

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Half-Year Report PSr 2017
year

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

for issuers conducting manufacturing, construction, trade or services business

for the 1st half of the financial year 2017, covering the period from January 1st to June 30th 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: August 23rd 2017

Pfleiderer Group Spółka Akcyjna

(full name)

Pfleiderer Group SA
(abbreviated name)

53-611
(postal code)

ul. STRZEGOMSKA
(street)

+48 71 747 11 00
(telephone number)

office@pfleiderer.pl
(e-mail)

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

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

Wrocław
(registered office)

42AB
(number)

+48 71 747 11 41
(fax number)

www.pfleiderer.pl
(web site)

4500933817
(REGON – Industry Registration Number)

PLN '000

EUR '000

FINANCIAL HIGHLIGHTS

	1 half cumulative / 2017 Jan 1-Jun 30 2017	1 half cumulative / 2016 Jan 1-Jun 30 2016	1 half cumulative / 2017 Jan 1-Jun 30 2017	1 half cumulative / 2016 Jan 1-Jun 30 2016
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Condensed consolidated financial statements data

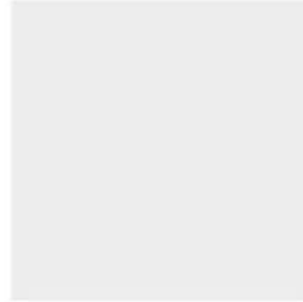
I. Sales revenue			506 029	458 461
II. Operating profit/(loss)			29 295	16 126
III. Profit/(loss) before tax			25 282	4 975
IV. Net profit			18 618	7 110
V. Net profit attributable to equity holders of the parent			18 618	7 110
VI. Net cash provided by (used in) operating activities			38 131	43 102
VII. Net cash provided by (used in) investing activities			-22 689	-28 709
VIII. Net cash provided by (used in) financing activities			-16 219	47 319
IX. Total net cash flow			-777	61 712
X. Total assets			984 761	954 580
XI. Liabilities			708 771	683 325
XII. Non-current liabilities			141 450	472 203
XIII. Current liabilities			567 321	211 122
XIV. Equity			275 990	271 255
XV. Share capital			6 692	6 692
XVI. Outstanding shares at the end of the reporting period			64 701 077	64 701 077
XVII. Weighted average diluted number of shares			64 701 077	63 127 034
XVIII. Earnings per ordinary share (PLN/EUR)			0,29	0,11
XIX. Book value per share (PLN/EUR)			4,27	4,19
XX. Declared or paid dividend per share (PLN/EUR)			0,26	0,23

Condensed financial statements data

XXI. Sales revenue	0	300 421	0	68 782
XXII. Operating profit/(loss)	-16 611	11 716	-3 891	2 682
XXIII. Profit/(loss) before tax	343 815	69 189	80 539	15 841
XXIV. Net profit/(loss)	342 077	68 433	80 132	15 668
XXV. Net cash provided by (used in) operating activities	-9 707	42 489	-2 274	9 728
XXVI. Net cash provided by (used in) investing activities	-4	-605 118	-1	-138 544
XXVII. Net cash provided by (used in) financing activities	7 015	571 811	1 643	130 918
XXVIII. Total net cash flow	-2 696	9 182	-632	2 102
XXIX. Total assets	2 311 888	2 224 785	547 076	502 890
XXX. Liabilities	789 664	973 467	186 863	220 042
XXXI. Non-current liabilities	2 094	356	496	80
XXXII. Current liabilities	787 570	973 111	186 367	219 962
XXXIII. Equity	1 522 224	1 251 318	360 213	282 848
XXXIV. Share capital	21 351	21 351	5 052	4 826
XXXV. Outstanding shares at the end of the reporting period	64 701 077	64 701 077	64 701 077	64 701 077
XXXVI. Weighted average diluted number of shares	64 701 077	63 127 034	64 701 077	63 127 034
XXXVII. Earnings per ordinary share (PLN/EUR)	5,29	1,08	1,24	0,25
XXXVIII. Book value per share (PLN/EUR)	23,53	19,34	5,57	4,37
XXXIX. Declared or paid dividend per share (PLN/EUR)	1,10	1,00	0,26	0,23

data in lines : X-XV are presented accordingly:
column.3 - for 30.06.2017
column.4 - for 31.12.2016

data in lines : XXIX-XXXIV are presented accordingly:
column.1 - for 30.06.2017
column.2 - for 31.12.2016
column.3 - for 30.06.2017
column.4 - for 31.12.2016



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MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT

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 30 JUNE 2017

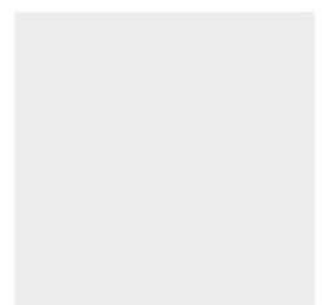
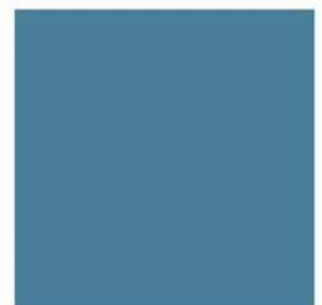


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LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD



TOM K. SCHÄBINGER

PRESIDENT AND CEO

Dear Shareholders,

Pfleiderer Group is a promising company and it is a great honor for me to lead the Group from June 1st. During recent years the Group has presently grown in order to become one of the leading European producers of fibre-based panels with almost 1 billion euros in sales revenues. Pfleiderer has successfully become the manufacturer of the state-of-the-art, high-quality products that are used in our targeted growing business sectors.

In the first half of 2017, we concentrated our efforts on the operating efficiency, new production capacities utilisation and value-added segments within our core markets. Pfleiderer's already excellent positioning in steadily growing market environment in Europe continued to improve and is supported by the underlying growth of the national economies and in particular the positive outlook for the construction markets in both DACH and Poland.

In the first half of this year the Pfleiderer Group generated a solid set of financial results. The revenues amounted to EUR 506.0 million and increased by 3.4% to EUR 489.3 million against H1, 2016 (including first 19 days of H1, 2016. Revenues without first 19 days amounted to EUR 458.5 million). The growth of margin on sales followed revenues increase, as the share of sold value-added products increased to 66% of revenues. As a result, the Group's gross profit margin increased from 22.2% in H1, 2016 to 23.6% in H1, 2017.

The Group's reported EBITDA amounted to EUR 66.1 million and was 27.6% higher compared to the same period last year. EBITDA margin stood at 13.1% (compared to 10.6% EBITDA margin in the first half of 2016).

Thanks to the investments launched in 2016 the Group has increased production capacities at its disposal. It intends to achieve more savings by continuing to drive operating efficiency and the duration of uninterrupted operations and by curtailing bottlenecks.

In 2017, the Group continues a long-term investment program designed to align its production capacities to the strong market needs and to enhance its cost effectiveness and productivity. In H1, 2017 capital expenditures were at the level of EUR 20.6 million, compared to EUR 15.8 million in H1, 2016. In the entire 2017, capital expenditures will exceed the level of EUR 60 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 H1, 2017 the Group successfully refinanced the debt raised in 2014. The new debt service terms will contribute to a significant reduction of financing expenses. The redemption of the senior secured notes occurred on 1st August, 2017.

On 21st June, Pfleiderer Group S.A. held Ordinary General Shareholders Meeting, and we want to thank our shareholders for their support. The financial statements for 2016 were approved, the resolution concerning a proposal for a dividend on PLN 1.1 per share was adopted. The dividend was paid to shareholders on 19th July.

Also on 21st June, 2017 the Annual General Meeting unanimously granted a consent for the company to perform a share buyback program. In the opinion of the Company's Management Board, the Pfleiderer Group's fundamental value, together with earnings and current share price, make it the right time to undertake a buyback. This program is an additional form of sharing profits with shareholders, and for this purpose we want to spend up to PLN 390 million. Pfleiderer Group is in a great place in terms of liquid funds and this allows to fund the program with its own funds.

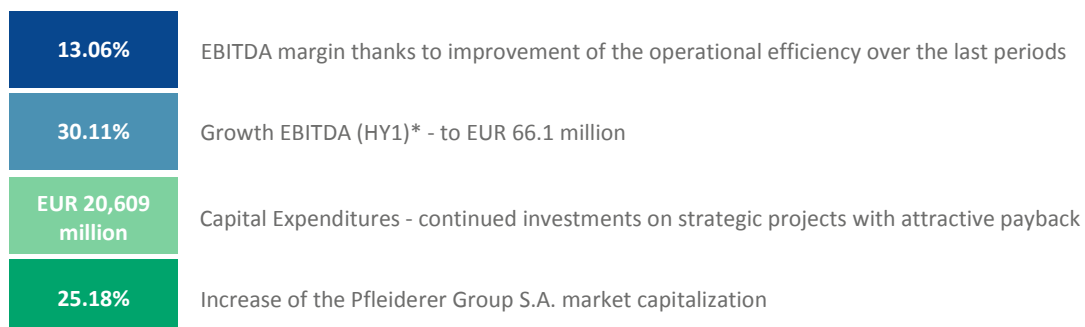
This year is demanding but I am very excited about the Pfleiderer's future. In the recent months there has been significant investments in management capabilities. Starting from new COO – Dirk Hardow who joined the company in November last year, me as new CEO starting on 1st June and the new CCO - Ivo Schintz who joined us on 1st August, a strong team has been established and should enable us to accelerate our profit development.

Thanks to the Pfleiderer Group's solid operational and financial performance in recent years, we have a strong basis to consistently capitalise the benefits of the creation of ONE PFLEIDERER for further growth. On behalf of the Management Board, I would like to thank our shareholders for their trust in Pfleiderer Group and I hope that you will continue to accompany us in the future.

Yours faithfully,
Tom K. Schäbinger
CEO PFLEIDERER Group

PFLEIDERER GROUP IN HY1, 2017 AT A GLANCE

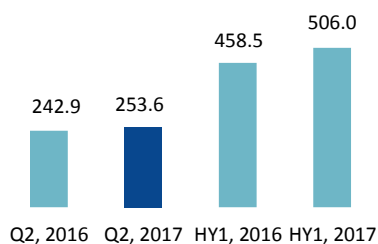
GOOD SET OF FINANCIAL RESULTS SUPPORTED BY FAVORABLE MARKET CONDITIONS



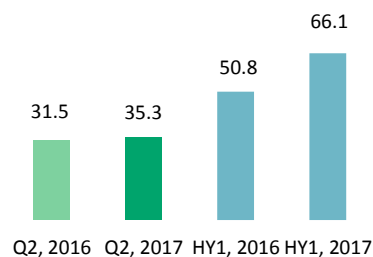
*Calculation comprised HY1 2016 EBITDA without first 19 days of January 2016

The financial information of the HY1 2016 and HY1, 2017 represents consolidated data of the Pfleiderer Group S.A. Group. The data for HY1 2016 does not comprise first 19 days of the year 2016 of Core West segment.

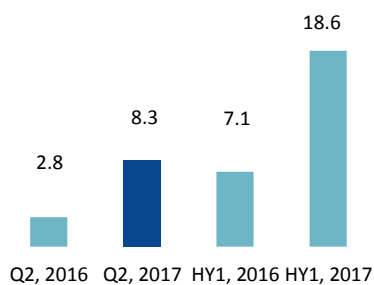
REVENUES (EUR M)



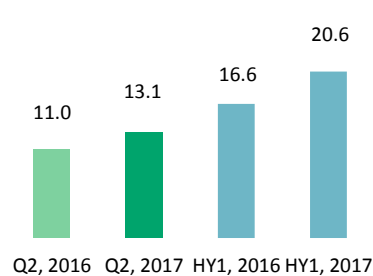
REPORTED EBITDA (EUR M)



NET PROFIT (EUR M)



CAPEX (EUR M)



KEY EVENTS AND ACHIEVEMENTS OF THE PFLEIDERER GROUP IN HY1, 2017

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, effectively as from 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 2017 Mr. Ivo Schintz was nominated on a position of Member of the Management Board, Chief Commercial Officer, effectively from 1 August 2017.

REFINANCING

On 7 April 2017, Pfleiderer Group S.A. 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%).

On 1 August 2017 the Pfleiderer Group S.A. (together with its subsidiary PCF GmbH) fully redeemed the existing as of the reporting date €321,684,000 7.875% senior secured notes issued by PCF GmbH (formerly Pfleiderer GmbH). The redemption price was 101.969% (plus accrued and unpaid interest).

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 24 March 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.

THE TREASURY SHARES REPURCHASE PROGRAMME

On 25 May 2017 the Management Board of Pfleiderer Group S.A. informed that it resolved to determine the terms of the treasury shares repurchase programme to be implemented in the Company, subject to its approval by the Company's Supervisory Board and the General Meeting of the Shareholders. Also on 25 May the Supervisory Board approved the terms of the Programme.

On 21 June 2017 the Ordinary General Shareholders Meeting of the Pfleiderer Group S.A. adopted a resolution concerning the approval of a treasury share repurchase programme and the establishment of the capital reserve for the purposes of such programme.

APPOINTMENT OF AN ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS OF THE COMPANY AND ITS CAPITAL GROUP

On 21 June 2017 the Management Board of Pfleiderer Group S.A. announced that the Ordinary General Shareholders Meeting of the Company appointed Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Warsaw as an entity authorized to audit annual and review interim, standalone financial statements of the Company and consolidated financial statements of Company's capital group, prepared for the periods between 1 January 2017 and 31 December 2018. The appointment complied with the binding provisions and professional standards.

DIVIDEND PAYOUT FOR 2016

On 21 June 2017 the Ordinary General Shareholders Meeting of the Pfleiderer Group S.A. adopted a resolution concerning distribution of net profit for the period from 1 January to 31 December 2016, providing for the dividend payment for the Company's shareholders in the amount of PLN 71,171,107.70 representing PLN 1.10 per each Company' share. All of the Company's shares are covered by the dividend, i.e. 64,701,007 shares. Additionally, the Ordinary General Shareholders Meeting of the Company set the following dates: 1) a dividend date (the date used to prepare the list of shareholders eligible to receive the dividend) set for 5 July 2017, and 2) dividend payment date set for 19 July 2017.

COMMERCIAL PAPERS ISSUANCE

From 1 January 2017, Pfleiderer Group S.A. has rolled over commercial papers in the form of short-term notes on 17 January 2017, 15 February 2017, 15 March 2017, 20 April 2017, 23 May 2017, 20 June 2017 and 17 July 2017 with a view to optimise 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.)

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 30 JUNE 2017

KEY INFORMATION ABOUT THE GROUP



1. KEY INFORMATION ABOUT THE GROUP

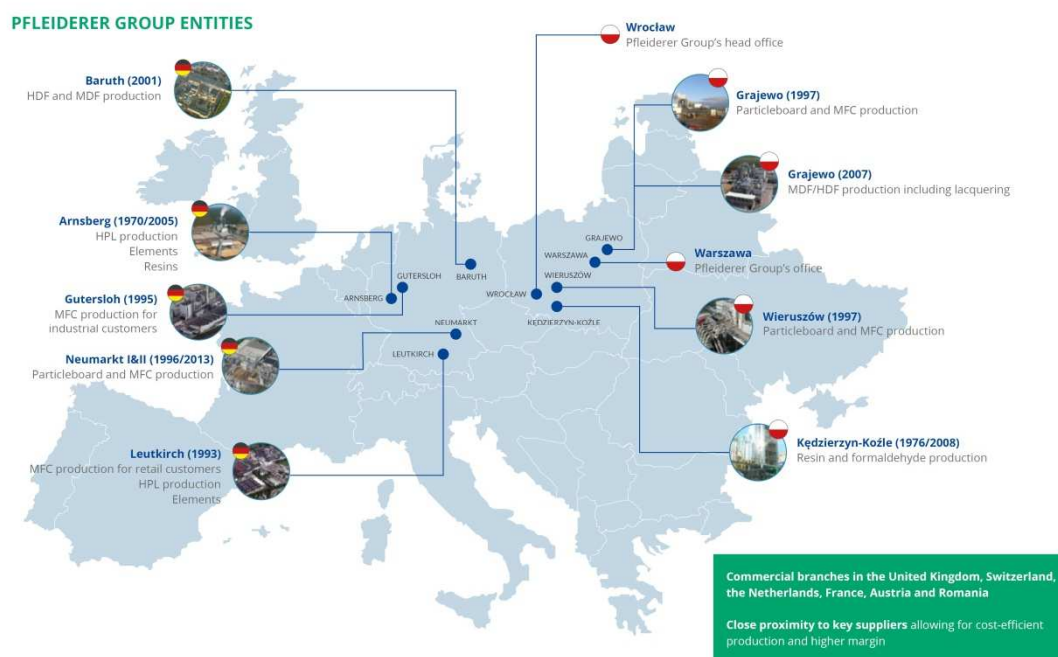
1.1. BUSINESS PROFILE – ACTIVITIES OF THE GROUP

The Pfeleiderer Group, with 122 years of experience, is a leading European manufacturer of wood based products, specializing in the production of materials for 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. Pfeleiderer products are known across the Eastern and Southern Europe, and Scandinavia. The company is headquartered in Wrocław (Poland) with offices i.a. in Neumarkt and Warsaw and operates nine manufacturing facilities located in Poland and Germany as well as commercial departments in the UK, the Netherlands, Switzerland, France Austria and Romania. Sustainability is an integral part of our corporate strategy, Pfeleiderer sees it as a matter of course to conserve energy and raw materials, reduce emissions and produce environmentally friendly products.

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

FIGURE 1: PFLEIDERER GROUP ENTITIES



1.2. STRUCTURE OF THE GROUP

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

At the date of this report, the structure of the Capital Group is as follows:

FIGURE 2: STRUCTURE OF THE CAPITAL GROUP AS OF 23 AUGUST, 2017

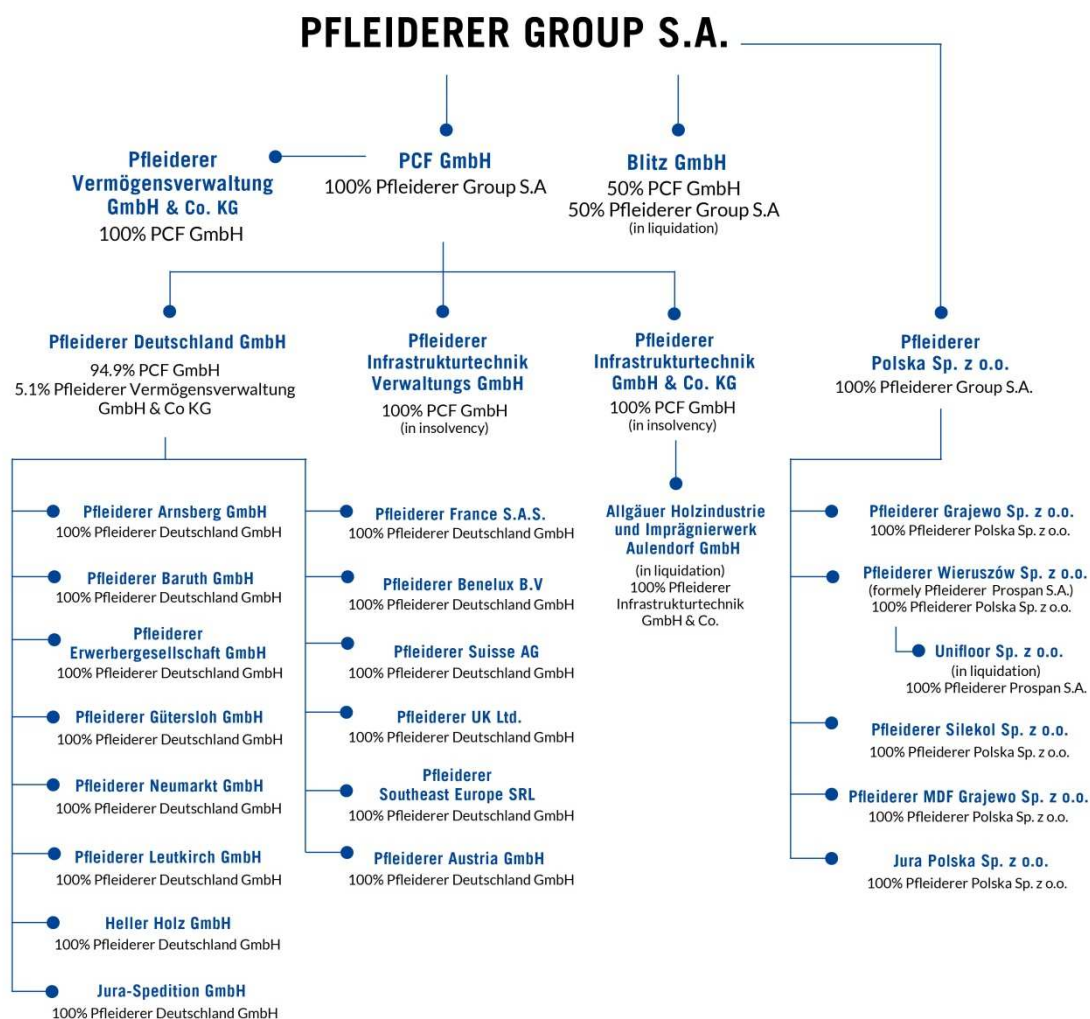


TABLE 1: SUBSIDIARIES OF THE PFLEIDERER GROUP

		June 30, 2017	Dec. 31, 2016
Eastern Europe			
Pfeiderer Polska Sp. z o.o.	Wrocław	100.00%	100.00%
Pfeiderer Grajewo Sp. z o.o.	Grajewo	100.00%	100.00%
Pfeiderer MDF Grajewo Sp. z o.o.	Grajewo	100.00%	100.00%
Pfeiderer Wieruszów Sp. z o.o. (formerly Pfeiderer Prospan S.A.)	Wieruszów	100.00%	100.00%
Pfeiderer Silekol Sp. z o.o.	Kędzierzyn Koźle	100.00%	100.00%
Jura Polska Sp. z o.o.	Grajewo	100.00%	100.00%
Unifloor Sp. z o.o. w likwidacji	Wieruszów	100.00%	100.00%
Western Europe			
PCF GmbH (Previously Pfeiderer GmbH)	Neumarkt, Germany	100.00%	100.00%
Pfeiderer Deutschland GmbH (prev. Pfeiderer Holzwerkstoffe GmbH)	Neumarkt, Germany	100.00%	100.00%
Pfeiderer Neumarkt GmbH	Neumarkt,	100.00%	100.00%

	Germany		
Pfleiderer Gütersloh GmbH	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Leutkirch GmbH	Leutkirch, Germany	100.00%	100.00%
Pfleiderer Erwerbengesellschaft 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	Bucharest, 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 (in liquidation)	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 publicly 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 for Wrocław – Fabryczna in Wrocław, VI Commercial Division of the National Court Register, under entry no. KRS 0000247423. First entry to the National Court Register was performed 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 Wieruszów Sp. z o.o. (previously as Pfleiderer Prospan S.A.), Wieruszów, Poland:

A limited liability company established as a result of transformation of joint stock company Pfleiderer Prospan S.A. The transformation of Pfleiderer Prospan S.A. into Pfleiderer Wieruszów Sp. z o.o. was registered on 31 July 2017. Pfleiderer Wieruszów Sp. z o.o. is registered with the District Court of Łódź-Śródmieście in Łódź, XX Division of the National Court Register, under entry no. KRS 0000684630.

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 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 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 Birkenpfehlheide 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 Erwerbengesellschaft GmbH, 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: 10, Esplanade Roland Garros, F51100 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, Wien, Austria:

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 Southeast Europe SRL, Romania

A company entered in the Commercial Register of Bucharest, Romania, under entry no. 434205.

Registered address: Sitrako Center II, 4 Splaiul Unirii Street, Building B3, District 4, Bucharest, Romania

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. HR A 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 the first half of 2017 there were no changes of the group structure except for establishing new selling entity in Austria and Romania.

1.3. INVESTMENT PROGRAM

During HY1, 2017 Pfleiderer Group incurred EUR 20,609 thousand capital expenditures.

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

Investment	Capex	Rational	Expected outcome (per annum)
Sanding Line (Neumarkt)	EUR 6.2 million	More flexibility in production (planned launch in August 2017)	EUR 2.0 million EBITDA
Recycled wood	EUR 9.6 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 12.3 million	New functional surface technology, new high gloss and dull surfaces (planned launch in the HY1, 2018)	EUR 8.4 million EBITDA
Commercial Growth Strategy	EUR 9.6 million	Growth of current & new products and exploring new markets; securing & increasing production capacity; development of resins and quality improvement (planned launch in the H2 2018)	EUR 6.4 million EBITDA

1.4. MARKETING ACTIVITIES IN HY1, 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 HY1, 2017

Date	Award	Product/Category	Institution
2017	Listed Company of the Year 2016	Investor Relations	“Puls Biznesu” daily and TNS Polska
2017	Iconic Award interior innovation	Duropol HPL SolidColor XTreme	Rat für Formgebung Service GmbH
2017	pro-K Award	Duropol HPL SolidColor XTreme	pro-K Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e.V.
2017	German Design Award 2017	Duropol HPL SolidColor XTreme, Matt Lacquer, Natural Wood	Rat für Formgebung Service GmbH

2017 Red Dot Award: Product Design 2017 Duropal HPL SolidColor XTreme red dot GmbH & Co. KG

2017 Interzum award: intelligent material & design 2017 Duropal HPL SolidColor XTreme Interzum

2017 German Brand Award Interior & Living Rat für Formgebung Service GmbH

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" in countries' of the Core West and East to support the furniture industry segment in presenting actual décor trends, developments and novelties for 2018,
- Pre-marketing activities for PrimeBoard (high-quality lacquered surface in matt and high-gloss finishes) and Duropal HPL Compact Exterior.

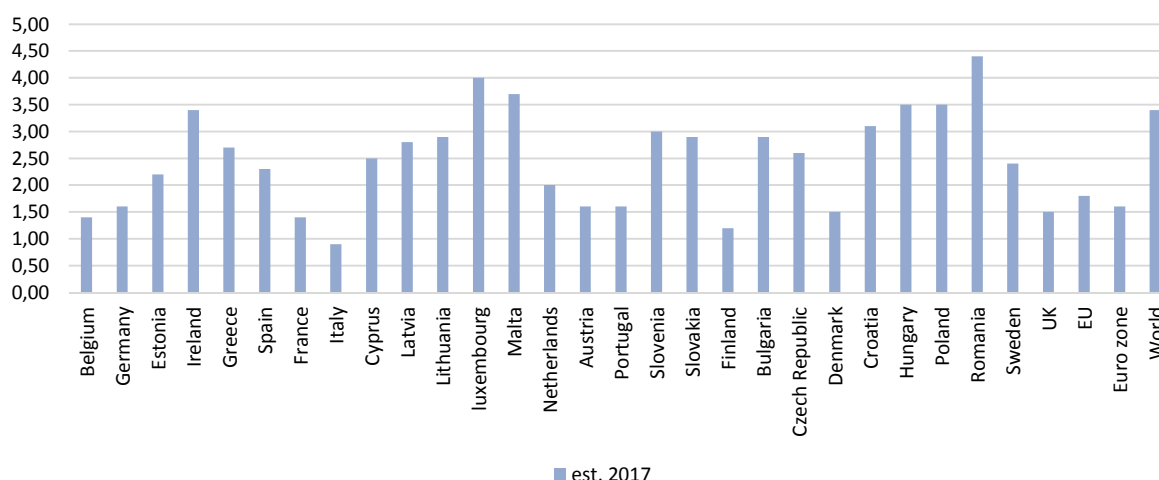
1.5. MARKET POSITION AND CONSTRUCTION MARKET OVERVIEW

Macroeconomic situation in HY1 2017

The European economy has entered its fifth year of recovery, which is now reaching all EU Member States. This is expected to continue at a largely steady pace this year and next. According to the European Commission's latest forecasts¹, the Eurozone's economic expansion will reach 1.7 per cent this year and 1.8 per cent in 2018, compared with 1.7 per cent in 2016 (GDP growth). GDP growth in the EU as a whole is expected to remain constant at 1.9% in both years. This steady but moderate expansion should remain driven by domestic demand. The first half 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 uncertainty surrounding the economic outlook remains elevated but overall, risks have become more balanced. External risks are linked, for instance, to future US economic and trade policy and broader geopolitical tensions. China's economic adjustment, the health of the banking sector in Europe and the upcoming negotiations with the UK on the country's exit from the EU are also considered as possible downside risks in the forecast.

¹ Spring 2017 Economic Forecast, EuroCom

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



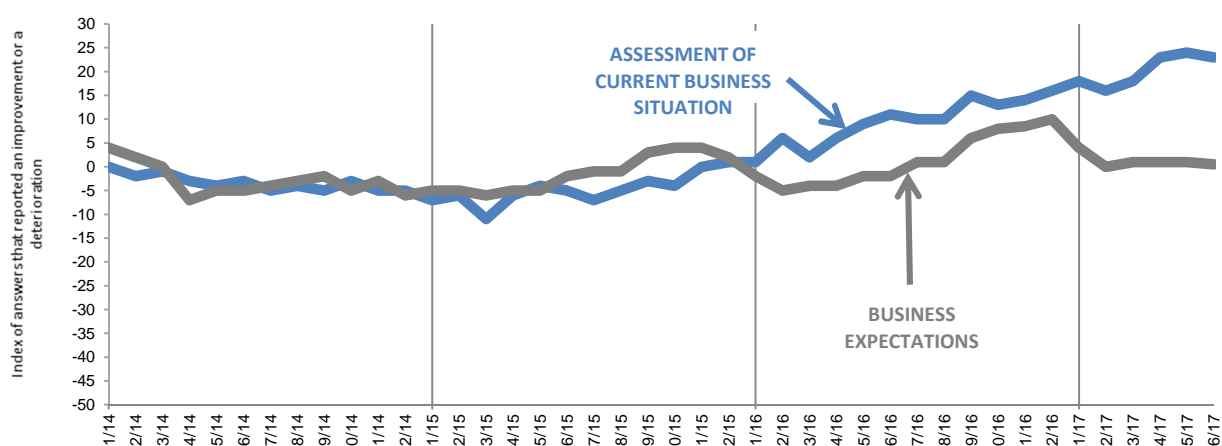
Source: European Commission, European Economic Forecast Spring 2017

According to the European Commission's forecasts², real GDP growth in Poland in 2017 is expected to rebound to 3.5%, before slowing slightly to 3.2% in 2018, with domestic demand remaining the key driver of the economy. Specifically, private consumption is forecasted to increase strongly in 2017, driven by robust wage growth and the delayed effects of higher social transfers. Public investment is projected to quickly recover from its slump in 2016 and remain strong into 2018 as EU funds are put to use and local governments prepare for the 2018 elections. Solid domestic demand and exports, as well as high capacity utilisation rates, robust corporate profits and low interest rates are all expected to support investment. However, elevated uncertainty is likely to discourage investment decisions. Exports are projected to continue rising strongly in both 2017 and 2018, driven by higher external demand. At the same time, recovering investment, robust private consumption and a somewhat stronger zloty are set to boost import demand.

Business climate in construction

Construction business was marked by growth of business climate index at the beginning of Q2 and its stabilization at the end of the quarter. Assessments of the current business situation reached even higher level than in Q1, but contractors are still careful in assessment future situation of their companies in months ahead.

FIGURE 4: BUSINESS CLIMATE IN CONSTRUCTION - GERMANY

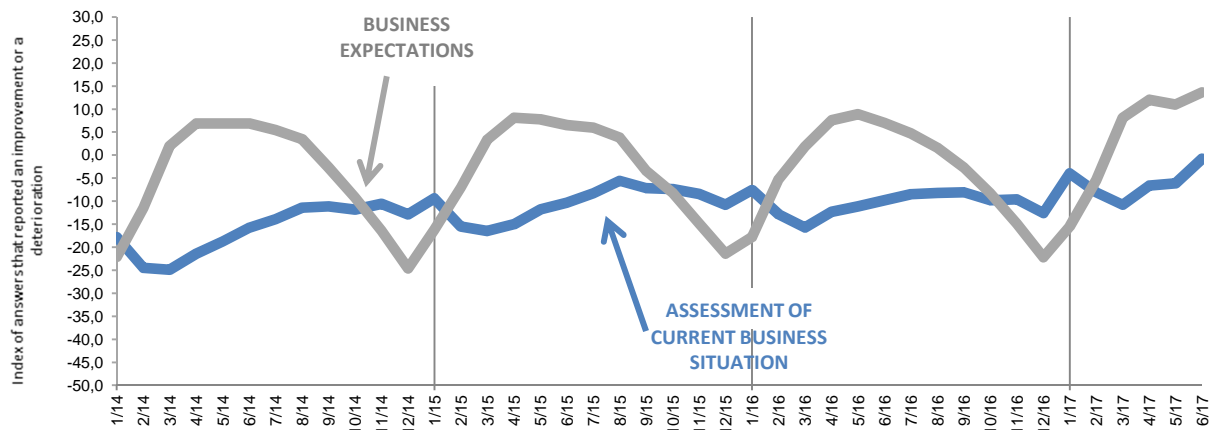


Source: own calculation based on Ifo

As it was predicted, in Poland the second quarter of 2017 was marked by seasonal growth of current situation assessment and expectations about future months.

² Spring 2017 Economic Forecast, EuroCom

FIGURE 5: BUSINESS CLIMATE IN CONSTRUCTION – POLAND



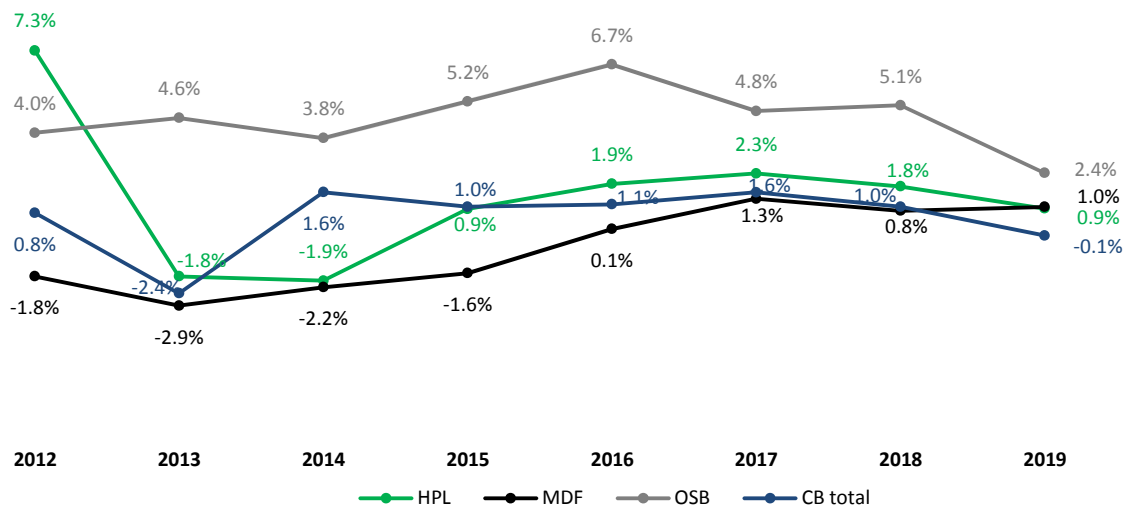
Source: own calculation based on GUS

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.

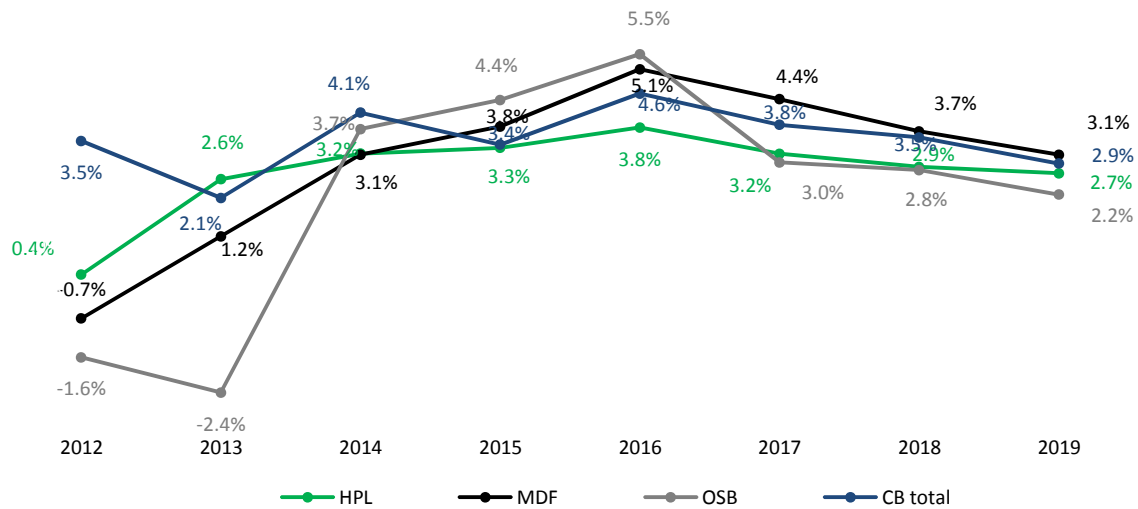
In case of DACH countries OSB market characterizes the highest growth dynamic. Moderate positive change is expected at HPL and MDF/HDF market. In Poland there's expectation that all product market will have comparable growth dynamic with relatively highest development of MDF/HDF and chipboards.

FIGURE 6: MARKET SIZE DYNAMIC (VOLUME) – DACH



Source: own calculation based on B&L

FIGURE 7: MARKET SIZE DYNAMIC (VOLUME) – POLAND

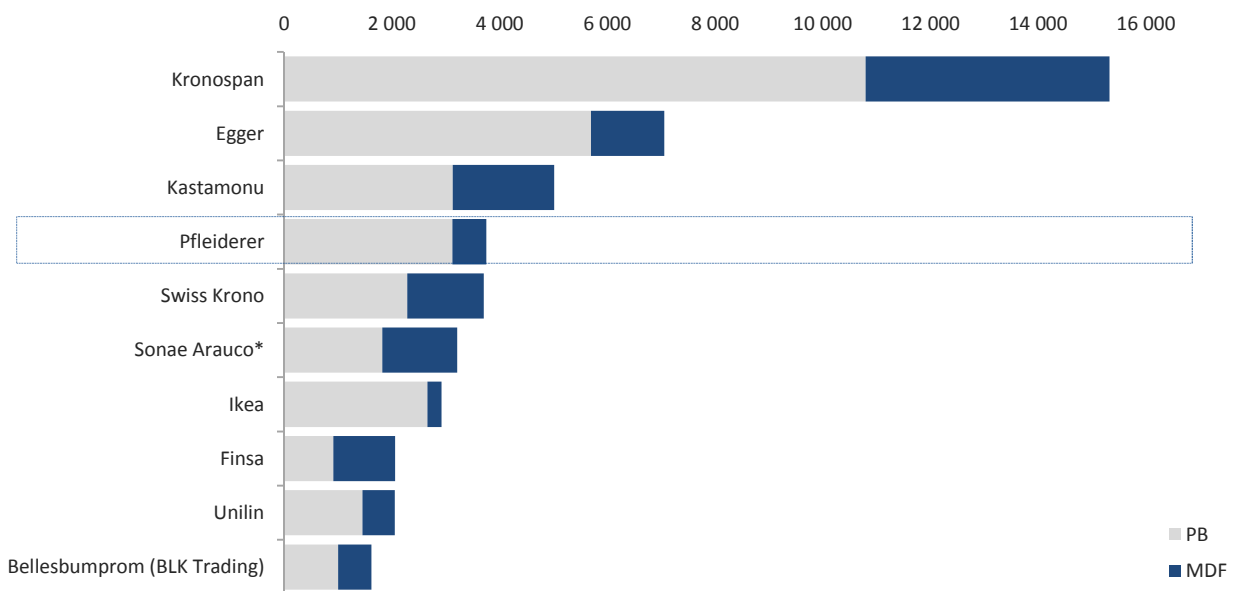


Source: own calculation based on B&L

Production capacity position in Europe*

Pfleiderer is a leading wood-based panel player on its core markets – Germany (no. 1) and Poland (no. 2), with competitive footprint in Europe*, where Pfleiderer Group is one of the TOP 5 players.

FIGURE 8: PRODUCTION CAPACITY IN EUROPE* – TOP 10 PLAYERS x 1000 m³



*including Russia & Turkey;

*Sonae Arauco (50%/50% shares of Sonae Indústria/Arauco)

Source: own calculation (based on EPF and press news)

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

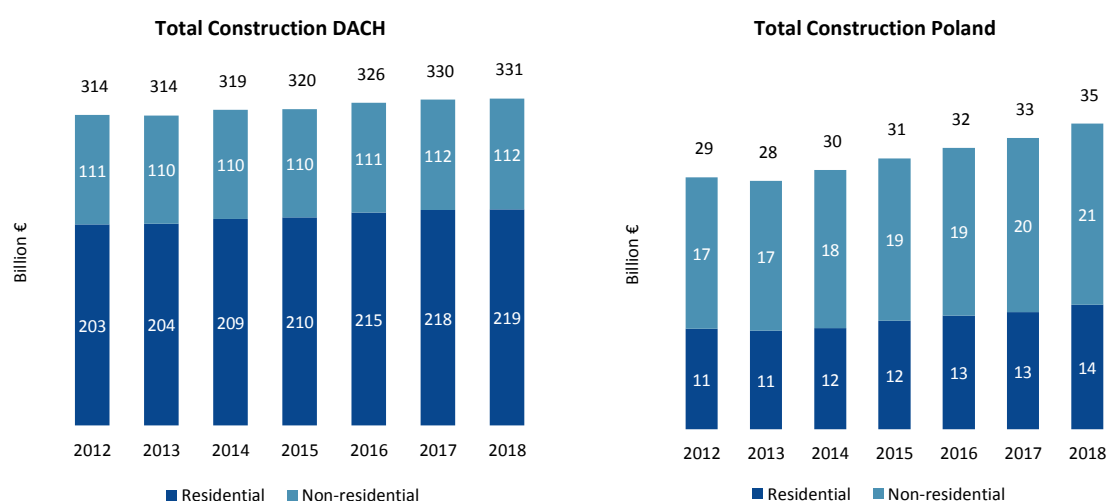
CAGR 2016-2018			
	Total	Residential	Non-residential
Poland	4.2%	4.6%	3.9%
DACH	0.7%	0.7%	0.5%
Germany	0.6%	0.8%	0.2%
Austria	1.9%	1.9%	2.0%
Switzerland	0.4%	-0.3%	1.3%
France	3.7%	4.4%	2.6%
Italy	1.3%	0.9%	1.9%
United Kingdom	2.3%	1.8%	2.7%
Belgium	2.1%	1.8%	2.5%
Netherlands	4.9%	6.2%	3.1%

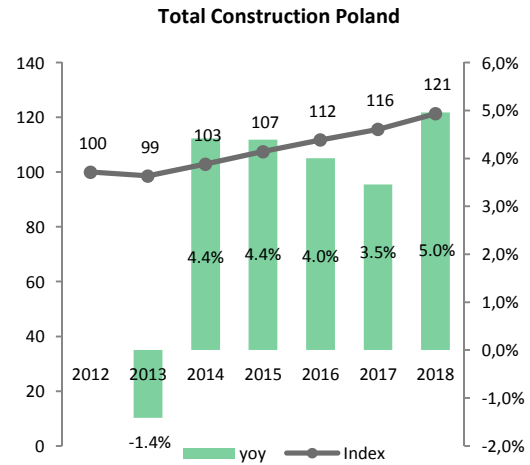
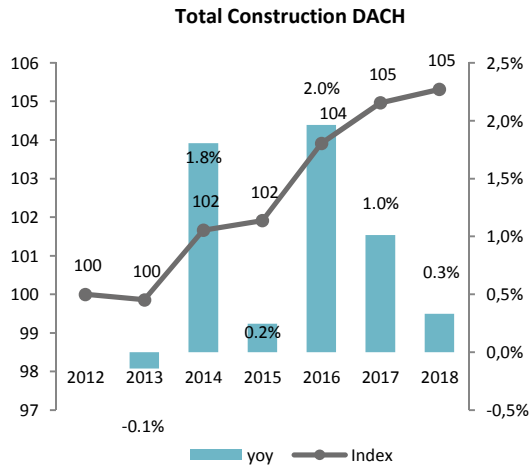
Source: own calculation based on Euroconstruct

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

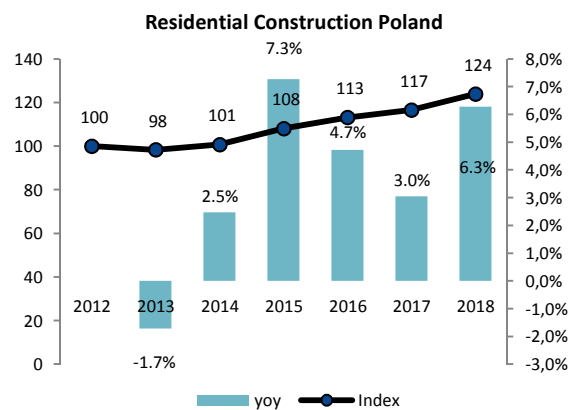
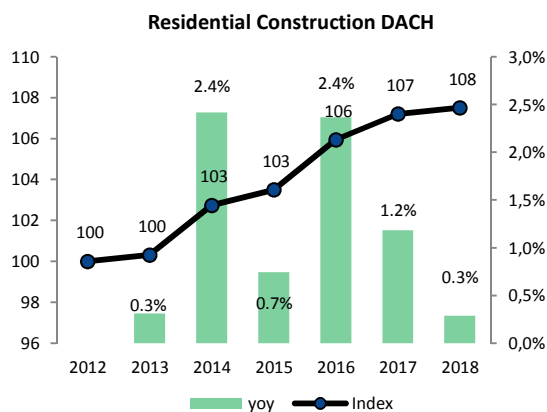
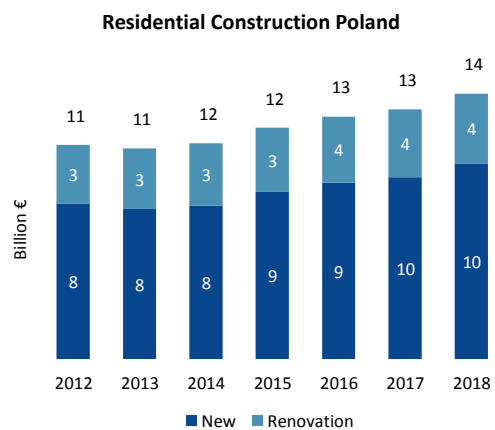
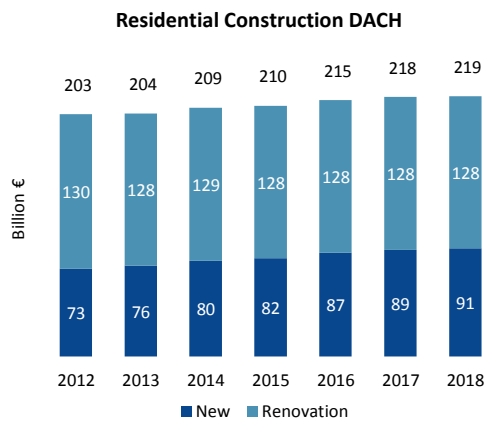


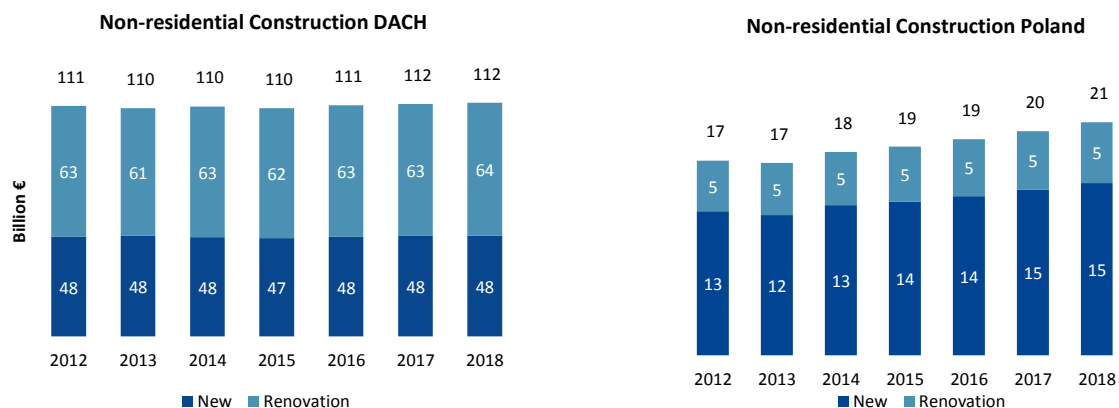


Source: own calculation based on Euroconstruct

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: own calculation based on 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 including 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 prices of 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.
- Capacity development and utilization rates – major capacity changes in the market due to investments / divestments by competitors have an impact on the overall utilization rates of locally competing production sites. On top, the overall market conditions i. a. driven by GDP development, construction growth rates and the performance of the furniture industry has an immediate impact on the wood-based panel industry and consequently on utilization rates.

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 annual maintenance and modernization programs as well as maintaining a strategic stock of spare parts.
- Liquidity risk – as the Parent, Pfeleiderer 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

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% "risk is about to occur"). 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 risk 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 occasional and the loss could be serious. 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 identified 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. 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.

For cross border supplies and services between affiliated companies the prices have to be at the arm's length principle. The companies of the Pfleiderer Group have to document this in the Transfer Price Documentation. The companies of the Pfleiderer Group located in Germany can choose the transfer price method as well as the margin. But the tax audits in the foreign countries as well as in Germany could determine that the chosen transfer pricing method or the margin was not correct. Following on from this, taxes could be higher for allocated costs for the supplies and services between the affiliated companies. This would lead to higher taxes and therefore represents a risk.

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

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.

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. Furthermore there is a lack of innovative projects and culture of innovation, which needs to be improved to strengthen our market position. These are regarded as significant risks. The Company responded to these risks by realigning and reorganizing its R&D activities and improving the innovation culture.

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. Especially the current situation, that new competitors enter the market/competitors increasing their capacities are demanding for wood, intensifies the wood price increase. The potential loss of the risk is regarded as medium but it is about to occur. The increasing costs of the Group lead to the consequence that the sales prices need to be increased as well to secure the margins. As price increases are only limitedly feasible due to the market situation and the effects will be achieved delayed, the Group is faced a medium risk which is most likely. 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.

Operational risks:

Due to the increased occurrence of so-called Fake-President-Frauds at other Groups the Pfleiderer Group intensified their information activities towards the employees. The Pfleiderer Group repeatedly pointed out that, amongst others, nobody – even not board members – is allowed to ask for payments/money transfers via email and nobody within the Group is allowed to circumvent the four-eyes-principle. As it is never ruled out, that an employee makes a mistake, the company is aware, that there is a risk that an employee might execute a payment within the maximum available overdraft limit. The occurrence of the risk is regarded to be conceivable with a serious potential loss amount.

1.8. INFORMATION ON MATERIAL AGREEMENTS AND TRANSACTIONS

Material party-related transactions in HY1, 2017

For the information regarding related-party transactions as at 30 June 2017 and for the period from 1 January to 30 June 2017 see Note 15 in the notes to the condensed consolidated interim financial statements of the Pfleiderer Group S.A.

In the period from 1 January to 30 June 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 30 June 2017 the Group did not identify any significant contingent liabilities except for an 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.

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 Wieruszów Sp. z o.o. (formerly 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 Wieruszów Sp. z o.o. 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 30 June 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 30 June 2017 accruals related to antitrust violations of EUR 4 550 thousand including costs related to legal proceedings with Classen as well as legal costs and amicable settlements of claims from Alno and Oesder. 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 liquidator (Sachwalter) of PCF GmbH during the insolvency proceedings in 2012 (then Pfleiderer AG) seeking payment of the insolvency quota in the amount of EUR 1.3 million based on the same deliveries as in the case against Pfleiderer Baruth GmbH, described below. By judgement of 27 April 2017 the regional court of Düsseldorf 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 plan. This decision is binding.

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. The court has not yet indicated if and to what extent it deems the claim to be justified as to the merits. The next oral hearing is scheduled for 7 December 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 30 June 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 4 550 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 (currently in the overall amount of at least EUR 31.2 million plus interest on the basis of joint and several liability). As at 30 June 2017 the Management based on its best knowledge recognised an accrual for the expected outcome which is included in the total amount of EUR 4 550 thousand. It is intended that the parties try to negotiate an out-of-court settlement. 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 July 2017, Alno filed for insolvency and the court appointed a preliminary liquidator.

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 claimed 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 30 June 2017 the Management based on its best knowledge recognised an accrual for the expected outcome, which is included in the total amount of EUR 4 550 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 for a total payment of EUR 2.5 million paid in April 2017.

The Western European segment is subject to certain tax risks described in point 1.7 Risk Management. As at 30 June 2017 the management assessed the risks 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 30 June 2017 no provision has been recognized by the Group in these consolidated financial statements.

KEY OPERATIONAL DATA



2. KEY OPERATIONAL DATA

2.1. PRODUCTION VOLUME AND STRUCTURE

In HY1 2017 and HY1 2016 the 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

		Jan. 1, 2017 - June 30, 2017	Jan. 1, 2016 - June 30, 2016	Change (%)	Apr. 1, 2017 - June 30, 2017	Apr. 1, 2016 - June 30, 2016	Change (%)
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	ths. cubic m	1,665	1,545	8%	831	776	7%
Laminated boards	ths. sqm	56,421	53,119	6%	27,561	27,173	1%
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	ths. cubic m	289	265	9%	147	129	14%

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

		Jan. 1, 2017 - Jun. 30, 2017	Jan. 1, 2017 - Jun. 30, 2017	Apr. 1, 2017 - Jun. 30, 2017	Apr. 1, 2017- Jun. 30, 2017
		Core West	Core East	Core West	Core East
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	ths. cubic m	991	674	491	340
Laminated boards	ths sqm	35,170	21,251	17,295	10,266
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	ths. cubic m	181	108	91	56

2.2. SALES STRUCTURE

Revenue reported by the Group in HY1 2017 was EUR 506,029 thousand and increased 10% when compared to HY1, 2016 (excluding 19 days of HY1 2016 for Core West).

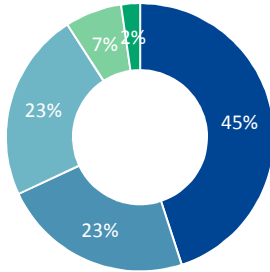
Sales volumes by product group were as follows:

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

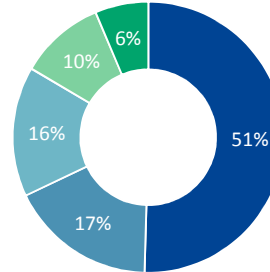
Cbm; Tqm	Jan. 1, 2017 - Jun. 30, 2017	Jan. 1, 2016 - Jun. 30, 2016	Apr. 1, 2017 - Jun. 30, 2017	Apr. 1, 2016 - Jun. 30, 2016
Laminated particleboard [sqm]	52,899,345	49,780,143	25,802,601	25,292,712
HPL [sqm]	6,064,165	5,863,124	3,001,234	2,959,498
Raw particleboard [cbm]	551,202	506,163	279,243	242,913
Laminated MDF/HDF board [sqm]	1,648,841	1,696,819	845,627	856,970
Raw MDF/HDF board [cbm]	198,312	180,979	101,464	87,920

FIGURE 11: REVENUE AND CUSTOMER SPLIT

REVENUE SPLIT HY1, 2017

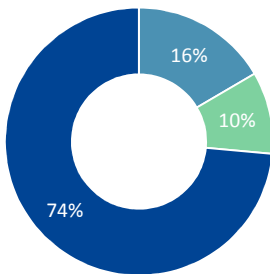


- DACH
- Poland
- Other Western Europe
- Other Eastern Europe
- Beyond Europe

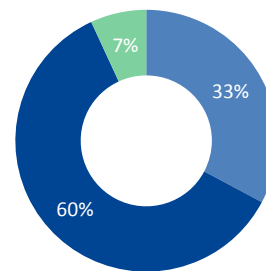


- Laminated/lacquered board
- Raw PB
- HPL & Elements
- Raw MDF/HDF
- Other

CUSTOMER SPLIT HY1, 2017



- Top 10
- Top 11-22
- Other



- Distributors
- Industry
- Others

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 30 JUNE 2017

FINANCIAL PERFORMANCE



3. FINANCIAL PERFORMANCE

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

3.1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

TABLE 8: CONSOLIDATED STATEMENTS OF PROFIT AND LOSS IN HY1, 2017

'000 Euro	Jan. 1, 2017 – Jun. 30, 2017	Jan. 1, 2016 – Jun. 30, 2016	Apr. 1, 2017 – Jun. 30, 2017	Apr. 1, 2016 – Jun. 30, 2016
Revenue	506,029	458,461	253,619	242,939
Cost of sales	-386,375	-353,917 (*)	-193,564	-184,732 (*)
Profit on sales	119,654	104,544	60,055	58,207
Other income	10,025	4,689	5,838	2,066
Distribution expenses	-69,046	-55,288 (*)	-34,660	-30,431 (*)
General and administrative expenses	-26,072	-24,804	-13,428	-12,052
Other expenses	-5,266	-13,015	-948	-4,313
Result from operating activities	29,295	16,126	16,857	13,477
Financial income	10,227	1,759	9,428	827
Financial expenses	-22,502	-13,489	-15,152	-7,446
Exchange differences on translating foreign operations	8,262	579	342	-7,289
Net financing costs	-4,013	-11,151	-5,382	-13,908
Profit before tax	25,282	4,975	11,475	-431
Income tax expense	-6,664	2,135	-3,217	3,265
Net profit for the period	18,618	7,110	8,258	2,834

(*) Reclassification of supply chain management costs for comparability purpose

Note: data for HY1 2016 does not comprise first 19 days of Core West segment.

Revenues came in at EUR 506,029 thousand in HY1 2017, growing 10.4% YoY, mostly due to organic developments supported by a strong market. High single-digit sales volumes were recorded on majority of the business lines, with laminated particleboard volume growth of 6.3%, raw particleboard volumes growing as much as 9% YoY and raw MDF/HDF boards by 9.6% YoY in HY1 2017. The exception was the laminated MDF/HDF boards line, which showed a moderate c.a. 3% volume contraction. The Core West segment revenues reached EUR 357,906 thousand, augmenting by 18% YoY, while the Core East segment added EUR 148,123 thousand, down 4.7% YoY. The divergent dynamics among the segments resulted from changes within segmental allocations – exchange of markets in the reorganization process of sales between East and West (transfer some of West markets from East to West and transfer some of East markets from West to East). In fact some HDF boards' sales which were historically external revenues are now shown under inter-company transactions (internal revenues), lowering the external revenues of the Core East segment, and increasing external revenues of Core West segment, yet not affecting the overall consolidated result.

The Group's profit on sales reached EUR 119,654 thousand in HY1 2017, growing as much as 14.5% YoY, i.e. faster than the Group's top-line, mostly due to a more favourable sales mix. As a result, the gross profit margin expanded YoY in HY1 2017, coming in at 23.6% versus 22.8% in HY1 2016. Moderate growth in costs of sales was implicated by productivity enhancement programs and successful cost initiatives declined by material prices growth. Prices of methanol, urea and electricity increased significantly. Decreased wood costs were due to change of purchased products mix.

There was a sizeable c.19% YoY growth in Group's distribution, general and administrative expenses, which reached EUR 95,118 thousand in HY1 2017. Higher distribution expenses were linked to increase of sales volumes, higher costs of

freight, higher sales personnel and marketing costs. This was partially offset by moderate increase of G&A expenses as consequence of cost discipline programs and lower services and consulting expenses.

HY1 2017 was marked by favourable YoY developments on the other income and other expenses lines. Other income in HY1 2017 was positively influenced by release of obligation for repayment of government grant supporting electricity sales of EUR 4.4m..

Other expenses, on the other hand, were negatively affected in HY1 2016 by one-off EUR 5.1m real estate tax payment in the Core East division. Overall, the Group's result from operating activities came in at a strong EUR 29,295 thousand in HY1 2017, growing by c.82% YoY. As a consequence of described changes and one-off events in the key segments, their EBIT contribution changed sizably YoY. The operating result of the Core West reached EUR 23,093 thousand in HY1 2017 versus EUR 3,665 thousand in HY1 2016. The operating result of the Core East division reached EUR 5,812 thousand in HY1 2017 versus EUR 10,808 thousand in HY1 2016.

HY1 2017 also showed favourable developments on the net financing line, with net financing costs reaching EUR 4,013 thousand versus EUR 11,151 thousand in HY1 2016. Firstly, there were EUR 8,262 thousand of positive FX differences booked in HY1 2017. These resulted mainly from EUR/PLN changes affecting loan valuation. The financial income line was positively affected by EUR 8,859 thousand from reassessment of amortized cost valuation due to faster repayment of bonds (non-cash effect). The income was netted off against recognized costs of redemption fee amounting to EUR 6,293 thousand (with cash effect in Q3). Overall, the Group's net profit came in at EUR 18,618 thousand in HY1 2017, up 162% YoY.

In HY1, 2017 the Group decided to substitute the existing financing solution with a more favorable capital market transaction. Pfleiderer redeemed the existing financial agreements on August 1, 2017. Starting from 2018, net finance costs savings are expected to be at approx. EUR 6.5m compared to 2016/2017.

3.1.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TABLE 9: CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE, 2017

'000 Euro	Jun. 30, 2017	Dec. 31, 2016
Assets		
Property, plant and equipment	528,589	548,863
Intangible assets	87,212	83,091
Goodwill	67,241	66,171
Long term investments	515	515
Investment property	913	875
Deferred tax asset	7,132	5,948
Advances paid on fixed assets	10,447	3,016
Government grants receivable	12,931	12,921
Other non-current assets	2	2
Non-current assets	714,982	721,402
Inventories	101,960	91,903
Trade and other receivables	67,613	42,531
Income tax receivable	1,441	376
Government grants receivable	1,232	642
Cash and cash equivalents	96,949	97,726
Fair value of hedging instruments	318	-
Other short-term financial assets	266	-
Current assets	269,779	233,178
Total assets	984,761	954,580
Equity and liabilities		
Equity		
Share capital	6,692	6,692
Share premium	146,375	146,375
Statutory reserves fund	122,924	91,801
Reserves	-11,364	-13,937

Retained earnings	11,363	40,324
Total equity attributable to owners of the Company	275,990	271,255
Total equity	275,990	271,255
Liabilities		
Loans and borrowings	-	329,762
Employee related payables	54,197	56,893
Provisions	2,661	3,694
Deferred tax liabilities	66,719	64,176
Deferred income from government grants	17,678	17,439
Other non-current liabilities	195	239
Non-current liabilities	141,450	472,203
Loans and borrowings	336,759	10,898
Income tax payable	13,817	10,559
Trade and other payables	185,452	161,414
Employee related payable	27,202	22,118
Provisions	3,046	5,132
Deferred income from government grants	1,045	1,001
Current liabilities	567,321	211,122
Total liabilities	708,771	683,325
Total equity and liabilities	984,761	954,580

The asset side of statement of financial position remained relatively stable in HY1 2017 versus FY 2016 numbers. Non-current assets in HY1 2017 constituted 73% of total group assets in HY1 2017 versus 76% in FY 2016. There was a small 4% fall in property, plant and equipment value within the six month period, yet a pick-up in advances paid on fixed assets was also noticeable. There were however changes within the current asset structure composition. Inventories grew c.11% within the six month period, largely in line with revenues and due to growth in stocks of wood and other raw materials. However, receivables level grew much faster than sales in HY1 2017. As a result, despite sizeable YoY increase, the cash and cash equivalents level in HY1 2017 was at the comparable level to the end of 2016.

Contrary to the asset side, the liability side of the statement of financial position changed within the HY1 2017 period. This took place, due to shift of loans and borrowing from non-current to current liabilities, as a consequence of early repayment of corporate bonds which took place in August 2017, i.e. after the reporting date. Higher Group net income translated into higher Group's total equity, which reached EUR 275,990 thousand at the end of HY1 2017. Total equity represented 28% of total equity and liabilities at the end of HY1 2017, with the proportion being relatively stable versus end of year 2016.

3.1.3. CONSOLIDATED STATEMENT OF CASH FLOWS

TABLE 10: CONSOLIDATED STATEMENT OF CASH FLOWS IN HY1, 2017

'000 Euro	Jan. 1, – Jun. 30, 2017	Jan. 1, – Jun. 30, 2016
Net profit for the reporting year	18,618	7,110
Adjustments for:		
Depreciation and amortisation	36,846	34,629
Foreign exchange gains	-8,262	-579
Interest for the period	12,706	11,730
Profit on investing activities	11	-
Income tax disclosed in profit or loss of the period	6,664	-2,135
Amortisation of government grants	-421	-622
Result on forward contracts	-431	-1,555
Increase/(decrease) in exchange differences on translating foreign operations	457	-349
Changes in:		

- trade and other receivables	-24,428	-15,589
- inventories	-8,474	4,974
- trade and other payables	10,135	10,931
- employee benefit obligations	-681	-1,139
- provisions	-1,035	-174
Cash flows from operating activities	41,705	47,232
Income tax paid	-3,574	-4,130
Net cash provided by operating activities	38,131	43,102
Cash flows from investing activities		
Disposal of property, plant and equipment	18	-55
Acquisition of intangible assets and property, plant and equipment	-22,759	-19,015
Acquisition of the subsidiary, net of cash acquired	-	-9,692
Interest received	52	53
Net cash used in investing activities	-22,689	-28,709
Cash flows from financing activities		
Repayment of borrowings and other debt instruments	-405	-18,507
Share issue	-	80,863
Interest paid	-15,814	-15,117
Other financing activities	-	80
Net cash used in financing activities	-16,219	47,319
Increase/(Decrease) in cash	-777	61,712
Cash at beginning of the period	97,726	20,731
Cash at end of the period	96,949	82,443

The net cash from operating activities remained at a high level in HY1 2017, reaching EUR 38,131 thousand. The HY1 2017 operating line was favourably affected by higher depreciation and amortisation and lower YoY pick-up in trade and other receivables. However, stronger YoY growth in inventories in HY1 2017 coupled with fall in trade and other payables more than offset the favourable developments.

The YoY comparability of investing and financing cash flows is limited due to changes within the Group's structures which took place over the past quarters. The investing cash flow was EUR 22,689 thousand negative in HY1 2017 (CAPEX net of change in investment liabilities). Organic investments conducted translated into a 20% YoY growth in capex to EUR 22,759 thousand in HY1 2017. In HY1 2016 the investing cash flow additionally contained a EUR 9,692 thousand outlay for subsidiary. The level and sign of net financing cash flow in HY1 2016 was strongly influenced by EUR 80,863 thousand share issuance, part of Group's restructuring process. HY1 2017 financing cash flow came in at a negative EUR 16,219 thousand, mostly due to interest payments.

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			HY1, 2017	HY1, 2016
Liquid funds		mEUR	96.9	82.4
Net debt	Financial debt - liquid funds	mEUR	239.8	259.8
Net leverage	Net debt/ EBITDA (LTM)	factor	1.93	2.35
Equity ratio	Equity/ balance sheet totals	%	28.0%	26.9%
Gearing	Net debt/ equity	factor	0.9	1.0
EBITDA (LTM)	Profit from operations + depreciation + amortization	mEUR	124.1	110.5
Interest cover	EBITDA (LTM)/ net finance charges (LTM)	factor	7.2	3.3
ROCE	EBIT (LTM) / Capital employed	%	8.1%	7.6%
ROA	Net profit (LTM) / total assets at the end of the period	%	2.7%	1.1%
ROE	Net profit (LTM) / equity at the end of the period	%	9.5%	4.1%

The financial ratios of the HY1 2016 and FY 2016 represent data of the Pfleiderer Group S.A. Group including period of 19 days of January 2016.

Looking at the financing position in YoY comparison shows a moderate reduction in net debt which coupled with growing EBITDA levels resulted in favourably lower net leverage levels and comfortably higher interest cover ratio. Such important ratios like ROCE and ROE improved YoY in HY1 2017.

TABLE 12: MARGINS

	HY1, 2017	HY1, 2016
Gross profit margin	23,65%	22.80%
EBIT margin	5,79%	3.52%
Pre-tax margin	5.00%	1.09%
Net income margin	3.684%	1.55%

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 30 June 2017, certain members of the Group had 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 1 August 2017 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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) were 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.) in Wieruszów and Klatka;
- (c) Mortgage over perpetual usufructs of Pfleiderer MDF Grajewo 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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 30 June 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 1 August 2017 and certain hedging arrangements:

Security interest over shares

PCF GmbH, Pfleiderer Deutschland GmbH and Pfleiderer Vermögensverwaltung GmbH & Co. KG as pledgors had pledges over shares in Pfleiderer GmbH, Pfleiderer Deutschland GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnberg 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 Arnberg 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 30 June 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 1 August 2017. 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 Wieruszów Sp. z o.o. (Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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").

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 redeemed subsequently the Notes on August 1, 2017 at a redemption price of 101.969%.

After the reporting period, in order to secure the new obligations under the senior facilities agreement dated April 13, 2017, Pfleiderer Group S.A. on August 1, 2017 established the financial pledge and, subject to registration, the registered pledge over the shares in Pfleiderer Polska sp. z o.o. and granted the power of attorney to exercise corporate right from the pledged shares in favor of Trigon Dom Maklerski S.A. (the "Polish Security Agent").

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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo sp. z o.o., Pfleiderer Grajewo 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 Polish Security Agent.

(ii) Pfleiderer Group S.A., Pfleiderer Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.) in Wieruszów, Wieruszów/Klatka i Wieruszów/Pieczyska;
- b) Mortgage over perpetual usufructs of Pfleiderer MDF Grajewo 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo sp. z o.o., Pfleiderer 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.

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

3.2.1. STANDALONE STATEMENT OF PROFIT OR LOSS

TABLE 13: STANDALONE STATEMENT OF PROFIT OR LOSS

	PLN '000		EUR '000	
	Jan. 1 – Jun. 30 2017	Jan. 1 – Jun. 30 2016	Jan. 1 – Jun. 30 2017	Jan. 1 – Jun. 30 2016
Revenue	0	300,421	0	68,782
Results from operating activity	-16,611	11,716	-3,891	2,682
Profit before tax	343,815	69,189	80,539	15,841
Net profit for the reporting period	342,077	68,433	80,132	15,668
Basic earnings per share (in PLN/EUR)	5.29	1.08	1.24	0.25
Diluted earnings per share (in PLN/EUR)	5.29	1.08	1.24	0.25
Average PLN/EUR exchange rate			4.2689	4.3677

	PLN '000		EUR '000	
	Apr. 1 – Jun. 30 2017	Apr. 1 – Jun. 30 2016	Apr. 1 – Jun. 30 2017	Apr. 1 – Jun. 30 2016
Revenue	0	149,635	0	34,230
Results from operating activity	-8,686	5,902	-2,060	1,350
Profit before tax	319,406	32,217	75,741	7,370
Net profit for the reporting period	323,022	38,542	76,598	8,817
Basic earnings per share (in PLN/EUR)	4.99	0.60	1.18	0.14
Diluted earnings per share (in PLN/EUR)	4.99	0.60	1.18	0.14
Average PLN/EUR exchange rate			4.2171	4.3714

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 HY1 2017 results from dividend income in the amount of PLN 334,212 thousand as well as positive foreign exchange gains in the amount of PLN 37,232 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 – currently PCF 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 on these loans (PLN 11,767 thousand).

3.2.2. STANDALONE STATEMENT OF FINANCIAL POSITION

TABLE 14: STANDALONE STATEMENT OF FINANCIAL POSITION

	PLN '000		EUR '000	
	Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2017	Dec. 31, 2016
Total assets	2,311,888	2,224,785	547,076	502,890
Liabilities	789,664	973,467	186,863	220,042
Non-current liabilities	2,094	356	496	80

Current liabilities	787,570	973,111	186,367	219,962
Equity	1,522,224	1,251,318	360,213	282,848
Share capital	21,351	21,351	5,052	4,826
Number of shares	64,701,007	64,701,007	64,701,007	64,701,007
Book value per share (in PLN/EUR)	23.53	19.34	5.57	4.37
PLN/EUR exchange rate as at the end of the reporting period			4.2259	4.4240

3.2.3. STANDALONE STATEMENT OF CASH FLOWS

TABLE 15: STANDALONE STATEMENT OF CASH FLOWS

	PLN '000		EUR '000	
	Jan. 1 – Jun. 30, 2017	Jan. 1 – Jun. 30, 2016	Jan. 1 – Jun. 30, 2017	Jan. 1 – Jun. 30, 2016
Net cash provided by operating activities	-9,707	42,489	-2,274	9,728
Net cash provided by/ used in investing activities	-4	-605,118	-1	-138,544
Net cash used in financing activities	7,015	571,811	1,643	130,918
Total net cash flow	-2,696	9,182	-632	2,102
Average PLN/EUR exchange rate			4.2689	4.3677

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

TABLE 16: PFLEIDERER GROUP S.A. SALES MARGINS

	Jan. 1, – Jun. 30, 2017	Jan. 1, – Jun. 30, 2016
Operating margin		
Operating profit / Revenue	n.a.	4.00%
Pre-tax margin		
Profit before tax / Revenue	n.a.	23.03%
Net margin		
Net profit / Revenue	n.a.	22.78%

Starting from 1 September 2016 Pfleiderer Group S.A. is a pure holding company, thus did not record any revenue in HY1/17.

3.3. NON-RECURRING EVENTS

There were no non-recurring events which might affect the Group or Pfleiderer Group S.A.'s financial performance occurred in HY1, 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: Moody's rates Pfleiderer's proposed term loan (P)Ba3; upgrades

CFR to Ba3; stable outlook

Pfleiderer Group S.A.'s corporate family rating (CFR) was upgraded to Ba3 from B1 on 22 March 2017. The upgrade recognised the Group's solid performance through fiscal year 2016, which showed strong profit growth thanks to productivity improvements and cost savings, as well as Moody's-adjusted leverage declining below our 3.5x debt/EBITDA guidance for an upgrade. The rating action also followed Pfleiderer's proposed refinancing of its €322 million notes with a new 7-year €350 million term loan, which we expect will significantly lower the group's financing costs and, hence, strengthen its cash flow and coverage metrics.

The Ba3 CFR is further supported by (1) Pfleiderer's leading positions in the concentrated markets of wood based particleboards in Germany and Poland, an elsewhere rather commoditized industry, (2) a portfolio geared towards value-added and more profitable products, such as high pressure laminates and melamine-faced chipboards (c.60% of group sales), (3) a well-diversified customer base with long-standing relationships, (4) improved profitability in 2016 owing to extensive restructuring measures and synergies associated with the "One Pfleiderer" integration project, and (5) supportive economic and industry fundamentals in the group's core European markets. 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 recommended 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.

On 21 June 2017 the Ordinary General Meeting of Shareholders of the Parent Company adopted a resolution concerning distribution of net profit for the period from January 1st to December 31st 2016, providing for the dividend payment for the Company's shareholders in the amount of PLN 71,171,107.70 representing PLN 1.10 per each share. Additionally, the Ordinary General Meeting of Shareholders of the Parent Company set the following dates: 1) a dividend date (the date used

to prepare the list of shareholders eligible to receive the dividend) was set for 5 July 2017, and 2) dividend payment date was set for 19 July 2017.

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 30 June 2017, 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	Jun. 30, 2017	Dec. 31, 2016
Non-current liabilities		
Non-current portion of interest-bearing bonds	-	329,762
Bank borrowings	-	-
Total	-	329,762
Current liabilities		
Current portion of interest-bearing bonds	336,435	10,555
Other interest bearing liabilities	324	343
Total	336,759	10,898

On 27 June 2014, PCF GmbH issued 7.875% Senior Secured Notes originally 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 measured at fair value on the acquisition date, 19 January 2016 (EUR 332 943 thousand). On 23 June 2017 the Group announced an irrevocable notice to fully redeem Senior Secured Notes. The redemption occurred subsequently on August 1, 2017 at a redemption price of 101.969% (plus accrued and unpaid interest). The Group recognized redemption fee of EUR 6 293 thousand (EUR 6 334 thousand as of redemption date) in short term portion of interest bearing bonds. The bonds were revalued at amortized cost and have a carrying value of EUR 319 587 thousand as of 30 June 2017. Due to accelerated repayment date to 1 August 2017 the bonds were classified as short term.

The short term portion of interest bearing notes relates also to accrued interest of EUR 10 555 thousand.

Bank loans

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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo Sp. z o.o., Pfleiderer Silekol Sp. z o.o (formerly Silekol Sp. z o.o.),

concluded the Amendment Agreement amending the super senior 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 Luxemburg as a security agent "Security Agent".

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 1,523 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 2,273 thousand and PLN 1,040 thousand (EUR 246 thousand). 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.

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.

Several bank credit lines existing at that time were repaid fully on February 11, 2016.

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 for ancillary facilities 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.

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

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 took place on August 1, 2017. Pfleiderer used those amounts to repay the Senior Secured Notes issued June 27, 2014 (PCF GmbH), the existing credit facility agreements originally dated 4 July, 2014 (see above) and for general corporate purposes and working capital requirements of the Group.

The EUR 450 000 000 are split into a Term Loan B ("TLB") amounting to EUR 350 000 000 (PCF GmbH) with a tenor of seven years and Revolving Credit Facilities with a tenor of five years amounting to EUR 50 000 000 and PLN 211 480 000.

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

LENDER	CURRENCY	INTEREST RATE	DURATION FROM	DURATION TO		CREDIT LIMIT EUR	Jun. 30, 2017		Dec. 31, 2016		
							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	0	2,366	2,267	-	2,267
Bank Millennium S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	*)	5,523	0	5,523	7,129	-	7,129
Bank Zachodni WBK S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	*)	4,733	0	4,733	4,535	-	4,535
Bank Zachodni WBK S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	*)	7,099	0	7,099	6,802	-	6,802
PKO Bank Polski S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	*)	4,733	0	4,733	4,535	-	4,535
PKO Bank Polski S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	*)	7,099	0	7,099	6,802	-	6,802
Alior Bank S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	*)	7,099	0	7,099	6,802	-	6,802
Alior Bank S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	*)	4,733	0	4,733	4,535	-	4,535
Guarantees Core East											
Bank Millennium S.A.	PLN		4 Jul 2014	30 Apr 2019	*) **)	3,469	3,469		1,487	1,487	
<i>bank guarantee/s issued in favour of National Forests</i>			<i>27 Jan 2014</i>	<i>28 Feb 2018</i>		1,656	1,656		1,428	1,428	
<i>bank guarantee issued in favour of of Descont Sp. z o.o.</i>			<i>22 Sep 2015</i>	<i>20 Sep 2017</i>		61	61		59	59	
<i>Letter of Credit EUR 430.500</i>			<i>31 Jan 2017</i>	<i>15 Dec 2017</i>		495	495		0	0	
<i>Letter of Credit EUR 1.092.000</i>			<i>22 Jun 2017</i>	<i>22 Apr 2018</i>		1,256	1,256		0	0	
Limit of credit cards East											
Bank Millennium S.A.	PLN		4 Jul 2014	30 Apr 2019	*) **)	473	0	473	453	20	433
TOTAL CORE EAST						47,327	3,469	43,858	45,347	1,507	43,840

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

LENDER	CURRENCY	INTEREST RATE	DURATION FROM	DURATION TO		CREDIT LIMIT	Jun. 30, 2017		CREDIT LIMIT	Dec. 31, 2016	
							DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR		DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR
<i>Core West – RCF</i>											
BNP Paribas	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	*)	15,000	0	15,000	15,000	0	15,000
KfW	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	*)	15,000	0	15,000	15,000	0	15,000
Commerzbank AG	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	*)	3,000	0	3,000	3,000	0	3,000
Commerzbank AG (Ancillary)	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	*) **)	9,481	0	9,481	9,672	0	9,672
Deutsche Bank AG	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	*)	7,500	0	7,500	7,500	0	7,500
Deutsche Bank AG (Ancillary)	EUR	EURIBOR + margin	4 Jul 2014	30 Apr 2019	*)	6,000	0	6,000	6,000	0	6,000
<i>Guarantees Core West</i>											
Commerzbank AG	EUR		4 Jul 2014	30 Apr 2019	*) **)	2,519	2,519	0	2,328	2,328	-
bank guarantee issued in EUR						2,273	2,273		2,092	2,092	
bank guarantee issued in PLN						246	246		236	236	
Deutsche Bank AG (Ancillary – Guarantees)	EUR		4 Jul 2014	30 Apr 2019	*)	1,500	0	1,500	1,500	0	1,500
<i>Other debt instruments</i>											
Senior Secured Notes issued	EUR		7 Jul 2014	1 Aug 2019	*)	321,684	321,684	0	321,684	321,684	-
TOTAL CORE WEST						381,684	324,203	57,481	381,684	324,012	57,672

*) Restructuring of Financings envisaged with effective date 01. August 2017

***) drawings under these ancillaries will be roled-into new ancillaries under the new financing

Liabilities under borrowings from related parties

As at 30 June 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 30 June 2017, the Company has loan receivables of PLN 105,609 thousand granted to subsidiary Pfleiderer MDF Grajewo Sp. z o.o. Interest on loans are accrued on a monthly basis and presented as financial income. The loans granted to Pfleiderer MDF Grajewo 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 PCF GmbH. Transfer of funds in the amount of EUR 43,587 thousand (PLN 193,919 thousand) took place in January 2016.

On 27 June 2017 the shareholders signed a resolution, pursuant to which profit for 2016 generated by PCF GmbH, a subsidiary, in the amount of EUR 79 170 thousand should be transferred to Pfleiderer Group S.A. with reservation that the portion of EUR 60,000 thousand shall be offset with Company's liabilities and the remaining portion of EUR 19 170 thousand shall be paid by 7 July 2017.

On 30 June 2017 the Company and PCF GmbH, the subsidiary, concluded an Offset and Debt Repayment Agreement. As a result, the entire loan amount of EUR 45 524 thousand, consisting of the capitalized principal of EUR 44 837 thousand and interest accrued by 30 June 2017 of EUR 687 thousand was settled.

In connection with the acquisition of a subsidiary PCF 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. to Pfleiderer Service GmbH regarding sale of Pfleiderer Group S.A. shares held by Pfleiderer Service GmbH after the settlement of Secondary Offering to Atlantik S.A.

As of 30 June 2017 part of obligation in the amount of EUR 14.476 thousand was settled as a result of the compensation and loan repayment agreement signed with PCF GmbH.

The amount of debt due on 30 June 2017 after the abovementioned settlement amounted to EUR 126 501 thousand.

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

As at 30 June 2017, 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 program, 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 Wieruszów Sp. z o.o. (formerly 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 Wieruszów Sp. z o.o. (formerly 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 30 June 2017, the Company's debt under issued notes totaled PLN 138,891 thousand (the nominal value of the notes is EUR 139 000 thousand). The notes are used to optimize the management of financial liquidity within the Group, reduce external debt and finance day-to-day operations.

Pfleiderer Group S.A. rolled over commercial papers on 17 July 2017.

Use of issuance

The notes were 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 unfavorable 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 minimize losses arising out of unfavorable 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 HY1 2017, over 92% 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 on a regular basis.

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 forecasted 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 Grajewo Sp. z o.o. of PLN 105,609 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 126,501 thousand 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).

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SHARES AND SHAREHOLDING STRUCTURE



4. SHARES AND SHAREHOLDING STRUCTURE

4.1. SHAREHOLDING STRUCTURE

TABLE 21: SHAREHOLDER STRUCTURE AS OF 30 JUNE 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 as at 31.12.2016	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 30 June 2017. As a result, the shareholder structure at the date of release of financial statements was as follows:

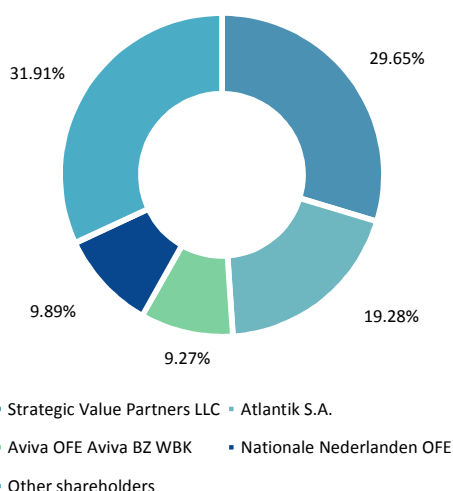
TABLE 23: SHAREHOLDER STRUCTURE AS OF 23 August 2017

	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%

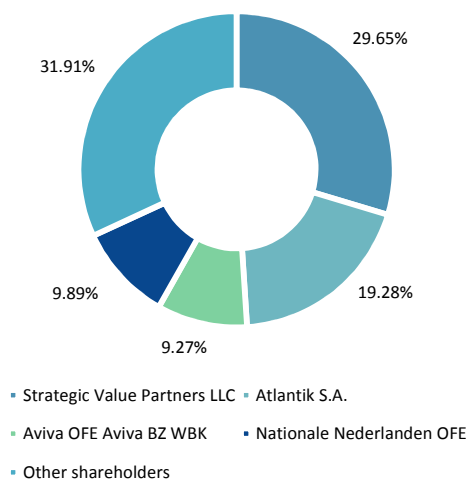
According to latest available information

FIGURE 12: SHAREHOLDING STRUCTURE

AS AT JUNE 30, 2017



AS AT AUGUST 23, 2017



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.

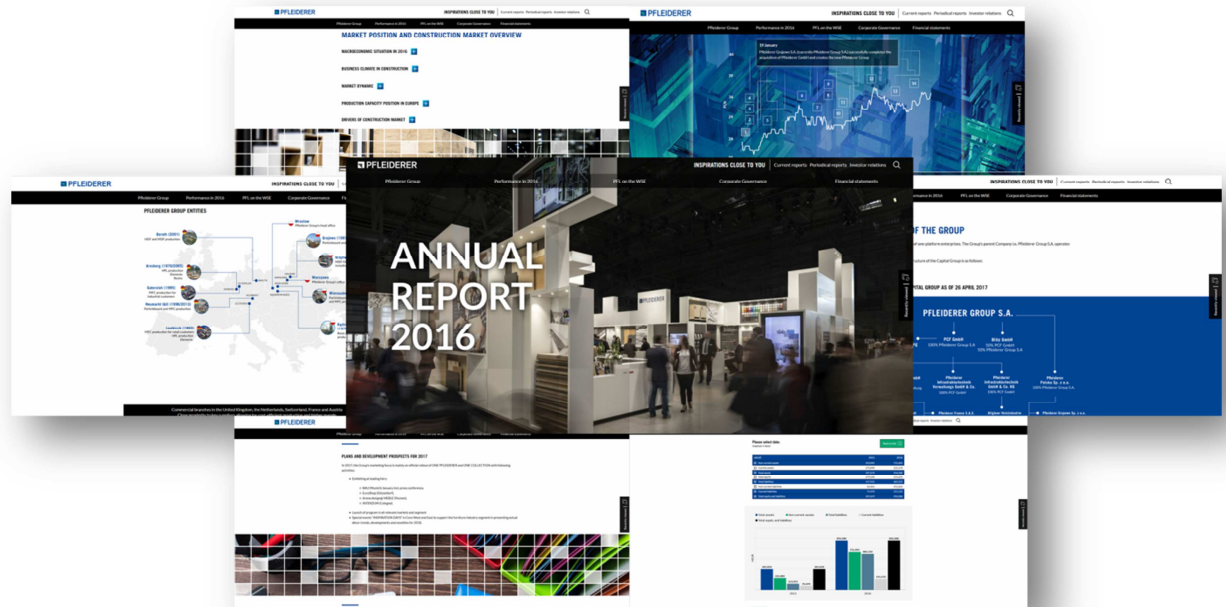
The competition “Listed Company of the Year” is the oldest and most prestigious ranking on the market and the prizes are awarded by about 100 brokers, analysts and investment advisors selected randomly. The criteria considered by the experts include the competencies of the management board, prospects 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.

In June 2017 Pfleiderer Group has published its first Online Annual Report

Online Annual Report for 2016 – the dedicated Website has a number of functionalities and is an important source of information about the Group. Financial data, corporate events and achievements in 2016 are presented in a user friendly and attractive way. The online report has several infographics, animations and multimedia content. Intuitive menu and storage make it easy for the user to navigate the site.

In the "Interactive charts" tab, the user can analyze individual financially-operative data by comparing them on interactive charts. All data from the annual report are available in the download center under the "For download" tab. The interactive service is also available in the mobile mode.

The Online Annual Report is available at: <http://annualreport2016.pfleiderer.pl/>



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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:

- President of the Management Board Thomas Schäbinger - 16,250 shares.
- Member of the Management Board Wojciech Gątkiewicz - 5,400 Company shares.
- Member of the Management Board Rafał Karcz - 3,472 Company shares.

The nominal 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 JUNE 30, 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 June 30, 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 JUNE 30, 2017



TOM K. SCHÄBINGER

PRESIDENT OF THE
MANAGEMENT BOARD

Mr. Thomas Schäbinger (born in 1962) is a graduate of the Vienna University of Economics & Business (in 1989 he graduated in Studies of Business Administration) and Secondary School for Mechanical Engineering in St. Pölten (in 1982 he graduated with distinction as Engineer (Ingenieur)). Mr. Thomas Schäbinger has been working as CEO for Bundy Refrigeration Group (cooling technology provider) since 2015 and has been managing partner of TS TRUST GmbH (a capital investment company) since 2014. 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), including several positions as Chief Executive Officer. Previously, Mr. Thomas Schäbinger worked in various management positions including at Unilever and at Beiersdorf.



**WOJCIECH
GAŃKIEWICZ**

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 Gątkiewicz 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). Additionally 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 University 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 KAR CZ

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 9 May Mr. Ivo Schintz was nominated to a position of Member of the Management Board, Chief Commercial Officer, effectively from 1 August 2017. Mr Ivo Schintz (born in 1957) is Dutch. He completed National Agricultural College in Deventer in Netherlands with a title of Engineer and obtained International Management MBA title at Thunderbird School of Global Management in USA. Since 1997 Mr Ivo Schintz has been working for Tarkett SA – a worldwide leader of innovative and sustainable flooring and sports surface solutions - in various management positions. Since 2004 Mr Ivo Schintz has been holding a position of Vice President, member of executive committee of division EMEA (Europe, Middle East, Africa) and since 2011 has been holding a position of Area Vice President for Central Europe activity. Previously, Mr Ivo Schintz worked in various management positions including Philips Lighting BV and Dokkumer Vlagen Centrale BV.

Changes in the Management Board

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. 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.

6. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 1 August 2017 the 7.875% Senior Secured Notes were repaid by funds drawn under the new Term Loan B. Furthermore the old revolving credit facility for EUR 60 Mio. and PLN 200 Mio. has been cancelled and replaced by the new revolving credit facilities for EUR 50 Mio. and PLN 211,48 Mio (with an margin of 3,00% p.a., tenor 5-years). For further information, see Note 3.7.

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 30 June 2017 and the comparative data have been prepared in compliance with the applicable accounting policies and give a fair and clear view of the Pfleiderer Group S.A. Group's assets and financial results, and that the interim condensed consolidated and standalone Directors' Report on the Pfleiderer Group 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, 23 August 2017

Thomas Schäbinger

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*

Rafał Karcz

*Member of the Management Board,
Chief Administration Officer*

Ivo Schintz

*Member of the Management Board,
Chief Commercial Officer*

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**REPORT OF INDEPENDENT AUDITOR ON REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2017
TO 30 JUNE 2017**

To the Shareholders and Supervisory Board of Pfeiderer Group S.A. Capital Group

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Pfeiderer Group S.A. Capital Group (hereinafter: the "Capital Group"), for which Pfeiderer Group S.A. (hereinafter: the "Parent Company") with its registered office in Wrocław, Strzegomska 42AB is the Parent Company, including consolidated statement of financial position prepared as at 30 June 2017, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the 6 months period then ended and other explanatory information.

Management Board of the Parent Company is responsible for the preparation and fair presentation of this interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards as adopted for use by the European Union regarding interim financial reporting (IAS 34). Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with National Auditing Standard 2410 in line with the wording of the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" adopted by Resolution No. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 as amended.

A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on this interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not comply in all material respects with the requirements of IAS 34 "Interim Financial Reporting".

Marcin Diakonowicz
Key certified auditor
conducting the review
No. 10524

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Marcin Diakonowicz – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 23 August 2017

The above review report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

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 AND SIX MONTH PERIOD ENDED
30 JUNE 2017**

PFLEIDERER GROUP S.A. GROUP
Unaudited condensed consolidated interim financial statements for
the three and six month periods ended 30 June 2017

(all amounts in EUR thousand unless otherwise stated)

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

PFLEIDERER GROUP S.A. GROUP
Unaudited condensed consolidated interim financial statements for
the three and six month periods ended 30 June 2017

(all amounts in EUR thousand unless otherwise stated)

Unaudited interim condensed consolidated statement of financial position

ASSETS			
'000 EUR	Note	Jun. 30, 2017	Dec. 31, 2016
Property, plant and equipment	7.	528 589	548 863
Intangible assets		87 212	83 091
Goodwill		67 241	66 171
Long term investments		515	515
Investment property		913	875
Deferred tax assets		7 132	5 948
Advances paid on fixed assets		10 447	3 016
Government grants receivables		12 931	12 921
Other noncurrent assets		2	2
Non-current assets		714 982	721 402
Inventories		101 960	91 903
Trade and other receivables	9.	67 613	42 531
Income tax receivable		1 441	376
Government grant receivables		1 232	642
Cash and cash equivalents		96 949	97 726
Fair value of hedging instruments		318	0
Other short term financial assets		266	0
Current assets		269 779	233 178
Total assets		984 761	954 580

LIABILITIES AND EQUITY			
'000 EUR		Jun. 30, 2017	Dec. 31, 2016
Share capital	10.	6 692	6 692
Share premium	10.	146 375	146 375
Statutory reserve funds	10.	122 924	91 801
Reserves	10.	-11 364	-13 937
Retained earnings	10.	11 363	40 324
Total equity attributable to owners of the Company		275 990	271 255
Total equity		275 990	271 255

Liabilities			
Loans and borrowings	11.	0	329 762
Provisions for employee benefits		54 197	56 893
Provisions		2 661	3 694
Deferred tax liabilities		66 719	64 176
Deferred income from government grants		17 678	17 439
Other non-current liabilities		195	239
Non-current liabilities		141 450	472 203
Loans and borrowings	11.	336 759	10 898
Income tax payable		13 817	10 559
Trade and other payables	12.	185 452	161 414
Employee related payables		27 202	22 118

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

PFLEIDERER GROUP S.A. GROUP
Unaudited condensed consolidated interim financial statements for
the three and six month periods ended 30 June 2017

(all amounts in EUR thousand unless otherwise stated)

Provisions	3 046	5 132
Deferred income from government grant	1 045	1 001
Current liabilities	567 321	211 122
Total liabilities	708 771	683 325
Total equity and liabilities	984 761	954 580

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

PFLEIDERER GROUP S.A. GROUP
Unaudited condensed consolidated interim financial statements for the three and six month periods ended 30 June 2017

(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 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016	Apr. 1 - Jun. 30, 2017	Apr. 1 - Jun. 30, 2016
Revenue		506 029	458 461	253 619	242 939
Cost of sales		-386 375	-353 917(*)	-193 564	-184 732 (*)
Profit on sales		119 654	104 544	60 055	58 207
Other income		10 025	4 689	5 838	2 066
Distribution expenses		-69 046	-55 288 (*)	-34 660	-30 431 (*)
General and administrative expenses		-26 072	-24 804	-13 428	-12 052
Other expenses		-5 266	-13 015	-948	-4 313
Result from operating activities		29 295	16 126	16 857	13 477
Financial income	6.	10 227	1 759	9 428	827
Financial expenses	6.	-22 502	-13 489	-15 152	-7 446
Exchange differences	6.	8 262	579	342	-7 289
Net financing cost		-4 013	-11 151	-5 382	-13 908
Profit before tax		25 282	4 975	11 475	-431
Income tax expense	8.	-6 664	2 135	-3 217	3 265
Net profit for the reporting period		18 618	7 110	8 258	2 834
(*) reclassification of supply chain management costs for comparability purpose					
OTHER COMPREHENSIVE INCOME					
Actuarial gains and losses net of related tax		1 503	-4 419	125	-2 010
Exchange differences		98	-8 071	-1 659	-1 139
Items that will not be reclassified subsequently to profit or loss		1 601	-12 490	-1 534	-3 149
Cash flow hedge on acquisition of the subsidiary reclassified to goodwill		0	917	0	917

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

PFLEIDERER GROUP S.A. GROUP

Unaudited condensed consolidated interim financial statements for the three and six month periods ended 30 June 2017

(all amounts in EUR thousand unless otherwise stated)

Cash flow hedge - effective portion of changes in fair value net of related tax	1 403	-1 082	923	-1 008	
Cash flow hedge - reclassified to profit or loss net of related tax	-431	-289	-281	-364	
Items that are or may be reclassified subsequently to profit or loss	972	-454	642	-455	
OTHER COMPREHENSIVE INCOME	2 573	-12 944	-892	-3 604	
Total comprehensive income for the period	21 191	-5 834	7 366	-770	
Profit for the period attributable to:					
Shareholders of the Company	18 618	7 110	8 258	2 834	
Profit for the period	18 618	7 110	8 258	2 834	
Total comprehensive income attributable to:					
Shareholders of the Company	21 191	-5 834	7 366	-770	
Total comprehensive income for the period	21 191	-5 834	7 366	-770	
Number of shares at the end of the reporting period	64 701 007	64 701 007	64 701 007	64 701 007	
Average number of shares during the reporting period	64 701 007	63 127 034	64 701 007	64 701 007	
Basic and diluted earnings per share	0,29	0,11	0,16	0,04	
Weighted-average number of ordinary shares (basic and diluted)					
	days	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016	Apr. 1 - Jun. 30, 2017	Apr. 1 - Jun. 30, 2016
31.12		64 701 007	49 624 000	64 701 007	64 701 007
30.06.2017	163	64 701 007	64 701 007	64 701 007	64 701 007
Average number of shares	182	64 701 007	63 127 034	64 701 007	64 701 007

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

PFLEIDERER GROUP S.A. GROUP
Unaudited condensed consolidated interim financial statements for the three and six month periods ended 30 June 2017

(all amounts in EUR thousand unless otherwise stated)

Unaudited interim condensed consolidated statement of changes in equity

For the six month period ended June 30, 2017:

'000 EUR	Share capital	Share premium	Reserve for own shares	Statutory reserve funds	Re-valuation reserve	Exchange rate differences	Actuarial gains and losses	Cash flow hedges	Retained earnings	Total
As at Jan. 1, 2017	6 692	146 375	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	18 618	18 618
Other comprehensive income	0	0	0	0	0	98	1 503	972	0	2 573
Total comprehensive income for the period	0	0	0	0	0	98	1 503	972	18 618	21 191
Transactions with owners recognised in equity										
Transfer of part of statutory reserve to reserve for own shares	0	0	32 181	-32 181	0	0	0	0	0	0
Transfer of part of 2016 net profit to reserve for own shares	0	0	31 123	0	0	0	0	0	-31 123	0
Dividend payment	0	0	0	0	0	0	0	0	-16 456	-16 456
Total transactions with owners recognised in equity	0	0	63 304	-32 181	0	0	0	0	-47 579	-16 456
As at Jun. 30, 2017	6 692	146 375	96 038	26 886	145	-7 956	-3 818	265	11 363	275 990

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

PFLEIDERER GROUP S.A. GROUP
Unaudited condensed consolidated interim financial statements for the three and six month periods ended 30 June 2017

(all amounts in EUR thousand unless otherwise stated)

For the six month period ended June 30, 2016:

'000 EUR	Share capital	Share premium	Un-registered issuance of shares	Reserve for own shares	Statutory 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	41 154	279 148
Comprehensive income for the period											
Net profit	0	0	0	0	0	0	0	0	0	7 110	7 110
Other comprehensive income	0	0	0	0	0	0	-8 071	-4 419	-454	0	-12 944
Total comprehensive income for the period	0	0	0	0	0	0	-8 071	-4 419	-454	7 110	-5 834
Transactions with owners recognised in equity											
Transfer of part of 2015 net profit to statutory reserve funds	0	0	0	0	993	0	0	0	0	-993	0
Share issue	1 119	78 124	-75 573	0	0	0	0	0	0	0	3 670
Dividend payment	0	0	0	0	0	0	0	0	0	-14 585	-14 585
Transactions with owners recognised in equity	1 119	78 124	-75 573	0	993	0	0	0	0	-15 578	-10 915
As at Jun. 30, 2016	6 692	146 374	0	32 734	59 067	145	-10 044	-4 419	-836	32 686	262 399

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

PFLEIDERER GROUP S.A. GROUP
Unaudited condensed consolidated interim financial statements for
the three and six month periods ended 30 June 2017

(all amounts in EUR thousand unless otherwise stated)

Unaudited interim condensed consolidated statement of cash flows

'000 EUR	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016
Net profit for the reporting period	18 618	7 110
Depreciation and amortisation	36 846	34 629
Foreign exchange gains	-8 262	-579
Interest for the period	12 706	11 730
Profit on investing activities	11	0
Income tax disclosed in profit or loss of the period	6 664	-2 135
Amortisation of government grants	-421	-622
Result on forward contracts	-431	-1 555
Increase in exchange differences on translating foreign operations	457	-349
Changes in		
trade and other receivables	-24 428	-15 589
Inventories	-8 474	4 974
trade and other payables	10 135	10 931
employee benefit obligations	-681	-1 139
Provisions	-1 035	-174
Cash generated from operating activities	41 705	47 232
Income tax (paid)/received	-3 574	-4 130
Net cash provided by operating activities	38 131	43 102
Net cash used in investing activities		
Disposal of property, plant and equipment	18	-55
Interest received	52	53
Acquisition of intangible assets and property, plant and equipment	-22 759	-19 015
Acquisition of subsidiary, net of cash acquired	0	-9 692
Net cash used in investing activities	-22 689	-28 709
Net cash used in financing activities		
Repayment of borrowings and other debt instruments	-405	-18 507
Share issue	0	80 863
Interest paid	-15 814	-15 117
Other financing activities	0	80
Net cash used in financing activities	-16 219	47 319
Total cash flows	-777	61 712
Decrease/Increase in cash	-777	61 712
Cash at beginning of the period	97 726	20 731
Cash at the end of the period	96 949	82 443

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

PFLEIDERER GROUP S.A. GROUP
Unaudited condensed consolidated interim financial statements for
the three and six month periods ended 30 June 2017

(all amounts in EUR thousand unless otherwise stated)

Notes to the unaudited interim condensed consolidated financial statements

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

PFLEIDERER GROUP S.A. GROUP
(PREVIOUSLY PFLEIDERER GRAJEWO GROUP)

**Notes to the condensed consolidated interim financial statements as for
the three and six month periods ended 30 June 2017**

(all amounts in EUR thousand)



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 23 August 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.

PFLEIDERER GROUP S.A. GROUP
(PREVIOUSLY PFLEIDERER GRAJEWO GROUP)

Notes to the condensed consolidated interim financial statements as for
the three and six month periods ended 30 June 2017
(all amounts in EUR thousand)



2. STRUCTURE OF THE GROUP

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

Eastern Europe		Jun. 30, 2017	Dec. 31, 2016
Jura Polska Sp. z o.o.	Grajewo	100%	100%
Pfleiderer Grajewo Sp. z o.o.	Grajewo	100%	100%
Pfleiderer MDF Grajewo Sp. z o.o.	Grajewo	100%	100%
Pfleiderer Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.)	Wieruszów	100%	100%
Pfleiderer Polska Sp. z o.o.	Wrocław	100%	100%
Pfleiderer Silekol Sp. z o.o.	Kędzierzyn-Koźle	100%	100%
Unifloor Sp. z o.o. (in liquidation)	Wieruszów	100%	100%
Western Europe		Jun. 30, 2017	Dec. 31, 2016
PCF GmbH, Neumarkt (previously Pfleiderer GmbH)	Neumarkt, Germany	100%	100%
Pfleiderer Austria GmbH	Wien, Austria	100%	0%
Pfleiderer Southeast Europe SRL	Bucharest, Romania	100%	0%
Pfleiderer Deutschland GmbH (prev. Pfleiderer Holzwerkstoffe GmbH)	Neumarkt, Germany	100%	100%
Pfleiderer Neumarkt GmbH	Neumarkt, Germany	100%	100%
Pfleiderer Gütersloh GmbH	Neumarkt, Germany	100%	100%
Pfleiderer Leutkirch GmbH	Leutkirch, Germany	100%	100%
Pfleiderer Erwerbengesellschaft GmbH	Neumarkt, Germany	100%	100%
Pfleiderer Arnsberg GmbH	Neumarkt, Germany	100%	100%
Pfleiderer Baruth GmbH	Baruth, Germany	100%	100%
Heller Holz GmbH	Neumarkt, Germany	100%	100%
JURA-Spedition GmbH	Neumarkt, Germany	100%	100%
Pfleiderer France S.A.S.	Reims, France	100%	100%
Pfleiderer Benelux B.V.	Deventer, Netherlands	100%	100%
Pfleiderer Suisse AG	Rapperswil, Switzerland	100%	100%
Pfleiderer UK Ltd.	Macclesfield, United Kingdom	100%	100%
Pfleiderer Vermögensverwaltung GmbH & Co. KG	Neumarkt, Germany	100%	100%
Pfleiderer Infrastrukturtechnik GmbH & Co. KG (in insolvency)	Neumarkt, Germany	100%	100%
Pfleiderer Infrastrukturtechnik Verwaltungs-GmbH (in insolvency)	Düsseldorf, Germany	100%	100%
Allgäuer Holzindustrie und Imprägnierwerk Aulendorf GmbH (i.L.)	Aulendorf, Germany	100%	100%
Blitz 11-446 GmbH (in liquidation)	Neumarkt, Germany	100%	100%

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").

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

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),

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- 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 Pfeleiderer 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:

For the six month period ended June 30, 2017:

'000 EUR	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	357 906	148 123	0	506 029
Intersegment revenues	3 997	40 358	-44 355	0
Profit/loss before income taxes	15 346	9 547	389	25 282
Financial result	7 747	-3 735	1	4 013
Result from operating activities (EBIT)	23 093	5 812	390	29 295
Depreciation and amortisation	27 325	9 571	-50	36 846
Segment earnings EBITDA	50 418	15 383	340	66 141
Cash and cash equivalents	-84 852	-11 733	-364	-96 949
Current financial liabilities	336 759	0	0	336 759
Non-current financial liabilities	0	0	0	0
Net debt	251 907	-11 733	-364	239 810
Receivables before factoring	76 093	46 930	0	123 023
Inventories	62 521	39 439	0	101 960
Liabilities	-60 585	-44 912	0	-105 497
Net working capital before factoring	78 029	41 457	0	119 486
Segment capital expenditure	14 669	5 940	0	20 609
Property, plant and equipment	357 116	171 473	0	528 589
Intangible assets	77 452	9 760	0	87 212
Advances paid on fixed assets	9 493	954	0	10 447

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For the six month period ended June 30, 2016:

'000 EUR	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	303 026	155 435	0	458 461
Intersegment revenues	2 716	14 237	-16 953	0
Profit/loss before income taxes	-4 843	8 165	1 653	4 975
Financial result	8 508	2 643	0	11 151
Result from operating activities (EBIT)	3 665	10 808	1 653	16 126
Depreciation and amortization	26 413	8 216	0	34 629
Segment earnings EBITDA	30 078	19 024	1 653	50 755
Cash and cash equivalents	-60 467	-21 578	-398	-82 443
Current financial liabilities	10 895	0	0	10 895
Non-current financial liabilities	332 776	0	0	332 776
Net debt	283 204	-21 578	-398	261 228
Receivables before factoring	61 057	42 024	0	103 081
Inventories	57 385	33 047	0	90 432
Liabilities	-60 073	-32 386	1	-92 458
Net working capital before factoring	58 369	42 685	1	101 055
Segment capital expenditure	6 235	8 681	1 640	16 556
Property, plant and equipment	378 070	154 658	0	532 728
Intangible assets	90 113	3 198	0	93 311
Advances paid on fixed assets	762	8 185	0	8 947

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 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016	Apr. 1 - Jun. 30, 2017	Apr. 1 - Jun. 30, 2016
Interest income	1 368	1 759	569	827
Other finance income	8 859	0	8 859	0
Finance income	10 227	1 759	9 428	827
Interest expense	-16 209	-13 486	-8 859	-7 445
Other finance costs	- 6 293	-3	-6 293	-1
Finance costs	-22 502	-13 489	-15 152	-7 446
Exchange differences	8 745	581	66	-6 845
Losses on translation of foreign currency financial position	-483	-2	276	-444
Other financial result	8 262	579	342	-7 289
Net finance costs	-4 013	-11 151	-5 382	-13 908

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The Group announced faster repayment of Senior Secured Notes (1 August 2017), originally scheduled to be repaid in 2019. As a result, the bonds disclosed in the financial statement at amortized cost, were revaluated due to acceleration of repayment terms. The Group recognized financial income of EUR 8 859 thousand from reassessment of loan valuation at amortized cost due to faster repayment of bonds (non-cash effect). Simultaneously the Group recognized costs of redemption fee amounting to EUR 6 293 thousand (EUR 6 334 thousand discounted as of end of June, cash effect).

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 0.6 mio for 6 months ended 30 June 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 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016	Apr. 1 - Jun. 30, 2017	Apr. 1 - Jun. 30, 2016
Cash flow hedge - effective portion of changes in fair value net of related tax	1 403	-1 082	923	-1 008
Cash flow hedge - reclassified to profit or loss net of related tax	-431	-289	-281	-364
Cash flow hedge on acquisition of subsidiary reclassified to goodwill net of related tax	0	917	0	917
	972	-454	642	-455

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 six month period ended June 30th, 2017 were EUR 20 609 thousand (including advance payments), while the capital expenditures including advance payments for the six month period ended June 30, 2016 were EUR 15 827 thousand and EUR 52 038 thousand for the entire financial year 2016.

As at June 30, 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 30 June 2017 related to new recycling facility, replacements, new lacquering line and modernizing the existing sanding line.

'000 EUR	Jun. 30, 2017	Dec. 31, 2016
Property, plant and equipment	27 776	8 761
Intangible assets	3 128	27
Commitment to purchase	30 904	8 788

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8. INCOME TAX EXPENSE

On 27 January 2017 tax capital group was registered for the purposes of settlement of CIT. The Group started tax year on 1 May 2017.

The agreement on tax capital group comprises the following entities: Pfleiderer Polska Sp. z o.o., Pfleiderer Grajewo Sp. z o.o., Pfleiderer Wieruszów Sp. z o.o., Pfleiderer Silekol Sp. z o.o., Jura Polska Sp. z o.o.

The agreement was concluded on 3 tax years, which are:

1 May 2017 – 31 December 2017

1 January 2018 – 31 December 2018

1 January 2019 – 31 December 2019

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.

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	Jun. 30, 2017	Dec. 31, 2016
Trade receivables	31 109	18 370
Trade receivables from related parties	11	8
Current prepayments and accrued income	8 182	1 652
Current VAT receivables	7 500	2 857
Other receivables	20 811	19 644
Total	67 613	42 531

The amount of EUR 20 811 thousand of other receivables as at 30 June 2017 (EUR 19 644 thousand as of 31 Dec 2016) included, among others:

- EUR 14 098 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 2 517 thousand (EUR 1 805 thousand as of 31 December 2016), for payments for trust agreements within the semi-retirement obligations.

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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 exchange rates:

	Jun. 30, 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:

	Jun. 30, 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	6 400 000	9.89%	6 400 000	9.89%
Aviva OFE Aviva BZ WBK	6 000 000	9.27%	6 000 000	9.27%
Other shareholders	20 643 297	31.91%	20 643 297	31.91%
Total	64 701 007	100%	64 701 007	100%

*according to the latest available information

Announced treasury shares repurchase programme

The General meeting of shareholders approved treasury shares repurchase programme announced by Pfleiderer Group. The entity may repurchase no more than 6,470,100 treasury shares, paid up in full, representing jointly no more than 10% of the entity's share capital.

In order to fund the repurchase of the Shares the Ordinary General Meeting resolved to establish EUR 96 mio (PLN 390 mio) capital reserve from the statutory reserve funds and retained earnings of the Parent Company for buy back.

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

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to the Company's shareholders in the amount of EUR 16 456 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 31 123 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 opinioned the above recommendation of the Management Board.

On 21 June 2017 the Ordinary General Shareholders Meeting of the Pfleiderer Group S.A. adopted a resolution concerning distribution of net profit for the period from 1 January to 31 December 2016, providing for the dividend payment for the Company's shareholders in the amount of PLN 71,171,107.70 representing PLN 1.10 per each Company' share. All of the Company's shares are covered by the dividend, i.e. 64,701,007 shares. Additionally, the Ordinary General Shareholders Meeting of the Company set the following dates: 1) a dividend date (the date used to prepare the list of shareholders eligible to receive the dividend) set for 5 July 2017, and 2) dividend payment date set for 19 July 2017.

11. BORROWINGS AND OTHER DEBT INSTRUMENTS

Non-current borrowings and other debt instruments:

'000 EUR	Jun. 30, 2017	Dec. 31, 2016
Non-current portion of interest-bearing bonds	0	329 762
Bank borrowings	0	0
Total	0	329 762

Current borrowings and other debt instruments:

'000 EUR	Jun. 30, 2017	Dec. 31, 2016
Current portion of interests-bearing bonds	336 435	10 555
Other interest bearing liabilities	324	343
Total	336 759	10 898

Corporate bonds – refinancing

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 measured at fair value on the acquisition date, 19 January 2016 (EUR 332 943 thousand). On 23 June 2017 the Group announced an irrevocable notice to fully redeem Senior Secured Notes. The redemption will occur on August 1, 2017 at a redemption price of 101.969% (plus accrued and unpaid interest) The Group recognized redemption fee of EUR 6 293 thousand (EUR 6 334 thousand as of redemption date) in short term portion of interest bearing bonds. The bonds were revalued at amortized cost and have a carrying value of EUR 319 587 thousand as of 30 June 2017. Due to accelerated repayment date to 1 August 2017 the bonds were classified as short term.

The short term portion of interest bearing notes relates also to accrued interest of EUR 10 555 thousand.

Bank loans

Revolving Facility Agreement

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

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PCF GmbH (formerly Pfeleiderer GmbH), Pfeleiderer Services GmbH (meanwhile merged into PCF GmbH), Pfeleiderer Deutschland GmbH (formerly Pfeleiderer Holzwerkstoffe GmbH), Pfeleiderer Neumarkt GmbH, Pfeleiderer Leutkirch GmbH, Pfeleiderer Gütersloh GmbH, Pfeleiderer Arnsberg GmbH, Pfeleiderer Baruth GmbH, Jura - Spedition GmbH, Pfeleiderer Vermögensverwaltung GmbH & Co. KG, Pfeleiderer Wieruszów Sp. z o.o. (formerly Pfeleiderer Prospan S.A.), Pfeleiderer MDF Grajewo Sp. z o.o., Pfeleiderer 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 Pfeleiderer 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 Luxemburg	as a security agent "Security Agent".

On 19 January 2016, an amendment to the RCF Agreement came into force which provided Pfeleiderer 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 - Pfeleiderer Grajewo Sp. z o.o. and Pfeleiderer Polska Sp. z o.o. (previously Pfeleiderer 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 1 523 thousand. The RCF Agreement provides Pfeleiderer 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 2 273 thousand and PLN 1 040 thousand (EUR 246 thousand). 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.

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 Pfeleiderer Group S.A. Group.

Several bank credit lines existing at that time were repaid fully on 11 February 2016.

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 Pfeleiderer Group S.A. and its subsidiaries, which have been agreed between Pfeleiderer Group S.A. and the particular borrower or its associated company).

The total agreed limits for ancillary facilities 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 are assigned to finance corporate needs and the working capital of Pfeleiderer 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.

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

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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 took place on August 1, 2017. Pfleiderer used those amounts to repay the Senior Secured Notes issued June 27, 2014 (PCF GmbH), the existing credit facility agreements originally dated 4 July, 2014 (see above) and for general corporate purposes and working capital requirements of the Group.

The EUR 450 000 000 are split into a Term Loan B ("TLB") amounting to EUR 350 000 000 (PCF GmbH) with a tenor of seven years and Revolving Credit Facilities with a tenor of five years amounting to EUR 50 000 000 and PLN 211 480 000.

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Financings Core East (excluding factoring and operating leases)

LENDER	CURRENCY	INTEREST RATE	DURATION FROM	DURATION TO		Jun. 30, 2017			Dec. 31, 2016		
						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	0	2 366	2 267	-	2 267
Bank Millennium S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	*)	5 523	0	5 523	7 129	-	7 129
Bank Zachodni WBK S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	*)	4 733	0	4 733	4 535	-	4 535
Bank Zachodni WBK S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	*)	7 099	0	7 099	6 802	-	6 802
PKO Bank Polski S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	*)	4 733	0	4 733	4 535	-	4 535
PKO Bank Polski S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	*)	7 099	0	7 099	6 802	-	6 802
Alior Bank S.A.	PLN	WIBOR + margin	19 Jan 2016	30 Apr 2019	*)	7 099	0	7 099	6 802	-	6 802
Alior Bank S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	30 Apr 2019	*)	4 733	0	4 733	4 535	-	4 535
Guarantees Core East											
Bank Millenium S.A.	PLN		4 Jul 2014	30 Apr 2019	*) **)	3 469	3 469		1 487	1 487	
<i>bank guarantee/s issued in favour of National Forests</i>			27 Jan 2014	28 Feb 2018		1 656	1 656		1 428	1 428	

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<i>bank guarantee issued in favour of of</i>										
<i>Descont Sp. z o.o.</i>		22 Sep 2015	20 Sep 2017		61	61		59		59
<i>Letter of Credit EUR 430.500</i>		31 Jan 2017	15 Dec 2017		495	495		0		0
<i>Letter of Credit EUR 1.092.000</i>		22 Jun 2017	22 Apr 2018		1 256	1 256		0		0
<hr/>										
Limit of credit cards East										
<hr/>										
Bank Millenium S.A.	PLN	4 Jul 2014	30 Apr 2019	*) **)	473	0	473	453	20	433
<hr/>										
TOTAL CORE EAST					47 327	3 469	43 858	45 347	1 507	43 840

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Financing Core West (excluding ABCP and operating leases)

LENDER	CURRENCY	INTEREST RATE	DURATION FROM	DURATION TO	CREDIT LIMIT	Jun. 30, 2017			Dec. 31, 2016	
						DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR	CREDIT LIMIT	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR
<i>Core West – RCF</i>										
BNP Paribas	EUR	EURIBOR + Margin	4 Jul 2014	30 Apr 2019 *)	15 000	0	15 000	15 000	0	15 000
KfW	EUR	EURIBOR + Margin	4 Jul 2014	30 Apr 2019 *)	15 000	0	15 000	15 000	0	15 000
Commerzbank AG	EUR	EURIBOR + Margin	4 Jul 2014	30 Apr 2019 *)	3 000	0	3 000	3 000	0	3 000
Commerzbank AG (Ancillary)	EUR	EURIBOR + Margin	4 Jul 2014	30 Apr 2019 *) **)	9 481	0	9 481	9 672	0	9 672
Deutsche Bank AG	EUR	EURIBOR + Margin	4 Jul 2014	30 Apr 2019 *)	7 500	0	7 500	7 500	0	7 500
Deutsche Bank AG (Ancillary)	EUR	EURIBOR + Margin	4 Jul 2014	30 Apr 2019 *)	6 000	0	6 000	6 000	0	6 000
<i>Guarantees Core West</i>										
-										
Commerzbank AG	EUR		4 Jul 2014	30 Apr 2019 *) **)	2 519	2 519	0	2 328	2 328	-
-										
bank guarantee issued in EUR					2 273	2 273		2 092	2 092	
bank guarantee issued in PLN					246	246		236	236	
Deutsche Bank AG (Ancillary – Guarantees)	EUR		4 Jul 2014	30 Apr 2019 *)	1 500	0	1 500	1 500	0	1 500
<i>Other debt instruments</i>										

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Senior Secured Notes issued	EUR	7 Jul 2014	1 Aug 2019	*)	321 684	321 684	0	321 684	321 684	-
TOTAL CORE WEST					381 684	324 203	57 481	381 684	324 012	57 672

*) Restructuring of Financings envisaged with effective date 01. August 2017

**) drawings under these ancillaries will be roled-into new ancillaries under the new financing

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Liabilities under borrowings from related parties

As at 30 June 2017 and 31 December 2016, the Group did not carry any borrowings from related parties.

12. TRADE PAYABLES AND OTHER

'000 EUR	Jun. 30, 2017	Dec. 31, 2016
Trade payables	105 497	89 059
Outstanding dividend distribution	16 842	0
Liabilities under factoring agreements	30 225	32 793
Insolvency-related liabilities of PCF GmbH	10 322	10 322
VAT liabilities	1 239	486
Liabilities for capital expenditures	304	2 527
Liabilities from derivatives (forward transactions)	24	724
Prepaid deliveries	33	354
Other liabilities	20 966	25 149
Total	185 452	161 414

Other liabilities as of 30 June 2017 comprised mainly of:

- accruals for antitrust proceedings of EUR 4 550 thousand (EUR 7 650 thousand as of 31 Dec 2016),
- taxation related to the acquisition EUR 5 264 thousand (EUR 5 422 thousand as of 31 December 2016),
- other tax payables of EUR 2 270 thousand (EUR 2 311 thousand as of 31 December 2016) and
- provisions for the cost of emission rights EUR 225 thousand (EUR 616 thousand as of 31 December 2016).

13. FINANCIAL INSTRUMENTS

13.1. Fair value of financial assets and liabilities

The fair value of financial assets and liabilities approximate their carrying amounts as at 30 June 2017 and 31 December 2016 with the exception of the High Yield Bond, listed at the Irish Stock Exchange, quoted at 102.20% of par value (level 1) on 30 June 2017, equal to EUR 328 761 thousand (carrying amount of EUR 319 587 thousand, plus accrued interest of EUR 10 555 thousand).

13.2. Valuation of financial assets and liabilities at fair value

As at 30 June 2017, the Group held 15 open forward contracts with a nominal exposure amounting to EUR 24 100 thousand. The fair value of the open contracts amounted to EUR 318 thousand asset and EUR 24 thousand liability, 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.

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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 30 June 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 1 August 2017 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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 Wieruszów Sp, z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo 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.

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Mortgages

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

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

Submissions to enforcement

Pfeiderer Group S.A., Pfeiderer Wieruszów Sp. z o.o. (formerly Pfeiderer Prospan S.A.), Pfeiderer MDF Grajewo Sp. z o.o. , Pfeiderer Grajewo Sp. z o.o., Pfeiderer 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. Pfeiderer GmbH) 7.875% Senior Secured Notes with nominal a value of EUR 321 684 thousand due 1 August 2017 and certain hedging arrangements:

Security interest over shares

PCF GmbH, Pfeiderer Deutschland GmbH and Pfeiderer Vermögensverwaltung GmbH & Co. KG as pledgors had pledges over shares in PCF GmbH (ex. Pfeiderer GmbH), Pfeiderer Deutschland GmbH, Pfeiderer Neumarkt GmbH, Pfeiderer Leutkirch GmbH, Pfeiderer Gütersloh GmbH, Pfeiderer Arnsberg GmbH, Pfeiderer Baruth GmbH and Jura-Spedition GmbH and over partnership interests in Pfeiderer Vermögensverwaltung GmbH & Co. KG.

Security interest over bank accounts

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

Security interest over receivables

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

Security interest over moveable assets

Pfeiderer Deutschland GmbH, Pfeiderer Neumarkt GmbH, Pfeiderer Leutkirch GmbH, Pfeiderer Arnsberg GmbH and Pfeiderer Baruth GmbH as transferors, have transferred as security their moveable assets (including machin-

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ery and equipment, inventory).

Security interest over intellectual property

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

Mortgages

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

C) Guarantees by the members of the Group

As at 30 June 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. Pfeleiderer GmbH) and due in 1 August 2017. These members of the Group are: Pfeleiderer Group S.A., PCF GmbH, Pfeleiderer Deutschland GmbH, Pfeleiderer Neumarkt GmbH, Pfeleiderer Leutkirch GmbH, Pfeleiderer Gütersloh GmbH, Pfeleiderer Arnsberg GmbH, Pfeleiderer Baruth GmbH, Jura-Spedition GmbH, Pfeleiderer Vermögensverwaltung GmbH & Co. KG, Pfeleiderer Wieruszów Sp. z o.o. (formerly Pfeleiderer Prospan S.A.), Pfeleiderer MDF Grajewo Sp. z o.o., Pfeleiderer Grajewo Sp. z o.o., Pfeleiderer Polska Sp. z o.o. and Pfeleiderer Silekol Sp. z o.o. (the "Existing 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 Pfeleiderer 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, Pfeleiderer redeemed subsequently the Notes on August 1, 2017 at a redemption price of 101.969%.

After the reporting period, in order to secure the new obligations under the senior facilities agreement dated April 13, 2017, Pfeleiderer Group S.A. on August 1, 2017 established the financial pledge and, subject to registration, the registered pledge over the shares in Pfeleiderer Polska sp. z o.o. and granted the power of attorney to exercise corporate right from the pledged shares in favor of Trigon Dom Maklerski S.A. (the "Polish Security Agent").

Following the initial utilization of the facilities under the senior facilities agreement dated April 13, 2017, the existing security interests granted by the Polish Pfeleiderer 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) Pfeleiderer Group S.A. will enter into the agreements for financial and registered pledges over shares in Pfeleiderer Wieruszów Sp. z o.o. (formerly Pfeleiderer Prospan S.A.), Pfeleiderer MDF Grajewo Sp. z o.o., Pfeleiderer Grajewo

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sp. z o.o. and Pfeleiderer 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 Polish Security Agent.

(ii) Pfeleiderer Group S.A., Pfeleiderer Wieruszów Sp. z o.o. (formerly Pfeleiderer Prospan S.A.), Pfeleiderer MDF Grajewo Sp. z o.o., Pfeleiderer Grajewo Sp. z o.o., Pfeleiderer Polska Sp. z o.o. and Pfeleiderer 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) Pfeleiderer Group S.A., Pfeleiderer Wieruszów Sp. z o.o. (formerly Pfeleiderer Prospan S.A.), Pfeleiderer MDF Grajewo Sp. z o.o., Pfeleiderer Grajewo Sp. z o.o., Pfeleiderer Polska Sp. z o.o. and Pfeleiderer 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 Pfeleiderer Wieruszów Sp. z o.o. (formerly Pfeleiderer Prospan S.A.) in Wieruszów, Wieruszów/Klatka i Wieruszów/Pieczyska;
- b) Mortgage over perpetual usufructs of Pfeleiderer MDF Grajewo Sp. z o.o. in Grajewo; and
- c) Mortgage over properties and perpetual usufructs of Pfeleiderer Silekol Sp. z o.o. in Kędzierzyn-Koźle.

(v) Pfeleiderer Group S.A., Pfeleiderer Wieruszów Sp. z o.o. (formerly Pfeleiderer Prospan S.A.), Pfeleiderer MDF Grajewo Sp. z o.o., Pfeleiderer Grajewo Sp. z o.o., Pfeleiderer Polska Sp. z o.o. and Pfeleiderer 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 Pfeleiderer 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) Pfeleiderer Group S.A., PCF GmbH, Pfeleiderer Deutschland GmbH as pledgors will grant pledges over shares in PCF GmbH, Pfeleiderer Deutschland GmbH, Pfeleiderer Neumarkt GmbH, Pfeleiderer Leutkirch GmbH, Pfeleiderer Gütersloh GmbH, Pfeleiderer Arnsberg GmbH and Pfeleiderer Baruth GmbH.

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

(iii) PCF GmbH, Pfeleiderer Deutschland GmbH, Pfeleiderer Neumarkt GmbH, Pfeleiderer Leutkirch GmbH, Pfeleiderer Gütersloh GmbH, Pfeleiderer Arnsberg GmbH, Pfeleiderer 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: Pfeleiderer Group S.A., PCF GmbH, Pfeleiderer Deutschland GmbH, Pfeleiderer Neumarkt GmbH, Pfeleiderer Leutkirch GmbH, Pfeleiderer Gütersloh GmbH, Pfeleiderer Arnsberg GmbH, Pfeleiderer Baruth GmbH, Pfeleiderer Wieruszów Sp. z o.o. (formerly Pfeleiderer Prospan S.A.), Pfeleiderer MDF Grajewo Sp. z o.o., Pfeleiderer Grajewo Sp. z o.o., Pfeleiderer Polska Sp. z o.o., Pfeleiderer 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 dated April 13, 2017. The Existing

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Guarantees will be terminated upon this refinancing.

14.2. Contingent liabilities

As at 30 June 2017 the Group did not identify any significant contingent liabilities except for an 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., Pfeleiderer Group S.A. (formerly Pfeleiderer Grajewo S.A.) and Pfeleiderer Wieruszów Sp. z o.o. (formerly Pfeleiderer 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 Pfeleiderer Group S.A. and/or Pfeleiderer Wieruszów Sp. z o.o. 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 30 June 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, Pfeleiderer AG) and certain competitors had, for a period from at least 2004 through 2007, violated German competition law by coordinating price increases and minimum prices in the German market. As a result, the German Federal Cartel Office in September 2011 fined this group of market participants and certain individuals a total of EUR 42 million on the 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 Pfeleiderer Group's customers have sued the Pfeleiderer 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 30 June 2017 accruals related to antitrust violations of EUR 4 550 thousand including costs related to legal proceedings with Classen as well as legal costs and amicable settlements of claims from Alno and Oeseder. 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 Pfeleiderer Group's current customers, filed an action with the regional court of Düsseldorf (Landgericht Düsseldorf) against the liquidator (Sachwalter) of PCF GmbH during the insolvency proceedings in 2012 (then Pfeleiderer AG) seeking payment of the insolvency quota in the amount of EUR 1.3 million based on the same deliveries as in the case against Pfeleiderer Baruth GmbH de-

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scribed 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 plan. This decision is binding.

In December 2012, Classen also filed an action for damages with the regional court of Düsseldorf (Landgericht Düsseldorf) against Pfeleiderer Baruth GmbH (then: Pfeleiderer Faserplattenwerk Baruth GmbH) 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. The court has not yet indicated if and to what extent it deems the claim to be justified as to the merits. The next oral hearing is scheduled for 7 December 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 30 June 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 4 550 thousand.

In December 2014 Alno AG (“Alno”), one of the Pfeleiderer 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 (currently in the overall amount of at least EUR 31.2 million plus interest on the basis of joint and several liability). As at 30 June 2017 the Management based on its best knowledge recognised an accrual for the expected outcome which is included in the total amount of EUR 4 550 thousand. It is intended that the parties try to negotiate an out-of-court settlement.. 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 July 2017, Alno filed for insolvency and the court appointed a preliminary liquidator.

In December 2012, Oeseder Möbel-Industrie Mathias Wiemann GmbH & Co. KG (“Oeseder”), one of the Pfeleiderer Group’s customers, filed an action for damages with the regional court of Hanover (Landgericht Hannover) against Glunz AG amounting to approximately EUR 26 million (plus interest). The plaintiff claimed 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 30 June 2017 the Management based on its best knowledge recognised an accrual for the expected outcome, which is included in the total amount of EUR 4 550 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 for a total payment of EUR 2.5 million 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 Pfeleiderer 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 Pfeleiderer Deutschland GmbH, which could in turn lead to an assessment requiring payments of tax arrears. In addition, there was a change in shareholders at the level of the shareholder of 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 30 June 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 30 June 2017 no provision has been recognized by the Group in these consolidated financial statements.

For cross boarder supplies and services between affiliated companies the prices have to be at the arm’s length
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principle. The companies of the Pfleiderer Group have to document this in the Transfer Price Documentation. The companies of the Pfleiderer Group located in Germany can choose the transfer price method as well as the margin. But the tax audits in the foreign countries as well as in Germany could determine that the chosen transfer pricing method or the margin was not correct. Following on from this, taxes could be higher for allocated costs for the supplies and services between the affiliated companies. This would lead to higher taxes and therefore represents a risk. As at 30 June 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 30 June 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 30 June 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 30 June 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 30 June 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 30 June 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 as of 30 June 2017 consisted of Thomas Schäbinger (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:

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'000 EUR	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016 (*)
Remuneration of Management Board	1 021	1 155
Remuneration of Supervisory Board	365	229
Total	1 386	1 384

(*) The amount presented in the condensed consolidated interim financial statements for six month period ended 30 June 2016 as a Management board remuneration (EUR 2 422 thousand) was calculated on a cash bases, the amount EUR 1 155 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 June 30, 2017, members of the Management and Supervisory Boards held the following number of Pfeleiderer Group S.A. shares:

Function	Name	Number of shares
President of the Management Board	Thomas Schäbinger	16,250
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

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. 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.

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

PFLEIDERER GROUP S.A. GROUP
Unaudited condensed consolidated interim financial statements for
the three and six month periods ended 30 June 2017

(all amounts in EUR thousand unless otherwise stated)

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

On 1 August 2017 the 7.875% Senior Secured Notes were repaid by funds drawn under the new Term Loan B. Furthermore the old revolving credit facility for EUR 60 Mio. and PLN 200 Mio. has been cancelled and replaced by the new revolving credit facilities for EUR 50 Mio. and PLN 211,48 Mio (with an margin of 3,00% p.a., tenor 5-years). For further information, see Note 11.

Thomas Schäbinger

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*

Rafał Karcz

*Member of the Management Board,
Chief Administration Officer*

Ivo Schintz

*Member of the Management Board,
Chief Commercial Officer*

Wrocław, 23 August 2017

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

REPORT OF INDEPENDENT AUDITOR ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017

To the Shareholders and Supervisory Board of Pfeleiderer Group S.A.

Introduction

We have reviewed the accompanying interim condensed financial statements of Pfeleiderer Group S.A. (hereinafter: the "Company") with its registered office in Wrocław, Strzegomska 42AB is the Company, including statement of financial position prepared as at 30 June 2017, statement of comprehensive income, statement of changes in equity, statement of cash flows for the 6 months period then ended and other explanatory information.

Management Board of the Company is responsible for the preparation and fair presentation of this interim condensed financial statements in accordance with the International Financial Reporting Standards as adopted for use by the European Union regarding interim financial reporting (IAS 34). Our responsibility is to express a conclusion on this interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with National Auditing Standard 2410 in line with the wording of the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" adopted by Resolution No. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 as amended.

A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on this interim condensed financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements do not comply in all material respects with the requirements of IAS 34 "Interim Financial Reporting".

Marcin Diakonowicz
Key certified auditor
conducting the review
No. 10524

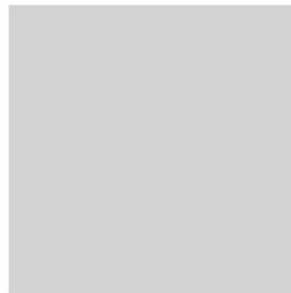
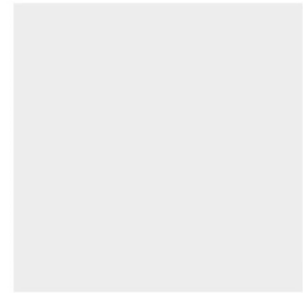
On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Marcin Diakonowicz – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

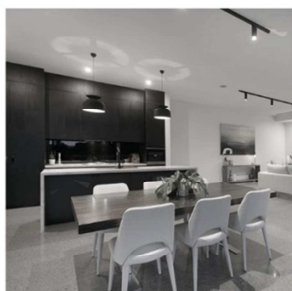
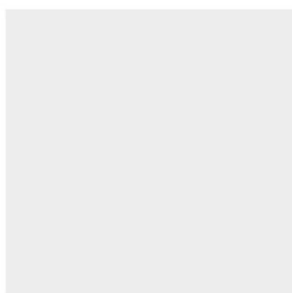
Warsaw, 23 August 2017

The above review report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

 **PFLEIDERER**



PFLEIDERER GROUP



UNAUDITED CONDENSED SEPARATE INTERIM
FINANCIAL STATEMENTS FOR THREE- AND
SIX-MONTH PERIODS ENDED 30 JUNE 2017

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Notes on pages 7-16 are an integral part of these unaudited condensed interim separate financial statements.

(all amounts are presented in PLN thousand)

UNAUDITED CONDENSED INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION

Assets	Note	30.06.2017	31.12.2016
Property, plant and equipment	3	335	353
Investments in subsidiaries	4	2 109 553	2 109 553
Other non-current financial assets		75	75
Long-term loans granted to subsidiaries	4	105 609	103 069
Non-current assets		2 215 572	2 213 050
Inventory		30	23
Trade and other receivables		94 305	6 183
Income tax receivables		0	852
Cash and cash equivalents		1 981	4 677
Current assets		96 316	11 735
Total assets		2 311 888	2 224 785
Equity and Liabilities	Note	30.06.2017	31.12.2016
Share capital	5	21 351	21 351
Share premium		625 240	625 240
Reserves		510 474	374 589
Retained earnings		365 159	230 138
Total equity		1 522 224	1 251 318
Liabilities			
Employee-related liabilities		172	172
Deferred tax liability		1 922	184
Non-current liabilities		2 094	356
Loans and borrowings	6	534 658	812 825
Income tax liabilities		42	-
Liabilities to related parties arising from debt instruments	7	138 891	126 901
Trade and other liabilities		111 958	30 190
Employee-related liabilities		2 021	3 195
Current liabilities		787 570	973 111
Total liabilities		789 664	973 467
Total equity and liabilities		2 311 888	2 224 785

(all amounts are presented in PLN thousand)

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

	01.01.2017 30.06.2017	01.01.2016 30.06.2016	01.04.2017 30.06.2017	01.04.2016 30.06.2016
Sales revenue	-	300 421	-	149 635
Costs of sales		(251 703)		(123 459)
Profit on sales	-	48 718	-	26 176
Other operating income	1 544	3 361	755	914
Distribution expenses	-	(18 693)	-	(10 313)
General and administrative expenses	(17 101)	(19 422)	(8 545)	(9 694)
Other operating expenses	(1 054)	(2 248)	(896)	(1 181)
Operating profit	(16 611)	11 716	(8 686)	5 902
Financial income	378 206	72 050	338 995	38 038
Financial expenses	(17 780)	(14 577)	(10 903)	(11 723)
Net financing income /expense	360 426	57 473	328 092	26 315
Profit before tax	343 815	69 189	319 406	32 217
Income tax	(1 738)	(756)	3 616	6 325
Net profit	342 077	68 433	323 022	38 542
Other comprehensive income				
Items that have been or may be subsequently reclassified to profit or loss:				
Effective portion of changes in the fair value of cash flow hedges	-	(6 804)	-	(5 825)
Net change in the fair value of cash flow hedges reclassified to profit or loss for the current period	-	1 262	-	483
Settlement of instruments hedging the purchase of shares	-	23 048	-	-
Other comprehensive income	-	17 506	-	(5 342)
Comprehensive income for the period	342 077	85 939	323 023	33 200
Basic and diluted earnings per share (PLN)	5.29	1.08	4.99	0.60

(all amounts are presented in PLN thousand)

UNAUDITED CONDENSED INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2017

	Share capital	Share premium	Statutory reserve funds	Other reserves	Cash flow hedge	Retained earnings	Total
1 January 2017	21 351	625 240	218 719	140 000	15 870	230 138	1 251 318
Comprehensive income for the period							
Net profit	-	-	-	-	-	342 077	342 077
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	342 077	342 077
Transactions with owners recognised in equity							
Transfer of a portion of 2016 net profit to reserves	-	-	135 885	-	-	(135 885)	-
Transfer of part of statutory reserve to reserve for own shares	-	-	(250 000)	250 000	-	-	-
Allocation of a portion of profit for dividend payment	-	-	-	-	-	(71 171)	(71 171)
Total transactions with owners recognised in equity	-	-	(114 115)	250 000	-	(207 056)	(71 171)
30 June 2017	21 351	625 240	104 604	390 000	15 870	365 159	1 522 224

For the six-month period ended 30 June 2016

	Share capital	Share premium	Statutory reserve funds	Other reserves	Cash flow hedge	Retained earnings	Total
1 January 2016	16 376	289 806	538 398	140 000	(1 866)	92 188	1 074 902
Comprehensive income for the period							
Net profit	-	-	-	-	-	68 433	68 433
Other comprehensive income	-	-	-	-	17 506	-	17 506
Total comprehensive income for the period	-	-	-	-	17 506	68 433	85 939
Transactions with owners recognised in equity							
Transfer of a portion of 2015 net profit to supplementary capital	-	-	4 405	-	-	(4 405)	-
Share issue	4 975	335 434	(324 084)	-	-	-	16 325
Dividend payment	-	-	-	-	-	(64 701)	(64 701)
Total transactions with owners recognised in equity	4 975	335 434	(319 679)	-	-	(69 106)	(48 376)
30 June 2016	21 351	625 240	218 719	140 000	15 640	91 515	1 112 465

(all amounts are presented in PLN thousand)

UNAUDITED CONDENSED INTERIM SEPARATE STATEMENT OF CASH FLOWS

	01.01.2017 30.06.2017	01.01.2016 30.06.2016
Net profit for the reporting period	342 077	68 433
Adjustments:	(352 844)	(24 188)
Amortisation and depreciation	19	12 567
Foreign exchange gains	(23 195)	(2 807)
Dividend and interest for the period	(337 231)	(53 361)
Profit from investing activities	-	(123)
Income tax expense	1 738	756
Result on forward contracts	-	(1 262)
Change in		
- trade and other receivables	(3 801)	18 109
- inventories	(7)	719
- trade and other payables	10 807	520
- employee benefit liabilities	(1 174)	694
Cash flows from operating activities	(10 767)	44 245
Interest received	10	59
Interest paid	-	-
Income tax (paid)/received	1 050	(1 815)
Net cash from operating activities	(9 707)	42 489
Cash flows from investing activities		
Disposal of property, plant and equipment and intangible assets	-	123
Acquisition of shares in a subsidiary	-	(531 439)
Inflows related to settlement of derivatives	-	21 330
Acquisition of property, plant and equipment and intangible assets	(4)	(14 132)
Granting loans to subsidiaries	-	(81 000)
Net cash flows from investing activities	(4)	(605 118)
Cash flows from financing activities		
Increase in borrowings and other debt instruments from related entities	-	193 919
Inflows from shares issued	-	336 345
Redemption of debt securities	(793 938)	(671 297)
Issue of debt securities	805 885	717 728
Interest paid	(4 932)	(4 884)
Net cash flows from financing activities	7 015	571 811
Total net cash flows	(2 696)	9 182
Decrease/Increase in cash	(2 696)	9 182
Cash at the beginning of the period	4 677	30 983
Cash at the end of the period	1 981	40 165

(all amounts are presented in PLN thousand)

NOTES TO UNAUDITED CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

1. General information

Pfleiderer Group S.A. („the Company”) is the Parent operating as a holding company registered in Poland, whose 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.

The Company provides holding services and other financial services.

2. Basis of preparation

a) Statement of compliance

These interim condensed standalone financial statements have been 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 Regulation of the Minister of Finance of February 19, 2009, on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required under the law of a non-member state (consolidated text: Official Journal 2014, item 133) (the “Regulation”).

The Company’s interim condensed standalone financial statements are published together with interim condensed consolidated financial statements of Pfleiderer Group S.A. Capital Group. In order to fully understand the performance and financial position of the Company, these financial statements should be read together with interim condensed financial statements of Pfleiderer Group S.A.

These financial statements are presented in Polish zlotys (PLN) and all amounts have been rounded to the nearest thousand (’000) unless stated otherwise.

These interim condensed standalone financial statements for the period from 1 January 2017 to 30 June 2017 have been approved for publication by the Management Board of the Company on 23 August 2017.

b) Accounting principles (policy)

These interim condensed standalone financial statements have been prepared in line with the accounting principles described in the audited financial statements of Pfleiderer Group S.A. prepared for the year ended 31 December 2016.

The Company’s accounting principles have been applied consistently to all periods presented in these interim condensed financial statements.

c) Accounting estimates and assumptions

Preparing interim financial statements in accordance with EU IFRS requires the Management Board to make assumptions and estimates that affect the application of adopted accounting principles, as well as presented amounts of assets, liabilities, revenue and expenses, whose actual values may differ from estimates.

(all amounts are presented in PLN thousand)

Estimates and related assumptions are subject to ongoing verification. All changes in the accounting estimates are recognized in the period when they were made or in the current and future periods, if they apply both to the current and future periods.

The Group reviews its assets on an ongoing basis and, if necessary, recognises impairment losses in profit or loss. In addition, the Group reviews the useful life of fixed assets and factors influencing the recoverable amount of non-current assets. The amount of provisions arising from future old-age and disability pension liabilities is determined using actuarial methods based on assumptions made.

In the period from 1 January 2017 to 30 June 2017 no material changes occurred in material estimates and judgements vs. standalone financial statements prepared for the prior financial year ended 31 December 2016.

3. Property, plant and equipment

As at 30 June 2017, property, plant and equipment included IT hardware and movables used in the office building.

4. Investments in subsidiaries

The Company holds the following investments in subsidiaries:

	30.06.2017	31.12.2016
Shares in subsidiaries	2 109 553	2 109 553
Long-term loans granted to subsidiaries	105 609	103 069
	2 215 162	2 212 622

Shares in subsidiaries include share in PCF GmbH in the amount of PLN 1 177 243 thousand and share in Pfeiderer Polska Sp. z o.o. in the amount of PLN 932 310 thousand.

An increase in long-term loans granted to subsidiaries results from interest accrued and capitalized.

5. Equity

	30.06.2017	31.12.2016
Par value of share capital (PLN)	21 351 332	21 351 332
Number of ordinary shares (items)	64 701 007	64 701 007
Face value per share (PLN)	0.33	0.33

In the reporting period, no changes occurred in the Company's share capital.

	30.06.2017	31.12.2016
Supplementary capital (PLN)	104 603 944	218 718 745
Other reserves (PLN)	390 000 000	140 000 000

On 21 June 2017, General Shareholders' Meeting passed a resolution no. 4 on the distribution of net profit for the period from 1 January 2016 to 31 December 2016, approving the payment of dividend to Shareholders in the amount of PLN 71 171 thousand and reclassification of the remaining portion of PLN 135 885 thousand to the reserve.

Subsequently, pursuant to Resolution no. 9 of Extraordinary Shareholders' Meeting of Pfeiderer Group S.A. approving the treasury shares repurchase programme and establishment of reserve capital for this purpose, the Company reclassified the amount of PLN 250 000 thousand from the statutory reserve funds to other reserves.

(all amounts are presented in PLN thousand)

Shareholding structure following the issue of new shares and as at the reporting period end:

Shareholding structure

as at 30 June 2017* and as at the publication date	Number of shares	Interest in capital	Number of votes at the General Meeting	Interest in the General Meeting votes
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	6 400 000	9.89%	6 400 000	9.89%
Aviva OFE Aviva BZ WBK	6 000 000	9.27%	6 000 000	9.27%
Other shareholders	20 643 297	31.91%	20 643 297	31.91%
Total	64 701 007	100.00%	64 701 007	100.00%

* Pursuant to latest information received.

Until this report's publication date, the Company has not received any information concerning other changes in the shareholding structure.

6. Credit facilities, loans and other financial liabilities

Current liabilities	30.06.2017	31.12.2016
Borrowings from related parties	-	198 407
Other financial liabilities	534 658	614 418
Total	534 658	812 825

Borrowings from subsidiaries

On 5 October 2015, Pfleiderer Group S.A. in order to finance the acquisition of a subsidiary, entered into a loan agreement with PCF GmbH. Transfer of funds in the amount of EUR 43 587 thousand (PLN 193,919 thousand) took place in January 2016.

On 27 June 2017 the shareholders signed a resolution, pursuant to which profit for 2016 generated by PCF GmbH, a subsidiary, in the amount of EUR 79 170 thousand should be transferred to Pfleiderer Group S.A. with reservation that the portion of EUR 60,000 thousand shall be offset with Company's liabilities and the remaining portion of EUR 19 170 thousand shall be paid by 7 July 2017.

On 30 June 2017 the Company and PCF GmbH, the subsidiary, concluded an Offset and Debt Repayment Agreement. As a result, the entire loan amount of EUR 45 524 thousand, consisting of the principal of EUR 44 837 thousand and interest accrued by 30 June 2017 of EUR 687 thousand was settled.

Other financial liabilities

In connection with the acquisition of PCF GmbH, a subsidiary, on 5 October 2015 Pfleiderer Group S.A. concluded 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.

On 30 June 2017, a portion of the related debt amounting to EUR 14 476 thousand was settled under the Offset and Debt Repayment Agreement concluded with the subsidiary PCF GmbH.

Following the above settlement, as at 30 June 2017 the related debt amounted to EUR 126 501 thousand (PLN 534 658 thousand).

(all amounts are presented in PLN thousand)

Debt refinancing

On 13 April 2017 the Group has finalized and signed refinancing agreements of EUR 450 000 thousand senior secured credit facilities comprising a EUR 350 000 thousand 7-year covenant-lite term loan B facility and the new EUR 100 000 thousand 5-year revolving credit facility. The proceeds from the Facilities will be used to redeem the existing EUR 321 684 thousand 7.875% senior secured notes issued by PCF 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.

On 23 June 2017 the Company demanded total early redemption of the senior secured notes bearing 7.875% interest, issued by PCF GmbH in the amount of EUR 321 684 thousand. The notes have been redeemed on 1 August 2017 at the early redemption price equal to 101.969% of their nominal value (plus interest accrued by the redemption date).

7. Liabilities to related parties arising from debt securities

	30.06.2017	31.12.2016
Liabilities to related entities arising from debt securities	138 891	126 901
Total	138 891	126 901

Liabilities arising from debt securities and amounting to PLN 138 891 thousand as at 30 June 2017 (PLN 126 901 thousand as at 31 December 2016) included commercial papers issued in the form of short-term notes and purchased by Pfleiderer Wieruszów Sp. z o.o., a subsidiary (formerly Pfleiderer Prospan S.A.).

The notes were issued under an agreement concerning the performance of a bond issue programme of 22 July 2003, concluded with PEKAO S.A. The agreement expires on 30 June 2018. The maximum value of the programme is PLN 500 000 thousand.

The notes, denominated in PLN, are issued pursuant to the Act on Bonds of 29 June 1995 in the form of dematerialized, unsecured, zero-coupon bearer securities.

The purpose of the issue is to optimize the funds management in the Capital Group, reduce external debt of the Company and fund its ongoing operations.

8. Financial instruments**Fair value of financial assets and liabilities**

The fair value of financial assets and liabilities is similar to their carrying value as at 30 June 2017 and 31 December 2016. No open forward transactions occurred in the Company as at 30 June 2017.

9. Contingent liabilities and Company's assets used as collateral**9.1. Guarantees given**

As at 30 June 2017, Pfleiderer Group S.A. and certain subsidiaries granted guarantees related to the funding received in the form of "RCF" revolving loan in the amount up to EUR 60 000 thousand and PLN 200 000 thousand and to liabilities contracted by PCF GmbH in the nominal amount of EUR 321 684 thousand, related to senior secured notes bearing 7.875% interest and maturing in 2019. The guarantees were granted by: Pfleiderer Group S.A., PCF GmbH, Pfleiderer Deutschland GmbH, Pfleiderer Service GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH, Jura-Spedition GmbH, Pfleiderer Vermögensverwaltung GmbH & Co. KG, Pfleiderer Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo Sp. z o.o. and Pfleiderer Silekol Sp. z o.o. (the "Existing Guarantees").

(all amounts are presented in PLN thousand)

Following the refinancing of debt described in note 6, as at 13 April 2017 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 Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo Sp. z o.o., Pfleiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. z o.o., Pfleiderer Silekol Sp. z o.o. guaranteed liabilities arising from the refinancing agreement of EUR 450 000 thousand. The Existing Guarantees will be terminated upon this refinancing.

9.2. Liabilities arising from collateral

As at 30 June 2017, Pfleiderer Group S.A. and its certain subsidiaries have jointly and severally established the following collateral for the repayment of liabilities to Commerzbank Aktiengesellschaft, Filiale Luxemburg acting as the security agent (the "Security Agent") arising from the credit agreement dated 4 July 2014 (as amended) including funding up to EUR 60 million and PLN 200 million and the agreement dated 4 July 2014 (as amended) concluded by, inter alios, Pfleiderer Group S.A. and certain of its subsidiaries as initial borrowers of liabilities resulting from senior secured notes bearing 7.875% interest and totaling to EUR 321 684 thousand, issued by PCF GmbH on 7 July 2014 and maturing in 2019.

Following the initial utilization of the facilities under the senior facilities agreement dated April 13, 2017, the existing security interests granted by Pfleiderer Group S.A. and its certain subsidiaries will be released. In order to secure the new obligations under the senior facilities agreement dated April 13, 2017, new security interests will be granted for the benefit of the lenders. Details regarding existing and new collateral established on shares, bank accounts, movables and property titles, description of assignment of rights arising from commercial contracts, loan agreements and insurance contracts, mortgages and a statement of submission to enforcement, are provided in the consolidated financial statements that constitute an integral part of these standalone financial statements.

9.3. Other contingent liabilities

As at 30 June 2017 the Company did not identify any material contingent liabilities except for a possible liability arising from anti-monopoly procedures described below.

Following an unannounced 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 Grajewo S.A. and Pfleiderer Wieruszów Sp. z o.o. (formerly 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 Grajewo S.A. and/or Pfleiderer Wieruszów Sp. z o.o. 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 interim standalone 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 relevant provision. Therefore as at 30 June 2017 no provision has been recognized by the Company.

(all amounts are presented in PLN thousand)

10. Material related-party transactions

Related-party transactions

Related party	01.01.2017 – 30.06.2017								
	Revenue from sales of products, goods and materials	Revenue from sales of services	Financial income	Other operating income	Purchases of products, goods and materials	Purchases of services and licence fees	Purchases of fixed assets	Financial expenses	Capitalised expenses
Pfleiderer Polska Sp. z o.o.	-	603	773	784	-	-	-	-	-
Pfleiderer Grajewo Sp. z o.o.	-	210	95	-	-	-	-	-	-
Pfleiderer Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.)	-	333	349	-	-	-	-	1 105	-
Pfleiderer MDF Grajewo Sp. z o.o.	-	167	2 724	-	-	-	-	-	-
Pfleiderer Silekol Sp. z o.o.	-	89	205	-	-	-	-	-	-
Jura Polska Sp. z o.o.	-	1	-	-	-	-	-	-	-
PCF GmbH	-	-	336 818	-	-	-	-	11 767	-
Pfleiderer Deutschland GmbH	-	-	-	691	-	-	-	-	-
Total	-	1 403	340 964	1 475	-	-	-	12 872	-

(all amounts are presented in PLN thousand)

01.01.2016 - 30.06.2016

Related party	Revenue from sales of products, goods and materials	Revenue from sales of services	Financial income	Other operating income	Purchases of products, goods and materials	Purchases of services and licence fees	Purchase of fixed assets	Financial expenses	Capitalised expenses
Pfleiderer Polska Sp. z o.o.	-	-	-	319	-	-	-	10 650	95
Pfleiderer Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.)	3 944	5 904	37 721	2 580	1 038	96	657	2 216	-
Pfleiderer MDF Grajewo Sp. z o.o.	32 360	5 308	1 673	726	31 796	2 321	98	-	-
Pfleiderer Silekol Sp. z o.o.	238	527	27 354	166	24 436	-	7	-	-
Jura Polska Sp. z o.o.	-	522	-	77	1 825	9 577	55	-	-
Pfleiderer GmbH	-	-	-	5 169	-	1 629	-	-	5 715
Pfleiderer Neumarkt GmbH	1 103	-	-	-	-	-	350	-	-
Pfleiderer Deutschland GmbH	269	-	-	150	37	323	4 298	-	-
Pfleiderer Gütersloh GmbH	-	-	-	-	-	402	346	-	-
Pfleiderer Leutkirch GmbH	-	-	-	-	-	-	412	-	-
Pfleiderer Baruth GmbH	-	-	-	-	-	-	54	-	-
Pfleiderer Arnsberg GmbH	-	-	-	-	-	-	477	-	-
Jura Speditions GmbH	-	-	-	-	-	-	27	-	-
Heller Holz GmbH	-	-	-	-	-	-	22	-	-
Total	37 914	12 261	66 748	9 187	59 132	14 348	6 803	12 866	5 810

(all amounts are presented in PLN thousand)

Related-party receivables/liabilities as at 30 June 2017 and 31 December 2016:

Related party	30.06.2017			31.12.2016		
	Granted loans	Trade receivables	Dividend receivables	Granted loans	Trade receivables	Dividend receivables
Pfleiderer Polska Sp. z o.o.	-	1 058	773	-	162	-
Pfleiderer Wieruszów Sp. z o.o.(formerly Pfleiderer Prospan S.A.)	-	25	-	-	2 708	-
Pfleiderer MDF Grajewo Sp. z o.o.	105 609	85	-	103 069	176	-
Pfleiderer Grajewo Sp. z o.o.	-	90	-	-	248	-
Pfleiderer Silekol Sp. z o.o.	-	62	-	-	1 312	-
Jura Polska Sp. z o.o.	-	-	-	-	4	-
PCF GmbH	-	3 397	80 737	-	206	-
Pfleiderer Deutschland GmbH	-	691	-	-	65	-
Total	105 609	5 408	81 510	103 069	4 881	-

Related party	30.06.2017			31.12.2016		
	Debt security liabilities and financial liabilities	Trade liabilities	Investment liabilities	Liabilities arising from debt securities	Trade liabilities	Investment liabilities
Pfleiderer Polska Sp. z o.o.	-	93	-	-	201	-
Pfleiderer Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.)	138 891	34	-	126 901	658	-
Pfleiderer MDF Grajewo Sp. z o.o.	-	2 722	-	-	2 720	-
Pfleiderer Grajewo Sp. z o.o.	-	167	-	-	292	-
Pfleiderer Silekol Sp. z o.o.	-	323	-	-	323	-
Jura Polska Sp. z o.o.	-	-	-	-	(18)	-
PCF GmbH	534 658	8 038	-	812 825	898	-
Pfleiderer Deutschland GmbH	-	81	-	-	-	-
Total	673 549	11 458	-	939 726	5 074	-

PFLEIDERER GROUP S.A.*Other notes to semi-annual separate**financial statements for the period from 1 January 2017 to 30 June 2017*

(all amounts are presented in PLN thousand)

Remuneration of key management personnel

Remuneration of Management and Supervisory Board Members of Pfeiderer Group S.A. (including bonuses) paid and due for the period

	01.01.2017 30.06.2017	01.01.2016 30.06.2016
Short-term benefits		
Remuneration of Management Board members	3 339	1 622 (*)
Remuneration of Supervisory Board members	1 557	998
	4 896	2 620

(*)The amount presented in the condensed interim financial statements for six month period ended 30 June 2016 as a Management board remuneration (PLN 2 107 thousand) was calculated on a cash bases, the amount PLN 1 622 is calculated on accrual basis, for comparability reasons.

As at 30 June 2017 and 31 December 2016, no loans were granted to Members of Management and Supervisory Board of Pfeiderer Group S.A.

Changes in the composition of the Management Board during the reporting period

With effect from 1 June 2017, the Supervisory Board of Pfeiderer Group S.A. appointed Thomas Schäbinger as President and Chief Executive Officer. Thomas Schäbinger replaced Michael Wolff, former President of the Management Board and CEO of Pfeiderer Group, who decided not to extend the contract expiring with the Group in December 2017.

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

11. Distribution of net profit for 2016

On 25 April 2017, the Management Board of the Company passed a resolution on a motion to the General Meeting regarding distribution of 2016 profit of PLN 207 056 thousand, recommending the use of PLN 71 171 thousand for payment of dividend of PLN 1.10 per share and reclassification to the remaining portion of PLN 135 885 thousand to the reserve.

On 21 June 2017, General Shareholders' Meeting passed a resolution on the distribution of net profit for the period from 1 January 2016 to 31 December 2016, approving the payment of dividend to Shareholders in the amount of PLN 71 171 thousand, i.e. PLN 1.10 per share. The dividend was paid on all shares in the Company (i.e. on 64 701 007 shares).

At the same time, the General Meeting determined the following:

- 1) dividend record date (the date when the list of shareholders entitled to dividend is determined) of 5 July 2017; and
- 2) dividend payout date of 19 July 2017.

12. Events after the end of the reporting period

On 4 July 2017 the Company received dividend of EUR 19 169 thousand from the subsidiary PCF GmbH, while on 17 July 2017 dividend of PLN 773 thousand from the subsidiary Pfeiderer Polska Sp. z o.o.

The dividend amount of PLN 71 171 thousand was transferred to National Deposit of Securities on 17 July 2017.

On 17 July 2017, the Company purchased notes with the nominal value of PLN 139 000 thousand from the subsidiary Pfeiderer Wieruszów Sp. z o.o. (formerly Pfeiderer Prospan S.A.). Subsequently, on 17 July 2017,

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(all amounts are presented in PLN thousand)

Pfleiderer Group S.A. issued notes with the nominal value of PLN 139 000 thousand with the redemption date of 24 August 2017. The notes were purchased by Pfleiderer Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.)

Thomas Schäbinger

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*

Ivo Schintz

*Member of the Management Board,
Chief Commercial Officer*

Rafał Karcz

*Member of the Management Board,
Chief Administration Officer*

Wrocław, 23 August , 2017

CONTACT DATA

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