POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 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 3rd quarter of the financial year 2017, covering the period from January 1st to September 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: November 11th 2017

Pfleiderer Group Spólka Akcyjna

(full name)

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

	PLN ‘000		EUR ‘000	
FINANCIAL HIGHLIGHTS	3 quarter cumulative / 2017 Jan 1-Sep 30 2017	3 quarter cumulative / 2016 Jan 1-Sep 30 2016	3 quarter cumulative / 2017 Jan 1-Sep 30 2017	3 quarter cumulative / 2016 Jan 1-Sep 30 2016
Condensed consolidated financial statements data				
I. Sales revenue			750 910	695 804
II. Operating profit/(loss)			41 058	23 261
III. Profit/(loss) before tax			25 954	9 712
IV. Net profit			19 067	16 546
V. Net profit attributable to equity holders of the parent			19 067	16 546
VI. Net cash provided by (used in) operating activities			74 106	79 272
VII. Net cash provided by (used in) investing activities			-45 624	-41 279
VIII. Net cash provided by (used in) financing activities			-40 356	18 349
IX. Total net cash flow			-11 874	56 342
X. Total assets			966 752	954 580
XI. Liabilities			691 867	683 325
XII. Non-current liabilities			474 535	472 203
XIII. Current liabilities			217 332	211 122
XIV. Equity			274 885	271 255
XV. Share capital			6 692	6 692
XVI. Outstanding shares at the end of the reporting period			64 701 007	64 701 077
XVII. Weighted average diluted number of shares			64 701 007	63 655 521
XVIII. Earnings per ordinary share (PLN/EUR)			0,29	0,26
XIX. Book value per share (PLN/EUR)			4,25	4,19
XX. Declared or paid dividend per share (PLN/EUR)			0,26	0,23
Condensed financial statements data				
XXI. Sales revenue	0	395 450	0	90 737
XXII. Operating profit/(loss)	-26 460	15 301	-6 204	3 511
XXIII. Profit/(loss) before tax	320 334	86 756	75 106	19 906
XXIV. Net profit/(loss)	322 322	82 547	75 572	18 938
XXV. Net cash provided by (used in) operating activities	-15 218	-25 376	-3 568	-5 823
XXVI. Net cash provided by (used in) investing activities	10 745	-567 835	2 519	-130 291
XXVII. Net cash provided by (used in) financing activities	3 925	565 043	920	129 651
XXVIII. Total net cash flow	-548	-28 168	-128	-6 463
XXIX. Total assets	2 238 864	2 224 785	520 158	504 452
XXX. Liabilities	736 395	973 467	171 088	220 725
XXXI. Non-current liabilities	172	356	40	81
XXXII. Current liabilities	736 223	973 111	171 048	220 645
XXXIII. Equity	1 502 469	1 251 318	349 070	283 726
XXXIV. Share capital	21 351	21 351	4 961	4 841
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	63 655 521	64 701 077	63 655 521
XXXVII. Earnings per ordinary share (PLN/EUR)	4,98	1,30	1,17	0,30
XXXVIII. Book value per share (PLN/EUR)	23,22	19,34	5,39	4,49
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 30.09.2017
column.4 - for 31.12.2016

data in lines : XXIX-XXXIV are presented accordingly:
column.1 - for 30.09.2017
column.2 - for 31.12.2016
column.3 - for 30.09.2017
column.4 - for 31.12.2016

INSPIRATIONS
CLOSE
TO YOU

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT

ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2017

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LETTER TO SHAREHOLDERS

It is our pleasure to present to you the report on business operations of Pfleiderer Group in the nine months of 2017. We recorded solid financial performance. In that period the new Management Board was finally established and on 20th September Pfleiderer Group's strategy by 2021 was successfully launched.

During the first nine months of the year consolidated revenue amounted to EUR 750.9 million as compared to EUR 726.6 million in the same period of the previous year (including first 19 days of 9 months 2016. Revenues without first 19 days amounted to EUR 695.8 million), which represents a 3.3% increase. EBITDA amounted to EUR 96.2 million and was higher by 24.6% (26.2% without first 19 days 2016) . EBITDA margin increased to 12.8%. The results were positively influenced by significant efficiency improvements, continued good sales performance and the expected significant reduction in non-sustainable items. The Group also implemented new pricing approach, which resulted in sales prices increase. At the same time the Group continues to face massive increases in the prices of raw materials over last year.

We pursue our attractive investments, which constantly bring additional value. In nine months of the year the capital expenditures amounted to EUR 43.6 million. The Group runs a long-term investment program designed to align its production capacities to market needs and to enhance its cost effectiveness and productivity. The key projects 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, Pfleiderer Group has also focused on intensifying sales and marketing activities under "ONE COLLECTION".

In September the Management Board of Pfleiderer Group S.A. successfully launched the development strategy for the Group to be achieved by 2021. Thanks to its implementation Pfleiderer Group plans to steadily increase consolidated sales revenue to ca. EUR 1.2 billion for the year ended 31st December 2021. The aim is also to increase profitability for the year ended 31st December, 2021 at consolidated EBITDA to the level of at least 16% of the sales revenue value, which should also mean increased profits. The presented strategy foresees stable capital expenditures of approximately EUR 70 million per year on average (including EUR 20 million of maintenance capital expenditures p.a.) and maintaining a secure level of debt - target level of net financial leverage is between 1.5 and 2. The dividend policy has not been changed and the Management Board will recommend to the General Shareholder Meeting to allocate up to 70% of net profit to dividend payment.

Also in September the Management Board determined the detailed terms of the repurchase of the shares in the Company. Buyback program was executed on October 12 with PLN 152 million and the Company purchased 3,235,050 shares. The price for the purchased shares was uniform and amounted to PLN 47 per share and the total price for all of the shares was at the level of PLN 152,047,350. The total nominal value of the purchased shares amounted to PLN 1,067,566.50, representing approximately 5% of the Company's share capital. The total number of shares submitted by the shareholders for sale exceeded the number of shares that the Company intended to buy. For that reason, the number of purchased shares was established based on the rules of reduction. The reduction rate was 84.2%.

In 9 months of 2017 we recorded solid set of financial results, which however were below our expectations. Despite a very good order book and a very positive turnover growth, we could not offset the high raw material prices and deliver a profit growth in Q3, 2017. We are convinced that cost issues are successfully addressed and our efforts taken in recent months are reflected in the positive outlook for next periods. We have strong foundations for further growth – the new management team was finally established and we successfully launched our development strategy. Its implementation is supposed to translate into a stable increase of the Group's value for its shareholders in next quarters.

Yours faithfully,
The Management Board, Pfleiderer Group S.A.

PFLEIDERER GROUP IN 9 MONTHS, 2017 AT A GLANCE

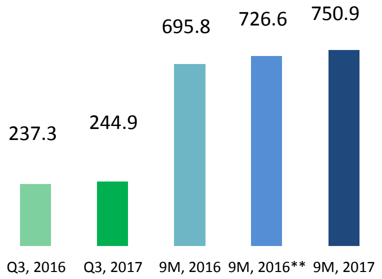
GOOD SET OF FINANCIAL RESULTS SUPPORTED BY FAVORABLE MARKET CONDITIONS

12.8%	EBITDA margin thanks to improvement of the operational efficiency over the last periods
26,2%	Growth EBITDA (9M)* - to EUR 96.2 million
EUR 43,625 million	Capital Expenditures - continued investments on strategic projects with attractive payback
19,2%	Increase of the Pfleiderer Group S.A. market capitalization

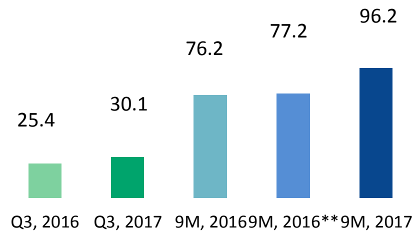
*Calculation comprised 9 months 2016 EBITDA without first 19 days of January 2016

The financial information of the 9M 2016 and 9M 2017 represents consolidated data of the Pfleiderer Group S.A. Group.

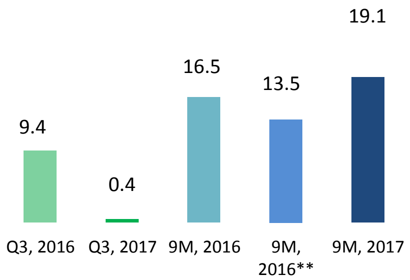
REVENUES
(EUR M)



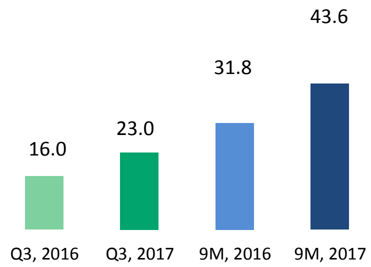
REPORTED EBITDA
(EUR M)



NET PROFIT
(EUR M)



CAPEX
(EUR M)



EBITDA - Earnings before Interest, Tax and Amortization = Result from operating activities + depreciation + amortization

** - Data for 9 months 2016 comprising first 19 days of January 2016

KEY EVENTS AND ACHIEVEMENTS OF THE PFLEIDERER GROUP IN 9 MONTHS 2017

Q3, 2017

DEVELOPMENT STRATEGY BY 2021 SUCCESSFULLY LAUNCHED

On 20th September the Management Board of Pfleiderer Group S.A. announced the strategy to be achieved by 2021. Thanks to its implementation Pfleiderer Group plans to steadily increase consolidated sales revenue to ca. EUR 1.2 billion for the year ended 31st December 2021. The aim is also to increase profitability for the year ended 31st December, 2021 at consolidated EBITDA to the level of at least 16% of the sales revenue value, which should also mean increased net profits. The presented strategy foresees stable capital expenditures of approximately EUR 70 million per year on average (including EUR 20 million of maintenance capital expenditures p.a.) and maintaining a secure level of debt - target level of net financial leverage is between 1.5 and 2. The dividend policy has not been changed and the Management Board will recommend to the General Shareholder Meeting to allocate up to 70% of net profit to dividend payment.

Key targets of the Strategy to be achieved by 2021 are presented in point 1.3 of Management Report: Pfleiderer Group Strategy.

CHANGES IN THE MANAGEMENT BOARD

On 13 September 2017 Mr. Rafał Karcz submitted the resignation from the Management Board of the Company. The resignation of Mr. Rafał Karcz takes effect from 30 September 2017.

DETERMINATION OF THE TERMS OF THE LONG-TERM INCENTIVE PROGRAMME FOR SELECTED MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF PFLEIDERER GROUP S.A.

On 20 September 2017 the Supervisory Board of the Company adopted a resolution regarding the determination of the terms of the long-term incentive programme for selected members of the Management Board of the Company (the “Management Board LTIP”). The implementation of the Management Board LTIP is subject to the adoption by the general meeting of the shareholders of the Company of a resolution regarding the determination of the terms of the long-term incentive programme for selected members of the Supervisory Board of the Company in the form determined by the Supervisory Board (the “Supervisory Board LTIP” and together with the Management Board LTIP, the “LTIP”) (Current Report No. 40/2017).

AN ADDITIONAL FORM OF SHARING PROFITS WITH SHAREHOLDERS IN A FORM OF BUY-BACK

On 12 October 2017 the management board of Pfleiderer Group S.A. informed that the Company purchased 3,235,050 dematerialised ordinary bearer shares issued by the Company. The price for the Purchased Shares was uniform and amounted to PLN 47 per one share and the total price for all of the shares was at the level of PLN 152,047,350. The total nominal value of the purchased shares amounted to PLN 1,067,566.50, representing approximately 5% of the Company’s share capital. The total number of shares submitted by the shareholders for sale under the invitation amounted to 20,468,503 shares. Since the total number of shares submitted by the shareholders for sale exceeded the number of shares that the Company intended to buy based on the invitation, i.e. 3,235,050 shares, the number of shares to be purchased from the individual shareholders was established based on the rules of reduction described in detail in section 8 of the Invitation. The reduction rate was 84.2%

THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING OF PFLEIDERER GROUP S.A.

On 18 October 2017 the Extraordinary General Shareholders Meeting of the Pfleiderer Group S.A. adopted a resolution regarding the determination of the terms of the long-term incentive program for selected members of the supervisory board of Pfleiderer Group S.A.

CHANGES IN THE SUPERVISORY BOARD

In connection with resignation of Mr. Stefan Wegener from holding a function of a member of the Company’s Supervisory Board and resignation of Mr. Tod Kersten from holding a function of the member of the Supervisory Board, about which the Company informed in its current report dated 26 September 2017, on 18 October 2017 Mr. Florian Kawohl and Mr. Anthony O’Carroll have been appointed to the Company’s Supervisory Board.

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, 17 July 2017, 24 August 2017 and 10 October 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.)

Q2, 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).

The new debt service terms will contribute significant reduction in financing expenses starting from 2018 of approx. EUR 6.5 m compared to 2016/2017.

CHANGES IN THE MANAGEMENT BOARD

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.

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.

Dividend yield amounted to 2.5%.

Thr Group has stable dividend policy with payout of up to 70% of consolidated net income: Total payments to shareholders in 2016/2017 amounted to more than EUR 66 mio.

Q1, 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.

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 SEPTEMBER 2017

KEY INFORMATION ABOUT THE GROUP

1. KEY INFORMATION ABOUT THE GROUP

1.1. BUSINESS PROFILE – ACTIVITIES OF THE GROUP

The Pfleiderer Group, with 122 years of experience, is a leading European manufacturer of wood based products, specializing in the production of materials 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. Pfleiderer products are known across the Eastern and Southern Europe, and Scandinavia. The company is headquartered in Wrocław (Poland) with offices i.a. in Neumarkt Silesia 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, Pfleiderer sees it as a matter of course to conserve energy and raw materials, reduce emissions and produce environmentally friendly products.

The Pfleiderer Group consists of entities of various profiles of the activity.

FIGURE 1: PFLEIDERER GROUP ENTITIES

The Group is able to provide advanced products and customer service for key European markets through its service departments located in the UK, the Netherlands, Switzerland, France, Austria and Romania.

1.2. STRUCTURE OF THE GROUP

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

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

FIGURE 2: OPERATING STRUCTURE OF THE CAPITAL GROUP AS OF 7 NOVEMBER, 2017

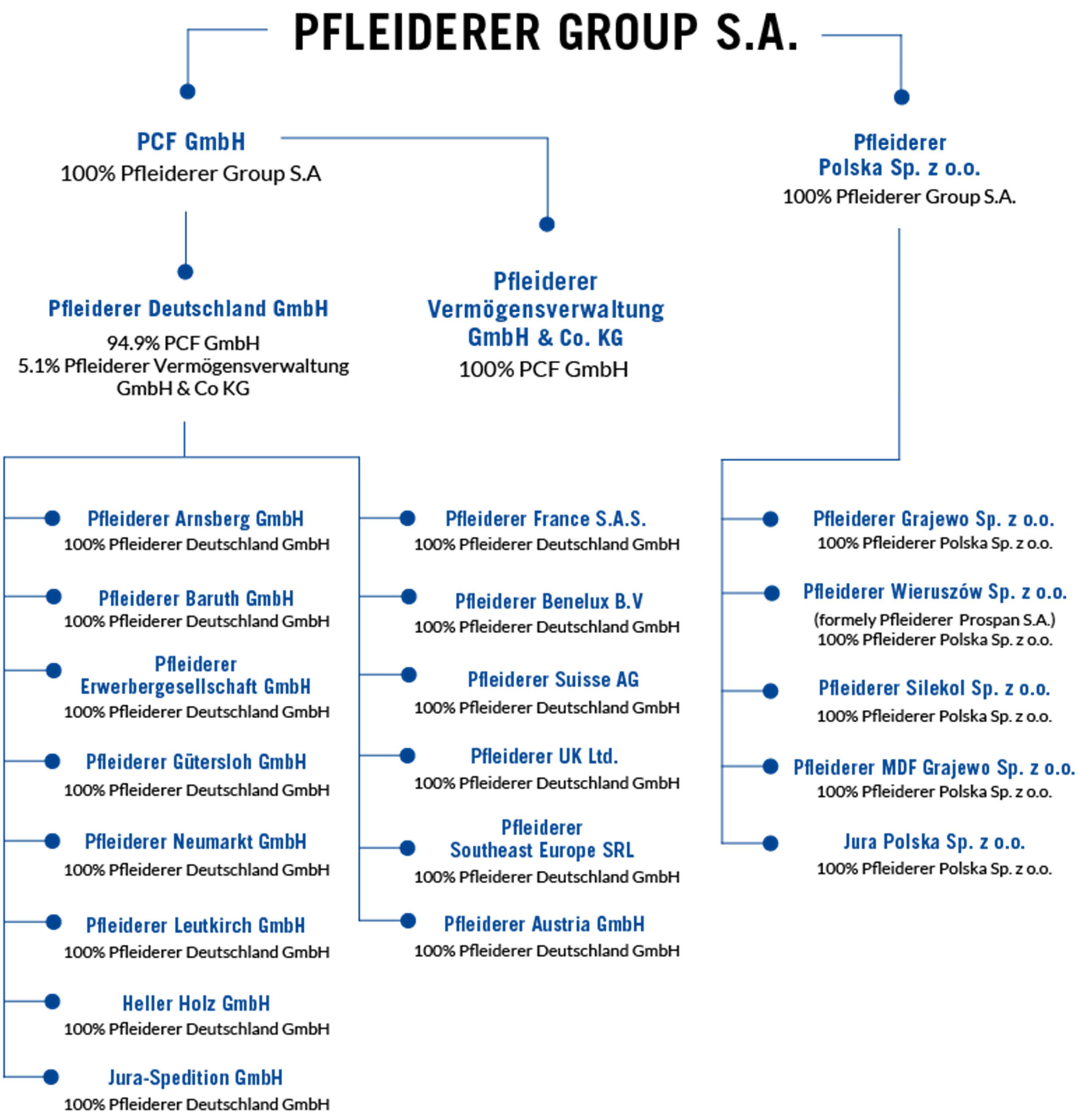


TABLE 1: SUBSIDIARIES OF THE PFLEIDERER GROUP

Eastern Europe		Sep. 30, 2017	Dec. 31, 2016
Pfleiderer Polska Sp. z o.o.	Wrocław	100.00%	100.00%
Pfleiderer Grajewo Sp. z o.o.	Grajewo	100.00%	100.00%
Pfleiderer MDF Grajewo Sp. z o.o.	Grajewo	100.00%	100.00%
Pfleiderer Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.)	Wieruszów	100.00%	100.00%
Pfleiderer 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		**Sep. 30, 2017**	**Dec. 31, 2016**
PCF GmbH (Previously Pfleiderer GmbH)	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Deutschland GmbH (prev. Pfleiderer Holzwerstoffe GmbH)	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Neumarkt GmbH	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Gütersloh GmbH	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Leutkirch GmbH	Leutkirch, Germany	100.00%	100.00%
Pfleiderer Erwerbergesellschaft GmbH	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Arnsberg GmbH	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Baruth GmbH	Baruth, Germany	100.00%	100.00%
Heller Holz GmbH	Neumarkt, Germany	100.00%	100.00%
JURA-Spedition GmbH	Neumarkt, Germany	100.00%	100.00%
Pfleiderer Austria GmbH	Wien, Austria	100.00%	0.00%
Pfleiderer France S.A.S.	Reims, France	100.00%	100.00%
Pfleiderer Benelux B.V.	Deventer, Netherlands	100.00%	100.00%
Pfleiderer Suisse AG	Rapperswil, Switzerland	100.00%	100.00%
Pfleiderer UK Ltd.	Macclesfiels, United Kingdom	100.00%	100.00%
Pfleiderer Southeast Europe SRL	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. 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.

TABLE 2: THE LIST OF GROUP'S ENTITIES WITH THEIR ACTIVITIES (AT THE TIME OF PUBLICATION OF THE REPORT):

Acivities	Company	
Holding entities	**Pfleiderer Group S.A., Wrocław, Poland** – holding company of Pfleiderer Group	
	PCF GmbH, Neumarkt, Germany - holding company for West Segment entities	
	Eastern Europe	Western Europe
Distribution	**Pfleiderer Polska Sp. z o.o.,** Wrocław, Poland	**Pfleiderer Deutschland GmbH,** Neumarkt, Germany
Production of boards	**Pfleiderer Grajewo Sp. z o.o.,** Grajewo, Poland	**Pfleiderer Neumarkt GmbH,** Neumarkt, Germany
	Pfleiderer Wieruszów Sp. z o.o., Wieruszów, Poland	**Pfleiderer Gütersloh GmbH,** Neumarkt, Germany
	Pfleiderer MDF Grajewo Sp. z o.o., Grajewo, Poland	**Pfleiderer Leutkirch GmbH,** Leutkirch, Germany
		Pfleiderer Arnsberg GmbH, Neumarkt, Germany
		Pfleiderer Baruth GmbH, Baruth, Germany
Transportation	**Jura Polska Sp. z o.o.,** Grajewo, Poland	**Jura-Spedition GmbH,** Neumarkt, Germany
Sales agency		**Pfleiderer France S.A.S.,** Reims, France

		Pfleiderer Benelux B.V., Deventer, Netherlands
		Pfleiderer Suisse AG, Rapperswil, Switzerland
		Pfleiderer UK Ltd, Macclesfield, United Kingdom
		Pfleiderer Austria GmbH, Vienna, Austria
		Pfleiderer Southeast Europe SRL, Bucharest, Romania
Wood delivery		**Heller Holz GmbH,** Neumarkt, Germany
Production of glue and other	**Pfleiderer Silekol Sp. z o.o.,** Kędzierzyn-Koźle, Poland	
Other	**Unifloor Sp. z o.o.,** Wieruszów, Poland (in liquidation)	**Pfleiderer Erwerbergesellschaft GmbH,** Neumarkt, Germany
		Pfleiderer Vermögensverwaltungs GmbH & Co. KG, Neumarkt, Germany
		Pfleiderer Infrastrukturtechnik GmbH & Co. KG, Düsseldorf (in insolvency), Germany
		Pfleiderer Infrastrukturtechnik Verwaltungs-GmbH, Düsseldorf (in insolvency), Germany
		Allgäuer Holzindustrie und Imprägnierwerk Aulendorf GmbH, Aulendorf (in liquidation), Germany
		Blitz 11-446 GmbH, Neumarkt (in liquidation), Germany

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 9 months of 2017 there were no changes of the group structure except for establishing new entities in Austria and Romania, each of them acting as sales agents for Pfleiderer Deutschland GmbH.

On 31 July 2017 the transformation of Pfleiderer Prospan S.A. into Pfleiderer Wieruszów Sp. z o.o. was registered.

1.3. PFLEIDERER GROUP STRATEGY

Strategy mission – Our Direction

A **smart market segmentation** will drive our sales strategy and will enable a value-added customer proposition

Our salesforce will harvest the **new capacity,** implement **smart pricing** and **active product portfolio management**

We will focus on **operational excellence** & **disciplined capacity** debottlenecking

Attractive shareholder value will be delivered by strong cash generation, attractive dividend policy, potential additional share buyback programs and open investor relations communication

Our culture will become more cost conscious and performance driven

On 20th September The management of Pfleiderer Group S.A. announced the strategy for the Group to be achieved by 2021. The strategy focuses on the following main key pillars: intensifying sales and marketing activities for higher valued products, improving operational efficiency, human resources, improving the cost structure and a competitive management approach. The implementation of the development plan in these areas is supposed to translate into a stable growth of the Group's value to its shareholders.

The main goals and objectives of the strategy published by Pfleiderer Group include:

- Achievement of sales revenue for the year ended 31 December, 2021 of approx. EUR 1.2 billion
- Achievement of EBITDA margin for the year ended 31 December, 2021 of at least 16%
- Capital expenditures amounting to an average of EUR 70 million p.a. (including EUR 20 million of maintenance capital expenditures p.a.)
- Maintaining a secure level of debt - target level of net financial leverage is between 1.5 and 2
- Equity ratio above 30%
- Dividend payment of up to 70% of net profit (the dividend policy has not been changed).

The strategy adopted by the Management Board of Pfleiderer Group S.A. involves the intensification of sales and marketing activities. The Group will focus on smart and focused customer segmentation in key markets where it operates, among others by entering new sub-segments and expanding its operations in high-potential target industries.

The Group aims to continue to grow within value added products which generate the highest margins and which differentiate Pfleiderer from the competition. The product pipeline will be expanded with new decors and surfaces inspired by new trends and created to satisfy changing customer needs. The highest quality customer service will go together with the development of advanced product ranges.

Pfleiderer Group is now able to provide advanced products and customer service for key European markets through its service departments. In terms of export sales, the Group will focus on advanced solutions for key customers in the most attractive markets.

Increased productivity through operational efficiency

Pfleiderer Group has implemented an efficiency improvement programme that will have a positive impact on operating results. The goal is to achieve an uptime improvement of all CPL, MDF and PB lines by 4% by 2018 in relation to 2015 and productivity improvement by 5% by 2019 compared to 2015. Pfleiderer will focus on optimising production costs and debottlenecking.

The Group is also planning to achieve savings thanks to implemented dedicated procurement excellence program. In addition, the operational efficiency will be supported by extension of capacities and implementing advanced technologies. One of the objectives in this area is even better use of the potential of Pfleiderer's subsidiary - Silekol, which is a recognised manufacturer of resin adhesives and hardeners used in the timber industry.

Stable capital expenditures will support organic growth

The strategy presented by the Pfleiderer Group S.A.'s Management Board assumes stable capital expenditures amounting to an average of EUR 70 million p.a., including EUR 20 million of maintenance CAPEX p.a. Strategic projects such as the "4-pack" investment in Grajewo, the worktop line and the Dynasteam project in Wieruszów, the sanding line at the largest plant in Neumarkt, the commissioning of the lacquering line in Leutkirch and the implementation of resign growth strategy in Silekol aim to increase EBITDA level and generated margins.

FIGURE 3: PFLEIDERER STRATEGY – THE DIAMOND APPROACH

1.4. INVESTMENT PROGRAM

During 9 months of 2017 Pfleiderer Group incurred EUR EUR 43,625 thousand capital expenditures.

TABLE 3: 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 end of 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 12.4 million	New functional surface technology, new high gloss and dull surfaces (planned launch in the HY1, 2018)	EUR 9.6 million EBITDA
Commercial Growth Strategy	EUR 11.4 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 6.2 million EBITDA

1.5. MARKETING ACTIVITIES IN 9M, 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 4: REWARDS GIVEN TO PFLEIDERER GROUP IN 9M, 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	Duropal HPL SolidColor XTreme	Rat für Formgebung Service GmbH
2017	pro-K Award	Duropal HPL SolidColor XTreme	pro-K Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e.V.
2017	German Design Award 2017	Duropal 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.

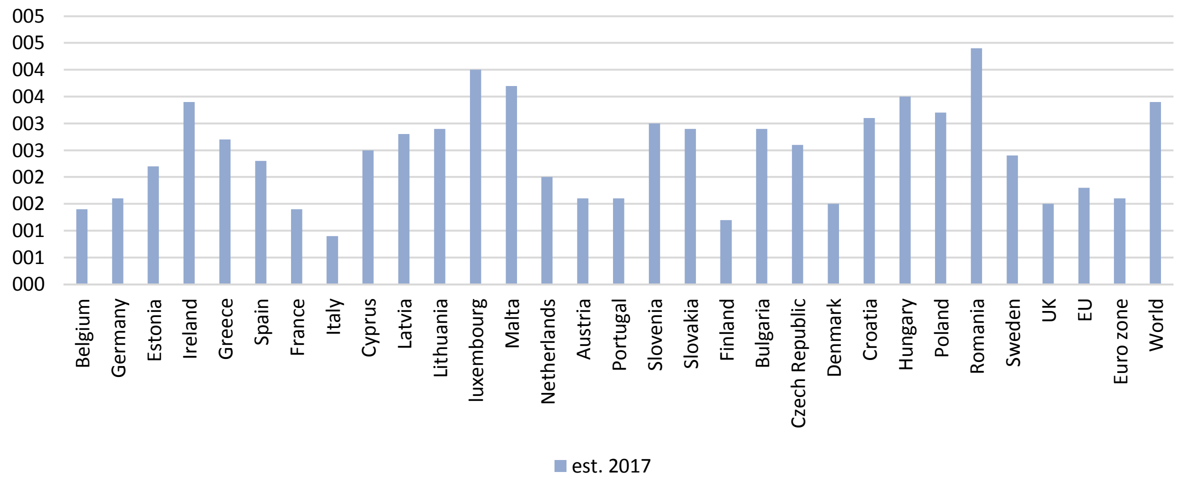
1.6. MARKET POSITION AND CONSTRUCTION MARKET OVERVIEW

Macroeconomic situation in 9M 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 forecasts[1], 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 nine months 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 4: GDP GROWTH IN EST. 2017 (%)



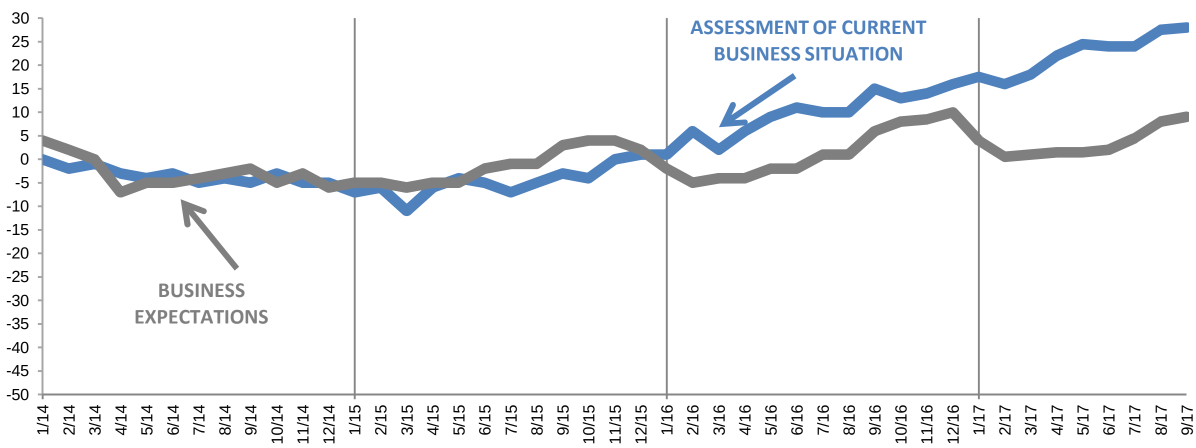
Source: European Commission, European Economic Forecast Spring 2017

According to the European Commission's forecasts[2], 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 in Q3. Assessments of current business situation reach the highest results, also future situation is evaluated better than at the beginning of the year.

FIGURE 5: BUSINESS CLIMATE IN CONSTRUCTION – GERMANY

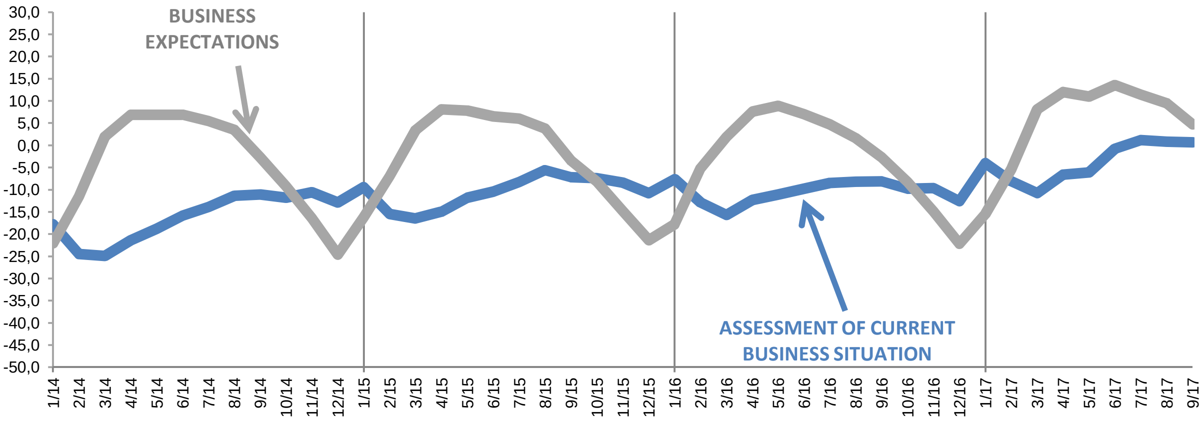


Source: own calculation based on ifo

In Poland the third quarter of 2017 was marked by stabilization of current situation assessment. Expectations about future months got chilled and one can expect, that the trend will be kept till the end of the year.

[2] Spring 2017 Economic Forecast, EuroCom

FIGURE 6: BUSINESS CLIMATE IN CONSTRUCTION – POLAND



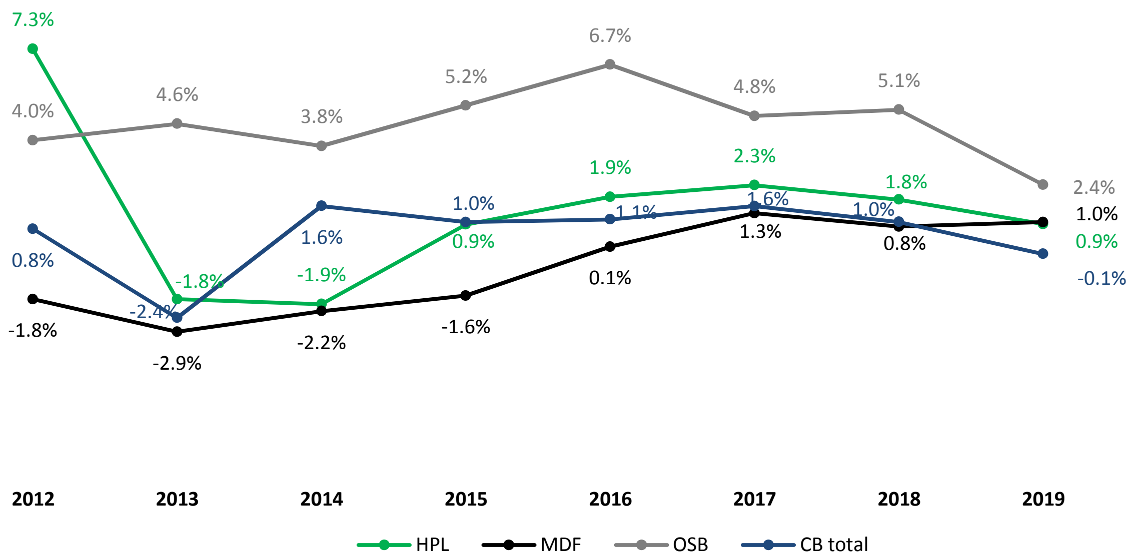
Source: own calculation based on GUS

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.

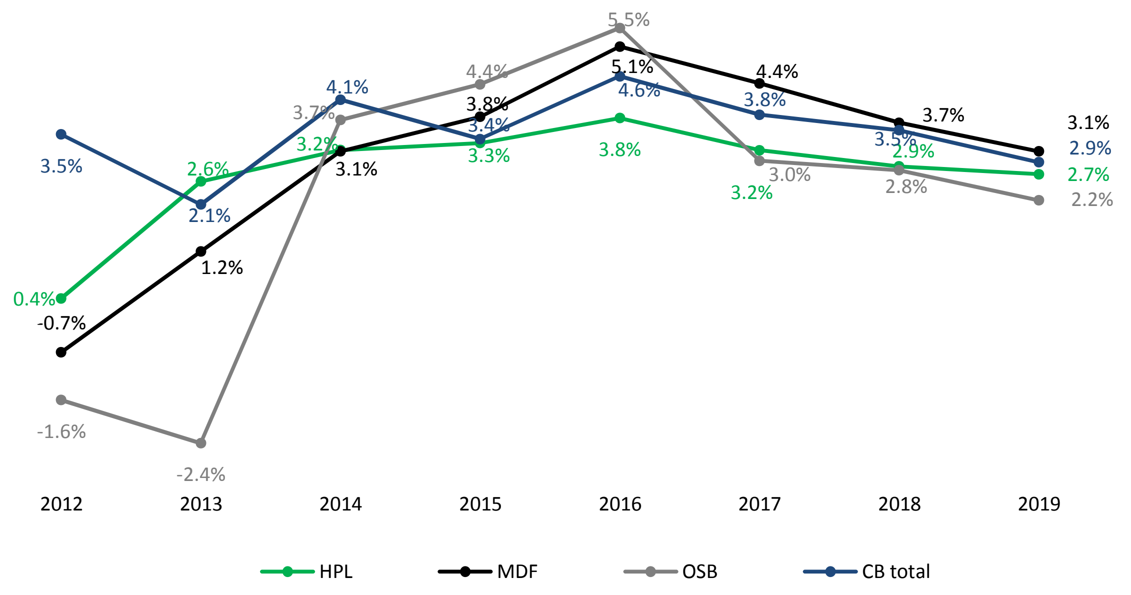
In case of DACH countries OSB market characterizes the highest growth dynamic. Moderate positive change is expected at HPL and MDF/HDF market. In Poland there's expectation that all product market will have comparable growth dynamic with relatively highest development of MDF/HDF and chipboards.

FIGURE 7: MARKET SIZE DYNAMIC (VOLUME) – DACH



Source: own calculation based on reliable construction& furniture market data provider

FIGURE 8: MARKET SIZE DYNAMIC (VOLUME) – POLAND

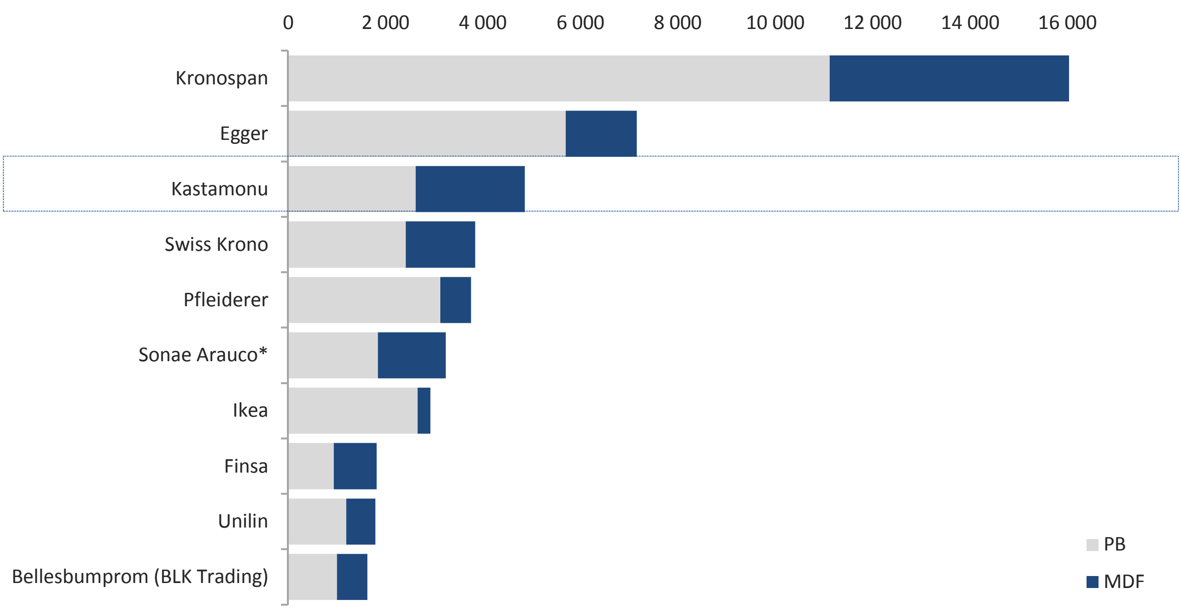


Source: own calculation based on reliable construction& furniture market data provider

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 9: PRODUCTION CAPACITY IN EUROPE* – TOP 10 PLAYERS x 1000 m^3



***including Russia & Turkey;**

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

Source: own calculation (based on reliable market data provider 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 2019 one can expect average yearly growth rate at level of 0,4% for DACH and 3,8% for Poland.

TABLE 5: AVERAGE YEARLY GROWTH 2017-2019

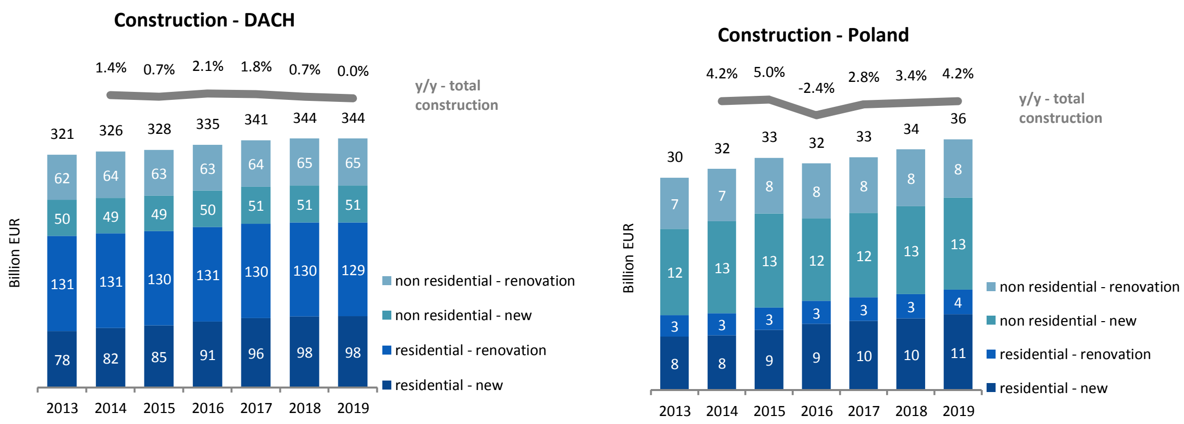
	CAGR 2017-2019		
	Total	**Residential**	**Non-residential**
Poland	**3.8%**	**4.2%**	**3.5%**
DACH	**0.4%**	**0.4%**	**0.3%**
Germany	**0.0%**	**0.3%**	**-0.5%**
Austria	**1.3%**	**1.3%**	**1.4%**
Switzerland	**1.5%**	**0.3%**	**3.1%**
France	**3.2%**	**3.6%**	**2.7%**
Italy	**1.8%**	**1.6%**	**2.0%**
United Kingdom	**0.5%**	**1.1%**	**0.0%**
Belgium	**1.7%**	**1.6%**	**1.8%**
Netherlands	**3.8%**	**3.8%**	**3.7%**

Source: own calculation based on reliable construction market data provider

Drivers of construction core markets – DACH and PL

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

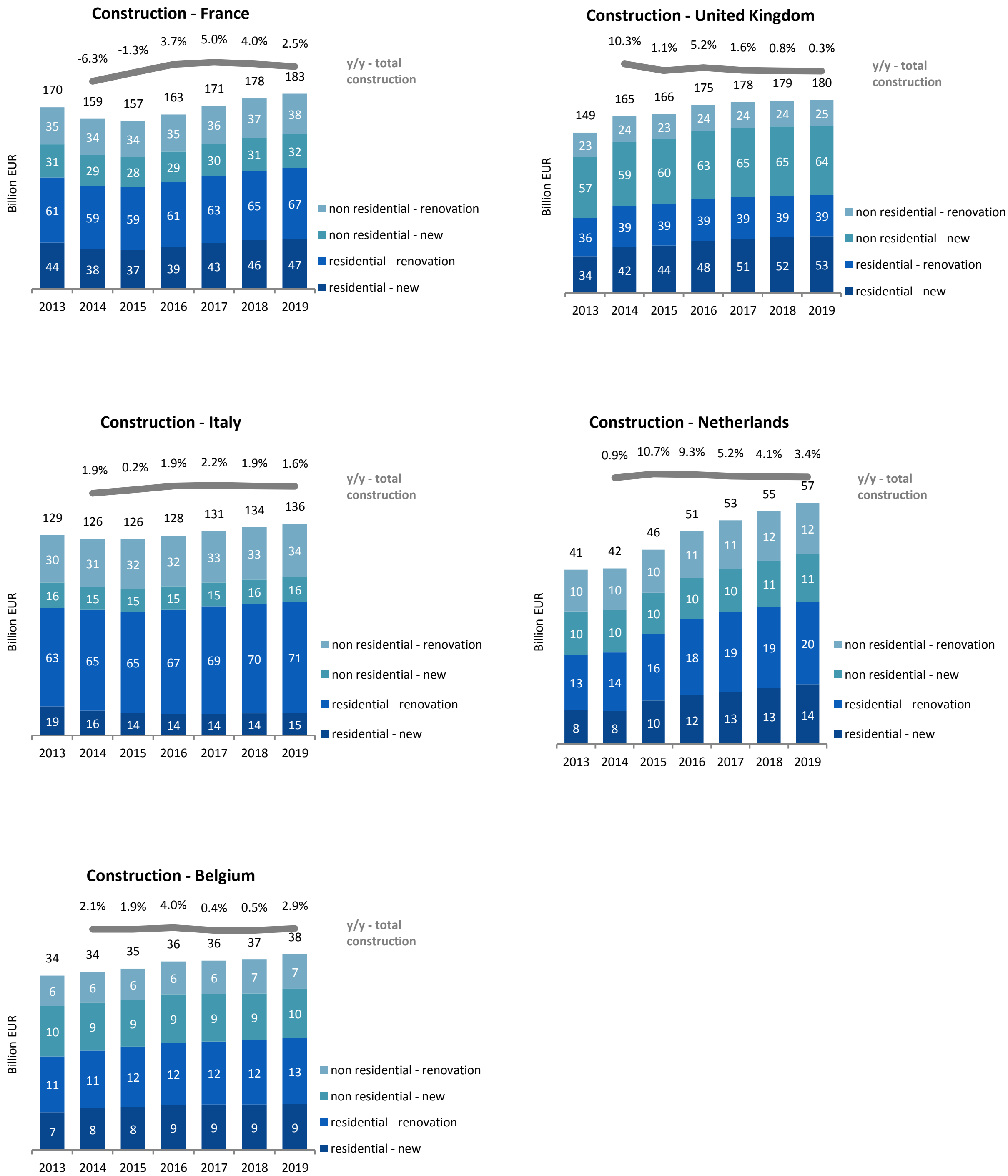
FIGURE 10: TOTAL CONSTRUCTION – DACH AND POLAND



Drivers of construction markets – other countries

Construction market in France, Italy, Netherlands and Belgium is driven more by residential building and especially renovation works. Construction business in UK is equally based on residential and non residential housing, and similarly to Poland – new buildings play bigger role here.

FIGURE 11: TOTAL CONSTRUCTION – OTHER COUNTRIES



1.7. 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, Pfleiderer Group S.A. bears all the burdens related to the financing of investment projects. The debt level is monitored on an ongoing basis. To mitigate the liquidity risk, the Group uses a full spectrum of available financial instruments.

1.8. 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 "potential loss amount" (less than EUR 5 million, EUR 5-10 million, EUR 10-20 million, and more than EUR 20 million) and "probability of occurrence" (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.

As the FSC (Forest Stewardship Council) Standards have become more stringent the minimum requirements for wood Pfleiderer uses to produce chipboards also got stricter. Due to a lack of resources and also due to the increased minimum requirements it might be possible that we will not be able to comply with the regulations and therefore might lose our FSC certification. This would mean that we could not meet the requirements of several customers, which corresponds with a serious potential loss amount. However, the probability of occurrence of this risk seems to be rather unlikely.

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 boarder 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 medium 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 significant. 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.

1.9. INFORMATION ON MATERIAL AGREEMENTS AND TRANSACTIONS

Material party-related transactions in 9M, 2017

For the information regarding related-party transactions as at 30 September 2017 and for the period from 1 January to 30 September 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 September 2017, all related-party transactions were executed on an arm's length basis.

1.10. COURT PROCEEDINGS

Information related to significant settlement of litigation

As at 30 September 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 September 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 September 2017 accruals related to antitrust violations of EUR 3 150 thousand including costs related to legal proceedings with Classen as well as legal costs and amicable settlements of claims with 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 Pfleiderer Group’s current customers, filed an action with the regional court of Düsseldorf (Landgericht Düsseldorf) against the custodian (Sachwalter) of PCF GmbH (then Pfleiderer AG) seeking the acceptance of its claim to the insolvency schedule (Insolvenztabelle) filed in May 2012. The insolvency proceedings ended in December 2012. In April 2013, after the insolvency proceedings had ended, Classen extended its claim to PCF GmbH. Classen sought payment of the insolvency quota in the amount of EUR 1.3 million based on a claim for potential damages arising from the same deliveries as in the case against Pfleiderer Baruth GmbH, as described below. By judgement of 27 April 2017 the regional court of Duesseldorf dismissed the claim in its entirety because it deemed the claim against the custodian as inadmissible due to the absence of authority to litigate at the time the claim was served on the (then former) custodian (January 2013). As regards PCF GmbH, the court found that Classen did not meet the exclusion period stipulated in the insolvency plan. To the management best knowledge Classen has not filed an appeal against this judgement with the higher regional court Duesseldorf.

In December 2012, Classen also filed an action for damages with the regional court of Düsseldorf (Landgericht Düsseldorf) against Pfleiderer Baruth GmbH (then: Pfleiderer Faserplattenwerk Baruth GmbH) currently amounting to approximately EUR 55.4 million (plus interest). The proceeding is still pending and the outcome, i.e. the further potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid, cannot be assessed yet. At oral hearing on 2 February 2017, the court has not clearly indicated whether it deems the claim justified as to the merits or not. The 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 September 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 3 150 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 minimum amount of EUR 28.4 million plus interest). In September 2017 a settlement agreement between

Pfleiderer and Alno's insolvency administrator has been signed according to which the direct and indirect claims of Alno for cartel damages are settled. Pfleiderer shall have no joint and several liability anymore regarding supplies by other cartelists. In the meantime Alno has also formally informed the court that the claim against Pfleiderer is settled.

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 next court meeting was postponed to March 2018. As at 30 September 2017 the Management based on its best knowledge recognised an accrual for the expected outcome, which is included in the total amount of EUR 3 150 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.

The Western European segment is subject to certain tax risks described in point 1.7 Risk Management. As at 30 September 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 September 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 9M 2017 and 9M 2016 the production volumes of main product groups at the group level were as follows:

TABLE 6: PRODUCTION VOLUMES OF MAIN PRODUCT GROUPS AT THE GROUP LEVEL

thousand / '000		Jan. 1 - Sep. 30, 2017	Jan. 1 - Sep. 30, 2016	Change (%)	Jul. 1 - Sep. 30, 2017	Jul. 1 - Sep. 30, 2016	Change (%)
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	cbm	2 477	2 337	6%	812	792	3%
Laminated boards	sqm	82 800	79 479	4%	26 380	26 360	0%
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	cbm	425	406	5%	136	141	-4%

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

TABLE 7: PRODUCTION VOLUMES OF MAIN PRODUCT GROUPS IN BUSSINES SEGMENTS

thousand / '000		Jan. 1 - Sep. 30, 2017 Core West	Jan. 1 - Sep. 30, 2017 Core East	Jul. 1 - Sep. 30, 2017 Core West	Jul. 1 - Sep. 30, 2017 Core East
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	cbm	1 468	1 009	477	335
Laminated boards	sqm	51 915	30 885	16 745	9 635
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	cbm	266	159	85	51

2.2. SALES STRUCTURE

Revenue reported by the Group in 9M 2017 was EUR 750,910 thousand and increased 8% when compared to 9M, 2016 (excluding 19 days of 2016 for Core West).

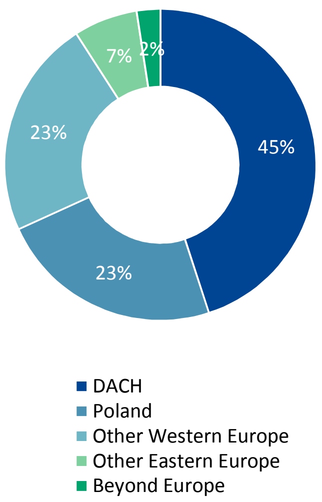
Sales volumes by product group were as follows:

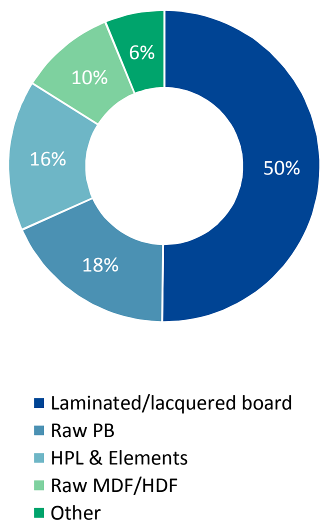
TABLE 8: SALES VOLUMES BY PRODUCT GROUP AT THE GROUP LEVEL

		Jan. 1 - Sep. 30, 2017	Jan. 1 - Sep. 30, 2016	Jul. 1 - Sep. 30, 2017	Jul. 1 - Sep. 30, 2016
Laminated particleboard	sqm	77 182 498	74 138 200	24 281 636	24 358 057
HPL	sqm	8 979 662	8 904 704	2 915 497	3 041 580
Raw particleboard	cbm	827 727	765 426	276 499	259 262
Laminated MDF/HDF board	sqm	2 473 392	2 451 486	824 551	754 668
Raw MDF/HDF board	cbm	282 817	268 949	84 483	87 970

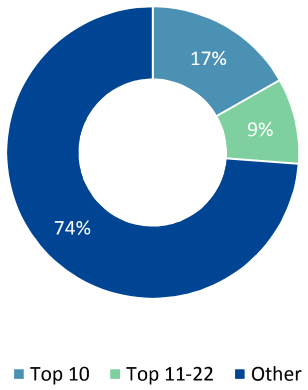
FIGURE 12: REVENUE AND CUSTOMER SPLIT

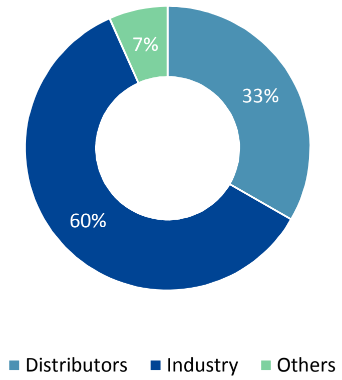
REVENUE SPLIT 9M, 2017





CUSTOMER SPLIT 9M, 2017





MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2017

FINANCIAL PERFORMANCE

3. FINACIAL 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 9: CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR 9M AND Q3 2017

'000 EUR	Jan. 1 - Sep. 30, 2017	Jan. 1 - Sep. 30, 2016	Jul. 1 - Sep. 30, 2017	Jul. 1 - Sep. 30, 2016
Revenue	750 910	695 804	244 881	237 343
Cost of sales	-576 347	-533 990	-189 972	-178 023
Profit on sales	**174 563**	**161 814**	**54 909**	**59 320**
Other income	11 854	6 055	1 829	1 366
Distribution expenses	-103 509	-81 638	-34 463	-28 400
General and administrative expenses	-38 610	-37 735	-12 538	-12 931
Other expenses	-3 240	-25 235	2 026	-12 220
Result from operating activities	**41 058**	**23 261**	**11 763**	**7 135**
Financial income	8 145	2 581	-2 082	822
Financial expenses	-29 286	-21 598	-6 784	-8 109
Exchange differences	6 037	5 468	-2 225	4 889
Net financing cost	**-15 104**	**-13 549**	**-11 091**	**-2 398**
Profit before tax	**25 954**	**9 712**	**672**	**4 737**
Income tax expense	-6 887	6 834	-223	4 699
Net profit for the reporting period	**19 067**	**16 546**	**449**	**9 436**

Note: data for 9M 2016 does not comprise first 19 days of Core West segment.

Revenues came in at EUR 750,910 thousand in 9M 2017, growing 7.9% YoY, mostly due to organic developments supported by a strong market. In Q3 the Group managed to stop margin squeeze deriving from raw material prices growth. Substantive single-digit sales volumes were recorded, with laminated particleboard volume growth of 4%, raw particleboard volumes growing as much as 8% YoY and raw MDF/HDF boards by 5% YoY in 9M 2017. The sales volume of HPL and laminated MDF/HDF board remained at stable level YoY. The Core West segment revenues reached EUR 530,896 thousand, augmenting by 14% YoY, while the Core East segment added EUR 220,014 thousand, down 4,2% 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 174,563 thousand in 9M 2017, growing as much as 7.9% YoY. The gross profit margin remained stable YoY in 9M 2017, coming in at 23.2% versus 23.3% in 9M 2016. Moderate growth in costs of sales was implicated by productivity enhancement programs and successful cost initiatives declined by material prices growth. Higher costs of sales in Q3 2017 resulted substantially from growth of material prices, mainly chemicals and production costs, which were only partially covered by sales margin. 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 142,119 thousand in 9M 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 slight decrease of G&A expenses as consequence of cost discipline programs and lower services and consulting expenses.

9M 2017 was marked by favorable YoY developments on the other income and other expenses lines. Other income in 9M 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 9M 2016 by one-off EUR 5.1m real estate tax cost in the Core East division. Overall, the Group's result from operating activities came in at a strong EUR 41,058 thousand in 9M 2017, growing by c.76.5% 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 32,307 thousand in 9M 2017 versus EUR 5,207 thousand in 9M 2016. The operating result of the Core East division reached EUR 8,523 thousand in 9M 2017 versus EUR 18,204 thousand in 9M 2016.

Net financing result for 9M 2017 decreased by ca.11,5% YoY reaching EUR 15,104 thousand negative. These resulted from reassessment of amortized cost valuation due to faster repayment of bonds in the amount of EUR 6,762 thousand netted off against recognized costs of redemption fee amounting to EUR 6,334 thousand, offset by costs incurred in conjunction with the refinancing. Overall, the Group's net profit came in at EUR 19,067 thousand in 9M 2017, up 15% YoY.

In August 2017 the Group redeemed the existing financing solution with a more favorable capital market transaction. 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 10: CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER, 2017

ASSETS '000 EUR	Sep. 30, 2017	Dec. 31, 2016
Property, plant and equipment	526 173	548 863
Intangible assets	84 894	83 091
Goodwill	66 776	66 171
Long term investments	515	515
Investment property	897	875
Deferred tax assets	7 499	5 948
Advances paid on fixed assets	16 825	3 016
Government grants receivables	12 696	12 921
Other non current assets	16	2
Non-current assets	**716 291**	**721 402**
Inventories	104 565	91 903
Trade and other receivables	57 443	42 531
Income tax receivable	962	376
Government grant receivables	1 210	642
Cash and cash equivalents	85 852	97 726
Fair value of hedging instruments	79	0
Other short term financial assets	350	0
Current assets	**250 461**	**233 178**
Total assets	**966 752**	**954 580**

LIABILITIES AND EQUITY '000 EUR	Sep. 30, 2017	Dec. 31, 2016
Share capital	6 692	6 692
Share premium	146 375	146 375
Statutory reserve funds	122 924	91 801
Reserves	-12 918	-13 937
Retained earnings	11 812	40 324
Total equity attributable to owners of the Company	**274 885**	**271 255**

Total equity	**274 885**	**271 255**
Liabilities		
Loans and borrowings	335 815	329 762
Provisions for employee benefits	53 288	56 893
Provisions	2 746	3 694
Deferred tax liabilities	65 388	64 176
Deferred income from government grants	17 100	17 439
Other non-current liabilities	198	239
Non-current liabilities	**474 535**	**472 203**
Loans and borrowings	1 420	10 898
Income tax payable	13 886	10 559
Trade and other payables	173 271	161 414
Employee related payables	25 902	22 118
Provisions	1 827	5 132
Deferred income from government grant	1 026	1 001
Current liabilities	**217 332**	**211 122**
Total liabilities	**691 867**	**683 325**
Total equity and liabilities	**966 752**	**954 580**

The asset side of statement of financial position remained relatively stable in Q3 2017 versus FY 2016 numbers. Non-current assets in Q3 2017 constituted 74% of total group assets versus 76% in FY 2016. There was a small 4% fall in property, plant and equipment value within the nine month period, yet a significant pick-up in advances paid on fixed assets was also noticeable. There were however changes within the current asset structure composition. Inventories grew c.14% within the nine 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 Q3 2017. As a result, despite sizeable YoY increase, the cash and cash equivalents level in Q3 2017 was at level lower by 12% comparing to the end of 2016.

The liability side of the statement of financial position also has not changed significantly within the Q3 2017 period with the exception to the current part of loans and borrowings balance that have been significantly reduced comparing to the FY 2016 balance. The company performed early repayment of corporate bonds in August 2017 and the new loan facilities have been arranged. Higher Group net income translated into higher Group's total equity, which reached EUR 274,885 thousand at the end of Q3 2017. Total equity represented 28% of total equity and liabilities at the end of Q3 2017, with the proportion being relatively stable versus end of year 2016.

3.1.3. CONSOLIDATED STATEMENT OF CASH FLOWS

TABLE 11: CONSOLIDATED STATEMENT OF CASH FLOWS IN 9M, 2017

'000 EUR	Jan. 1 - Sep. 30, 2017	Jan. 1 - Sep. 30, 2016
Net profit for the reporting period	**19 067**	**16 546**
Depreciation and amortisation	55 156	52 896
Foreign exchange gains	-6 037	-5 468
Interest for the period	21 648	19 017
Profit on investing activities	124	0
Income tax disclosed in profit or loss of the period	6 887	-6 834
Amortisation of government grants	-632	-1 679
Result on forward contracts	-508	-1 555
Increase in exchange differences on translating foreign operations	399	-446
Changes in		
trade and other receivables	-18 610	-8 407
inventories	-11 769	627

trade and other payables	18 770	13 970
employee benefit obligations	-1 019	-1 712
provisions	-4 252	7 599
Cash generated from operating activities	**79 224**	**84 554**
Interest received	0	0
Income tax (paid)/received	-5 118	-5 282
Net cash provided by operating activities	74 106	79 272
Net cash used in investing activities		
Disposal of property, plant and equipment	26	135
Interest received	67	71
Repayment/(granting) loan to other entities	0	0
Acquisition of intangible assets and property, plant and equipment	-45 717	-31 793
Acquisition of subsidiary, net of cash acquired	0	-9 692
Net cash used in investing activities	-45 624	-41 279
Net cash used in financing activities		
Repayment of borrowings and other debt instruments	-321 684	-21 446
Increase of borrowings and other debt instruments	350 000	0
Share issue	0	80 864
Dividend payments	-16 842	-14 585
Interest paid	-29 705	-26 587
Redemption fee and refinancing costs	-20 519	0
Other financing activities	-1 606	103
Net cash used in financing activities	-40 356	18 349
Total cash flows	-11 874	56 342
Decrease/Increase in cash	-11 874	56 342
Cash at beginning of the period	97 726	20 731
Cash at the end of the period	85 852	77 073

The net cash from operating activities remained at a high level in 9M 2017, reaching EUR 74,106 thousand. The 9M 2017 operating line was favourably affected by higher YoY pick-up in trade and other payables. However, growth in inventories in 9M 2017 coupled with increase in trade and other receivables 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 45,624 thousand negative in 9M 2017 (CAPEX net of change in investment liabilities). Organic investments conducted translated into a 37% YoY growth in capex to EUR 43,625 thousand in 9M 2017. In 9M 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 9M 2016 was strongly influenced by EUR 80,863 thousand share issuance, part of Group's restructuring process. 9M 2017 financing cash flow came in at a negative EUR 40,356 thousand, mostly due to payments for additional costs resulting from refinancing and interests.

3.1.4. KEY FINANCIAL RATIOS – CAPITAL GROUP

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

TABLE 12: KEY FINANCIAL RATIOS DESCRIBING THE GROUP'S PERFORMANCE

	Definition		Jan. 1 - Sep. 30, 2017	Jan. 1 - Sep. 30, 2016
Liquid funds	Cash and cash equivalents	mEUR	85.9	77.1
Net debt	Financial debt - liquid funds	mEUR	251.4	258.0
Net leverage	Net debt/ EBITDA (LTM)	factor	1.95	2.36
Equity ratio	Equity/ balance sheet totals	%	28.4%	27.9%
Gearing	Net debt/ equity	factor	0.9	1.0
EBITDA (LTM)	Earnings before Interest, Tax and Amortisation = Result from operating activities + depreciation + amortization for last 12 months	mEUR	128.8	109.2
Interest cover	EBITDA (LTM)/ net financing costs (LTM)	factor	5.0	4.0
ROCE	Result from operating activities (LTM) / Capital employed	%	8.7%	6.3%
ROA	Net profit (LTM) / total assets at the end of the period	%	1.8%	2.0%
ROE	Net profit (LTM) / equity at the end of the period	%	6.3%	7.1%

The financial ratios of the 9M1 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 ratio like ROCE improved YoY in 9M 2017.

TABLE 13: MARGINS

	Q3, 2017	Q3, 2016
Gross profit margin (Profit on sales/Revenue)	23.25%	23.26%
EBIT margin (Result from operating activities/Revenue)	5.47%	3.34%
Pre-tax margin (Profit before tax/Revenue)	3.46%	1.40%
Net income margin (Net profit/Revenue)	2.54%	2.38%

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

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 have been used to redeem the €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.

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

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 to secure 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 have been released.

In order to secure the new obligations under the senior facilities agreement dated April 13, 2017, the following security interests have been granted for the benefit of the lenders:

(i) Pfleiderer Group S.A. entered 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 granted 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. entered into the agreements for financial and registered pledges over major bank accounts and granted 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. entered into the agreements for security assignments of rights under commercial contracts, intercompany loan agreements and insurance agreements.

(iv) The following mortgages have been 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. executed 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 to secure 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 have been released..

In order to secure the new obligations under the senior facilities agreement dated April 13, 2017, the following security interests have been granted for the benefit of the lenders:

(i) Pfleiderer Group S.A., PCF GmbH, Pfleiderer Deutschland GmbH as pledgors granted 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 granted 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 assigned as security their receivables under the intercompany loans, material trade and insurance receivables.

(iv) The existing German land charges have been 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., Pfeiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o., Pfleiderer Silekol sp. z o.o. The amounts outstanding under the senior secured revolving credit facility dated July 4, 2014 and the senior notes issued on June 27, 2014 have been refinanced by the senior facilities agreement dates April 13, 2017.

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 14: STANDALONE STATEMENT OF PROFIT OR LOSS

	PLN '000		EUR '000	
	Jan. 1 – Sep. 30 2017	Jan. 1 – Sep. 30 2016	Jan. 1 – Sep. 30 2017	Jan. 1 – Sep. 30 2016
Revenue	0	395 450	0	90 737
Results from operating activity	-26 460	15 301	-6 204	3 511
Profit before tax	320 334	86 756	75 106	19 906
Net profit for the reporting period	322 322	82 547	75 572	18 938
Basic earnings per share (in PLN/EUR)	4.98	1.30	1.17	0.30
Diluted earnings per share (in PLN/EUR)	4.98	1.30	1.17	0.30
Average PLN/EUR exchange rate			4.2651	4.3582

	PLN '000		EUR '000	
	Jul. 1– Sep. 30 2017	Jul. 1 – Sep. 30 2016	Jul. 1– Sep. 30 2017	Jul. 1 – Sep. 30 2016
Revenue	0	95 029	0	21 900
Results from operating activity	-9 849	3 585	-2 306	826
Profit before tax	-23 481	17 567	-5 498	4 048
Net profit for the reporting period	-19 755	14 114	-4 626	3 253
Basic earnings per share (in PLN/EUR)	0	0.22	0	0.05
Diluted earnings per share (in PLN/EUR)	0	0.22	0	0.05
Average PLN/EUR exchange rate			4.2706	4.3392

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 9 months ended 30 September 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 27,158 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 17,532 thousand).

3.2.2. STANDALONE STATEMENT OF FINANCIAL POSITION

TABLE 15: STANDALONE STATEMENT OF FINANCIAL POSITION

	PLN '000		EUR '000	
	Sep. 30, 2017	Dec. 31, 2016	Sep. 30, 2017	Dec. 31, 2016
Total assets	2 238 864	2 224 785	520 158	504 452
Liabilities	736 395	973 467	171 088	220 725
Non-current liabilities	172	356	40	81
Current liabilities	736 223	973 111	171 048	220 645
Equity	1 502 469	1 251 318	349 070	283 726
Share capital	21 351	21 351	4 961	4 841
Number of shares	64 701 007	64 701 007	64 701 007	64 701 007
Book value per share (in PLN/EUR)	23.22	19.34	5.39	4.49
PLN/EUR exchange rate as at the end of the reporting period			4.3042	4.4103

3.2.3. STANDALONE STATEMENT OF CASH FLOWS

TABLE 16: STANDALONE STATEMENT OF CASH FLOWS

	PLN '000		EUR '000	
	Jan. 1 – Sep. 30, 2017	Jan. 1 – Sep. 30, 2016	Jan. 1 – Sep. 30, 2017	Jan. 1 – Sep. 30, 2016
Net cash provided by operating activities	-15 218	-25 376	-3 568	-5 823
Net cash provided by/ used in investing activities	10 745	-567 835	2 519	-130 291
Net cash used in financing activities	3 925	565 043	920	129 651
Total net cash flow	-548	-28 168	-128	-6 463
Average PLN/EUR exchange rate			4.2651	4.3582

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

TABLE 17: PFLEIDERER GROUP S.A. SALES MARGINS

	Jan. 1, – Sep. 30, 2017	Jan. 1,– Sep. 30, 2016
Operating margin Operating profit / Revenue	n.a.	3.87%
Pre-tax margin Profit before tax / Revenue	n.a.	21.94%
Net margin Net profit / Revenue	n.a.	20.87%

Starting from 1 September 2016 Pfleiderer Group S.A. is a pure holding company, thus did not record any revenue in 2017.

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 9M, 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 18: 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: 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 Global

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 September 2017, the Group did not carry any borrowings from related parties.

Bank loans and corporate bonds

Use of bank borrowings

TABLE 19: BORROWINGS AND OTHER DEBT INSTRUMENTS

'000 Euro	Sep. 30, 2017	Dec. 31, 2016
Non-current liabilities		
Non-current portion of interest-bearing bonds	0	329 762
Bank borrowings	336 917	0
Total	**336 917**	**329 762**
Current liabilities		
Current portion of interest-bearing bonds	0	10 555
Other interest bearing liabilities	1 420	343
Total	**1 420**	**10 898**

Bank loans

The revolving credit facility binding as at 31 December 2016 for EUR 60 Mio. And PLN 200 Mio. Has been cancelled and replaced by the new revolving credit facilities:

Senior Facilities Agreement – entered into force on August 1st, 2017

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 and Trigon Dom Maklerski S.A. as security agents (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 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 – fully drawn and Revolving Credit Facilities with a tenor of five years amounting to EUR 50 000 000 (Revolving Facility 1) and PLN 211 480 000 (Revolving Facility 2).

At the reporting date these Revolving Credit Facilities were not drawn in cash whilst bank guarantees were issued within the Revolving Facility 2 for the total amount of PLN 7,265 thousand as well as Letters of Credit in an amount of EUR 2,733 thousand. The Revolving Facility 1 is partially drawn for bank guarantees of EUR 2,262 thousand and PLN 1,559 thousand (EUR 362 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.

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

								Sep. 30, 2017			Dec. 31, 2016	
LENDER	CURRENCY	INTEREST RATE	DURATION FROM	DURATION TO			CREDIT LIMIT EUR	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR	CREDIT LIMIT EUR	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR
Revolving Credit Facility (PLN)												
Bank Millennium S.A.	PLN	WIBOR + margin	19 Jan 2016	01 Aug 2017	*)		0	0	0	2 267	0	2 267
Bank Millennium S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	01 Aug 2017	*)		0	0	0	7 129	0	7 129
Bank Zachodni WBK S.A.	PLN	WIBOR + margin	19 Jan 2016	01 Aug 2017	*)		0	0	0	4 535	0	4 535
Bank Zachodni WBK S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	01 Aug 2017	*)		0	0	0	6 802	0	6 802
PKO Bank Polski S.A.	PLN	WIBOR + margin	19 Jan 2016	01 Aug 2017	*)		0	0	0	4 535	0	4 535
PKO Bank Polski S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	01 Aug 2017	*)		0	0	0	6 802	0	6 802
Alior Bank S.A.	PLN	WIBOR + margin	19 Jan 2016	01 Aug 2017	*)		0	0	0	6 802	0	6 802
Alior Bank S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	01 Aug 2017	*)		0	0	0	4 535	0	4 535
Bank Millennium S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022			17 938	0	17 938	0	0	0
Alior Bank S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022			18 320	0	18 320	0	0	0
Raiffeisen Bank Polska S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022			7 581	0	7 581	0	0	0
Guarantees Core East												
Bank Millenium S.A.	PLN		01 Aug 2017	01 Aug 2022	*)	**)	4 831	4 831		1 487	1 487	
bank guarantee/s issued in favour of National Forests			*27 Jan 2014*	*28 Feb 2018*			1 626	1 626		1 428	1 428	
bank guarantee issued in favour of of Descont Sp. z o.o.			*22. Sep 15*	*20. Sep 19*			62	62		59	59	
Letter of Credit EUR 430 500			*31 Jan 2017*	*15 Dec 2017*			141	141		0	0	
Letter of Credit EUR 1 092 000			22 Jun 2017	22 Apr 2018			1 047	1 047		0	0	
Letter of Credit EUR 1 700 000			29 Aug 2017	30 Sep 2018			1 955	1 955		0	0	
Limit of credit cards East												
Bank Millenium S.A.	PLN		01 Aug 2017	01 Aug 2022	*)	**)	465	0	465	453	20	433
TOTAL CORE EAST							**49 133**	**4 831**	**44 303**	**45 347**	**1 507**	**43 840**

TABLE 21: FINANCINGS CORE WEST (EXLUDING FACTORING AND OPERATING LEASES)

						Sep. 30, 2017			Dec. 31, 2016		
LENDER	CURRENCY	INTEREST RATE	DURATION FROM	DURATION TO		CREDIT LIMIT	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR	CREDIT LIMIT EUR	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR
Revolving Credit Facility (EUR)											
BNP Paribas	EUR	EURIBOR + margin	4 Jul 2014	01 Aug 2017	*)	0	0	0	15 000	0	15 000
KfW	EUR	EURIBOR + margin	4 Jul 2014	01 Aug 2017	*)	0	0	0	15 000	0	15 000
Commerzbank AG	EUR	EURIBOR + margin	4 Jul 2014	01 Aug 2017	*)	0	0	0	3 000	0	3 000
Commerzbank AG (Ancillary)	EUR	EURIBOR + margin	4 Jul 2014	01 Aug 2017	*) **)	0	0	0	9 672	0	9 672
Deutsche Bank AG	EUR	EURIBOR + margin	4 Jul 2014	01 Aug 2017	*)	0	0	0	7 500	0	7 500
Deutsche Bank AG (Ancillary)	EUR	EURIBOR + margin	4 Jul 2014	01 Aug 2017	*)	0	0	0	6 000	0	6 000
Alior Bank S.A.	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022		5 000	0	5 000	0	0	0
Bank of China	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022		10 000	0	10 000	0	0	0
Commerzbank AG	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022	***)	12 376	0	12 376	0	0	0
Deutsche Bank AG	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022		12 000	0	12 000	0	0	0
Raiffeisen Bank Polska S.A.	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022		5 000	0	5 000	0	0	0
Guarantees Core West											
Commerzbank AG	EUR		01 Aug 2017	01 Aug 2022	*) **)	2 624	2 624	0	2 328	2 328	0
bank guarantee issued in EUR						2 262	2 262	0	2 092	2 092	0
bank guarantee issued in PLN						362	362	0	236	236	0
Deutsche Bank AG (Ancillary – Guarantees)	EUR		4 Jul 2014	01 Aug 2017	*)	0	0	0	1 500	0	1 500
Deutsche Bank AG (Ancillary – Guarantees)			01 Aug 2017	01 Aug 2022		3 000	0	3 000	0	0	0
Other debt instruments											
Senior Secured Notes issued	EUR		7 Jul 2014	01 Aug 2017	*)	0	0	0	321 684	321 684	0
Term Loan B (TLB)	EUR		01 Aug 2017	01 Aug 2024		350 000	350 000	0	0	0	0
TOTAL CORE WEST						**400 000**	**352 624**	**47 376**	**381 684**	**324 012**	**57 672**

*) Restructuring of Financings took place on 01. August 2017. Original duration until 30 April 2019
**) drawings under old ancillaries have been rolled-into new ancillaries under the new financing
***) Total RCF-limit with Commerzbank AG is EUR 15m, adding cash-line and ancillary used for guarantees

Liabilities under borrowings from related parties

As at 30 September 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 Sep 2017, the Company has loan receivables of 106,903 PLN 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 loan granted to Pfleiderer MDF Grajewo Sp. z o.o. is 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 September 2017 after the abovementioned settlement amounted to EUR 127,420 thousand.

On 25 September 2017 PCF GmbH, as the lender, and Pfleiderer Group S.A., as the borrower, entered into the upstream loan agreement amounting to EUR 36,849 thousand. A purpose of the loan was to provide a financing for a purchase of the treasury shares performed by the Pfleiderer Group S.A. The loan was granted on 2 October 2017 and subsequently on 11 October 2017, unused amount of EUR 1,493 thousand was repaid to lender.

The loan is eliminated in the consolidated financial statement.

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

As at 30 September 2017, no such events occurred.

Derivatives

The Company executes contracts on an ongoing basis to hedge currency risk related to sale and purchases 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 Sep 2017, the Company's debt under issued notes totaled PLN 138,936 thousand. The notes are used to optimize the management of financial liquidity within the Group, reduce external debt and finance day-to-day operations.

Subsequent to 30 Sep 2017, Pfleiderer Group S.A. has rolled over commercial papers in the form of short-term notes on 10 October 2017.

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 the first three quarters 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 and TLB. The interest rate risk is related to interest payments with floating interest rates. The Group does not hedge the interest rate risk for the time being. 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 106,903 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 loan from PCF GmbH in the amount of EUR 127,420 thousand.

The risk of changes in the prices of financial instruments

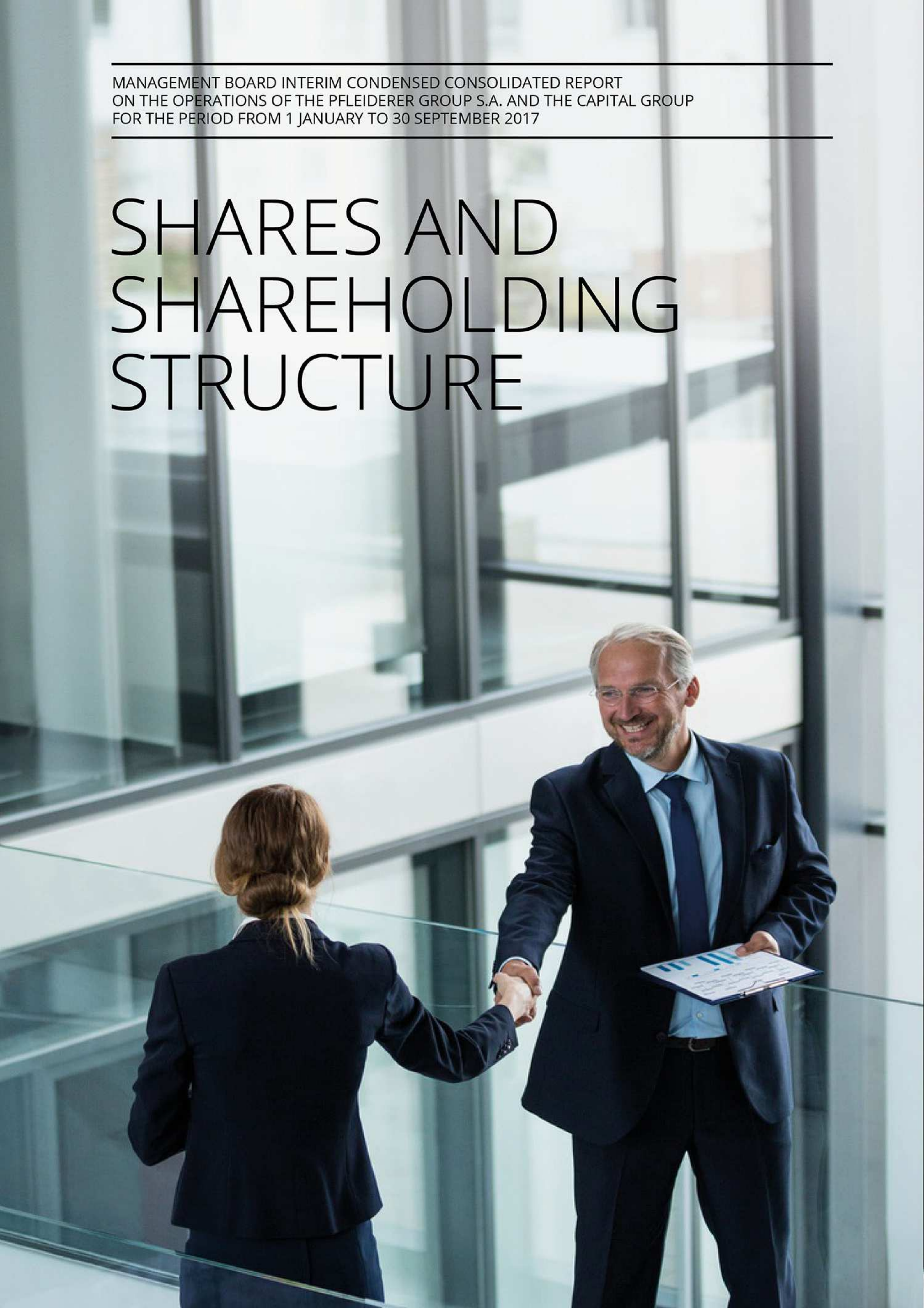
The Company is not exposed to any material price risk associated with financial instruments.

Liquidity risk and risk of significant disruptions in cash flows

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

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

SHARES AND SHAREHOLDING STRUCTURE



4. SHARES AND SHAREHOLDING STRUCTURE

4.1. SHAREHOLDING STRUCTURE

TABLE 22: SHAREHOLDER STRUCTURE AS OF 30 SEPTEMBER 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%

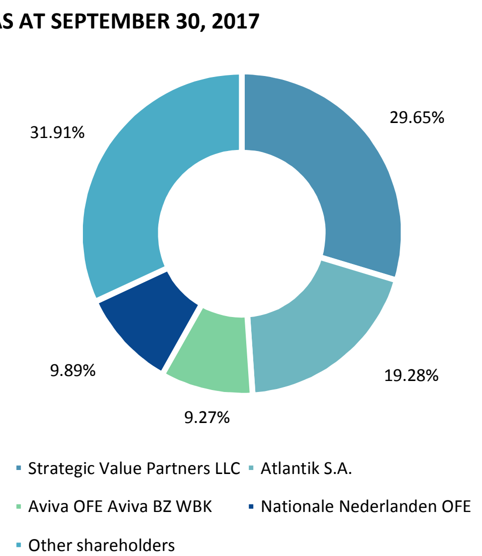
According to latest available information

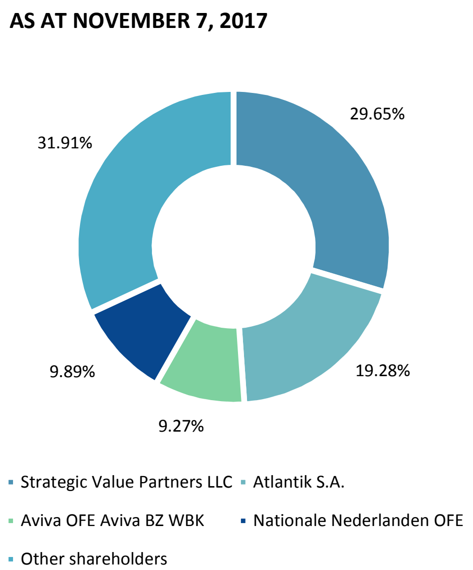
On 12 October 2017 the Company purchased 3,235,050 treasury shares. The purchase of the treasury shares was concluded based on an invitation to submit offers for the sale of the shares in the Company announced by the Company on 20 September 2017. In addition the treasury shares were purchased in connection with the implementation of the treasury share repurchase programme approved under resolution of the Company's Annual General Meeting of the Shareholders dated 21 June 2017. The purchase price for the treasury shares amounted to PLN 47 per one share. The total price for all of the purchased shares amounted to PLN 152,047,350.

The total nominal value of the purchased treasury shares is PLN 1,067,566.50, representing approximately 5% of the Company's share capital. The purchased treasury shares entitle the holder thereof to a total of approximately 5% of the votes at the general meeting of the Company, which represents approximately 5% of the overall number of votes in the Company, provided that, the Company does not exercise the voting rights attached to the treasury shares.

Pursuant to resolution of the Ordinary General Meeting of Shareholders of the Company dated 21 June 2017, the shares repurchased under the programme may be: (i) offered to eligible individuals authorised to purchase the shares under an incentive programme at the Company; (ii) redeemed; or (iii) otherwise disposed of by the Management Board of the Company with a view to the needs resulting from the Company's business.

FIGURE 13: SHAREHOLDING STRUCTURE





4.2. INVESTOR RELATIONS IN PFLEIDERER GROUP

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.

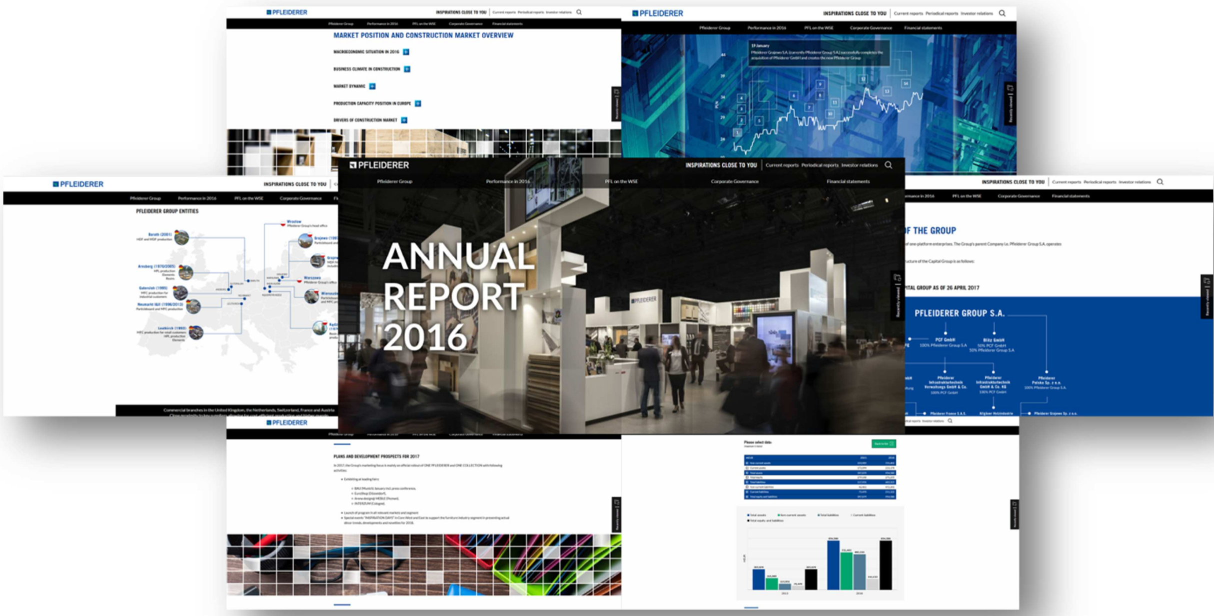
The competition "Listed Company of the Year" is the oldest and most prestigious ranking on the market and the prizes are awarded by about 100 brokers, analysts and investment advisors selected randomly. The criteria considered by the experts include the competencies of the management board, prospects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

The 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/



Pfleiderer Group Strategy publication

On 20th September 2017 the management of Pfleiderer Group S.A. announced the strategy for the Group to be achieved by 2021.

On the same day, a conference was held for representatives of the capital market and journalists. During the meeting, the Management Board in full composition presented the most important assumptions of the adopted strategy and answered the questions which appeared during the conference. At the end of the event, guests had an opportunity to see a dedicated exhibition presenting a wide range of Pfleiderer Group’s products.

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 SEPTEMBER 2017

CORPORATE GOVERNANCE

5. CORPORATE GOVERNANCE

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

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

- President of the Management Board Thomas Schäbinger - 16,250 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 23: THE COMPOSITION OF THE SUPERVISORY BOARD AS AT SEPTEMBER 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 September 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

On 26 September 2017 Mr. Stefan Wegener and Mr. Tod Kersten submitted the resignations from the positions of members of the Company's Supervisory Board. The above resignations became effective on 18 October 2017 i.e. on the date of appointment by the General Meeting of Shareholders new members of the Supervisory Board in place of the members who submitted the resignations. On 18 October 2017 the Extraordinary General Meeting of Shareholders of the Company appointed to the Supervisory Board Mr. Florian Kawohl and Mr. Anthony O'Carroll.

5.2.2. MANAGEMENT BOARD

Tom K. Schäbinger
Chief Executive Officer

Richard Mayer
Chief Financial Officer

Ivo Schintz
Chief Commercial Officer

Dirk Hardow
Chief Operating Officer

TABLE 24: THE COMPOSITION OF THE PFLEIDERER GROUP S.A. MANAGEMENT BOARD AS AT SEPTEMBER 30, 2017

 **TOM K. SCHÄBINGER** PRESIDENT OF THE MANAGEMENT BOARD	Mr. Thomas Schäbinger (born in 1962) is a graduate of the Vienna University of Economies & 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.
 **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.
 **DIRK HARDOW** MEMBER OF THE MANAGEMENT BOARD	Mr. Dirk Hardow (born in 1965) is a graduate of the Technical Univeristy of Hamburg, where in 1993 he graduated in Industrial Engineering & Management ("Hochschulübergreifender Studiengang Wirtschaftsingenieur"). Since 2011 Mr. Dirk Hardow was associated with US corporation Owens – Illinois Inc. Within the Owens – Illinois Inc structures he was i.a. the Vice President of European Operations (August 2011 – May 2015) and since October 2013 he was the Vice – Chairman of the Board of Vetrerie Meridionali, a glass manufacturing company. Furthermore, since June 2015 Mr. Dirk Hardow was the General Manager for South East Europe, where he was responsible for the operations of 11 factories in Italy and Hungary. From October 2011 to April 2013 he was a Member of the Board of Directors of Maltha Groep BV, a glass recycling company. Previously, Mr. Dirk Hardow worked on the management positions i.a. at Cremer-Group, Rohm and Hass Company as well as H.B. Fuller Company.

IVO SCHINTZ

MEMBER OF THE MANAGEMENT BOARD

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 divison 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.

RAFAŁ KARCZ

MEMBER OF THE MANAGEMENT BOARD

Mr. Rafał Karcz (born in1967) 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.

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.

On 13 September 2017 the member of the Management Board of the Company, Mr. Rafał Karcz, submitted his resignation from the Management Board. His resignation was effective beginning from 30 September 2017.

Long term incentive programme

On 20 September 2017 the Supervisory Board of the Company adopted a resolution regarding the determination of the terms of the long-term incentive programme for selected members of the Management Board of the Company (the “Management Board LTIP”).

On 18 October 2017 the Extraordinary General Meeting of Shareholders adopted a resolution regarding the determination of the terms of the long-term incentive programme for selected members of the Supervisory Board of the Company in the form determined by the Supervisory Board (the “Supervisory Board LTIP” and together with the Management Board LTIP, the “LTIP”).

According to the terms of the LTIP, the Company will grant selected members of the Management Board and the Supervisory Board (the “Managers”) the option to acquire existing shares in the share capital of the Company (the “Call Option Shares”) in exchange for the exercise price per share multiplied by the number of the Call Option Shares to which each Manager is entitled (the “Call Option”). The members of the Management Board are in aggregate entitled to receive 2,312,146 Call Option Shares for the exercise price per share of PLN 40. The members of the Supervisory Board are in aggregate entitled to receive 424,600 Call Option Shares for the exercise price per share of PLN 30. As a rule, the Managers will be entitled to receive the Call Option Shares if they remain a member of a respective governing body of the Company or their appointment as a member of the respective governing body of Company expires pursuant to certain conditions, including, in particular: (i) death; (ii) disability due to which the Manager is unable to perform his duties as a member of a respective governing body of the Company; or (iii) the lapse of the term for which the respective Manager was appointed as a member of the respective governing body of Company and the lack of election to a subsequent term of office for reasons other than for cause or occurance of a material breach of his obligations; or (iv) dismissal from the respective governing body of Company for reasons other than for cause or occurance of a material breach of his obligations.

The Call Option will be vested in six tranches. Each vested tranche will entitle each Manager to acquire, respectively, 5%, 5%, 7.5%, 10%, 22.5% and 50% (each defined as a “Tranche”) of the overall number of the Call Option Shares to which each Manager is entitled if with respect to a given Tranche the price of the Company’s shares reaches, respectively, PLN 40.00, PLN 47.00, PLN 55.00, PLN 63.00, PLN 70.00 and PLN 80.00 (the “Tested Share Price”). In the event that, during the term of 5 (five) consecutive years from the date of the adoption of the resolution regarding the Supervisory Board LTIP, the Tested Share Price for any of the respective Tranche has not been met and Call Option Shares related with such Tranche were not vested, the Manager shall irrevocably lose the right to acquire such Call Option Shares without the right to any compensation. The Tested Share Price constitutes: (i) the arithmetic average of the market price of the shares established on the basis of the daily volume-weighted average prices at the end of each period of 70 (seventy) consecutive trading days on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) through the whole term of the LTIP starting from 1 June 2017 (the "Share Price Test Period"), increased by the sum of all dividends paid or declared to be paid by the Company in the period from the date of the 2 adoption of the resolution regarding the Supervisory Board LTIP until respective Share Price Test Period divided by all of the shares in the Company's share capital; or (ii) the price received by any of the shareholders of the Company holding, individually or in aggregate in case of entities with respect to which their shareholding is aggregated pursuant to applicable securities regulations as at the date of the adoption of the resolution regarding the Supervisory Board LTIP, at least 10% of the shares in the share capital of the Company and the corresponding number of votes at the general meeting of the shareholders of the Company (the "Significant Shareholders") as a result of the direct or indirect transfer by the Significant Shareholders, jointly, of such number of the shares which would result in decreasing their share in the overall number of votes at the general meeting of the shareholders of the Company below 10%, except in the event that one Significant Shareholder sells his shares to the other Significant Shareholder(s).

Each Manager will have the right to exercise each Tranche and acquire the respective number of the Call Option Shares within 3 (three) years from the date such Manager is informed by the Company that the Tested Share Price has been reached with respect to a given Tranche. The Company, at its sole discretion, may elect not to deliver to the Manager the Call Option Shares subject to the Call Option, but instead to satisfy its obligation with cash. As a rule, the Call Option Shares acquired by a Manager will be subject to lock-up for a term of 5 (five) consecutive years from the date of execution by the Manager of the respective agreement with the Company regarding the LTIP.

6. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 12 October 2017 the Company purchased 3,235,050 treasury shares. For further information, please see chapter 4.1.

There were no other events subsequent to the end of the reporting period that would require disclosure in this condensed consolidated interim financial statements.

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 September 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, 7 November 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

Ivo Schintz

Member of the Management Board,
Chief Commercial Officer

LIST OF FIGURES

LIST OF TABLES

THE PFLEIDERER GROUP S.A. GROUP
(PREVIOUSLY PFLEIDERER GRAJEWO GROUP)
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts in EUR thousand unless otherwise stated)

CONTENTS

(all amounts in EUR thousand unless otherwise stated)

Unaudited interim condensed consolidated statement of financial position

ASSETS '000 EUR	Note	Sep. 30, 2017	Dec. 31, 2016
Property, plant and equipment	7.	526 173	548 863
Intangible assets		84 894	83 091
Goodwill		66 776	66 171
Long term investments		515	515
Investment property		897	875
Deferred tax assets		7 499	5 948
Advances paid on fixed assets		16 825	3 016
Government grants receivables		12 696	12 921
Other non-current assets		16	2
Non-current assets		**716 291**	**721 402**
Inventories		104 565	91 903
Trade and other receivables	9.	57 443	42 531
Income tax receivable		962	376
Government grant receivables		1 210	642
Cash and cash equivalents		85 852	97 726
Fair value of hedging instruments		79	0
Other short term financial assets		350	0
Current assets		**250 461**	**233 178**
Total assets		966 752	954 580

LIABILITIES AND EQUITY '000 EUR		Sep. 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.	-12 918	-13 937
Retained earnings	10.	11 812	40 324
Total equity attributable to owners of the Company		274 885	271 255
Total equity		274 885	271 255
Liabilities			
Loans and borrowings	11.	335 815	329 762
Provisions for employee benefits		53 288	56 893
Provisions		2 746	3 694
Deferred tax liabilities		65 388	64 176
Deferred income from government grants		17 100	17 439
Other non-current liabilities		198	239
Non-current liabilities		**474 535**	**472 203**
Loans and borrowings	11.	1 420	10 898
Income tax payable		13 886	10 559
Trade and other payables	12.	173 271	161 414
Employee related payables		25 902	22 118
Provisions		1 827	5 132

(all amounts in EUR thousand unless otherwise stated)

Deferred income from government grant	1 026	1 001
Current liabilities	**217 332**	**211 122**
Total liabilities	**691 867**	**683 325**
Total equity and liabilities	966 752	954 580

(all amounts in EUR thousand unless otherwise stated)

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

'000 EUR	Note	Jan. 1 - Sep. 30, 2017	Jan. 1 - Sep. 30, 2016	Jul. 1 - Sep. 30, 2017	Jul. 1 - Sep. 30, 2016
Revenue		750 910	695 804	244 881	237 343
Cost of sales		-576 347	-533 990	-189 972	-178 023
Profit on sales		**174 563**	**161 814**	**54 909**	**59 320**
Other income		11 854	6 055	1 829	1 366
Distribution expenses		-103 509	-81 638	-34 463	-28 400
General and administrative expenses		-38 610	-37 735	-12 538	-12 931
Other expenses		-3 240	-25 235	2 026	-12 220
Result from operating activities		**41 058**	**23 261**	**11 763**	**7 135**
Financial income	6.	8 145	2 581	-2 082	822
Financial expenses	6.	-29 286	-21 598	-6 784	-8 109
Exchange differences	6.	6 037	5 468	-2 225	4 889
Net financing cost		**-15 104**	**-13 549**	**-11 091**	**-2 398**
Profit before tax		**25 954**	**9 712**	**672**	**4 737**
Income tax expense	8.	-6 887	6 834	-223	4 699
Net profit for the reporting period		19 067	16 546	449	9 436

OTHER COMPREHENSIVE INCOME				
Actuarial gains and losses net of related tax	1 879	-5 687	376	-1 268
Exchange differences	-1 498	-8 494	0	-423
Items that will not be reclassified subsequently to profit or loss	**381**	**-14 181**	**376**	**-1 691**
Cash flow hedge on acquisition of the subsidiary reclassified to goodwill	0	917	0	0

(all amounts in EUR thousand unless otherwise stated)

Cash flow hedge - effective portion of changes in fair value net to related tax	1 146	-426	-257	656
Cash flow hedge - reclassified to profit or loss net of related tax	-508	174	-77	463
Items that are or may be reclassified subsequently to profit or loss	**638**	**665**	**-334**	**1 119**
OTHER COMPREHENSIVE INCOME	1 019	-13 516	42	-572
Total comprehensive income for the period	**20 086**	**3 030**	**491**	**8 864**
Profit for the period attributable to:				
Shareholders of the Company	19 067	16 546	449	9 436
Profit for the period	19 067	16 546	449	9 436
Total comprehensive income attributable to:				
Shareholders of the Company	20 086	3 030	491	8 864
Total comprehensive income for the period	20 086	3 030	491	8 864
Number of shares at the end of the reporting period	64 701 007	64 701 007	64 701 007	49 624 000
Average number of shares during the reporting period	64 701 007	63 655 521	64 701 007	49 624 000
Basic and diluted earnings per share	0.29	0.26	0.01	0.19

Weighted-average number of ordinary shares (basic and diluted)	days	Jan. 1 - Sep. 30, 2017	Jan. 1 - Sep. 30, 2016	Jul. 1 - Sep. 30, 2017	Jul. 1 - Sep. 30, 2016
31.12		64 701 007	49 624 000	64 701 007	49 624 000
19.01	19	64 701 007	15 077 007	0	0
30.09	255	64 701 007	64 701 007	64 701 007	49 624 000
Average number of shares	**274**	**64 701 007**	**63 655 521**	**64 701 007**	**49 624 000**

(all amounts in EUR thousand unless otherwise stated)

Unaudited interim condensed consolidated statement of changes in equity

For the nine month period ended September 30, 2017:

'000 EUR	Share capital	Share premium	Un-registered issuance of shares	Reserve for own shares	Statutory reserve funds	Re-valuation reserve	Exchange rate differ-ences	Actuarial gains and losses	Cash flow hedges	Retained earnings	Total
As at Jan. 1, 2017	6 692	146 375	0	32 734	59 067	145	-8 054	-5 321	-707	40 324	271 255
Comprehensive income for the period											
Net profit	0	0	0	0	0	0	0	0	0	19 067	**19 067**
Other comprehensive income	0	0	0	0	0	0	-1 498	1 879	638	0	**1 019**
Total comprehensive income for the period	0	0	0	0	0	0	-1 498	1 879	638	19 067	20 086
Transactions with owners recognised in equity											
Transfer of part of 2016 net profit to reserve for own funds	0	0	0	31 123	0	0	0	0	0	-31 123	**0**
Transfer of part of statutory reserve fund to re-serve for own shares	0	0	0	32 181	-32 181	0	0	0	0	0	**0**
Dividend payment	0	0	0	0	0	0	0	0	0	-16 456	**-16 456**
Total transactions with owners recognised in eq-uity	**0**	**0**	**0**	**63 304**	**-32 181**	**0**	**0**	**0**	**0**	**-47 579**	**-16 456**
As at Sep. 30, 2017	**6 692**	**146 375**	**0**	**96 038**	**26 886**	**145**	**-9 552**	**-3 442**	**-69**	**11 812**	**274 885**

(all amounts in EUR thousand unless otherwise stated)

For the nine month period ended September 30, 2016:

'000 EUR	Share capital	Share premium	Un-registered issuance of shares	Reserve for own shares	Statutory reserve funds	Re-valuation reserve	Exchange rate differ-ences	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	16 546	**16 546**
Other comprehensive income	0	0	0	0	0	0	-8 494	-5 687	665	0	**-13 516**
Total comprehensive income for the period	0	0	0	0	0	0	-8 494	-5 687	665	16 546	3 030
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	78 125	-75 573	0	0	0	0	0	0	0	**3 671**
Dividend payment	0	0	0	0	0	0	0	0	0	-14 585	**-14 585**
Transactions with owners recognised in equity	**1 119**	**78 125**	**-75 573**	**0**	**993**	**0**	**0**	**0**	**0**	**-15 578**	**-10 914**
As at Sep. 30, 2016	**6 692**	**146 375**	**0**	**32 734**	**59 067**	**145**	**-10 467**	**-5 687**	**283**	**42 122**	**271 264**

Unaudited interim condensed consolidated statement of cash flows

'000 EUR	Jan. 1 - Sep. 30, 2017	Jan. 1 - Sep. 30, 2016
Net profit for the reporting period	**19 067**	**16 546**
Depreciation and amortisation	55 156	52 896
Foreign exchange gains	-6 037	-5 468
Interest for the period	21 648	19 017
Profit on investing activities	124	0
Income tax disclosed in profit or loss of the period	6 887	-6 834
Amortisation of government grants	-632	-1 679
Result on forward contracts	-508	-1 555
Increase in exchange differences on translating foreign operations	399	-446
Changes in		
trade and other receivables	-18 610	-8 407
inventories	-11 769	627
trade and other payables	18 770	13 970
employee benefit obligations	-1 019	-1 712
provisions	-4 252	7 599
Cash generated from operating activities	**79 224**	**84 554**
Interest received	0	0
Income tax (paid)/received	-5 118	-5 282
Net cash provided by operating activities	74 106	79 272
Net cash used in investing activities		
Disposal of property, plant and equipment	26	135
Interest received	67	71
Acquisition of intangible assets and property, plant and equipment	-45 717	-31 793
Acquisition of subsidiary, net of cash acquired	0	-9 692
Net cash used in investing activities	-45 624	-41 279
Net cash used in financing activities		
Repayment of borrowings and other debt instruments	-321 684	-21 446
Increase of borrowings and other debt instruments	350 000	0
Share issue	0	80 864
Dividend payments	-16 842	-14 585
Interest paid	-29 705	-26 587
Redemption fee and refinancing costs	-20 519	0
Other financing activities	-1 606	103
Net cash used in financing activities	-40 356	18 349
Total cash flows	-11 874	56 342
Decrease/Increase in cash	-11 874	56 342
Cash at beginning of the period	97 726	20 731
Cash at the end of the period	**85 852**	**77 073**

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

Notes to the unaudited interim condensed consolidated financial statements

1. GENERAL INFORMATION

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

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

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

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

These interim condensed consolidated financial statements of the Pfleiderer Group comprise the interim condensed financial information of the Company and its subsidiaries (collectively the "Group"). They were authorized for issue by the Company's Management Board on 7 November 2017.

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

(all amounts in EUR thousand)

2. STRUCTURE OF THE GROUP

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

Eastern Europe		Sep. 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		**Sep. 30, 2017**	**Dec. 31, 2016**
PCF GmbH (previously Pfleiderer GmbH)	Neumarkt, Germany	100%	100%
Pfleiderer Austria GmbH	Vienna, Austria	100%	0%
Pfleiderer Southeast Europe S.R.L.	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 Erwerbergesellschaft mbH	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").

b) Changes in accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies described in the audited consolidated financial statements of the Pfleiderer Grajewo S.A. Group for the financial year ended December 31, 2016. These interim condensed consolidated financial statements do not contain all information required in annual financial statements; therefore, they should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended December 31, 2016.
The Group intends to apply new standards, amendments to standards and interpretations that are published, but are not yet effective till the date of publishing this condensed consolidated interim financial statements, for the periods for which they are effective for the first time. Impact of new standards, amendments to standards and interpretations application on the Annual Consolidated Financial Statement for 2016 was estimated in the Annual Consolidated Financial Statement in the note 3a.

c) Basis of Accounting

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

These interim condensed consolidated financial statements were prepared under the assumption that the Pfleiderer Group S.A. Group will continue to operate as a going concern for the foreseeable future.

d) Functional and presentation currency

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

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

e) Estimates and judgements

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Any change in accounting estimates is recognised in the period in which such change occurred or in the current and future periods if the estimate change relates to both the current and future periods.

The Group reviews its assets on an ongoing basis and, if necessary, recognises impairment losses in profit or loss. Allowances are primarily recognised on trade receivables and inventories i.e. materials and finished goods. In addition, the Group reviews the useful life of fixed assets and factors influencing the recoverable amount of non-current assets.

Assumptions and estimation uncertainties

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

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

4. OPERATING SEGMENTS

The Pfleiderer Group presently consists of two former largely independent business segments which are currently subject to an overall integration project. The project is still ongoing and is planned to result in a fully integrated European company. The Group is taking steps towards creating a fully integrated company and is still regionally and legally broadly separated into business segments which however will coalesce more and more into one integrated company in the future.
The Group has determined two operating segments – Western Europe and Eastern Europe. Both are components of the Group that engage in business activities from which they earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision maker and for which discrete financial information is available.

Segment reporting is as follows:

For the nine month period ended September 30, 2017:

'000 EUR	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	**530 896**	**220 014**	**0**	**750 910**
Intersegment revenues	**6 929**	**60 536**	**-67 465**	**0**
Profit/loss before income taxes	17 080	8 535	339	25 954
Financial result (+cost/-income)	15 227	-11	-112	15 104
Result from operating activities (EBIT)	**32 307**	**8 524**	**227**	**41 058**
Depreciation and amortization (cost)	41 268	13 965	-77	55 156
Segment earnings EBITDA	**73 575**	**22 489**	**150**	**96 214**
Cash and cash equivalents	-65 307	-20 182	-363	-85 852
Current financial liabilities	1 420	0	0	1 420
Non-current financial liabilities	335 815	0	0	335 815
Net debt	**271 928**	**-20 182**	**-363**	**251 383**
Receivables before factoring	78 535	46 397	0	124 932
Inventories	64 993	39 571	1	104 565
Liabilities	-68 360	-51 929	-1	-120 290
Net working capital before factoring	75 168	34 039	0	109 207
Segment capital expenditure	33 786	9 839	0	43 625
Property, plant and equipment	359 068	167 105	0	526 173
Intangible assets	75 168	9 726	0	84 894
Advances paid on fixed assets	15 132	1 693	0	16 825

For the nine month period ended September 30, 2016:

'000 EUR	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	**466 229**	**229 575**	**0**	**695 804**
Intersegment revenues	**4 186**	**22 059**	**-26 245**	**0**
Profit/loss before income taxes	-8 759	18 620	-149	9 712
Financial result (+cost/-income)	13 965	-416	0	13 549
Result from operating activities (EBIT)	**5 206**	**18 204**	**-149**	**23 261**
Depreciation and amortization (cost)	40 543	12 353	0	52 896
Segment earnings EBITDA	**45 749**	**30 557**	**-149**	**76 157**
Cash and cash equivalents	-64 965	-11 743	-365	-77 073
Current financial liabilities	4 547	0	0	4 547
Non-current financial liabilities	330 555	0	0	330 555
Net debt	**270 137**	**-11 743**	**-365**	**258 029**
Receivables before factoring	62 376	44 808	0	107 184
Inventories	60 740	35 116	0	95 856
Liabilities	-55 538	-39 177	0	-94 715
Net working capital before factoring	67 578	40 747	0	108 325
Segment capital expenditure	11 318	21 214	0	32 532
Property, plant and equipment	370 598	163 365	0	533 963
Intangible assets	85 820	6 539	0	92 359
Advances paid on fixed assets	1 927	8 604	0	10 531

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 - Sep. 30, 2017	Jan. 1 - Sep. 30, 2016	Jul. 1 - Sep. 30, 2017	Jul. 1 - Sep. 30, 2016
Interest income	1 383	2 581	15	822
Other finance income (HYB revaluation write-off)	6 762	0	-2 097	0
Finance income	**8 145**	**2 581**	**-2 082**	**822**
Interest expense	-22 952	-21 595	-6 743	-8 109
Other finance costs (redemption cost)	-6 334	-3	-41	0
Finance costs	**-29 286**	**-21 598**	**-6 784**	**-8 109**
Exchange differences	6 554	5 470	-2 191	4 889
Losses on translation of foreign currency financial position	-517	-2	-34	0
Other financial result	**6 037**	**5 468**	**-2 225**	**4 889**
Net finance costs	**-15 104**	**-13 549**	**-11 091**	**-2 398**

Due to faster repayment of Senior Secured Notes (1 August 2017), the Group recognized financial income of EUR 6 762 thousand from reassessment of loan valuation from fair value (EUR 328.4 mio as of May 2017) to amortized cost (EUR 321.6 mio as of 1 August 2017; discounted in time value of EUR 319 mio as of 30 June 2017). Simultaneously the Group recognized costs of redemption fee amounting to EUR 6 334 thousand (discounted as of end of June).

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

Exchange differences of EUR 6.6 Mio. (EUR 5.5 Mio. for 9 months ended 30 September 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 - Sep. 30, 2017	Jan. 1 - Sep. 30, 2016	Jul. 1 - Sep. 30, 2017	Jul. 1 - Sep. 30, 2016
Cash flow hedge - effective portion of changes in fair value net of related tax	1 146	-426	-257	656
Cash flow hedge - reclassified to profit or loss net of related tax	-508	174	-77	463
Cash flow hedge on acquisition of subsidiary reclassified to goodwill net of related tax	0	917	0	0
	638	**665**	**-334**	**1 119**

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 nine month period ended September 30th, 2017 were EUR 43 625 thousand (including advance payments), while the capital expenditures including advance payments for the nine month period ended September 30, 2016 were EUR 31 802 thousand and EUR 52 038 thousand for the entire financial year 2016.

As at September 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 September 2017 related to new recycling facility, new lacquering line, electro filter Bison dryer Grajewo and modernizing of the existing sanding line.

'000 EUR	Sep. 30, 2017	Dec. 31, 2016
Property, plant and equipment	26 101	8 761
Intangible assets	1 922	27
Commitment to purchase	**28 023**	**8 788**

8. INCOME TAX EXPENSE

On 27 January 2017 tax capital group was registered in Poland 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	Sep. 30, 2017	Dec. 31, 2016
Trade receivables	35 263	18 370
Trade receivables from related parties	7	8
Current prepayments and accrued income	3 457	1 652
Current VAT receivables	6 307	2 857
Other receivables	12 409	19 644
Total	**57 443**	**42 531**

The amount of EUR 12 409 thousand of other receivables as at 30 September 2017 (EUR 19 644 thousand as of 31 Dec 2016) included, among others:

- EUR 9 748 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 835 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 1 016 thousand (EUR 1 216 thousand as of 31 December 2016) of receivables related to tax on electricity (Core West)

10. EQUITY

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

	Sep. 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:

	Sep. 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

On 12 October 2017 the Company purchased 3 235 050 treasury shares. The purchase of the treasury shares was concluded based on an invitation to submit offers for the sale of the shares in the Company announced by the Company on 20 September 2017. In addition the treasury shares were purchased in connection with the implementation of the treasury share repurchase programme approved under resolution of the Company's Annual General Meeting of the Shareholders dated 21 June 2017. The purchase price for the treasury shares amounted to PLN 47 per one share. The total price for all of the purchased shares amounted to PLN 152 047 350.
The total nominal value of the purchased treasury shares is PLN 1,067,566.50, representing approximately 5% of the Company's share capital. The purchased treasury shares entitle the holder thereof to a total of approximately 5% of the votes at the general meeting of the Company, which represents approximately 5% of the overall number of votes in the Company, provided that the Company does not exercise the voting rights attached to the treasury shares.

Pursuant to resolution of the Ordinary General Meeting of Shareholders of the Company dated 21 June 2017 the shares repurchased under the programme may be: (i) offered to eligible individuals authorised to purchase the shares under an incentive programme at the Company; (ii) redeemed; or (iii) otherwise disposed of by the Management Board of the Company with a view to the needs resulting from the Company's business.

Dividends

On 25 April 2017 the Management Board of the Parent Company adopted its recommendation regarding distribution of 2016 net profit of the Parent for the period of January 1, 2016 to December 31, 2016, providing for a dividend payment to the Company's shareholders in the amount of EUR 16 456 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	Sep. 30, 2017	Dec. 31, 2016
Non-current portion of interest-bearing bonds	0	329 762
Bank borrowings	335 815	0
Total	**335 815**	**329 762**

Current borrowings and other debt instruments:

'000 EUR	Sep. 30, 2017	Dec. 31, 2016
Current portion of interests–bearing bonds	0	10 555
Other interest bearing liabilities	1 420	343
Total	**1 420**	**10 898**

Bank loans

Senior Facilities Agreement – entered into force on August 1st, 2017

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 and Trigon Dom Maklerski S.A. as security agents (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 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 – fully drawn - and Revolving Credit Facilities with a tenor of five years amounting to EUR 50 000 000 (Revolving Facility 1) and PLN 211 480 000 (Revolving Facility 2).
At the reporting date these Revolving Credit Facilities were not drawn in cash whilst bank guarantees were issued within the Revolving Facility 2 for the total amount of PLN 7 265 thousand as well as Letters of Credit in an amount of EUR 2 733 thousand. The Revolving Facility 1 is partially drawn for bank guarantees of EUR 2 262 thousand and PLN 1 559 thousand (EUR 362 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 amounts in EUR thousand)

Financings Core East (excluding factoring and operating leases)

LENDER	CURRENCY	INTEREST RATE	DURATION FROM	DURATION TO			Sep. 30, 2017 CREDIT LIMIT EUR	Sep. 30, 2017 DRAWN AMOUNT EUR	Sep. 30, 2017 UNDRAWN AMOUNT EUR	Dec. 31, 2016 CREDIT LIMIT EUR	Dec. 31, 2016 DRAWN AMOUNT EUR	Dec. 31, 2016 UNDRAWN AMOUNT EUR
Revolving Credit Facility (PLN)												
Bank Millennium S.A.	PLN	WIBOR + margin	19 Jan 2016	01 Aug 2017	*)		0	0	0	2 267	0	2 267
Bank Millennium S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	01 Aug 2017	*)		0	0	0	7 129	0	7 129
Bank Zachodni WBK S.A.	PLN	WIBOR + margin	19 Jan 2016	01 Aug 2017	*)		0	0	0	4 535	0	4 535
Bank Zachodni WBK S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	01 Aug 2017	*)		0	0	0	6 802	0	6 802
PKO Bank Polski S.A.	PLN	WIBOR + margin	19 Jan 2016	01 Aug 2017	*)		0	0	0	4 535	0	4 535
PKO Bank Polski S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	01 Aug 2017	*)		0	0	0	6 802	0	6 802
Alior Bank S.A.	PLN	WIBOR + margin	19 Jan 2016	01 Aug 2017	*)		0	0	0	6 802	0	6 802
Alior Bank S.A. (Ancillary)	PLN	WIBOR + margin	4 Feb 2016	01 Aug 2017	*)		0	0	0	4 535	0	4 535
Bank Millennium S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022			17 938	0	17 938	0	0	0
Alior Bank S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022			18 320	0	18 320	0	0	0
Raiffeisen Bank Polska S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022			7 581	0	7 581	0	0	0
Guarantees Core East												
Bank Millenium S.A.	PLN		01 Aug 2017	01 Aug 2022	*)	**)	4 831	4 831		1 487	1 487	
bank guarantee/s issued in favour of National Forests			*27 Jan 2014*	*28 Feb 2018*			1 626	1 626		1 428	1 428	
bank guarantee issued in favour of of Descont Sp. z o.o.			*22. Sep 15*	*20. Sep 19*			62	62		59	59	
Letter of Credit EUR 430 500			*31 Jan 2017*	*15 Dec 2017*			141	141		0	0	
Letter of Credit EUR 1 092 000			22 Jun 2017	22 Apr 2018			1 047	1 047		0	0	
Letter of Credit EUR 1 700 000			29 Aug 2017	30 Sep 2018			1 955	1 955		0	0	
Limit of credit cards East												
Bank Millenium S.A.	PLN		01 Aug 2017	01 Aug 2022	*)	**)	465	0	465	453	20	433
TOTAL CORE EAST							**49 133**	**4 831**	**44 303**	**45 347**	**1 507**	**43 840**

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

(all amounts in EUR thousand)

Financing Core West (excluding ABCP and operating leases)

							Sep. 30, 2017			Dec. 31, 2016	
LENDER	CURRENCY	INTEREST RATE	DURATION FROM	DURATION TO		CREDIT LIMIT	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR	CREDIT LIMIT EUR	DRAWN AMOUNT EUR	UNDRAWN AMOUNT EUR
Revolving Credit Facility (EUR)											
BNP Paribas	EUR	EURIBOR + margin	4 Jul 2014	01 Aug 2017	*)	0	0	0	15 000	0	15 000
KfW	EUR	EURIBOR + margin	4 Jul 2014	01 Aug 2017	*)	0	0	0	15 000	0	15 000
Commerzbank AG	EUR	EURIBOR + margin	4 Jul 2014	01 Aug 2017	*)	0	0	0	3 000	0	3 000
Commerzbank AG (Ancillary)	EUR	EURIBOR + margin	4 Jul 2014	01 Aug 2017	*) **)	0	0	0	9 672	0	9 672
Deutsche Bank AG	EUR	EURIBOR + margin	4 Jul 2014	01 Aug 2017	*)	0	0	0	7 500	0	7 500
Deutsche Bank AG (Ancillary)	EUR	EURIBOR + margin	4 Jul 2014	01 Aug 2017	*)	0	0	0	6 000	0	6 000
Alior Bank S.A.	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022		5 000	0	5 000	0	0	0
Bank of China	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022		10 000	0	10 000	0	0	0
Commerzbank AG	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022	***)	12 376	0	12 376	0	0	0
Deutsche Bank AG	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022		12 000	0	12 000	0	0	0
Raiffeisen Bank Polska S.A.	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022		5 000	0	5 000	0	0	0
Guarantees Core West											
Commerzbank AG	EUR		01 Aug 2017	01 Aug 2022	*) **)	2 624	2 624	0	2 328	2 328	0
bank guarantee issued in EUR						2 262	2 262	0	2 092	2 092	0
bank guarantee issued in PLN						362	362	0	236	236	0
Deutsche Bank AG (Ancillary – Guarantees)	EUR		4 Jul 2014	01 Aug 2017	*)	0	0	0	1 500	0	1 500
Deutsche Bank AG (Ancillary – Guarantees)			01 Aug 2017	01 Aug 2022		3 000	0	3 000	0	0	0

(all amounts in EUR thousand)

Other debt instruments										
Senior Secured Notes issued	EUR	7 Jul 2014	01 Aug 2017	*)	0	0	0	321 684	321 684	0
Term Loan B (TLB)	EUR	01 Aug 2017	01 Aug 2024		350 000	350 000	0	0	0	0
TOTAL CORE WEST					**400 000**	**352 624**	**47 376**	**381 684**	**324 012**	**57 672**

*) Restructuring of Financings took place on 01. August 2017. Original duration until 30 April 2019
**) drawings under old ancillaries have been roled-into new ancillaries under the new financing
***) Total RCF-limit with Commerzbank AG is EUR 15m, adding cash-line and ancillary used for guarantees

Liabilities under borrowings from related parties

On 25 September 2017 PCF GmbH, as the lender, and Pfleiderer Group S.A., as the borrower, entered into the upstream loan agreement amounting to EUR 36,849 thousand. A purpose of the loan was to provide a financing for a purchase of the treasury shares performed by the Pfleiderer Group S.A. The loan was granted on 2 October 2017 and subsequently on 11 October 2017, unused amount of EUR 1,493 thousand was repaid to lender.

The loan is eliminated in the consolidated financial statement.

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

12. TRADE PAYABLES AND OTHER

'000 EUR	Sep. 30, 2017	Dec. 31, 2016
Trade payables	120 290	89 059
Liabilities under factoring agreements	26 399	32 793
Insolvency-related liabilities of PCF GmbH	7 748	10 322
VAT liabilities	819	486
Liabilities for capital expenditures	381	2 527
Liabilities from derivatives (forward transactions)	160	724
Prepaid deliveries	32	354
Other liabilities	17 442	25 149
Total	**173 271**	**161 414**

Other liabilities as of 30 September 2017 comprised mainly of:

- accruals for antitrust proceedings of EUR 3 150 thousand (EUR 7 650 thousand as of 31 Dec 2016),
- tax liability related to the acquisition EUR 5 167 thousand (EUR 5 422 thousand as of 31 December 2016),
- other tax payables of EUR 2 249 thousand (EUR 2 311 thousand as of 31 December 2016) and
- provisions for the cost of emission rights EUR 479 thousand (EUR 616 thousand as of 31 December 2016).
- other cost accruals of EUR 2 113 thousand (EUR 1 335 thousand as of 31 Dec 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 September 2017 and 31 December 2016.

13.2. Valuation of financial assets and liabilities at fair value

As at 30 September 2017, the Group held 13 open forward contracts with a nominal exposure amounting to EUR 19 300 thousand. The fair value of the open contracts amounted to EUR 79 thousand asset and EUR 160 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.

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. SECURITY

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 have been used to redeem the €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

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

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 to secure 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 have been released.

In order to secure the new obligations under the senior facilities agreement dated April 13, 2017, the following security interests have been granted for the benefit of the lenders:

(i) Pfleiderer Group S.A. entered 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 granted powers of attorney to exercise corporate rights from the pledged shares in these companies in favour of Trigon Dom Maklerski S.A. (the "Polish Security Agent").

(ii) Pfleiderer Group S.A., Pfleiderer 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. entered into the agreements for financial and registered pledges over major bank accounts and granted 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. entered into the agreements for security assignments of rights under commercial contracts, intercompany loan agreements and insurance agreements.

(iv) The following mortgages have been 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. executed 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 to secure 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 have been released.

In order to secure the new obligations under the senior facilities agreement dated April 13, 2017, the following security interests have been granted for the benefit of the lenders:

(i) Pfleiderer Group S.A., PCF GmbH, Pfleiderer Deutschland GmbH as pledgors granted 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 granted 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 assigned as security their receivables under the intercompany loans, material trade and insurance receivables.

(iv) The existing German land charges have been 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., Pfeiderer Grajewo Sp. z o.o., Pfleiderer Polska Sp. z o.o., Pfleiderer Silekol Sp. z o.o. The amounts outstanding under the senior secured revolving credit facility dated July 4, 2014 and the senior notes issued on June 27, 2014 have been refinanced by the senior facilities agreement dates April 13, 2017.

15. CONTINGENT LIABILITIES

As at 30 September 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., 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 September 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 September 2017 accruals related to antitrust violations of EUR 3 150 thousand including costs related to legal proceedings with Classen as well as legal costs and amicable settlements of claims with 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 Pfleiderer Group's current customers, filed an action with the regional court of Düsseldorf (Landgericht Düsseldorf) against the custodian (Sachwalter) of PCF GmbH (then Pfleiderer AG) seeking the acceptance of its claim to the insolvency schedule (Insolvenztabelle) filed in May 2012. The insolvency proceedings ended in December 2012. In April 2013, after the insolvency proceedings had ended, Classen extended its claim to PCF GmbH. Classen sought payment of the insolvency quota in the amount of EUR 1.3 million based on a claim for potential damages arising from the same deliveries as in the case against Pfleiderer Baruth GmbH, as described below. By judgement of 27 April 2017 the regional court of Duesseldorf dismissed the claim in its entirety because it deemed the claim against the custodian as inadmissible due to the absence of authority to litigate at the time the claim was served on the (then former) custodian (January 2013). As regards PCF GmbH, the court found that Classen did not meet the exclusion period stipulated in the insolvency plan. To the management best knowledge Classen has not filed an appeal against this judgement with the higher regional court Duesseldorf.

In December 2012, Classen also filed an action for damages with the regional court of Düsseldorf (Landgericht Düsseldorf) against Pfleiderer Baruth GmbH (then: Pfleiderer Faserplattenwerk Baruth GmbH) currently amounting to approximately EUR 55.4 million (plus interest). The proceeding is still pending and the outcome, i.e. the further potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid, cannot be assessed yet. At oral hearing on 2 February 2017, the court has not clearly indicated whether it deems the claim justified as to the merits or not. The 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 September 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 3 150 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 minimum amount of EUR 28.4 million plus interest). In September 2017 a settlement agreement between Pfleiderer and Alno's insolvency administrator has been signed according to which the direct and indirect claims of Alno for cartel damages are settled. Pfleiderer shall have no joint and several liability anymore regarding supplies by other cartelists. In the meantime Alno has also formally informed the court that the claim against Pfleiderer is settled.

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 it 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 next court meeting was postponed to March 2018. As at 30 September 2017 the Management based on its best knowledge recognised an accrual for the expected outcome, which is included in the total amount of EUR 3 150 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.

The Western European segment is subject to certain tax risks. In light of the change in shareholders in 2012, there are certain risks with regard to the amount of tax loss utilized by the Group. Due to the acquisition of all shares in PCF GmbH (formerly Pfleiderer AG) by Atlantik S.A. in November 2012, tax losses generated by the German subsidiaries in 2012 may not be utilized in full. The extent to which this also applies to an entity with joint tax-filing status has yet to be fully determined. It cannot be ruled out that the fiscal authorities will reject the position taken by Pfleiderer Deutschland GmbH, which could in turn lead to an assessment requiring payments of tax arrears.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 September 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 September 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 principle. The companies of the Pfleiderer Group have to document this in the Transfer Price Documentation. The companies of the Pfleiderer Group can choose the transfer price method as well as the margin. But the tax audits 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 September 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 September 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 September 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 September 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 September 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 September 2017 no provision has been recognized by the Group in these consolidated financial statements.

16. 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 September 2017 consisted of Thomas Schäbinger (President and CEO), Richard Mayer (CFO), Dirk Hardow (COO), and Ivo Schintz (CCO). Mr. Rafal Karcz (CAO) was a member of a management board as of 30 September 2017, effectively resigning end of this day.

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

'000 EUR	Sep. 30, 2017	Sep. 30, 2016*)
Remuneration of Management Board	3 159	2 817
Remuneration of Supervisory Board	532	405
	3 691	**3 222**

(*) The amount presented in the condensed consolidated interim financial statements for nine month period ended 30 September 2016 as a Management board remuneration (EUR 3 460 thousand) was calculated on a cash bases, the amount EUR 2 817 thousand 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.

Beside the regular remuneration of Mr. Rafał Karcz, the Group recorded an expense for severance payment (termination benefits) due to his dismissal in the amount of EUR 682 thousand.

(all amounts in EUR thousand unless otherwise stated)

As at September 30, 2017, members of the Management and Supervisory Boards held the following number of Pfleiderer Group S.A. shares:

Function	Name	Number of shares
President of the Management Board	Thomas Schäbinger	16 250
Member of the Management Board (till 30.09.2017)	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 13 September 2017 the member of the Management Board of the Company, Mr. Rafał Karcz, submitted his resignation from the Management Board. His resignation was effective beginning from 30 September 2017.

Long term incentive programme

On 20 September 2017 the Supervisory Board of the Company adopted a resolution regarding the determination of the terms of the long-term incentive programme for selected members of the Management Board of the Company (the "Management Board LTIP").

On 18 October 2017 the Extraordinary General Meeting of Shareholders adopted a resolution regarding the determination of the terms of the long-term incentive programme for selected members of the Supervisory Board of the Company in the form determined by the Supervisory Board (the "Supervisory Board LTIP" and together with the Management Board LTIP, the "LTIP").

According to the terms of the LTIP, the Company will grant selected members of the Management Board and the Supervisory Board (the "Managers") the option to acquire existing shares in the share capital of the Company (the "Call Option Shares") in exchange for the exercise price per share multiplied by the number of the Call Option Shares to which each Manager is entitled (the "Call Option"). The members of the Management Board are in aggregate entitled to receive 2 312 146 Call Option Shares for the exercise price per share of PLN 40. The members of the Supervisory Board are in aggregate entitled to receive 424 600 Call Option Shares for the exercise price per share of PLN 30. As a rule, the Managers will be entitled to receive the Call Option Shares if they remain a member of a respective governing body of the Company or their appointment as a member of the respective governing body of Company expires pursuant to certain conditions, including, in particular: (i) death; (ii) disability due to which the Manager is unable to perform his duties as a member of a respective governing body of the Company; or (iii) the lapse of the term for which the respective Manager was appointed as a member of the respective governing body of Company and the lack of election to a subsequent term of office for reasons other than for cause or occurrence of a material breach of his obligations; or (iv) dismissal from the respective governing body of Company for reasons other than for cause or occurrence of a material breach of his obligations.

The Call Option will be vested in six tranches. Each vested tranche will entitle each Manager to acquire, respectively, 5%, 5%, 7.5%, 10%, 22.5% and 50% (each defined as a "Tranche") of the overall number of the Call Option Shares to which each Manager is entitled if with respect to a given Tranche the price of the Company's shares reaches, respectively, PLN 40.00, PLN 47.00, PLN 55.00, PLN 63.00, PLN 70.00 and PLN 80.00 (the "Tested Share Price"). In the event that, during the term of 5 (five) consecutive years from the date of the adoption of the resolution regarding the Supervisory Board LTIP, the Tested Share Price for any of the respective Tranche has not been met and Call Option Shares related with such Tranche were not vested, the Manager shall irrevocably lose the right to acquire such Call Option Shares without the right to any compensation. The Tested Share Price constitutes: (i) the arithmetic average of the market price of the shares established on the basis of the daily volume-weighted average prices at the end of each period of 70 (seventy) consecutive trading days on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) through the whole term of the LTIP starting from 1 June 2017 (the "Share Price Test Period"), increased by the sum of all dividends paid or declared to be paid by the Company

(all amounts in EUR thousand unless otherwise stated)

in the period from the date of the 2 adoption of the resolution regarding the Supervisory Board LTIP until respective Share Price Test Period divided by all of the shares in the Company's share capital; or (ii) the price received by any of the shareholders of the Company holding, individually or in aggregate in case of entities with respect to which their shareholding is aggregated pursuant to applicable securities regulations as at the date of the adoption of the resolution regarding the Supervisory Board LTIP, at least 10% of the shares in the share capital of the Company and the corresponding number of votes at the general meeting of the shareholders of the Company (the "Significant Shareholders") as a result of the direct or indirect transfer by the Significant Shareholders, jointly, of such number of the shares which would result in decreasing their share in the overall number of votes at the general meeting of the shareholders of the Company below 10%, except in the event that one Significant Shareholder sells his shares to the other Significant Shareholder(s).

Each Manager will have the right to exercise each Tranche and acquire the respective number of the Call Option Shares within 3 (three) years from the date such Manager is informed by the Company that the Tested Share Price has been reached with respect to a given Tranche. The Company, at its sole discretion, may elect not to deliver to the Manager the Call Option Shares subject to the Call Option, but instead to satisfy its obligation with cash. As a rule, the Call Option Shares acquired by a Manager will be subject to lock-up for a term of 5 (five) consecutive years from the date of execution by the Manager of the respective agreement with the Company regarding the LTIP.

(all amounts in EUR thousand unless otherwise stated)

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

On 12 October 2017 the Company purchased 3 235 050 treasury shares. For further information, please see Section 10.
There were no other events subsequent to the end of the reporting period that would require disclosure in this condensed consolidated interim financial statements.

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

Wrocław, 7 November 2017

PFLEIDERER GROUP S.A.

UNAUDITED CONDENSED SEPARATE
INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD
ENDED SEPTEMBER 30,2017

(all amounts in PLN thousand)

INTERIM SEPARATE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

Assets	30.09.2017	31.12.2016
Property, plant and equipment	326	353
Investments in subsidiaries	2 109 553	2 109 553
Long term investments	75	75
Non-current loans advanced to subsidiaries	106 903	103 069
Deferred tax asset	1 803	-
Non-current assets	**2 218 660**	**2 213 050**
Inventories	119	23
Trade and other receivables	15 956	6 183
Income tax receivables	-	852
Cash and cash equivalents	4 129	4 677
Current assets	**20 204**	**11 735**
Total assets	2 238 864	2 224 785

Equity and liabilities		
Equity		
Share capital	21 351	21 351
Share premium	625 240	625 240
Reserves	510 474	374 589
Retained earnings	345 404	230 138
Total equity	**1 502 469**	**1 251 318**
Liabilities		
Employee related payables	172	172
Deferred tax liabilities	-	184
Non-current liabilities	**172**	**356**
Loans and borrowings	549 066	812 825
Liabilities to related parties under debt securities	138 936	126 901
Income tax payables	42	-
Trade and other payables	43 389	30 190
Employee related payable	4 790	3 195
Current liabilities	**736 223**	**973 111**
Total liabilities	**736 395**	**973 467**
Total equity and liabilities	2 238 864	2 224 785

(all amounts in PLN thousand)

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	01.01.2017-30.09.2017	01.01.2016-30.09.2016	01.07.2017-30.09.2017	01.07.2016-30.09.2016
Revenue	-	395 450	-	95 029
Cost of sales	-	(327 412)	-	(75 709)
Profit on sales	**-**	**68 038**	**-**	**19 320**
Other income	2 432	3 411	888	809
Distribution expenses	-	(25 895)	-	(7 202)
General and administrative expenses	(27 568)	(28 445)	(10 467)	(9 023)
Other expenses	(1 324)	(1 808)	(270)	(319)
Result from operating activities	**(26 460)**	**15 301**	**(9 849)**	**3 585**
Financial income	365 400	94 207	(8 594))	22 157
Financial expenses	(18 606)	(22 752)	(5 038)	(8 175)
Net financing income	**346 794**	**71 455**	**(13 632)**	**13 982**
Profit before tax	**320 334**	**86 756**	**(23 481)**	**17 567**
Income tax income/expense	1 988	(4 209)	(3 725)	(3 453)
Net profit for the reporting period	322 322	82 547	(27 206)	14 114
Other comprehensive income Items that are or may be reclassified to profit or loss				
Cash flow hedges – effective portion of changes in fair value	-	(3 972)	-	2 832
Cash flow hedges – net change in fair value reclassified to current year profit or loss	-	994	-	(268)
Cash flow hedge – settlement of the forward hedging the purchase of shares	-	23 048	-	-
Other comprehensive income	-	20 070	-	2 564
Total comprehensive income for the period	322 322	102 617	(27 206)	16 678
Basic and diluted earnings per share (PLN)	4.98	1.30	-	0.22

(all amounts in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve funds	Other reserves	Cash flow hedge	Retained earnings	Total
1 Jan 2017	21 351	625 240	218 719	140 000	15 870	230 138	1 251 318
Comprehensive income for the period							
Net profit	-	-	-	-	-	322 322	322 322
Total comprehensive income for the period	-	-	-	-	-	322 322	322 322
Transactions with owners recognised in equity							
Share of profit from 2016			135 885			(135 885)	--
Reserve funds for own shares buy back			(250 000)	250 000		-	-
Dividends						(71 171)	(71 171)
Total transactions with owners recognised in equity	**-**	**-**	**(114 115)**	**250 000**	**-**	**(207 056)**	**(71 171)**
30 Sep 2017	21 351	625 240	104 604	390 000	15 870	345 404	1 502 469

	Share capital	Share premium	Statutory reserve funds	Other reserves	Cash flow hedges	Retained earnings	Total
1 Jan 2016	16 376	289 806	538 398	140 000	(1 866)	92 188	1 074 902
Comprehensive income for the period							
Net profit	-	-	-	-		82 547	82 547
Other comprehensive income	-	-	-	-	20 070		20 070
Total comprehensive income for the period	0	0	0	0	20 070	82 547	102 617
Transactions with owners recognised in equity							
Share of profit from 2015			4 405			(4 405)	-
Dividends						(64 701)	(64 701)
Share capital issue	4 975	335 434	(324 084)	-	-	-	16 325
Total transactions with owners recognised in equity	**4 975**	**335 434**	**(319 679)**	**-**	**-**	**(69 106)0**	**(48 376)**
30 Sep 2016	21 351	625 240	218 719	140 000	18 204	105 629	1 129 143

(all amounts in PLN thousand)

STATEMENT OF CASH FLOWS

	01.01.2017 30.09.2017	01.01.2016 30.09.2016
Cash flows from operating activities		
Net profit for the reporting periods	**322 322**	**82 547**
Adjustments:	**(338 620)**	**(105 801)**
Depreciation and amortisation	27	16 497
Foreign exchange gains	(27 158)	(23 732)
Dividend and interest for the period	(319 636)	(46 767)
Gain on investing activities	-	(121)
Income tax expense	(1 988)	4 209
Changes in:		
- trade and other receivables	(3 388)	23 625
- inventories	(96)	(351)
- trade and other payables	12 024	(77 415)
- employee benefit obligations	1 595	(752)
Result on forward contracts	-	(994)
Cash flows from operating activities	**(16 298)**	**(23 254)**
Interest received	32	86
Interest paid	(2)	(1)
Income tax received/(paid)	1 050	(2 207)
Net cash provided by operating activities	**(15 218)**	**(25 376)**
Cash flows from investing activities		
Disposal of property, plant and equipment	-	121
Dividends received	81 920	65 076
Dividends paid	(71 171)	-
Acquisition of a subsidiary	-	(532 798)
Acquisition of intangible assets, property, plant and equipment	(4)	(33 064)
Granting of loan to the subsidiaries	-	(98 000)
Inflows related to settlement of derivatives	-	21 330
Repayment of loan from the subsidiaries	-	9 500
Net cash provided by/ used in investing activities	**10 745**	**(567 835)**
Cash flows from financing activities		
Redemption of debt securities	(1 071 522)	(1 084 150)
Issue of debt securities	1 083 341	1 125 537
Financing acquisition costs	(6 325)	
Inflows from shares issued	-	336 345
Taking of bank loans and subsidiaries loans	-	193 919
Interest paid	(1 569)	(6 608)
Net cash used in financing activities	**3 925**	**565 043**
Total net cash flows	**(548)**	**(28 168)**
Decrease in cash	(548)	(28 168)
Cash at beginning of the period	4 677	30 983
Cash at end of the period	4 129	2 815

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 Sales Officer

Wrocław,7 November2017