13,937
Retained earnings	50,684	40,324
Total equity attributable to owners of the Company	**285,080**	**271,255**
Total equity	**285,080**	**271,255**
Liabilities		
Loans and borrowings	328,972	329,762
Employee related payables	54,710	56,893
Provisions	3,166	3,694
Deferred tax liabilities	64,255	64,176
Fair value of hedging instruments	-	-
Deferred income from government grants	17,939	17,439
Other non-current liabilities	196	239
Non-current liabilities	**469,238**	**472,203**
Loans and borrowings	4,562	10,898
Income tax payable	13,445	10,559
Trade and other payables	170,546	161,414
Employee related payable	26.305	22,118
Provisions	4,830	5,132
Deferred income from government grants	1,044	1,001
Current liabilities	**220,732**	**211,122**
Total liabilities	**689,970**	**683,325**
Total equity and liabilities	**975,050**	**954,580**

The statement of financial position structure remained relatively stable in annual comparison at the end of Q1 2017. Non-current assets in Q1 2017 constituted 74% of total group assets in Q1 2017 versus 76% in YE 2016. However, the current asset structure composition evolved YoY. Top-line growth, increase in production volumes resulted in higher YoY inventories and in receivables growing at a pace faster than sales. As a result, despite sizeable YoY increase, the cash and cash equivalents level in Q1 2017 was lower than at the end of 2016.

Along with augmenting Group net income, Group's total equity increased YoY at a moderate pace reaching EUR 285,080thousand at the end of Q1 2017. Total equity represented 29.2% of total equity and liabilities at the end of Q1 2017, with the proportion being stable YoY. Gradual changes were visible within the liabilities section of the statement of financial position. Value of non-current liabilities remained stable YoY, and constituted 48% of total equity and liabilities at the end of Q1 2017 compared to 49% a year end. Higher contribution of current liabilities was mostly a consequence of pick-up in payables.

3.1.3. CONSOLIDATED STATEMENT OF CASH FLOWS

TABLE 10: CONSOLIDATED STATEMENT OF CASH FLOWS IN Q1, 2017

'000 Euro	1 Jan. – 31 Mar. 2017	1 Jan. – 31 Mar. 2016
Net profit for the reporting year	**10,360**	**4,276**
Adjustments for:		
Depreciation and amortisation	18,335	16,695
Foreign exchange gains	-7,920	-7,869
Interest for the period	6,702	5,111
Profiton investing activities	167	-
Income tax disclosed in profit or loss of the period	3,447	1,130
Amortisation of government grants	-206	-
Result on forward contracts	-150	-
Increase/(decrease) in exchange differences on translating foreign operations	385	-
Other adjustments	-	-233
Changes in:		
- trade and other receivables	-24,249	-9,612
- inventories	-3,815	6,543
- trade and other payables	12,278	554
- employee benefit obligations	-344	-576
- provisions	-829	-
Cash flows from operating activities	**14,161**	**16,019**
Interest received	-	-
Income tax paid	-2,225	-2,402
Net cash provided by operating activities	11,936	**13,617**
Cash flows from investing activities		
Disposal of property, plant and equipment	18	-84
Acquisition of intangible assets and property, plant and equipment	-9,127	-6,673
Loans advanced to other entities	-	-106
Acquisition of the subsidiary, net of cash acquired	-	-9,692

Interest received	8	24
Net cash used in investing activities	**-9,101**	**-16,531**
Cash flows from financing activities		
Repayment of borrowings and other debt instruments	**-220**	-23,064
Share issue	-	80,863
Dividend payments	-	-
Interest paid	-13,462	-6,077
Other financing activities	-	35
Net cash used in financing activities	**-13,682**	**51,757**
Increase/(Decrease) in cash	-10,847	48,843
Cash at beginning of the period	97,726	20,731
Cash at end of the period	86,879	**69,574**

The Group has generated cash from the operating activity in Q1 2017. The operating cash flow reached EUR 14,161thousand in Q1 2017, with YoY contraction coming from higher receivables levels not being offset by growing payables.

The investing cash flow was EUR 9,101 thousand negative in Q1 2017 and encompassed capital expenditures. Contrary to Q1 2016, there were no acquisition of subsidiaries in Q1 2017.

The financing cash flow was EUR 13,682thousand negative in Q1 2017, on one hand showing higher interest payments. It should be notated that YoY comparability of the investing and financing cash flows is limited. The 2016 investing activity level cannot be compared to the 2017 numbers due to the acquisition of the subsidiary Pfleiderer GmbH by PFLEIDERER GROUP S.A. and related purchase of fixed assets. Also the financing activity part of the cash flow statement was dominant by inflow due the share issue of EUR 80,864 thousand during Q1 2016 (not offset by EUR 23,064 thousand debt repayment).

3.1.4. KEY FINANCIAL RATIOS – CAPITAL GROUP

Below we present key financial ratios describing the Group's performance:

TABLE 11: KEY FINANCIAL RATIOS DESCRIBING THE GROUP'S PERFORMANCE

	Definition		Q1, 2017	Q1, 2016
Liquid funds		mEUR	86.9	69.6
Net debt	Financial debt - liquid funds	mEUR	246.7	267.1
Net leverage	Net debt/ sust. EBITDA (LTM)	factor	1.66	1.96
Equity ratio	Equity/ balance sheet totals	%	29.2%	28.7%
Gearing	Net debt/ equity	factor	0.9	1.0
Sustainable EBITDA (LTM)	Profit from operations + depreciation + amortization - unsustainable items	mEUR	148.9	136.3
Interest cover	sust. EBITDA (LTM)/ net finance charges (LTM)	factor	5.8	4.7
ROCE	EBIT (LTM)/ Capital employed	%	7.4%	8.4%
ROA	Net profit (LTM) / total assets at the end of the period	%	2.1%	1.7%
ROE	Net profit (LTM)/ equity at the end of the period	%	7.3%	5.9%

The financial ratios of the Q1 2016 and FY 2016 represent data of the Pfleiderer Group S.A. Group including period of 19 days of January 2016.

The annual comparison of key financial ratios shows a safe and improving financial situation of the Group. Growing YoY cash levels in Q1 2017 resulted in net debt level reduction. This coupled with growing YoY sustainable EBITDA resulted in favourable net leverage ratio of 1.7x at the end of Q1 2017. Additionally, higher YoY profitability combined with similar YoY capital employed levels resulted in ROCE, ROA and ROE levels improving strongly in Q1 2017 once compared to Q1 2016.

TABLE 12: MARGINS

	Q1, 2017	Q1,2016
Gross profit margin	23.61%	21.02%
EBIT margin	4.93%	1.23%
Pre-tax margin	5.47%	2.51%
Net income margin	4.10%	1.98%

3.1.5. DESCRIPTION OF SIGNIFICANT OFF-BALANCE SHEET ITEMS - CAPITAL GROUP

Security

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

As at 31 March 2017, 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 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) between, inter alios, Pfleiderer Group 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 PCF GmbH.

Security interest over shares

Pfleiderer Group S.A. has entered into agreements for financial and registered pledges over shares in Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o., Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. z o.o. and Pfleiderer 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 account

Pfleiderer Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. , Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. z o.o. and Pfleiderer 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 of movable assets and rights

Pfleiderer Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. , Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. z o.o. and Pfleiderer 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 Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. , Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. z o.o. and Pfleiderer 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 Sp. z o.o. 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 Pfleiderer Silekol Sp. z o.o. in Kędzierzyn-Koźle.

Submissions to enforcement

Pfleiderer Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. , Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. zo.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 31 March2017, certain members of the Group have established the following security for the liabilities under the RCF Agreement of EUR 60 million and PLN 200 million as well as the liabilities under the PCF GmbH (ex. Pfleiderer GmbH) 7.875% Senior Secured Notes with nominal a value of EUR 321 684 thousand due 2019 and certain hedging arrangements:

Security interest over shares

PCF GmbH, Pfleiderer Deutschland GmbH and Pfleiderer Vermögensverwaltung GmbH & Co. KG as pledgors have granted pledges over shares in Pfleiderer GmbH, Pfleiderer Deutschland 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

PCF GmbH, Pfleiderer Deutschland 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

PCF GmbH, Pfleiderer Deutschland 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 Deutschland 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

PCF GmbH, Pfleiderer Deutschland 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 Deutschland GmbH and Pfleiderer Baruth GmbH have also been granted as security.

C) Guarantees by the members of the Group

As at 31 March 2017, 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 Secured Notes with the nominal value of EUR 321 684 thousand issued by PCF GmbH (ex. Pfleiderer GmbH) and due in 2019. These members of the Group are: Pfleiderer Group S.A., PCF GmbH, Pfleiderer Deutschland 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., Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. z o.o. and Pfleiderer Silekol Sp. z o.o. (the "Existing Guarantees").

3.2. EXPLANATION OF THE ECONOMIC FINANCIAL DATA DISCLOSED IN THE ANNUAL STANDALONE FINANCIAL STATEMENTS

3.2.1. STANDALONE STATEMENT OF PROFIT OR LOSS

TABLE 13: STANDALONE STATEMENT OF PROFIT OR LOSS

	PLN '000		EUR '000	
	1 Jan. – 31 Mar. 2017	1 Jan. – 31 Mar. 2016	1 Jan. – 31 Mar. 2017	1 Jan. – 31 Mar. 2016
Revenue	0	150,786	0	34,546
Results from operating activity	(7,925)	5,814	(1,834)	1,332
Profit before tax	24,408	36,972	5,647	8,470
Net profit for the reporting period	19,054	29,891	4,409	6,848
Basic earnings per share (in PLN/EUR)	0.29	0.49	0.07	0.11
Diluted earnings per share (in PLN/EUR)	0.29	0.49	0.07	0.11
Average PLN/EUR exchange rate			4.3221	4.3648

Starting from 1 September 2016 Pfleiderer Group S.A. is a pure holding company further to the contribution in kind of Operational Activity to Pfleiderer Grajewo Sp. z o.o. executed on 31 August 2016. Positive difference between profit before tax and result from operating activity for Q1/17 results from unrealized positive foreign exchange gains in the amount of PLN 37,614 thousand on the valuation of euro denominated loan granted by Pfleiderer Service GmbH (on 1 June 2016 Pfleiderer Service GmbH was merged with Pfleiderer GmbH) and obligation taken over from Atlantik SA representing proceeds from sale of Pfleiderer Group S.A. shares held by Pfleiderer Service GmbH after the settlement of Secondary Offering to Atlantik S.A., partly offset by interests accrued on these loans (PLN 5,910 thousand).

3.2.2. STANDALONE STATEMENT OF FINANCIAL POSITION

TABLE 14: STANDALONE STATEMENT OF FINANCIAL POSITION

	PLN '000		EUR '000	
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2017	31 Dec. 2016
Total assets	2,226,071	2,224,785	527,530	502,890
Liabilities	955, 699	973,467	226,480	220,042
Non-current liabilities	5,710	356	1,353	80
Current liabilities	949,989	973,111	225,127	219,962
Equity	1,270,372	1,251,318	301,050	282,848
Share capital	21,351	21,351	5,060	4,826
Number of shares	64,701,007	64,701,007	64,701,007	64,701,007
Book value per share (in PLN/EUR)	19.63	19.34	4.65	4.37
PLN/EUR exchange rate as at the end of the reporting period			4.2198	4.4240

3.2.3. STANDALONE STATEMENT OF CASH FLOWS

TABLE 15: STANDALONE STATEMENT OF CASH FLOWS

	PLN '000		EUR '000	
	1 Jan. – 31 Mar. 2017	1 Jan. – 31 Mar. 2016	1 Jan. – 31 Mar. 2017	1 Jan. – 31 Mar. 2016
Net cash provided by operating activities	(5,877)	6,040	(1,360)	1,384
Net cash provided by/ used in investing activities	(4)	(595,574)	(1)	(136,449)
Net cash used in financing activities	3,096	580,049	716	132,892
Total net cash flow	(2,785)	(9,485)	(644)	(2,173)
Average PLN/EUR exchange rate			4.3221	4.3648

3.2.4. STANDALONE KEY FINANCIAL RATIOS – PFLEIDERER GROUP S.A.

TABLE 16: PFLEIDERER GROUP S.A. SALES MARGINS

	1 Jan. – 31 Mar. 2017	1 Jan. – 31 Mar. 2016
Operating margin Operating profit / Revenue	n.a.	3.86%
Pre-tax margin Profit before tax / Revenue	n.a.	24.52%
Net margin Net profit / Revenue	n.a.	19.82%

Starting from 1 September 2016 Pfleiderer Group S.A. is a pure holding company, thus did not record any revenue in Q1/17.

3.3. NON-RECURRING EVENTS

No non-recurring events which might affect the Group or Pfleiderer Group S.A.'s financial performance occurred in Q1, 2017.

3.4. PROJECTED FINANCIAL RESULTS

The Management Board of Pfleiderer Group S.A. has not published projections of financial results or consolidated financial results for the financial year 2017.

3.5. RATINGS

TABLE 17: RATINGS AWARDED TO PFLEIDERER GROUP

	Rating date	Company's long-term rating	Rating outlook
Standard & Poor's Ratings Services	24.03.2017	B+	Positive
Moody's Investors Service	22.03.2017	Ba3	Stable
Standard & Poor's Ratings Services	20.01.2017	B+	Positive
Standard & Poor's Ratings Services	29.01.2016	B	Positive
Moody's Investors Service	26.01.2016	B1	Positive

Moody's: B1 corporate family rating and a B1-PD probability of default rating awarded to Pfleiderer Group S.A.

On January 26, 2016 Moody's Investors Service has assigned a B1 corporate family rating (CFR) and a B1-PD probability of default rating (PDR) to the Company, the new ultimate top company of Pfleiderer Group, upon its successful capital increase through a public offering and "reverse takeover" of Pfleiderer GmbH financed by the net proceeds from a capital increase, completed on 19 January 2016. Concurrently, Moody's has upgraded to B2 (LGD4) from B3 (LGD4) the rating of the EUR322 million senior secured notes (due 2019), issued by Pfleiderer GmbH. The outlook on all ratings is positive.

The B1 corporate family rating (CFR) assigned to the Company reflects the change in Pfleiderer Group corporate and legal structure following the completion of the Transaction and the Company's intention to reduce the overall indebtedness of the combined Group. According to Moody's, the acquisition of Pfleiderer GmbH by the Company has meaningfully enhanced the Group's credit profile, resulting in the assigned B1 CFR with a positive outlook which is one notch higher than the withdrawn B2 CFR of Pfleiderer GmbH before the reverse takeover by the Company. The assigned B1 CFR and upgrade to B2 of the senior secured notes acknowledge Pfleiderer's financial performance through 2015 and a strengthened position of Pfleiderer's bondholders as a result of an enhanced security package and indirect access to cash flows generated by the Company and its subsidiaries, which had been limited prior to the acquisition.

The rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

S&P long-term corporate credit rating awarded to Pfleiderer Group S.A.

On January 20, 2017, Standard & Poor's Ratings Services raised long-term corporate credit rating on Poland-based wood panels producer Pfleiderer Group S.A. and its wholly-owned Germany-based subsidiary PCF GmbH to 'B+' from 'B' with positive outlook.

At the same time, S&P raised the issue rating of the senior secured notes issued by PCF GmbH to 'B+' from 'B' and affirmed the recovery rating at '4', indicating S&P expectation of average recovery prospects (30%).

The upgrade follows Pfleiderer's recently improving underlying operational performance and our expectation that lower interest and restructuring expenses will result in improving credit metrics in 2017 and 2018.

The rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

3.6. DIVIDEND POLICY

At the end of November 2015, the Management Board revised its dividend policy. It assumes that, starting from the financial year ended 31 December, 2016, the Company, after fulfilling the legal requirements and depending on market conditions, will allocate up to 70% of consolidated net profit for dividend payment.

On 25 April 2017, The Management Board of Pfleiderer Group S.A. adopted a resolution on a motion of the Management Board to General Meeting of Shareholders concerning distribution of the Company's profit for business year 2016 amounting to PLN 207,056 thousand.

The Management Board recommends assigning PLN 71,171,107.70 for payment of the dividend amounting to 1.10 PLN per one share and assigning remaining part of the profit to Company's supplementary capital.

On 9 May 2017 the Supervisory board of the Parent Company positively opined the above recommendation of the Management Board.

3.7. FINANCIAL INSTRUMENTS

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

Borrowings

As at 31 March2017, the Group did not carry any borrowings from related parties.

Bank loans and corporate bonds

Use of bank borrowings

TABLE 18: BORROWINGS AND OTHER DEBT INSTRUMENTS

'000 Euro	31 Mar. 2017	31 Dec. 2016
Non-current liabilities		
Non-current portion of interest-bearing bonds	328,972	329,762
Bank borrowings		-
Total	**328,972**	**329,762**
Current liabilities		
Current portion of interest-bearing bonds	4,222	10,555
Other interest bearing liabilities	340	343
Total	**4,562**	**10,898**

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

When determining fair values during purchase price allocation for the Pfleiderer Group acquisition, the notes were marked-to-market on the transaction date 19 January 2016 (EUR 332,943 thousand). The premium to fair value has been amounted since then over the term of notes in accordance with the effective interest rate method (EUR 3,971 thousand premium was expensed so far). The notes have a carrying value of EUR 328,972 thousand as of 31 March 2017(EUR 329 762 thousand as of 31 December 2016). The short term portion of interest bearing notes relates to accrued interest.

Bank loans

On June 26, 2013, the Parent Company and the subsidiaries: Pfleiderer Prospan S.A. and Pfleiderer Silekol sp. z o.o. concluded current 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 260,000 thousand 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 a new Revolving Credit Facliities ("RCF")Agreement with a consortium of four German and four Polish banks with sublimit for Pfleiderer Group S.A. and significant Polish subsidiaries amounting to 200 million PLN and for Pfleiderer GmbH (now: PCF GmbH) and Pfleiderer Holzwerkstoffe GmbH (now: Pfleiderer Deutschland GmbH) amounting to EUR 60 million.

On 19 January 2016, an amendment to the RCF Agreement came into force which provided Pfleiderer Group S.A. and its Polish subsidiaries with a limit of PLN 200 million (Tranche B) for financing of working capital and other corporate needs. Furthermore, on 8 July 2016 two more Polish subsidiaries - Pfleiderer Grajewo Sp. z o.o. and Pfleiderer Polska Sp. z o.o. (previously Pfleiderer Services Sp. z o.o.) - acceded to the RCF Agreement. At the reporting date this financing facility was not drawn in cash whilst bank guarantees were issued within this credit line for the total amount of PLN 7 259 thousand as well as Letters of Credit in an amount of EUR 431 thousand. The RCF Agreement provides Pfleiderer Deutschland GmbH and PCF GmbH with a limit of up to EUR 60.0 million (Tranche A). This Tranche A is partially drawn for bank guarantees of EUR 2123 thousand and PLN 1,040 thousand (EUR 246 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.

On April 13, 2017 Pfleiderer Group S.A., PCF GmbH and certain of its German and Polish subsidiaries, Credit Suisse International, Deutsche Bank AG, London Branch, Goldman Sachs Bank USA and others as mandated lead arrangers, Wilmington Trust (London) Limited as security agent (the "Security Agent") and others entered into a EUR 450,000,000 senior facilities agreement which initial utilization is planned for August 1, 2017. Pfleiderer Group S.A. shall apply those amounts towards the refinancing of all existing financial indebtedness under or in connection with the Senior Secured Notes issued June 27, 2014, the existing credit facility agreements originally dated 4 July, 2014 and for general corporate purposes and working capital requirements of the Group.

TABLE 19: FINANCINGS CORE EAST (EXLUDING FACTORING AND OPERATING LEASES)

					31 Mar 2017			31 DEC 2016		
LENDER	CURRENCY	INTEREST RATE	DURATION FROM	DURATION TO	CREDIT LIMIT EUR	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR	CREDIT LIMIT EUR	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR
Core East – RCF										
Bank Millennium S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	2 366	-	2 366	2 267	-	2 267
Bank Millennium S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	6 778	-	6 778	7 129	-	7 129
Bank Zachodni WBK S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	4 732	-	4 732	4 535	-	4 535
Bank Zachodni WBK S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	7 098	-	7 098	6 802	-	6 802
PKO Bank Polski S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	4 732	-	4 732	4 535	-	4 535
PKO Bank Polski S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	7 098	-	7 098	6 802	-	6 802
Alior Bank S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	7 098	-	7 098	6 802	-	6 802
Alior Bank S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	4 732	-	4 732	4 535	-	4 535
Guarantees Core East										
Bank Millenium S.A.	PLN		4 Jul 2014	30 Apr 2019	1 819	1 819		1 487	1 487	
bank guarantee/s issued in favour of National Forests			*27 Jan 2014*	*28 Feb 2018*	1656	1656		1428	1428	
bank guarantee issued in favour of of Descont Sp. z o.o.			*22 Sep 2015*	*20 Sep 2017*	61	61		59	59	
Letter of Credit			*31 Jan 2017*	*31 Jul 2017*	102	102		0	0	
Limit of credit cards East										
Bank Millenium S.A.	PLN		4 Jul 2014	30 Apr 2019	473	0	473	453	20	433
TOTAL CORE EAST					46 927	1 819	45 108	45 347	1 507	43 840

TABLE 20: FINANCINGS CORE WEST (EXLUDING FACTORING AND OPERATING LEASES)

					31 March 2017			31 DEC 2016		
LENDER	CURRENCY	INTEREST RATE	DURATION FROM	DURATION TO	CREDIT LIMIT	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR	CREDIT LIMIT	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR
Core West – RCF										
BNP Paribas	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	15 000	-	15 000	15 000	-	15 000
KfW	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	15 000	-	15 000	15 000	-	15 000
Commerzbank AG	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	3 000	-	3 000	3 000	-	3 000
Commerzbank AG (Ancillary)	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	9 631	-	9 631	9 672	-	9 672
Deutsche Bank AG	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	7 500	-	7 500	7 500	-	7 500
Deutsche Bank AG (Ancillary)	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	6 000	-	6 000	6 000	-	6 000
Guarantees Core West										
Commerzbank AG	EUR		4 Jul 2014	30 Apr 2019	2 369	2 369	-	2 328	2 328	-
Deutsche Bank AG (Ancillary – Guarantees)	EUR		4 Jul 2014	30 Apr 2019	1 500	-	1 500	1 500	-	1 500
Other debt instruments										
Senior Secured Notes issued	EUR		7 Jul 2014	1 Aug 2019	321 684	321 684	-	321 684	321 684	-
TOTAL CORE WEST					381 684	324 053	57 631	381 684	324 012	57 672

Credit agreements for special purposes

Investment facility agreement with PKO BP S.A.

On 15 January 2007, Pfleiderer MDF Sp. z o.o., a subsidiary, entered into a PLN 235,022 thousand investment facility agreement with PKO BP S.A. It is a special-purpose facility obtained to finance the construction of the MDF board production plant in Grajewo.

This bank loan was fully repaid on 11 February 2016. (As at 31 December 2015, the Group's debt outstanding under this facility was PLN 62,626 thousand).

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, an 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 term 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.

Revolving Facility Agreement

On 5 October 2015, Pfleiderer Group S.A. along with other companies belonging to the Pfleiderer Group:

PCF GmbH (formerly Pfleiderer GmbH), Pfleiderer Services GmbH (meanwhile merged into PCF GmbH), Pfleiderer Deutschland GmbH (formerly Pfleiderer Holzwerkstoffe GmbH),

Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH,

Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH, Jura Spedition GmbH,

Pfleiderer Vermögensverwaltung GmbH & Co. KG, Pfleiderer Prospan S.A., Pfleiderer MDF Sp. z o.o., Pfleiderer Silekol Sp. z o.o (formerly Silekol SP. z o.o.).

concluded the Amendment Agreement amending the super master revolving credit facility dated 4 July 2014 concluded by entities belonging to the West Segment of the Pfleiderer Group. This Agreement is called the “Revolving Facility Agreement” and was concluded with the mandated lead arrangers, which include:

Commerzbank Aktiengesellschaft,	Deutsche Bank AG Filiale Deutschlandgeschäft,
KFW,	BNP Paribas S.A. Niederlassung Deutschland,
Alior Bank S.A	Powszechna Kasa Oszczędności Bank Polski S.A,
Bank Zachodni WBK S.A	Bank Millennium S.A

and

Commerzbank International S.A.as the credit agent “Agent”

Commerzbank Aktiengesellschaft, Filiale Luxemburgas a security agent “Security Agent”

All amendments to the Revolving Facility Agreement were concluded conditionally and entered into force on 19 January 2016 along with the completion of the reorganization of the Pfleiderer Group S.A. Group.

With effect from 19 January 2016, the Company and the subsidiaries Pfleiderer Prospan S.A., Pfleiderer MDF Sp. z o.o. and Pfleiderer Silekol Sp. z o.o. became borrowers under the Revolving Facility Agreement (along with PCF GmbH and Pfleiderer Deutschland GmbH). In addition, under certain conditions, Pfleiderer Group S.A. may request its other subsidiaries to join the Revolving Facility.

Under the Revolving Facility Agreement, the original amount of the revolving facility of EUR 60 000 thousand was increased by inclusion of additional tranche in the amount of PLN 200 000 thousand. Credits facilities are provided for use in the form of payments in EUR and PLN, and in the form of Ancillary Facilities (as defined below).

The date of expiry of the agreement and its full repayment has been established as 30 April 2019.

The Lender, or its affiliates, may provide a particular borrower with all or part of the unused funds under the Revolving Facility Agreement through ancillary facilities (such as overdrafts, guarantees, bonds, letters of credit, short-term loans and other loans or solutions required in connection with the operations of Pfleiderer Group S.A. and its subsidiaries, which have been agreed between Pfleiderer Group S.A. and the particular borrower or its associated company).

The total agreed limits amount to EUR 20,000 thousand in case of tranches in EUR and PLN 120,000 thousand in case of tranches in PLN.

Funds paid under the Revolving Facility Agreement will be assigned to financing corporate needs and the working capital of Pfleiderer Group SA Group, whereby they cannot be assigned to redeem, repay, repay early, purchase or cancel any Senior Secured Notes issued by PCF GmbH on 7 July 2014.

Liabilities under borrowings from related parties

As at 31 March 2017 and 31 December 2016, the Group did not carry any borrowings from related parties.

Stand Alone

Loans – Pfleiderer Group S.A.

Loans advanced:

As at 31 March 2017, the Company has loan receivables of PLN 104,331 thousand granted to subsidiary Pfleiderer MDF Sp. z o.o. Interest on loans are accrued on a monthly basis and presented as financial income. The loans granted to Pfleiderer MDF Sp. z o.o. are denominated in PLN and bear interests at 1M WIBOR rate plus margin.

Liabilities under borrowings from related parties

On 5 October 2015, Pfleiderer Group S.A. in order to finance the acquisition of a subsidiary, entered into a loan agreement with Pfleiderer 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 indebtness under the loan amounted to EUR 45,184 thousand (PLN 190,668 thousand) as at 31 March 2017.

In connection with the acquisition of a subsidiary Pfleiderer GmbH, on 5 October 2015 Pfleiderer Group S.A. has signed an agreement with Atlantik S.A., under which Pfleiderer Group S.A. took over an obligation of Atlantik S.A. representing proceeds from sale of Pfleiderer Group S.A. shares held by Pfleiderer Service GmbH after the settlement of Secondary Offering to Atlantik S.A. The amount of debt due on 31 March 2017 amounted to EUR 139,924 thousand (PLN 590,453 thousand).

Defaults under borrowing agreements whrere no remedial action was taken before the end of the reporting period

As at 31 March2017, no such events occurred.

Derivatives

Further to contribution in kind of Operational Activity of the Company to Pfleiderer Grajewo Sp. z o.o. on 31 August 2016, the Company is no longer exposed to currency risk related to business transactions. During first 8 months of 2016 forward contracts were executed in order to hedge currency risk related to sale of products in foreign currencies. The Company applied hedge accounting.

Notes; use of proceeds until the date of this Report

The commercial paper programme, carried out pursuant to an agreement of 22 July 2003 with PEKAO S.A., consists of issuance of short-term notes. The notes are issued in accordance with the Polish Bonds Act of 29 June 1995 as PLN-denominated, unsecured, zero-coupon bearer securities in book-entry form.

The notes issued by Pfleiderer Group S.A., maturing in up to one year, are acquired by Pfleiderer Prospan S.A. through Bank PEKAO S.A. Thanks to this arrangement, Pfleiderer Group S.A. does not use higher-rate bank loans and Pfleiderer Prospan S.A. has deposits bearing higher interest than such instruments as treasury bills. The Bank's fee is the cost incurred by the Company in connection with the issue. The notes are a discount instrument – they are issued at a discount to their nominal value and repurchased by the issuer at nominal value.

As at 31 March 2017, the Company's debt under issued notes totaled PLN 130 879 thousand. The notes are used to optimize the management of financial liquidity within the Group, reduce external debt and finance day-to-day operations.

After 31 March 2017, Pfleiderer Prospan S.A. has acquired from Pfleiderer Group S.A. commercial papers in the form of short-term notes of PLN 4 997 thousand, par value: PLN 5 000 thousand on 6 April 2017. Additionally on 20 April 2017 Pfleiderer Group S.A. rolled over commercial papers.

Use of issuance

The notes were are used to optimize cash management within the Company, reduce external debt and finance day-to-day operations.

3.8. FINANCIAL RISKS RELATED TO THE PFLEIDERER GROUP'S OPERATIONS

Objectives and methods of financial risk management applied by the Pfleiderer Group

The Group manages all types of financial risk described below, which may have a significant effect on its operations in the future. In its risk management process, the Group focuses on the following risk types:

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

The objective behind credit risk management is to reduce the Group's losses which could follow from customers' insolvency. This risk is mitigated with the use of receivables insurance and factoring agreements and ABCP program (Asset based commercial papers).

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to reduce the unfavourable effects of changes in market risk factors on the cash flows and financial results.

Market risk management is conducted using derivative instruments which are used solely to reduce the risk of changes in fair value and risk of changes in cash flows.

Derivative (currency forwards) transactions are concluded only with reliable partners, authorized to participate in transactions through the application of appropriate procedures and signing relevant documentation.

The objective of currency risk management is to minimise losses arising out of unfavourable changes in foreign exchange rates. The Group monitors its currency position from the point of view of cash flows. To manage its currency risk, it first relies on natural hedging and where necessary uses forward contracts. The time horizon adopted for position monitoring and hedging transactions is analyzed on a case by case basis.

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

The Group is exposed to credit risk, interest rate risk and currency risk in the ordinary course of business. Financial derivatives are used to hedge the risk related to exchange rate fluctuations.

Credit risk

Transactions which expose the Pfleiderer Group companies to credit risk concern trade receivables. The credit risk related to trade receivables is limited, as the customer base is very wide and the risk is highly diversified. Therefore, the credit risk concentration is insignificant. Moreover, the Group operates a strict receivables management policy, whereby the risk of customer insolvency is mitigated through the use of trade credit insurance and factoring (Segment East) and ABCP program (Segment West). In Q1 2017, over 97% of the Group's trade receivables were secured with insurance. In the event of insolvency of customers who have insurance coverage, compensation is paid by the insurer. Each customer has a trade credit limit (usually covered by an insurance limit).

Interest rate risk

The Group holds funds in bank accounts and has liabilities under bank borrowings. The interest rate risk is related to interest payments with floating interest rates. The Group does not hedge the interest rate risk. The Group monitors the level of interest costs in relation to EBITDA.

Currency risk

Foreign currency transactions relate both to purchases of raw materials and sale of goods. Therefore, in the event of any exchange rate fluctuations the resulting foreign exchange gains and losses are partly offset. Furthermore, the Group makes capital expenditure in foreign currencies, and therefore it monitors its foreign currency positions on an ongoing basis and hedges open positions – first, through natural hedging (that is through carefully selecting currencies for contracts), and second, through forward and swap transactions. The Group monitors its currency risk exposure in terms of cash flows rather than profit or loss.

In 2017, the Pfleiderer Group entered into a number of EUR/PLN forward contracts to hedge against currency risk related to planned trade transactions.

Liquidity and material cash-flow disruptions risk

Parent and subsidiaries companies are protected against any material cash-flow disruptions thanks to credit facilities available at any time. Material cash-flow disruptions are also unlikely due to customer diversification. All extraordinary expenditure is always planned well ahead and accounted for in the liquidity management process.

The Group monitors its liquidity on an ongoing basis, both with respect to short-term liquidity and long-term liquidity.

Financial risks related to the Pfleiderer Group S.A. operations

Credit risk

Further to contribution in kind of Operational Activity of the Pfleiderer Group S.A. to Pfleiderer Grajewo Sp. z o.o. its credit risk is limited as the Company does not conduct the Operational Activity and does not have trade receivables from external debtors.

The credit risk exposure of the Company relates mostly to the loans granted to its subsidiary, Pfleiderer MDF Sp. z o.o. of PLN 104,331 thousand.

Currency risk

Further to contribution in kind of Operational Activity of the Company to Pfleiderer Grajewo Sp. z o.o. on 31 August 2016, the Company is no longer exposed to currency risk related to business transactions. During first 8 months of 2016 forward contracts were executed in order to hedge currency risk related to sale of products in foreign currencies. Additionally the Company hedged the payment of the purchase price for Pfleiderer GmbH shares.

Currency risk in Pfleiderer Group S.A. is connected with euro denominated intercompany loan taken to finance the acquisition of a subsidiary of EUR 45,184 and other financial liabilities of EUR 139,924 representing an obligation taken over from Atlantik S.A.

The risk of changes in the prices of financial instruments

The Company is not exposed to any material price risk associated with financial instruments.

Liquidity risk and risk of significant disruptions in cash flows

The Company is protected against any material cash-flow disruptions thanks to credit facilities available at any time. Material cash-flow disruptions were also unlikely due to customer diversification in first 8 months of 2016 and pure holding function since September 2016. All extraordinary expenditure is always planned well ahead and accounted for in the liquidity management process.

The Company monitors its liquidity on an ongoing basis, both with respect to short-term liquidity (a few days forward) and long-term liquidity (a few years forward).

SHARES AND SHAREHOLDING STRUCTURE

4. SHARES AND SHAREHOLDING STRUCTURE

4.1. SHAREHOLDING STRUCTURE

TABLE 21: SHAREHOLDER STRUCTURE AS OF 31MARCH 2017

	Number of shares	% of equity	Number of votes on GM	Percentage of votes on GM
Strategic Value Partners LLC	19,183,149	29.65%	19,183,149	29.65%
Atlantik S.A.	12,474,561	19.28%	12,474,561	19.28%
Aviva OFE Aviva BZ WBK	6,000,000	9.27%	6,000,000	9.27%
Nationale-Nederlanden OFE	6,400,000	9.89%	6,400,000	9.89%
Other shareholders	20,643,297	31.91%	20,643,297	31.91%
Total	64,701,007	100.00%	64,701,007	100.00%

According to latest available information

TABLE 22: CHANGES WITHIN THE SHAREHOLDER STRUCTURE IN THE REPORTING PERIOD

Shareholder	Number of shares	% of equity
Strategic Value Partners LLC* as at 31.12.2016	16,772,896	25.92%
12.01.2017 purchase of shares – through subsidiaries	1,241,559	1.92%
10.02.2017 purchase of shares – through subsidiaries	1,168,694	1.81%
Strategic Value Partners LLC* current date	19,183,149	29.65%
Atlantik S.A. as at 31.12.2016	16,374,497	25.31%
12.01.2017 sale of shares	- 1,241,559	-1.92%
10.02.2017 sale of shares	- 1,168,694	-1.81%
17.02.2017 transfer of shares	- 613,913	-0.95%
20.02.2017 transfer of shares	- 875,770	-1.35%
Atlantik S.A. current date	12,474,561	19.28%
Other shareholders	31,553,614	48.77%
17.02.2017 transfer of shares	613,913	0.95%
20.02.2017 transfer of shares	875,770	1.35%
Other shareholders current date	33,043,297	51.07%
Total	64,701,007	100.00%

There were no changes in a structure shareholder after Q1 2017. As a result, the shareholder structure at the date of release of financial statements was as follows:

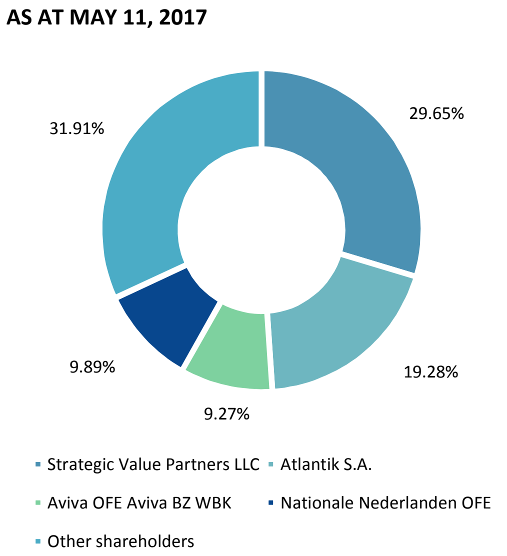
TABLE 23: SHAREHOLDER STRUCTURE AS OF 11May 2017

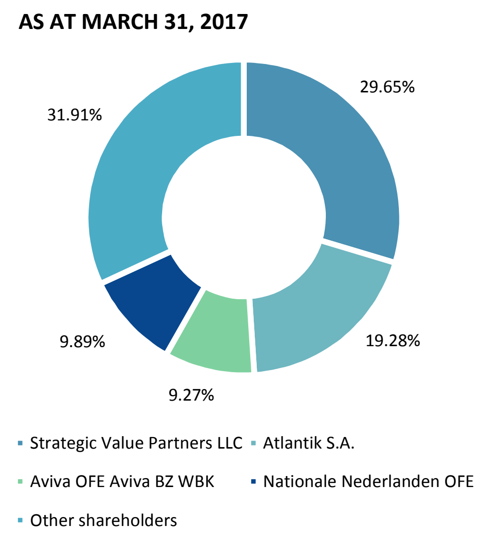
	Number of shares	% of equity	Number of votes on GM	Percentage of votes on GM
Strategic Value Partners LLC	19,183,149	29.65%	19,183,149	29.65%
Atlantik S.A.	12,474,561	19.28%	12,474,561	19.28%
Aviva OFE Aviva BZ WBK	6,000,000	9.27%	6,000,000	9.27%
Nationale-Nederlanden OFE	6,400,000	9.89%	6,400,000	9.89%

Other shareholders	20,643,297	31.91%	20,643,297	31.91%
Total	64,701,007	100.00%	64,701,007	100.00%

According to latest available information:

FIGURE 12: SHAREHOLDING STRUCTURE





4.2. INVESTOR RELATIONS IN PFLEIDERER GROUP

In March 2017, Pfleiderer Group won the prestigious ranking "Listed Company of the Year 2016" ("Giełdowa Spółka Roku 2016")

One year after the transaction of re-IPO and Group integration of the East and West business core, Pfleiderer Group won the prestigious ranking "Listed Company of the Year", category: "Investor Relations", organised by the "Puls Biznesu" daily and TNS Polska.

The competition "Listed Company of the Year" is the oldest and most prestigious ranking on the market and the prizes are awarded by about 100 brokers, analysts and investment advisors selected randomly. The criteria considered by the experts include the competencies of the management board, prospects for development and investor relations. Honest and explicit communication policy of the Pfleiderer Group, as well as its proactive attitude using traditional and modern communication tools in relations with the Group's investors resulted in the 1st place in the Investor Relations category.

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2017

CORPORATE GOVERNANCE

5. CORPORATE GOVERNANCE

5.1. NUMBER OF THE COMPANY'S SHARES HELD BY PERSONS IN MANAGEMENT AND SUPERVISORY BODIES

As at the date of this Report, the Management Board's members held the following number of Pfleiderer Group shares:

- Member of the Management Board Wojciech Gątkiewicz - 5,400 Company shares.
- Member of the Management Board Rafał Karcz - 3,472 Company shares.

The par value of each share is PLN 0.33.

Other Members of the Pfleiderer Group Management and Supervisory Board did not hold any shares in the Parent.

5.2. COMPANY'S CORPORATE BODIES

5.2.1. SUPERVISORY BOARD

TABLE 24: THE COMPOSITION OF THE SUPERVISORY BOARD AS AT MARCH 31, 2017

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

The present term of the Supervisory Board began on June 28, 2013 and will expire on June 28, 2018.

The tenures of all the Supervisory Board members incumbent as at March 31, 2017 will expire at the latest on the date of holding the General Meeting which will approve the financial statements for the last full fiscal year during which they held the positions of Supervisory Board members, i.e., on the day of adoption of the resolution on the approval of financial statements for the fiscal year ended December 31, 2017. The tenure of a Supervisory Board member also expires in the event of death, resignation or of being recalled from the Supervisory Board. The tenure of a Supervisory Board members appointed before the end of the given term will expire simultaneously with the tenures of the remaining Supervisory Board members.

Changes in Supervisory Board

There were no changes in the Supervisory Board composition in the reporting period.

5.2.2. MANAGEMENT BOARD

TABLE 25: THE COMPOSITION OF THE PFLEIDERER GROUP S.A. MANAGEMENT BOARD AS AT MARCH 31, 2017

MICHAEL WOLFF

PRESIDENT OF THE MANAGEMENT BOARD

Mr. Michael Wolff (born in 1960) is certified Econ. Eng. In his professional career he worked on the management positions in the companies: Helsa Werke GmbH & Co. KG, Glunz AG, Villeroy & Boch AG, Freetime Group Germany GmbH and Optische Werke G. Rodenstock.

Since April 2004 Mr. Michael Wolff has been working for Pfleiderer Group, where he is a President of Management Board. He has been responsible for the successful restructuring of the Group. Currently, in charge of the process of full integration of East and West segments of the Pfleiderer Group and the development on the international markets. Until January 30th 2015 Mr. Michael Wolff held a position of Chairman of Pfleiderer Grajewo SA Supervisory Board.

WOJCIECH GĄTKIEWICZ

MEMBER OF THE MANAGEMENT BOARD

Mr. Wojciech Gątkiewicz (1961) completed AGH University of Science and Technology with a title of Master of Engineering. Mr. Wojciech Gątkiewicz obtained a title of MBA at Gdańsk Foundation for Management Development with cooperation of Rotterdam School of Management. Mr. Wojciech Gątkiewicz held a position of President of Management Board of Monier Sp. z o.o. (former Lafarge Dachy) from January 2008. In years 2004-2008 Mr. Wojciech Gatkiewicz held a position of President of Management Board of Lafarge Dachy Sp. z o.o. – company established after merger of Braas Polska Sp. z o.o. and Rupp Ceramika Sp. z o.o. Previously Mr. Wojciech Gątkiewicz held in particular the positions of: President of Management Board of Braas Polska Sp. z o.o. (1996-2004) and President of Melaphyre Mine in Czarny Bór (1991-1995). Additionaly Mr. Wojciech Gątkiewicz has been a lecturer of strategic management on MBA studies at Gdańsk Foundation for Management Development since 2005 up to the present time.

DIRK HARDOW

MEMBER OF THE MANAGEMENT BOARD

Mr. Dirk Hardow (born in 1965) is a graduate of the Technical Univeristy of Hamburg, where in 1993 he graduated in Industrial Engineering & Management ("Hochschulübergreifender Studiengang Wirtschaftsingenieur"). Since 2011 Mr. Dirk Hardow was associated with US corporation Owens – Illinois Inc. Within the Owens – Illinois Inc structures he was i.a. the Vice President of European Operations (August 2011 – May 2015) and since October 2013 he was the Vice – Chairman of the Board of Vetrerie Meridionali, a glass manufacturing company. Furthermore, since June 2015 Mr. Dirk Hardow was the General Manager for South East Europe, where he was responsible for the operations of 11 factories in Italy and Hungary. From October 2011 to April 2013 he was a Member of the Board of Directors of Maltha Groep BV, a glass recycling company. Previously, Mr. Dirk Hardow worked on the management positions i.a. at Cremer-Group, Rohm and Hass Company as well as H.B. Fuller Company.

RAFAŁ KARCZ

MEMBER OF THE MANAGEMENT BOARD

Mr. Rafał Karcz (born 29.07.1967) graduated from the Katowice Academy of Economics and WEMBA at the University of Minnesota. From 1994, he worked successively as Assistant Director for Finance and Administration at Roltra Morse Poland Sp. z o.o., then as Financial Controller at Continental Can Poland Sp. z o.o. and as Financial Director of Multikino Sp. z o.o. In 1999, he joined Saint-Gobain Sekurit HanGlas Polska Sp. z o.o. as Director for Finance and Administration.

RICHARD MAYER

MEMBER OF THE MANAGEMENT BOARD

Mr. Richard Mayer (born in 1962) has a degree in economics. Mr. Richard Mayer in his professional career worked on the management positions in Reichard, CON MOTO, Wacker Neuson SE. In Wacker Neuson SE he also held the position of Member of the Management Board. Since January 2013 Mr. Richard Mayer has been working for Pfleiderer Group as a CFO. Until January 19th,2016 Mr. Richard Mayer held a position of Member of Pfleiderer Grajewo Supervisory Board.

On 2 March 2017 the Supervisory Board of Pfleiderer Group S.A. appointed Thomas Schäbinger as President and Chief Executive Officer (CEO). Mr. Schäbinger succeeds Michael Wolff, Pfleiderer Group's President and CEO who does not wish to extend his contract which expires in December 2017 and who will therefore leave the Group. The changes are effective as of 1 June 2017.

Mr. Schäbinger has been working as CEO of Bundy Refrigeration Group, cooling technology provider since 2015. Between 1998 and 2014 he held several positions in Mondi Europe and International (formerly known as Frantschach) a packaging and paper group with global operations in more than 30 countries and 25,700 employees Previously, Mr. Schäbinger worked in various management positions including at Unilever and at Beiersdorf. He has hands on strategic and operative experience in international operations, sales and procurement based on Lean Six Sigma and Value Management approach.

As at the end of 2016 members of the Management held the following number of Pfleiderer Group S.A. shares:

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

Changes in the Management Board

On 2 March 2017 the Chairman of the Management Board, Mr. Michael Wolff submittedhis resignation from this position. On the same day the Supervisory Board of the Group appointed Mr. Thomas Schäbinger as the Presidentof the Management Board and the Chief Executive Officer. Accordingly to ad hoc reports no. 19/2017 and 20/2017 the changes are effective as of 1 June 2017.

On 28 April Mr. Wojciech Gątkiewicz resigned from the position of, Member of the Management Board, Chief Sales Officer, effectively from 1 August 2017. On 9 May Mr Ivo Schnitz was nominated to a position of Member of the Management Board, Chief Commercial Officer, effectively from 1 August 2017.

6. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Security interests under the Senior Facilities Agreement dated April 13, 2017 (Polish entities)

Following the initial utilization of the facilities under the senior facilities agreement dated April 13, 2017, the existing security interests granted by the Polish Pfleiderer entities will be released. In order to secure the new obligations under the senior facilities agreement dated April 13, 2017, the following security interests will be granted for the benefit of the lenders:

(i) Pfleiderer Group S.A. will enter into the agreements for financial and registered pledges over shares in Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o., Pfleiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o. and Pfleiderer Silekol sp. z o.o. and will grant powers of attorney to exercise corporate rights from the pledged shares in these companies in favour of Trigon Dom Maklerski S.A. (the "Polish Security Agent").

(ii) Pfleiderer Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o., Pfleiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o. and Pfleiderer Silekol sp. z o.o. will enter into the agreements for financial and registered pledges over major bank accounts and will grant the powers of attorney to dispose funds from their bank accounts in favour of the Polish Security Agent.

(iii) Pfleiderer Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o., Pfleiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o. and Pfleiderer Silekol sp. z o.o. will enter into the agreements for security assignments of rights under commercial contracts, intercompany loan agreements and insurance agreements.

(iv) The following mortgages will be established in favour of the Polish Security Agent:

a) Mortgage over properties and perpetual usufructs of Pfleiderer Prospan S.A. in Wieruszów, Wieruszów/Klatka i Wieruszów/Pieczyska;
b) Mortgage over perpetual usufructs of Pfleiderer MDF sp. z o.o. in Grajewo; and
c) Mortgage over properties and perpetual usufructs of Pfleiderer Silekol sp. z o.o. in Kędzierzyn-Koźle.

(v) Pfleiderer Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o., Pfleiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o. and Pfleiderer Silekol sp. z o.o. will execute the submissions to enforcement (oświadczenie o poddaniu się egzekucji) in favour of the Security Agent.

Security interests under the Senior Facilities Agreement dated April 13, 2017 (German entities)

Following the initial utilization of the facilities under the senior facilities agreement dated April 13, 2017, the existing security interests granted by the German Pfleiderer entities will be released. In order to secure the new obligations under the senior facilities agreement dated April 13, 2017, the following security interests will be granted for the benefit of the lenders:

(i) Pfleiderer Group S.A., PCF GmbH, Pfleiderer Deutschland GmbH as pledgors will grant pledges over shares in PCF GmbH, Pfleiderer Deutschland GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH and Pfleiderer Baruth GmbH.

(ii) PCF GmbH, Pfleiderer Deutschland GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH as pledgors will grant pledges over their major bank accounts.

(iii) PCF GmbH, Pfleiderer Deutschland GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH as assignors will assign as security their receivables under the intercompany loans, material trade and insurance receivables.

(iv) The existing German land charges will be assigned to the Security Agent.

Guarantees by the members of the Group

As at April 13, 2017, certain members of the Group have guaranteed the liabilities under the EUR 450,000,000 senior facilities agreement, such members of the Group are: Pfleiderer Group S.A., PCF GmbH, Pfleiderer Deutschland GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH, Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o., Pfeiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o., Pfleiderer Silekol sp. z o.o. The amounts outstanding under the senior secured revolving credit facility dated July 4, 2014 and the senior notes issued on June 27, 2014 will be refinanced by the senior facilities agreement dates April 13, 2017. The Existing Guarantees will be terminated upon this refinancing.

7. MANAGEMENT BOARD REPRESENTATION

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 19 February 2009 (consolidated text: Dz.U. of 2014, item 133), the Management Board of Pfleiderer Group S.A. (the Parent) represents that to the best of its knowledge the quarterly condensed consolidated and standalone financial statements for the period ended 31 March2017 and the comparative data have been prepared in compliance with the applicable accounting policies and give a fair and clear view of the PfleidererGroup S.A. Group's assets and financial results, and that the interim condensed consolidated and standalone Directors' Report on the PfleidererGroup S.A. Group's operations gives a fair view of its development, achievements and standing, including a description of the key risks and threats.

Management Board of Pfleiderer Group S.A. **Wrocław, 10 May 2017**

Michael Wolff

President of the Management Board

Richard Mayer

Member of the Management Board,
Chief Financial Officer

Dirk Hardow

Member of the Management Board,
ChiefOperating Officer

Rafał Karcz

Member of the Management Board,
Chief Administration Officer

Wojciech Gątkiewicz

Member of the Management Board,
Chief Sales Officer

LIST OF FIGURES

LIST OF TABLES

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 GROUP S.A. GROUP
(PREVIOUSLY PFLEIDERER GRAJEWO GROUP)
UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2017

CONTENTS

(all amounts in EUR thousand unless otherwise stated)

Unaudited interim condensed consolidated statement of financial position

ASSETS

'000 EUR	Note	Mar. 31, 2017	Dec. 31, 2016
Property, plant and equipment	7.	543 291	548 863
Intangible assets		81 514	83 091
Goodwill		67 237	66 171
Long term investments		515	515
Investment property		913	875
Deferred tax assets		6 821	5 948
Advances paid on fixed assets		7 252	3 016
Government grants receivables		13 196	12 921
Other non current assets		2	2
Non-current assets		**720 741**	**721 402**
Inventories		97 368	91 903
Trade and other receivables	9.	67 588	42 531
Income tax receivable		792	376
Government grant receivables		887	642
Cash and cash equivalents		86 879	97 726
Fair value of hedging instruments		500	0
Other short term financial assets		295	0
Current assets		**254 309**	**233 178**
Total assets		**975 050**	**954 580**

LIABILITIES AND EQUITY

'000 EUR		Mar. 31, 2017	Dec. 31, 2016
Share capital	10.	6 692	6 692
Share premium	10.	146 375	146 375
Statutory reserve funds	10.	91 801	91 801
Reserves	10.	-10 472	-13 937
Retained earnings	10.	50 684	40 324
Total equity attributable to owners of the Company		**285 080**	**271 255**
Total equity		**285 080**	**271 255**
Loans and borrowings	11.	328 972	329 762
Provisions for employee benefits		54 710	56 893
Provisions		3 166	3 694
Deferred tax liabilities		64 255	64 176
Fair value of hedging instruments		0	0
Deferred income from government grants		17 939	17 439
Other non-current liabilities		196	239
Non-current liabilities		**469 238**	**472 203**
Loans and borrowings	11.	4 562	10 898
Income tax payable		13 445	10 559
Trade and other payables	12.	170 546	161 414
Employee related payables		26 305	22 118
Provisions		4 830	5 132
Deferred income from government grant		1 044	1 001
Current liabilities		**220 732**	**211 122**
Total liabilities		**689 970**	**683 325**
Total equity and liabilities		**975 050**	**954 580**

(all amounts in EUR thousand unless otherwise stated)

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

'000 EUR	Note	Jan. 1 - Mar. 31, 2017	Jan. 1 - Mar. 31, 2016
Revenue		252 410	215 522
Cost of sales		-192 811	-170 210
Profit on sales		**59 599**	**45 312**
Other income		4 187	2 623
Distribution expenses		-34 386	-23 832
General and administrative expenses		-12 644	-12 752
Other expenses		-4 318	-8 702
Result from operating activities		**12 438**	**2 649**
Financial income	6.	799	932
Financial expenses	6.	-7 350	-6 043
Exchange differences	6.	7 920	7 868
Net financing cost		**1 369**	**2 757**
Profit before tax		**13 807**	**5 406**
Income tax expense	8.	-3 447	-1 130
Net profit for the reporting period		**10 360**	**4 276**
Other comprehensive income			
Actuarial gains and losses net of related tax		1 378	-2 409
Exchange differences		1 757	-6 932
Items that will not be reclassified subsequently to profit or loss		**3 135**	**-9 341**
Cash flow hedge - effective portion of changes in fair value net to related tax		480	-74
Cash flow hedge - reclassified to profit or loss net of related tax		-150	75
Items that are or may be reclassified subsequently to profit or loss		**330**	**1**
Other comprehensive income		**3 465**	**-9 340**
Total comprehensive income for the period		**13 825**	**-5 064**
Profit for the period attributable to:			
Shareholders of the Company		10 360	4 276
Profit for the period		**10 360**	**4 276**
Total comprehensive income attributable to:			
Shareholders of the Company		13 825	-5 064
Total comprehensive income for the period		**13 825**	**-5 064**
Number of shares at the end of the reporting period		64 701 007	64 701 007
Average number of shares during the reporting period		64 701 007	61 553 060
Basic and diluted earnings per share		**0,16**	**0,07**

Weighted-average number of ordinary shares (basic and diluted)	days	Jan. 1 - Mar. 31, 2017	Jan. 1 - Mar. 31, 2016
31.12		64 701 007	49 624 000
19.01	19	64 701 007	15 077 007
31.03	72	64 701 007	64 701 007
Average number of shares	**91**	**64 701 007**	**61 553 060**

(all amounts in EUR thousand unless otherwise stated)

Unaudited interim condensed consolidated statement of changes in equity

For the three month period ended March 31, 2017:

'000 EUR	Share capital	Share premium	Un-registered issuance of shares	Reserve for own shares	Statutory reserve funds	Revaluation reserve	Exchange rate differences	Actuarial gains and losses	Cash flow hedges	Retained earnings	Total
As at Jan. 1, 2017	**6 692**	**146 375**	**0**	**32 734**	**59 067**	**145**	**-8 054**	**-5 321**	**-707**	**40 324**	**271 255**
Comprehensive income for the period											
Net profit	0	0	0	0	0	0	0	0	0	10 360	**10 360**
Other comprehensive income	0	0	0	0	0	0	1 757	1 378	330	0	**3 465**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**1 757**	**1 378**	**330**	**10 360**	**13 825**
Transactions with owners recognised in equity											
Share issue	0	0	0	0	0	0	0	0	0	0	**0**
Divident payment	0	0	0	0	0	0	0	0	0	0	**0**
Total transactions with owners recognised in equity	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
As at Mar. 31, 2017	**6 692**	**146 375**	**0**	**32 734**	**59 067**	**145**	**-6 297**	**-3 943**	**-377**	**50 684**	**285 080**

(all amounts in EUR thousand unless otherwise stated)

For the three month period ended March 31, 2016:

'000 EUR	Share capital	Share premium	Un-registered issuance of shares	Reserve for own shares	Statutory reserve funds	Revaluation reserve	Exchange rate differences	Actuarial gains and losses	Cash flow hedges	Retained earnings	**Total**
As at Jan. 1, 2016	**5 573**	**68 250**	**75 573**	**32 734**	**58 074**	**145**	**-1 973**	**0**	**-382**	**41 153**	**279 147**
Comprehensive income for the period											
Net profit	0	0	0	0	0	0	0	0	0	4 276	**4 276**
Other comprehensive income	0	0	0	0	0	0	-6 932	-2 409	1	0	**-9 340**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**-6 932**	**-2 409**	**1**	**4 276**	**-5 064**
Transactions with owners recognised in equity											
Transfer to reserve for own shares	1 119	78 123	-75 573	0	0	0	0	0	0	0	**3 669**
Transactions with owners recognised in equity	**1 119**	**78 123**	**-75 573**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3 669**
As at Mar. 31, 2016	**6 692**	**146 373**	**0**	**32 734**	**58 074**	**145**	**-8 905**	**-2 409**	**-381**	**45 429**	**277 752**

Unaudited interim condensed consolidated statement of cash flows

'000 EUR	Jan. 1 - Mar. 31, 2017	Jan. 1 - Mar. 31, 2016
Net profit for the reporting period	10 360	4 276
Depreciation and amortisation	18 335	16 695
Foreign exchange gains	-7 920	-7 869
Interest for the period	6 702	5 111
Profit on investing activities	167	0
Income tax disclosed in profit or loss of the period	3 447	1 130
Amortisation of government grants	-206	0
Result on forward contracts	-150	0
Increase in exchange differences on translating foreign operations	385	0
Other adjustments	0	-233
Changes in		
trade and other receivables	-24 249	-9 612
inventories	-3 815	6 543
trade and other payables	12 278	554
employee benefit obligations	-344	-576
provisions	-829	0
Cash generated from operating activities	**14 161**	**16 019**
Interest received	0	0
Income tax (paid)/received	-2 225	-2 402
Net cash provided by operating activities	**11 936**	**13 617**
Disposal of property, plant and equipment	18	-84
Interest received	8	24
Repayment/(granting) loan to other entities	0	-106
Acquisition of intangible assets and property, plant and equipment	-9 127	-6 673
Acquisition of subsidiary, net of cash acquired	0	-9 692
Net cash used in investing activities	**-9 101**	**-16 531**
Repayment of borrowings and other debt instruments	-220	-23 064
Share issue	0	80 863
Dividend payments	0	0
Interest paid	-13 462	-6 077
Other financing activities	0	35
Net cash used in financing activities	**-13 682**	**51 757**
Total cash flows	**-10 847**	**48 843**
Decrease/Increase in cash	-10 847	48 843
Cash at beginning of the period	97 726	20 731
Cash at the end of the period	**86 879**	**69 574**

Notes to the unaudited interim condensed consolidated financial statements

1. GENERAL INFORMATION

Pfleiderer Group S.A. (the "Company"; the "Parent") is a company domiciled in Poland, which shares are publicly traded. The Company until September 30, 2016, acted under a business name Pfleiderer Grajewo S.A.

The Company is entered into the Entrepreneur Register of national Court Register, maintained by District Court for Wrocław – Fabryczna in Wrocław IV Commercial Division of the National Court Register under entry No. KRS 0000011422.

The Company's registered office is at Strzegomska 42AB Street, Wrocław, Poland. Until September 30, 2016, the Company's registered office was at 1 Wiórowa Street, Grajewo.

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 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 10 May 2017.

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

(all amounts in EUR thousand)

2. STRUCTURE OF THE GROUP

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

		Mar. 31, 2017	Dec. 31, 2016
Eastern Europe			
Jura Polska Sp. z o.o.	Grajewo	100,00%	100,00%
Pfleiderer Grajewo Sp. z o.o.	Grajewo	100,00%	100,00%
Pfleiderer MDF Sp. z o.o.	Grajewo	100,00%	100,00%
Pfleiderer Prospan S.A.	Wieruszów	100,00%	100,00%
Pfleiderer Polska Sp. z o.o.	Wrocław	100,00%	100,00%
Pfleiderer 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			
PCF GmbH, Neumarkt (previously Pfleiderer GmbH)	Neumarkt, Germany	100,00%	100,00%
Pfleiderer Austria GmbH	Wien, Austria	100,00%	0,00%
Pfleiderer Deutchland GmbH (prev. Pfleiderer Holzwerkstoffe GmbH)	Neumarkt, Germany	100,00%	100,00%
Pfleiderer Neumarkt GmbH	Neumarkt, Germany	100,00%	100,00%
Pfleiderer Gütersloh GmbH	Neumarkt, Germany	100,00%	100,00%
Pfleiderer Leutkirch GmbH	Leutkirch, Germany	100,00%	100,00%
Pfleiderer Erwerbergesellschaft GmbH	Neumarkt, Germany	100,00%	100,00%
Pfleiderer Arnsberg GmbH	Neumarkt, Germany	100,00%	100,00%
Pfleiderer Baruth GmbH	Baruth, Germany	100,00%	100,00%
Heller Holz GmbH	Neumarkt, Germany	100,00%	100,00%
JURA-Spedition GmbH	Neumarkt, Germany	100,00%	100,00%
Pfleiderer France S.A.S.	Reims, France	100,00%	100,00%
Pfleiderer Benelux B.V.	Deventer, Netherlands	100,00%	100,00%
Pfleiderer Suisse AG	Rapperswil, Switzerland	100,00%	100,00%
Pfleiderer UK Ltd.	Macclesfield, United Kingdom	100,00%	100,00%
Pfleiderer Vermögensverwaltung GmbH & Co. KG	Neumarkt, Germany	100,00%	100,00%
Pfleiderer Southeast Europe SRL (in foundation)	Romania	100,00%	0,00%
Pfleiderer Infrastrukturtechnik GmbH & Co. KG (in insolvency)	Neumarkt, Germany	100,00%	100,00%
Pfleiderer Infrastrukturtechnik Verwaltungs-GmbH (in insolvency)	Düsseldorf, Germany	100,00%	100,00%
Allgäuer Holzindustrie und Imprägnierwerk Aulendorf GmbH (i.L.)	Aulendorf, Germany	100,00%	100,00%
Blitz 11-446 GmbH (in liquidation)	Neumarkt, Germany	100,00%	100,00%

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, 2016. 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, 2016.
The Group intends to apply new standards, amendments to standards and interpretations that are published, but are not yet effective till the date of publishing this condensed consolidated interim financial statements, for the periods for which they are effective for the first time. Impact of new standards, amendments to standards and interpretations application on the Annual Consolidated Financial Statement for 2016 was estimated in the Annual Consolidated Financial Statement in the note 3a.

c) Basis of Accounting

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

These interim condensed consolidated financial statements were prepared under the assumption that the Pfleiderer Group 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 ('000 EUR) unless stated otherwise.

The functional currency of the parent Company, Pfleiderer Group 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 Pfleiderer Group 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.

Assumptions and estimation uncertainties

- Useful lives of property, plant and equipment and intangible assets – determined based on estimated useful lives of property, plant and equipment and intangible assets and verified at least annually,
- Goodwill, recoverable amount of non-financial non-current assets – if there is an indicator of impairment, the recoverable amount is determined as the higher of fair value less cost to sell or value in use (based on discounted cash flows) by applying the appropriate discount rate (cost of capital, growth rates),
- Corporate income tax and government grants receivables – recognition of deferred tax assets; availability of future taxable profit against which carry forward tax losses can be used; availability of future taxable profit against

which government grants receivables can be utilized,

- Measurement of liabilities under defined employee benefit plans – employee benefits are evaluated by an actuary. The valuation is based on assumptions regarding interest rates, remuneration increase, inflation rate, and employment turnover,
- Provisions and contingent liabilities - recognition of provisions and contingent liabilities requires estimating the probable outflow of economic benefits and making the best estimate of expenditure required to settle present obligation at the end of reporting period.
- Valuation of financial instruments – fair value of financial instruments is measured using valuation models for financial instruments.

4. OPERATING SEGMENTS

The Pfleiderer 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 Group that engage in business activities from which they earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision maker and for which discrete financial information is available.

Segment reporting is as follows:

Jan. 1 - Mar. 31, 2017

'000 EUR	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	**180 170**	**72 240**	**0**	**252 410**
Intersegment revenues	**2 118**	**20 615**	**-22 733**	**0**
Profit/loss before income taxes	4 404	9 041	362	13 807
Financial result	4 707	-6 076	0	-1 369
Result from operating acitivities (EBIT)	**9 111**	**2 965**	**362**	**12 438**
Depreciation and amortisation	13 671	4 690	-26	18 335
Segment earnings EBITDA	**22 782**	**7 655**	**336**	**30 773**
Cash and cash equivalents	-77 710	-8 804	-365	-86 879
Current financial liabilities	4 562	0	0	4 562
Non-current financial liabilities	328 972	0	0	328 972
Net debt	**255 824**	**-8 804**	**-365**	**246 655**
Receivables before factoring	77 079	47 274	0	124 353
Inventories	58 349	39 019	0	97 368
Liabilities	-54 831	-52 244	0	-107 075
Net working capital before factoring	**80 597**	**34 049**	**0**	**114 646**
Segment capital expenditure	**4 982**	**2 503**	**0**	**7 485**
Property, plant and equipment	361 363	181 928	0	543 291
Intangible assets	80 415	1 099	0	81 514
Advances paid on fixed assets	6 678	574	0	7 252

Jan. 1 - Mar. 31, 2016

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

Property, plant and equipment	385 300	162 083	0	547 383
Intangible assets	91 357	2 978	0	94 335
Advances paid on fixed assets	614	6 810	0	7 423

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 EUR	Jan. 1 - Mar. 31, 2017	Jan. 1 - Mar. 31, 2016
Interest income	799	932
Net foreign exchange gains (non-operating)	0	0
Gains on forward contracts	0	0
Investments revaluation	0	0
Other finance income	0	0
Finance income	**799**	**932**
Interest expense	-7 350	-6 041
Loss on sale of subsidiary	0	0
Other finance costs	0	-2
Finance costs	**-7 350**	**-6 043**
Exchange differences	8 679	7 426
Losses on translation of foreign currency financial position	-759	442
Other financial result	**7 920**	**7 868**
Net finance costs	**1 369**	**2 757**

The most significant amount of interest expense are accrued costs of interests of 7.875% Senior Secured Notes (corporate bonds).

Exchange differences of EUR 8.7 mio (EUR 7.4 mio for 3 months ended 31 March 2016) relate to subsequent valuation of intra-group loan nominal currency (EUR) to functional currency (PLN) at the reporting date.

6.2 Recognized in other comprehensive income:

'000 EUR	Jan. 1 - Mar. 31, 2017	Jan. 1 - Mar. 31, 2016
Cash flow hedge - effective portion of changes in fair value net of related tax	480	-74
Cash flow hedge - reclassified to profit or loss net of related tax	-150	75
Cash flow hedge on aquisition of subsidiary reclassified to goodwill net of related tax	0	0
	330	**1**

7. PROPERTY, PLANT AND EQUIPMENT

In 2017 the Group continues a long-term investment program designed to align its production capacities to market needs and to enhance its cost effectiveness and productivity. The capital expenditures for the three month period ended March 31, 2017 were EUR 7 485 thousand (including advance payments), while the capital expenditures including advance payments for the three month period ended March 31, 2016 were EUR 5 642 thousand and EUR 52 768 thousand for the entire financial year 2016.

As at March 31, 2017 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. The most significant amounts as of 31 March 2017 related to new recycling facility, replacements, new lacquering line and modernizing the existing sand line.

'000 EUR	Mar. 31, 2017	Dec. 31, 2016
Property, plant and equipment	21 583	8 761
Intangible assets	1 161	27
Commitment to purchase	**22 744**	**8 788**

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%-points) 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.

9. TRADE RECEIVABLES AND OTHER

'000 EUR	Mar. 31, 2017	Dec. 31, 2016
Trade receivables	33 892	18 370
Trade receivables from related parties	4	8
Current prepayments and accrued income	7 373	1 652
Current VAT receivables	5 503	2 857
Other receivables	20 816	19 644
Total	**67 588**	**42 531**

The amount of EUR 20 816 thousand of other receivables as at 31 March 2017 (EUR 19 644 thousand as of 31 Dec 2016) included, among others:

- EUR 12 407 thousand (EUR 10 079 thousand as of 31 December 2016) that relates to factoring continuing involvement and represents the risk reserve of the factor;
- EUR 3 409 thousand (EUR 3 409 thousand as of 31 December 2016), in a bank account with restricted access for distribution to secured creditors of the insolvency proceedings (Core West);
- EUR 2 562 thousand (EUR 2 562 thousand as of 31 December 2016), receivables related to energy regulations refund;
- EUR 1 518 thousand (EUR 1 805 thousand as of 31 December 2016), for payments for trust agreements within the semi-retirement obligations.

10. EQUITY

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

	Mar. 31, 2017	Dec. 31, 2016
Par value of share capital (PLN)	21 351 332	21 351 332
Number of shares at beginning of period (fully paid up)	64 701 007	49 624 000
Number of shares at end of period (fully paid up)	64 701 007	64 701 007
Par value per share (PLN)	0,33	0,33

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

	Mar. 31, 2017	Dec. 31, 2016
Par value of share capital ('000 EUR)	6 692	6 692
Number of shares at beginning of period (fully paid up)	64 701 007	49 624 000
Number of shares at end of period (fully paid up)	64 701 007	64 701 007

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.

The shareholder structure as of the reporting date is as follows:

Shareholding structure	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM
Strategic Value Partners LLC	19,183,149	29.65%	19,183,149	29.65%
Atlantik S.A.	12,474,561	19.28%	12,474,561	19.28%
Nationale Nederlanden OFE	6,000,000	9.27%	6,000,000	9.27%
Aviva OFE Aviva BZ WBK	6,400,000	9.89%	6,400,000	9.89%
Other shareholders	20,643,297	31.91%	20,643,297	31.91%
Total	**64,701,007**	**100.00%**	**64,701,007**	**100.00%**

*according to the latest available information

Dividends

On 25 April 2017 the Management Board of the Parent Company adopted its recommendation regarding distribution of 2016 net profit of the Parent for the period of January 1, 2016 to December 31, 2016, providing for a dividend payment to the Company’s shareholders in the amount of EUR 16 312 thousand (PLN 71 171 thousand) representing PLN 1.10 per share.

The remaining part of the Parent Company profit for 2016 in the amount of EUR 31 144 thousand (PLN 135 885 thousand) is recommended to be allocated to the Parent’s Company reserves.

On 9 May 2017 the Supervisory Board of the Parent Company positively opined the above recommendation of the Management Board.

11. BORROWINGS AND OTHER DEBT INSTRUMENTS

Non-current borrowings and other debt instruments:

'000 EUR	Mar. 31, 2017	Dec. 31, 2016
Non-current portion of interest-bearing bonds	328 972	329 762
Bank borrowings	0	0
Total	**328 972**	**329 762**

Current borrowings and other debt instruments:

'000 EUR	Mar. 31, 2017	Dec. 31, 2016
Current portion of interests–bearing bonds	4 222	10 555
Other interest bearing liabilities	340	343
Total	**4 562**	**10 898**

Corporate bonds

On 27 June 2014, PCF GmbH issued 7.875% Senior Secured Notes due 2019 with a face value of EUR 321 684 thousand. When determining fair values during purchase price allocation for the Pfleiderer Group acquisition, the notes were marked-to-market on the transaction date, 19 January 2016 (EUR 332 943 thousand). The premium to fair value has been settled since then over the term of notes in accordance with the effective interest rate method (EUR 3 971 thousand). The notes have a carrying value of EUR 328 972 thousand (EUR 329 762 thousand as of 31 December 2016). The short term portion of interest bearing notes relates to accrued interest.

Bank loans

On 26 June 2013, the Parent Company and the subsidiaries: Pfleiderer Prospan S.A. and Pfleiderer 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 11 February 2016, from own cash reserves and were replaced by a new Revolving Credit Facilities (“RCF”) Agreement with a consortium of four German and four Polish banks with a sublimit for Pfleiderer Group S.A. and significant Polish subsidiaries amounting to PLN 200 million and for PCF GmbH and Pfleiderer Deutschland GmbH amounting to EUR 60 million.

On 19 January 2016, an amendment to the RCF Agreement came into force which provided Pfleiderer Group S.A. and its Polish subsidiaries with a limit of PLN 200 million (Tranche B) for financing of working capital and other corporate needs. Furthermore, on 8 July 2016 two more Polish subsidiaries - Pfleiderer Grajewo Sp. z o.o. and Pfleiderer Polska Sp. z o.o. (previously Pfleiderer Services Sp. z o.o.) - acceded to the RCF Agreement. At the reporting date this financing facility was not drawn in cash whilst bank guarantees were issued within this credit line for the total amount of PLN 7 259 thousand as well as Letters of Credit in an amount of EUR 431 thousand. The RCF Agreement provides Pfleiderer Deutschland GmbH and PCF GmbH with a limit of up to EUR 60.0 million (Tranche A). This Tranche A is partially drawn for bank guarantees of EUR 2 123 thousand and PLN 1 040 thousand (EUR 246 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.

On April 13, 2017 Pfleiderer Group S.A., PCF GmbH and certain of its German and Polish subsidiaries, Credit Suisse International, Deutsche Bank AG, London Branch, Goldman Sachs Bank USA and others as mandated lead arrangers, Wilmington Trust (London) Limited as security agent (the "Security Agent") and others entered into a EUR 450 000 000 senior facilities agreement, which initial utilization is planned for August 1, 2017. Pfleiderer Group S.A. shall apply those amounts towards the refinancing of all existing financial indebtedness under or in connection with the Senior Secured Notes issued June 27, 2014, the existing credit facility agreements originally dated 4 July, 2014 and for general corporate purposes and working capital requirements of the Group.

(all amounts in EUR thousand)

Financings Core East (excluding factoring and operating leases)

LENDER	CURRENCY	INTEREST RATE	DURATION FROM	DURATION TO	31 Mar 2017 CREDIT LIMIT EUR	31 Mar 2017 DRAWN AMOUNT EUR	31 Mar 2017 UNDRAWN AMOUNT EUR	31 DEC 2016 CREDIT LIMIT EUR	31 DEC 2016 DRAWN AMOUNT EUR	31 DEC 2016 UNDRAWN AMOUNT EUR
Core East – RCF										
Bank Millennium S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	2 366	-	2 366	2 267	-	2 267
Bank Millennium S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	6 778	-	6 778	7 129	-	7 129
Bank Zachodni WBK S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	4 732	-	4 732	4 535	-	4 535
Bank Zachodni WBK S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	7 098	-	7 098	6 802	-	6 802
PKO Bank Polski S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	4 732	-	4 732	4 535	-	4 535
PKO Bank Polski S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	7 098	-	7 098	6 802	-	6 802
Alior Bank S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	7 098	-	7 098	6 802	-	6 802
Alior Bank S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	4 732	-	4 732	4 535	-	4 535
Guarantees Core East										
Bank Millenium S.A.	PLN		4 Jul 2014	30 Apr 2019	1 819	1 819		1 487	1 487	
bank guarantee/s issued in favour of National Forests			*27 Jan 2014*	*28 Feb 2018*	1656	1656		1428	1428	
bank guarantee issued in favour of of Descont Sp. z o.o.			*22 Sep 2015*	*20 Sep 2017*	61	61		59	59	
Letter of Credit			*31 Jan 2017*	*31 Jul 2017*	102	102		0	0	
Limit of credit cards East										
Bank Millenium S.A.	PLN		4 Jul 2014	30 Apr 2019	473	0	473	453	20	433
TOTAL CORE EAST					46 927	1 819	45 108	45 347	1 507	43 840

(all amounts in EUR thousand)

Financing Core West (excluding ABCP and operating leases)

					31 March 2017			31 DEC 2016		
LENDER	CURRENCY	INTEREST RATE	DURATION FROM	DURATION TO	CREDIT LIMIT	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR	CREDIT LIMIT	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR
Core West – RCF										
BNP Paribas	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	15 000	-	15 000	15 000	-	15 000
KfW	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	15 000	-	15 000	15 000	-	15 000
Commerzbank AG	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	3 000	-	3 000	3 000	-	3 000
Commerzbank AG (Ancillary)	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	9 631	-	9 631	9 672	-	9 672
Deutsche Bank AG	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	7 500	-	7 500	7 500	-	7 500
Deutsche Bank AG (Ancillary)	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	6 000	-	6 000	6 000	-	6 000
Guarantees Core West										
Commerzbank AG	EUR		4 Jul 2014	30 Apr 2019	2 369	2 369	-	2 328	2 328	-
Deutsche Bank AG (Ancillary – Guarantees)	EUR		4 Jul 2014	30 Apr 2019	1 500	-	1 500	1 500	-	1 500
Other debt instruments										
Senior Secured Notes issued	EUR		7 Jul 2014	1 Aug 2019	321 684	321 684	-	321 684	321 684	-
TOTAL CORE WEST					381 684	324 053	57 631	381 684	324 012	57 672

Investment facility agreement with PKO BP S.A.

On 15 January 2007, Pfleiderer MDF Sp. z o.o., a subsidiary, entered into a PLN 235 022 thousand investment facility agreement with PKO BP S.A. It is a special-purpose facility obtained to finance the construction of the MDF board production plant in Grajewo.

This bank loan was fully repaid on 11 February 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, an 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 term 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.

Revolving Facility Agreement

On 5 October 2015, Pfleiderer Group S.A. along with other companies belonging to the Pfleiderer Group:

PCF GmbH (formerly Pfleiderer GmbH), Pfleiderer Services GmbH (meanwhile merged into PCF GmbH), Pfleiderer Deutschland GmbH (formerly Pfleiderer Holzwerkstoffe GmbH),
Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH,
Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH, Jura Spedition GmbH,
Pfleiderer Vermögensverwaltung GmbH & Co. KG, Pfleiderer Prospan S.A., Pfleiderer MDF Sp. z o.o., Pfleiderer Silekol Sp. z o.o (formerly Silekol SP. z o.o.).

Concluded the Amendment Agreement amending the super master revolving credit facility dated 4 July 2014 concluded by entities belonging to the West Segment of the Pfleiderer Group. This Agreement is called the “Revolving Facility Agreement” and was concluded with the mandated lead arrangers, which include:

Commerzbank Aktiengesellschaft,
KFW,
Alior Bank S.A
Bank Zachodni WBK S.A
Deutsche Bank AG Filiale Deutschlandgeschäft,
BNP Paribas S.A. Niederlassung Deutschland,
Powszechna Kasa Oszczędności Bank Polski S.A,
Bank Millennium S.A

and

Commerzbank International S.A. as the credit agent “Agent”
Commerzbank Aktiengesellschaft Filiale Luxemburg as a security agent “Security Agent”.

All amendments to the Revolving Facility Agreement were concluded conditionally and entered into force on 19 January 2016 along with the completion of the reorganization of the Pfleiderer Group S.A. Group.

With effect from 19 January 2016, the Company and the subsidiaries Pfleiderer Prospan S.A., Pfleiderer MDF Sp. zo.o. and Pfleiderer Silekol Sp. z o.o. became borrowers under the Revolving Facility Agreement (along with PCF GmbH and Pfleiderer Deutschland GmbH). In addition, under certain conditions, Pfleiderer Group S.A. may request its other subsidiaries to join the Revolving Facility.

Under the Revolving Facility Agreement, the original amount of the revolving facility of EUR 60 000 thousand was increased by inclusion of additional tranche in the amount of PLN 200 000 thousand. Credits facilities are provided for use in the form of payments in EUR and PLN, and in the form of Ancillary Facilities (as defined below).

The date of expiry of the agreement and its full repayment has been established as 30 April 2019.

The Lender, or its affiliates, may provide a particular borrower with all or part of the unused funds under the Revolving Facility Agreement through ancillary facilities (such as overdrafts, guarantees, bonds, letters of credit, short-term loans and other loans or solutions required in connection with the operations of Pfleiderer Group S.A. and its subsidiaries, which have been agreed between Pfleiderer Group S.A. and the particular borrower or its associated company).

The total agreed limits amount to EUR 20 000 thousand in case of tranches in EUR and PLN 120 000 thousand in case of tranches in PLN.

Funds paid under the Revolving Facility Agreement will be assigned to financing corporate needs and the working capital of Pfleiderer Group SA Group, whereby they cannot be assigned to redeem, repay, repay early, purchase or cancel any Senior Secured Notes issued by PCF GmbH on 7 July 2014.

Liabilities under borrowings from related parties

As at 31 March 2017 and 31 December 2016, the Group did not carry any borrowings from related parties.

12. TRADE PAYABLES AND OTHER

'000 EUR	Mar. 31, 2017	Dec. 31, 2016
Trade payables	107 075	89 059
Liabilities under factoring agreements	24 502	32 793
Insolvency-related liabilities of PCF GmbH	10 322	10 322
VAT liabilities	849	486
Liabilities for capital expenditures	934	2 527
Liabilities from derivatives (forward transactions)	0	724
Prepaid deliveries	25	354
Other liabilities	26 839	25 149
Total	**170 546**	**161 414**

Other liabilities as of 31 March 2017 comprised mainly of:

- accruals for antitrust proceedings of EUR 7 650 thousand including as of 31 March 2017 the amount of EUR 2 500 thousand that has been subsequently paid to Huels in April 2017 (EUR 7 650 thousand as of 31 Dec 2016),
- taxation related to the acquisition EUR 5 263 thousand (EUR 5 422 thousand as of 31 December 2016),
- other tax payables of EUR 2 319 thousand (EUR 2 311 thousand as of 31 December 2016) and
- provisions for the cost of emission rights EUR 498 thousand (EUR 616 thousand as of 31 December 2016).

(all amounts in EUR thousand unless otherwise stated)

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 31 March 2017 and 31 December 2016 with the exception of the High Yield Bond, listed at the Irish Stock Exchange, quoted at 104.25% of par value (level 1) on 31 March 2017, equal to EUR 335 356 thousand (carrying amount of EUR 328 972 thousand, plus accrued interest of EUR 4 222 thousand).

13.2. Valuation of financial assets and liabilities at fair value

As at 31 March 2017, the Group held 10 open forward contracts with a nominal exposure amounting to EUR 20 300 thousand. The fair value of the open contracts amounted to EUR 500 thousand (asset), based on level 2 input factors.

As at 31 December 2016 the Group held 15 open forward contracts for sales of EUR for PLN with nominal exposure amounting to EUR 31 100 thousand. The fair value of the open contracts amounted to EUR 724 thousand (liability), based on level 2 input factors.

Market comparison techniques are used in measuring fair value of currency forward contracts. The fair value is 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 31 March 2017, 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 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) between, inter alios, Pfleiderer Group 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 PCF GmbH.

Security interest over shares

Pfleiderer Group S.A. has entered into agreements for financial and registered pledges over shares in Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o., Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. z o.o. and Pfleiderer 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 account

Pfleiderer Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. , Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. z o.o. and Pfleiderer 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 of movable assets and rights

Pfleiderer Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. , Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. z o.o. and Pfleiderer 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 Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. , Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. z o.o. and Pfleiderer 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 Sp. z o.o. 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 Pfleiderer Silekol Sp. z o.o. in Kędzierzyn-Koźle.

Submissions to enforcement

Pfleiderer Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o. , Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska 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 31 March 2017, certain members of the Group have established the following security for the liabilities under the RCF Agreement of EUR 60 million and PLN 200 million as well as the liabilities under the PCF GmbH (ex. Pfleiderer GmbH) 7.875% Senior Secured Notes with nominal a value of EUR 321 684 thousand due 2019 and certain hedging arrangements:

Security interest over shares

PCF GmbH, Pfleiderer Deutschland GmbH and Pfleiderer Vermögensverwaltung GmbH & Co. KG as pledgors have granted pledges over shares in PCF GmbH (ex. Pfleiderer GmbH), Pfleiderer Deutschland 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

PCF GmbH, Pfleiderer Deutschland 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

PCF GmbH, Pfleiderer Deutschland 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 Deutschland 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

PCF GmbH, Pfleiderer Deutschland 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 Deutschland GmbH and Pfleiderer Baruth GmbH have also been granted as security.

C) Guarantees by the members of the Group

As at 31 March 2017, 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 Secured Notes with the nominal value of EUR 321 684 thousand issued by PCF GmbH (ex. Pfleiderer GmbH) and due in 2019. These members of the Group are: Pfleiderer Group S.A., PCF GmbH, Pfleiderer Deutschland 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., Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. z o.o. and Pfleiderer Silekol Sp. z o.o. (the “Existing Guarantees”).

Events subsequent to the end of the reporting period relating to the securities, mortgages and guarantees

Security interests under the Senior Facilities Agreement dated April 13, 2017 (Polish entities)

On 13 April 2017 the Group has finalized and signed refinancing agreements of €450.0 million senior secured credit facilities comprising:

- a €350.0 million 7-year covenant-lite term loan B facility carrying an interest margin of 325bps (Euribor floor: 0.75%) and 99.0 OID and

- the new €100.0 million 5-year revolving credit facility that will have an interest margin of 300bps (Euribor floor: 0%).

The proceeds from the Facilities will be used to redeem the existing €321 684 000 7.875% senior secured notes issued by PCF GmbH (formerly Pfleiderer GmbH) ("Notes") in full, to refinance the existing senior secured revolving credit facility and to fund related transaction fees, redemption premium and expenses as well as for general corporate purposes and working capital requirements. Subject to the completion of the Facilities, Pfleiderer plans to redeem the Notes on or after August 1, 2017 at a redemption price of 101.969%.

Following the initial utilization of the facilities under the senior facilities agreement dated April 13, 2017, the existing security interests granted by the Polish Pfleiderer entities will be released. In order to secure the new obligations under the senior facilities agreement dated April 13, 2017, the following security interests will be granted for the benefit of the lenders:

(i) Pfleiderer Group S.A. will enter into the agreements for financial and registered pledges over shares in Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o., Pfleiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o. and Pfleiderer Silekol sp. z o.o. and will grant powers of attorney to exercise corporate rights from the pledged shares in these companies in favour of Trigon Dom Maklerski S.A. (the "Polish Security Agent").

(ii) Pfleiderer Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o., Pfleiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o. and Pfleiderer Silekol sp. z o.o. will enter into the agreements for financial and registered pledges over major bank accounts and will grant the powers of attorney to dispose funds from their bank accounts in favour of the Polish Security Agent.

(iii) Pfleiderer Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o., Pfleiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o. and Pfleiderer Silekol sp. z o.o. will enter into the agreements for security assignments of rights under commercial contracts, intercompany loan agreements and insurance agreements.

(iv) The following mortgages will be established in favour of the Polish Security Agent:
a) Mortgage over properties and perpetual usufructs of Pfleiderer Prospan S.A. in Wieruszów, Wieruszów/Klatka i Wieruszów/Pieczyska;
b) Mortgage over perpetual usufructs of Pfleiderer MDF sp. z o.o. in Grajewo; and
c) Mortgage over properties and perpetual usufructs of Pfleiderer Silekol sp. z o.o. in Kędzierzyn-Koźle.

(v) Pfleiderer Group S.A., Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o., Pfleiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o. and Pfleiderer Silekol sp. z o.o. will execute the submissions to enforcement (oświadczenie o poddaniu się egzekucji) in favour of the Security Agent.

Security interests under the Senior Facilities Agreement dated April 13, 2017 (German entities)

Following the initial utilization of the facilities under the senior facilities agreement dated April 13, 2017, the existing security interests granted by the German Pfleiderer entities will be released. In order to secure the new obligations under the senior facilities agreement dated April 13, 2017, the following security interests will be granted for the benefit of the lenders:
(i) Pfleiderer Group S.A., PCF GmbH, Pfleiderer Deutschland GmbH as pledgors will grant pledges over shares in PCF GmbH, Pfleiderer Deutschland GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH and Pfleiderer Baruth GmbH.

(ii) PCF GmbH, Pfleiderer Deutschland GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH as pledgors will grant pledges over their major bank accounts.

(iii) PCF GmbH, Pfleiderer Deutschland GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH as assignors will assign as security their receivables under the intercompany loans, material trade and insurance receivables.

(iv) The existing German land charges will be assigned to the Security Agent.

Guarantees by the members of the Group

As at April 13, 2017, certain members of the Group have guaranteed the liabilities under the EUR 450 000 000 senior facilities agreement, such members of the Group are: Pfleiderer Group S.A., PCF GmbH, Pfleiderer Deutschland GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH, Pfleiderer Prospan S.A., Pfleiderer MDF sp. z o.o., Pfeiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o., Pfleiderer Silekol sp. z o.o. The amounts outstanding under the senior secured revolving credit facility dated July 4, 2014 and the senior notes issued on June 27, 2014 will be refinanced by the senior facilities agreement dates April 13, 2017. The Existing Guarantees will be terminated upon this refinancing.

14.2. Contingent liabilities

As at 31 March 2017 the Group did not identify any significant contingent liabilities except for a additional potential liability (apart from the amounts already recorded in the balance sheet) resulting from the antitrust proceedings as well as potential tax liability described below.

Eastern Europe:

Following an inspection in October 2011, on 30 March 2012 the Polish Office of Competition and Consumer Protection (the "OCCP") commenced proceedings against Kronospan Szczecinek sp. z o.o., Kronospan Mielec sp. z o.o., Kronopol sp. z o.o., Pfleiderer Group S.A. (formerly Pfleiderer Grajewo S.A.) and Pfleiderer Prospan S.A., regarding possible horizontal price fixing and exchange of information on conditions of sale in the chipboard and fiberboard 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 Pfleiderer Group S.A. and/or Pfleiderer Prospan S.A. in these proceedings amount to 10% of their respective tax revenues in the year preceding the issuance of the infringement decision. The end date of the proceedings is still uncertain.

At the date of the publication of these 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 recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in this condensed consolidated interim financial statements.

Western Europe:

An earlier investigation by the German Federal Cartel Office in 2009 concluded in 2011 that PCF GmbH (then, Pfleiderer 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. PCF GmbH’s share of the fine was settled in yearly instalments and fully repaid by the end of 2016.

As described below, two of the Pfleiderer Group's customers have sued the Pfleiderer Group for damages in connection with these antitrust violations. The companies are seeking compensation in connection with these antitrust violations. The outcome of the respective extrajudicial negotiations or proceedings is difficult to predict. Based on its best knowledge the Management estimated as of 31 marca 2017 accruals related to antitrust violations of EUR 7 650 thousand, (no change since 31 December 2016) and subsequently the amount of EUR 2 500 thousand was settled with Huels in April 2017. As of 31 March 2017 the accrual of 7 650 included costs related to legal proceedings with Classen as well as legal costs and amicable settlements of claims from Alno, Oesder and Huels. Depending on the final outcome of the negotiations and/or the proceedings, the Group could be obligated to make further 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 Pfleiderer Group's current customers, filed an action with the regional court of Düsseldorf (Landgericht Düsseldorf) against the custodian (Sachwalter) of PCF GmbH (then Pfleiderer AG) seeking the acceptance of its claim to the insolvency schedule (Insolvenztabelle) filed in May 2012. The insolvency proceedings ended in December 2012. In April 2013, after the insolvency proceedings had ended, Classen extended its claim to PCF GmbH. Classen seeks payment of the insolvency quota in the amount of EUR 1.3 million based on a claim for potential damages arising from the same deliveries as in the case against Pfleiderer Baruth GmbH, as described below. By judgement of 27 April 2017 the regional court of Duesseldorf dismissed the claim in its entirety because it deemed the claim against the custodian as inadmissible due to the absence of authority to litigate at the time the claim was served on the (then former) custodian (January 2013). As regards PCF GmbH, the court found that Classen did not meet the exclusion period stipulated in the insolvency planClassen may file an appeal against this judgement with the higher regional court Duesseldorf. The time limit for filling an appeal is one month.

In December 2012, Classen also filed an action for damages with the regional court of Düsseldorf (Landgericht Düsseldorf) against Pfleiderer Baruth GmbH (then: Pfleiderer Faserplattenwerk Baruth GmbH) currently amounting to approximately EUR 55.4 million (plus interest). The proceeding is still pending and the outcome, i.e. the further 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. At the recent oral hearing on 2 February 2017, the court has not clearly indicated whether it deems the claim justified as to the merits or not. The court intends to decide on the further proceedings on 22 June 2017. As a result, the management has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in these consolidated financial statements. Accrued legal costs for Classen are comprised in the total amount of EUR 7 650 thousand.

In December 2014 Alno AG ("Alno"), one of the Pfleiderer Group's customers, has claimed substantial damages from PCF 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 an action for damages against PCF GmbH and another party in late December 2015 (in the minimum amount of EUR 32.9 million, which has now been reduced to EUR 28.4 million plus interest). As at 31 March 2017 the Management based on its best knowledge recognised an accrual for the expected outcome which is included in the total amount of EUR 7 650 thousand. It is intended that the parties try to negotiate an out-of-court settlement. However, the first settlement offer in the amount of EUR 1 million cash and EUR 0.4 million in discounts on future deliveries has been rejected by ALNO. The proceeding is still pending and the outcome, i.e. the further potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid could change significantly.

In December 2012, Oeseder Möbel-Industrie Mathias Wiemann GmbH & Co. KG ("Oeseder"), one of the Pfleiderer 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, PCF GmbH has joined the legal proceedings as an intervener (Nebenintervenient). The court has passed a judgement on 31 May 2016 according to which the claim is justified on the merits but subject to further discussion regarding quantum. Glunz AG has filed an appeal against this decision with the higher regional court in Celle. The oral hearing is scheduled for 17 October 2017. As at 31 March 2017 the Management based on its best knowledge recognised an accrual for the expected outcome, which is included in the total amount of EUR 7 650 thousand. PCF GmbH's obligation for substantial payments may result from a contribution claim (Gesamtschuldnerinnenausgleichsanspruch) based on PCF GmbH's joint and several liability (Gesamtschuld), if Glunz or any other third party is obligated to pay compensation to Oeseder. The proceeding is still pending and the outcome, i.e. the further potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid could change significantly.

PCF GmbH has successfully reached an out-of-court settlement with Hüls covering all claims arising from direct and/or indirect deliveries from the Pfleiderer Group to the Hüls Group for a total payment of EUR 2.5 million, which was included in total amount of accrual EUR 7 650 thousand and subsequently paid in April 2017.

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 PCF GmbH (formerly Pfleiderer 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 Pfleiderer Deutschland GmbH, which could in turn lead to an assessment requiring payments of tax arrears. As a result of the change in shareholders of PCF GmbH that occurred as of 19 January 2016, it is possible that the tax losses for 2016 may also not be realizable. It cannot be ruled out that the fiscal authorities will reject the position taken by PCF 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 PCF GmbH in December 2015, which may lead to uncertainty with regard to the possibility of tax loss utilization for the 2015 financial year. As at 31 March 2017 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in these consolidated financial statements.

In 2014 PCF GmbH (and its subsidiaries) recognized valuation allowances for receivables to the so-called "Non Core"- companies of the former Pfleiderer Group in respect of foreign currency gains recognised 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 PCF GmbH, which could cause additional tax payments. As at 31 March 2017 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in these consolidated financial statements.

PCF GmbH is subject to a tax risk regarding the restructuring gain incurred in 2012 in connection with the insolvency plan. The tax treatment of the restructuring gain may be affected by a judgment of the Federal Fiscal High Court published on February 07, 2017 (GrS 1/15). According to the decision, the decree of the Federal Ministry of Finance dated March 27, 2003 (so called "Sanierungserlass") which ensures a preferential treatment of the restructuring gain is incorrect. This decision may lead to uncertainty regarding the possibility of receiving a waiver from the tax authorities for any taxes due on the restructuring gain to the extent that PCF is not protected by binding rulings issued by the competent authorities. As at 31 March 2017 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2017 no provision has been recognized by the Group in these consolidated financial statements.

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), Dirk Hardow (COO), Rafal Karcz (CAO), Richard Mayer (CFO) and Wojciech Gątkiewicz (CSO).

Remuneration of members of the Company's Management Board as well as the Company's Supervisory Board, including bonuses, paid and payable for the year 2017 for the reporting period:

'000 EUR	Mar. 31, 2017	Mar. 31, 2016 (*)
Remuneration of Management Board	641	720
Remuneration of Supervisory Board	180	122
	821	**842**

(*) The amount presented in the condensed consolidated interim financial statements for three month period ended 31 March 2016 as a Management board remuneration (EUR 1 002 thousand) was calculated on a cash bases, the amount EUR 720 is calculated on accrual basis, for comparability reasons.

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 March 31, 2017, members of the Management and Supervisory Boards held the following number of Pfleiderer Group S.A. shares:

Function	Name	Number of shares
Member of the Management Board	Wojciech Gątkiewicz	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.

Changes in the Management Board in the reporting period and subsequent to the end of the reporting period

On 2 March 2017 the Chairman of the Management Board, Mr. Michael Wolff submitted his resignation from this position. On the same day the Supervisory Board of the Group appointed Mr. Thomas Schäbinger as the President of the Management Board and the Chief Executive Officer. Accordingly to ad hoc reports no. 19/2017 and 20/2017 the changes are effective as of 1 June 2017.

On 28 April Mr. Wojciech Gątkiewicz resigned from the position of Member of the Management Board, Chief Sales Officer, effectively from 1 August 2017. On 9 May Mr. Ivo Schintz was nominated to a position of Member of the Management Board, Chief Commercial Officer, effectively from 1 August 2017.

16. OTHER EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There were no events subsequent to the end of the reporting period that would require disclosure in this condensed consolidated interim financial statements, apart from the ones described in the note 11. borrowings and other debt instruments, note 14.1 securities, 14.2 contingent liabilities and point "changes in the Management Board in the reporting period and subsequent to the end of the reporting period."

Michael Wolff
President of the Management Board

Richard Mayer
Member of the Management Board,
Chief Financial Officer

Dirk Hardow
Member of the Management Board,
Chief Operating Officer

Wojciech Gątkiewicz
Member of the Management Board,
Chief Sales Officer

Rafał Karcz
Member of the Management Board,
Chief Administration Officer

Wrocław, May 10, 2017

PFLEIDERER GROUP S.A.

UNAUDITED CONDENSED SEPARATE
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD
ENDED MARCH 31, 2017

(all amounts in PLN thousand)

UNAUDITED CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

Assets	31.03.2017	31.12.2016
Property, plant and equipment	343	353
Investments in subsidiaries	2 109 553	2 109 553
Long term investments	75	75
Non-current loans advanced to subsidiaries	104 332	103 069
Non-current assets	**2 214 303**	**2 213 050**
Inventories	39	23
Trade and other receivables	8 861	6 183
Income tax receivables	976	852
Cash and cash equivalents	1 892	4 677
Current assets	**11 768**	**11 735**
Total assets	2 226 071	2 224 785

Equity and liabilities		
Equity		
Share capital	21 351	21 351
Share premium	625 240	625 240
Reserves	374 589	374 589
Retained earnings	249 192	230 138
Total equity	**1 270 372**	**1 251 318**
Liabilities		
Employee related payables	172	172
Deferred tax liabilities	5 538	184
Non-current liabilities	**5 710**	**356**
Loans and borrowings	781 121	812 825
Liabilities to related parties under debt securities	130 879	126 901
Trade and other payables	34 422	30 190
Employee related payable	3 567	3 195
Current liabilities	**949 989**	**973 111**
Total liabilities	**955 699**	**973 467**
Total equity and liabilities	2 226 071	2 224 785

(all amounts in PLN thousand)

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	01.01.2017-31.03.2017	01.01.2016-31.03.2016
Revenue	0	150 786
Cost of sales	0	(128 244)
Profit on sales	**0**	**22 542**
Other income	789	2 447
Distribution expenses	0	(8 380)
General and administrative expenses	(8 556)	(9 728)
Other expenses	(158)	(1 067)
Result from operating activities	**(7 925)**	**5 814**
Financial income	39 210	34 012
Financial expenses	(6 877)	(2 854)
Net financing income	**32 333**	**31 158**
Profit before tax	**24 408**	**36 972**
Income tax expense	(5 354)	(7 081)
Net profit for the reporting period	19 054	29 891
Other comprehensive income Items that are or may be reclassified to profit or loss		
Cash flow hedges – effective portion of changes in fair value	0	(979)
Cash flow hedges – net change in fair value reclassified to current year profit or loss	0	779
Cash flow hedge – settlement of the forward hedging the purchase of shares	0	23 048
Other comprehensive income	0	22 848
Total comprehensive income for the period	19 054	52 739
Basic and diluted earnings per share (PLN)	0,29	0,49

(all amounts in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve funds	Other reserves	Cash flow hedge	Retained earnings	Total
1 Jan 2017	21 351	625 240	218 719	140 000	15 870	230 138	1 251 318
Comprehensive income for the period							
Net profit	0	0	0	0	0	19 054	19 054
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	0	0	19 054	19 054
Transactions with owners recognised in equity	**0**	**0**	**0**	**0**	**0**	**0**	**0**
31 Mar 2017	21 351	625 240	218 719	140 000	15 870	249 192	1 270 372

	Share capital	Share premium	Statutory reserve funds	Other reserves	Cash flow hedge	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	0	0	0	0		29 891	29 891
Other comprehensive income	0	0	0	0	22 848		22 848
Total comprehensive income for the period	0	0	0	0	22 848	29 891	52 739
Transactions with owners recognised in equity							
Share capital issue	4 975	335 434	(324 084)	0	0	0	16 325
Total transactions with owners recognised in equity	**4 975**	**335 434**	**(324 084)**	**0**	**0**	**0**	**16 325**
31 Mar 2016	21 351	625 240	214 314	140 000	20 982	122 079	1 143 966

(all amounts in PLN thousand)

STATEMENT OF CASH FLOWS

	01.01.2017 31.03.2017	01.01.2016 31.03.2016
Cash flows from operating activities		
Net profit for the reporting periods	**19 054**	**29 891**
Adjustments	(25 196)	(23 020)
Depreciation and amortisation	10	6 603
Foreign exchange gains	(37 614)	(31 475)
Dividend and interest for the period	5 281	1 098
Gain on investing activities	0	(45)
Income tax expense	5 354	7 081
Changes in:		
- trade and other receivables	(2 841)	1 043
- inventories	(16)	6 062
- trade and other payables	4 258	(12 395)
- employee benefit obligations	372	(214)
Result on forward contracts	0	(779)
Cash flows from operating activities	**(6 142)**	**6 870**
Interest received	6	32
Income tax received/(paid)	259	(862)
Net cash provided by operating activities	**(5 877)**	**6 040**
Cash flows from investing activities		
Disposal of property, plant and equipment	0	45
Acquisition of a subsidiary	0	(530 962)
Acquisition of intangible assets, property, plant and equipment	(4)	(4 987)
Granting of loan to the subsidiaries	0	(81 000)
Inflows related to settlement of derivatives	0	21 330
Net cash provided by/ used in investing activities	**(4)**	**(595 574)**
Cash flows from financing activities		
Redemption of debt securities	(384 541)	(353 452)
Issue of debt securities	388 444	391 769
Increase in borrowings and other debt instruments from related entities	0	193 919
Inflows from shares issued	0	350 241
Interest paid	(807)	(2 428)
Net cash used in financing activities	**3 096**	**580 049**
Total net cash flows	**(2 785)**	**(9 485)**
Decrease in cash	(2 785)	(9 485)
Cash at beginning of the period	4 677	30 983
Cash at end of the period	1 892	21 498

Michael Wolff
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Wrocław, 10 May 2017