

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report Qsr 1 / 2018

quarter / year

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

for issuers conducting manufacturing, construction, trade or services business

for the 1st quarter of the financial year 2018, covering the period from January 1st to March 31st 2018,

including condensed consolidated financial statements prepared in accordance with the IFRS

currency: EUR

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

currency: PLN

Date of filing: May 16th 2018

Pfleiderer Group Spółka Akcyjna

(full name)

Pfleiderer Group SA
(abbreviated name)**53-611**
(postal code)**ul. STRZEGOMSKA**
(street)**+48 71 747 11 00**
(telephone number)office@pfleiderer.pl
(e-mail)**719-10-00-479**
(NIP – Tax Identification Number)**wood products**

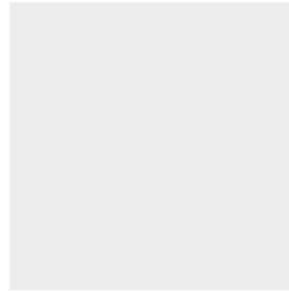
(sector according to the Warsaw Stock Exchange's classification)

Wrocław
(registered office)**42AB**
(number)**+48 71 747 11 41**
(fax number)www.pfleiderer.pl
(web site)**4500933817**
(REGON – Industry Registration Number)

FINANCIAL HIGHLIGHTS	PLN '000		EUR '000	
	1 quarter cumulative / 2018 Jan 1-Mar 31 2018	1 quarter cumulative / 2017 Jan 1-Mar 31 2017	1 quarter cumulative / 2018 Jan 1-Mar 31 2018	1 quarter cumulative / 2017 Jan 1-Mar 31 2017
	Condensed consolidated financial statements data			
I. Sales revenue			268 769	252 410
II. Operating profit/(loss)			17 989	12 438
III. Profit/(loss) before tax			11 276	13 807
IV. Net profit			7 335	10 360
V. Net profit attributable to equity holders of the parent			7 335	10 360
VI. Net cash provided by (used in) operating activities			18 432	11 936
VII. Net cash provided by (used in) investing activities			-21 682	-9 101
VIII. Net cash provided by (used in) financing activities			-23 314	-13 682
IX. Total net cash flow			-26 564	-10 847
X. Total assets			928 975	944 483
XI. Liabilities			701 059	704 581
XII. Non-current liabilities			463 953	465 447
XIII. Current liabilities			237 106	239 134
XIV. Equity			227 916	239 902
XV. Share capital			6 692	6 692
XVI. Outstanding shares at the end of the reporting period			64 701 007	64 701 007
XVII. Earnings per ordinary share (EUR)			0,11	0,16
XVIII. Book value per share (EUR)			3,52	3,71
XIX. Declared or paid dividend per share (EUR)			0,00	0,00

Condensed financial statements data				
XX. Sales revenue	-	-	-	-
XXI. Operating profit/(loss)	-4 314	-7 775	-1 025	-1 799
XXII. Profit/(loss) before tax	-13 279	24 408	-3 155	5 647
XXIII. Net profit/(loss)	-13 923	19 054	-3 308	4 409
XXIV. Net cash provided by (used in) operating activities	1 900	-5 877	451	-1 360
XXV. Net cash provided by (used in) investing activities	41 252	-4	9 800	-1
XXVI. Net cash provided by (used in) financing activities	-46 205	3 096	-10 977	716
XXVII. Total net cash flow	-3 053	-2 785	-726	-644
XXVIII. Total assets	2 234 010	2 282 384	530 568	546 417
XXIX. Liabilities	885 238	839 146	210 240	200 897
XXX. Non-current liabilities	4 625	4 121	1 098	987
XXXI. Current liabilities	880 613	835 025	209 141	199 910
XXXII. Equity	1 348 772	1 443 238	320 328	345 520
XXXIII. Share capital	21 351	21 351	5 071	5 112
XXXIV. Weighted average number of shares	64 701 077	64 701 077	64 701 077	64 701 077
XXXV. Earnings per ordinary share (PLN/EUR)	-	0,29	-	0,07
XXXVI. Book value per share (PLN/EUR)	20,85	22,31	4,95	5,34
XXXVII. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00

data in lines : X-XV, XXVIII-XXXIII are presented accordingly:
column.1 - for 31.03.2018
column.2 - for 31.12.2017
column.3 - for 31.03.2018
column.4 - for 31.12.2017



INSPIRATIONS
CLOSE
TO YOU



MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT

ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL
GROUP FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018

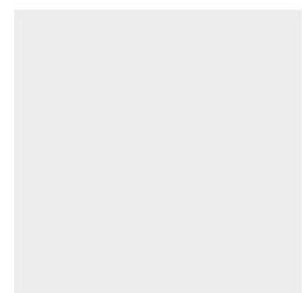
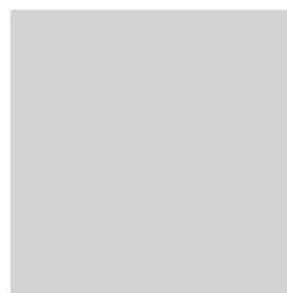
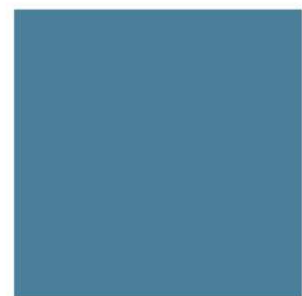


TABLE OF CONTENTS

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD	4
OUR VISION – FOR AN INTEGRATED PFLEIDERER GROUP IN EUROPE	5
PFLEIDERER GROUP IN Q1 2018 AT A GLANCE.....	5
KEY EVENTS AND ACHIEVEMENTS OF THE PFLEIDERER GROUP IN Q1 2018	6
1. KEY GROUP HIGHLIGHTS.....	8
1.1. BUSINESS PROFILE – ACTIVITIES OF THE GROUP	8
1.2. STRUCTURE OF THE GROUP	9
1.2.1. PFLEIDERER GROUP COMPANIES AND THEIR BUSINESS ACTIVITIES	10
1.2.2. DESCRIPTION OF CHANGES IN THE STRUCTURE OF THE GROUP IN THE REPORTING PERIOD	11
1.3. PFLEIDERER GROUP STRATEGY.....	12
1.4. INVESTMENT PROGRAM.....	14
1.5. MARKETING ACTIVITIES IN Q1 2018	14
1.6. MARKET POSITION AND CONSTRUCTION MARKET OVERVIEW.....	16
1.7. EXTERNAL AND INTERNAL FACTORS AFFECTING THE GROUP'S BUSINESS.....	23
1.8. RISK MANAGEMENT	23
1.9. INFORMATION ON MATERIAL AGREEMENTS AND TRANSACTIONS	25
1.10. COURT PROCEEDINGS	25
2. KEY OPERATIONAL DATA	29
2.1. PRODUCTION VOLUME AND STRUCTURE	29
2.2. SALES STRUCTURE	29
3. FINANCIAL PERFORMANCE.....	32
3.1. EXPLANATION OF THE ECONOMIC FINANCIAL DATA DISCLOSED IN THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	32
3.1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS.....	32
3.1.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION	33
3.1.3. CONSOLIDATED STATEMENT OF CASH FLOWS.....	34
3.1.4. KEY FINANCIAL RATIOS – CAPITAL GROUP	35
3.1.5. DESCRIPTION OF SIGNIFICANT OFF-BALANCE SHEET ITEMS - CAPITAL GROUP	35
3.2. EXPLANATION OF THE ECONOMIC FINANCIAL DATA DISCLOSED IN THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS	37
3.2.1. STANDALONE STATEMENT OF PROFIT OR LOSS	37
3.2.2. STANDALONE STATEMENT OF FINANCIAL POSITION	38
3.2.3. STANDALONE STATEMENT OF CASH FLOWS	38
3.2.4. STANDALONE KEY FINANCIAL RATIOS – PFLEIDERER GROUP S.A.....	38
3.3. NON-RECURRING EVENTS.....	38
3.4. PROJECTED FINANCIAL RESULTS.....	38
3.5. RATINGS.....	39
3.6. FINANCIAL INSTRUMENTS	39
3.7. FINANCIAL RISKS RELATED TO THE PFLEIDERER GROUP'S OPERATIONS.....	43
4. SHARES AND SHAREHOLDING STRUCTURE.....	47

4.1.	SHAREHOLDING STRUCTURE	47
4.2.	DIVIDENDS POLICY	48
4.3.	INVESTOR RELATIONS IN PFLEIDERER GROUP.....	49
4.4.	RECOMMENDATIONS	49
5.	CORPORATE GOVERNANCE.....	51
5.1.	NUMBER OF THE COMPANY'S SHARES HELD BY PERSONS IN MANAGEMENT AND SUPERVISORY BODIES	51
5.2.	COMPANY'S CORPORATE BODIES.....	51
5.2.1.	SUPERVISORY BOARD	51
5.2.2.	MANAGEMENT BOARD.....	52
6.	EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD	54
7.	MANAGEMENT BOARD REPRESENTATION	54

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD



TOM K.
SCHÄBINGER

PRESIDENT OF THE
MANAGEMENT
BOARD

Dear Shareholders,

I am delighted to present the summary of the Pfleiderer Group's results in Q1 2018.

The new Management Board is actively focusing on the implementation of the Pfleiderer Group's Strategy based on initiatives aiming to streamline processes and spur growth across the Group. We are improving our operational effectiveness and production capabilities. The costs structure is under control, we are delivering procurement savings and making cost improvements in line with our expectations. We are also working on new, promising CAPEX projects that will gradually support our organic growth and profitability.

In January, we successfully launched a lacquering line at our Leutkirch plant. The new facility allows us to benefit from an innovative "Hot Coating" system, used to make new value-added products. We are expanding our offering with PrimeBoard, an innovative and decorative board available in the XTreme High Gloss or XTreme Matt versions, featuring high scratch resistance, perfect for interior arrangements, as well as Duropal HPL Compact Exterior offered with super-matte finish, designed for exterior applications. Both new matt versions of products also offer the advantage of an anti-fingerprint effect. It is also worth highlighting that the new lacquering line is the largest and most advanced hot coating plant in the world. Besides the lacquering line in Leutkirch, we have also opened a new wood recycling installation in Neumarkt. The investment will allow not only boosting wood recycling capacity and reusing more wood, but also will result in higher production efficiency.

Pfleiderer Group S.A. Q1 2018 revenues rose 6.5% to EUR 268.8 million. Importantly, the Group generated sustainable growth from the sale of value-added products supported by also growing sales of basic products. Consolidated EBITDA rose by 18.5% to EUR 36.5 million, while EBITDA margin rose to 13.6% and EBIT increased by 45.2% to EUR 18 million. This strong increase stems from, among other factors, the development of sales of value-added products, a new pricing policy, which mitigates the impact of higher prices of raw materials.

Looking ahead, we are aiming to increase our innovativeness by applying cutting-edge technologies in our plants and by offering increasingly competitive, high quality products. We will be focusing in particular on value-added products and a smart pricing approach, which will hopefully result in increased sales volumes and revenue growth. As a part of our new management approach, we have put into life a new project "Empowering Plants" on April 1st. We would like that our local management teams play a more vital role in local decision making processes. By sharing responsibilities we want to make our production processes smarter, quicker and fully commensurate with customer requirements.

Our goal is to increase the Company's shareholder value consistently through sustainable growth in all business areas. We want to share the profits we generate with our shareholders in line with our attractive dividend policy. Nonetheless, the dividend pay-out will always be aligned to our financial capabilities and our investment plans. On this basis the Management Board recommended a dividend of PLN 1.2 per share for FY 2017, which is an increase of 9.1% y/y.

In the first quarter, we made another important step forward. We are on the right development path to achieve our ambitious goals and I am optimistic about Pfleiderer Group's going forward.

On behalf of the Management Board, I would like to thank our Employees, Shareholders, Supervisory Board members and Partners for your trust and confidence in us. I am confident that our strategy is the right way to deliver innovative products and services to our customers, increase returns for shareholders and create long-term value that will ensure sustainable development of our Group.

Thank You,

Tom K. Schäbinger

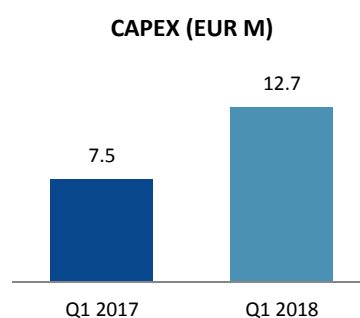
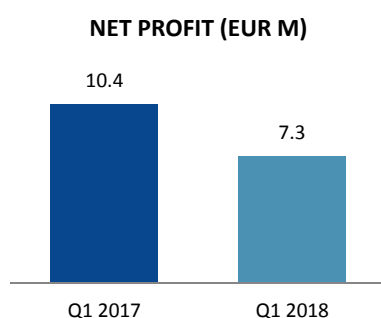
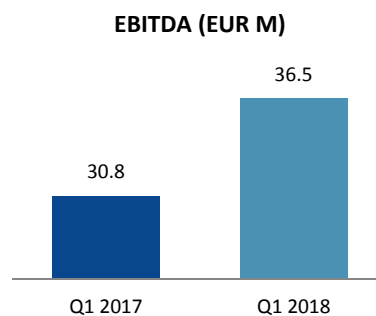
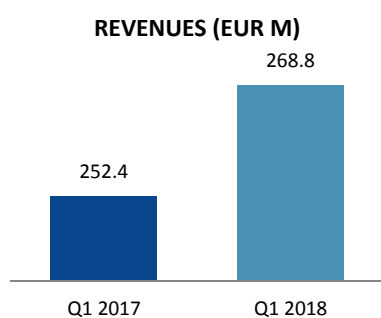
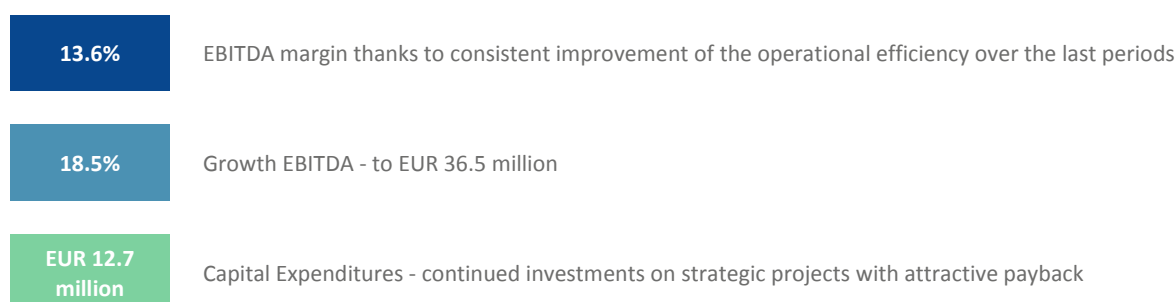
CEO of Pfleiderer Group S.A.

OUR VISION – FOR AN INTEGRATED PFLEIDERER GROUP IN EUROPE

- We are a fully integrated wood panel manufacturer with profitable growth and with value generation.
- We offer State-of-the-art decorative surface competence providing value and differentiation to customers.
- We perform Operational excellence in Supply Chain and Services to customers in the industry and construction sector, retail sector and architects.
- We focus on ecological and social sustainability. Sense of responsibility from the basis of our culture which is based on trust.
- We have technology capability and close cooperation with reliable partners to technological change.

PFLEIDERER GROUP IN Q1 2018 AT A GLANCE

GOOD SET OF FINANCIAL RESULTS SUPPORTED BY FAVORABLE MARKET CONDITIONS



EBITDA - Earnings before Interest, Tax and Amortisation and Depreciation

KEY EVENTS AND ACHIEVEMENTS OF THE PFLEIDERER GROUP IN Q1 2018

CHANGE IN THE MANAGEMENT BOARD

On 27 February 2018, the Supervisory Board of Pfleiderer Group S.A., has appointed Dr. Nico Reiner as the new Board Member and Chief Financial Officer starting 1 April 2018. Dr. Nico Reiner will replace Richard Mayer, who decided not to extend his contract.

BUY BACK

On 18 January 2018 Management Board resolved to determine the detailed terms of the repurchase of the shares of Pfleiderer Group S.A. The detailed terms of the buy-back were also approved on this date by the Supervisory Board.

On 7 February 2018 the Company purchased 2 150 883 treasury shares, with a nominal value of PLN 0.33 each. On 27 February 2018 the Company purchased 11 000 treasury shares, with a nominal value of PLN 0.33 each. Apart from the above mentioned purchased shares, the Company holds 3 235 050 treasury shares in the Company, which in total represents approximately 8.34% of the Company's share capital.

APPEALS AGAINST THE OCCP DECISION

On 29 January 2018 the Management Board of Pfleiderer Group S.A. informed that the company and its subsidiary Pfleiderer Wieruszów Sp. z o.o. filed the appeals against the Decision of the President of the Office of Competition and Consumer Protection.

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018

KEY INFORMATION ABOUT THE GROUP



1. KEY GROUP HIGHLIGHTS

1.1. BUSINESS PROFILE – ACTIVITIES OF THE GROUP

The Pfeiderer Group, with 123 years of experience, is a leading European manufacturer of wood products, specialising in the production of materials for the furniture industry, the interior industry and construction.

Pfeiderer 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 smaller companies in the furniture industry. Pfeiderer products are known across Europe. The company is headquartered in Wrocław (Poland) with offices i.a. in Neumarkt, Silesia and Warsaw and operates nine manufacturing facilities 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, Pfeiderer sees it as a necessity to conserve energy and raw materials, reduce emissions and produce environmentally friendly products.

The Pfeiderer Group consists of entities with varying profiles of 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.

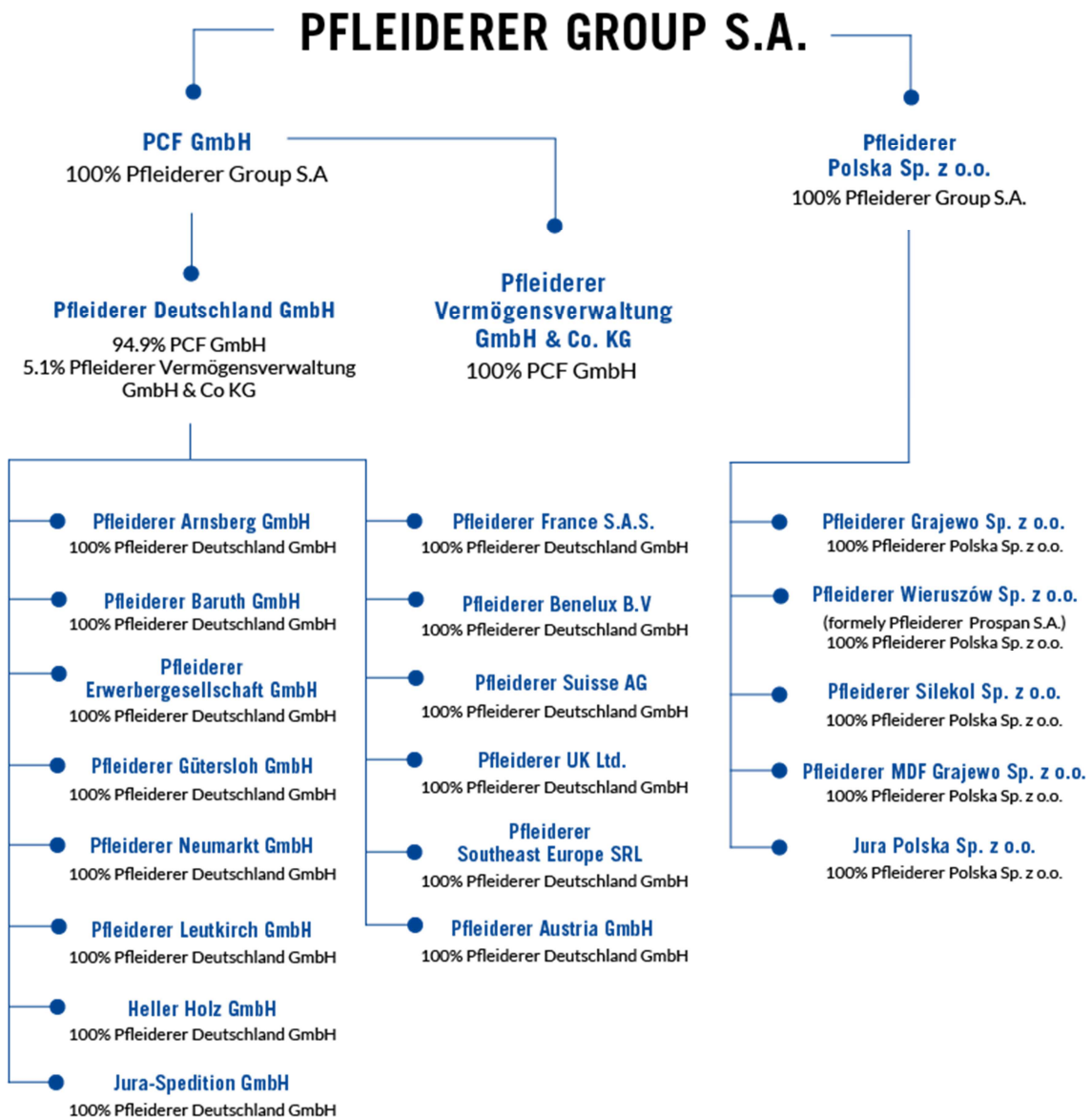


1.2. STRUCTURE OF THE GROUP

The Pfeiderer Group consists of single-platform businesses. The Group's parent company i.e. Pfeiderer Group S.A. ("Parent Company", previously Pfeiderer Grajewo S.A.) operates in Wrocław.

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

FIGURE 2: OPERATING STRUCTURE OF THE GROUP AS OF 16 MAY 2018



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

Activities	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 Erwerbengesellschaft 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 GROUP IN THE REPORTING PERIOD

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

In Q1 2018 there were no changes to the group structure.

1.3. PFLEIDERER GROUP STRATEGY

Strategy mission – Our Direction

Smart market segmentation will drive our sales strategy and will enable a value-added customer proposition

Our salesforce will harvest **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, an attractive dividend policy, possible additional share buyback programmes and open investor relations

Our culture will become more cost conscious and performance driven

On 20 September 2017 the management of Pfleiderer Group S.A. announced the Group's strategy 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 to translate into the Group's shareholder value growth.

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

Approx. EUR 1.2 b	Sales to be generated in the year ended 31 December 2021
At least 16%	EBITDA margin to be achieved in the year ended 31 December 2021
EUR 70 m p. a.	Capital expenditures (including EUR 20 million of maintenance capital expenditures p.a.)
Between 1.5 and 2	Target level of net financial leverage - maintaining a safe level of debt
Above 25%	Return on Equity
Up to 70 %	Percentage of net earnings allocated as a dividend (the dividend policy has not been altered)

The strategy adopted by the Management Board of Pfleiderer Group S.A. involves intensification of sales and marketing. 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 its value-added products that generate the highest margins and differentiate Pfleiderer from the competition. The

product pipeline will be expanded with new decors and surfaces inspired by new trends and created to satisfy evolving customer needs. Top quality customer service will accompany development of sophisticated product ranges.

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

Enhanced productivity through operational efficiency

Pfleiderer Group has implemented an efficiency improvement programme to exert a positive impact on operating results. The goal is to improve all CPL, MDF and PB lines and upgrade productivity. Pfleiderer will focus on optimising production costs and de-bottlenecking.

The Group is also planning to make savings through a dedicated procurement excellence programme. In addition, operational efficiency will be supported by extending capacities and implementing advanced technologies. One of the objectives is to tap into the potential of Pfleiderer’s subsidiary - Silekol, to an even greater extent, as it 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 Pfleiderer Group S.A.’s Management Board calls for stable capital expenditures totalling on average 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 the resin growth strategy in Silekol aim to drive up EBITDA and margins.

FIGURE 3: PFLEIDERER STRATEGY – THE DIAMOND APPROACH



1.4. INVESTMENT PROGRAM

In Q1 2018 Pfleiderer Group incurred EUR 12 747 thousand capital expenditures.

TABLE 2: CAPEX 2018 – MAIN PROJECTS AT THE GROUP LEVEL

Investment	Capex	Rational	Expected outcome (per annum)
Recycled wood	EUR 9.8 million	Increasing consumption of recycled wood fibre and reducing cost for wood (planned launch beginning of 2018 last investment in HY1, 2018)	EUR 5.0 million EBITDA
Lacquering line (Leutkirch)	EUR 12.3 million	New functional surface technology, new high gloss and dull surfaces (planned launch in the HY1, 2018)	EUR 9.6 million EBITDA
Commercial Growth Strategy	EUR 11.8 million	Growth of current & new products and exploring new markets; securing & increasing production capacity; development of resins and quality improvement (planned launch in the HY2, 2018)	EUR 6.2 million EBITDA
Plant concept Leutkirch	EUR 20.6 million	Increase production volume for raw particleboard. Installation new drying area incl. new dryer and hot gas generator	EUR 8.1 million EBITDA
New KT press line Grajewo	EUR 8.5 million	Increase volume of laminated particle boards in large format	EUR 3.1 million EBITDA

1.5. MARKETING ACTIVITIES IN Q1 2018

In 2018, the Group's marketing focus is mainly on official rollout of ONE PFLEIDERER and ONE COLLECTION as well as the introduction of PrimeBoard (high-quality lacquered surface in matt and high-gloss finishes) and Duropal HPL Compact Exterior. In addition to the usual marketing materials such as brochures and samples, this product launch also included special pages on the website, high-quality sample folders and a marketing movie.

TABLE 3: REWARDS GIVEN TO PFLEIDERER GROUP IN 2017/2018

Date	Award	Product/Category	Institution
2017	Listed Company of the Year 2016	Investor Relations	“Puls Biznesu” daily and TNS Polska
2017	Iconic Award interior innovation	Duropol HPL SolidColor XTreme	Rat für Formgebung Service GmbH
2017	pro-K Award	Duropol HPL SolidColor XTreme	pro-K Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e.V.
2017	German Design Award 2017	Duropol HPL SolidColor XTreme, Matt Lacquer, Natural Wood	Rat für Formgebung Service GmbH
2017	Red Dot Award: Product Design 2017	Duropol HPL SolidColor XTreme	red dot GmbH & Co. KG
2017	Interzum award: intelligent material & design 2017	Duropol HPL SolidColor XTreme	Interzum
2017	German Brand Award	Interior & Living	Rat für Formgebung Service GmbH
2018	Red Dot Award: Product Design 2017	Xtra Worktop	Rat für Formgebung Service GmbH
2018	KitchenInnovation of the year	Xtra Worktop	Initiative LifeCare
2018	MERCURY Awards 2017/18	Customer Magazine	Mercury Excellence Awards // Bronze

Pfleiderer will take part on the following fairs in 2018:

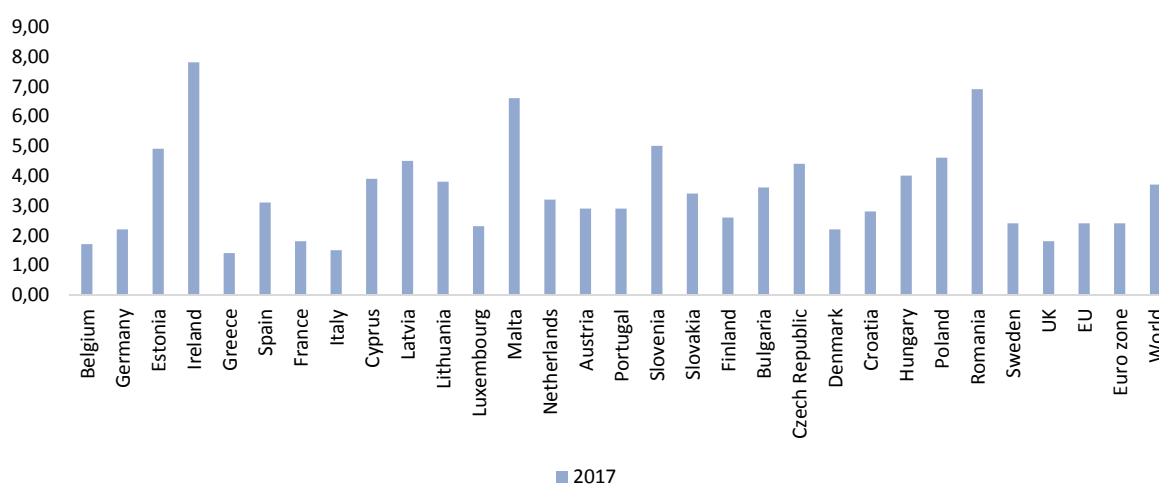
- Forum Holzbau, Cologne
- Design District, Rotterdam
- Surface Design Show, London
- SeatradeCruiseGlobal, Ft. Lauderdale
- Holz-Handwerk, Nuernberg
- Carrefour du Bois, Nantes
- Architect@Work, Lyon
- HolzLand Expo, Nürburgring
- Architect@Work, Copenhagen
- Swissbau, Basel
- Architect@Work, Vienna
- Sicam, Pordenone
- Forum Holzbau, Garmisch

1.6. MARKET POSITION AND CONSTRUCTION MARKET OVERVIEW

Macroeconomic situation in spring 2018

According to the European Commission's latest forecasts¹ GDP growth is expected to remain strong, moderating slightly as monetary stimulus is gradually withdrawn and global trade growth eases somewhat. Labour supply and production capacity constraints, however, are set to become increasingly binding in some Member States. Given the large carryover from its robust expansion at the end of last year, euro area GDP growth is forecast to moderate only mildly from 2.4% in 2017 to 2.3% this year before easing to 2% in 2019. While these are the same growth rates as projected back in the winter interim forecast, the growth drivers behind them have changed somewhat and the balance of risks has shifted meaningfully to the downside as a result of recent policy developments and their potential impact on global financial conditions and trade. Given the ongoing negotiation on the terms of the UK's withdrawal from the EU, the projections for the period after Brexit are again based on a purely technical assumption of status quo in terms of trading relations between the EU27 and the UK.

FIGURE 4: GDP GROWTH IN 2017 (Y/Y IN %)



Source: European Commission, European Economic Forecast Spring 2018

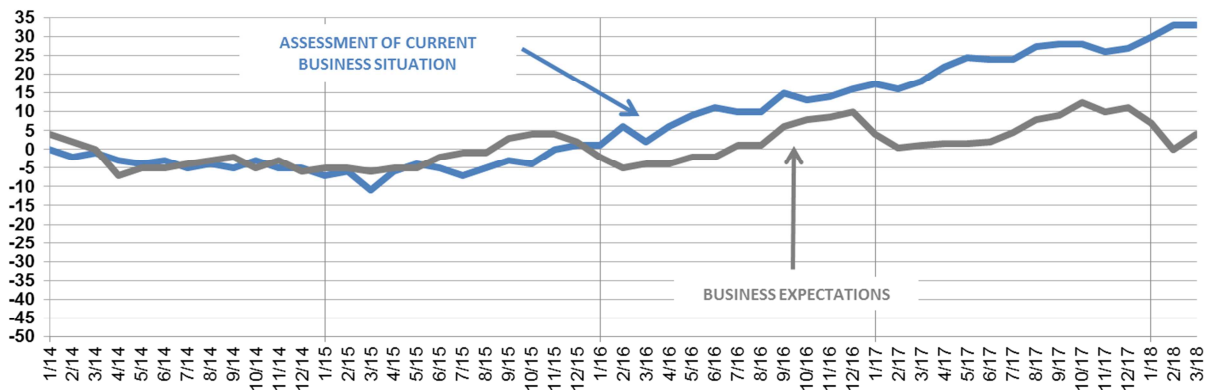
All Member States are experiencing the economic upswing. Among the largest EU economies, in both 2018 and 2019, Poland, the Netherlands, and Spain are expected to be economic outperformers, with real GDP growth rates above the EU average in both years; Germany is expected to grow at the EU average rate in 2018 and marginally above in 2019. The UK, Italy, and France are set to grow below average in both years. In 2019, all Member States except the UK (1.2%) and Italy (1.2%) are projected to grow at 1.7% or above, but for a large majority of Member States economic growth is set to slow as compared to 2018.

¹ Winter 2018 Economic Forecast, EuroCom

Business climate in construction

German construction business at the beginning of 2018 was market with further growth of business climate index. Assessment of current situation has been growing even more than at the end of 2017. Perspectives for the branch for upcoming months were chilled - it's most likely that's seasonal specific and that spring and summer time will bring improvement of business expectations.

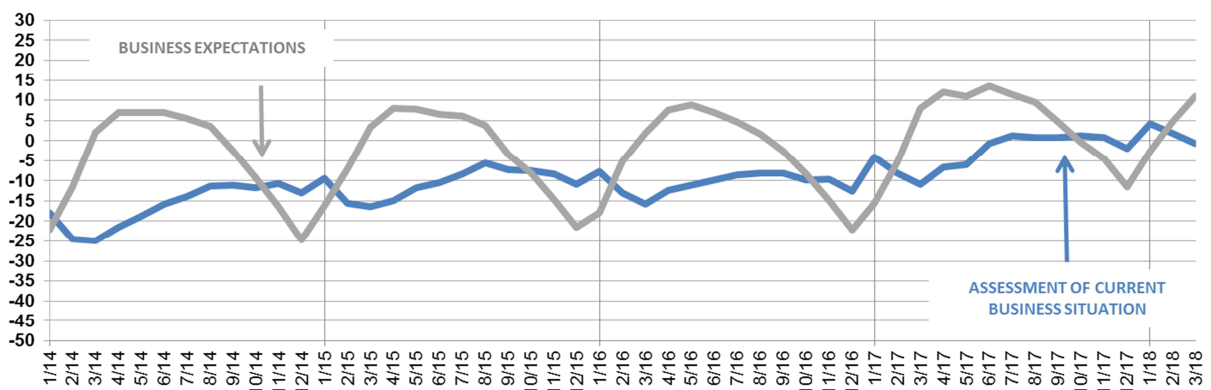
FIGURE 5: BUSINESS CLIMATE IN CONSTRUCTION – GERMANY



Source: own calculation based on ifo

In Poland 2018 also started better than 2017. Even if perception of current situation decreased in comparison to Q4 of 2017, it's still better than year ago in comparable period. Perspectives for future months, marked with decrease with the end of 2017, now are getting better and it's expected the trend will stay positive up to summertime.

FIGURE 6: BUSINESS CLIMATE IN CONSTRUCTION – POLAND



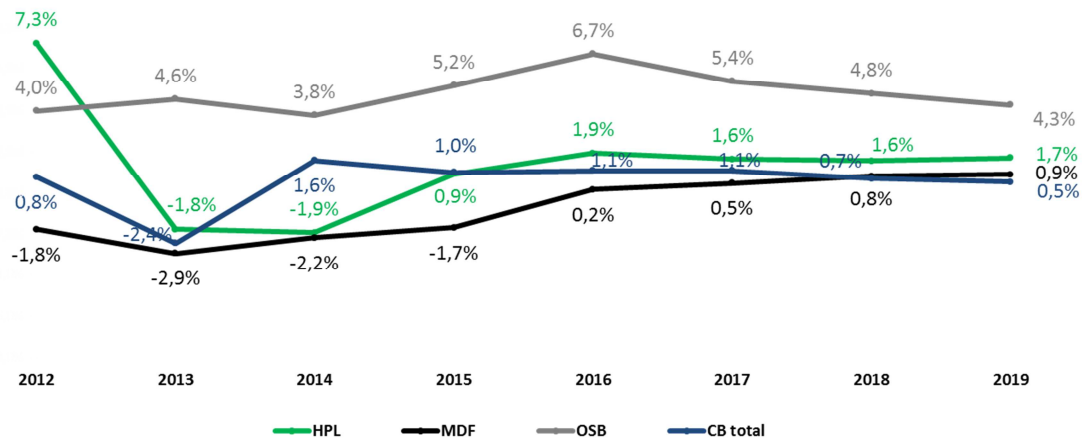
Source: own calculation based on GUS

Market dynamic

Pfleiderer strongly builds its position in furniture and construction market. The last one includes not only residential and non-residential objects, but also interior design. In terms of product portfolio the reference points are chipboard, laminate, MDF and OSB markets. Up to 2019 all those markets show positive trend.

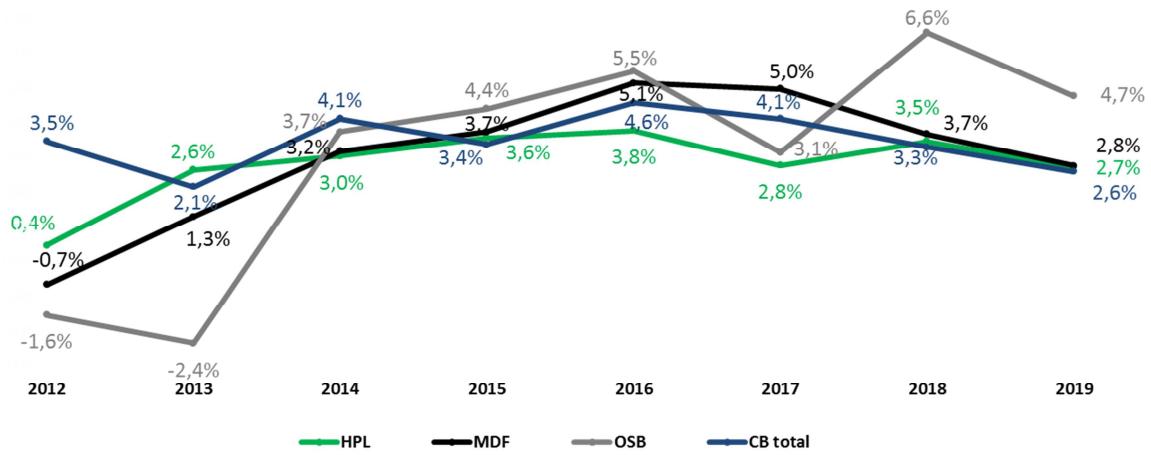
OSB market characterizes the highest growth dynamic. Moderate positive change is expected at HPL market in both regions and also at MDF/HDF and chipboard market in Poland.

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

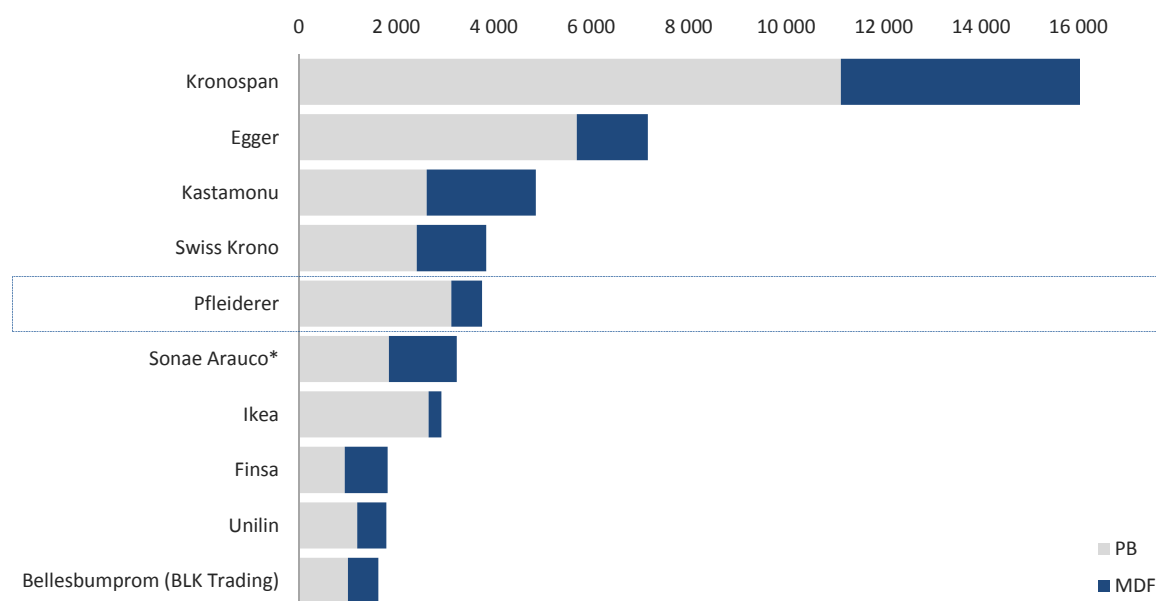


Source: own calculation based on reliable construction& furniture market data provider

Production capacity position in Europe (incl. Russia and Turkey)

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

FIGURE 9: PRODUCTION CAPACITY IN EUROPE – TOP 10 PLAYERS x 1 000 m³



*Sonae Arauco (50%/50% shares of Sonae Industria/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 4: AVERAGE YEARLY GROWTH OF CONSTRUCTION MARKET IN 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%

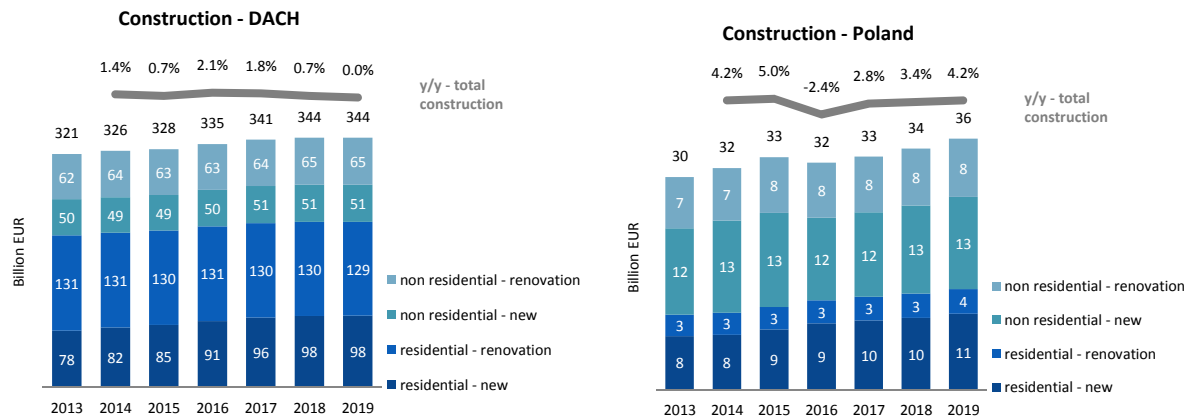
Source: own calculation based on reliable construction market data provider

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

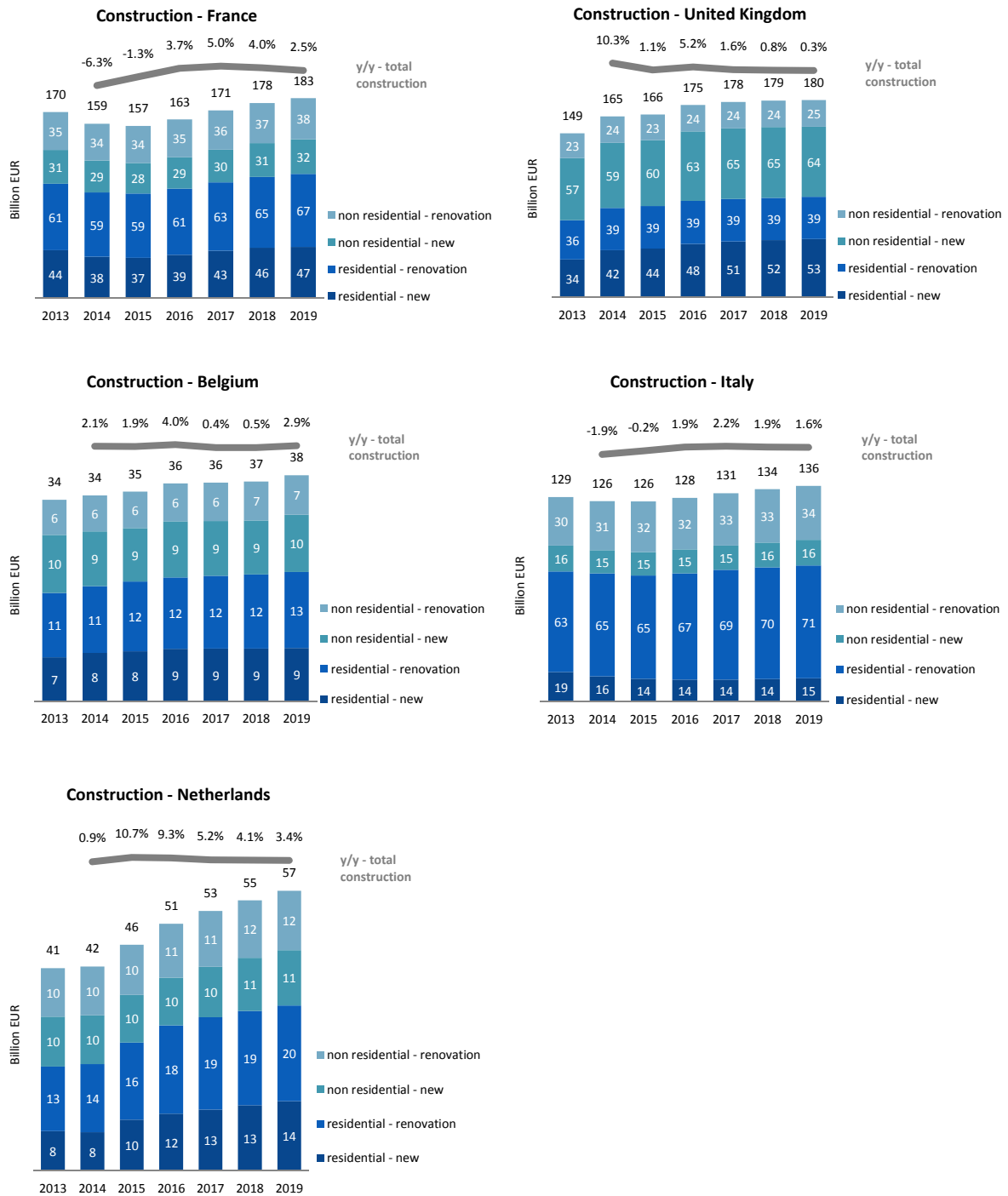


FIGURE 12: RESIDENTIAL AND NON-RESIDENTIAL CONSTRUCTION



Source: Reliable construction market data provider

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 an 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. Higher prices of raw materials affect the Group and 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.
- Capacity development and utilisation rates – major capacity changes in the market due to investments / divestments by competitors have an impact on the overall utilisation rates of locally competing production sites. On top of that, the overall market conditions i. a. driven by GDP development, construction growth rates and the performance of the furniture industry have an immediate impact on the wood-based panel industry and consequently on utilisation 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 organisational safeguards. The risk of unplanned downtime is reduced through the implementation of annual maintenance and modernisation programmes as well as maintaining a strategic stock of spare parts.
- Liquidity risk – as the Parent Company, 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 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 risks 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.

Furthermore the decision of the President of the Office of Competition and Consumer Protection no. DOK-3/2017 issued on 28 December 2017 results in a risk of claims for damages against the companies Pfleiderer Group S.A. and Pfleiderer Wieruszów Sp. z o.o. This risk cannot be quantified based on the evidence and information available at this time.

Legal and regulatory risks:

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

Tax risks:

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, which potential loss amount could be significant. The risk is rather unlikely to occur.

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. According to published BMF [Bundesministerium der Finanzen] letter this is also valid for tax groups. Till now it is not clear, if Pfleiderer can deduct the whole current losses in 2012 due to a statutory exemption. 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.

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 7 February 2017 (GrS 1/15). According to the decision, the decree of the Federal Ministry of Finance dated 27 March 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. The potential loss is assessed with medium and the probability of occurrence seems to be conceivable.

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. The probability of occurrence is occasional.

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 low or as medium risks. The Company responded to these risks by realigning and reorganizing its R&D activities and improving the innovation culture.

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 and other costs, as well as 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 low but it is about to occur. Furthermore, the wood price is also influenced by demanders from the co-firing industry. As they do not only burn forest waste, but also fully valuable wood like sawmill residue, pulpwood or middle-sized logs, there is a high competition from the side of the power plants. The potential loss amount is estimated to be low and more likely than unlikely to occur. Additionally we expect price increases for Methanol caused by the ratio of demand and supply in Europe, just as for Melamine, which price depends on the development of gas and crude oil. The corresponding potential loss is estimated to be low, but more likely than unlikely 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 significant risk which is rather unlikely. 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 and conceivable.

Further on, other economic events, like the withdrawal of countries from the EU, can also influence the business of the company and can lead to a medium potential loss, which is more likely than unlikely to occur.

Environmental and production risks:

Due to technical defects or a lack of order and cleanliness there is a risk of fire or explosion. The potential loss complies with the deductibles according to the insurance policies for each plant. Therefore the potential loss is evaluated to be serious but rather unlikely to occur.

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. In conjunction with the distinctive product portfolio of the different plants there is a low risk which occurrence seems to be occasional.

In addition, investment requirements may arise due to a failure to meet legal requirements, for example in relation to fire safety. This is classified as a significant risk, which is rather unlikely, after implementing measures. 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. Considering the measures in place, the occurrence of the risk is regarded to be rather unlikely with a serious potential loss amount.

1.9. INFORMATION ON MATERIAL AGREEMENTS AND TRANSACTIONS

Material party-related transactions in Q1 2018

For the information regarding related-party transactions as at 31 March 2018 and for the period from 1 January to 31 March 2018 see Note 18 in the Notes to the unaudited interim condensed consolidated financial statements of Pfleiderer Group S.A.

In the period from 1 January to 31 March 2018, 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 31 March 2018 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., 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.

On 28 December 2017 the President of the Office of Competition and Customer Protection (hereinafter referred to as 'President of the OCCP') issued a decision no. DOK-3/2017 (hereinafter referred to as 'Decision') considering as an anti-competitive practice the conclusion by Kronospan Szczecinek sp. z o.o., Kronospan Mielec sp. z o.o., Swiss Kronos sp. z o.o. (formerly Kronopol sp. z o.o.), Pfleiderer Group S.A. (formerly Pfleiderer Grajewo S.A.) and Pfleiderer Wieruszów sp. z o.o. an agreement limiting competition on the national market of sales of chipboard and on the national market of sales of fibreboard, consisting in:

- the fixing of prices of chipboard and fibreboard, which infringes the prohibitions mentioned in Art. 6 sec. 1 point 1 of the Act on Competition and Consumer Protection and Art. 101 sec. 1 a) of the Treaty on the Functioning of the European Union; and
- the exchange of commercial information on the conditions of sale of chipboard and fibreboard, which infringes the prohibition mentioned in Art. 6 sec. 1 of the Act on Competition and Consumer Protection and Art. 101 sec. 1 of the Treaty on the Functioning of the European Union.

According to the Decision, the agreement was in force from the beginning of 2008 to 7 September 2011.

The President of the OCCP imposed a fine of PLN 15 958 thousand on Pfleiderer Group S.A. and PLN 19 805 thousand on Pfleiderer Wieruszów sp. z o.o.

The Decision ended the antimonopoly proceedings initiated by the President of the OCCP in 2012. The decision is not legally binding. On the 29 January 2018, the Company and Pfleiderer Wieruszów sp. z o.o. appealed against the Decision to the Court of Competition and Consumer Protection.

On 18 January 2018, the Company and Pfleiderer Wieruszów Sp. z o.o., in connection with the issuance of the Decision, created provisions in the total amount of PLN 38 683 thousand (hereinafter referred to as 'Provisions'). Provisions have been established in order to secure funds for anticipated legal costs related to the appeal against the Decision and for the payment of possible fines if the Company and Pfleiderer Wieruszów Sp. z o.o. are obliged to pay the fines specified in the Decision.

Western Europe:

An earlier investigation by the German Federal Cartel Office in 2009 concluded in 2011 that PCF GmbH (then, Pfleiderer AG) and certain competitors had, for a period from at least 2004 through 2007, violated German competition law by coordinating price increases and minimum prices in the German market. As a result, the German Federal Cartel Office in September 2011 fined this group of market participants and certain individuals a total of EUR 42 million on the grounds of violating German and European competition laws by entering into anticompetitive agreements. PCF GmbH's share of the fine was settled in yearly instalments and fully repaid by the end of 2016.

As described below, two of the Pfleiderer Group's customers have sued the Pfleiderer Group for damages in connection with these antitrust violations. The companies are seeking compensation in connection with these antitrust violations. The outcome of the respective extrajudicial negotiations or proceedings is difficult to predict. Based on its best knowledge the Management estimated as of 31 March 2018 provisions 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, 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 was held on 3 May 2018. The outcome is difficult to predict. The court will announce the decision in August 2018. As a result, the management has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2018 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 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 Hannover (Landgericht Hannover) against Sonae Arauco Deutschland AG (then: 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 Sonae Arauco Deutschland AG, 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. Sonae Arauco Deutschland AG has filed an appeal against this decision with the higher regional court in Celle. The court meeting was held in March 2018. The outcome is difficult to predict at this moment. The court of appeal will announce its decision in July 2018.

As at 31 March 2018 the Management based on its best knowledge recognised a provision 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 Sonae Arauco Deutschland AG 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 1.8 Risk Management. As at 31 March 2018 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 31 March 2018 no provision has been recognized by the Group in these interim condensed consolidated financial statements.

Moreover the Group has tax liabilities for the expected outcome of the tax audit for years 2010-2015 in Germany amounting to EUR 7.2 million (no change since year end).

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018

KEY OPERATIONAL DATA



2. KEY OPERATIONAL DATA

2.1. PRODUCTION VOLUME AND STRUCTURE

In Q1 2018 and Q1 2017 the production volumes of main product groups at the group level were as follows:

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

'000		1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017	Change (%)
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	cbm	821	834	-2%
Laminated boards	sqm	27 294	28 860	-5%
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	cbm	153	142	8%

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

'000		1 Jan. - 31 Mar. 2018 Core West	1 Jan. - 31 Mar. 2017 Core East
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	cbm	490	331
Laminated boards	sqm	17 367	9 927
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	cbm	92	61

2.2. SALES STRUCTURE

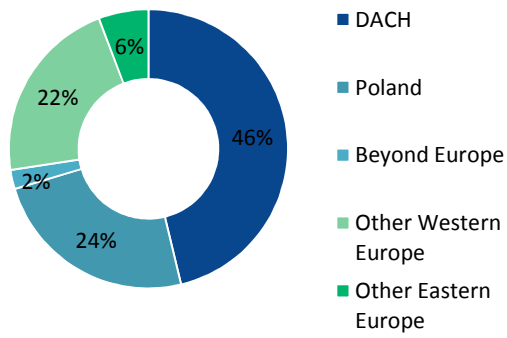
Revenue reported by the Group in Q1 2018 was EUR 268 769 thousand and increased 6.5% compared to Q1 2017 .

The sales volumes by product groups were as follows:

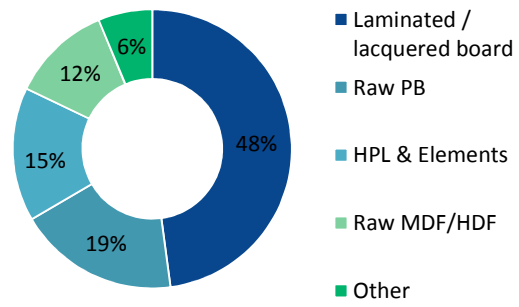
TABLE 7: SALES VOLUMES BY PRODUCT GROUP AT THE GROUP LEVEL

		1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017
Laminated particleboard	spm	25 308 777	27 096 744
HPL	spm	3 042 812	3 062 931
Raw particleboard	cbm	290 499	271 959
Laminated MDF/HDF board	spm	672 416	803 214
Raw MDF/HDF board	cbm	111 662	96 848

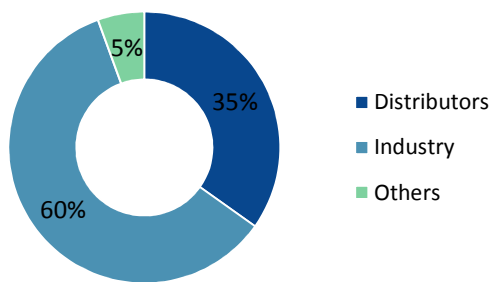
SALES BY REGION



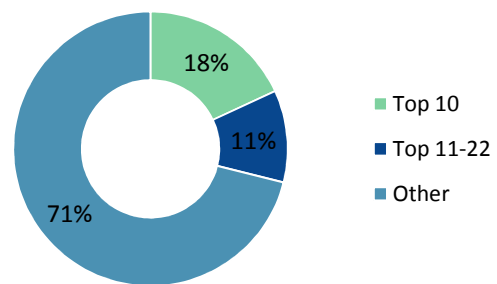
SALES BY PRODUCTS



CUSTOMER SPLIT



CUSTOMER SPLIT



MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018

FINANCIAL PERFORMANCE



3. FINANCIAL PERFORMANCE

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

3.1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

TABLE 8: CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR Q1 2018

'000 EUR	1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017
Revenue	268 769	252 410
Cost of sales	-206 075	-192 811
Profit on sales	62 694	59 599
Other operating income	2 539	4 187
Distribution expenses	-33 353	-34 386
General and administrative expenses	-12 698	-12 644
Other operating expenses	-1 193	-4 318
Result from operating activities	17 989	12 438
Financial income	28	799
Financial expenses	-5 363	-7 350
Exchange differences	-1 378	7 920
Net financing cost	-6 713	1 369
Profit before tax	11 276	13 807
Income tax expense	-3 941	-3 447
Net profit for the reporting period	7 335	10 360

Revenues came in at EUR 268 769 thousand in Q1 2018, growing 6.5% YoY, mostly due to better price performance and organic developments supported by a strong market. The Group managed to stop margin squeeze deriving from raw material prices growth. The Core West segment revenues reached EUR 188 421 thousand, augmenting by 4.6% YoY, while the Core East segment added EUR 80 348 thousand, up 11.2% YoY.

The Group's profit on sales reached EUR 62 694 thousand in Q1 2018, growing as much as 5.2% YoY. The gross profit margin remained stable YoY in Q1 2018, coming in at 23.33% versus 23.61% in Q1 2017. 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 2018 resulted substantially from growth of material prices, mainly wood, chemicals and production costs, which were partially covered by sales margin.

The cost saving initiatives resulted in 2% decrease in Group's distribution, general and administrative expenses, which reached EUR 46 051 thousand in Q1 2018.

Overall, the Group's result from operating activities came in at a strong EUR 17 989 thousand in Q1 2018, growing by c. 44.6% YoY. The operating result of the Core West reached EUR 12 813 thousand in Q1 2018 versus EUR 9 111 thousand in Q1 2017 while the operating result of the Core East division reached EUR 5 152 thousand in Q1 2018 versus EUR 2 965 thousand in Q1 2017.

The financial expenses were lower in Q1 2018 by ca. 27% due to refinancing of debt. This positive effect was decreased by negative exchange differences resulting from revaluation of intercompany loan originally in EUR revaluated to PLN in Pfleiderer Group S.A. (as a result, on the level of consolidated financial statement the forex difference from Pfleiderer Group S.A. books are not excluded, the amount for Q1 2018 was minus EUR 1 234 thousand and for Q1 2017 plus EUR 8 679 thousand). Consequently, net financing result for Q1 2018 was negative and amounted to EUR 6 713 thousand in comparison to positive EUR 1 369 thousand in Q1 2017.

Income tax expense is higher than expected via effective tax rate, mainly due to effect of German tax rate 28.85%. Overall, the Group's net profit came in at EUR 7 335 thousand in Q1 2018, down 29 % YoY.

3.1.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TABLE 9: CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2018

ASSETS		
'000 EUR	31 Mar. 2018	31 Dec. 2017
Property, plant and equipment	539 392	554 279
Intangible assets	82 089	82 907
Goodwill	67 917	67 541
Long term investments	511	511
Investment property	843	850
Deferred tax assets	6 418	6 471
Advances paid on fixed assets	20 429	9 877
Government grants receivables	5 014	5 275
Other non current assets	2	3
Non-current assets	722 615	727 714
Inventories	97 630	96 301
Trade and other receivables	50 185	35 673
Income tax receivable	933	244
Cash and cash equivalents	57 281	83 845
Fair value of hedging instruments	35	380
Other short term financial assets	296	326
Current assets	206 360	216 769
Total assets	928 975	944 483
LIABILITIES AND EQUITY		
'000 EUR	31 Mar. 2018	31 Dec. 2017
Share capital	6 692	6 692
Share premium	146 375	146 375
Statutory reserve funds	68 672	87 281
Reserves	-11 042	-10 330
Retained earnings	17 219	9 884
Total equity attributable to owners of the Company	227 916	239 902
Total equity	227 916	239 902
Liabilities		
Loans and borrowings	336 689	336 155
Provisions for employee benefits	52 985	53 389
Provisions	1 345	1 453
Deferred tax liabilities	64 316	65 625
Deferred income from government grants	8 599	8 807
Other non-current liabilities	19	18
Non-current liabilities	463 953	465 447
Loans and borrowings	2 467	2 529
Income tax payable	19 429	15 734
Trade and other payables	174 004	182 968
Employee related payables	25 591	21 794
Provisions	15 020	15 555
Fair value of hedging instruments	46	0
Deferred income from government grant	549	554
Current liabilities	237 106	239 134
Total liabilities	701 059	704 581
Total equity and liabilities	928 975	944 483

The asset side of statement of financial position remained relatively stable in Q1 2018 versus FY 2017 numbers. Non-current assets as at 31 March 2018 constituted 78% of total group assets versus 77% in FY 2017. Within Q1 2018 a pick-up in advances paid on fixed assets was noticeable due to ongoing significant investment projects. There were however changes within the current asset structure composition. Receivables level grew by 41%, faster than sales in Q1 2018. As a

result of that and the shares buyback the cash and cash equivalents level in Q1 2018 was at level lower by 32% comparing to the end of 2017.

The structure of liabilities remained stable in comparison to the end of FY 2017. Non-current liabilities constitutes 66% of the total liabilities. The trade and other payables decreased by ca 5% in comparison to FY 2017 mainly due to repayment of investment liabilities. The major increase can be observed at the income tax liabilities amount that grew up by 23% and employee related liabilities that grew up by 17%.

Drop in Group's total equity, from EUR 239 902 thousand to EUR 227 916 thousand at the end of Q1 2018 was a net effect of positive net income and share buyback programme. In Q1 2018 the Company repurchased the shares for the amount of EUR 18 609 thousand.

Total equity represented 25% of total equity and liabilities at the end of Q1 2018, with the proportion being stable versus end of year 2017.

3.1.3. CONSOLIDATED STATEMENT OF CASH FLOWS

TABLE 10: CONSOLIDATED STATEMENT OF CASH FLOWS IN Q1 2018

'000 EUR	1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017
Net profit for the reporting period	7 335	10 360
Depreciation and amortisation	18 512	18 335
Foreign exchange gains	1 378	-7 920
Interest for the period	5 513	6 702
Profit on investing activities	-10	167
Income tax disclosed in profit or loss of the period	3 941	3 447
Amortisation of government grants	-89	-206
Result on forward contracts	-178	-150
Increase in exchange differences on translating foreign operations	-482	385
Changes in		
trade and other receivables	-13 812	-24 249
inventories	-1 995	-3 815
trade and other payables	1 756	12 278
employee benefit obligations	-705	-344
provisions	-640	-829
Cash generated from operating activities	20 524	14 161
Income tax (paid)/received	-2 092	-2 225
Net cash provided by operating activities	18 432	11 936
Net cash used in investing activities		
Disposal of property, plant and equipment	11	18
Interest received	28	8
Acquisition of intangible assets and property, plant and equipment	-21 721	-9 127
Net cash used in investing activities	-21 682	-9 101
Net cash used in financing activities		
Repayment of borrowings and other debt instruments	0	-220
Share buy-back	-18 609	0
Interest paid	-3 578	-13 462
Other financing activities	-1 127	0
Net cash used in financing activities	-23 314	-13 682
Total cash flows	-26 564	-10 847
Decrease/Increase in cash	-26 564	-10 847
Cash at beginning of the period	83 845	97 726
Cash at the end of the period	57 281	86 879

The net cash from operating activities reached high level in Q1 2018, amounting to EUR 18 432 thousand. The Q1 2018 operating line was favourably affected by lower YoY pick-up in working capital.

The investing cash flow was EUR 21 682 thousand negative in Q1 2018 (mainly CAPEX net of change in investment liabilities) due to conducted significant investments.

The level and sign of net financing cash flow in Q1 2018 was strongly influenced by shares buy back in the amount of EUR 18 609 thousand. Due to performed refinancing of debt the significant YoY decrease of interests paid can be observed.

3.1.4. KEY FINANCIAL RATIOS – CAPITAL GROUP

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

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

	Definition		Q1 2018	Q1 2018 (*)	Q1 2017
Liquid funds	Cash and cash equivalents	mEUR	57.3	111.6	86.9
Net debt	Financial debt - liquid funds	mEUR	281.9	227.6	246.7
Net leverage	Net debt / EBITDA (LTM)	factor	2.24	1.81	2.05
Equity ratio	Equity / balance sheet totals	%	24.5%	28.7%	29.2%
Gearing	Net debt / equity	factor	1.24	0.81	0.87
EBITDA (LTM)	Result from operating activities + depreciation + amortization for last 12 months	mEUR	125.7	125.7	120.2
Interest cover	EBITDA (LTM) / net financing costs (LTM)	factor	5.3	5.3	4.7
ROCE	Result from operating activities (LTM) / Capital employed	%	8.1%	8.1%	7.4%
ROA	Net profit (LTM) / total assets at the end of the period	%	1.5%	1.5%	2.1%
ROE	Net profit (LTM) / equity at the end of the period	%	6.2%	5.0%	7.3%

(*) Ratios excluding cash effect of shares buyback in the total amount of EUR 54 252 thousand.

Looking at the financing position in YoY comparison shows a higher level of the net debt resulting mainly from lower level of liquid funds. However after eliminating the cash effect of shares buyback a significant improvement of the ratios can be observed: decrease of net debt and net leverage and increase of equity ratio. Due to successful refinancing and reduced interests costs the Interest cover ratio increased in Q1 2018 in comparison to Q1 2017. Such important ratio like ROCE also improved YoY.

Starting from 1 January 2019, due to implementation of new IFRS 16, the amount of net debt and tangible assets will visibly increase.

TABLE 12: MARGINS

	Q1 2018	Q1 2017
Gross profit margin (Profit on sales/Revenue)	23,33%	23,61%
EBIT margin (Result from operating activities/Revenue)	6,69%	4,93%
Pre-tax margin (Profit before tax/Revenue)	4,20%	5,47%
Net income margin (Net profit/Revenue)	2,73%	4,10%

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 EUR 450.0 million senior secured credit facilities comprising:

- a EUR 350.0 million 7-year covenant-lite term loan B facility carrying an interest Euribor + margin (Euribor floor: 0.75%) and 99.0 OID and
- a EUR 100.0 million 5-year revolving credit facility, comprising of a EUR 50.0 million and PLN 211.48 million facility, that will have an interest Euribor or Wibor + margin (Euribor floor: 0%).

The proceeds from the Facilities have been used to redeem the EUR 321 684 000 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 13 April 2017 (Polish entities)

In order to secure the new obligations under the senior facilities agreement dated 13 April 2017, Pfleiderer Group S.A. on 1 August 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 13 April 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 Senior Secured Notes due 1 August 2017 issued by PCF GmbH were released.

In order to secure the new obligations under the senior facilities agreement dated 13 April 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., 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 favor of Polish Security Agent.

(ii) Pfleiderer Group S.A., Pfleiderer Wieruszów Sp. z o.o., 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 favor of the Polish Security Agent.

(iii) Pfleiderer Group S.A., Pfleiderer Wieruszów Sp. z o.o., 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 favor of the Polish Security Agent:

- a) Mortgage over properties and perpetual usufructs of Pfleiderer Wieruszów Sp. z o.o. 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., 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 favor of the Security Agent.

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

Following the initial utilization of the facilities under the senior facilities agreement dated 13 April 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 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 13 April 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 new Security Agent.

Guarantees by the members of the Group

As at 13 April 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., Pfleiderer MDF Grajewo sp. z o.o., Pfleiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o., Pfleiderer Silekol sp. z o.o. The amounts outstanding under the senior secured revolving credit facility dated 4 July 2014 and the senior notes issued on 27 June 2014 have been refinanced by the senior facilities agreement dates 14 April 2017.

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

3.2.1. STANDALONE STATEMENT OF PROFIT OR LOSS

TABLE 13: STANDALONE STATEMENT OF PROFIT OR LOSS

	'000 PLN		'000 EUR	
	1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017	1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017
Revenue	n.a.	n.a.	n.a.	n.a.
Results from operating activity	-4 314	-7 775	-1 025	-1 799
Profit before tax	-13 279	24 408	-3 155	5 647
Net profit for the reporting period	-13 923	19 054	-3 308	4 409
Basic earnings per share (in PLN/EUR)	-	0.29	-	0.07
Diluted earnings per share (in PLN/EUR)	-	0.29	-	0.07
Average PLN/EUR exchange rate			4.2093	4.3221

Operating result in both Q1 2018 and Q1 2017 reflects purely the holding activity of the Company. Lower loss from operating activity in Q1 2018 of PLN 4 314 thousand compared to loss of PLN 7 775 thousand in Q1 2017 results from higher revenues from intercompany services rendered by the Company to Group companies (PLN 2 308 thousand in Q1 2018, PLN 744 thousand in Q1 2017) and lower general and administrative expenses (PLN 7 057 thousand in Q1 2018, PLN 8 406 thousand in Q1 2017) coming mostly from lower intercompany service charges (PLN 413 thousand in Q1 2018 compared to PLN 3 690 thousand in Q1 2017).

In Q1 2018 Pfleiderer Group S.A. generated loss on financial activity of PLN 8 965 thousand compared to profit of PLN 32 183 thousand in Q1 2017. Negative difference in result on financial activity of PLN 41 148 thousand is attributable to foreign exchange differences on intercompany loans from PCF GmbH and on 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.) (f/x loss of PLN 6 400 thousand in Q1 2018 compared to f/x gain of PLN 37 614 thousand in Q1 2017). This negative difference was partly offset by income from intercompany sureties (PLN 2 233 thousand in Q1 2018) and lower interest costs on intercompany loans from PCF GmbH (PLN 4 988 thousand in Q1 2018 compared to PLN 5 910 thousand in Q1 2017).

3.2.2. STANDALONE STATEMENT OF FINANCIAL POSITION

TABLE 14: STANDALONE STATEMENT OF FINANCIAL POSITION

	'000 PLN		'000 EUR	
	31 Mar. 2018	31 Dec. 2017	31 Mar. 2018	31 Dec. 2017
Total assets	2 234 010	2 282 384	530 568	546 417
Liabilities	885 238	839 146	210 240	200 897
Non-current liabilities	4 625	4 121	1 098	987
Current liabilities	880 613	835 025	209 141	199 910
Equity	1 348 772	1 443 238	320 328	345 520
Share capital	21 351	21 351	5 071	5 112
Number of shares	64 701 007	64 701 007	64 701 007	64 701 007
Book value per share (in PLN/EUR)	20.85	22.31	4.95	5.34
PLN/EUR exchange rate as at the end of the reporting period			4.2106	4.1770

3.2.3. STANDALONE STATEMENT OF CASH FLOWS

TABLE 15: STANDALONE STATEMENT OF CASH FLOWS

	'000 PLN		'000 EUR	
	1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017	1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017
Net cash provided by operating activities	1 900	-5 877	451	-1 360
Net cash provided by/ used in investing activities	41 252	-4	9 800	-1
Net cash used in financing activities	-46 205	3 096	-10 977	716
Total net cash flow	-3 053	-2 785	-726	-644
Average PLN/EUR exchange rate			4.2093	4.3221

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

TABLE 16: PFLEIDERER GROUP S.A. SALES MARGINS

		1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017
Operating margin	Operating profit / Revenue	n.a.	n.a.
Pre-tax margin	Profit before tax / Revenue	n.a.	n.a.
Net margin	Net profit / Revenue	n.a.	n.a.

Starting from 1 September 2016 Pfeleiderer Group S.A. is a pure holding company, thus did not record any revenue in both Q1 2018 and Q1 2017.

3.3. NON-RECURRING EVENTS

There were no non-recurring events which might affect the Group or Pfeleiderer Group S.A.'s financial performance occurred in Q1 2018.

3.4. PROJECTED FINANCIAL RESULTS

The Management Board of Pfeleiderer Group S.A. has not published projections of financial results or consolidated financial results for the financial year 2018.

3.5. RATINGS

TABLE 17: RATINGS AWARDED TO PFLEIDERER GROUP

	Rating date	Company's long-term rating	Rating outlook
Standard & Poor's Ratings Services	28.03.2018	B+	Stable
Moody's Investors Service	26.02.2018	Ba3	Stable
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 updates credit opinion on Pfleiderer Group S.A.: Update on Key Credit Factors; Long Term Rating Ba3; stable outlook

Pfleiderer Group S.A.'s corporate family rating (CFR) was updated on 26 February 2018. The unchanged Ba3 CFR is supported by (1) Pfleiderer's leading positions in the concentrated markets of wood based particleboards in Germany and Poland, (2) a portfolio geared towards value-added and more profitable premium products, such as furniture boards, kitchen worktops, high pressure laminates (HPL), melamine-faced chipboards and artificial wall coverings, (3) long-standing relationships with a well-diversified customer base in the furniture and construction industries, (4) improved profitability since 2016, following extensive restructuring and realized synergies from the ongoing "One Pfleiderer" project, (5) moderate leverage with about 3.4x Moody's-adjusted debt/EBITDA for the 12 months ended September 2017, and (6) benign economic and industry fundamentals in the group's core European markets, suggesting continued healthy demand prospects.

The stable outlook assumes modest organic topline growth and margins at least around current levels, resulting in forecast moderate de-levering towards 3x Moody's-adjusted debt/EBITDA over the next 18 to 24 months. The outlook also reflects our expectation of continued positive free cash flow generation and no excessive shareholder distributions.

S&P revised outlook on Pfleiderer to stable from positive, and affirmed the 'B+' ratings.



On 28 March 2018, S&P Global Ratings revised to stable from positive its outlook on Poland-based wood panels producer Pfleiderer Group S.A. and its wholly-owned German subsidiary PCF GmbH. We affirmed our 'B+' long-term issuer credit ratings on the companies.

The stable outlook reflects our expectations that its S&P Global Ratings-adjusted EBITDA margins will improve and free operating cash flow generation will remain positive in 2018, despite higher capital investments and large payments to shareholders.

We also affirmed our 'B+' issue rating on the €350 million senior secured loan due 2024 borrowed by PCF GmbH and the €100 million revolving credit facility (RCF) available to the major companies of the Pfleiderer Group S.A., including PCF GmbH. The recovery rating remains unchanged at '4', indicating average recovery prospects (30%-50%; rounded estimate: 40%) in the event of default.

3.6. 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 recognised 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 recognised in the statement of comprehensive income. The ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Borrowings

As at 31 March 2018, the Group did not carry any borrowings from related parties.

Bank loans and corporate bonds

Use of bank borrowings

TABLE 18: BORROWINGS AND OTHER DEBT INSTRUMENTS

'000 Euro	31 Mar. 2018	31 Dec. 2017
Bank borrowings	336 689	336 155
Non-current liabilities	336 689	336 155
Current portion of bank borrowings	2 256	2 333
Other interest bearing liabilities	211	196
Current liabilities	2 467	2 529
TOTAL	339 156	338 684

Bank loans

Senior Facilities Agreement – entered into force on 1 August 2017

On 13 April 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 1 August 2017. Pfleiderer used those amounts to repay the Senior Secured Notes issued 27 June 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 is 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 6 265 thousand as well as Letters of Credit in an amount of EUR 2 057 thousand. The Revolving Facility 1 is partially drawn for bank guarantees of EUR 2 296 thousand and PLN 520 thousand (EUR 123 thousand) as well as Letters of Credit in an amount of EUR 5 040 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 19: FINANCINGS CORE EAST (EXCLUDING FACTORING AND OPERATING LEASES)

'000 EUR					31 Mar. 2018			31 Dec. 2017		
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	01 Aug 2017	01 Aug 2022	19 422	0	19 422	18 930	0	18 930
Alior Bank S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022	18 727	0	18 727	18 878	0	18 878
Raiffeisen Bank Polska S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022	7 749	0	7 749	7 811	0	7 811
Guarantees Core East										
Bank Millenium S.A.	PLN		01 Aug 2017	01 Aug 2022	3 853	3 853		4 532	4 532	
bank guarantee/s issued in favour of National Forests			27 Jan 2014	28 Feb 2019	1 425	1 425		1 676	1 676	
bank guarantee issued in favour of of Descont Sp. z o.o.			22 Sep 2015	20 Sep 2019	63	63		64	64	
Letter of Credit EUR 1 092 000			22 Jun 2017	22 Apr 2018	0	0		837	837	
Letter of Credit EUR 1 700 000			29 Aug 2017	30 Sep 2018	1 955	1 955		1 955	1 955	
Letter of Credit EUR 356 500			05 Feb 2018	05 Feb 2019	410	410		0	0	
Limit of credit cards East										
Bank Millenium S.A.	PLN		01 Aug 2017	01 Aug 2022	475	0	475	479	0	479
TOTAL CORE EAST Credit facilities					50 226	3 853	46 373	50 630	4 532	46 098

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

'000 EUR						31 Mar. 2018			31 Dec. 2017		
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 (EUR)											
Alior Bank S.A.	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022	5 000	0	5 000	5 000	0	5 000	
Bank of China	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022	10 000	0	10 000	10 000	0	10 000	
Commerzbank AG	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022 *)	7 540	0	7 540	12 370	0	12 370	
Deutsche Bank AG	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022	12 000	0	12 000	12 000	0	12 000	
Raiffeisen Bank Polska S.A.	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022	5 000	0	5 000	5 000	0	5 000	
Guarantees Core West											
Commerzbank AG	EUR		01 Aug 2017	01 Aug 2022	7 460	7 460		2 630	2 630		
bank guarantee issued in EUR					2 297	2 297		2 257	2 257		
bank guarantee issued in PLN					123	123		373	373		
letter of credit issued in EUR					5 040	5 040		0	0		
Deutsche Bank AG (Ancillary – Guarantees)			01 Aug 2017	01 Aug 2022	3 000	0	3 000	3 000	0	3 000	
Other debt instruments											
Term Loan B (TLB)	EUR		01 Aug 2017	01 Aug 2024	350 000	350 000	0	350 000	350 000	0	
TOTAL CORE WEST Credit facilities					400 000	357 460	42 540	400 000	352 630	47 370	

*) 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 31 March 2018 and 31 December 2017, the Group did not carry any borrowings from related parties.

Stand Alone

Loans – Pfleiderer Group S.A.

Loans advanced:

As at 31 March 2018, the Company has loan receivables of PLN 109 537 thousand granted to subsidiary Pfleiderer MDF Grajewo Sp. z o.o. Interest on loans are accrued on a monthly basis. The loans granted to Pfleiderer MDF Grajewo Sp. z o.o. are denominated in PLN and bear interests at 1M WIBOR rate plus margin.

Liabilities under borrowings from related parties

Liabilities under borrowings from related parties comprise the following balances:

- Obligation taken over from Atlantik S.A. of EUR 125 108 thousand (PLN 526 516 thousand); as at 31 December 2017 EUR 127 226 thousand (PLN 530 648 thousand);
- Loan granted by PCF GmbH on 2 October 2017 to finance the purchase of treasury shares of EUR 26 038 thousand (PLN 109 581 thousand); as at 31 December 2017 EUR 26 118 thousand (PLN 108 935 thousand);
- Loan granted by PCF GmbH to finance the subsequent purchase of treasury shares of EUR 9 049 thousand (PLN 38 084 thousand). On 30 January 2018 PCF GmbH, as the lender, and Pfleiderer Group S.A., as the borrower, entered into the upstream loan agreement amounting to EUR 15 000 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 February 2018 and subsequently on 6 February 2018, unused amount of EUR 6 000 thousand was repaid to the lender.

Interest accrued in Q1 2018 on the above loans amounted to EUR 1 192 thousand (PLN 4 988 thousand). In Q1 2018 the Company has repaid interest of EUR 3 050 thousand (PLN 12 904 thousand) due on obligation taken over from Atlantik S.A. and of EUR 293 thousand (PLN 1 232 thousand) due on first buy back loan.

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

As at 31 March 2018, no such events occurred.

Derivatives

On 31 March 2018 the Company did not have any open foreign exchange forward transactions.

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. 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. has deposits bearing higher interest than such instruments as treasury bills. The Bank's fee is the cost incurred by the Company in connection with the issue. The notes are a discount instrument – they are issued at a discount to their nominal value and repurchased by the issuer at nominal value.

As at 31 March 2018, the Company's debt under issued notes totaled PLN 159 818 thousand. The notes are used to optimize the management of financial liquidity within the Group, reduce external debt and finance day-to-day operations.

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

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

The Group's Management has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's financial risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's operations are exposed to the following risks:

- credit risk,
- market risk including:
 - foreign currency risk and
 - 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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Transactions which expose the Group to credit risk include trade receivables and cash and cash equivalents. In accordance with the Management Board's policy, the Group's credit risk exposure is monitored on an ongoing basis.

Credit risk associated with bank deposits is assessed by the Group as low due to deposits of its assets only in financial institutions which have a high short-term credit rating.

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 quarter 2018, approximately 95% 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). The Group did not incur any significant losses due to customer default. Allowances for impairment losses are recognized on uninsured receivables and on amounts corresponding to the Group's deductibles for receivables that are insured, based on detailed impairment analysis of accounts receivable.

The carrying amount of each financial asset, including financial derivatives, represents the maximum credit risk exposure.

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 (transaction risks)

The Group is exposed to currency risk mainly due to the extent that there is a mismatch between the currencies in which trade transactions, purchases of materials and merchandise and borrowings are denominated and the respective functional currencies of Group companies. The functional currency of Group companies is primarily the Euro (EUR) and Polish zloty (PLN). The main currencies in which foreign currency transactions are denominated are Euro, US dollars and pound sterling

(GBP). However, foreign exchange gains or losses resulting from exchange rate fluctuations mostly offset each other (natural hedging).

The Group also incurs capital expenditures in foreign currencies. The Group monitors its foreign currency positions on an ongoing basis and hedges its currency risk of open positions with forward transactions. The Group uses forward contracts to hedge its currency risk related to commercial transactions (export of goods). The forward contracts used to hedge the Group's commercial transactions in Core East consist of the sale of EUR at a pre-determined rate. This helps to secure margins on export sales and to mitigate the risk of adverse changes of the margins due to appreciation of the Polish zloty.

Forward contracts are measured at the end of each month.

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 – stand alone

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 109 537 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.

The currency risk of the Company is mainly related to the euro denominated loan from subsidiary, drawn to finance buy backs of own shares (EUR 26 038 thousand and EUR 9 049 thousand), and other finance liabilities related to obligation taken over from Atlantik SA (EUR 125 108 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 and long-term liquidity (a few years forward).

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018

SHARES AND SHAREHOLDING STRUCTURE



4. SHARES AND SHAREHOLDING STRUCTURE

4.1. SHAREHOLDING STRUCTURE

TABLE 21: SHAREHOLDER STRUCTURE AS OF 31 MARCH 2018

	Number of shares	% of equity	Number of votes an 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%
Nationale-Nederlanden OFE	3 102 115	4.79%	3 102 115	4.79%
Aviva OFE Aviva BZ WBK	5 945 000	9.19%	5 945 000	9.19%
<i>Treasury shares (*)</i>	<i>5 396 933</i>	<i>8.34%</i>	<i>5 396 933</i>	<i>8.34%</i>
Other shareholders	18 599 249	28.75%	18 599 249	28.75%
TOTAL	64 701 007	100.00%	64 701 007	100.00%

According to the latest available information

(*) In accordance with article 364 Paragraph 2 of the Commercial Companies Code the Company does not execute the shareholding rights attached to the treasury shares, except for the right to transfer the shares or perform the actions aiming at preserving the shareholding rights.

On 7 February 2018 the Company purchased 2 150 883 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 18 January 2018. The purchase price for the treasury shares amounted to PLN 37.5 per one share. The total price for all of the purchased shares amounted to PLN 80 658 112.50.

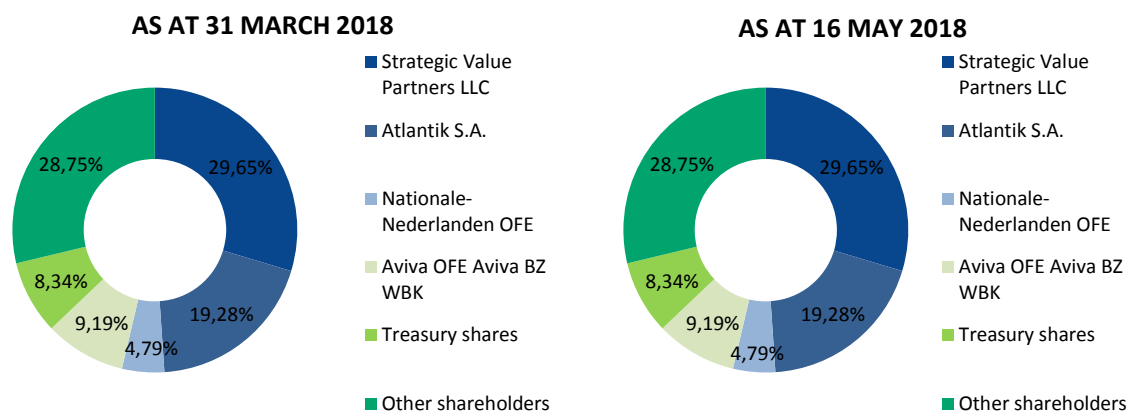
On 27 February 2018 the Company purchased 11 000 treasury shares, with a nominal value of 0.33 PLN each.

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 total number of treasury shares purchased by the Company at the date of publication of this report is 5 396 933. The total nominal value of all purchased treasury shares is PLN 1 780 690.89, representing 8.34% of the Company's share capital. The purchased treasury shares entitle the holder thereof to a total of 8.34% of the votes at the general meeting of the Company, which represents 8.34% 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. DIVIDENDS 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.

At 11 May 2018 the Management Board adopted a resolution on a motion of the Management Board to General Meeting of Shareholders concerning distribution of the Company's profit for year 2017 and recommended assigning PLN 71 164 888.80 for payment of the dividend amounting to PLN 1.20 per share.

4.3. INVESTOR RELATIONS IN PFLEIDERER GROUP

In order to meet the highest information governance requirements for public companies and fulfill the information needs of various stakeholders, Pfleiderer Group undertakes various investor relations activities to ensure efficient communication with the representatives of the capital markets in Poland and abroad. Importantly, Pfleiderer Group takes open approach to communications with both institutional and retail investors.

In Q1 2018, Pfleiderer Group held an annual meeting in Warsaw, hosted by its board members, to discuss its financial results for 2017 and outline perspective for the company going forward. The conference gathered a number of capital market professionals, including analysts and fund managers, as well as journalists.

What's more, Pfleiderer Group fully grasps the potential of new digital communications tools to reach out to a large group of investors based not only in Poland, but also in DACH region (Germany, Austria, Switzerland) and beyond. For instance, Pfleiderer Group streamed the conference devoted to its earnings live from the Warsaw Stock Exchange, so every investor and other stock market observers could watch the event online from any location. By doing so, the Group gave current and prospective investors an opportunity to learn from the management team about the latest financial results and stay abreast of important developments at Pfleiderer Group and it's plans for the future.

4.4. RECOMMENDATIONS

In the first three months of 2018, brokerage houses released two analytical reports on Pfleiderer Group.

TABLE 22: RECOMMENDATIONS FOR PFLEIDERER GROUP IN Q1 2018

Target price (PLN)	Recommendation	Share price on the date of the report (PLN)	Institution	Date
47.9	Buy	37.5	Dom Maklerski BDM S.A.	27.03.2018
43	Accumulate	37.8	Erste Group Research	23.02.2018

TABLE 23: INSTITUTIONS ISSUING RECOMMENDATIONS FOR PFLEIDERER GROUP IN Q1 2018

Institution	Analyst	Contact details
BDM	Krystian Brymora	+48 32 208 14 35 krystian.brymora@bdm.com.pl
Erste Group Research	Karol Brodzinski	+48 22 538 62 52 karol.brodzinski@erstegroup.com

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018

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 Tom K. Schäbinger – 16 250 shares.

The nominal value of each share is PLN 0.33.

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

5.2. COMPANY'S CORPORATE BODIES

5.2.1. SUPERVISORY BOARD

TABLE 24: THE COMPOSITION OF THE SUPERVISORY BOARD AS AT 31 MARCH 2018

Supervisory Board	
Zbigniew Prokopowicz	Chairman of the Supervisory Board
Michael F. Keppel	Vice-Chairman of the Supervisory Board
Jason R. Clarke	Vice-Chairman of the Supervisory Board
Florian Kawohl	Member of the Supervisory Board
Anthony O'Carroll	Member of the Supervisory Board
Krzysztof Sędzikowski	Member of the Supervisory Board
Jan Woźniak	Member of the Supervisory Board

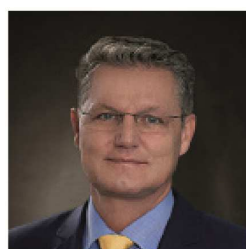
The present term of the Supervisory Board began on 28 June 2013 and will expire on 28 June 2018.

The tenures of all the Supervisory Board members incumbent as at 31 December 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 31 December 2017. The tenure of a Supervisory Board member also expires in the event of death, resignation or of being recalled from the Supervisory Board. The tenure of a Supervisory Board members appointed before the end of the given term will expire simultaneously with the tenures of the remaining Supervisory Board members.

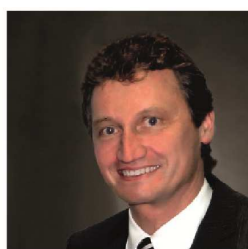
Changes in Supervisory Board

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

5.2.2. MANAGEMENT BOARD



Tom K. Schäbinger
President of the
Management Board



Dirk Hardow
Chief Operating
Officer



Dr. Nico Reiner
Chief Financial
Officer



Ivo Schintz
Chief Commercial
Officer

TABLE 25: THE COMPOSITION OF THE PFLEIDERER GROUP S.A. MANAGEMENT BOARD AS AT 31 MARCH 2018



TOM K. SCHÄBINGER
PRESIDENT OF THE
MANAGEMENT BOARD

Mr. Tom K. Schäbinger (born in 1962) is a graduate of the Vienna University of Economics & Business (in 1989 he graduated in Studies of Business Administration) and Secondary School for Mechanical Engineering in St. Pölten (in 1982 he graduated with distinction as Engineer (Ingenieur)). Mr. Tom K. 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. Tom K. 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 Pfeleiderer Group as a CFO. Until January 19th, 2016 Mr. Richard Mayer held a position of Member of Pfeleiderer Grajewo Supervisory Board.



DIRK HARDOW
MEMBER OF THE
MANAGEMENT BOARD

Mr. Dirk Hardow (born in 1965) is a graduate of the Technical University of Hamburg, where in 1993 he graduated in Industrial Engineering & Management (“Hochschulübergreifender Studiengang Wirtschaftsingenieur”). Since 2011 Mr. Dirk Hardow was associated with US corporation Owens – Illinois Inc. Within the Owens – Illinois Inc structures he was i.a. the Vice President of European Operations (August 2011 – May 2015) and since October 2013 he was the Vice – Chairman of the Board of Vetriere 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 division EMEA (Europe, Middle East, Africa) and since 2011 has been holding a position of Area Vice President for Central Europe activity. Previously, Mr. Ivo Schintz worked in various management positions including Philips Lighting BV and Dokkumer Vlagen Centrale BV.

Changes in the Management Board

On 27 February 2018 Mr. Richard Mayer submitted the resignation from the Management Board. The resignation of Mr. Richard Mayer takes effect from 31 March 2018. The same day the Supervisory Board of the Company decided to appoint Dr. Nico Reiner to the Management Board of the Company as the Member of the Management Board (Chief Financial Officer). The appointment of Dr. Nico Reiner takes effect from 1 April 2018.

Dr. Nico Reiner (born in 1969) graduated business administration at the University Regensburg, Germany. He obtained PhD title at the HHL – Leipzig Graduate School of Management. Since 2014 Dr. Reiner has been working as the CFO of AL-KO Kober SE, Germany, a globally active company specialized in vehicle technology, garden technology and air technology. Dr. Reiner has been holding a position of Member of Management Board, CFO of holding company of AL-KO Kober Group. In a period 2005 – 2014 Dr. Reiner was working as the CFO, Member of the Executive Board of Schueco International KG, a worldwide leading supplier of building envelopes, active in the market of windows, doors and facades. Earlier Dr. Reiner was working on managerial positions for Droege & Comp. GmbH, International Management Consultancy.

6. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

At 11 May 2018 the Management Board adopted a resolution on a motion of the Management Board to General Meeting of Shareholders concerning distribution of the Company's profit for year 2017 and recommended assigning PLN 71 164 888.80 for payment of the dividend amounting to PLN 1.20 per share and assigning remaining part of the profit to Company's supplementary capital.

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

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 unaudited interim condensed consolidated and standalone financial statements for the period from 1 January to 31 March 2018 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 Management Board Report on the operations of Pfleiderer Group S.A. and the Group for the period from 1 January to 31 March 2018 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, 16 May 2018

Tom K. Schäbinger
President of the Management Board

Dr. Nico Reiner
*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*

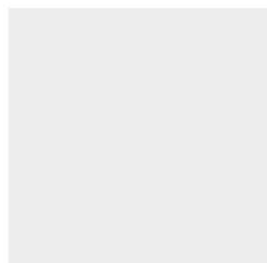
LIST OF FIGURES

FIGURE 1: PFLEIDERER GROUP ENTITIES	8
FIGURE 2: OPERATING STRUCTURE OF THE GROUP AS OF 16 MAY 2018	9
FIGURE 3: PFLEIDERER STRATEGY – THE DIAMOND APPROACH	13
FIGURE 4: GDP GROWTH IN 2017 (Y/Y IN %).....	16
FIGURE 5: BUSINESS CLIMATE IN CONSTRUCTION – GERMANY	17
FIGURE 6: BUSINESS CLIMATE IN CONSTRUCTION – POLAND	17
FIGURE 7: MARKET SIZE DYNAMIC (VOLUME) – DACH	18
FIGURE 8: MARKET SIZE DYNAMIC (VOLUME) – POLAND	18
FIGURE 9: PRODUCTION CAPACITY IN EUROPE – TOP 10 PLAYERS x 1 000 m3	19
FIGURE 10: TOTAL CONSTRUCTION – DACH AND POLAND	20
FIGURE 11: TOTAL CONSTRUCTION – OTHER COUNTRIES	21
FIGURE 12: RESIDENTIAL AND NON-RESIDENTIAL CONSTRUCTION.....	22
FIGURE 13: SHAREHOLDING STRUCTURE	48

LIST OF TABLES

TABLE 1: LIST OF THE GROUP'S ENTITIES WITH THEIR ACTIVITIES (AT THE TIME OF THE REPORT'S PUBLICATION):	10
TABLE 2: CAPEX 2018 – MAIN PROJECTS AT THE GROUP LEVEL	14
TABLE 3: REWARDS GIVEN TO PFLEIDERER GROUP IN 2017/2018	15
TABLE 4: AVERAGE YEARLY GROWTH OF CONSTRUCTION MARKET IN 2017-2019	19
TABLE 5: PRODUCTION VOLUMES OF MAIN PRODUCT GROUPS AT THE GROUP LEVEL.....	29
TABLE 6: PRODUCTION VOLUMES OF MAIN PRODUCT GROUPS IN BUSSINES SEGMENTS	29
TABLE 7: SALES VOLUMES BY PRODUCT GROUP AT THE GROUP LEVEL	29
TABLE 8: CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR Q1 2018	32
TABLE 9: CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2018.....	33
TABLE 10: CONSOLIDATED STATEMENT OF CASH FLOWS IN Q1 2018.....	34
TABLE 11: KEY FINANCIAL RATIOS DESCRIBING THE GROUP'S PERFORMANCE	35
TABLE 12: MARGINS	35
TABLE 13: STANDALONE STATEMENT OF PROFIT OR LOSS	37
TABLE 14: STANDALONE STATEMENT OF FINANCIAL POSITION	38
TABLE 15: STANDALONE STATEMENT OF CASH FLOWS	38
TABLE 16: PFLEIDERER GROUP S.A. SALES MARGINS	38
TABLE 17: RATINGS AWARDED TO PFLEIDERER GROUP.....	39
TABLE 18: BORROWINGS AND OTHER DEBT INSTRUMENTS.....	40
TABLE 19: FINANCINGS CORE EAST (EXCLUDING FACTORING AND OPERATING LEASES)	41
TABLE 20: FINANCINGS CORE WEST (EXCLUDING FACTORING AND OPERATING LEASES).....	42
TABLE 21: SHAREHOLDER STRUCTURE AS OF 31 MARCH 2018	47
TABLE 22: RECOMMENDATIONS FOR PFLEIDERER GROUP IN Q1 2018	49
TABLE 23: INSTITUTIONS ISSUING RECOMMENDATIONS FOR PFLEIDERER GROUP IN Q1 2018	49
TABLE 24: THE COMPOSITION OF THE SUPERVISORY BOARD AS AT 31 MARCH 2018.....	51
TABLE 25: THE COMPOSITION OF THE PFLEIDERER GROUP S.A. MANAGEMENT BOARD AS AT 31 MARCH 2018	52

 **PFLEIDERER**

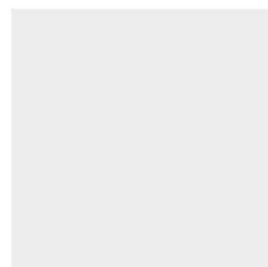
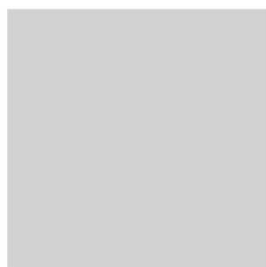


INSPIRATIONS
CLOSE
TO YOU



UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018



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

CONTENTS

MANAGEMENT BOARD'S STATEMENT.....	3
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME.....	5
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	9

MANAGEMENT BOARD'S STATEMENT

Pursuant to the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated 19 February 2009 (consolidated text: Official Journal from 2014, item 133), the Management Board of Pfleiderer Group S.A. (the Parent) represents that to the best of its knowledge the unaudited interim condensed consolidated and standalone financial statements for the period from 1 January to 31 March 2018 and the comparative information have been prepared in compliance with the applicable accounting policies and give a true and fair view of the Pfleiderer Group S.A. Group's assets and financial results, and that the interim condensed Management Board report on the operations of the Pfleiderer Group S.A. and the Group for the period from 1 January to 31 March 2018 gives a fair view of its development, achievements and standing, including a description of the key risks and threats.

Tom K. Schäbinger*President of the Management Board*

Dr. Nico Reiner*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, 16 May 2018

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS			
'000 EUR	Notes	31 Mar. 2018	31 Dec. 2017
Property, plant and equipment	7.	539 392	554 279
Intangible assets		82 089	82 907
Goodwill		67 917	67 541
Long term investments		511	511
Investment property		843	850
Deferred tax assets		6 418	6 471
Advances paid on fixed assets	7.	20 429	9 877
Government grants receivables		5 014	5 275
Other non-current assets		2	3
Non-current assets		722 615	727 714
Inventories	10.	97 630	96 301
Trade and other receivables	9.	50 185	35 673
Income tax receivable		933	244
Cash and cash equivalents		57 281	83 845
Fair value of hedging instruments		35	380
Other short term financial assets		296	326
Current assets		206 360	216 769
Total assets		928 975	944 483

LIABILITIES AND EQUITY			
'000 EUR		31 Mar. 2018	31 Dec. 2017
Share capital		6 692	6 692
Share premium		146 375	146 375
Statutory reserve funds		68 672	87 281
Reserves		-11 042	-10 330
Retained earnings		17 219	9 884
Total equity attributable to owners of the Company	11.	227 916	239 902
Total equity		227 916	239 902

Liabilities			
Loans and borrowings	12.	336 689	336 155
Provisions for employee benefits		52 985	53 389
Provisions	13.	1 345	1 453
Deferred tax liabilities		64 316	65 625
Deferred income from government grants		8 599	8 807
Other non-current liabilities		19	18
Non-current liabilities		463 953	465 447
Loans and borrowings	12.	2 467	2 529
Income tax payable		19 429	15 734
Trade and other payables	14.	174 004	182 968
Employee related payables		25 591	21 794
Provisions	13.	15 020	15 555
Fair value of hedging instruments		46	0
Deferred income from government grant		549	554
Current liabilities		237 106	239 134
Total liabilities		701 059	704 581
Total equity and liabilities		928 975	944 483

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

'000 EUR	Notes	1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017
Revenue		268 769	252 410
Cost of sales		-206 075	-192 811
Profit on sales		62 694	59 599
Other operating income		2 539	4 187
Distribution expenses		-33 353	-34 386
General and administrative expenses		-12 698	-12 644
Other operating expenses		-1 193	-4 318
Result from operating activities		17 989	12 438
Financial income		28	799
Financial expenses		-5 363	-7 350
Exchange differences		-1 378	7 920
Net financing cost	6.	-6 713	1 369
Profit before tax		11 276	13 807
Income tax expense	8.	-3 941	-3 447
Net profit for the reporting period		7 335	10 360
OTHER COMPREHENSIVE INCOME			
Actuarial gains and losses net of related tax		-561	1 378
Incentive programme		168	0
Exchange differences on translation to presentation currency of the Group		0	1 757
Items that will not be reclassified subsequently to profit or loss		-393	3 135
Cash flow hedge - effective portion of changes in fair value net to related tax		-644	480
Cash flow hedge - net change of fair value reclassified to current year profit or loss net of tax		325	-150
Items that are or may be reclassified subsequently to profit or loss		-319	330
OTHER COMPREHENSIVE INCOME		-712	3 465
Total comprehensive income for the period		6 623	13 825
Profit for the period attributable to:			
Shareholders of the Company		7 335	10 360
Profit for the period		7 335	10 360
Total comprehensive income attributable to:			
Shareholders of the Company		6 623	13 825
Total comprehensive income for the period		6 623	13 825
Number of shares at the end of the reporting period (excluding treasury shares)		59 304 074	64 701 007
Average number of shares during the reporting period (excluding treasury shares)		60 195 293	64 701 007
Basic earnings per share		0.12	0.16
Diluted earnings per share		0.12	0.16

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2018:

'000 EUR	Share capital	Share premium	Reserve for own shares	Statutory reserve funds	Re-valuation reserve	Exchange rate differences	Incentive programme	Actuarial gains and losses	Cash flow hedges	Retained earnings	TOTAL
As at 1 Jan. 2018	6 692	146 375	60 395	26 886	145	-7 987	45	-2 867	334	9 884	239 902
Comprehensive income for the period											
Net profit	0	0	0	0	0	0	0	0	0	7 335	7 335
Other comprehensive income	0	0	0	0	0	-561	168	0	-319	0	-712
Total comprehensive income for the period	0	0	0	0	0	-561	168	0	-319	7 335	6 623
Transactions with owners recognised in equity											
Shares buyback	0	0	-18 609	0	0	0	0	0	0	0	-18 609
Total transactions with owners recognised in equity	0	0	-18 609	0	0	0	0	0	0	0	-18 609
As at 31 Mar. 2018	6 692	146 375	41 786	26 886	145	-8 548	213	-2 867	15	17 219	227 916

The notes are an integral part of these consolidated financial statements

For the three month period ended 31 March 2017:

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

PFLEIDERER GROUP S.A. GROUP

Notes to the unaudited interim condensed consolidated financial statements
as for the three month period ended 31 March 2018
(all amounts in EUR thousand)


UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

'000 EUR	1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017
Net profit for the reporting period	7 335	10 360
Depreciation and amortisation	18 512	18 335
Foreign exchange gains	1 378	-7 920
Interest for the period	5 513	6 702
Profit on investing activities	-10	167
Income tax disclosed in profit or loss of the period	3 941	3 447
Amortisation of government grants	-89	-206
Result on forward contracts	-178	-150
Increase in exchange differences on translating foreign operations	-482	385
Changes in		
trade and other receivables	-13 812	-24 249
inventories	-1 995	-3 815
trade and other payables	1 756	12 278
employee benefit obligations	-705	-344
provisions	-640	-829
Cash generated from operating activities	20 524	14 161
Income tax (paid)/received	-2 092	-2 225
Net cash provided by operating activities	18 432	11 936
Net cash used in investing activities		
Disposal of property, plant and equipment	11	18
Interest received	28	8
Acquisition of intangible assets and property, plant and equipment	-21 721	-9 127
Net cash used in investing activities	-21 682	-9 101
Net cash used in financing activities		
Repayment of borrowings and other debt instruments	0	-220
Share buy-back	-18 609	0
Interest paid	-3 578	-13 462
Other financing activities	-1 127	0
Net cash used in financing activities	-23 314	-13 682
Total cash flows	-26 564	-10 847
Decrease/Increase in cash	-26 564	-10 847
Cash at beginning of the period	83 845	97 726
Cash at the end of the period	57 281	86 879

The notes are an integral part of these consolidated financial statements

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

1.	GENERAL INFORMATION.....	10
2.	STRUCTURE OF THE GROUP.....	11
3.	BASIS OF PREPARATION.....	12
4.	OPERATING SEGMENTS.....	13
5.	SEASONALITY OF OPERATIONS.....	15
6.	FINANCIAL INCOME AND COSTS.....	15
7.	PROPERTY, PLANT AND EQUIPMENT.....	15
8.	INCOME TAX EXPENSE.....	16
9.	TRADE AND OTHER RECEIVABLES.....	16
10.	INVENTORIES.....	16
11.	EQUITY.....	17
12.	BORROWINGS AND OTHER DEBT INSTRUMENTS.....	18
13.	PROVISIONS.....	21
14.	TRADE AND OTHER PAYABLES.....	21
15.	FINANCIAL INSTRUMENTS.....	22
16.	SECURITIES.....	23
17.	CONTINGENT LIABILITIES.....	25
18.	SIGNIFICANT RELATED PARTY TRANSACTIONS.....	27
19.	EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD.....	29

PFLEIDERER GROUP S.A. GROUP

**Notes to the unaudited interim condensed consolidated financial statements
as for the three month period ended 31 March 2018**
(all amounts in EUR thousand)



1. GENERAL INFORMATION

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

The Company was registered by the District Court of Białystok, XII Commercial Division of the National Court Register, under entry No. KRS 0000011422.

The Company's registered office is at Strzegomska 42AB Street, Wrocław, Poland. Until 30 September 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 consolidated financial statements of the Pfleiderer Group S.A. comprise the financial information of the Company and its subsidiaries (collectively the "Group"). They were authorized for issue by the Company's Management Board on 16 May 2018.

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

PFLEIDERER GROUP S.A. GROUP

Notes to the unaudited interim condensed consolidated financial statements
as for the three month period ended 31 March 2018
(all amounts in EUR thousand)



2. STRUCTURE OF THE GROUP

The Pfeiderer Group consists of Pfeiderer Group S.A. and its subsidiaries (together “the Group” or “the Pfeiderer Group”). As of 31 March 2018, the Pfeiderer Group S.A. was the parent company with respect to the following subsidiaries:

Eastern Europe		31 Mar. 2018	31 Dec. 2017
Jura Polska Sp. z o.o.	Grajewo	100%	100%
Pfleiderer Grajewo Sp. z o.o.	Grajewo	100%	100%
Pfleiderer MDF Sp. z o.o.	Grajewo	100%	100%
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		31 Mar. 2018	31 Dec. 2017
PCF GmbH	Neumarkt, Germany	100%	100%
Pfleiderer Austria GmbH	Vienna, Austria	100%	100%
Pfleiderer Southeast Europe S.R.L.	Bucharest, Romania	100%	100%
Pfleiderer Deutschland GmbH	Neumarkt, Germany	100%	100%
Pfleiderer Neumarkt GmbH	Neumarkt, Germany	100%	100%
Pfleiderer Gütersloh GmbH	Neumarkt, Germany	100%	100%
Pfleiderer Leutkirch GmbH	Leutkirch, Germany	100%	100%
Pfleiderer Erwerbengesellschaft 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 Group S.A. Group for the financial year ended 31 December 2017. 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 31 December 2017.

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 year 2017 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.

The notes are an integral part of these consolidated financial statements

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.

PFLEIDERER GROUP S.A. GROUP

Notes to the unaudited interim condensed consolidated financial statements
as for the three month period ended 31 March 2018
(all amounts in EUR thousand)



Segment reporting is as follows:

For the three month period ended 31 March 2018:

'000 EUR	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	188 421	80 348	0	268 769
Intersegment revenues	5 691	19 112	-24 803	0
Profit/loss before income taxes	8 433	2 822	21	11 276
Net financing cost	4 380	2 330	3	6 713
Result from operating activities (EBIT)	12 813	5 152	24	17 989
Depreciation and amortisation	13 597	4 940	-25	18 512
Segment earnings EBITDA	26 410	10 092	-1	36 501
Cash and cash equivalents	-28 776	-28 494	-11	-57 281
Current financial liabilities	2 467	0	0	2 467
Non-current financial liabilities	337 700	0	-1 011	336 689
Net debt	311 391	-28 494	-1 022	281 875
Receivables before factoring	72 038	49 491	0	121 529
Inventories	60 202	37 428	0	97 630
Liabilities	-68 624	-51 473	0	-120 097
Net working capital before factoring	63 616	35 446	0	99 062
Segment capital expenditure	9 256	3 491	0	12 747
Property, plant and equipment	365 569	173 823	0	539 392
Intangible assets	73 187	8 902	0	82 089
Goodwill	41 655	26 262	0	67 917
Advances paid on fixed assets	18 137	2 292	0	20 429

For the three month period ended 31 March 2017:

'000 EUR	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	180 170	72 240	0	252 410
Intersegment revenues	2 118	20 615	-22 733	0
Profit/loss before income taxes	4 404	9 041	362	13 807
Net financing cost	4 707	-6 076	0	-1 369
Result from operating activities (EBIT)	9 111	2 965	362	12 438
Depreciation and amortisation	13 671	4 690	-26	18 335
Segment earnings EBITDA	22 782	7 655	336	30 773
Cash and cash equivalents	-77 710	-8 804	-365	-86 879
Current financial liabilities	4 562	0	0	4 562
Non-current financial liabilities	328 972	0	0	328 972
Net debt	255 824	-8 804	-365	246 655
Receivables before factoring	77 083	47 274	0	124 357
Inventories	58 349	39 019	0	97 368
Liabilities	-54 831	-52 244	0	-107 075
Net working capital before factoring	80 601	34 049	0	114 650
Segment capital expenditure	4 982	2 503	0	7 485
Property, plant and equipment	361 363	181 928	0	543 291
Intangible assets	80 415	1 099	0	81 514
Goodwill	41 655	25 582	0	67 237
Advances paid on fixed assets	6 678	574	0	7 252

The notes are an integral part of these consolidated financial statements

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. FINANCIAL INCOME AND COSTS

Disclosed in profit or loss of the period:

'000 EUR	Jan. 1 - 31 Mar. 2018	Jan. 1 - 31 Mar. 2017
Interest income	28	799
Financial income	28	799
Interest expense (1)	-4 429	-7 350
Refinancing costs	-673	0
Other finance costs	-261	0
Financial costs	-5 363	-7 350
Exchange differences on translating foreign operations (2)	-1 378	8 679
Losses on translation of foreign currency financial position	0	-759
Other financial result	-1 378	7 920
TOTAL	-6 713	1 369

- (1) The interest expenses include:
- a) expenses on financial liabilities measured at amortised cost:
 - interests for long term bank loan (TLB) – EUR 3 500 thousand for Q1 2018 (2017: EUR 0)
 - interests for Senior Secured Notes (HYB) - EUR 0 for Q1 2018 (2017: EUR 6 333 thousand)
 - b) other interest expenses (insurance/factoring interests) – EUR 929 thousand for Q1 2018 (2017: EUR 1 017 thousand)
- (2) Exchange differences includes mainly EUR 1.2m (costs) for Q1 2018 (income of EUR 8.7m for Q1 2017) relate to subsequent valuation of intra-group loan from nominal currency (EUR) to functional currency (PLN) at the reporting date.

7. PROPERTY, PLANT AND EQUIPMENT

In Q1 2018 the Group continues a long-term investment program designed to align its production capacities to market needs and to enhance its cost effectiveness and productivity. The capital expenditures for the three month period ended 31 March 2018 were EUR 12 747 thousand (including advance payments), while the capital expenditures including advance payments for the three month period ended 31 March 2017 were EUR 7 485 thousand and EUR 76 343 thousand for the entire financial year 2017.

As at 31 March 2018 the Group has purchased commitments for the property, plant and equipment and intangible assets. These commitments relate to the signed agreements by the members of the Group with respect to future investments plans. The most significant amounts as of 31 March 2018 are related to Plant concept Leutkirch, Electro filter Bison dryer Grajewo and Short stroke press 11 Grajewo.

'000 EUR	31 Mar. 2018	31 Dec. 2017
Property, plant and equipment	36 716	27 783
Intangible assets	1 195	863
Commitment purchase	37 911	28 646

PFLEIDERER GROUP S.A. GROUP

Notes to the unaudited interim condensed consolidated financial statements
as for the three month period ended 31 March 2018
(all amounts in EUR thousand)



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 (first tax year 1 May 2017 - 31 December 2017). The agreement on tax capital group comprised the following entities: Pfeleiderer Polska Sp. z o.o., Pfeleiderer Grajewo Sp. z o.o., Pfeleiderer Wieruszów Sp. z o.o., Pfeleiderer Silekol Sp. z o.o., Jura Polska Sp. z o.o. The agreement was concluded on 3 tax years, however as a result of not meeting the profitability threshold the tax group ceased to exist effective 31 December 2017.

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 AND OTHER RECEIVABLES

'000 EUR	31 Mar. 2018	31 Dec. 2017
Trade receivables	21 583	7 310
Trade receivables from related parties	10	13
Current prepayments and accrued income	5 482	764
Current VAT receivables	6 363	7 280
Other receivables	16 747	20 306
TOTAL	50 185	35 673

The amount of EUR 16 747 thousand of other receivables as at 31 March 2018 (EUR 20 306 thousand as at 31 December 2017) included, among others:

- EUR 10 136 thousand as at 31 March 2018 (EUR 14 257 thousand as at 31 December 2017) relates to factoring continuing involvement and represents the risk reserve of the factor;
- EUR 835 thousand as at 31 March 2018 (EUR 835 thousand as at 31 December 2017) in a bank account with restricted access for distribution to secured creditors of the insolvency proceedings (Core West);
- EUR 1 053 thousand as at 31 March 2018 (EUR 3 872 thousand as at 31 December 2017) receivables related to energy regulations refund.

10. INVENTORIES

'000 EUR	31 Mar. 2018	31 Dec. 2017
Materials and merchandise	54 020	51 135
Semi-finished products and work in progress	2 244	1 749
Finished goods	41 175	42 849
Advances for deliveries	191	568
TOTAL	97 630	96 301

Inventories are presented in the consolidated statement of financial position at net realisable value, i.e. net of write-downs of EUR 10 361 thousand (31 December 2017: EUR 9 820 thousand).

PFLEIDERER GROUP S.A. GROUP

Notes to the unaudited interim condensed consolidated financial statements
as for the three month period ended 31 March 2018
(all amounts in EUR thousand)



11. 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:

	31 Mar. 2018	31 Dec. 2017
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	64 701 007
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
Par value of share capital ('000 EUR)	6 692	6 992
Number of shares at beginning of period (fully paid up)	64 701 007	64 701 007
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:

	Number of shares	% of equity	Number of votes an 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%
Nationale-Nederlanden OFE	3 102 115	4.79%	3 102 115	4.79%
Aviva OFE Aviva BZ WBK	5 945 000	9.19%	5 945 000	9.19%
<i>Treasury shares (*)</i>	<i>5 396 933</i>	<i>8.34%</i>	<i>5 396 933</i>	<i>8.34%</i>
Other shareholders	18 599 249	28.75%	18 599 249	28.75%
TOTAL	64 701 007	100.00%	64 701 007	100.00%

According to the latest available information

(*) In accordance with article 364 Paragraph 2 of the Commercial Companies Code the Company does not execute the shareholding rights attached to the treasury shares, except for the right to transfer the shares or perform the actions aiming at preserving the shareholding rights.

Continuation of announced treasury shares repurchase programme

On 7 February 2018 the Company purchased 2 150 883 treasury shares. The purchase of treasury shares was concluded based on an invitation to submit offers for the sale of shares in the Company announced by the Company on 18 January 2018. The purchase price for the treasury shares was PLN 37.5 per share. The total price for all of the shares was PLN 80 658 112.50.

On 27 February 2018 the Company purchased 11 000 treasury shares, with a nominal value of PLN 0.33 each.

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 total number of treasury shares purchased by the Company at the date of publication of this report is 5 396 933. The total nominal value of all purchased treasury shares is PLN 1 780 987.89, representing 8.34% of the Company's share capital. The purchased treasury shares entitle the holder thereof to a total of 8.34% of the votes at the general meeting of the Company, which represents 8.34% 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.

The notes are an integral part of these consolidated financial statements

Dividends

At 11 May 2018 the Management Board adopted a resolution on a motion of the Management Board to General Meeting of Shareholders concerning distribution of the Company's profit for year 2017 and recommended assigning PLN 71 164 888.80 for payment of the dividend amounting to PLN 1.20 per share.

12. BORROWINGS AND OTHER DEBT INSTRUMENTS**Non-current borrowings and other debt instruments:**

'000 EUR	31 Mar. 2018	31 Dec. 2017
Bank borrowings	336 689	336 155
TOTAL	336 689	336 155

Current borrowings and other debt instruments:

'000 EUR	31 Mar. 2018	31 Dec. 2017
Current portion of bank borrowings	2 256	2 333
Other interest bearing liabilities	211	196
TOTAL	2 467	2 529

Bank loans

Senior Facilities Agreement – entered into force on 1 August 2017

On 13 April 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 1 August 2017. Pfleiderer used those amounts to repay the Senior Secured Notes issued 27 June 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 is 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 6 265 thousand as well as Letters of Credit in an amount of EUR 2 057 thousand. The Revolving Facility 1 is partially drawn for bank guarantees of EUR 2 296 thousand and PLN 520 thousand (EUR 123 thousand) as well as Letters of Credit in an amount of EUR 5 040 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.

PFLIEDERER GROUP S.A. GROUP

Notes to the condensed consolidated interim financial statements as for the three month period ended 31 March 2018

(all amounts in EUR thousand)



Financings Core East (excluding factoring and operating leases)

'000 EUR					31 Mar. 2018			31 Dec. 2017		
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	01 Aug 2017	01 Aug 2022	19 422	0	19 422	18 930	0	18 930
Alior Bank S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022	18 727	0	18 727	18 878	0	18 878
Raiffeisen Bank Polska S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022	7 749	0	7 749	7 811	0	7 811
Guarantees Core East										
Bank Millenium S.A.	PLN		01 Aug 2017	01 Aug 2022	3 853	3 853		4 532	4 532	
bank guarantee/s issued in favour of National Forests			27 Jan 2014	28 Feb 2019	1 425	1 425		1 676	1 676	
bank guarantee issued in favour of of Descont Sp. z o.o.			22 Sep 2015	20 Sep 2019	63	63		64	64	
Letter of Credit EUR 1.092.000			22 Jun 2017	22 Apr 2018	0	0		837	837	
Letter of Credit EUR 1.700.000			29 Aug 2017	30 Sep 2018	1 955	1 955		1 955	1 955	
Letter of Credit EUR 356.500			05 Feb 2018	05 Feb 2019	410	410		0	0	
Limit of credit cards East										
Bank Millenium S.A.	PLN		01 Aug 2017	01 Aug 2022	475	0	475	479	0	479
TOTAL CORE EAST					50 226	3 853	46 373	50 630	4 532	46 098

The notes are an integral part of these consolidated financial statements

PFLEIDERER GROUP S.A. GROUP

Notes to the condensed consolidated interim financial statements as for the three month period ended 31 March 2018

(all amounts in EUR thousand)



Financing Core West (excluding ABCP and operating leases)

'000 EUR						31 Mar. 2018			31 Dec. 2017		
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 (EUR)											
Alior Bank S.A.	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022	5 000	0	5 000	5 000	0	5 000	
Bank of China	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022	10 000	0	10 000	10 000	0	10 000	
Commerzbank AG	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022 *)	7 540	0	7 540	12 370	0	12 370	
Deutsche Bank AG	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022	12 000	0	12 000	12 000	0	12 000	
Raiffeisen Bank Polska S.A.	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022	5 000	0	5 000	5 000	0	5 000	
Guarantees Core West											
Commerzbank AG	EUR		01 Aug 2017	01 Aug 2022	7 460	7 460		2 630	2 630		
bank guarantee issued in EUR					2 297	2 297		2 257	2 257		
bank guarantee issued in PLN					123	123		373	373		
letter of credit issued in EUR					5 040	5 040		0	0		
Deutsche Bank AG (Ancillary – Guarantees)			01 Aug 2017	01 Aug 2022	3 000	0	3 000	3 000	0	3 000	
Other debt instruments											
Term Loan B (TLB)	EUR		01 Aug 2017	01 Aug 2024	350 000	350 000	0	350 000	350 000	0	
TOTAL CORE WEST					400 000	357 460	42 540	400 000	352 630	47 370	

*) Total RCF-limit with Commerzbank AG is EUR 15m, adding cash-line and ancillary used for guarantees

The notes are an integral part of these consolidated financial statements

13. PROVISIONS

For the three month period ended 31 March 2018:

'000 EUR	1 Jan. 2018	Additions	Utilisation	Release	Currency difference	31 Mar. 2018
Non-current						
Severance payments	504	192	-78	-207	0	411
Other provisions	949	3	-12	0	-6	934
Current						
Court proceedings (*)	3 150	0	0	0	0	3 150
OCCP penalty and related costs	9 261	0	0	0	-74	9 187
Restructuring costs	3 144	0	-157	-304	0	2 683
TOTAL	17 008	195	-247	-511	-80	16 365

For the three month period ended 31 March 2017:

'000 EUR	1 Jan. 2017	Additions	Utilisation	Release	Currency difference	31 Mar. 2017
Non-current						
Restructuring costs	1 926	0	-127	-11	0	1 788
Severance payments	775	217	-8	-287	0	697
Other provisions	993	0	-12	-300	0	681
Current						
Court proceedings (*)	7 650	0	0	0	0	7 650
Restructuring costs	5 132	0	-302	0	0	4 830
TOTAL	16 476	217	-449	-598	0	15 646

(*)Provision for court proceedings – the category covers the provision regarding antitrust proceedings for West (for details please see Note 17). The data for Q1 2017 has been changed for comparability reasons.

14. TRADE AND OTHER PAYABLES

'000 EUR	31 Mar. 2018	31 Dec. 2017
Trade payables	120 097	112 591
Liabilities under factoring agreements	28 764	38 052
Insolvency-related liabilities of PCF GmbH	7 748	7 748
VAT liabilities	1 149	898
Liabilities for capital expenditures	2 158	11 282
Prepaid deliveries	7	6
Other liabilities	14 081	12 391
TOTAL	174 004	182 968

Other liabilities as of 31 March 2018 comprised mainly of:

- tax liability related to the acquisition EUR 5 283 thousand (EUR 5 326 thousand as of 31 December 2017),

- other tax payables of EUR 2 316 thousand (EUR 2 718 thousand as of 31 December 2017),
- provisions for the cost of emission rights EUR 1 340 thousand (EUR 718 thousand as of 31 December 2017) and
- other cost accruals of EUR 2 346 thousand (EUR 2 346 thousand as of 31 December 2017).

15. FINANCIAL INSTRUMENTS

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

The Group's Management has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's financial risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's operations are exposed to the following risks:

- credit risk,
- market risk including:
 - foreign currency risk and
 - 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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Transactions which expose the Group to credit risk include trade receivables and cash and cash equivalents. In accordance with the Management Board's policy, the Group's credit risk exposure is monitored on an ongoing basis.

Credit risk associated with bank deposits is assessed by the Group as low due to deposits of its assets only in financial institutions which have a high short-term credit rating.

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 quarter 2018, approximately 95% 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). The Group did not incur any significant losses due to customer default. Allowances for impairment losses are recognized on uninsured receivables and on amounts corresponding to the Group's deductibles for receivables that are insured, based on detailed impairment analysis of accounts receivable.

The carrying amount of each financial asset, including financial derivatives, represents the maximum credit risk exposure.

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 (transaction risks)

The Group is exposed to currency risk mainly due to the extent that there is a mismatch between the currencies in which trade transactions, purchases of materials and merchandise and borrowings are denominated and the respective functional currencies of Group companies. The functional currency of Group companies is primarily the Euro (EUR) and Polish zloty (PLN). The main currencies in which foreign currency transactions are denominated are Euro, US dollars and pound sterling (GBP). However, foreign exchange gains or losses resulting from exchange rate fluctuations mostly offset each other (natural hedging).

The Group also incurs capital expenditures in foreign currencies. The Group monitors its foreign currency positions on an ongoing basis and hedges its currency risk of open positions with forward transactions. The Group uses forward contracts to hedge its currency risk related to commercial transactions (export of goods). The forward contracts used to hedge the Group's commercial transactions in Core East consist of the sale of EUR at a pre-determined rate. This helps to secure margins on export sales and to mitigate the risk of adverse changes of the margins due to appreciation of the Polish zloty.

Forward contracts are measured at the end of each month.

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

16. SECURITIES

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

- a EUR 350.0 million 7-year covenant-lite term loan B facility carrying an interest Euribor + margin (Euribor floor: 0.75%) and 99.0 OID and
- a EUR 100.0 million 5-year revolving credit facility, comprising of a EUR 50.0 million and PLN 211.48 million facility, that will have an interest Euribor or Wibor + margin (Euribor floor: 0%).

The proceeds from the Facilities have been used to redeem the EUR 321 684 000 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 13 April 2017 (Polish entities)

In order to secure the new obligations under the senior facilities agreement dated 13 April 2017, Pfleiderer Group S.A. on 1 August 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 13 April 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 Senior Secured Notes due 1 August 2017 issued by PCF GmbH were released.

In order to secure the new obligations under the senior facilities agreement dated 13 April 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 favor 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 favor 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 favor 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 favor of the Security Agent.

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

Following the initial utilization of the facilities under the senior facilities agreement dated 13 April 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 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 13 April 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 new Security Agent.

Guarantees by the members of the Group

As at 13 April 2017, certain members of the Group have guaranteed the liabilities under the EUR 450 000 000 senior facilities agreement, such members of the Group are: Pfleiderer Group S.A., PCF GmbH, Pfleiderer Deutschland GmbH, Pfleiderer Neumarkt GmbH, Pfleiderer Leutkirch GmbH, Pfleiderer Gütersloh GmbH, Pfleiderer Arnsberg GmbH, Pfleiderer Baruth GmbH, Pfleiderer Wieruszów Sp. z o.o. (formerly Pfleiderer Prospan S.A.), Pfleiderer MDF Grajewo sp. z o.o., Pfleiderer Grajewo sp. z o.o., Pfleiderer Polska sp. z o.o., Pfleiderer Silekol sp. z o.o. The amounts outstanding under the senior secured revolving credit facility dated 4 July 2014 and the senior notes issued on 27 June 2014 have been refinanced by the senior facilities agreement dates 14 April 2017.

17. CONTINGENT LIABILITIES

As at 31 March 2018 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:

On 28 December 2017 the President of the Office of Competition and Customer Protection (hereinafter referred to as 'President of the OCCP') issued a decision no. DOK-3/2017 (hereinafter referred to as 'Decision') considering as an anti-competitive practice the conclusion by Kronospan Szczecinek sp. z o.o., Kronospan Mielec sp. z o.o., Swiss Kronos sp. z o.o. (formerly 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.) an agreement limiting competition on the national market of sales of chipboard and on the national market of sales of fibreboard, consisting in:

1. the fixing of prices of chipboard and fibreboard, which infringes the prohibitions mentioned in Art. 6 sec. 1 point 1 of the Act on Competition and Consumer Protection and Art. 101 sec. 1 a) of the Treaty on the Functioning of the European Union; and
2. the exchange of commercial information on the conditions of sale of chipboard and fibreboard, which infringes the prohibition mentioned in Art. 6 sec. 1 of the Act on Competition and Consumer Protection and Art. 101 sec. 1 of the Treaty on the Functioning of the European Union.

According to the Decision, the agreement was in force from the beginning of 2008 to 7 September 2011.

The President of the OCCP imposed a fine of PLN 15 958 thousand on Pfleiderer Group S.A. and PLN 19 805 thousand on Pfleiderer Wieruszów sp. z o.o.

The Decision ended the antimonopoly proceedings initiated by the President of the OCCP in 2012. The decision is not legally binding. On the 29 January 2018, the Company and Pfleiderer Wieruszów sp. z o.o. appealed against the Decision to the Court of Competition and Consumer Protection.

On 18 January 2018, the Company and Pfleiderer Wieruszów Sp. z o.o., in connection with the issuance of the Decision, created provisions in the total amount of PLN 38 682 thousand (hereinafter referred to as 'Provisions'). Provisions have been established with effect on 31 December 2017. Provisions have been established in order to secure funds for anticipated legal costs related to the appeal against the Decision and for the payment of possible fines if the Company and Pfleiderer Wieruszów Sp. z o.o. are obliged to pay the fines specified in the Decision.

Furthermore the Decision results in a risk of claims for damages against the companies Pfleiderer Group S.A. and Pfleiderer Wieruszów sp. z o.o. This risk cannot be quantified based on the evidence and information available at this time.

Western Europe:

An earlier investigation by the German Federal Cartel Office in 2009 concluded in 2011 that PCF GmbH (then, Pfleiderer AG) and certain competitors had, for a period from at least 2004 through 2007, violated German competition law by coordinating price increases and minimum prices in the German market. As a result, the German Federal Cartel Office in September 2011 fined this group of market participants and certain individuals a total of EUR 42 million on the grounds of violating German and European competition laws by entering into anticompetitive agreements. PCF GmbH's share of the fine was settled in yearly instalments and fully repaid by the end of 2016.

As described below, two of the Pfleiderer Group's customers have sued the Pfleiderer Group for damages in connection with these antitrust violations. The companies are seeking compensation in connection with these antitrust violations. The outcome of the respective extrajudicial negotiations or proceedings is difficult to predict. Based on its best knowledge the Management estimated as of 31 March 2018 a provision 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, 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 was held on 3 May 2018. The outcome is difficult to predict. The court will announce the decision in August 2018. As a result, the management has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2018 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 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 Hannover (Landgericht Hannover) against Sonae Arauco Deutschland AG (then: 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 Sonae Arauco Deutschland AG, 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. Sonae Arauco Deutschland AG has filed an appeal against this decision with the higher regional court in Celle. The court meeting was held in March 2018. The outcome is difficult to predict. The court of appeal will announce its decision in July 2018.

As at 31 March 2018 the Management based on its best knowledge recognised a provision 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 Sonae Arauco Deutschland AG 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.

Tax risks:

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 31 March 2018 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2018 no provision has been recognized by the Group in these consolidated financial statements.

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. According to published BMF [Bundesministerium der Finanzen] letter this is also valid for tax groups. Till now it is not clear, if Pfleiderer can deduct the whole current losses in 2012 due to a statutory exemption. It cannot be ruled out that the fiscal authorities will reject the position taken by Pfleiderer Deutschland GmbH, which could in turn lead to an assessment requiring payments of tax arrears. As at 31 March 2018 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2018 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 7 February 2017 (GrS 1/15). According to the decision, the decree of the Federal Ministry of Finance dated 27 March 2003 (so called "Sanierungserlass") which ensures a preferential treatment of the restructuring gain is not correct. This decision may lead to uncertainty regarding the possibility of receiving a waiver from the tax authorities for any taxes due on the restructuring gain to the extent that PCF is not protected by binding rulings issued by the competent authorities. As at 31 March 2018 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2018 no provision has been recognized by the Group in these consolidated financial statements.

In 2014 PCF GmbH (and its subsidiaries) recognized valuation allowances for receivables to the so-called "Non-Core"-companies of the former Pfleiderer Group in respect of foreign currency gains recognised on these receivables and treated these valuation allowances as tax-deductible. It cannot be ruled out that the fiscal authorities will reject the position taken by PCF GmbH, which could cause additional tax payments. As at 31 March 2018 the management assessed the risk related to this uncertain tax position and it has determined that not all of the conditions have been met to require recognition of a provision for this matter. Therefore as at 31 March 2018 no provision has been recognized by the Group in these consolidated financial statements.

Moreover the Group has tax liabilities for the expected outcome of the tax audit for years 2010-2015 conducted in Germany amounting to EUR 7.2 million (no changes since year end).

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Remuneration of key management personnel

As of 31 March 2018 the Management Board consists of Tom K. Schäbinger (President and CEO), Dirk Hardow (COO), Ivo Schintz (CCO) and Richard Mayer (CFO).

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

'000 EUR	1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017
Remuneration of Management Board	681	641
Remuneration of Supervisory Board	175	180
	856	821

The aforementioned remuneration includes all payments from all Group companies to the Board.

No member of the Company's Management Board had loan-related debt towards the Group.

As at 31 March 2018 members of the Management held the following number of Pfleiderer Group shares:

- President of the Management Board Tom K. Schäbinger

- 16 250 Company shares

Changes in the Management Board

On 27 February 2018 Mr. Richard Mayer submitted the resignation from the Management Board of the Company. The resignation takes effect from 31 March 2018.

On 27 February 2018 the Supervisory Board of the Company decided to appoint Dr. Nico Reiner to the Management Board of the Company as the Member of the Management Board (Chief Financial Officer). The appointment of Dr. Nico Reiner takes effect from 1 April 2018.

Long term incentive programme

In the reporting period the Group recognized the costs of the long term incentive programme in the amount of EUR 168 thousand. The amount has been included in the employee benefit costs versus reserves in Equity.

19. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

At 11 May 2018 the Management Board adopted a resolution on a motion of the Management Board to General Meeting of Shareholders concerning distribution of the Company's profit for year 2017 and recommended assigning PLN 71 164 888.80 for payment of the dividend amounting to PLN 1.20 per share and assigning remaining part of the profit to Company's supplementary capital.

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

Management Board of Pfleiderer Group S.A.

Tom K. Schäbinger

President of the Management Board

Dr. Nico Reiner

*Member of the Management Board,
Chief Financial Officer*

Dirk Hardow

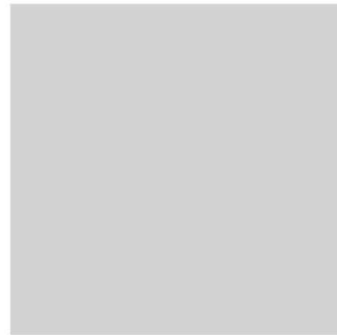
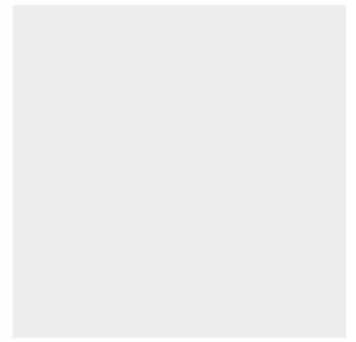
*Member of the Management Board,
Chief Operating Officer*

Ivo Schintz

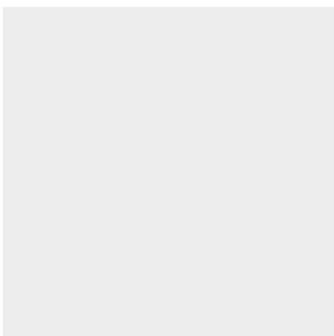
*Member of the Management Board,
Chief Commercial Officer*

Wrocław, 16 May 2018

 **PFLEIDERER**



PFLEIDERER GROUP S.A



UNAUDITED INTERIM CONDENSED
STANDALONE FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2018

STANDALONE INTERIM FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

Assets	31 Mar. 2018	31 Dec. 2017
Property, plant and equipment	310	318
Investments in subsidiaries	2 109 775	2 109 775
Other non-current financial assets	75	75
Non-current loans advanced	109 537	108 213
Non-current assets	2 219 697	2 218 381
Trade and other receivables	12 402	59 577
Income tax receivables	551	13
Cash and cash equivalents	1 360	4 413
Current assets	14 313	64 003
Total assets	2 234 010	2 282 384

Equity and liabilities	31 Mar. 2018	31 Dec. 2017
Equity		
Share capital	21 351	21 351
Share premium	625 240	625 240
Reserves	277 480	358 023
Retained earnings	424 701	438 624
Total equity	1 348 772	1 443 238
Liabilities		
Employee benefit liabilities	128	128
Deferred tax liabilities	4 497	3 993
Non-current liabilities	4 625	4 121
Loans and borrowings	674 181	639 582
Liabilities to related parties under debt securities	159 818	146 869
Income tax liabilities	145	200
Trade and other payables	44 612	47 028
Employee benefit liabilities	1 857	1 346
Current liabilities	880 613	835 025
Total liabilities	885 238	839 146
Total equity and liabilities	2 234 010	2 282 384

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	1 Jan. – 31 Mar. 2018	1 Jan. – 31 Mar. 2017
Other operating income	2 794	789
General and administrative expenses	(7 057)	(8 406)
Other operating expenses	(53)	(158)
Loss from operating activities	(4 314)	(7 775)
Financial income	3 604	39 210
Finance costs	(12 569)	(7 027)
Net finance income/(costs)	(8 965)	32 183
Profit/(loss) before tax	(13 279)	24 408
Income tax expense	(644)	(5 354)
Net profit/(loss)	(13 923)	19 054
Other comprehensive income		
Items that may not be reclassified subsequently to profit		
Incentive program	706	-
Other comprehensive income	706	-
Total comprehensive income for the period	(13 217)	19 054
Basic and diluted earnings per share (PLN)	-	0.29

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserves	Reserves for treasury share buyback	Cash flow hedges	Incentive program	Change in measurement of net liabilities under defined employee benefits	Retained earnings	Total
As at 1 January 2018	21 351	625 240	104 604	237 298	15 870	190	61	438 624	1 443 238
Comprehensive income for the period									
Net loss	-	-	-	-	-	-	-	(13 923)	(13 923)
Other comprehensive income	-	-	-	-	-	706	-	-	706
Comprehensive income for the period	-	-	-	-	-	706	-	(13 923)	(13 217)
Transactions with owners recognized in equity									
Treasury share buyback	-	-	-	(81 249)	-	-	-	-	(81 249)
Transactions with owners recognized in equity	-	-	-	(81 249)	-	-	-	-	(81 249)
As at 31 March 2018	21 351	625 240	104 604	156 049	15 870	896	61	424 701	1 348 772

	Share capital	Share premium	Statutory reserves	Reserves for treasury share buyback	Cash flow hedges	Incentive program	Change in measurement of net liabilities under defined employee benefits	Retained earnings	Total
As at 1 January 2017	21 351	625 240	218 719	140 000	15 870	-	-	230 138	1 251 318
Comprehensive income for the period									
Net profit	-	-	-	-	-	-	-	19 054	19 054
Comprehensive income for the period	-	-	-	-	-	-	-	19 054	19 054
Transactions with owners recognized in equity									
Transactions with owners recognized in equity	-	-	-	-	-	-	-	-	-
As at 31 March 2017	21 351	625 240	218 719	140 000	15 870	-	-	249 192	1 270 372

STATEMENT OF CASH FLOWS

	1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2017
Cash flows from operating activities		
Net profit/(loss)	(13 923)	19 054
Adjustments	16 538	(25 196)
Depreciation	8	10
Foreign exchange (gains)/losses	6 400	(37 614)
Interest for the period	2 564	5 281
Accrued income tax expense	643	5 354
Changes in working capital:		
-trade and other receivables	7 900	(2 841)
-inventories	-	(16)
-trade and other payables	(2 194)	4 258
-employee benefit liabilities	511	372
Other adjustments	706	-
Cash flows from operating activities	2 615	(6 142)
Interest received	16	6
Tax paid	(732)	259
Net cash from operating activities	1 900	(5 877)
Cash flows from investing activities		
Acquisition of a subsidiary	(222)	-
Acquisition of property, plant and equipment and intangible assets	-	(4)
Dividends received	47 474	-
Net cash flows from investing activities	41 252	(4)
Cash flows from financing activities		
Redemption of debt securities	(560 376)	(384 541)
Issue of debt securities	573 309	388 444
Draw-down of borrowings from subsidiaries	62 256	-
Repayment of borrowings from subsidiaries	(24 951)	-
Other financial proceeds	3	-
Other financial expenditures	(478)	-
Treasury share buyback	(81 249)	-
Interest paid	(14 720)	(807)
Net cash flows from financing activities	(46 205)	3 096
Total net cash flows	(3 053)	(2 785)
Movement in balance sheet cash	(3 053)	(2 785)
Cash and cash equivalents at the beginning of the reporting period	4 413	4 677
Cash at the end of the period	1 360	1 892

Management Board of Pfleiderer Group S.A.

Tom K. Schäbinger

President of the Management Board

Dr. Nico Reiner

*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, 16 May 2018