POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Half-Year Report PSr 2018

year

(prepared in accordance with Par. 82.2 and Par. 83.3 of the Regulation of the Minister of Finance dated February 19th 2009 - Dz.U. No. 33, item 259)
for issuers conducting manufacturing, construction, trade or services business

for the 1st half of the financial year 2018, covering the period from January 1st to June 30th 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: September 30th 2018

Pfleiderer Group Spółka Akcyjna
(full name)

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

FINANCIAL HIGHLIGHTS	PLN '000		EUR '000	
	1 half cumulative / 2018 Jan 1-Jun 30 2018	1 half cumulative / 2017 Jan 1-Jun 30 2017	1 half cumulative / 2018 Jan 1-Jun 30 2018	1 half cumulative / 2017 Jan 1-Jun 30 2017
Condensed consolidated financial statements data				
I. Sales revenue			533 183	506 029
II. Operating profit/(loss)			31 887	29 295
III. Profit/(loss) before tax			13 537	25 282
IV. Net profit			5 771	18 618
V. Net profit attributable to equity holders of the parent			5 771	18 618
VI. Net cash provided by (used in) operating activities			29 800	38 131
VII. Net cash provided by (used in) investing activities			-35 697	-22 689
VIII. Net cash provided by (used in) financing activities			-27 837	-16 219
IX. Total net cash flow			-33 734	-777
X. Total assets			922 706	944 483
XI. Liabilities			714 672	704 581
XII. Non-current liabilities			460 433	465 447
XIII. Current liabilities			254 239	239 134
XIV. Equity			208 034	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 (PLN/EUR)			0,10	0,29
XVIII. Book value per share (PLN/EUR)			3,22	3,71
XIX. Declared or paid dividend per share (PLN/EUR)			0,27	0,26
Condensed financial statements data				
XX. Sales revenue	0	0	0	0
XXI. Operating profit/(loss)	-7 433	-16 611	-1 761	-3 891
XXII. Profit/(loss) before tax	22 614	343 815	5 359	80 539
XXIII. Net profit/(loss)	27 333	342 077	6 477	80 132
XXIV. Net cash provided by (used in) operating activities	1 537	-9 707	364	-2 274
XXV. Net cash provided by (used in) investing activities	123 252	-4	29 207	-1
XXVI. Net cash provided by (used in) financing activities	-120 904	7 015	-28 650	1 643
XXVII. Total net cash flow	3 885	-2 696	921	-632
XXVIII. Total assets	2 234 118	2 282 384	510 866	546 417
XXIX. Liabilities	914 579	839 146	209 133	200 897
XXX. Non-current liabilities	128	4 121	29	987
XXXI. Current liabilities	914 451	835 025	209 104	199 910
XXXII. Equity	1 319 539	1 443 238	301 733	345 520
XXXIII. Share capital	21 351	21 351	4 882	5 112
XXXIV. Outstanding shares at the end of the reporting period	64 701 077	64 701 077	64 701 077	64 701 077
XXXV. Earnings per ordinary share (PLN/EUR)	0,46	5,29	0,11	1,24
XXXVI. Book value per share (PLN/EUR)	20,39	22,31	4,66	5,34
XXXVII. Declared or paid dividend per share (PLN/EUR)	1,20	1,10	0,27	0,26

data in lines : X-XV are presented accordingly:
column.3 - for 30.06.2018
column.4 - for 31.12.2017

data in lines : XXVIII-XXXIII are presented accordingly:
column.1 - for 30.06.2018
column.2 - for 31.12.2017
column.3 - for 30.06.2018
column.4 - for 31.12.2017

PFLEIDERER

INSPIRATIONS
CLOSE
TO YOU

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT

ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2018

TABLE OF CONTENTS

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

TOM K. SCHÄBINGER

PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders,

Dear Investors,

I have the pleasure of presenting you the report on the activities of Pfleiderer Group S.A. for H1 2018, a period which saw numerous important events for our growing business. We are consistently implementing our high value-added product strategy announced last year and we are strengthening our leading position in our key business segments on the Polish and on the European markets.

A key foundation for our strategy are the investments in new technologies and in the expansion of our production capacity, particularly in the value-added product segment, which give a material boost to the Group's results. Thus, in H1 2018 we have opened a new lacquering line at the Leutkirch plant, increasing our capacity to manufacture high-margin products. It is worth highlighting that this is the biggest and the most advanced lacquering line worldwide. We have also increased our cost competitiveness with the investment in wood recycling facility at Neumarkt, an innovative, leading-edge technology that will be considered for a further rollout at other Group facilities.

We continue to be affected by the increase of raw material costs, particularly chemicals, electrical energy and wood. We have launched a smart pricing policy in order to align us with trends affecting these inputs and by managing our contribution margin. Our results were also impacted by one-off events. Despite of these, we have managed to post solid financial results. In H1 2018, sales revenues of Pfleiderer Group S.A. rose by 5.4% on a y/y basis to EUR 533.2 million, up from EUR 506.0 million the year before. The EBITDA in H1 2018 increased 5.0% on a y/y basis to EUR 69.4 million compared to 66.1 million in H1 2017.

Our intention is to continue with an attractive dividend policy. In June of this year, the General Shareholders' Meeting decided to pay a PLN 71.2 million dividend, or PLN 1.20 per share, from the net profit for 2017, a 9.1% increase y/y and representing a dividend yield of 3.2%. We have also completed another stock buyback program, in which the Company acquired 7,543,268 shares, representing 11.66% of its initial capital, at PLN 40 a piece, ca. 7% premium over the market price.

On behalf of the Management Board, I would like to thank all of our Employees, Stakeholders, Shareholders and Supervisory Board members for the trust and their enormous contribution towards the development of Pfleiderer Group S.A. New opportunities and possibilities lie ahead. I am convinced that our launched activities will contribute to further value creation of the Pfleiderer Group S.A.

My best regards,

Tom K. Schäbinger

CEO Pfleiderer Group S.A.

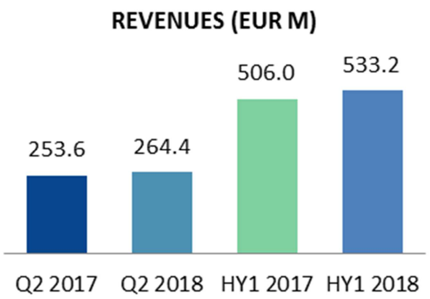
OUR VISION – FOR AN INTEGRATED PFLEIDERER GROUP IN EUROPE

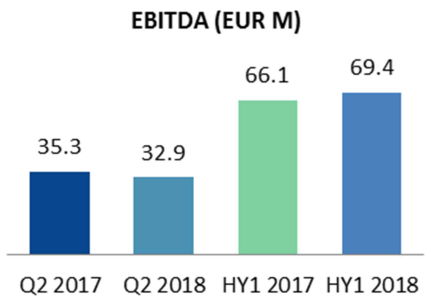
- We are a fully integrated wood panel manufacturer with profitable growth and with value generation.
- We offer State-of-the-art decorative surface competence providing value and differentiation to customers.
- We perform Operational excellence in Supply Chain and Services to customers in the industry 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.

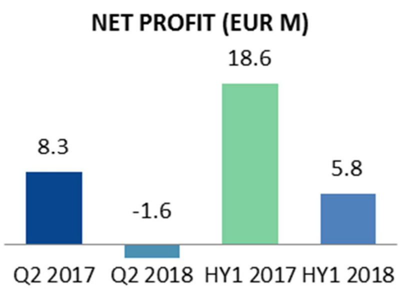
PFLEIDERER GROUP IN HY1 2018 AT A GLANCE

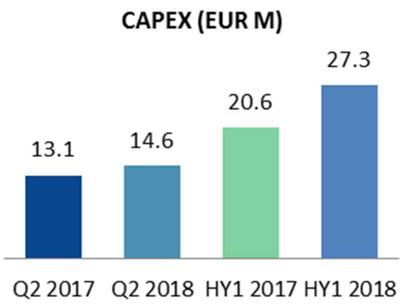
GOOD SET OF FINANCIAL RESULTS SUPPORTED BY FAVORABLE MARKET CONDITIONS

13.0%	EBITDA margin thanks to consistent improvement of the operational efficiency over the last periods
5.0%	Growth EBITDA - to EUR 69.4 million
EUR 27.3 million	Capital Expenditures - continued investments on strategic projects with attractive payback









EBITDA - Earnings before Interest, Tax and Amortisation and Depreciation

Analytical review – please see Chapter 3

KEY EVENTS AND ACHIEVEMENTS OF THE PFLEIDERER GROUP IN HY1 2018

Q2 2018:

DIVIDENDS

The Ordinary General Meeting of Shareholders of the Company resolved on 11 June 2018 to allocate the net profit for the period from 1 January to 31 December 2017, amounting in total to PLN 415 542 thousand, as follows:
a) in the amount of PLN 71 164 888.80, i.e. PLN 1.20 per share, to the payment of dividends to the Company's shareholders,
b) the remaining amount to the Company's supplementary capital.
The Ordinary General Meeting of Shareholders of the Company set the date used to prepare the list of shareholders eligible to receive the above dividend (record date) for 17 June 2018. The dividend payment date was set for 11 July 2018.

APPOINTMENT OF MEMBERS OF SUPERVISORY BOARD

On 11 June 2018 the Ordinary General Meeting of Shareholders appointed to the Supervisory Board for the new term of office the following persons: Zbigniew Prokopowicz, Michael F. Keppel, Jason R. Clarke, Florian Kawohl, Anthony O'Carroll, Krzysztof Sędzikowski and Jan Woźniak. On 11 June 2018 the Supervisory Board appointed Zbigniew Prokopowicz the Chairman of the Supervisory Board and Michael F. Keppel and Jason R. Clarke the Deputies Chairman of the Supervisory Board.

BUY BACK

The Ordinary General Meeting of Shareholders of the Company adopted on 11 June 2018 the resolution on the approval of a treasury share repurchase programme and the establishment of the capital reserve for the purposes of such programme and the resolution regarding the acquisition by the Company of treasury shares for the purpose of their redemption**.** After the balance sheet date, on 24 August 2018 the Company purchased 7 543 268 treasury shares, representing approximately 11.66% of the share capital. 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 4 August 2018. The purchase price for the treasury shares amounted to PLN 40 per one share. The total price for all of the purchased shares amounted to PLN 301 730 720.

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 replaced 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.

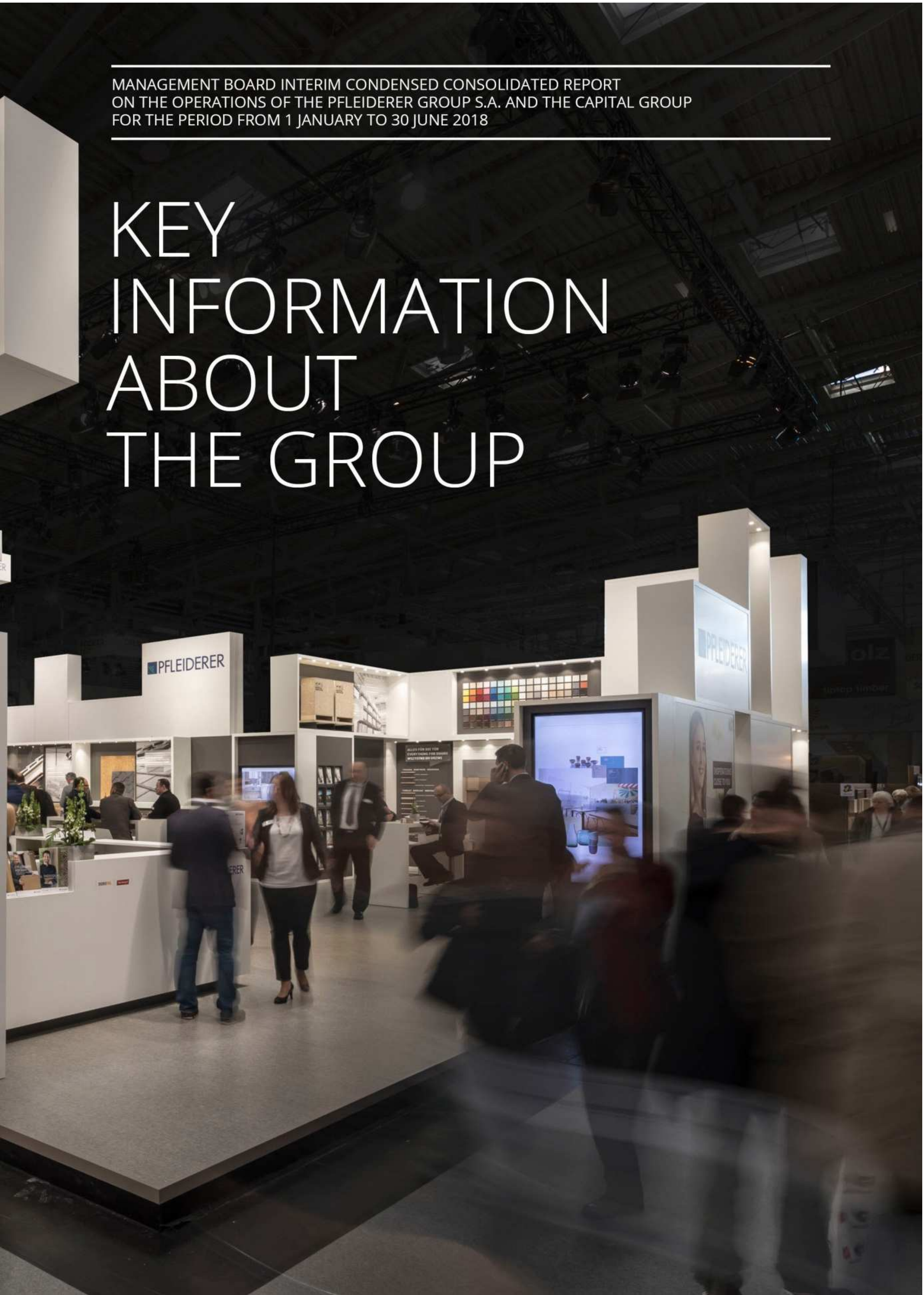
On 7 February 2018 the Company purchased 2 150 883 treasury shares, with a nominal value of PLN 0.33 each. On 27 February 2018 the Company purchased 11 000 treasury shares, with a nominal value of PLN 0.33 each. Apart from the above mentioned purchased shares, the Company holds 3 235 050 treasury shares 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 30 JUNE 2018

KEY INFORMATION ABOUT THE GROUP



1. KEY GROUP HIGHLIGHTS

1.1. BUSINESS PROFILE – ACTIVITIES OF THE GROUP

The Pfleiderer 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.

Pfleiderer Group provides furniture boards, kitchen worktops, HPL laminates and artificial wall coverings to the biggest furniture manufacturers in Poland and DACH (Germany, Austria and Switzerland) and several thousand medium and smaller companies in the furniture industry. Pfleiderer 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, Pfleiderer sees it as a necessity to conserve energy and raw materials, reduce emissions and produce environmentally friendly products.

The Pfleiderer Group consists of entities with varying profiles of activity.

FIGURE 1: PFLEIDERER GROUP ENTITIES

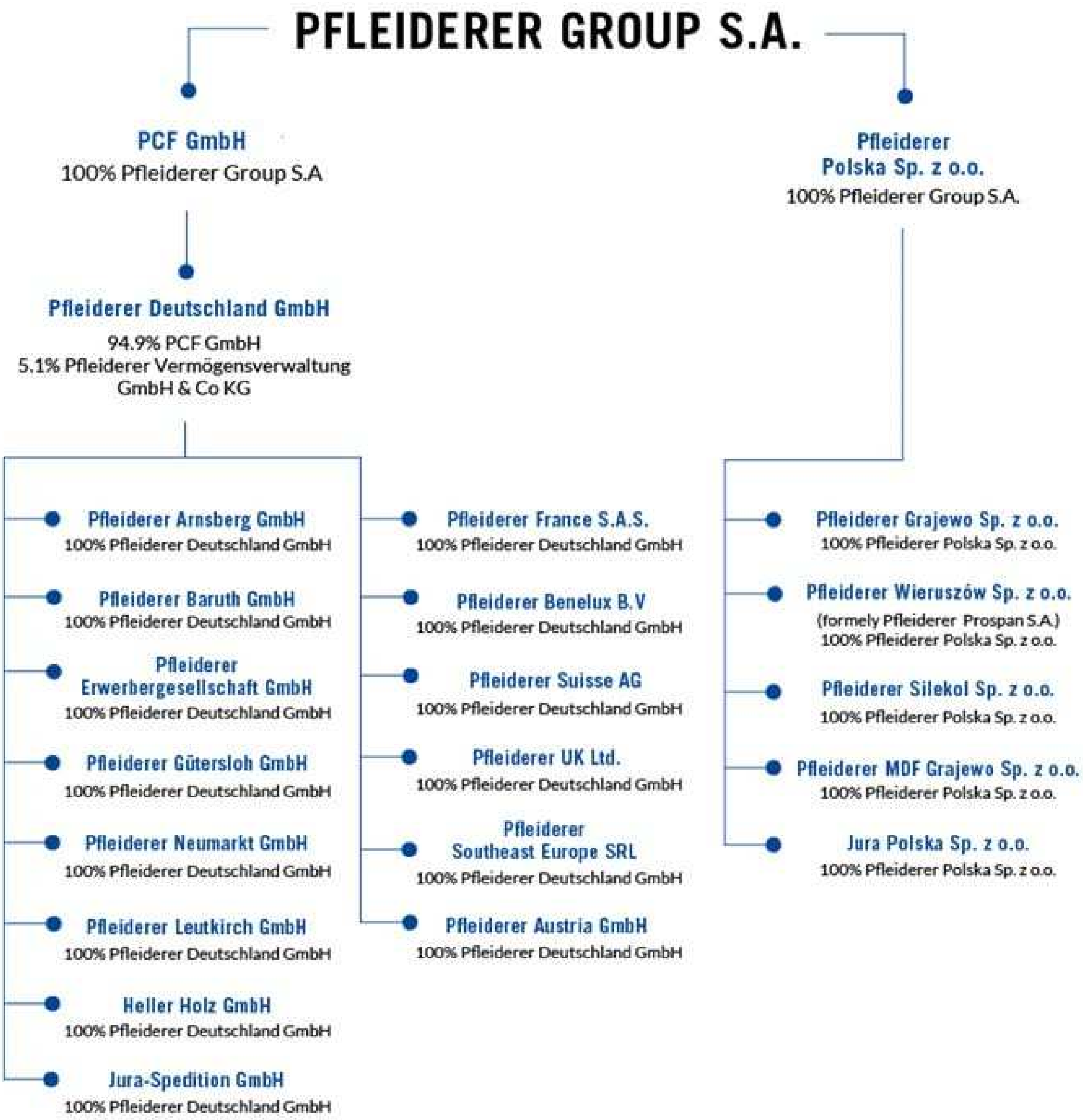
The Group is able to provide advanced products and customer service for key European markets through its service departments located in the UK, the Netherlands, Switzerland, France, Austria and Romania.

1.2. STRUCTURE OF THE GROUP

The Pfleiderer Group consists of single-platform businesses. The Group's parent company i.e. Pfleiderer Group S.A. ("Parent Company", previously Pfleiderer 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 30 SEPTEMBER 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,** Neumarkt, Germany
		Pfleiderer Arnsberg GmbH, Neumarkt, Germany
		Pfleiderer Baruth GmbH, Neumarkt, Germany
Transportation	**Jura Polska Sp. z o.o.,** Grajewo, Poland	**Jura-Spedition GmbH,** Neumarkt, Germany

Sales agency		**Pfleiderer France S.A.S.,** Reims, France
		Pfleiderer Benelux B.V., Deventer, Netherlands
		Pfleiderer Suisse AG, Rapperswil, Switzerland
		Pfleiderer UK Ltd., Macclesfield, United Kingdom
		Pfleiderer Austria GmbH, Vienna, Austria
		Pfleiderer Southeast Europe SRL, Bucharest, Romania
Wood delivery		**Heller Holz GmbH,** Neumarkt, Germany
Production of glue and other	**Pfleiderer Silekol Sp. z o.o.,** Kędzierzyn-Koźle, Poland	
Other	**Unifloor Sp. z o.o.,** Wieruszów, Poland (in liquidation)	**Pfleiderer Erwerbergesellschaft mbH,** Neumarkt, Germany
		Pfleiderer Vermögensverwaltung GmbH & Co. KG, Neumarkt, Germany
		Pfleiderer Infrastrukturtechnik GmbH & Co. KG, Neumarkt (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 HY1 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 HY1 2018 Pfleiderer Group incurred EUR 27 256 thousand capital expenditures.

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

Investment	Capex (EUR m)	Description, start – finish of the investment	Ramp up / Start of operation	Expected outcome (EUR m EBITDA p.a.)
Recycled wood Neumarkt	10.2	Increasing consumption of recycled wood **03.2017 – 07.2018**	Q1 2018	**5.0**
Lacquering line Leutkirch	13.9	New functional surface technology, new high gloss and dull surfaces **12.2016 – 06.2018**	Q1 2018	**9.6**
Plant concept Leutkirch	23.0	Increase production volume for raw particleboards. Installation new drying area incl. new dryer and hot gas generator **06.2017 – 06.2019**	Q1 2019	**8.1**
New KT press line Grajewo	8.5	Increase volume of laminated particle boards in large format **04.2018-12.2019**	H2 2019	**3.1**

1.5. MARKETING ACTIVITIES IN HY1 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	Duropal HPL SolidColor XTreme	Rat für Formgebung Service GmbH
2017	pro-K Award	Duropal HPL SolidColor XTreme	pro-K Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e.V.
2017	German Design Award 2017	Duropal HPL SolidColor XTreme, Matt Lacquer, Natural Wood	Rat für Formgebung Service GmbH
2017	Red Dot Award: Product Design 2017	Duropal HPL SolidColor XTreme	red dot GmbH & Co. KG
2017	Interzum award: intelligent material & design 2017	Duropal HPL SolidColor XTreme	Interzum
2017	German Brand Award	Interior & Living	Rat für Formgebung Service GmbH

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 // Bronce
2018	German Brand Award	Industry Excellence in Branding	Rat für Formgebung Service GmbH
2018	Orły Wprost	"Wprost" Eagle for the largest companies	Wprost weekly magazine

Pfleiderer will take part on the following fairs in 2018:

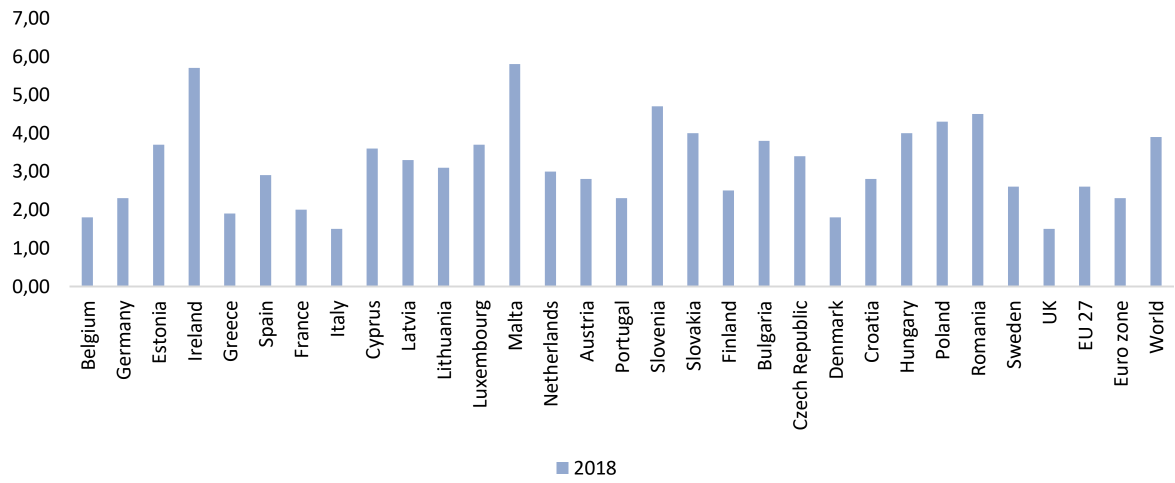
- Forum Holzbau, Cologne
- Design District, Rotterdam
- Surface Design Show, London
- SeatradeCruiseGlobal, Ft. Lauderdale
- Holz-Handwerk, Nuernberg
- Carrefour du Bois, Nantes
- Architect@Work, Lyon
- HolzLand Expo, Nürburgring
- Architect@Work, Copenhagen
- Swissbau, Basel
- Architect@Work, Vienna
- 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 forecasts[1] 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 2018 – est. (Y/Y IN %)



Source: European Commission, European Economic Forecast Spring 2018

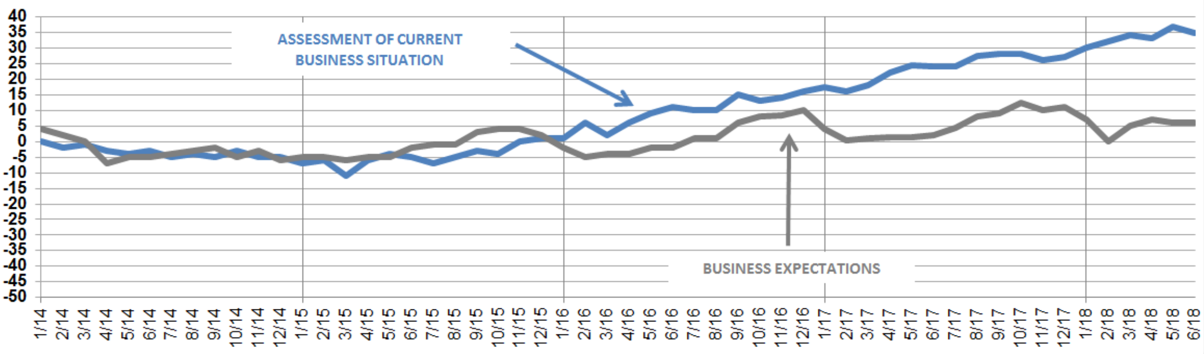
All Member States are experiencing the economic upswing. Among the largest EU economies, in both 2018 and 2019, Poland, the Netherlands, and Spain are expected to be economic outperformers, with real GDP growth rates above the EU average in both years; Germany is expected to grow at the EU average rate in 2018 and marginally above in 2019. The UK, Italy, France and Belgium 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] Spring 2018 Economic Foreast, EuroCom

Business climate in construction

German construction business in Q2 of 2018 was market with further growth of business climate index. Assessment of current situation has been growing, to stabilize in June. Perspectives for the branch for the nearest future got better and it's expected that upcoming months will bring continuation of moods improvement.

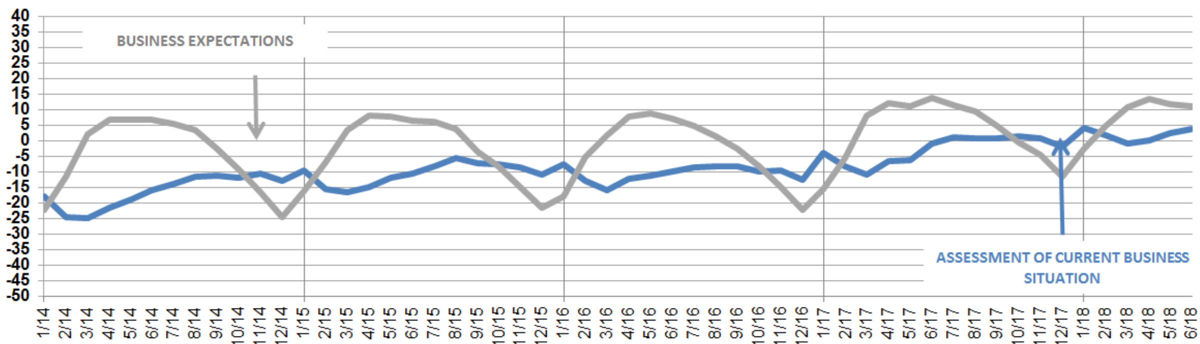
FIGURE 5: BUSINESS CLIMATE IN CONSTRUCTION – GERMANY



Source: own calculation based on ifo

In Poland Q2 of 2018 also brought improvement in perception of current situation – not only in comparison to Q1, but also in comparison to previous year. Perspectives for future months slightly decreased staying on comparable level like in 2017 at that time.

FIGURE 6: BUSINESS CLIMATE IN CONSTRUCTION – POLAND



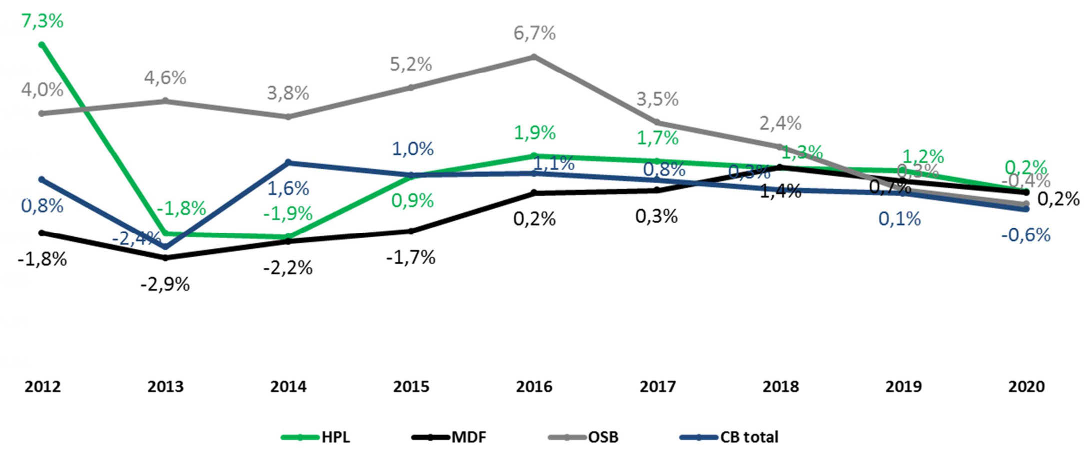
Source: own calculation based on GUS

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, in 2020 it's expected that the market will slow down.

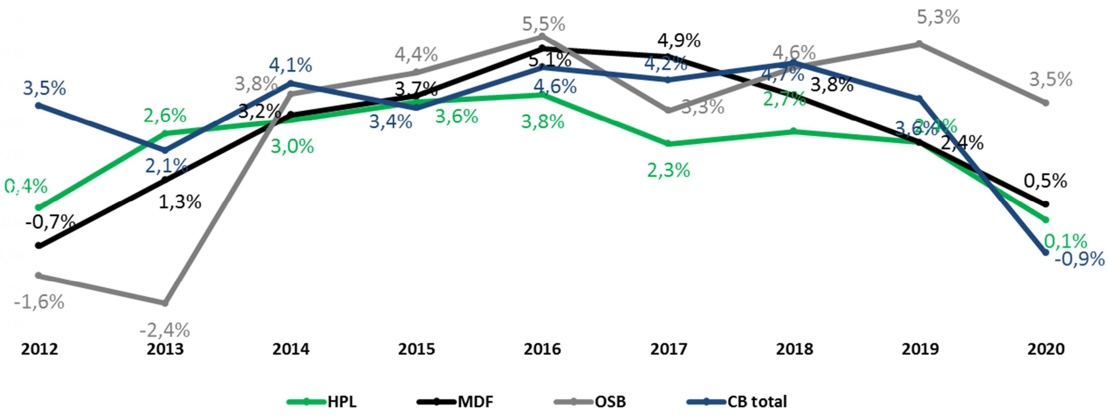
OSB market characterizes the highest growth dynamic. Moderate positive change is expected at HPL market in both regions and also at MDF/HDF and chipboard market in Poland.

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

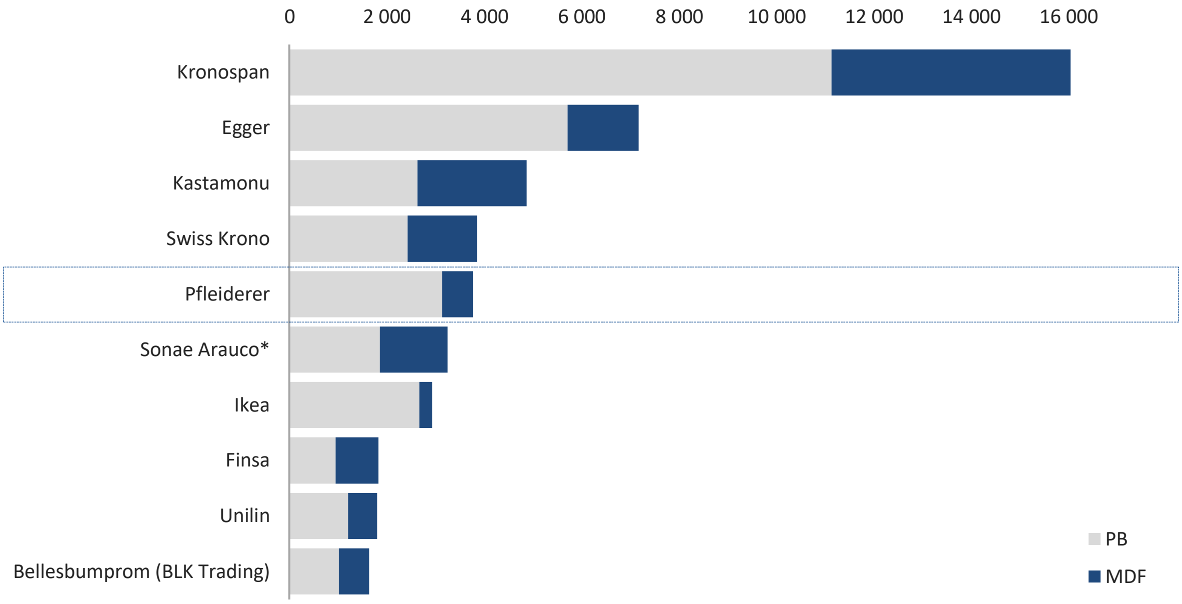


Source: own calculation based on reliable construction& furniture market data provider

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 Industira/Arauco)**

Source: own calculation (based on reliable market data provider and press news)

Construction markets development perspective

Construction business at core markets, in Poland and DACH countries, is expected to grow. DACH market is bigger, Polish market develops more dynamically (at the background of other European countries, Poland is one of most dynamically developing markets). Till 2019 one can expect average yearly growth rate at level of 0.4% for DACH and 3.8% for Poland.

TABLE 4: AVERAGE YEARLY GROWTH OF CONSTRUCTION MARKET IN 2017-2019

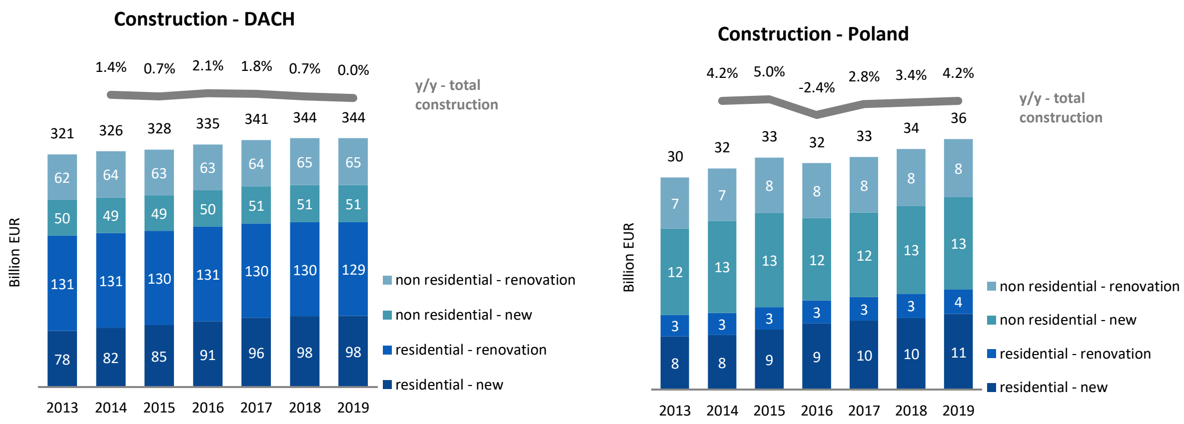
	CAGR 2017-2019		
	Total	**Residential**	**Non-residential**
Poland	**3.8%**	**4.2%**	**3.5%**
DACH	**0.4%**	**0.4%**	**0.3%**
Germany	**0.0%**	**0.3%**	**-0.5%**
Austria	**1.3%**	**1.3%**	**1.4%**
Switzerland	**1.5%**	**0.3%**	**3.1%**
France	**3.2%**	**3.6%**	**2.7%**
Italy	**1.8%**	**1.6%**	**2.0%**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

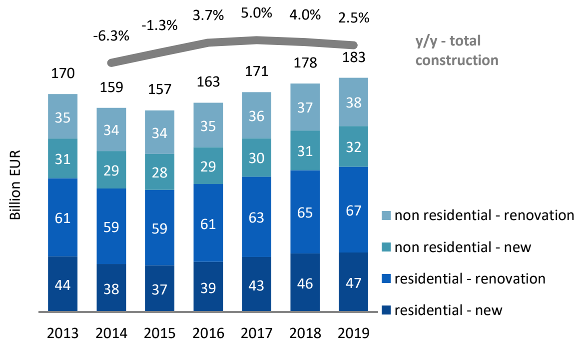


Drivers of construction markets – other countries

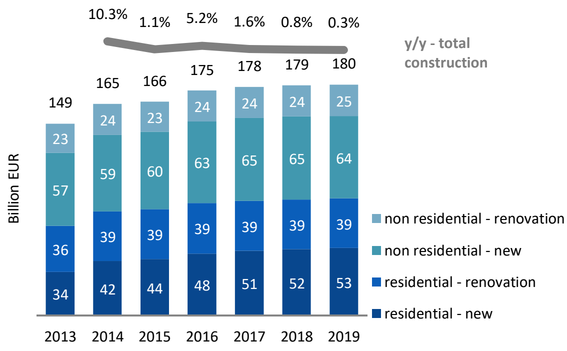
Construction market in France, Italy, Netherlands and Belgium is driven more by residential building and especially renovation works. Construction business in UK is equally based on residential and non-residential housing, and similarly to Poland – new buildings play bigger role here.

FIGURE 11: TOTAL CONSTRUCTION – OTHER COUNTRIES

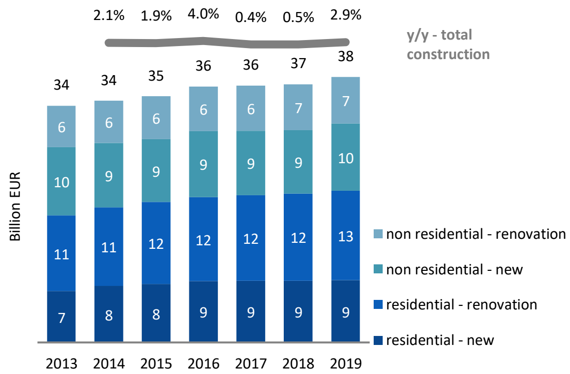
Construction - France



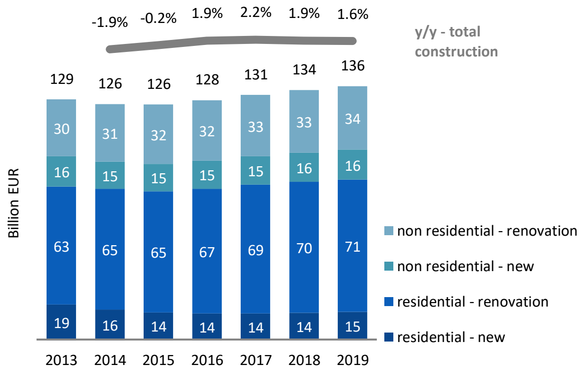
Construction - United Kingdom



Construction - Belgium



Construction - Italy



Construction - Netherlands

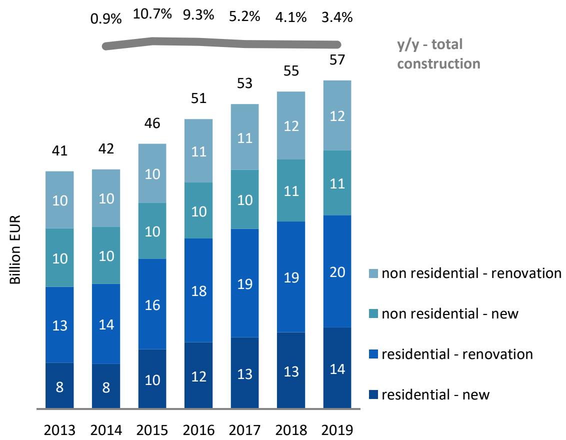
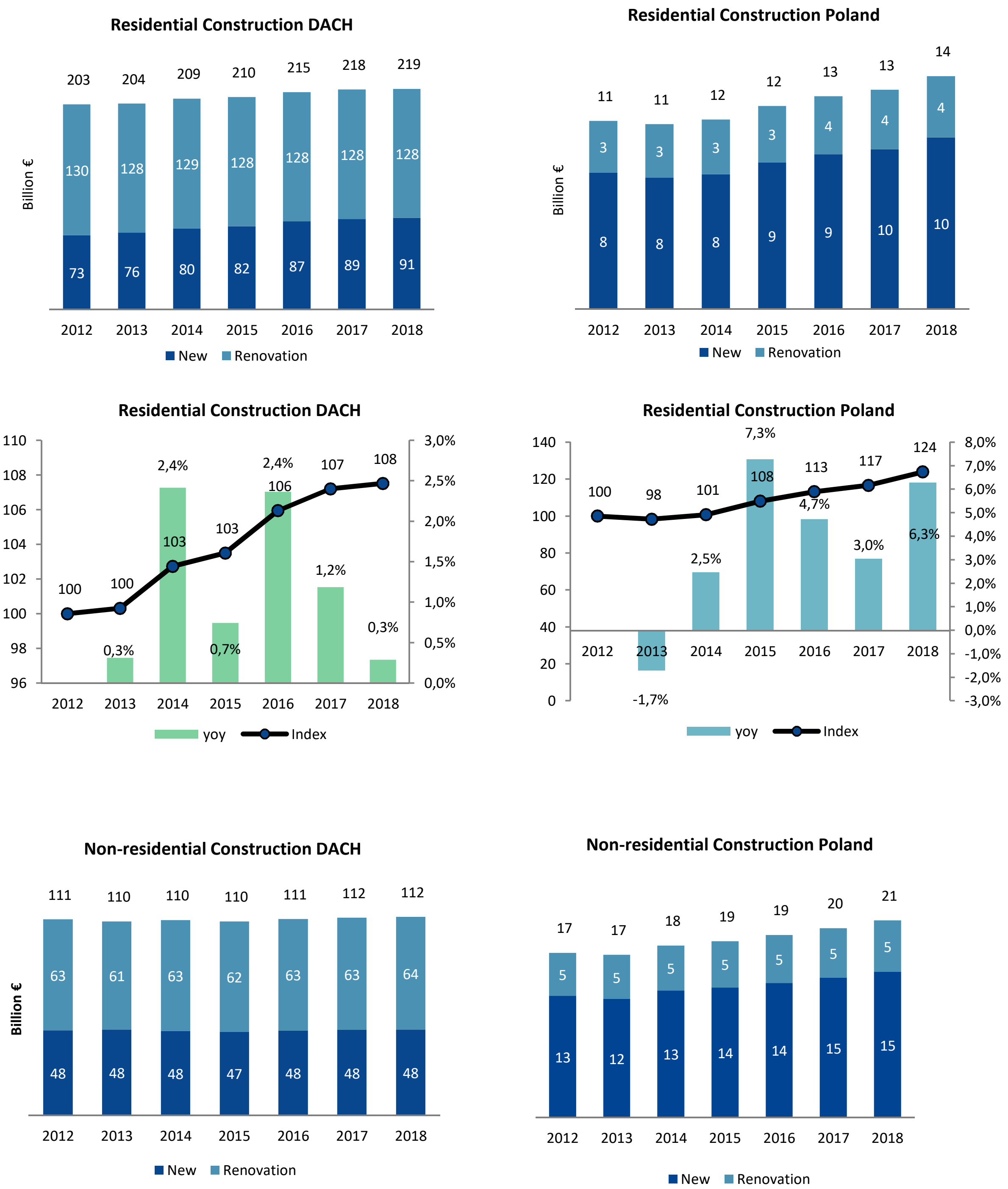


FIGURE 12: RESIDENTIAL AND NON-RESIDENTIAL CONSTRUCTION



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.

Based on the recently implemented GDPR, Pfleiderer is facing the risk, that in case of a lack of the implementation of necessary measures or in case of a violation of personal data, the data protection authorities may impose a fine to Pfleiderer Group. Potential fines have increased (up to EUR 20 million or 4% of the group's revenues, whatever is higher). This leads to a Potential Loss Amount, which is estimated to be serious. Due to measures taken, Pfleiderer tries to fulfill all obligations. Therefore the occurrence of this risk seems to be rather unlikely.

Pfleiderer is also subject to a risk concerning further claims resulted from German insolvency code following the claim from Alno described in point 1.10 – part Contingent liabilities – Western Europe. The Group also received payments for deliveries from two subsidiaries of ALNO Aktiengesellschaft ("Alno"): Gustav Wellmann GmbH & Co. KG ("Wellmann") and Pino Küchen GmbH ("Pino"), within the last four years prior to filing for opening of insolvency proceedings in July 2017. Insolvency proceedings over the assets of Wellmann and Pino were opened in July 2017. Insolvency administratoris, the same person who is insolvency administrator in the Alno proceedings. For Wellmann the insolvency administrator has sent out a warning that the funds of the insolvency estate are not sufficient to cover all costs and liabilities that arose after the opening of insolvency proceedings (Masseunzulänglichkeit). The insolvency administrator has not challenged any of the received payments from Wellmann and Pino yet but currently this cannot be excluded.

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.

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

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.

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.

Financial 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 potential loss amount, resulting from transaction risks only and not considering any translation risks, is considered to be low and its probability of occurrence is estimated as 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.

Due to construction of new production facilities by competitors on north east of Poland there is a risk of declining orders number for the products of Pfleiderer Group entities.

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, like fuel prices, 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, which is also about 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. Further on, for Urea there are also slight negative deviations forecasted, which are based on the fact that the prices for it are increasing on all markets. The corresponding potential loss is estimated to be low, but more likely than unlikely to occur due to the implementation of measures, like a continuous market monitoring.

Nevertheless, 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.

Finally, 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 HY1 2018

For the information regarding related-party transactions as at 30 June 2018 and for the period from 1 January to 30 June 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 30 June 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 30 June 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, German insolvency code (Alno case)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.

The Company and Pfleiderer Wieruszów Sp. z o.o., established provisions 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. As of 30 June 2018 the provisions amount to PLN 37 858 thousand. 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 30 June 2018 provisions related to antitrust violations of EUR 3 700 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 has postponed the decision till 4 October 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 30 June 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 3 700 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 higher regional court in Celle has postponed its decision till 15 October 2018.

As at 30 June 2018 the Management based on its best knowledge recognised a provision for the expected outcome, which is included in the total amount of EUR 3 700 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.

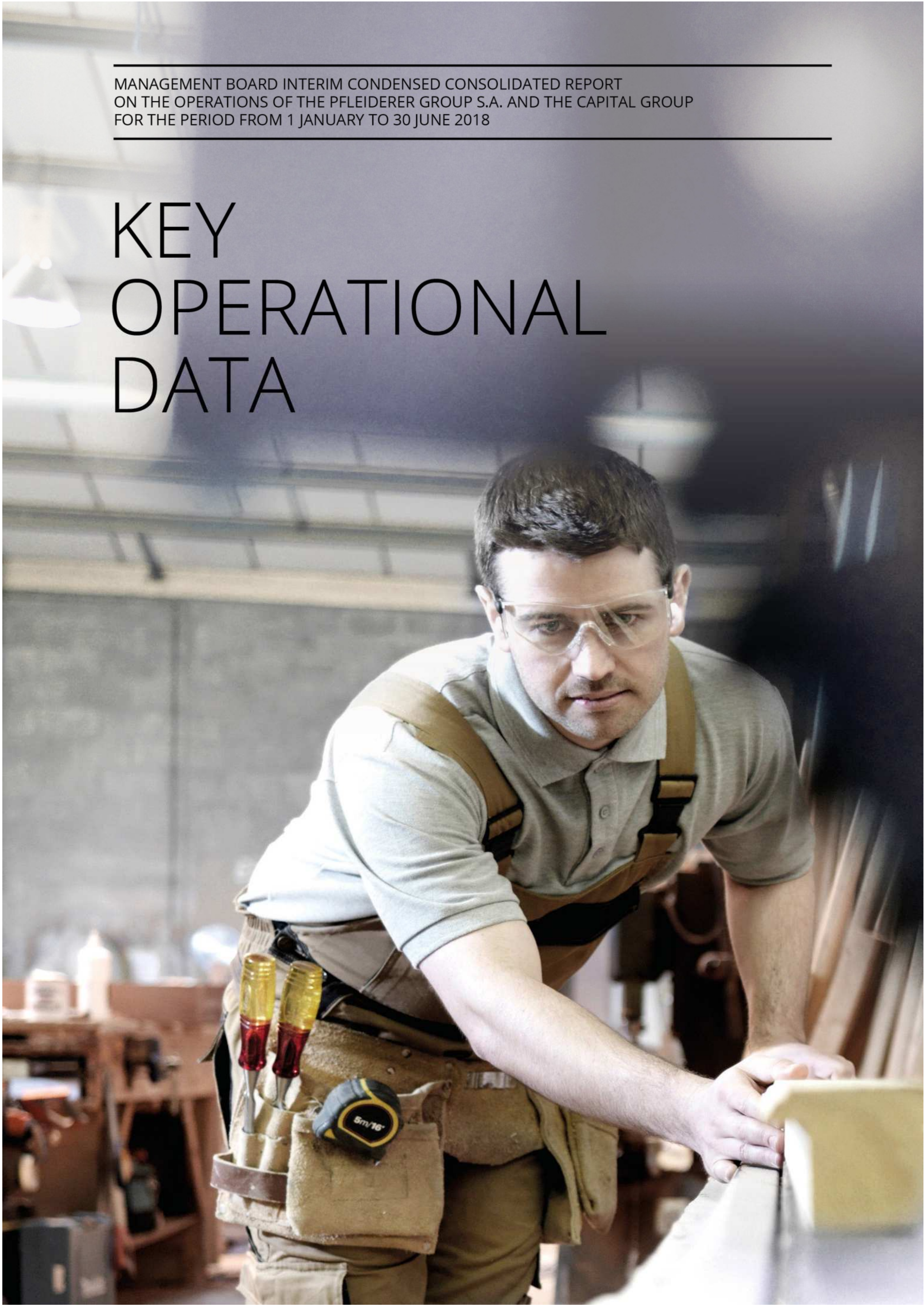
After the balance sheet date, Pfleiderer Deutschland GmbH (Pfleiderer) received the letter dated 24 July 2018 from the insolvency administrator of Alno Aktiengesellschaft (Alno) in which he challenges all payments made by Alno for delivery of Pfleiderer's products from 30 June 2014 to 6 July 2017 in a total amount of EUR 19 346 327,50. With respect to all payments made within three months prior to the filing for opening of insolvency proceedings the insolvency administrator argues that they are subject to the three months claw-back right (sec. 130 German Insolvency Code). With respect to the remaining payments made within four years prior to the filing for opening of insolvency proceedings the insolvency administrator argues that they are subject to the claw-back right for intended damage (sec. 133 German Insolvency Code). The insolvency administrator bases both claw-back claims on the assumption that Alno was illiquid during the whole claw-back period and Pfleiderer was aware of it. The insolvency administrator relies on a – to Pfleiderer unknown - expert's opinion regarding Alno being illiquid during the claw-back period. Based on the facts known so far it is not possible to estimate in a reliable way an amount of the alleged claw-back claim for which it is more likely than not that Pfleiderer has to pay it. Company and its legal advisors will further verify the claim but at this stage the alleged claw-back claim is an uncertain liability. In case of a litigation Pfleiderer and its legal advisors estimated the cost for lawyers and the court and created the provision as at 30 June 2018 in the amount of EUR 550 thousand.

The Western European segment is subject to certain tax risks described in point 1.8 Risk Management. As at 30 June 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 30 June 2018 no provision has been recognized by the Group in these interim condensed consolidated financial statements.

Moreover the Group has tax liabilities for the outcome of the tax audit for years 2010-2015 in Germany amounting to EUR 9.2 million (increase of EUR 2m in comparison to 31 December 2017 as a result of final findings of tax audit).

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2018

KEY OPERATIONAL DATA



2. KEY OPERATIONAL DATA

2.1. PRODUCTION VOLUME AND STRUCTURE

In HY1 2018 and HY1 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. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017	Change (%)	1 Apr. - 30 Jun. 2018	1 Apr. - 30 Jun. 2017	Change (%)
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	Cbm	1 644	1 665	-1%	823	831	-1%
Laminated boards	Sqm	54 043	56 421	-4%	26 749	27 561	-3%
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	Cbm	304	289	5%	151	147	3%

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

'000		1 Jan. – 30 Jun. 2018		1 Apr. – 30 Jun. 2018	
		Core West	Core East	Core West	Core East
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	cbm	973	671	483	340
Laminated boards	sqm	33 981	20 062	16 614	10 135
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	cbm	185	119	93	58

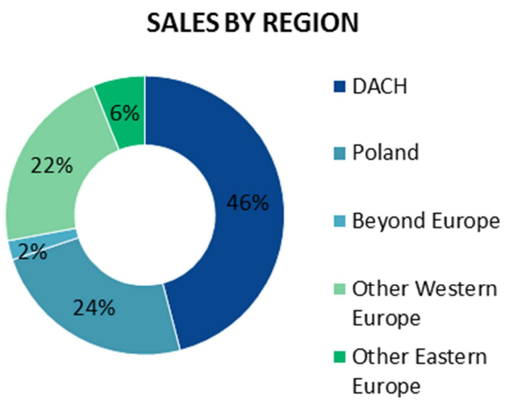
2.2. SALES STRUCTURE

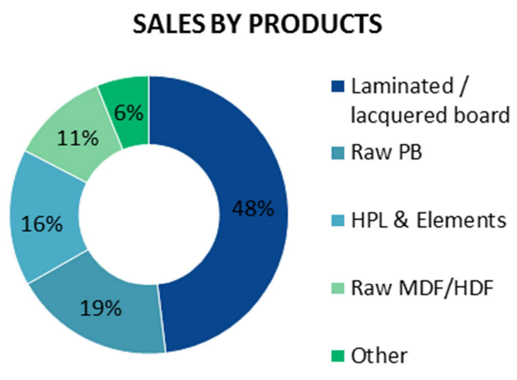
Revenue reported by the Group in HY1 2018 was EUR 533 183 thousand and increased 5.4% compared to HY1 2017.

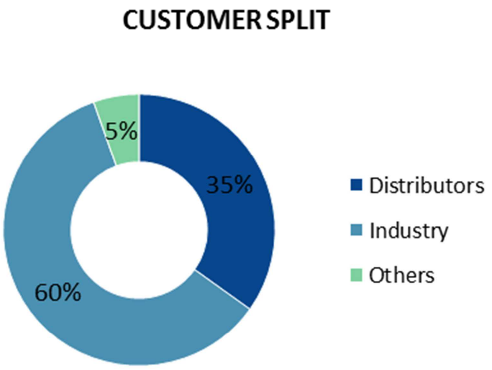
The sales volumes by product groups were as follows:

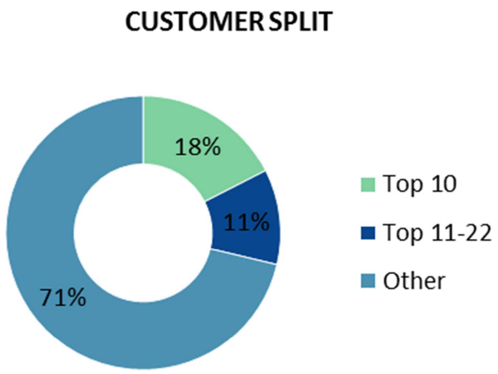
TABLE 7: SALES VOLUMES BY PRODUCT GROUP AT THE GROUP LEVEL

		1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017	1 Apr. - 30 Jun. 2018	1 Apr. - 30 Jun. 2017
Laminated particleboard	spm	50 333 399	52 899 345	25 024 622	25 802 601
HPL	spm	5 997 941	6 064 165	2 955 129	3 001 234
Raw particleboard	cbm	563 266	551 202	272 768	279 243
Laminated MDF/HDF board	spm	1 350 823	1 648 841	678 407	845 627
Raw MDF/HDF board	cbm	214 734	198 312	103 072	101 464


SALES BY REGION
46%
24%
2%
22%
6%
DACH
Poland
Beyond Europe
Other Western Europe
Other Eastern Europe


SALES BY PRODUCTS
48%
19%
16%
11%
6%
Laminated / lacquered board
Raw PB
HPL & Elements
Raw MDF/HDF
Other


CUSTOMER SPLIT
35%
60%
5%
Distributors
Industry
Others


CUSTOMER SPLIT
18%
11%
71%
Top 10
Top 11-22
Other

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 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 HY1 2018

'000 EUR	1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017	1 Apr. - 30 Jun. 2018	1 Apr. - 30 Jun. 2017
Revenue	533 183	506 029	264 414	253 619
Cost of sales	-410 402	-386 375	-204 327	-193 564
Profit on sales	**122 781**	**119 654**	**60 087**	**60 055**
Other operating income	4 335	10 025	1 796	5 838
Distribution expenses	-66 168	-69 046	-32 815	-34 660
General and administrative expenses	-25 815	-26 072	-13 117	-13 428
Other operating expenses	-3 246	-5 266	-2 053	-948
Result from operating activities	**31 887**	**29 295**	**13 898**	**16 857**
Financial income	74	10 227	46	9 428
Financial expenses	-10 855	-22 502	-5 492	-15 152
Exchange differences	-7 569	8 262	-6 191	342
Net financing cost	**-18 350**	**-4 013**	**-11 637**	**-5 382**
Profit before tax	**13 537**	**25 282**	**2 261**	**11 475**
Income tax expense	-7 766	-6 664	-3 825	-3 217
Net profit for the reporting period	5 771	18 618	-1 564	8 258

Revenues came in at EUR 533 183 thousand in HY1 2018, growing 5.4% YoY, mostly due to positive price performance.. The Core West segment revenues reached EUR 373 393 thousand, augmenting by 4.3% YoY, while the Core East segment added EUR 159 790 thousand, up 7.9% YoY.

The Group's profit on sales reached EUR 122 781 thousand in HY1 2018, growing as much as 2.6% YoY. The gross profit margin decreased slightly YoY in HY1 2018, coming in at 23.03% versus 23.65% in HY1 2017. The Group managed to fully cover raw material prices growth, however product mix had slightly negative impact on sales margin. Moderate growth in costs of sales was implicated material prices growth declined by productivity enhancement programs and successful cost discipline initiatives. Growth of material prices, mainly related to wood, paper, and chemicals.

The cost discipline initiatives resulted in 3.3% decrease in Group's distribution, general and administrative expenses, which reached EUR 91 983 thousand in HY1 2018.

Overall, the Group's result from operating activities came in at a strong EUR 31 887 thousand in HY1 2018, growing by c. 8.8% YoY. The operating result of the Core West reached EUR 23 177 thousand in HY1 2018 versus EUR 23 093 thousand in HY1 2017 while the operating result of the Core East division reached EUR 8 598 thousand in HY1 2018 versus EUR 5 812 thousand in HY1 2017.

EBIDTA for Q2 2018 declined in comparison to Q2 2017 mainly due to one off events recognized : other operating income in Q1 2017 was positively impacted by reversal of accruals for EEG of c.a. EUR 5.5 m, other operating cost in Q2 2018 on the other hand was negatively impacted by provision for legal costs for claim back claim.

The net financial cost was negatively impacted by non-cash effect of negative exchange differences. The Group has significantly lowered interest cost in HY1 2018 by ca. 51.8% due to refinancing of debt (cash effect). The above mentioned negative exchange differences (non-cash) result 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 HY1 2018 was EUR 6 272 thousand cost and for HY1 2017 EUR 8 745 thousand income). Additionally, HY1 2017 net financing costs were impacted by income of EUR 2 525 thousand (EUR 8 859 thousand other financial income and EUR 6 293 thousand other financial cost) which was one off result on refinancing.

Consequently, net financing result for HY1 2018 was negative and amounted to EUR 18 350 thousand in comparison to minus EUR 4 013 thousand in HY1 2017.
Income tax expense is higher than estimated via effective tax rate, mainly due to effect of German tax rate 28.85% as well as additional tax paid for the year 2016 in Germany (EUR 5 332 thousand – cash effect) and increase of tax liabilities for the outcome of the tax audit for years 2010-2015 conducted in Germany (EUR 2 million). Overall, the Group's net profit came in at EUR 5 771 thousand in HY1 2018, down 69.0 % YoY.

3.1.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TABLE 9: CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2018

ASSETS '000 EUR	30 Jun. 2018	31 Dec. 2017
Property, plant and equipment	533 164	554 279
Intangible assets	80 640	82 907
Goodwill	66 379	67 541
Long term investments	509	511
Investment property	812	850
Deferred tax assets	6 382	6 471
Advances paid on fixed assets	16 258	9 877
Government grants receivables	5 034	5 275
Other non current assets	3	3
Non-current assets	**709 181**	**727 714**
Inventories	104 077	96 301
Trade and other receivables	57 685	35 673
Income tax receivable	1 396	244
Cash and cash equivalents	50 111	83 845
Fair value of hedging instruments	0	380
Other short term financial assets	256	326
Current assets	**213 525**	**216 769**
Total assets	922 706	944 483

LIABILITIES AND EQUITY '000 EUR	30 Jun. 2018	31 Dec. 2017
Share capital	6 692	6 692
Share premium	146 375	146 375
Statutory reserve funds	149 574	87 281
Reserves	-12 634	-10 330
Retained earnings	-81 973	9 884
Total equity attributable to owners of the Company	208 034	239 902
Total equity	208 034	239 902
Liabilities		
Loans and borrowings	337 239	336 155
Provisions for employee benefits	52 513	53 389
Provisions	1 274	1 453
Deferred tax liabilities	61 242	65 625
Deferred income from government grants	8 147	8 807
Other non-current liabilities	18	18
Non-current liabilities	**460 433**	**465 447**
Loans and borrowings	2 556	2 529
Income tax payable	19 585	15 734
Trade and other payables	188 640	182 968
Employee related payables	27 585	21 794
Provisions	15 040	15 555
Fair value hedging instuments	304	0
Deferred income from government grant	529	554
Current liabilities	**254 239**	**239 134**
Total liabilities	**714 672**	**704 581**
Total equity and liabilities	922 706	944 483

The asset side of statement of financial position remained relatively stable in HY1 2018 versus FY 2017 numbers. Non-current assets as at 30 June 2018 constituted 77% of total group assets – similar to FY 2017. Within HY1 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. Net working capital worsened slightly in comparison to the year-end, which is connected with seasonality of the business. . Cash and cash equivalents level as at 30 June 2018 was at level lower by 40% comparing to the end of 2017 mainly because of conducted shares buy back, tax payments in Germany and investment expenditures.

The structure of liabilities remained stable in comparison to the end of FY 2017. Non-current liabilities constitutes 64% of the total liabilities, in comparison to 66% at YE 2017. The major increase can be observed at the employee related liabilities that grew up by 27% mainly due to obligatory builded provision for not used vacation provision, which declines after holidays season (non-cash effect in the normal course of a business) and income tax liabilities amount that grew up by 24%.

Drop in Group's total equity, from EUR 239 902 thousand at YE 2017 to EUR 208 034 thousand at the end of HY1 2018 was a net effect of positive net income, share buyback programme and declared dividend. In HY1 2018 the Company repurchased the shares for the amount of EUR 18 609 thousand including costs and declared dividend of EUR 16 719 thousand.

Total equity represented 23% of total equity and liabilities at the end of HY1 2018 in comparison to 25% at the end of year 2017.

3.1.3. CONSOLIDATED STATEMENT OF CASH FLOWS

TABLE 10: CONSOLIDATED STATEMENT OF CASH FLOWS IN HY1 2018

'000 EUR	1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017
Net profit for the reporting period	**5 771**	**18 618**
Depreciation and amortisation	37 514	36 846
Foreign exchange gains	7 569	-8 262
Interest for the period	10 989	12 706
Profit on investing activities	-26	11
Income tax disclosed in profit or loss of the period	7 766	6 664
Amortisation of government grants	-177	-421
Result on forward contracts	-207	-431
Increase in exchange differences on translating foreign operations	-1 547	457
Changes in		
trade and other receivables	-21 709	-24 428
inventories	-9 459	-8 474
trade and other payables	4 825	10 135
employee benefit obligations	-1 561	-681
provisions	-980	-1 035
Cash generated from operating activities	**39 068**	**41 705**
Income tax (paid)/received	-9 268	-3 574
Net cash provided by operating activities	29 800	38 131
Net cash used in investing activities		
Disposal of property, plant and equipment	61	18
Interest received	74	52
Acquisition of intangible assets and property, plant and equipment	-35 832	-22 759
Net cash used in investing activities	-35 697	-22 689
Net cash used in financing activities		
Repayment of borrowings and other debt instruments	0	-405
Share buy-back	-18 609	0
Interest paid	-7 039	-15 814
Other financing activities	-2 189	0
Net cash used in financing activities	-27 837	-16 219
Total cash flows	-33 734	-777
Decrease/Increase in cash	-33 734	-777
Cash at beginning of the period	83 845	97 726
Cash at the end of the period	50 111	96 949

Cash earned on operating activities in HY1 2018 was consumed by significant invesntment programme (EUR 35 832 thousand) and share buy back of EUR 18 609 thousand, The net cash from operating activities reached high level in HY1 2018, amounting to EUR 29 800 thousand. The HY1 2018 operating line was negatively affected by higher YoY pick-up in working capital. Moreover in HY1 2018 the Group paid additional taxes for year 2016 in the amount of EUR 5 332 thousand in Germany.

The investing cash flow was EUR 35 697 thousand cash out in HY1 2018 due to conducted significant investments. The total amount of investing cash flows for HY1 2018 includes repayment of investment liabilities in the amount of EUR 8 553 thousand.

The level and sign of net financing cash flow in HY1 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		HY1 2018	HY1 2018 (*)	HY1 2017
Liquid funds	Cash and cash equivalents	mEUR	50.1	104.4	96.9
Net debt	Financial debt - liquid funds	mEUR	289.7	235.4	239.8
Net leverage	Net debt / EBITDA (LTM)	factor	2.35	1.90	1.93
Equity ratio	Equity / balance sheet totals	%	22.5%	26.8%	28.0%
Gearing	Net debt / equity	factor	1.39	0.90	0.90
EBITDA (LTM)	Result from operating activities + depreciation + amortization for last 12 months	mEUR	123.3	123.3	124.1
Interest cover	EBITDA (LTM) / net financing costs (LTM)	factor	4.1	4.1	7.2
ROCE	Result from operating activities (LTM) / Capital employed	%	7.9%	7.9%	8.1%
ROA	Net profit (LTM) / total assets at the end of the period	%	0.5%	0.5%	2.7%
ROE	Net profit (LTM) / equity at the end of the period	%	2.1%	1.6%	9.5%

(*) 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.

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

	HY1 2018	HY1 2017
Gross profit margin (Profit on sales/Revenue)	23.03%	23.65%
EBIT margin (Result from operating activities/Revenue)	5.98%	5.79%
Pre-tax margin (Profit before tax/Revenue)	2.54%	5.00%
Net income margin (Net profit/Revenue)	1.08%	3.68%

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 and
- a EUR 100.0 million 5-year revolving credit facility, comprising of a EUR 50.0 million and PLN 211.48 million facility.

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.

On 31 July 2018, the Senior Facilities Agreement originally dated 13 April 2017 was amended and restated. The total amount of senior secured term loan B increased by EUR 95 million from EUR 350 million to EUR 445 million, the volume of the Revolving Credit Facilities remains unchanged.

Security interests under the Senior Facilities Agreement originally dated 13 April 2017 (and having been amended and restated on 31 July 2018) (Polish entities)

In order to secure the new obligations under the senior facilities agreement originally dated 13 April 2017, and having been amended and restated on 31 July 2018, 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 originally dated 13 April 2017, and having been amended and restated on 31 July 2018, 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 originally dated 13 April 2017, and having been amended and restated on 31 July 2018, 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 originally dated 13 April 2017 (and having been amended and restated on 31 July 2018) (German entities)

Following the initial utilization of the facilities under the senior facilities agreement originally dated 13 April 2017, and having been amended and restated on 31 July 2018, 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 alias, 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 originally dated 13 April 2017, and having been amended and restated on 31 July 2018, the following security interests have been granted for the benefit of the lenders, whereby Wilmington Trust (London) Limited is acting as new security agent (the "New Security Agent"):

(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 senior facilities agreement (as amended and restated), 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 dated 13 April 2017 (as amended and restated).

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. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017	1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017
Revenue	n.a.	n.a.	n.a.	n.a.
Results from operating activity	-7 433	-16 611	-1 761	-3 891
Profit before tax	22 614	343 815	5 359	80 539
Net profit for the reporting period	27 333	342 077	6 477	80 132
Basic earnings per share (in PLN/EUR)	0.46	5.29	0.11	1.24
Diluted earnings per share (in PLN/EUR)	0.46	5.29	0.11	1.24
Average PLN/EUR exchange rate			4.2200	4.2689

Operating result in both HY1 2018 and HY1 2017 reflects purely the holding activity of the Company. Lower loss from operating activity in HY1 2018 of PLN 7 433 thousand compared to loss of PLN 16 611 thousand in HY1 2017 results from higher revenues from intercompany services rendered by the Company to Group companies (PLN 5 317 thousand in HY1 2018, PLN 1 475 thousand in HY1 2017) and lower general and administrative expenses (PLN 13 535 thousand in HY1 2018, PLN 17 198 thousand in HY1 2017) coming mostly from lower intercompany service charges (PLN 866 thousand in HY1 2018 compared to PLN 7 313 thousand in HY1 2017).

In HY1 2018 Pfleiderer Group S.A. generated profit on financial activity of PLN 30 047 thousand compared to profit of PLN 360 426 thousand in HY1 2017. Lower net financing income in HY1 2018 results mostly from lower dividends (PLN 66 615 thousand in HY1 2018, PLN 334 212 thousand in H1 2017) and negative foreign exchange differences on intercompany loans from PCF GmbH and on obligation taken over from Atlantik SA (foreign exchange loss of PLN 31 001 thousand in HY1 2018 compared to foreign exchange gain of PLN 37 232 thousand in H1 2017). This negative difference was partly offset by income from intercompany sureties (PLN 4 600 thousand in H1 2018) and lower interest costs on intercompany loans from PCF GmbH (PLN 10 287 thousand in H1 2018 compared to PLN 11 767 thousand in HY1 2017).

3.2.2. STANDALONE STATEMENT OF FINANCIAL POSITION

TABLE 14: STANDALONE STATEMENT OF FINANCIAL POSITION

	'000 PLN		'000 EUR	
	30 Jun. 2018	31 Dec. 2017	30 Jun. 2018	31 Dec. 2017
Total assets	2 234 118	2 282 384	510 866	546 417
Liabilities	914 579	839 146	209 133	200 897
Non-current liabilities	128	4 121	29	987
Current liabilities	914 451	835 025	209 104	199 910
Equity	1 319 539	1 443 238	301 733	345 520
Share capital	21 351	21 351	4 882	5 112
Number of shares	64 701 007	64 701 007	64 701 007	64 701 007
Book value per share (in PLN/EUR)	20.39	22.31	4.66	5.34
PLN/EUR exchange rate as at the end of the reporting period			4.3732	4.1770

3.2.3. STANDALONE STATEMENT OF CASH FLOWS

TABLE 15: STANDALONE STATEMENT OF CASH FLOWS

	'000 PLN		'000 EUR	
	1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017	1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017
Net cash provided by operating activities	1 537	-9 707	364	-2 274
Net cash provided by/ used in investing activities	123 252	-4	29 207	-1
Net cash used in financing activities	-120 904	7 015	-28 650	1 643
Total net cash flow	3 885	-2 696	921	-632
Average PLN/EUR exchange rate			4.2200	4.2689

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

TABLE 16: PFLEIDERER GROUP S.A. SALES MARGINS

		1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 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 Pfleiderer Group S.A. is a pure holding company, thus did not record any revenue in both HY1 2018 and HY1 2017.

3.3. NON-RECURRING EVENTS

There were no non-recurring events which might affect the Group or Pfleiderer Group S.A.'s financial performance occurred in HY1 2018.

3.4. PROJECTED FINANCIAL RESULTS

The Management Board of Pfleiderer Group S.A. has not published projections of financial results or consolidated financial results for the financial year 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	13.07.2018	B+	Stable
Moody's Investors Service	13.07.2018	B1	Stable
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

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 30 June 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	30 Jun. 2018	31 Dec. 2017
Bank borrowings	337 239	336 155
Non-current liabilities	**337 239**	**336 155**
Current portion of bank borrowings	2 333	2 333
Other interest bearing liabilities	223	196
Current liabilities	**2 556**	**2 529**
TOTAL	339 795	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 3 385 thousand. The Revolving Facility 1 is partially drawn for bank guarantees of EUR 2 296 thousand and PLN 520 thousand (EUR 119 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.

On 31 July 2018, the Senior Facilities Agreement originally dated 13 April 2017 was amended and restated. The total amount of senior secured term loan B increased by EUR 95 million from EUR 350 million to EUR 445 million, the volume of the Revolving Credit Facilities remains unchanged. Final maturity dates within the senior facilities agreement remain unchanged.

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

'000 EUR					30 Jun. 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	1 Aug 2017	1 Aug 2022	17 084	0	17 084	18 930	0	18 930
Alior Bank S.A.	PLN	WIBOR + margin	1 Aug 2017	1 Aug 2022	18 031	0	18 031	18 878	0	18 878
Raiffeisen Bank Polska S.A.	PLN	WIBOR + margin	1 Aug 2017	1 Aug 2022	7 461	0	7 461	7 811	0	7 811
Guarantees Core East										
Bank Millennium S.A.	PLN		1 Aug 2017	1 Aug 2022	5 326	5 326		4 532	4 532	
bank guarantee/s issued in PLN					1 433	1 433		1 740	1 740	
bank guarantee/s issued in EUR					0	0		0	0	
Letter/s of Credit issued in EUR year-end [EUR 2.428.000]					0	0		2 792	2 792	
Letter/s of Credit issued in EUR actual [EUR 3.384.800]					3 893	3 893		0	0	
Limit of credit cards East										
Bank Millennium S.A.	PLN		1 Aug 2017	1 Aug 2022	457	0	457	479	0	479
TOTAL CORE EAST Credit facilities					**48 359**	**5 326**	**43 033**	**50 630**	**4 532**	**46 098**

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

'000 EUR					30 Jun. 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	1 Aug 2017	1 Aug 2022	5 000	0	5 000	5 000	0	5 000
Bank of China	EUR	EURIBOR + margin	1 Aug 2017	1 Aug 2022	10 000	0	10 000	10 000	0	10 000
Commerzbank AG	EUR	EURIBOR + margin	1 Aug 2017	1 Aug 2022 *)	7 545	0	7 545	12 370	0	12 370
Deutsche Bank AG	EUR	EURIBOR + margin	1 Aug 2017	1 Aug 2022	12 000	0	12 000	12 000	0	12 000
Raiffeisen Bank Polska S.A.	EUR	EURIBOR + margin	1 Aug 2017	1 Aug 2022	5 000	0	5 000	5 000	0	5 000
Guarantees Core West										
Commerzbank AG	EUR		1 Aug 2017	1 Aug 2022	7 455	7 455		2 630	2 630	
bank guarantee issued in EUR					2 297	2 297		2 257	2 257	
bank guarantee issued in PLN					118	118		373	373	
letter of credit issued in EUR					5 040	5 040		0	0	
Deutsche Bank AG (Ancillary – Guarantees)			1 Aug 2017	1 Aug 2022	3 000	0	3 000	3 000	0	3 000
Other debt instruments										
Term Loan B (TLB)	EUR		1 Aug 2017	1 Aug 2024	350 000	350 000	0	350 000	350 000	0
TOTAL CORE WEST Credit facilities					**400 000**	**357 455**	**42 545**	**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 30 June 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 30 June 2018, the Company has loan receivables of PLN 28 862 thousand (compared to PLN 108 213 thousand as of 31 Dec 2017) 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. On 29 June 2018 PLN 82 000 thousand was repaid by Pfleiderer MDF Grajewo Sp. z o.o. to the lender.

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 126 049 thousand (PLN 549 777 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 26 253 thousand (PLN 114 507 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 9 124 thousand (PLN 39 797 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 H1 2018 on the above loans amounted to EUR 2 426 thousand (PLN 10 287 thousand). In H1 2018 the Company has repaid interests 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 30 June 2018, no such events occurred.

Derivatives

On 30 June 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 30 June 2018, the Company's debt under issued notes totaled PLN 85 902 thousand (as at 31 December 2017 146 869 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 two quarters 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

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 to Pfleiderer Grajewo Sp. z o.o. executed on 31 August 2016, credit risk is limited due to the fact that the Company does not perform any operating activity and does not have any trade receivables, with exception to the intercompany receivables.

The credit risk exposure of the Company relates mostly to the loans granted to its subsidiary, Pfleiderer MDF Grajewo Sp. z o.o. in the amount of PLN 28 862 thousand.

Currency risk

The currency risk of the Company is mainly related to the euro denominated loans from subsidiary, drawn to finance buy backs of own shares (EUR 26 253 thousand and EUR 9 124 thousand), and other finance liabilities related to obligation taken over from Atlantik SA (EUR 126 049 thousand).

The risk of changes in the prices of financial instruments

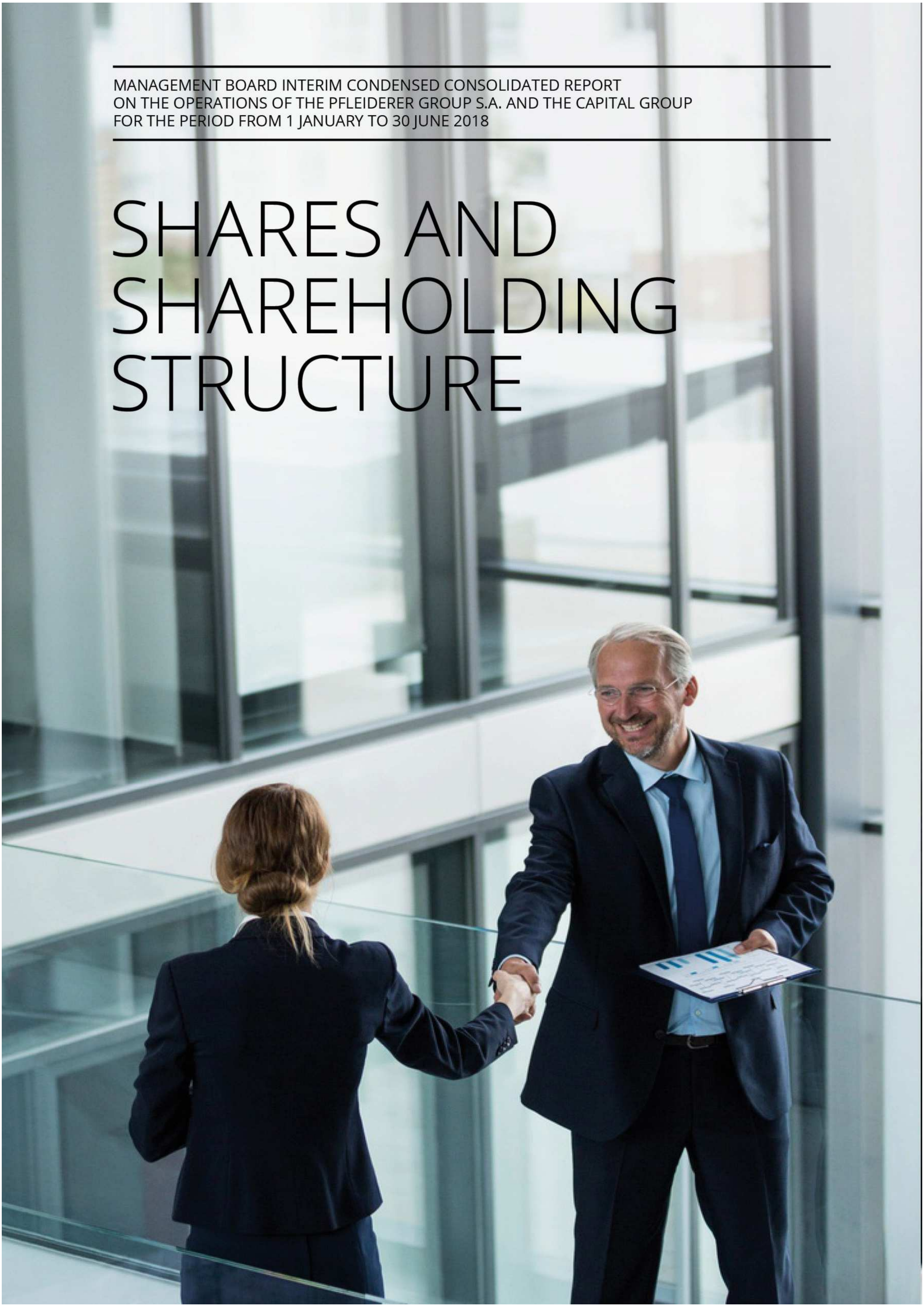
The Company is not exposed to any material price risk associated with financial instruments.

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. 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).

SHARES AND SHAREHOLDING STRUCTURE



4. SHARES AND SHAREHOLDING STRUCTURE

4.1. SHAREHOLDING STRUCTURE

TABLE 21: SHAREHOLDER STRUCTURE AS OF 30 JUNE 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%
Aviva OFE Aviva BZ WBK	6 241 000	9,65%	6 241 000	9,65%
Treasury shares (*)	*5 396 933*	*8,34%*	*5 396 933*	*8,34%*
Other shareholders	21 405 364	33,08%	21 405 364	33,08%
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.

In accordance with the notifications received from shareholders, the following transactions took place in 2018 involving shares in Pfleiderer Group S.A.:

On 15 February 2018, the Company received a notification from its shareholder Nationale Nederlanden OFE on the sale of the Company's shares as part of the share repurchase program announced by the Company. Following the settlement of the transaction, Nationale Nederlanden OFE holds 3 102 115 shares in the Company, representing 4.79% of its share capital and entitling the holder to 3 102 115 votes at the Company's General Meeting of Shareholders, or 4.79% of the total number of votes at the Company's General Meeting of Shareholders.

Events after the balance sheet date:

On 24 August 2018 the Company purchased 7 543 268 treasury shares, representing approximately 11.66% of the share capital. 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 4 August 2018. The purchase price for the treasury shares amounted to PLN 40 per one share. The total price for all of the purchased shares amounted to PLN 301 730 720. The treasury shares were purchased in connection with the implementation of the treasury share repurchase programme approved under the resolution no. 24 of the Company's Annual General Meeting of the Shareholders dated 11 June 2018.

Pursuant to the resolution no. 24 of the Ordinary General Meeting of Shareholders of the Company dated 11 June 2018, the shares purchased under the programme may be: (i) redeemed; or (ii) otherwise disposed of by the Management Board of the Company, subject to a consent of the Supervisory Board, with a view to the needs resulting from the Company's business.

Prior to the above described acquisition of the treasury shares, which took place on 24 August 2018, the Company held 5 396 933 treasury shares representing approximately 8.34% of the share capital.

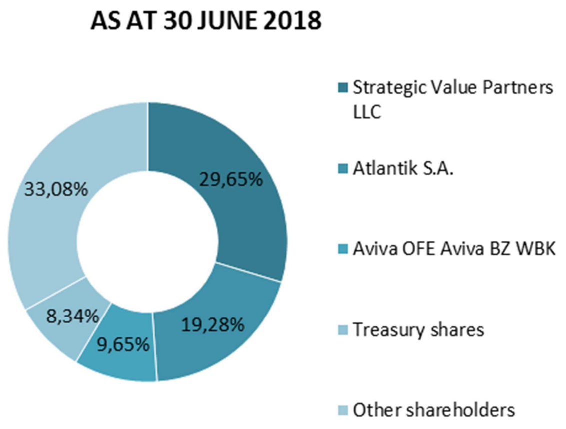
The total number of treasury shares purchased by the Company at the date of publication of this report is 12 940 201. The total nominal value of all purchased treasury shares is PLN 4 270 266.33, representing approximately 20% of the Company's share capital. The purchased treasury shares entitle the holder thereof to a total of 20% of the votes at the general meeting of the Company, which represents 20% of the overall number of votes in the Company, provided that the Company does not exercise the voting rights attached to the treasury shares.

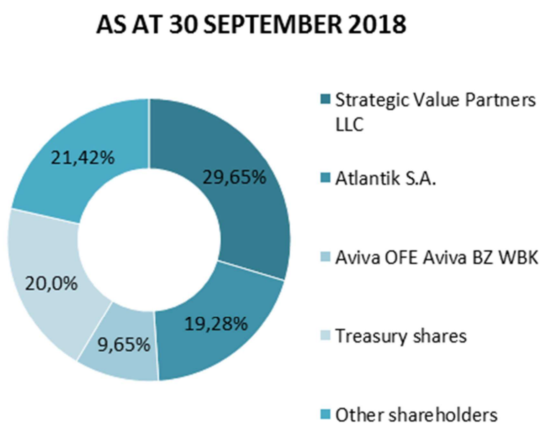
TABLE 22: SHAREHOLDER STRUCTURE AS OF 30 SEPTEMBER 2018

	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%
Aviva OFE Aviva BZ WBK	6 241 000	9,65%	6 241 000	9,65%
Treasury shares	*12 940 201*	*20,00%*	*12 940 201*	*20,00%*
Other shareholders	13 862 096	21,42%	13 862 096	21,42%
TOTAL	64 701 007	100,00%	64 701 007	100,00%

According to the information from last General Meeting of Shareholders

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. The above motion was positively opined by the Supervisory Board of the Company on 15 May 2018.

The Ordinary General Meeting of Shareholders of the Company resolved on 11 June 2018 to allocate the net profit for the period from 1 January to 31 December 2017, amounting in total to PLN 415 542 thousand, as follows:

a) in the amount of PLN 71 164 888.80, i.e. PLN 1.20 per share, to the payment of dividends to the Company's shareholders,

b) the remaining amount to the Company's supplementary capital.

The Ordinary General Meeting of Shareholders of the Company set the date used to prepare the list of shareholders eligible to receive the above dividend (record date) for 17 June 2018. The dividend payment date was set for 11 July 2018.

As of 17 June 2018 the Company held 5 396 933 treasury shares. Pursuant to Article 364 Paragraph 2 of the Commercial Companies Code the Company did not receive any dividends as the holder of the above mentioned treasury shares.

4.3. INVESTOR RELATIONS IN PFLEIDERER GROUP

In order to meet the strictest information governance requirements for public companies and fulfil the information needs of various stakeholders, Pfleiderer Group S.A. undertakes numerous investor relations activities to ensure efficient communication with the representatives of the capital markets. What's important, Pfleiderer Group S.A. takes active and open approach to communications with both institutional and retail investors.

In HY1 2018, Pfleiderer Group S.A. held investor meetings in Poland and abroad to discuss its financial results, key developments and accomplishments and to outline the company's growth perspectives. The events gathered a number of capital market professionals, including analysts and fund managers, as well as journalists. To enable them to fully understand the company's business and growth potential, the Group provides accurate and high quality IR materials, including factsheet, press releases, presentations and reports.

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

4.4. RECOMMENDATIONS

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

TABLE 23: RECOMMENDATIONS FOR PFLEIDERER GROUP IN HY1 2018

Target price (PLN)	Recommendation	Share price on the date of the report (PLN)	Institution	Date
44.1	Buy	37.0	Dom Maklerski BZ WBK S.A.	07.06.2018
47.9	Buy	37.5	Dom Maklerski BDM S.A.	27.03.2018
43.0	Accumulate	37.8	Erste Group Research	23.02.2018

TABLE 24: INSTITUTIONS ISSUING RECOMMENDATIONS FOR PFLEIDERER GROUP IN HY1 2018

Institution	Analyst	Contact details
BZ WBK	Michał Sopiel	+48 22 586 82 33 michal.sopiel@bzwbk.pl
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 30 JUNE 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 25: THE COMPOSITION OF THE SUPERVISORY BOARD AS AT 30 JUNE 2018

Supervisory Board	
Zbigniew Prokopowicz	Chairman of the Supervisory Board
Michael F. Keppel	Deputy Chairman of the Supervisory Board
Jason R. Clarke	Deputy 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 11 June 2018 and will expire on 28 June 2023.

The tenures of all the Supervisory Board members incumbent as at 30 June 2018 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 2022. 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

Ordinary General Meeting of Shareholders on 11 June 2018 appointed to the Supervisory Board for the new term of office the following persons: Zbigniew Prokopowicz, Michael F. Keppel, Jason R. Clarke, Florian Kawohl, Anthony O'Carroll, Krzysztof Sedzikowski and Jan Woźniak. On 11 June 2018 the Supervisory Board appointed Zbigniew Prokopowicz the Chairman of the Supervisory Board and Michael F. Keppel and Jason R. Clarke the Deputies Chairman of the Supervisory Board.

5.2.2. MANAGEMENT BOARD

Tom K. Schäbinger
President of the Managemet Board

Dirk Hardow
Chief Operating Officer

Dr. Nico Reiner
Chief Financial Officer

Ivo Schintz
Chief Commercial Officer

TABLE 26: THE COMPOSITION OF THE PFLEIDERER GROUP S.A. MANAGEMENT BOARD AS AT 30 JUNE 2018

 **TOM K. SCHÄBINGER** PRESIDENT OF THE MANAGEMENT BOARD	Mr. Tom K. Schäbinger (born in 1962) is a graduate of the Vienna University of Economies & Business (in 1989 he graduated in Studies of Business Administration) and Secondary School for Mechanical Engineering in St. Pölten (in 1982 he graduated with distinction as Engineer (Ingenieur)). Mr. 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.
 **DIRK HARDOW** MEMBER OF THE MANAGEMENT BOARD	Mr. Dirk Hardow (born in 1965) is a graduate of the Technical Univeristy of Hamburg, where in 1993 he graduated in Industrial Engineering & Management (“Hochschulübergreifender Studiengang Wirtschaftsingenieur”). Since 2011 Mr. Dirk Hardow was associated with US corporation Owens – Illinois Inc. Within the Owens – Illinois Inc structures he was i.a. the Vice President of European Operations (August 2011 – May 2015) and since October 2013 he was the Vice – Chairman of the Board of Vetrerie Meridionali, a glass manufacturing company. Furthermore, since June 2015 Mr. Dirk Hardow was the General Manager for South East Europe, where he was responsible for the operations of 11 factories in Italy and Hungary. From October 2011 to April 2013 he was a Member of the Board of Directors of Maltha Groep BV, a glass recycling company. Previously, Mr. Dirk Hardow worked on the management positions i.a. at Cremer-Group, Rohm and Hass Company as well as H.B. Fuller Company.
 **DR. NICO REINER** MEMBER OF THE MANAGEMENT BOARD	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.

IVO SCHINTZ

MEMBER OF THE MANAGEMENT BOARD

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

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 took 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 took effect from 1 April 2018.

6. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 31 July 2018, the Senior Facilities Agreement originally dated 13 April 2017 was amended and restated. The total amount of senior secured term loan B increased by EUR 95 million from EUR 350 million to EUR 445 million, the volume of the Revolving Credit Facilities remains unchanged. Final maturity dates within the senior facilities agreement remain unchanged.

After the reporting period Pfleiderer Deutschland GmbH received the letter from the insolvency administrator of Alno AG, former client of Pfleiderer, in which the insolvency administrator submitted the claims against Pfleiderer amounting to EUR 19 346 thousand. The insolvency administrator of Alno AG contests the payments resulting from the commercial contracts, made by Alno AG to Pfleiderer after 30 June 2014 until opening the insolvency proceeding on 1 October 2017, and requests the return of the payments in the above-mentioned amount by Pfleiderer to the insolvency administrator of Alno AG. The Management is currently verifying the legal basis and merits of the above described claims.

On 24 August 2018 the Company purchased 7 543 268 treasury shares. The treasury shares were purchased in connection with the implementation of the treasury shares repurchase programme approved under the resolution of the Company's Annual General Meeting of the Shareholders dated 11 June 2018. The total number of treasury shares purchased by the Company at the date of publication of this report is 12 940 201, representing approximately 20% of the Company's share 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 29 March 2018 (consolidated text: Dz.U. of 2018, item 757), 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 30 June 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 30 June 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, 30 September 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

LIST OF TABLES

Deloitte Audyt
Spółka z ograniczoną odpowiedzialnością Sp. k.
al. Jana Pawła II 22
00-133 Warszawa
Polska

Tel.: +48 22 511 08 11
Fax: +48 22 511 08 13
www.deloitte.com/pl

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Pfleiderer Group (hereinafter: the "Group"), for which Pfleiderer Group S.A. with its registered office in Wrocław, Strzegomska 42 AB is the Parent (hereinafter: the "Parent"), comprising: the condensed consolidated statement of financial position prepared as at 30 June 2018, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows for the period from 1 January 2018 to 30 June 2018 and selected explanatory notes ("interim condensed consolidated financial statements").

The Management Board of the Parent is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *"Interim Financial Reporting"* announced in the form of Commission Regulations.

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with National Standard on Review Engagements 2410 in line with the wording of International Standard on Review Engagements 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* adopted by Resolution No. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018.

A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing in line with the wording of International Standards on Auditing adopted by Resolution No. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 *"Interim Financial Reporting"* announced in the form of Commission Regulations.

Auditor conducting the review on behalf of Deloitte Audyt spółka z ograniczoną odpowiedzialnością sp. k. — entity entered under number 73 on the list of auditors kept by the National Council of Statutory Auditors:

Marcin Diakonowicz
Certified auditor
No. 10524

Warsaw, 30 September 2018

This Report is an English version of the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/pl/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

District Court for the city of Warsaw, XII Business Division of the National Court Register, KRS No. 0000446833, NIP: 527-020-07-86, REGON: 010076870

INSPIRATIONS CLOSE TO YOU

PFLEIDERER GROUP S.A.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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

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 29 March 2018 (consolidated text: Official Journal from 2018, item 757), 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 30 June 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 30 June 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, 30 September 2018

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS '000 EUR	Notes	30 Jun. 2018	31 Dec. 2017
Property, plant and equipment	7.	533 164	554 279
Intangible assets		80 640	82 907
Goodwill		66 379	67 541
Long term investments		509	511
Investment property		812	850
Deferred tax assets		6 382	6 471
Advances paid on fixed assets	7.	16 258	9 877
Government grants receivables		5 034	5 275
Other non-current assets		3	3
Non-current assets		**709 181**	**727 714**
Inventories	10.	104 077	96 301
Trade and other receivables	9.	57 685	35 673
Income tax receivable		1 396	244
Cash and cash equivalents		50 111	83 845
Fair value of hedging instruments		0	380
Other short term financial assets		256	326
Current assets		**213 525**	**216 769**
Total assets		922 706	944 483

LIABILITIES AND EQUITY '000 EUR		30 Jun. 2018	31 Dec. 2017
Share capital		6 692	6 692
Share premium		146 375	146 375
Statutory reserve funds		149 574	87 281
Reserves		-12 634	-10 330
Retained earnings		-81 973	9 884
Total equity attributable to owners of the Company	11.	208 034	239 902
Total equity		208 034	239 902

Liabilities			
Loans and borrowings	12.	337 239	336 155
Provisions for employee benefits		52 513	53 389
Provisions	13.	1 274	1 453
Deferred tax liabilities		61 242	65 625
Deferred income from government grants		8 147	8 807
Other non-current liabilities		18	18
Non-current liabilities		**460 433**	**465 447**
Loans and borrowings	12.	2 556	2 529
Income tax payable		19 585	15 734
Trade and other payables	14.	188 640	182 968
Employee related payables		27 585	21 794
Provisions	13.	15 040	15 555
Fair value hedging instruments		304	0
Deferred income from government grant		529	554
Current liabilities		**254 239**	**239 134**
Total liabilities		**714 672**	**704 581**
Total equity and liabilities		922 706	944 483

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

'000 EUR	Notes	1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017	1 Apr. - 30 Jun. 2018	1 Apr. - 30 Jun. 2017
Revenue		533 183	506 029	264 414	253 619
Cost of sales		-410 402	-386 375	-204 327	-193 564
Profit on sales		**122 781**	**119 654**	**60 087**	**60 055**
Other operating income		4 335	10 025	1 796	5 838
Distribution expenses		-66 168	-69 046	-32 815	-34 660
General and administrative expenses		-25 815	-26 072	-13 117	-13 428
Other operating expenses		-3 246	-5 266	-2 053	-948
Result from operating activities		**31 887**	**29 295**	**13 898**	**16 857**
Financial income		74	10 227	46	9 428
Financial expenses		-10 855	-22 502	-5 492	-15 152
Exchange differences		-7 569	8 262	-6 191	342
Net financing cost	**6.**	**-18 350**	**-4 013**	**-11 637**	**-5 382**
Profit before tax		**13 537**	**25 282**	**2 261**	**11 475**
Income tax expense	8.	-7 766	-6 664	-3 825	-3 217
Net profit for the reporting period		5 771	18 618	-1 564	8 258

(all amounts in EUR thousand)

OTHER COMPREHENSIVE INCOME	1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017	1 Apr. - 30 Jun. 2018	1 Apr. - 30 Jun. 2017
Actuarial gains and losses net of related tax	0	1 503	0	125
Incentive programme	376	0	208	0
Exchange differences on translation to presentation currency of the Group	-2 120	98	-1 559	-1 659
Items that will not be reclassified subsequently to profit or loss	**-1 744**	**1 601**	**-1 351**	**-1 534**
Cash flow hedge - effective portion of changes in fair value net to related tax	-767	1 403	-123	923
Cash flow hedge - net change of fair value reclassified to current year profit or loss net of tax	207	-431	-118	-281
Items that are or may be reclassified subsequently to profit or loss	**-560**	**972**	**-241**	**642**
OTHER COMPREHENSIVE INCOME	-2 304	2 573	-1 592	-892
Total comprehensive income for the period	**3 467**	**21 191**	**-3 156**	**7 366**
Profit for the period attributable to:				
Shareholders of the Company	5 771	18 618	-1 564	8 258
Profit for the period	5 771	18 618	-1 564	8 258
Total comprehensive income attributable to:				
Shareholders of the Company	3 467	21 191	-3 156	7 366
Total comprehensive income for the period	3 467	21 191	-3 156	7 366
Number of shares at the end of the reporting period (excluding treasury shares)	59 304 074	64 701 007	59 304 074	64 701 007
Average number of shares during the reporting period (excluding treasury shares)	59 747 221	64 701 007	59 304 074	64 701 007
Basic earnings per share	0.10	0.29	-0.03	0.13
Diluted earnings per share	0.10	0.29	-0.03	0.13

Weighted-average number of ordinary shares (excluding treasury shares)	days	Jan. 1 - Jun. 30, 2018	Jan. 1 - Jun. 30, 2017	Apr. 1 - Jun. 30, 2018	Apr. 1 - Jun. 30, 2017
Beginning of the reporting period	37	61 465 957	64 701 007	59 304 074	64 701 007
Shares buy-back I (7.02.2018)	20	-2 150 883	n.a	n.a	n.a
Shares buy-back II (28.02.2018)	124	-11 000	n.a	n.a	n.a
End of the reporting period		59 304 074	64 701 007	59 304 074	64 701 007
Average number of shares		**59 747 221**	**64 701 007**	**59 304 074**	**64 701 007**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2018:

'000 EUR	Share capital	Share premium	Reserve for own shares	Statutory reserve funds	Re-valuation reserve	Exchange rate differences	Incentive pro-gramme	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	5 771	**5 771**
Other comprehensive income	0	0	0	0	0	-2 120	376	0	-560	0	**-2 304**
Total comprehensive income for the period	0	0	0	0	0	-2 120	376	0	-560	5 771	**3 467**
Transactions with owners recognised in equity											
Transfer of part of 2017 net profit to reserve funds	0	0	0	80 909	0	0	0	0	0	-80 909	**0**
Transfer of part of statutory reserve fund to reserve for own shares			83 194	-83 194							**0**
Dividend	0	0	0	0	0	0	0	0	0	-16 719	**-16 719**
Own shares purchase	0	0	-18 616	0	0	0	0	0	0	0	**-18 616**
Total transactions with owners recognised in equity	0	0	64 578	-2 285	0	0	0	0	0	-97 628	-35 335
As at 30 Jun. 2018	**6 692**	**146 375**	**124 973**	**24 601**	**145**	**-10 107**	**421**	**-2 867**	**-226**	**-81 973**	**208 034**

For the six month period ended 30 June 2017:

'000 EUR	Share capital	Share premium	Reserve for own shares	Statutory reserve funds	Re-valuation reserve	Exchange rate differences	Actuarial gains and losses	Cash flow hedges	Retained earnings	**TOTAL**
As at 1 Jan. 2017	6 692	146 375	32 734	59 067	145	-8 054	-5 321	-707	40 324	**271 255**
Comprehensive income for the period										
Net profit	0	0	0	0	0	0	0	0	18 618	**18 618**
Other comprehensive income	0	0	0	0	0	98	1 503	972	0	**2 573**
Total comprehensive income for the period	0	0	0	0	0	98	1 503	972	18 618	**21 191**
Transactions with owners recognised in equity										
Transfer of part of statutory reserve fund to reserve for own shares	0	0	32 181	-32 181	0	0	0	0	0	**0**
Transfer of part of 2016 net profit to reserve for own shares	0	0	31 123	0	0	0	0	0	-31 123	**0**
Dividend	0	0	0	0	0	0	0	0	-16 456	**-16 456**
Total transactions with owners recognised in equity	0	0	63 304	-32 181	0	0	0	0	-47 579	**-16 456**
As at 30 Jun. 2017	**6 692**	**146 375**	**96 038**	**26 886**	**145**	**-7 956**	**-3 818**	**265**	**11 363**	**275 990**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

'000 EUR	1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017
Net profit for the reporting period	**5 771**	**18 618**
Depreciation and amortisation	37 514	36 846
Foreign exchange gains	7 569	-8 262
Interest for the period	10 989	12 706
Profit on investing activities	-26	11
Income tax disclosed in profit or loss of the period	7 766	6 664
Amortisation of government grants	-177	-421
Result on forward contracts	-207	-431
Increase in exchange differences on translating foreign operations	-1 547	457
Changes in		
trade and other receivables	-21 709	-24 428
inventories	-9 459	-8 474
trade and other payables	4 825	10 135
employee benefit obligations	-1 561	-681
provisions	-680	-1 035
Cash generated from operating activities	**39 068**	**41 705**
Income tax (paid)/received	-9 268	-3 574
Net cash provided by operating activities	29 800	38 131
Net cash used in investing activities		
Disposal of property, plant and equipment	61	18
Interest received	74	52
Acquisition of intangible assets and property, plant and equipment	-35 832	-22 759
Net cash used in investing activities	-35 697	-22 689
Net cash used in financing activities		
Repayment of borrowings and other debt instruments	0	-405
Share buy-back	-18 609	0
Interest paid	-7 039	-15 814
Other financing activities	-2 189	0
Net cash used in financing activities	-27 837	-16 219
Total cash flows	-33 734	-777
Decrease/Increase in cash	-33 734	-777
Cash at beginning of the period	83 845	97 726
Cash at the end of the period	**50 111**	**96 949**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

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 30 September 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.

(all amounts in EUR thousand)

2. STRUCTURE OF THE GROUP

The Pfleiderer Group consists of Pfleiderer Group S.A. and its subsidiaries (together “the Group” or “the Pfleiderer Group”). As of 30 June 2018, the Pfleiderer Group S.A. was the parent company with respect to the following subsidiaries:

Eastern Europe		30 Jun. 2018	31 Dec. 2017
Jura Polska Sp. z o.o.	Grajewo, Poland	100%	100%
Pfleiderer Grajewo Sp. z o.o.	Grajewo, Poland	100%	100%
Pfleiderer MDF Grajewo Sp. z o.o.	Grajewo, Poland	100%	100%
Pfleiderer Wieruszów Sp. z o.o.	Wieruszów, Poland	100%	100%
Pfleiderer Polska Sp. z o.o.	Wrocław, Poland	100%	100%
Pfleiderer Silekol Sp. z o.o.	Kędzierzyn-Koźle, Poland	100%	100%
Unifloor Sp. z o.o. (in liquidation)	Wieruszów, Poland	100%	100%
Western Europe		**30 Jun. 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	Neumarkt, Germany	100%	100%
Pfleiderer Erwerbergesellschaft mbH	Neumarkt, Germany	100%	100%
Pfleiderer Arnsberg GmbH	Neumarkt, Germany	100%	100%
Pfleiderer Baruth GmbH	Neumarkt, 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 29 March 2018, 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 2018, item 757) (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.

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 Group has determined two operating segments – Western Europe and Eastern Europe. Both are components of the Group that engage in business activities from which they earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision maker and for which discrete financial information is available.

Segment reporting is as follows:

For the six month period ended 30 June 2018:

'000 EUR	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	**373 393**	**159 790**	**0**	**533 183**
Intersegment revenues	**10 803**	**39 274**	**-50 077**	**0**
Profit/loss before income taxes	14 251	-901	187	13 537
Net financing cost	8 926	9 499	-75	18 350
Result from operating activities (EBIT)	**23 177**	**8 598**	**112**	**31 887**
Depreciation and amortisation	27 508	10 057	-51	37 514
Segment earnings EBITDA	**50 685**	**18 655**	**61**	**69 401**
Cash and cash equivalents	-24 079	-26 031	-1	-50 111
Current financial liabilities	2 556	0	0	2 556
Non-current financial liabilities	338 177	0	-938	337 239
Net debt	**316 654**	**-26 031**	**-939**	**289 684**
Receivables before factoring	74 691	47 119	0	121 810
Inventories	65 681	38 396	0	104 077
Liabilities	-65 087	-49 143	0	-114 230
Net working capital before factoring	**75 285**	**36 372**	**0**	**111 657**
Segment capital expenditure	**18 261**	**8 995**	**0**	**27 256**
Property, plant and equipment	367 486	165 678	0	533 164
Intangible assets	70 687	9 953	0	80 640
Goodwill	41 655	24 724	0	66 379
Advances paid on fixed assets	13 030	3 228	0	16 258

For the six month period ended 30 June 2017:

'000 EUR	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	**357 906**	**148 123**	**0**	**506 029**
Intersegment revenues	**3 997**	**40 358**	**-44 355**	**0**
Profit/loss before income taxes	15 346	9 547	389	25 282
Net financing cost	7 747	-3 735	1	4 013
Result from operating activities (EBIT)	**23 093**	**5 812**	**390**	**29 295**
Depreciation and amortisation	27 325	9 571	-50	36 846
Segment earnings EBITDA	**50 418**	**15 383**	**340**	**66 141**
Cash and cash equivalents	-84 852	-11 733	-364	-96 949
Current financial liabilities	336 759	0	0	336 759
Non-current financial liabilities	0	0	0	0
Net debt	**251 907**	**-11 733**	**-364**	**239 810**
Receivables before factoring	76 104	46 930	0	123 034
Inventories	62 521	39 439	0	101 960
Liabilities	-60 585	-44 912	0	-105 497
Net working capital before factoring	**78 040**	**41 457**	**0**	**119 497**
Segment capital expenditure	**14 669**	**5 940**	**0**	**20 609**
Property, plant and equipment	357 116	171 473	0	528 589
Intangible assets	77 452	9 760	0	87 212
Goodwill	41 655	25 586	0	67 241
Advances paid on fixed assets	9 493	954	0	10 447

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	1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017	1 Apr. - 30 Jun. 2018	1 Apr. - 30 Jun. 2017
Interest income	74	1 368	46	569
Other financial income	0	8 859	0	8 859
Financial income	**74**	**10 227**	**46**	**9 428**
Interest expense (1)	-8 872	-14 336	-4 443	-6 986
Refinancing costs (2)	-1 349	-263	-676	-263
Redemption fee	0	-6 334	0	-6 334
Other finance costs	-634	-1 569	-373	-1 569
Financial costs	**-10 855**	**-22 502**	**-5 492**	**-15 152**
Exchange differences on translating foreign operations (3)	-7 569	8 745	-6 191	66
Losses on translation of foreign currency financial position	0	-483	0	276
Other financial result	**-7 569**	**8 262**	**-6 191**	**342**
TOTAL	-18 350	-4 013	-11 637	-5 382

(1) The interest expenses include:

a) expenses on financial liabilities measured at amortised cost:
- interests for long term bank loan (TLB) – EUR 7 039 thousand for HY1 2018 (2017: EUR 0)
- interests for Senior Secured Notes (HYB) - EUR 0 for HY1 2018 (2017: EUR 12 666 thousand)

b) other interest expenses (insurance/factoring interests) – EUR 1 833 thousand for HY1 2018 (2017: EUR 1 670 thousand)

(2) Refinancing costs are initial cost of obtaining the loans, which are settled in time of loan being granted.

(3) Exchange differences include mainly EUR 6.3m (costs) for HY1 2018 (income of EUR 8.7m for HY1 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 HY1 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 six month period ended 30 June 2018 were EUR 27 256 thousand (including advance payments), while the capital expenditures including advance payments for the six month period ended 30 June 2017 were EUR 20 609 thousand and EUR 76 328 thousand for the entire financial year 2017.

As at 30 June 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 30 June 2018 are related to Plant concept Leutkirch, Electro filter Bison dryer Grajewo and Short stroke press 11 Grajewo.

'000 EUR	30 Jun. 2018	31 Dec. 2017
Property, plant and equipment	34 106	27 783
Intangible assets	599	863
Commitment purchase	34 705	28 646

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: Pfleiderer Polska Sp. z o.o., Pfleiderer Grajewo Sp. z o.o., Pfleiderer Wieruszów Sp. z o.o., Pfleiderer Silekol Sp. z o.o., Jura Polska Sp. z o.o. The agreement was concluded on 3 tax years, however as a result of not meeting the profitability threshold the tax group ceased to exist effective 31 March 2018.

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.

The income tax expense for the HY1 2018 in the amount of EUR 7 766 thousand presented in the statement of profit and loss included, apart from the tax for current period also additional taxes due for the year 2016 (EUR 5 332 thousand – cash effect). Moreover, the tax expenses were influenced by increase of tax liabilities for the outcome of the tax audit for years 2010-2015 conducted in Germany. In Q2 2018, as a result of final findings of tax authorities the liability was increased by EUR 2m. The total amount of the liability as at 30 June 2018 is EUR 9.2m.

9. TRADE AND OTHER RECEIVABLES

'000 EUR	30 Jun. 2018	31 Dec. 2017
Trade receivables	28 304	7 310
Trade receivables from related parties	9	13
Current prepayments and accrued income	6 724	764
Current VAT receivables	6 286	7 280
Other receivables	16 362	20 306
TOTAL	57 685	35 673

The amount of EUR 16 362 thousand of other receivables as at 30 June 2018 (EUR 20 306 thousand as at 31 December 2017) included, among others:

- EUR 12 006 thousand as at 30 June 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 30 June 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 2 366 thousand as at 30 June 2018 (EUR 3 872 thousand as at 31 December 2017) receivables related to energy regulations refund.

10. INVENTORIES

'000 EUR	30 Jun. 2018	31 Dec. 2017
Materials and merchandise	56 374	51 135
Semi-finished products and work in progress	1 858	1 749
Finished goods	45 300	42 849
Advances for deliveries	545	568
TOTAL	104 077	96 301

Inventories are presented in the consolidated statement of financial position at net realisable value, i.e. net of write-downs of EUR 10 789 thousand (31 December 2017: EUR 9 820 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:

	30 Jun. 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	6 692
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 30 June 2018 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%
Aviva OFE Aviva BZ WBK	6 241 000	9.64%	6 241 000	9.64%
*Treasury shares **(*)***	*5 396 933*	*8.34%*	*5 396 933*	*8.34%*
Other shareholders	21 405 364	33.08%	21 405 364	33.08%
TOTAL	64 701 007	100.00%	64 701 007	100.00%

(*) 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.

In accordance with the notifications received from shareholders, the following transactions took place in 2018 involving shares in Pfleiderer Group S.A.:

On 15 February 2018, the Company received a notification from its shareholder Nationale Nederlanden OFE on the sale of the Company's shares as part of the share repurchase program announced by the Company. Following the settlement of the transaction, Nationale Nederlanden OFE holds 3 102 115 shares in the Company, representing 4.79% of its share capital and entitling the holder to 3 102 115 votes at the Company's General Meeting of Shareholders, or 4.79% of the total number of votes at the Company's General Meeting of Shareholders.

(all amounts in EUR thousand)

Treasury shares repurchase programme

On 24 August 2018 the Company purchased 7 543 268 treasury shares, representing approximately 11.66% of the share capital. 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 4 August 2018. The purchase price for the treasury shares amounted to PLN 40 per one share. The total price for all of the purchased shares amounted to PLN 301 730 720. The treasury shares were purchased in connection with the implementation of the treasury share repurchase programme approved under the resolution no. 24 of the Company's Annual General Meeting of the Shareholders dated 11 June 2018.

Pursuant to the resolution of the Ordinary General Meeting of Shareholders of the Company dated 11 June 2018, the shares purchased under the programme may be: (i) redeemed; or (ii) otherwise disposed of by the Management Board of the Company, subject to a consent of the Supervisory Board, with a view to the needs resulting from the Company's business.

Prior to the above described acquisition of the treasury shares, which took place on 24 August 2018, the Company held 5 396 933 treasury shares representing approximately 8.34% of the share capital.

The total number of treasury shares purchased by the Company at the date of publication of this report is 12 940 201. The total nominal value of all purchased treasury shares is PLN 4 270 266.33, representing approximately 20% of the Company's share capital. The purchased treasury shares entitle the holder thereof to a total of 20% of the votes at the general meeting of the Company, which represents 20% of the overall number of votes in the Company, provided that the Company does not exercise the voting rights attached to the treasury shares.

The shareholder structure as of 30 September 2018 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%
Aviva OFE Aviva BZ WBK	6 241 000	9,65%	6 241 000	9,65%
Treasury shares	*12 940 201*	*20,00%*	*12 940 201*	*20,00%*
Other shareholders	13 862 096	21,42%	13 862 096	21,42%
TOTAL	64 701 007	100,00%	64 701 007	100,00%

According to the information from last General Meeting of Shareholders

Retained earnings

The negative balance of retained earnings as at 30 June 2018 results from the distribution of profits from the Parent company received as dividends, which were generated before first consolidation by subsidiaries.

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. The above motion was positively opined by the Supervisory Board of the Company on 15 May 2018.

The Ordinary General Meeting of Shareholders of the Company resolved on 11 June 2018 to allocate the net profit for the period from 1 January to 31 December 2017, amounting in total to PLN 415 542 thousand, as follows:

a) in the amount of PLN 71 164 888.80, i.e. PLN 1.20 per share, to the payment of dividends to the Company's shareholders,

b) the remaining amount to the Company's supplementary capital.

The Ordinary General Meeting of Shareholders of the Company set the date used to prepare the list of shareholders eligible to receive the above dividend (record date) for 17 June 2018. The dividend payment date was set for 11 July 2018.

As of 17 June 2018 the Company held 5 396 933 treasury shares. Pursuant to Article 364 Paragraph 2 of the Commercial Companies Code the Company did not receive any dividends as the holder of the above mentioned treasury shares.

12. BORROWINGS AND OTHER DEBT INSTRUMENTS

Non-current borrowings and other debt instruments:

'000 EUR	30 Jun. 2018	31 Dec. 2017
Bank borrowings	337 239	336 155
TOTAL	337 239	336 155

Current borrowings and other debt instruments:

'000 EUR	30 Jun. 2018	31 Dec. 2017
Current portion of bank borrowings	2 333	2 333
Other interest bearing liabilities	223	196
TOTAL	2 556	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 3 385 thousand. The Revolving Facility 1 is partially drawn for bank guarantees of EUR 2 296 thousand and PLN 520 thousand (EUR 119 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.

On 31 July 2018, the Senior Facilities Agreement originally dated 13 April 2017 was amended. The total amount of senior secured term loan B increased by EUR 95 million from EUR 350 million to EUR 445 million, the volume of the Revolving Credit Facilities remains unchanged. Final maturity dates within the senior facilities agreement remain unchanged.

Financings Core East (excluding factoring and operating leases)

'000 EUR					30 Jun. 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	1 Aug 2017	1 Aug 2022	17 084	0	17 084	18 930	0	18 930
Alior Bank S.A.	PLN	WIBOR + margin	1 Aug 2017	1 Aug 2022	18 031	0	18 031	18 878	0	18 878
Raiffeisen Bank Polska S.A.	PLN	WIBOR + margin	1 Aug 2017	1 Aug 2022	7 461	0	7 461	7 811	0	7 811
Guarantees Core East										
Bank Millenium S.A.	PLN		1 Aug 2017	1 Aug 2022	5 326	5 326		4 532	4 532	
bank guarantee/s issued in PLN					1 433	1 433		1 740	1 740	
bank guarantee/s issued in EUR					0	0		0	0	
Letter/s of Credit issued in EUR year-end [EUR 2.428.000]					0	0		2 792	2 792	
Letter/s of Credit issued in EUR actual [EUR 3.384.800]					3 893	3 893		0	0	
Limit of credit cards East										
Bank Millenium S.A.	PLN		1 Aug 2017	1 Aug 2022	457	0	457	479	0	479
TOTAL CORE EAST CREDIT FACILITIES					**48 359**	**5 326**	**43 033**	**50 630**	**4 532**	**46 098**

Financing Core West (excluding ABCP and operating leases)

'000 EUR						30 Jun. 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	1 Aug 2017	1 Aug 2022		5 000	0	5 000	5 000	0	5 000
Bank of China	EUR	EURIBOR + margin	1 Aug 2017	1 Aug 2022		10 000	0	10 000	10 000	0	10 000
Commerzbank AG	EUR	EURIBOR + margin	1 Aug 2017	1 Aug 2022	*)	7 545	0	7 545	12 370	0	12 370
Deutsche Bank AG	EUR	EURIBOR + margin	1 Aug 2017	1 Aug 2022		12 000	0	12 000	12 000	0	12 000
Raiffeisen Bank Polska S.A.	EUR	EURIBOR + margin	1 Aug 2017	1 Aug 2022		5 000	0	5 000	5 000	0	5 000
Guarantees Core West											
Commerzbank AG	EUR		1 Aug 2017	1 Aug 2022		7 455	7 455		2 630	2 630	
bank guarantee issued in EUR						2 297	2 297		2 257	2 257	
bank guarantee issued in PLN						118	118		373	373	
letter of credit issued in EUR						5 040	5 040		0	0	
Deutsche Bank AG (Ancillary – Guarantees)			1 Aug 2017	1 Aug 2022		3 000	0	3 000	3 000	0	3 000
Other debt instruments											
Term Loan B (TLB)	EUR		1 Aug 2017	1 Aug 2024		350 000	350 000	0	350 000	350 000	0
TOTAL CORE WEST CREDIT FACILITIES						**400 000**	**357 455**	**42 545**	**400 000**	**352 630**	**47 370**

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

13. PROVISIONS

For the six month period ended 30 June 2018:

'000 EUR	1 Jan. 2018	Additions	Utilisation	Release	Currency difference	30 Jun. 2018
Non-current						
Severance payments	504	418	-140	-430	0	352
Other provisions	949	14	-24	0	-17	922
Total	**1 453**	**432**	**-164**	**-430**	**-17**	**1 274**
Current						
Court proceedings (*)	3 150	550	0	0	0	3 700
OCCP penalty and related costs	9 261	0	-195	0	-409	8 657
Restructuring costs	3 144	0	-157	-304	0	2 683
Total	**15 555**	**550**	**-352**	**-304**	**-409**	**15 040**

For the six month period ended 30 June 2017:

'000 EUR	1 Jan. 2017	Additions	Utilisation	Release	Currency difference	30 Jun. 2017
Non-current						
Restructuring costs	1 926	0	-146	-79	0	1 701
Severance payments	775	529	-14	-999	0	291
Other provisions	993	0	-24	-300	0	669
Total	**3 694**	**529**	**-184**	**-1 378**	**0**	**2 661**
Current						
Court proceedings (*)	7 650	-2 500	0	-600	0	4 550
Restructuring costs	5 132	0	-1 702	-384	0	3 046
Total	**12 782**	**-2 500**	**-1 702**	**-984**	**0**	**7 596**

(*)Provision for court proceedings – the category covers the provision regarding antitrust and other court proceedings for West (for details please see Note 17). The data for HY1 2017 has been changed for comparability reasons.

14. TRADE AND OTHER PAYABLES

'000 EUR	30 Jun. 2018	31 Dec. 2017
Trade payables	114 230	112 591
Dividend liabilities	16 273	0
Liabilities under factoring agreements	31 065	38 052
Insolvency-related liabilities of PCF GmbH	7 748	7 748
VAT liabilities	2 446	898
Liabilities for capital expenditures	2 582	11 282
Prepaid deliveries	7	6
Other liabilities	14 289	12 391
TOTAL	188 640	182 968

Other liabilities as of 30 June 2018 comprised mainly of:

• tax liability related to the acquisition of EUR 5 087 thousand (EUR 5 326 thousand as of 31 December 2017),

• other tax payables of EUR 2 384 thousand (EUR 2 718 thousand as of 31 December 2017),

• provisions for the cost of emission rights EUR 589 thousand (EUR 718 thousand as of 31 December 2017) and

• other cost accruals of EUR 2 249 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 two quarters 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

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 and
- a EUR 100.0 million 5-year revolving credit facility, comprising of a EUR 50.0 million and PLN 211.48 million facility.

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.

On 31 July 2018, the Senior Facilities Agreement originally dated 13 April 2017 was amended and restated. The total amount of senior secured term loan B increased by EUR 95 million from EUR 350 million to EUR 445 million, the volume of the Revolving Credit Facilities remains unchanged.

Security interests under the Senior Facilities Agreement originally dated 13 April 2017 (and having been amended and restated on 31 July 2018) (Polish entities)

In order to secure the new obligations under the senior facilities agreement originally dated 13 April 2017 and having been amended and restated on 31 July 2018, 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 originally dated 13 April 2017, and having been amended and restated on 31 July 2018, 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 originally dated 13 April 2017, and having been amended and restated on 31 July 2018, 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 originally dated 13 April 2017 (and having been amended and restated on 31 July 2018) (German entities)

Following the initial utilization of the facilities under the senior facilities agreement originally dated 13 April 2017, and having been amended and restated on 31 July 2018, 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 alias, 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 originally dated 13 April 2017, and having been amended and restated on 31 July 2018, the following security interests have been granted for the benefit of the lenders, whereby Wilmington Trust (London) Limited is acting as new security agent (the "New Security Agent"):

(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 senior facilities agreement (as amended and restated), 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 dated 13 April 2017 (as amended and restated).

17. CONTINGENT LIABILITIES

As at 30 June 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, German insolvency code (Alno case) 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.

The Company and Pfleiderer Wieruszów Sp. z o.o., established provisions 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. As of 30 June 2018 the provisions amount to PLN 37 858 thousand. 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 con-nection with these antitrust violations. The companies are seeking compensation in connection with these antitrust violations. The outcome of the respective extrajudicial negotiations or proceedings is difficult to predict. Based on its best knowledge the Management estimated as of 30 June 2018 a provision related to antitrust violations of EUR 3 700 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 has postponed the decision till 4 October 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 30 June 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 3 700 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 at this moment. The higher regional court in Celle has postponed its decision till 15 October 2018. As at 30 June 2018 the Management based on its best knowledge recognised a provision for the expected outcome, which is included in the total amount of EUR 3 700 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.

After the reporting period Pfleiderer Deutschland GmbH (Pfleiderer) received the letter from the insolvency administrator of Alno Aktiengesellschaft (Alno), dated 24 July 2018 in which he challenges all payments made by Alno to Pfleiderer Deutschland GmbH (Pfleiderer) for delivery of Pfleiderer's products from 30 June 2014 to 6 July 2017 in a total amount of EUR 19 346 thousand. With respect to all payments made within three months prior to the filing for opening of insolvency proceedings he argues that they are subject to the three months claw-back right (sec. 130 German Insolvency Code). With respect to the remaining payments made within four years prior to the filing for opening of insolvency proceedings he argues that they are subject to the claw-back right for intended damage (sec. 133 German Insolvency Code). The insolvency administrator bases both claw-back claims on the assumption that Alno was illiquid during the whole claw-back period and Pfleiderer was aware of it. The insolvency administrator relies on a – to Pfleiderer unknown - expert's opinion regarding Alno being illiquid during the claw-back period. Based on the facts known so far it is not possible to estimate in a reliable way an amount of the alleged claw-back claim for which it is more likely than not that Pfleiderer has to pay it. Company and its legal advisors will further check the claim and all related documentation but at this stage the alleged claw-back claim is an uncertain liability. In case of a litigation the Management estimated the cost for lawyers and the court and created the provision as at 30 June 2018 in the amount of EUR 550 thousand.

Tax risk:

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.

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 30 June 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 30 June 2018 no provision has been recognized by the Group in these consolidated financial statements.

Moreover the Group has tax liabilities for the outcome of the tax audit for years 2010-2015 conducted in Germany amounting to EUR 9.2 million (increase of EUR 2m in comparison to 31 December 2017 as a result of final findings of tax audit).

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 30 June 2018 the Management Board consists of Tom K. Schäbinger (President and CEO), Dirk Hardow (COO), Ivo Schintz (CCO) and Dr. Nico Reiner (CFO).

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

'000 EUR	1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2017
Remuneration of Management Board	1 942	1 021
Remuneration of Supervisory Board	318	365
TOTAL	2 260	1 386

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 30 June 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 took 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 took 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 376 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

On 31 July 2018, the Senior Facilities Agreement originally dated 13 April 2017 was amended and restated. The total amount of senior secured term loan B increased by EUR 95 million from EUR 350 million to EUR 445 million, the volume of the Revolving Credit Facilities remains unchanged. Final maturity dates within the senior facilities agreement remain unchanged.

After the reporting period Pfleiderer Deutschland GmbH received the letter from the insolvency administrator of Alno AG, former client of Pfleiderer, in which the insolvency administrator submitted the claims against Pfleiderer amounting to EUR 19 346 thousand. The insolvency administrator of Alno AG contests the payments resulting from the commercial contracts, made by Alno AG to Pfleiderer after 30 June 2014 until opening the insolvency proceeding on 1 October 2017, and requests the return of the payments in the above-mentioned amount by Pfleiderer to the insolvency administrator of Alno AG. The Management is currently verifying the legal basis and merits of the above described claims.

On 24 August 2018 the Company purchased 7 543 268 treasury shares. The treasury shares were purchased in connection with the implementation of the treasury shares repurchase programme approved under the resolution of the Company's Annual General Meeting of the Shareholders dated 11 June 2018. The total number of treasury shares purcjased by the Company at the date of the publication of this report is 12 940 201, representing approximately 20% of the Company's share 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, 30 September 2018

Deloitte Audyt
Spółka z ograniczoną odpowiedzialnością Sp. k.
al. Jana Pawła II 22
00-133 Warszawa
Polska

Tel.: +48 22 511 08 11
Fax: +48 22 511 08 13
www.deloitte.com/pl

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed financial statements of Pfleiderer Group S.A. with its registered office in Wrocław, Strzegomska 42 AB (hereinafter: the "Company"), comprising: the condensed statement of financial position prepared as at 30 June 2018, condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows for the period from 1 January 2018 to 30 June 2018 and selected explanatory notes ("interim condensed financial statements").

The Management Board of the Company is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 "*Interim Financial Reporting"* announced in the form of Commission Regulations.

Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with National Standard on Review Engagements 2410 in line with the wording of International Standard on Review Engagements 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* adopted by Resolution No. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018.

A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing in line with the wording of International Standards on Auditing adopted by Resolution No. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim condensed financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 *"Interim Financial Reporting"* announced in the form of Commission Regulations.

Auditor conducting the review on behalf of Deloitte Audyt spółka z ograniczoną odpowiedzialnością sp. k. — entity entered under number 73 on the list of auditors kept by the National Council of Statutory Auditors:

Marcin Diakonowicz
Certified auditor
No. 10524

Warsaw, 30 September 2018

This Report is an English version of the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

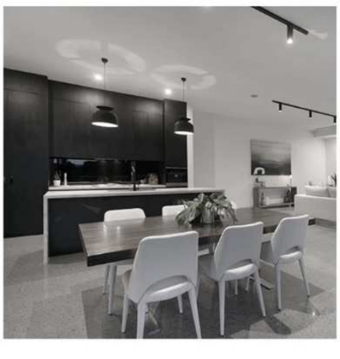
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/pl/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

District Court for the city of Warsaw, XII Business Division of the National Court Register, KRS No. 0000446833, NIP: 527-020-07-86, REGON: 010076870

PFLEIDERER

PFLEIDERER GROUP S.A.



UNAUDITED INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE- AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

TABLE OF CONTENTS

(all amounts in PLN thousand)

UNAUDITED INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE- AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

UNAUDITED INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL POSITION

Assets	Note	30 June 2018	31 December 2017
Property, plant and equipment	3	302	318
Interests in subsidiaries	4	2,109,775	2,109,775
Other non-current financial assets		75	75
Non-current loans advanced	4	-	108,213
Deferred tax assets		865	-
Non-current assets		**2,111,017**	**2,218,381**
Current loans advanced	4	28,862	-
Trade and other receivables	5	85,389	59,577
Income tax receivables		551	13
Cash and cash equivalents		8,299	4,413
Current assets		**123,101**	**64,003**
Total assets		**2,234,118**	**2,282,384**
Equity and liabilities			
Equity			
Share capital	6	21,351	21,351
Share premium		625,240	625,240
Reserves		622,533	358,023
Retained earnings		50,415	438,624
Total equity		**1,319,539**	**1,443,238**
Liabilities			
Employee benefit liabilities		128	128
Deferred tax liabilities		-	3,993
Non-current liabilities		**128**	**4,121**
Loans and borrowings	7	704,081	639,582
Liabilities to related parties under debt securities	9	85,902	146,869
Income tax liabilities		-	200
Trade and other payables	8	121,773	47,028
Employee benefit liabilities		2,695	1,346
Current liabilities		**914,451**	**835,025**
Total liabilities		**914,579**	**839,146**
Total equity and liabilities		2,234,118	2,282,384

(all amounts in PLN thousand)

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

	1 Jan 2018 – 30 Jun 2018	1 Jan 2017 – 30 Jun 2017	1 Apr 2018 – 30 Jun 2018	1 Apr 2017 – 30 Jun 2017
Other operating income	5,729	1,544	2,935	755
General and administrative expenses	(13,064)	(17,198)	(6,007)	(8,517)
Other operating expenses	(98)	(957)	(46)	(924)
(Loss) from operating activities	**(7,433)**	**(16,611)**	**(3,118)**	**(8,686)**
Financial income	74,564	378,206	70,959	338,995
Financial expenses	(44,517)	(17,780)	(31,948)	(10,903)
Net financing income	**30,047**	**360,426**	**39,011**	**328,092**
Profit before tax	**22,614**	**343,815**	**35,893**	**319,406**
Income tax expense	4,719	(1,738)	5,363	3,616
Net profit for the reporting period	27,333	342,077	41,256	323,022

Other comprehensive income Items that may not be reclassified subsequently to profit or loss:				
Incentive program	1,412	-	706	-
Other comprehensive income	1,412	-	706	-
Total comprehensive income for the period	28,745	342,077	41,962	323,022
Basic and diluted earnings per share (in PLN)	0.46	5.29	0.70	4.99

(all amounts in PLN thousand)

UNAUDITED INTERIM CONDENSED STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserves	Other reserves	Cash flow hedge	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 profit	-	-	-	-	-	-	-	27,333	27,333
Other comprehensive income	-	-	-	-	-	1,412	-	-	1,412
Comprehensive income for the period	-	-	-	-	-	1,412	-	27,333	28,745
Transactions with owners recognized in equity									
Transfer of part of the net profit for 2017 to dividend payout	-	-	-	-	-	-	-	(71,165)	(71,165)
Transfer of part of the net profit for 2017 to statutory reserves	-	-	344,377	-	-	-	-	(344,377)	-
Other reserve capital allocated to purchase of own shares	-	-	(353 536)	353 536	-	-	-	-	-
Share repurchase	-	-	-	(81,279)	-	-	-	-	(81,279)
Transactions with owners recognized in equity	**-**	**-**	**344,377**	**(81,279)**	**-**	**-**	**-**	**(415,542)**	**(152,444)**
As at 30 June 2018	21,351	625,240	95,445	509,555	15,870	1,602	61	50,415	1,319,539

(all amounts in PLN thousand)

	Share capital	Share premium	Statutory reserves	Reserve for own shares	Cash flow hedge	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	-	-	-	-	-	-	-	342,077	342,077
Other comprehensive income	-	-	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-		-	-	342,077	342,077
Transactions with owners recognized in equity									
Transfer of part of the net profit for 2016 to dividend payout	-	-	-	-	-	-	-	(71,171)	(71,171)
Transfer of part of the net profit for 2016 to statutory reserves	-	-	135,885	-	-	-	-	(135,885)	-
Other reserve capital allocated to purchase of own shares	-	-	(250,000)	250,000	-	-	-	-	-
Transactions with owners recognized in equity	**-**	**-**	**(114,115)**	**250,000**	**-**	**-**	**-**	**(207,056)**	**(71,171)**
As at 30 June 2017	21,351	625,240	104,604	390,000	15,870	-	-	365,159	1,522,224

(all amounts in PLN thousand)

UNAUDITED INTERIM CONDENSED STANDALONE STATEMENT OF CASH FLOWS

	1 Jan 2018 – 30 Jun 2018	1 Jan 2017 – 30 Jun 2017
Cash flows from operating activities		
Net profit	**27,333**	**342,077**
Adjustments	**(24,935)**	**(352,844)**
Depreciation and amortization	16	19
Foreign exchange losses/(gains)	31,001	(23,195)
Dividends and interest for the period	(61,048)	(337,231)
Income tax expense	(4,719)	1,738
Changes in working capital:		
Movement in trade and other receivables	8,844	(3,801)
Movement in inventories	-	(7)
Movement in trade and other payables	(1,790)	10,807
Movement in employee benefit liabilities	1,349	(1,174)
Other adjustments	1,412	-
Cash flows from operating activities	**2,398**	**(10,767)**
Interest received	18	10
Interest paid	(1)	-
Income tax paid	(878)	1,050
Net cash from operating activities	**1,537**	**(9,707)**
Cash flows from investing activities		
Dividends received	41,474	-
Acquisition of a subsidiary	(222)	-
Acquisition of property, plant and equipment and intangible assets	-	(4)
Proceeds from repayment of loans advanced	82,000	-
Net cash flows from investing activities	**123,252**	**(4)**
Cash flows from financing activities		
Redemption of debt securities	(1,273,652)	(793,938)
Issue of debt securities	1,212,734	805,885
Draw-down of loans and borrowings from subsidiaries	37,305	-
Other financial proceeds	410	-
Repurchase of own shares	(81,279)	-
Interest paid	(15,443)	(4,932)
Other financial expenditures	(979)	-
Net cash flows from financing activities	**(120,904)**	**7,015**
Total net cash flows	**3,885**	**(2,696)**
Balance sheet change in cash, including:	**3,885**	**(2,696)**
Net cash flow	3,885	(2,696)
Cash and cash equivalents at the beginning of the reporting period	4,413	4,677
Cash at the end of the period	8,298	1,981

NOTES TO THE UNAUDITED INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Pfleiderer Group S.A. ("Company") is the Parent and a holding company domiciled in Poland whose shares are publicly traded.

The Company has been registered by the District Court of Białystok, 12th Commercial Division of the National Court Register, under entry no. KRS 0000011422.

The Company's registered office is Wrocław at ul. Strzegomska 42AB.

As at 30 June 2018, Pfleiderer Group S.A. was the Parent of the following companies:

- PCF GmbH with its registered office in Neumarkt, Germany,
- Pfleiderer Polska Sp. z o.o. with its registered office in Wrocław.

Moreover, as at 30 June 2018, Pfleiderer Group S.A. held a 100% stake in Blitz 11-446 GmbH (of which 50% directly and 50% indirectly through PCF GmbH).

2. BASIS OF PREPARATION

a) Compliance statement

These interim condensed standalone financial statements have been prepared in accordance with the requirements of IAS 34 "Interim financial reporting", as endorsed by the European Union, and in accordance with the Minister of Finance Regulation of 19 February 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: Journal of Laws of 2014 Item 133) ("Regulation").

The Company's interim condensed standalone financial statements are published along with the interim condensed consolidated financial statements of the Pfleiderer Group S.A. Group. In order to gain a full understanding of the Company's financial result and financial standing, these financial statements should be read in conjunction with the said interim condensed consolidated financial statements of the Pfleiderer Group S.A. Group.

The presentation currency of the Company's financial statements is the Polish zloty. All values, unless indicated otherwise, have been rounded to thousands.

The Company's interim condensed standalone financial statements for the period from 1 January 2018 to 30 June 2018 were approved for publication by the Company's Management Board on 30 September 2018.

b) Description of adopted accounting principles

These interim condensed standalone financial statements have been prepared in accordance with the accounting principles (policy) described in the audited financial statements of Pfleiderer Group S.A. for the financial year ended 31 December 2017.

The accounting policy adopted by the Company was applied to all periods presented in these interim condensed financial statements, except in certain specific cases, as described below.

In the period from 1 January 2018 to 30 June 2018, the Company recognized income from the reversal of provisions and costs from the additions to provisions in general and administrative expenses, because the movement in provisions, resulting in the recognition of such income and costs, pertains to general and administrative expenses. In order to ensure the comparability of data presented in the financial statements, the following restatements of comparative data have been made:

(all amounts in PLN thousand)

- other operating expenses recognized for the period from 1 January 2017 to 30 June 2017 in the amount of PLN 1,054 thousand have been decreased by PLN 97 thousand and presented in these financial statements in the amount of PLN 957 thousand,
- general and administrative expenses recognized for the period from 1 January 2017 to 30 June 2017 in the amount of PLN 17,101 thousand have been increased by PLN 97 thousand and presented in these financial statements in the amount of PLN 17,198 thousand,
- other operating expenses recognized for the period from 1 April 2017 to 30 June 2017 in the amount of PLN 896 thousand have been increased by PLN 28 thousand and presented in these financial statements in the amount of PLN 924 thousand,
- general and administrative expenses recognized for the period from 1 April 2017 to 30 June 2017 in the amount of PLN 8,545 thousand have been increased by PLN 28 thousand and presented in these financial statements in the amount of PLN 8,517 thousand.

c) Accounting estimates and assumptions

The preparation of interim financial statements in compliance with EU IFRS requires the Management Board to make estimates and assumptions that affect the adopted accounting policy and the presented values of assets, liabilities, revenues and costs, the actual values of which may differ from the estimated values.

All estimates and related assumptions are revised on an ongoing basis. A change in accounting estimates is recognized in the period in which the estimate was changed or in the current and future periods if the change in the estimate applies both to the current period and to future periods.

The Company reviews its assets on an ongoing basis and, if necessary, recognizes impairment losses in its statement of profit and loss. Furthermore, the lives of fixed assets are periodically reviewed along with factors affecting the recoverable amount of non-current assets. The amount of provisions resulting from future retirement and disability pension liabilities is determined using the actuarial method based on the adopted assumptions.

In the period from 1 January 2018 to 30 June 2018, there was no significant change in any material estimates or judgments made in respect of the Company's most recent annual standalone financial statements for the financial year ended 31 December 2017.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 30 June 2018 consist of, without limitation, IT hardware and office equipment.

4. INVESTMENTS IN SUBSIDIARIES

The Company's investments in subsidiaries comprise:

	30 June 2018	31 December 2017
Interests in subsidiaries	2,109,775	2,109,775
Non-current loans advanced to subsidiaries	-	108,213
Current loans advanced to subsidiaries	28,862	-
	2,138,637	2,217,988

In the period from 1 January 2018 to 30 June 2018, Pfleiderer Group S.A. accrued interest of PLN 2,649 thousand on loans advanced.

(all amounts in PLN thousand)

On 29 June 2018, Pfleiderer MDF Grajewo Sp. z o.o. transferred PLN 82,000 thousand to the Pfleiderer Group S.A. as repayment of the loans advanced to it.

In accordance with the agreement entered into by and between Pfleiderer Group S.A. and Pfleiderer MDF Grajewo Sp. z o.o., the loan repayment date falls on 28 February 2019, hence as at the reporting date the loan is presented in current receivables.

5. TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
Trade receivables and advances from other parties	15	-
Trade receivables and advances from related parties	13,854	17,630
Dividend receivables from related parties	66,616	41,472
Current prepayments and accrued income	4,847	137
Current VAT receivables	2	200
Other receivables	55	138
Total	85,389	59,577

6. EQUITY

Share capital

	30 June 2018	31 December 2017
Par value of share capital in PLN	21,351,332	21,351,332
Number of ordinary shares	64,701,007	64,701,007
Par value per share (in PLN)	0.33	0.33

In the reporting period, the Company did not record any changes in its share capital.

Statutory reserves

	30 June 2018	31 December 2017
Statutory reserves in PLN	95,445	104,604
Other reserves	509,555	237,298

On 11 June 2018, the Company's Ordinary General Meeting of Shareholders adopted Resolution No. 4 on the distribution of net profit earned in the period from 1 January 2017 to 31 December 2017, under which a portion of the profit in the amount of PLN 344,377 thousand was allocated to the Company's statutory reserves.

On the same day the Company's Ordinary General Meeting of Shareholders adopted Resolutions No. 24 and 25 regarding the approval of the share purchase program and creation of reserve capital intended for its implementation. It was decided to transfer the reserve capital created under Resolution No. 9 of the Ordinary General Meeting of the Company on 21 June 2017 in the amount of PLN 156,019 thousand for reserve capital created for purpose of implementation the Program, thus dissolving the reserve capital created pursuant to Resolution No. 9. In addition, it was decided to transfer the amount of PLN 164,072 thousand and PLN 189,465 thousand from the supplementary capital (from the funds of this capital derived from profits, which may be allocated for the dividends payment) to reserve capital created for the purposes of the program implementation.

(all amounts in PLN thousand)

Shareholder structure

The shareholding structure as at the reporting date was as follows:

Shareholder structure as at 30 June 2018	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM
Strategic Value Partners LLC	19,183,149	29.65%	19,183,149	29.65%
Atlantik S.A.	12,474,561	19.28%	12,474,561	19.28%
Aviva OFE Aviva BZ WBK	6,241,000	9.65%	6,241,000	9.65%
Pfleiderer Group S.A.	5,396,933	8.34%	5,396,933	8.34%
Other shareholders	21,405,364	33.08%	21,405,364	33.08%
Total	64,701,007	100%	64,701,007	100%

In accordance with the notifications received from shareholders, the following transactions took place in 2018 involving shares in Pfleiderer Group S.A.:

On 15 February 2018, the Company received a notification from its shareholder Nationale Nederlanden OFE on the sale of the Company's shares as part of the share repurchase program announced by the Company. Following the settlement of the transaction, Nationale Nederlanden OFE holds 3,102,115 shares in the Company, representing 4.79% of its share capital and entitling the holder to 3,102,115 votes at the Company's General Meeting of Shareholders, or 4.79% of the total number of votes at the Company's General Meeting of Shareholders.

Share repurchase program

On 12 October 2017, the Company repurchased 3,235,050 of its own shares. The repurchase of the shares was based on an invitation to submit offers for the sale of the shares in the Company announced by the Company on 20 September 2017. Furthermore, the repurchase of the shares was made in connection with the share repurchase program approved by a resolution adopted by the Ordinary General Meeting of Shareholders on 21 June 2017. The purchase price was PLN 47 per share. The total price of all the purchased shares was PLN 152,047,350. The costs associated with the repurchase of the shares stood at PLN 654 thousand.

On 7 February 2018, the Company repurchased 2,150,883 shares with a par value of PLN 0.33 each. The purchase price was PLN 37.50 per share. The total price for all of the purchased shares was PLN 80,658,112.50.

On 27 February 2018, the Company repurchased 11,000 shares with a par value of PLN 0.33 each. The purchase price was PLN 37.50 per share. The total price for all of the purchased shares was PLN 412,500.00.

The total number of shares repurchased by the Company as at 30 June 2018 was 5,396,933. The total par value of all repurchased shares was PLN 1,780,987.89, representing 8.34% of the Company's share capital.

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

On 24 August 2018 the Company purchased 7 543 268 treasury shares, representing approximately 11.66% of the share capital. 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 4 August 2018. The purchase price for the treasury shares amounted to PLN 40 per one share. The total price for all of the purchased shares amounted to PLN 301 730 720. The treasury shares were purchased in connection with the implementation of the treasury share repurchase programme approved under the resolution no. 24 of the Company's Annual General Meeting of the Shareholders dated 11 June 2018.

(all amounts in PLN thousand)

Pursuant to the resolution no. 24 of the Ordinary General Meeting of Shareholders of the Company dated 11 June 2018, the shares purchased under the programme may be: (i) redeemed; or (ii) otherwise disposed of by the Management Board of the Company, subject to a consent of the Supervisory Board, with a view to the needs resulting from the Company's business.

After purchasing the shares, as at the date of publication of this report, the Company holds 12,940,201 dematerialized ordinary bearer shares with a nominal value of PLN 0.33 representing 20% of the Company's share capital and is entitled to 12,940,201 votes at the general meeting of the Company.

Shareholder structure as at the publication date	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM
Strategic Value Partners LLC	19,183,149	29.65%	19,183,149	29.65%
Atlantik S.A.	12,474,561	19.28%	12,474,561	19.28%
Aviva OFE Aviva BZ WBK	6,241,000	9.65%	6,241,000	9.65%
Pfleiderer Group S.A.	12,940,201	20,00%	12,940,201	20%
Other shareholders	13,862,096	21,42%	13,862,096	21,42%
Total	64,701,007	100%	64,701,007	100%

*) According to data from last General Meeting of Shareholders

Dividends

On 11 June 2018, the Company's Ordinary General Meeting of Shareholders adopted Resolution No. 4 on the distribution of net profit earned in the period from 1 January 2017 to 31 December 2017, under which a portion of the profit in the amount of PLN 71,165 thousand was allocated to a dividend payout to the Company's shareholders in the amount of PLN 1.20 per share.

7. LOANS AND BORROWINGS

	30 June 2018	31 December 2017
Current liabilities		
Loans from related parties	154,304	108,935
Other financial liabilities	549,777	530,647
Total	704,081	639,582

Senior Facilities Agreement – entered into force on 1 August 2017

As part of its efforts aimed at optimizing the financing structure of the Pfleiderer Group, 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 ("Security Agent") and others entered into a EUR 450,000 thousand senior facilities agreement, the initial utilization of which took place on 1 August 2017. Pfleiderer used the amounts of these facilities to repay its secured senior notes issued on 27 June 2014 (PCF GmbH) and repay existing loans under the credit facility agreements originally dated 4 July 2014 and for general corporate purposes and working capital requirements of the Group.

The EUR 450,000 thousand is divided into Term Loan B ("TLB") of EUR 350,000 thousand (PCF GmbH) with a tenor of seven years (fully drawn) and the Revolving Credit Facilities with a tenor of five years amounting to EUR 50,000 thousand (Revolving Facility 1) and PLN 211,480 thousand (Revolving Facility 2).

As at the reporting date, these Revolving Credit Facilities were not drawn in cash, whilst bank guarantees were issued under Revolving Facility 2 for the total amount of PLN 6,265 thousand as well as Letters of Credit in the amount of PLN 14,763 thousand (EUR 3,385 thousand). Revolving Facility 1 has been partially drawn for bank guarantees of EUR 2,296 thousand and PLN 520 thousand (EUR 119 thousand) as well as Letters of Credit in the amount of EUR 5,040 thousand. Interest on cash drawings is accrued at EURIBOR (for drawings in EUR) plus margin, WIBOR (for drawings in PLN) plus margin or LIBOR (for drawings in other currencies) plus margin.

(all amounts in PLN thousand)

The repayment terms and schedules of bank loans as at 30 June 2018 were as follows:

Lender	Borrower	Currency	Interest rate	Date of repayment	Credit limit	Amount drawn	Amount available
					As at 30 June 2018		
Credit facilities							
Bank Millennium S.A.	Pfleiderer Group S.A., Pfleiderer Polska Sp. z o.o., Pfleiderer Grajewo Sp. z o.o., Pfleiderer Wieruszów Sp. z o.o., Pfleiderer MDF Grajewo Sp. z o.o., Pfleiderer Silekol Sp. z o.o.	PLN	WIBOR 1M + margin	1 August 2022	76,972	-	76,972
Alior Bank S.A.	Pfleiderer Group S.A., Pfleiderer Polska Sp. z o.o., Pfleiderer Grajewo Sp. z o.o., Pfleiderer Wieruszów Sp. z o.o., Pfleiderer MDF Grajewo Sp. z o.o., Pfleiderer Silekol Sp. z o.o.	PLN	WIBOR 1M + margin	1 August 2022	78,852	-	78,852
Raiffeisen Bank Polska S.A.	Pfleiderer Group S.A., Pfleiderer Polska Sp. z o.o., Pfleiderer Grajewo Sp. z o.o., Pfleiderer Wieruszów Sp. z o.o., Pfleiderer MDF Grajewo Sp. z o.o., Pfleiderer Silekol Sp. z o.o.	PLN	WIBOR 1M + margin	1 August 2022	32,628	-	32,628
Guarantees							
Bank Millennium S.A.	Pfleiderer Group S.A., Pfleiderer Polska Sp. z o.o., Pfleiderer Grajewo Sp. z o.o., Pfleiderer Wieruszów Sp. z o.o., Pfleiderer MDF Grajewo Sp. z o.o., Pfleiderer Silekol Sp. z o.o.	PLN		1 August 2022	21,028	21,028	-
Limit on credit cards							
Bank Millennium S.A.	Pfleiderer Group S.A., Pfleiderer Polska Sp. z o.o., Pfleiderer Grajewo Sp. z o.o., Pfleiderer Wieruszów Sp. z o.o., Pfleiderer MDF Grajewo Sp. z o.o., Pfleiderer Silekol Sp. z o.o.	PLN		1 August 2022	2,000	70	1,930
					211,480	21,098	190,382

(all amounts in PLN thousand)

Loans from related parties

On 25 September 2017, PCF GmbH as the lender and Pfleiderer Group S.A. as the borrower entered into a loan agreement for EUR 36,849 thousand. The purpose of the agreement was to provide financing for the repurchase of own shares. The amount of the loan was transferred on 2 October 2017.

On 16 March 2018, Pfleiderer Group S.A. repaid EUR 293 thousand in interest on the loan.

As at 30 June 2018, Pfleiderer Group S.A.'s debt under the loan was EUR 26,253 thousand (PLN 114,507 thousand).

On 30 January 2018, PCF GmbH as the lender and Pfleiderer Group S.A. as the borrower entered into a loan agreement for EUR 15,000 thousand. The purpose of the agreement was to provide financing for the repurchase of own shares. The loan was transferred on 2 February 2018. Subsequently, on 6 February 2018, an unused amount of EUR 6,000 thousand was repaid to the lender.

As at 30 June 2018, Pfleiderer Group S.A.'s debt under the loan was EUR 9,124 thousand (PLN 39,797 thousand).

Other financial liabilities

In connection with the acquisition of the subsidiary PCF GmbH, on 5 October 2015 Pfleiderer Group S.A. entered into an agreement with Atlantik S.A. under which Pfleiderer Group S.A. took over Atlantik S.A.'s obligation to Pfleiderer Service GmbH (on 1 June 2016 Pfleiderer Service GmbH merged with PCF GmbH) regarding sale, by Pfleiderer Service GmbH to Atlantik S.A., of all shares in Pfleiderer Group S.A. held by Pfleiderer Service GmbH after the settlement of the Private Placement.

On 16 March 2018, Pfleiderer Group S.A. repaid EUR 3,050 thousand in interest on the loan.

As at 30 June 2018, Pfleiderer Group S.A.'s debt under the loan was EUR 126,049 thousand (PLN 549,777 thousand).

8. TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
Trade payables to other parties	2,766	1,948
Trade payables to related parties	3,079	3,434
Dividend payables	71,165	-
Liabilities on account of a penalty imposed by OCCP	17,006	17,418
Current VAT liabilities	282	1,815
Other payables	27,475	22,413
Total	121,773	47,028

9. LIABILITIES TO RELATED PARTIES UNDER DEBT SECURITIES

	30 June 2018	31 December 2017
Liabilities to related parties under debt securities	85,902	146,869
Total	85,902	146,869

Liabilities on account of debt securities in the amount of PLN 85,902 thousand as at 30 June 2018 (PLN 146,869 thousand as at 31 December 2017) result from outstanding commercial securities in the form of short-term bonds. The notes have been purchased by the subsidiary Pfleiderer Wieruszów Sp. z o.o.

(all amounts in PLN thousand)

The notes were issued under a bond issue agreement entered into with a bank. The maximum amount of simultaneous issues under the bond issue program is PLN 500,000 thousand.

10. FINANCIAL INSTRUMENTS

The fair values of financial assets and liabilities approximate their carrying amounts as at 30 June 2018 and 31 December 2017.

11. CONTINGENT LIABILITIES AND SECURITY

As at 30 June 2018, the Company did not recognize any material contingent liabilities.

12. MATERIAL RELATED PARTY TRANSACTIONS

Pfleiderer Group S.A.'s transactions with related parties in the periods from 1 January 2018 to 30 June 2018 and from 1 January 2017 to 30 June 2018 were as follows:

1 Jan 2018 – 30 Jun 2018					
Related party	Revenue from sales of services	Financial income	Dividend income	Purchase of services	Finance costs
Pfleiderer MDF Grajewo Sp. z o.o.	45	2,649	-	-	-
Pfleiderer Wieruszów Sp. z o.o.	729	1	-	10	1,299
Pfleiderer Silekol Sp. z o.o.	44	1	-	-	-
Pfleiderer Grajewo Sp. z o.o.	48	1	-	15	-
PCF GmbH	755	5,277	-	888	10,803
Pfleiderer Polska Sp. z o.o.	6,966	-	66,616	443	-
Pfleiderer Deutschland GmbH	755	-	-	81	-
Total	9,342	7,929	66,616	1,437	12,102

1 Jan 2017 – 30 Jun 2017					
Related party	Revenue from sales of services	Financial income	Dividend income	Purchase of services	Finance costs
Pfleiderer MDF Grajewo Sp. z o.o.	167	2,724	-	1	-
Pfleiderer Wieruszów Sp. z o.o.	333	349	-	37	1,105
Pfleiderer Silekol Sp. z o.o.	89	205	-	-	
Pfleiderer Grajewo Sp. z o.o.	210	95	-	118	-
PCF GmbH	-	-	336,318	7,234	11,767
Pfleiderer Polska Sp. z o.o.	1,387	-	773	77	-
Pfleiderer Deutschland GmbH	691	-	-	300	-
Total	2,877	3,373	337,091	7,767	12,872

(all amounts in PLN thousand)

As at 30 June 2018 and 31 December 2017, the balance of the Company's settlements with related parties was as follows:

a) financial, trade and other receivables:

Related party	30 June 2018 Loans advanced	30 June 2018 Dividend receivables	30 June 2018 Trade receivables	31 December 2017 Loans advanced	31 December 2017 Dividend receivables	31 December 2017 Trade receivables
Pfleiderer MDF Grajewo Sp. z o.o.	28,862	-	54	108,213	-	14
Pfleiderer Wieruszów Sp. z o.o.	-	-	54	-	-	141
Pfleiderer Polska Sp. z o.o.	-	66,616	2,196	-	41,472	12,350
Pfleiderer Silekol Sp. z o.o.	-	-	54	-	-	89
Jura Polska Sp. z o.o.	-	-	-	-	-	24
Pfleiderer Grajewo Sp. z o.o.	-	-	56	-	-	52
PCF GmbH	-	-	10,112	-	-	4,169
Pfleiderer Deutschland GmbH	-	-	1,328	-	-	791
Total	28,862	66,616	13,854	108,213	41,472	17,630

b) financial, trade and other liabilities:

Related party	30 June 2018 Balance of financial liabilities (bonds, loans)	30 June 2018 Balance of trade liabilities	31 December 2017 Balance of financial liabilities (bonds, loans)	31 December 2017 Balance of trade liabilities
Pfleiderer Wieruszów Sp. z o.o.	85,902	1	146,869	-
Pfleiderer Polska Sp. z o.o.	-	190	-	1,147
Pfleiderer Silekol Sp. z o.o.	-	-	-	40
Pfleiderer Grajewo Sp. z o.o.	-	6	-	9
PCF GmbH	704,081	2,636	639,583	2,081
Pfleiderer Deutschland GmbH	-	246	-	157
Total	789,983	3,079	786,452	3,434

All transactions with related parties were executed on an arm's length basis.

Remuneration of members of the Management and Supervisory Boards

The remunerations of Members of Pfleiderer Group S.A.'s Management Board and Supervisory Board (including bonuses), paid and payable, for the reporting period were as follows:

	1 Jan 2018 – 30 Jun 2018	1 Jan 2017 – 30 Jun 2017
Remunerations of Management Board Members	4,355	3,339
Remunerations of Supervisory Board Members	1,342	1,557
Total	5,697	4,896

As at 30 June 2018 and 31 December 2017, Members of the Pfleiderer Group S.A. Management Board and Supervisory Board did not have any outstanding debt toward the Company under any loans.

Long-term incentive program

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

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

A detailed description of the program was provided by the Company in its annual standalone financial statements for 2017.

In the period from 1 January 2018 to 30 June 2018, the Company recognized PLN 1,412 thousand in expenses related to the Program.

13. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Dividend payout for 2017

On 10 July 2018, the Company paid a dividend for 2017 in the amount of PLN 71,165 thousand, or PLN 1.20 per share, to its shareholders.

Repurchase and issue of debt securities

In order to optimizing the Group's financial liquidity management Pfleiderer Group S.A. after 30 June 2018 carried out 6 issues of commercial paper in a form of short-term notes. The notes were issued under agreement executed with Bank PEKAO S.A. in accordance with a Polish Bonds Act of 29 June 1995 r. as PLN-denominated, unsecured, zero-coupon bearer securities. The notes are redeemed at par value. The notes were acquired by subsidiary Pfleiderer Wieruszów Sp. z o.o. and Pfleiderer Polska Sp. z o.o. As a result of these transactions, Pfleiderer Group S.A. will pay interests in amount of PLN 294 thousand.

Receipt of a dividend from a subsidiary

On 25 July 2018, the General Meeting of Shareholders of PCF GmbH adopted a resolution under which it distributed a dividend to Pfleiderer Group S.A. in the amount of EUR 1,719 thousand (PLN 7,399 thousand). The dividend was settled on 31 July 2018 under a separate agreement by setting off the above receivable against a loan obtained from PCF GmbH.

Changes to the terms of Senior Facilities Agreement

On 31 July 2018, Pfleiderer Group S.A. and it's subsidiary PCF Gmbh obtained additional financing by singing an agreement amending the terms of the Senior Facilities Agreement dated on 13 April 2017.

The changes came into force on 2 August 2018. The total amount of the secured senior term loan B ("TLB") was increased from EUR 350,000 thousand up to EUR 445,000 thousand (PCF GmbH). Amounts of Revolving Credit Facilities in the amount of EUR 50,000 thousand and PLN 211,480 thousand have not changed.

Loan agreement with related party

On 8 August 2018 Pfleiderer Group S.A. sign an loan agreement with its subsidiary PCF GmbH under which Pfleiderer Group S.A. received EUR 95,000 thousand. The funds obtained were used to finance the share buy back program carried out on 24 August 2018.

Repurchase of own shares

On 24 August 2018 the Company repurchased 7,543,268 own shares with a par value of PLN 0.33 each representing 11.66 % of the Company's share capital. The purchase of shares took place as a part of the invitation to submit offers to sell Company's shares announced on 4 August 2018. The purchase price was PLN 40 per share. The total price of all the purchased shares was PLN 301,730,720.

After purchasing the shares, as at the date of publication of this report, the Company holds 12,940,201 dematerialized ordinary bearer shares with a nominal value of PLN 0.33 representing 20% of the Company's share capital and is entitled to 12,940,201 votes at the general meeting of the Company.

Tom K. Schäbinger
President of the Management Board

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, 30 September 2018