POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 2019

year

(prepared in accordance with Par. 60.2 and Par. 62.1 of the Regulation of the Minister of Finance dated March 29th 2018 - Dz.U. No. 2018, item 757)

for issuers conducting manufacturing, construction, trade or services business

for the 1st quarter of the financial year 2019, covering the period from January 1st to March 31st 2019,

including condensed consolidated financial statements prepared in accordance with the IFRS

currency: EUR

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

currency: PLN

Date of filing: May 22nd 2019

Pfleiderer Group Spólka Akcyjna

(full name)

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

FINANCIAL HIGHLIGHTS	PLN '000		EUR '000	
	1 quarter cumulative / 2019 Jan 1-Mar 31 2019	1 quarter cumulative / 2018 Jan 1-Mar 31 2018	1 quarter cumulative / 2019 Jan 1-Mar 31 2019	1 quarter cumulative / 2018 Jan 1-Mar 31 2018
Condensed consolidated financial statements data				
I. Sales revenue			262 319	268 769
II. Operating profit/(loss)			-2 517	17 989
III. Profit/(loss) before tax			-10 662	11 276
IV. Net profit			-10 988	7 335
V. Net profit attributable to equity holders of the parent			-10 988	7 335
VI. Net cash provided by (used in) operating activities			18 239	18 432
VII. Net cash provided by (used in) investing activities			-17 123	-21 682
VIII. Net cash provided by (used in) financing activities			-13 124	-23 314
IX. Total net cash flow			-12 008	-26 564
X. Total assets			937 478	902 167
XI. Liabilities			817 368	768 897
XII. Non-current liabilities			573 480	545 827
XIII. Current liabilities			243 888	223 070
XIV. Equity			120 110	133 270
XV. Share capital			6 692	6 692
XVI. Outstanding shares at the end of the reporting period			64 701 007	64 701 007
XVII. Earnings per ordinary share (EUR)			-0,17	0,11
XVIII. Book value per share (EUR)			1,86	2,06
XIX. Declared or paid dividend per share (EUR)			0,00	0,00
Condensed financial statements data				
XX. Sales revenue	0	0	0	0
XXI. Operating profit/(loss)	-12 634	-4 314	-2 937	-1 032
XXII. Profit/(loss) before tax	-23 708	-13 279	-5 511	-3 177
XXIII. Net profit/(loss)	-23 708	-13 923	-5 511	-3 331
XXIV. Net cash provided by (used in) operating activities	7 630	1 900	1 774	455
XXV. Net cash provided by (used in) investing activities	51 258	41 252	11 915	9 870
XXVI. Net cash provided by (used in) financing activities	-61 273	-46 205	-14 243	-11 055
XXVII. Total net cash flow	-2 385	-3 053	-554	-730
XXVIII. Total assets	2 218 686	2 278 687	515 902	529 755
XXIX. Liabilities	1 106 697	1 143 549	257 335	265 855
XXX. Non-current liabilities	1 624	124	378	29
XXXI. Current liabilities	1 105 073	1 143 425	256 958	265 826
XXXII. Equity	1 111 989	1 135 138	258 566	263 900
XXXIII. Share capital	21 351	21 351	4 965	4 964
XXXIV. Weighted average number of shares	64 701 077	64 701 007	64 701 077	64 701 007
XXXV. Earnings per ordinary share (PLN/EUR)	-0,37	-0,22	-0,09	-0,05
XXXVI. Book value per share (PLN/EUR)	17,19	17,54	4,00	4,08
XXXVII. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00

data in lines : X-XV are presented accordingly:
column.3 - for 31.03.2019
column.4 - for 31.12.2018

data in lines : XXVIII-XXXIII are presented accordingly:
column.1 - for 31.03.2019
column.2 - for 31.12.2018
column.3 - for 31.03.2019
column.4 - for 31.12.2018

INSPIRATIONS
CLOSE
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MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT

ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

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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 with the report on activities and financial results of Pfleiderer Group for the first quarter of 2019. The first months of the year were a challenging time for the company and the market. We recorded a slight decrease in our top line as a result of a strong competition on the market and de-stocking by clients as well as due to the fire damage and an unplanned one-month stoppage at our Baruth production plant in January. Consequently, consolidated revenues were down by 2.4% y/y to EUR 262.3m. This also affected our earnings, with the reported ETBIDA declining to EUR 20.8m in Q1 2019, down from EUR 36.5m in Q1 2018. The adjusted EBITDA figure fell to EUR 27.9m from EUR 37.3m in the corresponding prior-year period.

However, we already see that the negative factors which affected Q1 earnings are already starting to subside. In March alone we recorded a y/y increase in sales and we see a reversal of the negative price trends on key raw materials which were visible throughout 2018. Prices of wood have been declining in Germany since the beginning of the year and have also started declining (on our product mix) in Poland. Prices of chemicals are also declining, supporting our cost base. We also see positive signs on the demand side in some value-added product segments, such as kitchen furniture. This is underlined by the fact that in the difficult Q1 sales of value-added products rose by 1.8% y/y.

Equally important are the efficiency improvement measures we have introduced at the Group as part of our new strategic approach. Divided into three workstreams, they target our commercial activity, operational excellence as well as Poland-specific initiatives and we can already see the first tangible results this new approach has delivered. The Management Board is strongly committed to delivering the financial goals set for 2021.

This is my last letter to you in my capacity as CEO of Pfleiderer Group SA. I will leave the company on May 31st due to personal reasons, but I will continue to support the company in the capacity of Senior Advisor to the Supervisory Board. During my tenure as CEO we have managed to place Pfleiderer back as the leading European producer of high-quality wood-based materials and implement a clearly focused growth strategy for the coming years. I am confident that the measures we put in place will prepare the company for the next stage of growth and allow it to face headwinds and take advantage of the market opportunities which will present themselves.

I leave the company in good hands: a motivated management board with immense experience in the industrial sector and Mr. Zbigniew Prokopowicz, a long-standing member of the Supervisory Board who has deep knowledge of the company. Mr. Prokopowicz will be delegated from the Supervisory Board and act as interim CEO until a new CEO is selected.

Let me take this opportunity and thank you for almost two years of cooperation with shareholders, analysts, investors, lenders and my colleagues within the organisation. I wish you all the best in your professional and personal endeavours.

My best regards,

Tom K. Schäbinger,

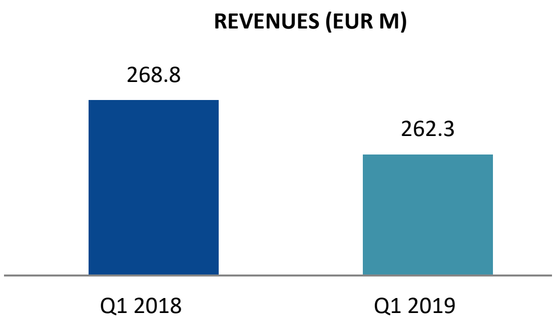
President of the Management Board of Pfleiderer Group S.A.

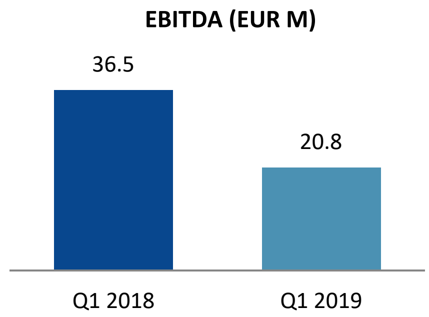
OUR VISION – FOR AN INTEGRATED PFLEIDERER GROUP IN EUROPE

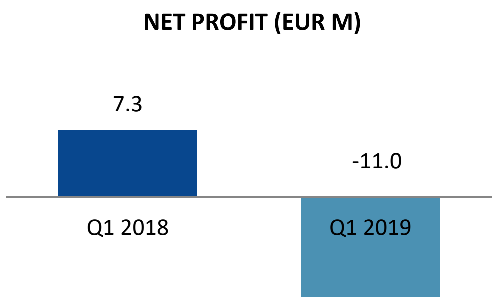
- We are a fully integrated wood panel manufacturer with profitable growth and with value generation.
- We offer State-of-the-art decorative surface competence providing value and differentiation to customers.
- We perform Operational excellence in Supply Chain and Services to customers in the industry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

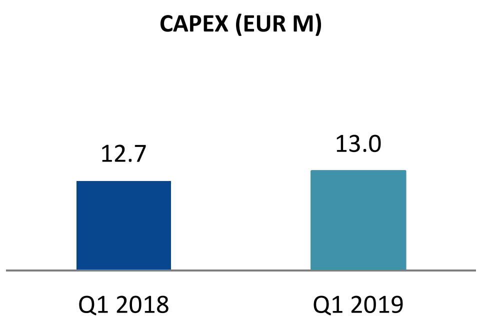
PFLEIDERER GROUP IN Q1 2019 AT A GLANCE

7.9%	EBITDA margin thanks to consistent improvement of the operational efficiency over the last periods
-43.0%	Decrease EBITDA - to EUR 20.8 million
EUR 13.0 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 Q1 2019

Q1 2019:

CHANGES IN THE MANAGEMENT BOARD

On 20 March 2019 Mr. Dirk Hardow submitted a resignation from the Management Board of the Company. The resignation takes effect on 31 March 2019.

On the same day the Supervisory Board of the Company decided to appoint to the Management Board: Dr. Frank Herrmann as Chief Operating Officer and Mr. Stefan Zinn as Chief Commercial Officer. The above appointments take effect from 1 May 2019.

CHANGES IN THE SUPERVISORY BOARD

On 31 January 2019 the Company received the resignation letter from Mr. Florian Kawohl regarding the resignation from the position of member of the Company's Supervisory Board with effect as of the date of the appointment by the general meeting of the shareholders of the Company of a new member of the supervisory board of the Company in his place. In case the appointment of a new member of the supervisory board of the Company would not take place before 14 February 2019, the resignation would be effective as of 14 February 2019.

On 7 February 2019 the extraordinary general meeting of shareholders of the Company appointed to the Supervisory Board Mr. John Brantl and Mr. Julian von Martius.

EVENTS AFTER THE REPORTING PERIOD:

CHANGE IN THE MANAGEMENT BOARD

On 21 May 2019 Mr. Thomas Schäbinger submitted a resignation from the Management Board of the Company. The resignation of Mr. Thomas Schäbinger takes effect on 31 May 2019. On the same day PCF GmbH, the subsidiary of the Company signed the termination agreement with Mr. Thomas Schäbinger.

On 21 May 2019 the Company's Supervisory Board adopted a resolution authorising the delegation of Mr. Zbigniew Prokopowicz, chairman of the Company's Supervisory Board, to temporarily perform the duties of the president of the Management Board of the Company. Mr. Prokopowicz was delegated to the Management Board for a period starting from 1 June 2019 until the moment of the appointment by the Company's Supervisory Board of a new president of the Management Board, but not longer than until 31 August 2019.

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

KEY INFORMATION ABOUT THE GROUP

1. KEY GROUP HIGHLIGHTS

1.1. BUSINESS PROFILE – ACTIVITIES OF THE GROUP

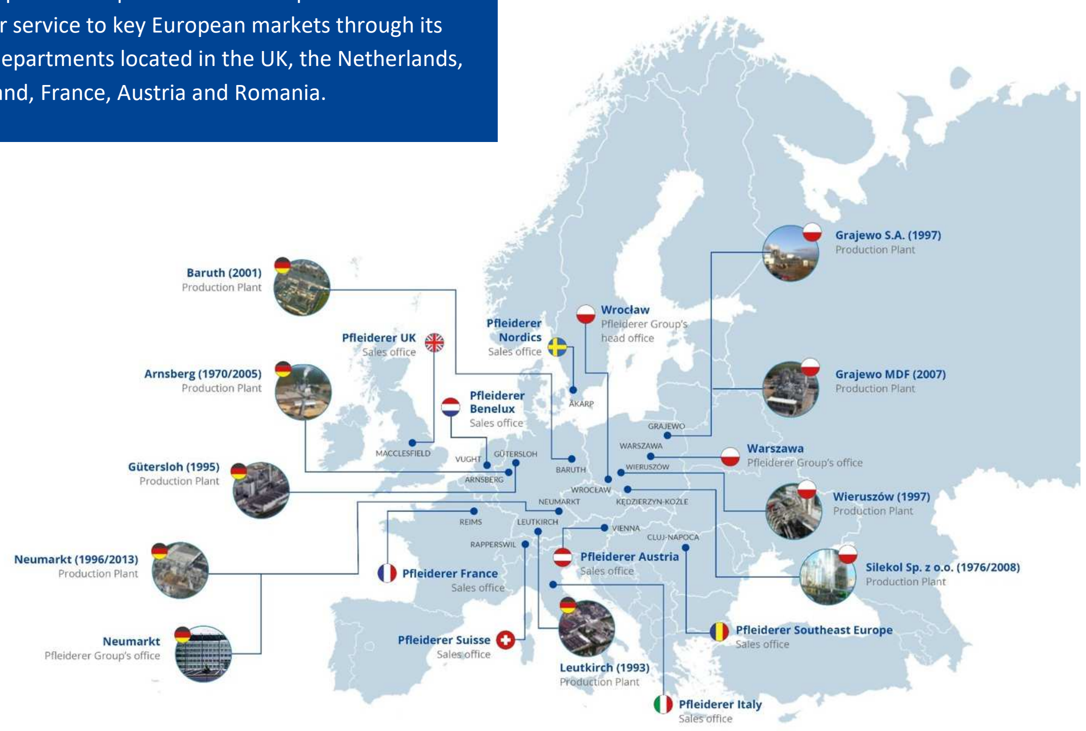
The Pfleiderer Group, with 125 years of experience, is a leading European manufacturer of wood products, specialising in the production of materials for the furniture industry, the interior industry and construction.

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 to key European markets through its service departments located in the UK, the Netherlands, Switzerland, France, Austria and Romania.

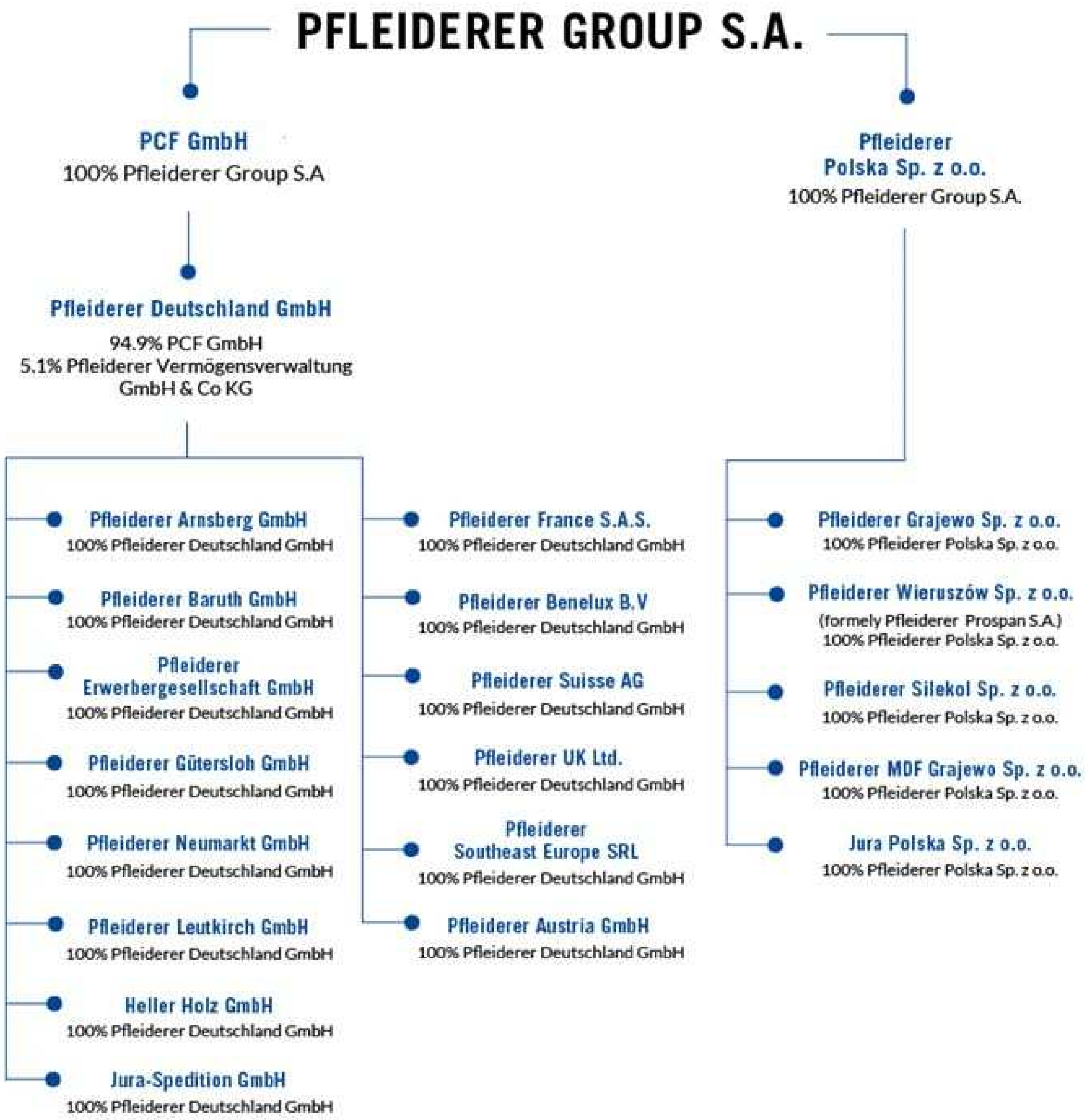


1.2. STRUCTURE OF THE GROUP

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 reporting date, the structure of the Group is as follows:

FIGURE 2: OPERATING STRUCTURE OF THE GROUP AS OF 31 MARCH 2019



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. These changes were made under resolution no 9 of the Ordinary General Meeting 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 foreign trade, rendering industrial services related to its core business, as well as other services. The Company conducts holding services and other financial services.

TABLE 1: LIST OF THE GROUP'S ENTITIES WITH THEIR ACTIVITIES (AT THE REPORTING DATE):

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:

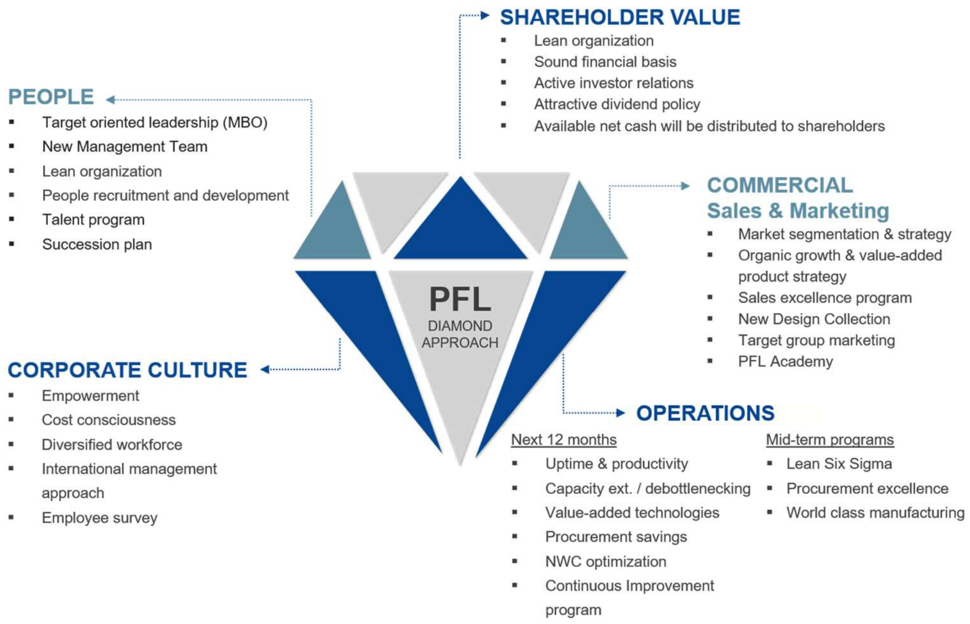
Pfleiderer Polska Sp. z o.o., which is responsible for all customers allocated to the "East" sales territory and Pfleiderer Deutschland GmbH, which is responsible for all customers allocated to the "West" sales territory.

In Q1 2019 there were no changes to the group structure.

1.3. PFLEIDERER GROUP STRATEGY

In September 2017, the management board of Pfleiderer Group S.A. presented the top-down "Diamond Strategy" for the company's long-term orientation. Ambitious initiatives and targets along the five dimensions Commercial, Operations, People, Corporate Culture and Shareholder Value were introduced to strengthen our competitiveness and accelerate further shareholder value growth.

FIGURE 3: PFLEIDERER STRATEGY – THE DIAMOND APPROACH



In 2018, Pfleiderer teams detailed and further developed initiatives to achieve these goals in a bottom-up detailing of the strategy plan. At the heart of this strategy plan lies our new commitment to reach revenues of EUR 1.3 billion and EBITDA margin of over 16% by 2021. To capture the full potential of our strategy, we have now set up an implementation program that is currently being rolled-out across the organization.

A bottom-up detailing of our strategy plan allowed us to **confirm our ambition to reach EUR 1.3 b and over 16% EBITDA margin by 2021**

Our **focus on commercial excellence enables further business growth** and helps to strengthen our top market position

We have identified and will seize **sales opportunities in new market segments and geographies**

Our **strong innovation pipeline of new products** supports our ambition for further growth in **existing and new segments**

We will drive **operational and procurement efficiency**, aiming for continuous **margin improvement**

Over the coming years, we plan to implement at least 12 major initiatives, organized in three Workstreams (Commercial, Operations and Poland), that are sponsored by members of the management board.

Strengthening our core business, while growing in adjacent products, markets and segments

The Group will strengthen its commercial excellence with the introduction of new tools that facilitate smart customer segmentation and improved pricing through margin transparency. In light of our strong, long-standing customer relationships, this will allow us to grow our business with existing customers. At the same time, it enables our targeted approach to realize selected opportunities with new customers in core segments.

In addition, we expect a large share of top-line expansion to originate from growth in high-potential market segments and geographies currently not or underserved by Pfleiderer that can be tapped using our structured, repeatable approach for market entry and unique value proposition. Our strong innovation pipeline of new and add-on products supports this growth and we will see continuous upside from our high-margin value-added products that give Pfleiderer an edge over its competition. With the addition of our new Leutkirch lacquering line, we have created a strong basis for expanding our portfolio to new decors and surfaces that not only satisfy, but also shape our evolving customer needs.

Increasing operational efficiency and optimizing procurement spend

Pfleiderer Group’s ongoing operational efficiency improvement program continues to have a significant, positive contribution to our operating results. Now organized in dedicated initiatives, it is rolled out to all production areas given its proven success, i.e. in our PB, MDF and HPL lines. The program aims to optimize cost with focus on output increase through productivity and uptime measures as well as continuous reduction of direct material consumption through operational improvements. Increasing the share of more cost-efficient recycling wood to the maximum technical capacity across selected plants is just one example of how our improvements in operational efficiency will be a major driver of bottom-line growth.

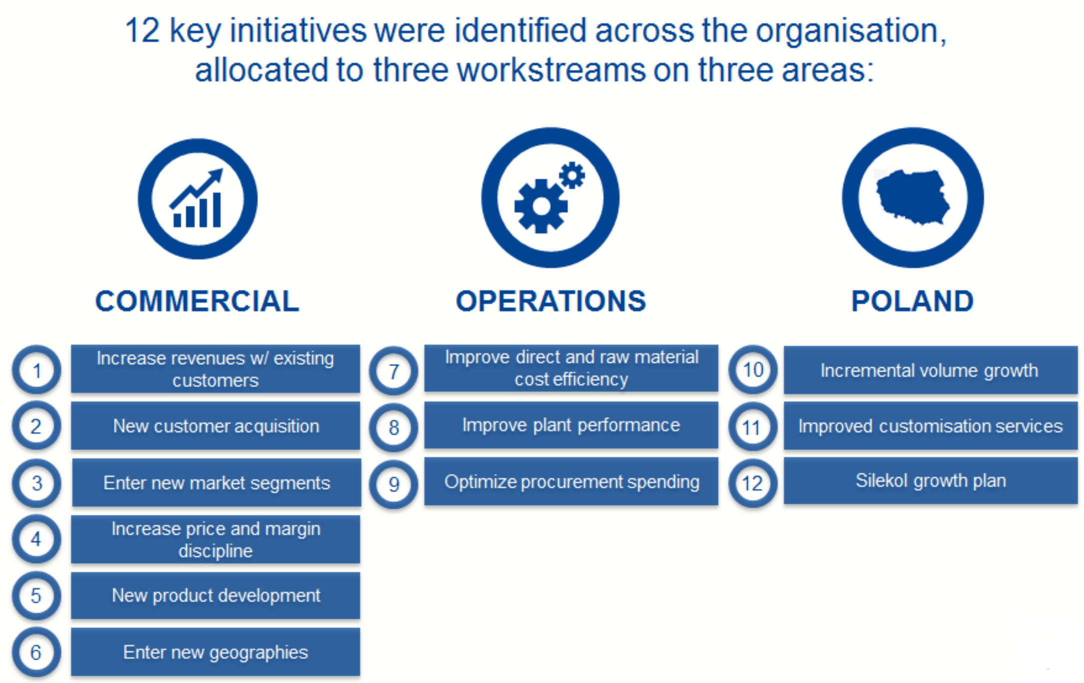
Our efforts to maximize operational efficiency are complemented by a procurement excellence program, which includes a systematic review of direct and indirect spending across all Pfleiderer business functions. Relevant potential for continuous improvement has been identified and the program is set to deliver sustainable savings over the coming years.

Growing our specialized Polish business

The comprehensive bottom-up detailing of our strategy plan for Poland-specific initiatives revealed particular upside potential in our Silekol business. Beyond its high-quality supply to our production, its external customers also recognize Silekol as a leading manufacturer of resin adhesives and hardeners. It is our plan to expand this adjacent business with the addition of new and improved products, underlining Pfleiderer’s successful downward integration and position at the forefront of our industry’s innovation.

Stable capital expenditures to support sustainable, organic growth

We will continue to make strategic investments into capacity expansion across our lines and foresee capital expenditures into new tools that enable our full-potential strategy.


12 key initiatives were identified across the organisation, allocated to three workstreams on three areas:
COMMERCIAL
OPERATIONS
POLAND
1 Increase revenues w/ existing customers
2 New customer acquisition
3 Enter new market segments
4 Increase price and margin discipline
5 New product development
6 Enter new geographies
7 Improve direct and raw material cost efficiency
8 Improve plant performance
9 Optimize procurement spending
10 Incremental volume growth
11 Improved customisation services
12 Silekol growth plan

1.4. INVESTMENT PROGRAM

In Q1 2019 Pfleiderer Group incurred EUR 13 024 thousand of capital expenditures.

TABLE 2: CAPEX 2019 – 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.)
Plant concept Leutkirch	22.5	Increase production volume for raw particleboards. Installation new drying area incl. new dryer and hot gas generator **06.2017 – 10.2019**	Q2 2019	**8.1**
New KT press line Grajewo	8.4	Increase volume of laminated particle boards in large format **04.2018-12.2019**	H2 2019	**3.1**

1.5. MARKETING ACTIVITIES IN Q1 2019

In 2019, the Group's marketing focus is mainly on value added products with the high light of smart and functional surfaces. This includes the further market launch of PrimeBoard (high-quality lacquered surface in matt and high-gloss finishes), Duropal XTerior compact and the introduction of XTreme plus. In addition to the usual marketing materials such as brochures and samples, this product promotions also include special pages on the website, high-quality sample folders and a marketing movie as well as advertorial and media activities.

TABLE 3: REWARDS GIVEN TO PFLEIDERER GROUP IN 2018/2019

Date	Award	Product/Category	Institution
2018	Pro-K Award	*XT*op on	pro-K Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e.V.
2018	Iconic Award Innovative Architecture	*XT*erior compact	Rat für Formgebung Service GmbH
2019	German Innovation Award	PrimeBoard	Rat für Formgebung Service GmbH
2019	RedDot Award	*XT*reme plus	Red Dot GmbH & Co. KG

Pfleiderer will take part on the following fairs in 2019:

- Bau, Munich
- SIG, Poland
- PSB, Poland
- Interzum, Cologne
- Siec Budowlana Krakow
- Forum Holz, Warsaw
- Forum Holz, Cologne
- MTKT, Ukraine
- Forum Holz, Garmisch
- Architects Expo, Bangkok

- SICAM, Pordenone
- Surface Design Show, London
- Branchentag Holz
- Kitchen & Bath, Shanghai
- Architect@Work, Zürich
- Architect@Work, Paris
- Architect@Work, Düsseldorf
- Bouwboers, Netherlands
- Seatrade, Fort Lauderdale
- Marinetec, Shanghai
- CSI, Miami
- Design District; Netherlands
- Surface Material Show, Birmingham

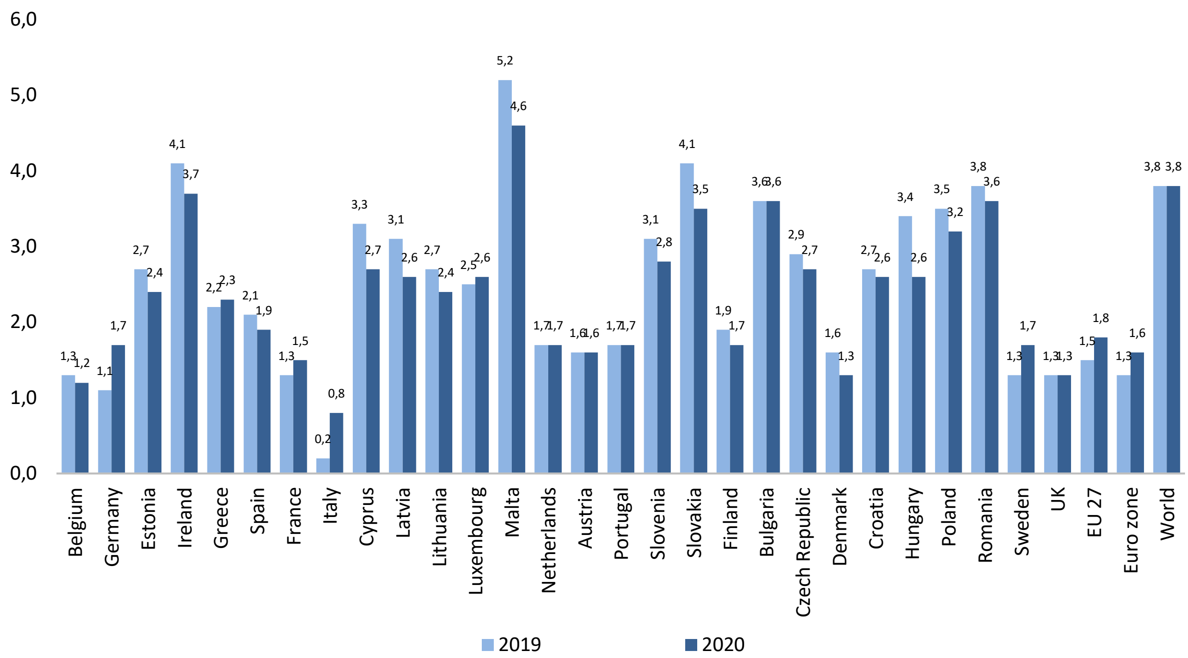
1.6. MARKET POSITION AND CONSTRUCTION MARKET OVERVIEW

Macroeconomic situation in winter 2019

According to the European Commission's latest forecasts1 GDP the European economy is expected to grow again in 2019, which should be reflected in every Member State. The dynamic of growth however is projected to be on moderate level in comparison to previous years.

In reference to previous report GDP for 2019 was revised downward for most of countries, with exception of Greece, Malta, UK (revised upward). Forecast for Czech, Slovakia, Hungary and Romania were stable.

FIGURE 4: GDP GROWTH IN 2019/2020 – est. (Y/Y IN %)



Source: European Commission, European Economic Forecast Winter 2019

After average of 2.1% over the period 2014-2017, Germany's GDP growth slowed to 1.5% in 2018. The slowdown was caused mainly by weakening export growth and lower than expected private consumption growth (despite higher wage growth and record high employment). Slowdown in private consumption in 2018 is assigned to the delays in ensuring environmental compliance of new passenger cars. Real GDP growth is expected to drop down to 1.1% in 2019. In 2020,a strong calendar effect is expected to help in increasing annual growth to around 1.7%.

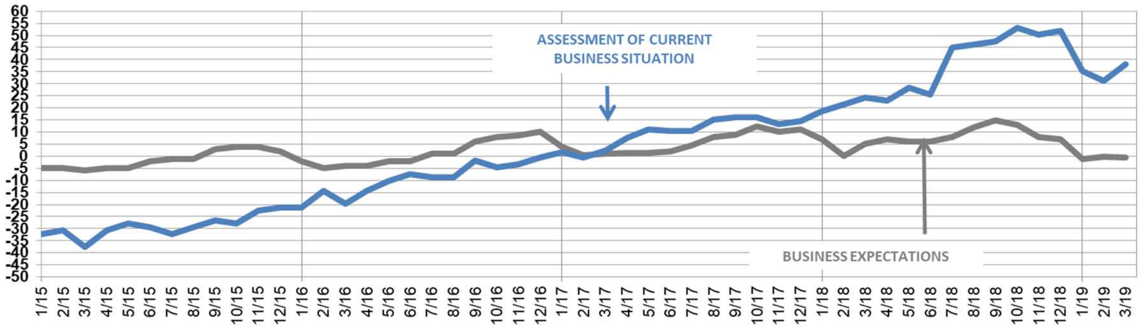
Poland's GDP growth reached 5.1% in 2018 (the fastest growth since 2007). Growth was mainly driven by domestic demand, private consumption, public investments and building-up inventories. Public investment growth is expected to remain strong in 2019 with the support of EU funds. Fast wage growth on the one hand (private consumption increase), but slowing employment, higher inflation, slower import and export on the other hand, are expected to slow down GDP growth to moderate level of 3.5% in 2019 and 3.2% in 2020.

Business climate in construction

[1] Winter 2019Economic Foreast, EuroCom

German construction business started with positive perception of current business assessment, however careful evaluation of the upcoming months in the branch, as expectations for the future stabilized.

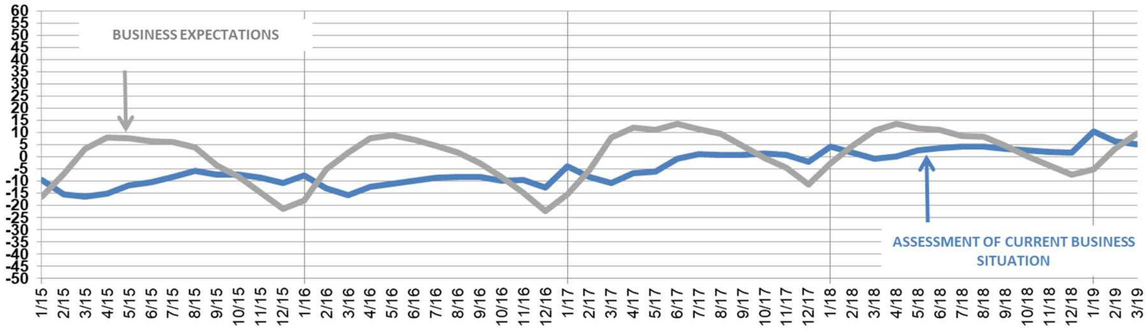
FIGURE 5: BUSINESS CLIMATE IN CONSTRUCTION – GERMANY



Source: own calculation based on ifo

As in previous periods, beginning of the year brings in Poland deterioration of current business evaluation, however increase of moods in relation to future months situation in construction business **.**

FIGURE 6: BUSINESS CLIMATE IN CONSTRUCTION – POLAND



Source: own calculation based on GUS

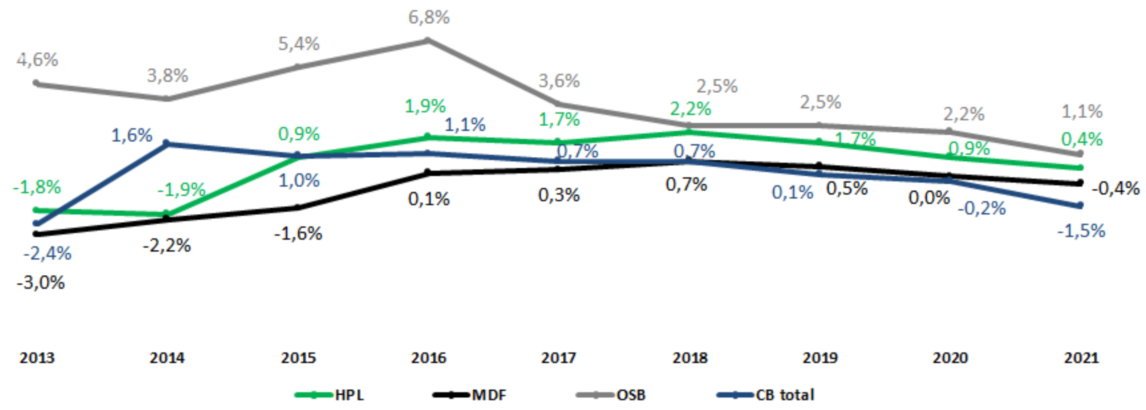
Market dynamic

DACH market characterises higher saturation and, as a consequence, lower growth dynamic than one can notice on Polish market. Nevertheless 2019 should bring further growth of demand, even if not so visible like in 2018. In 2020 market is expected to stabilize but next years might bring slight slowing down.

Also on Polish market 2018 and 2019 are expected to be years with the best growth dynamic. Positive (although declining) tendency should be visible here a little bit longer - till 2021.

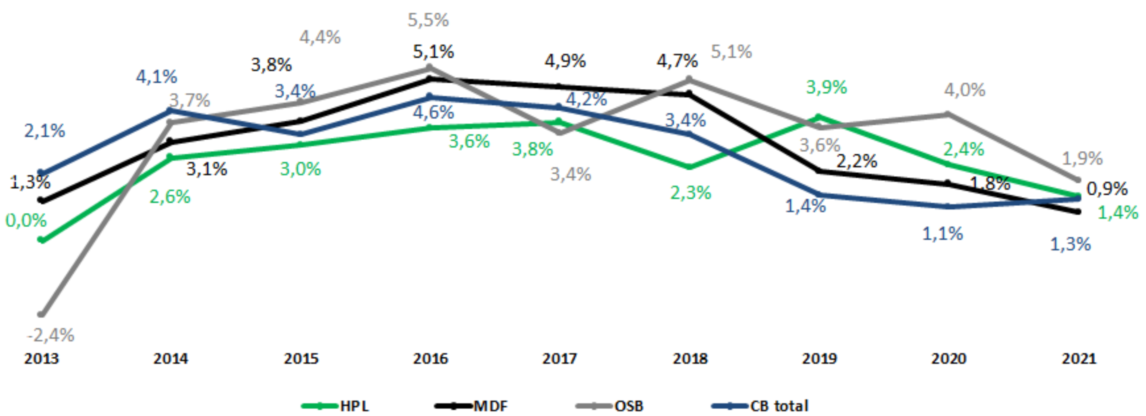
On both markets the highest demand growth in 2019 is expected on OSB and HPL market. In Poland higher sales growth is expected also on MDF/HDF market.

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

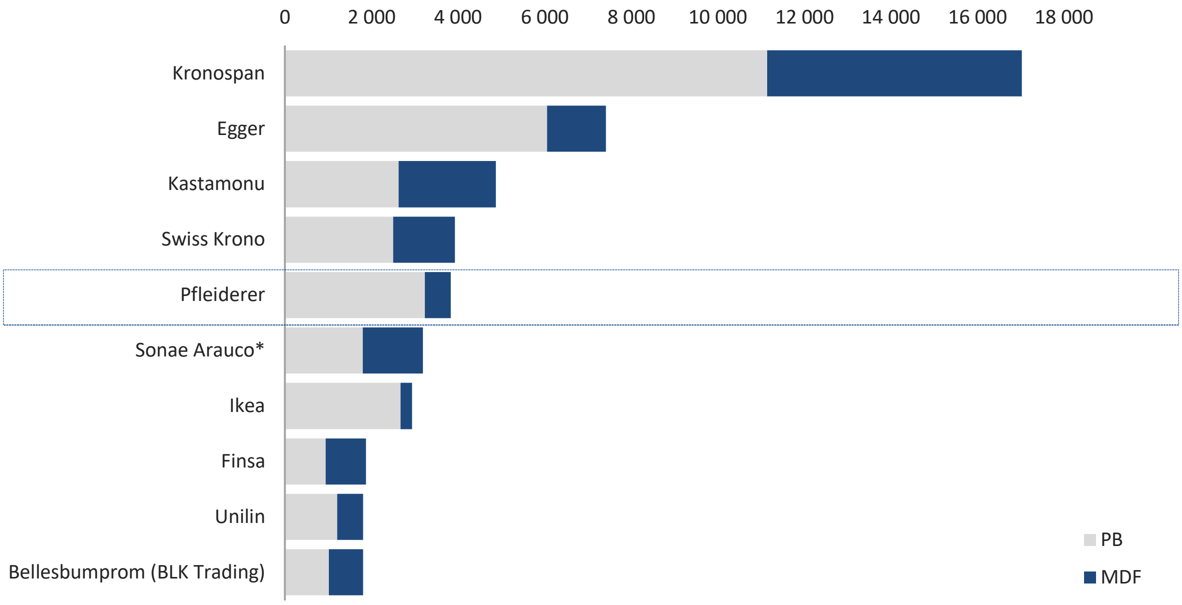


Source: own calculation based on reliable construction& furniture market data provider

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)

**Europe incl. Turkey and Russia

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

Construction markets development perspective

Construction business at core markets, Poland and Germany, is expected to grow moderately up to 2021. In other European countries, like Austria, Italy, UK, construction business should stabilize, with slight declining tendency. Switzerland and France are expected to note moderate drop down in construction.

TABLE 4: AVERAGE YEARLY GROWTH OF CONSTRUCTION MARKET IN 2018-2021

	CAGR 2018-2021		
	Total	**Residential**	**Non-residential**
Poland	**1.8%**	**2.0%**	**1.6%**
Germany	**1.6%**	**1.8%**	**1.1%**
Austria	**-0.6%**	**-0.6%**	**-0.8%**
Switzerland	**-1.2%**	**-1.4%**	**-0.9%**
France	**-1.9%**	**-2.4%**	**-1.3%**
Italy	**0.1%**	**0.0%**	**0.2%**
United Kingdom	**-0.7%**	**-0.2%**	**-1.1%**
Netherlands	**-0.1%**	**0.7%**	**-1.4%**

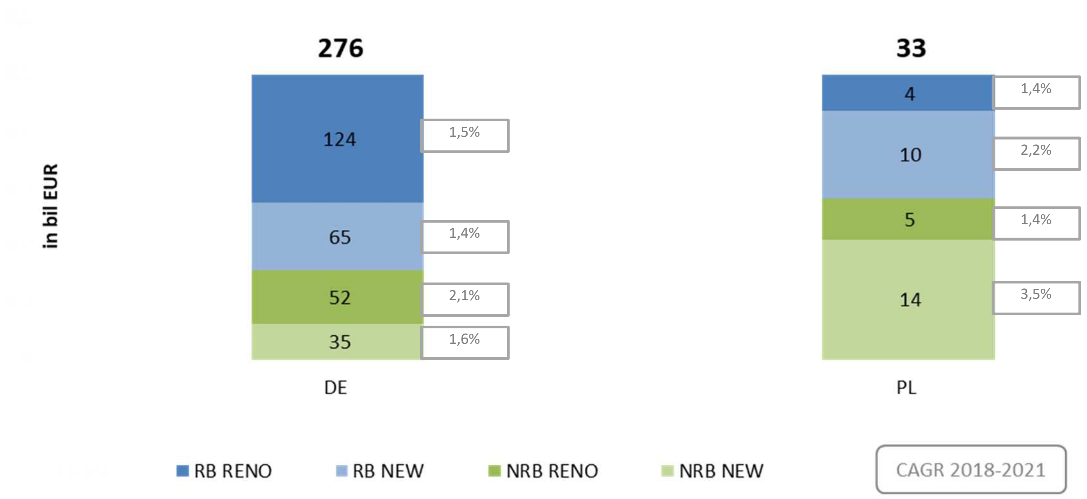
Source: own calculation based on reliable construction market data provider

Drivers of construction core markets

In Germany growth market is driven mostly by residential construction. High population growth in main cities and increasing number of immigrants will drive demand for housing units. As a response to that trend, German government announced a plan to construct around 1.5 million housing units by 2021. Non-residential sector is also expected to perform strongly.

In Poland the demand for new residential housing is still high and higher than supply, which will continue to drive the market growth. Good prosperity is expected in new non-residential construction too. Nevertheless shortage of labor and increase of prices can cause a slowdown in completions of new buildings.

FIGURE 10: SIZE OF CONSTRUCTION MARKET IN 2019 WITH CAGR 2018-2021



RB – residential building

NRB – non-residential building

RENO – renovation

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.

To prevent market abuse, the EU adopted a market abuse regulation (MAR). It regulates insider dealing, the unlawful disclosure of inside information and market manipulation (market abuse) and also gives measures to prevent it. As Pfleiderer Group S.A. is a listed company, it needs to assess whether an event constitutes an inside information solely and consequently needs to judge if it needs to be published. As Pfleiderer is responsible for the analysis and disclosing of the events and bears the corresponding risks, there is a risk, that other parties might come to a different assessment and accuse Pfleiderer to non-disclosure of relevant insider information. This might lead to a serious potential loss amount, which is rather unlikely to occur after measures like training of the relevant employees or internal audits.

Pfleiderer is also subject to a risk concerning further claims resulted from German insolvency code following the claim from ALNO Aktiengesellschaft ("Alno") described in point 1.10 – part Contingent liabilities – Western Europe. The Group also received payments for deliveries from two subsidiaries of Alno for which the insolvency proceedings were opened in July 2017. It has not been challenged 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 current year or in 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 for the current year rather unlikely (after measures). Both losses could be serious. These risks are 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 current significant 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 have the consequence 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 occasional.

Titanium dioxide is one of the most important pigments in decorative papers. It is used as a colour pigment and filler. Partly the degree of filling is up to 40%. In the course of the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) process the reclassification of titanium dioxide into class 2 might take place. This would mean that all titanium dioxide-containing dusts and other production residues would be classified as "hazardous waste". The consequences can't be measured at the moment, but they might lead to a medium potential loss amount, which occurrence is estimated to be occasional.

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 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 a lack of new and innovative products, Pfleiderer might lose market shares. Furthermore there is a lack of a culture of innovation, which needs to be improved to strengthen our market position. This risk is classified as medium, which might occur occasional. The Company responds to it i. a. by measures improving the innovation culture, as well as by developing new products together with customers.

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.

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 most likely 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.

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.

Due to the lack of specialists on the labour market in combination with the current workload at Pfleiderer besides potential other aspects, there is a risk that key employees might migrate to other employers or even to competitors. This risk is classified as medium, which probability of occurrence seems to be occasional. To encounter it, Pfleiderer implements measures to bind the employees to the company. Furthermore the fluctuation ratio is monitored regularly and reported to the Management Board, to be able to initiate short-term countermeasures, if necessary.

1.9. INFORMATION ON MATERIAL AGREEMENTS AND TRANSACTIONS

Material party-related transactions in Q1 2019

For information regarding related-party transactions as at 31 March 2019 and for the period from 1 January to 31 March 2019 see Note 20 in the Notes to the interim condensed consolidated financial statements of Pfleiderer Group S.A. In the period from 1 January to 31 March 2019, all related-party transactions were executed on an arm's length basis.

1.10. COURT PROCEEDINGS

Information related to significant settlement of litigation

As at 31 March 2019 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 and German insolvency code (Alno case) described below.

Contingent liabilities

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:

- 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 final. 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 31 March 2019 the provisions amount to PLN 36 916 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 proceedings is difficult to predict. Based on its best knowledge the Management estimated as of 31 March 2019 provisions related to antitrust violations of EUR 4 150 thousand including costs related to legal proceedings with Classen as well as legal costs and potential 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 filed an action for damages with the regional court of Düsseldorf (Landgericht Düsseldorf) against Pfleiderer Baruth GmbH (then: Pfleiderer Faserplattenwerk Baruth GmbH) currently amounting to approximately EUR 55.4 million (plus interest). The proceeding is still pending and the outcome, i.e. the further potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid, cannot be assessed yet. The court has released an indicative order dated 11 December 2018: According to the preliminary view of the court, the claim is justified on the merits but quantum still needs to be determined. Pfleiderer Baruth GmbH has argued against this indicative. On 14 February 2019 another oral hearing has taken place where a new German jurisdiction of the German Federal Court of 11 December 2018 has been discussed. Subsequent to this court hearing both parties – Pfleiderer and Classen - have lodged a statement explaining their legal opinion regarding the question if a judgement on the merits of the claim would be admissibly from a legal perspective, to the local court of Düsseldorf. The court now must come to a conclusion whether a judgment regarding the merits of the claim is possible without evaluating a possible damage. . The next court decision is announced for 27 June 2019. As at 31 March 2019 the provision for accrued legal costs for Classen has been recognized by the Group in these consolidated financial statements and is comprised in the total amount of EUR 4 150 thousand.

In December 2012, Oeseder Möbel-Industrie Mathias Wiemann GmbH & Co. KG ("Oeseder"), one of the Pfleiderer Group's customers, filed an action for damages with the regional court of Hannover (Landgericht Hannover) against Sonae Arauco Deutschland AG (then: Glunz AG) amounting to approximately EUR 26 million (plus interest). The plaintiff claimed to have suffered damages due to the Chipboard Cartel. Following a third party notice (Streitverkündung) by Sonae Arauco Deutschland AG, PCF GmbH has joined the legal proceedings as an intervener (Nebenintervenient). The court has passed a judgement on 31 May 2016 according to which the claim is justified on the merits but subject to further discussion regarding quantum. Sonae Arauco Deutschland AG has filed an appeal against this decision with the higher regional court in Celle. A court meeting was held in March 2019. The outcome is difficult to predict; a new oral hearing will take place in August 2019.

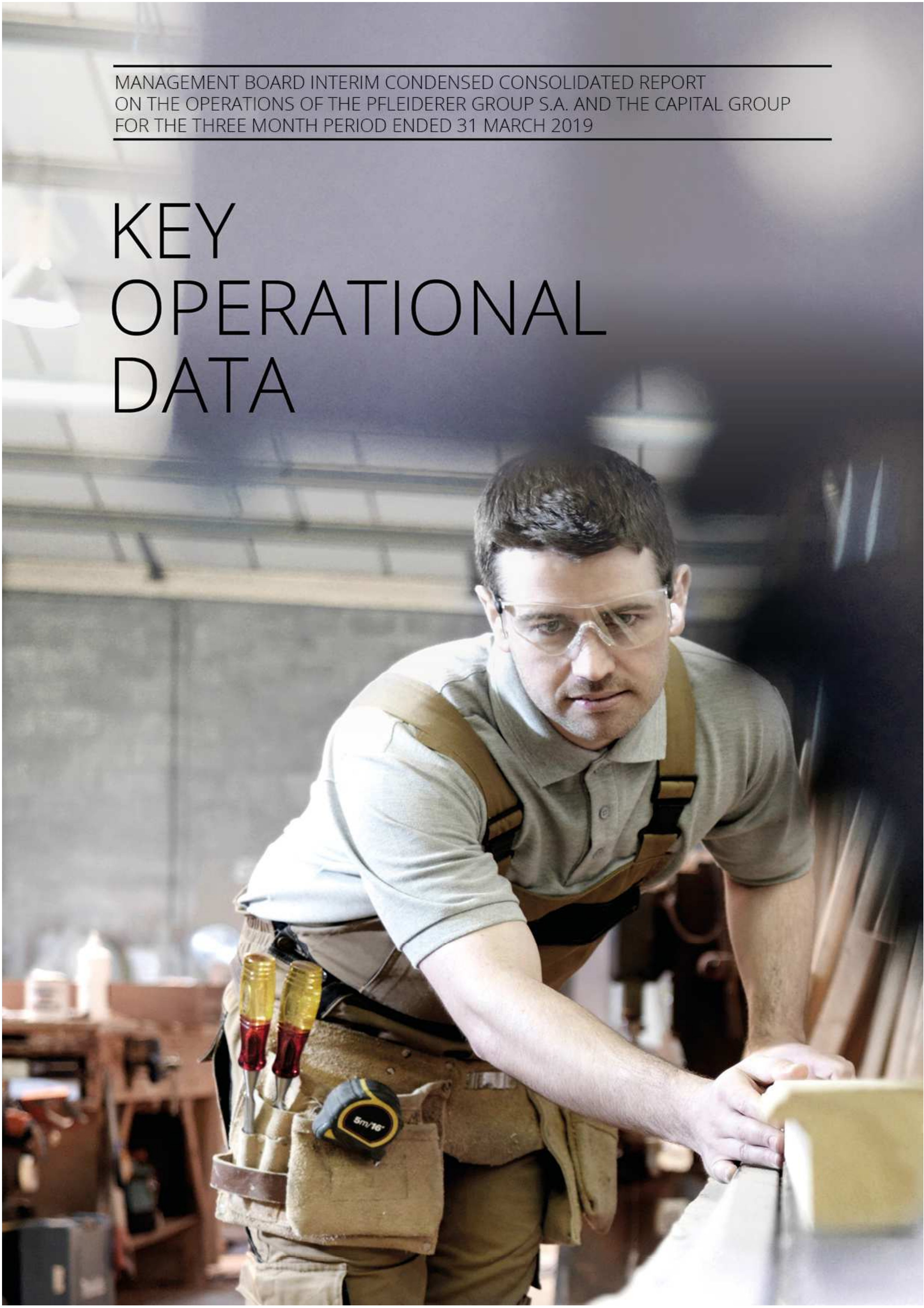
As at 31 March 2019 the Management based on its best knowledge recognised a provision for the expected outcome, which is included in the total amount of EUR 4 150 thousand. PCF GmbH's obligation for substantial payments may result from a contribution claim (Gesamtschuldnerinnenausgleichsanspruch) based on PCF GmbH's joint and several liability (Gesamtschuld), if Sonae Arauco Deutschland AG or any other third party is obligated to pay compensation to Oeseder. The proceeding is still pending and the outcome, i.e. the further potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid could change significantly.

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 thousand. 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 who is in the burden of proof 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 if the claim is legitimated and to estimate 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; on November 30th 2018 the Company has sent a letter to the insolvency administrator rejecting the claims. In case of a litigation Pfleiderer and its legal advisors estimated the cost for lawyers and the court and created the provision in the amount of EUR 550 thousand.

Moreover the Group has tax liabilities for the outcome of the tax audit for years 2010-2015 in Germany amounting to EUR 1.2 million as at 31 March 2019.

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

KEY OPERATIONAL DATA



2. KEY OPERATIONAL DATA

2.1. PRODUCTION VOLUME AND STRUCTURE

In Q1 2019 and Q1 2018 the production volumes of the main product groups at the group level were as follows:

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

'000		1 Jan. - 31 Mar. 2019	1 Jan. - 31 Mar. 2018	Change (%)
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	cbm	812	821	-1%
Laminated boards	sqm	27 565	27 294	1%
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	cbm	108	153	-29%

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

'000		1 Jan. - 31 Mar. 2019 Core West	1 Jan. - 31 Mar. 2019 Core East
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	cbm	494	318
Laminated boards	sqm	17 444	10 121
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	cbm	55	53

2.2. SALES STRUCTURE

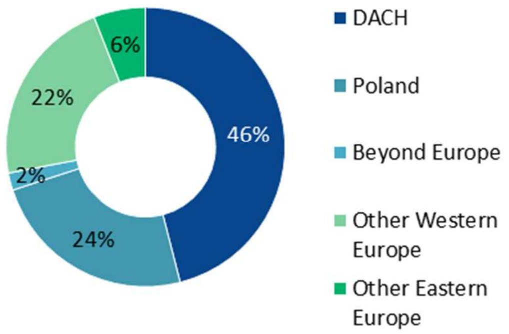
Revenue reported by the Group in Q1 2019 was EUR 262 319 thousand and decreased 2.4% compared to Q1 2018.

The sales volumes by product groups were as follows:

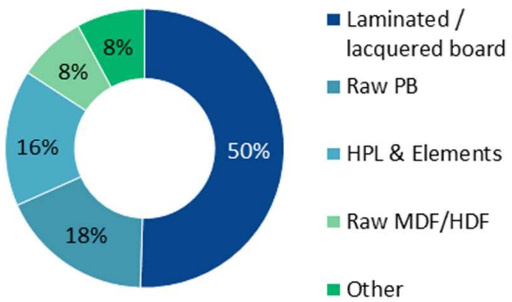
TABLE 7: SALES VOLUMES BY PRODUCT GROUP AT THE GROUP LEVEL

		1 Jan. - 31 Mar. 2019	1 Jan. - 31 Mar. 2018
Laminated particleboard	spm	25 856 972	25 308 777
HPL	spm	3 013 770	3 042 812
Raw particleboard	cbm	260 176	290 499
Laminated MDF/HDF board	spm	669 281	672 416
Raw MDF/HDF board	cbm	69 430	111 662

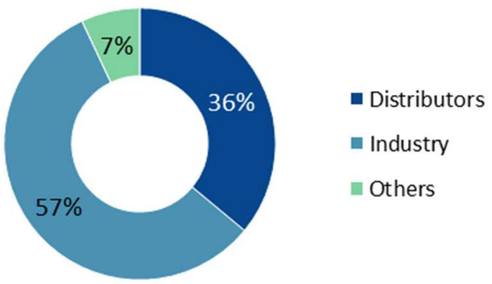
SALES BY REGION



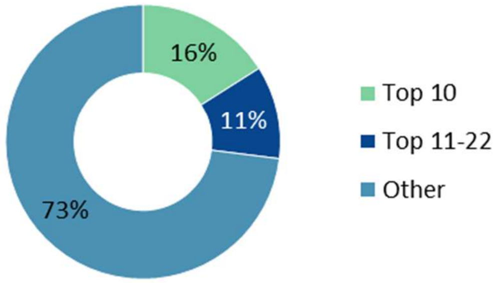
SALES BY PRODUCTS



CUSTOMER SPLIT



CUSTOMER SPLIT



MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

FINANCIAL PERFORMANCE

3. FINANCIAL PERFORMANCE

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

3.1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

TABLE 8: CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR Q1 2019

'000 EUR	1 Jan. - 31 Mar. 2019	1 Jan. - 31 Mar. 2018
Net sales	262 319	268 769
Cost of sales	-216 746	-206 075
Gross profit	**45 573**	**62 694**
Selling expenses	-33 943	-33 353
R&D expenses	-452	-443
General and administrative expenses	-12 008	-12 255
Other operating income and expenses	-1 687	1 346
EBIT	**-2 517**	**17 989**
Financial income and expenses	-8 187	-5 335
Other financial result	42	-1 378
Financial result	**-8 145**	**-6 713**
EBT	**-10 662**	**11 276**
Result of income tax	-326	-3 941
Net result for the reporting period	-10 988	7 335

The Group's financial results in Q1 2019 were influenced by market conditions as well as significant one-off items.

The decrease in Net sales of 2.4% YoY to EUR 262 319 thousand resulted mainly from market competition in basic products segment and loss of sales due to fire in Baruth plant at the beginning of year 2019. Nevertheless, positive sales impact from value-added products can be observed. Sales volume increase was recorded within laminated particleboard (2.2% growth YoY). The sales product mix has been improved – in Q1 2019 value-added products generated 66% of total Group's net sales (64% in Q1 2018). The Core West segment revenues amounted to EUR 180 326 thousand, down by 4.3% YoY, while the Core East segment added EUR 81 993 thousand, up 2% YoY. Cost of sales increased YoY by ca. 5.2% mainly due to significantly higher raw material prices – especially electricity, glue and paper and labour costs due to inflation.

The general and administrative expenses declined by ca. 2% while selling expenses remained on a similar level YoY.

Other operating income and expenses in Q1 2019 were strongly influenced by one off items – mainly costs of consulting for improvements projects in the amount of EUR 4 886 thousand. The Group's EBIT was additionally influenced by costs of fire damage in Baruth in the total amount (net of cost refund received) of EUR 1 863 thousand. Overall, the Group's result from operating activities came in at minus EUR 2 517 thousand in Q1 2019 in comparison to positive EUR 17 989 thousand in Q1 2018. The operating result of the Core West reached EUR 256 thousand in Q1 2019 versus EUR 12 813 thousand in Q1 2018 while operating result of the Core East was minus 2 791 thousand in Q1 2019 versus plus EUR 5 152 thousand in Q1 2018.

The net financing cost for Q1 2019 increased YoY due to higher interests costs of EUR 2 063 thousand resulting from additional amount of senior secured term loan as well as increased borrowing costs.

Overall, the Group's net result came in at minus EUR 10 988 thousand in Q1 2019 versus plus EUR 7 335 thousand in Q1 2018.

3.1.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TABLE 9: CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2019

ASSETS '000 EUR	31 Mar. 2019	31 Dec. 2018
Property, plant and equipment	546 554	558 587
Intangible assets	77 982	79 179
Right-of-use asset	36 248	0
Goodwill	66 788	66 792
Long term investments	488	490
Investment property	843	843
Deferred tax assets	1 847	475
Advances paid on fixed assets	13 052	8 052
Government grants receivables	3 251	3 251
Other non-current assets	2	1
Non-current assets	**747 055**	**717 670**
Inventories	115 001	116 292
Trade and other receivables	52 527	33 829
Income tax receivable	1 032	511
Cash and cash equivalents	21 487	33 495
Fair value of hedging instruments	110	81
Other short term financial assets	266	289
Current assets	**190 423**	**184 497**
Total assets	937 478	902 167

LIABILITIES AND EQUITY '000 EUR	31 Mar. 2019	31 Dec. 2018
Share capital	6 692	6 692
Share premium	146 375	146 375
Statutory reserve funds	79 391	79 391
Reserves	-14 093	-11 921
Retained earnings	-98 255	-87 267
Total equity attributable to owners of the Company	120 110	133 270
Total equity	120 110	133 270

Liabilities		
Non-current financial liabilities	451 621	425 875
Provisions for employee benefits	55 378	52 072
Provisions	1 733	1 886
Deferred tax liabilities	58 580	59 721
Deferred income from government grants	6 147	6 252
Other non-current liabilities	21	21
Non-current liabilities	**573 480**	**545 827**
Current financial liabilities	12 106	6 211
Income tax payable	6 304	6 912
Trade and other payables	181 162	170 594
Employee related payables	29 668	24 478
Provisions	14 220	14 432
Fair value hedging instruments	0	16
Deferred income from government grant	428	427
Current liabilities	**243 888**	**223 070**
Total equity and liabilities	937 478	902 167

The assets in the statement of financial position increased by ca. 4% in Q1 2019 versus FY 2018 numbers. The overall structure of assets remained stable: non-current assets as at 31 March 2019 constituted 80% of total group assets – similar to FY 2018. Starting 1 January 2019, according to new IFRS 16, the Group recognised Right-of-use assets and Leasing liabilities in relation to perpetual usufruct of land, leased offices, vehicles, machines and other equipment. The carrying amount of Right-of-use assets as at 31 March 2019 is EUR 36 248 thousand.

Within current assets a significant increase of receivables can be observed. This resulted mainly from higher revenues recorded in March 2019 in comparison to December 2018.

Inventories remained at stable level as at 31 March 2019 versus FY 2018. Cash and cash equivalents level in Q1 2019 was lower by 36% compared to the end of 2018 mainly due to CAPEX expenditures.

The sum of non-current liabilities increased by 4% in Q1 2019 mainly due to recognition of financial leasing liabilities in accordance with IFRS 16. Current liabilities increased by ca. 9% in comparison to FY 2018 and this resulted from the increase of trade payables as well as recognition of financial leasing liabilities according to IFRS 16.

The drop in the Group's total equity from EUR 133 270 thousand at YE 2018 to EUR 120 110 thousand at 31 March 2019 was the effect of negative net result for the reporting period.

Total equity represented 12.8% of total equity and liabilities at the end of Q1 2019 in comparison to 14.8% at YE 2018.

3.1.3. CONSOLIDATED STATEMENT OF CASH FLOWS

TABLE 10: CONSOLIDATED STATEMENT OF CASH FLOWS IN Q1 2019

'000 EUR	1 Jan. - 31 Mar. 2019	1 Jan. - 31 Mar. 2018
Net result for the reporting period	**-10 988**	**7 335**
Depreciation and amortisation	23 289	18 512
Foreign exchange gains	-42	1 378
Interest for the period	8 230	5 513
Profit on investing activities	12	-10
Income tax disclosed in profit or loss of the period	326	3 941
Amortisation of government grants	-59	-89
Result on forward contracts	-43	-178
Increase in exchange differences on translating foreign operations	16	-482
Changes in		
trade and other receivables	-19 374	-13 812
inventories	1 838	-1 995
trade and other payables	20 655	1 756
employee benefit obligations	-717	-705
provisions	-1 969	-640
Cash generated from operating activities	**21 174**	**20 524**
Income tax (paid)/received	-2 935	-2 092
Net cash provided by operating activities	18 239	18 432
Net cash used in investing activities		
Disposal of property, plant and equipment	296	11
Interest received	8	28
Acquisition of intangible assets and property, plant and equipment	-17 427	-21 721
Net cash used in investing activities	-17 123	-21 682
Net cash used in financing activities		
Repayment of borrowings and other debt instruments	-3 714	0
Financial leasing	-2 805	0
Share buy-back	0	-18 609

Interest paid	-5 777	-3 578
Other financing activities	-828	-1 127
Net cash used in financing activities	-13 124	-23 314
Total cash flows	-12 008	-26 564
Decrease/Increase in cash	-12 008	-26 564
Cash at beginning of the period	33 495	83 845
Cash at the end of the period	**21 487**	**57 281**

Cash earned on operating activities in Q1 2019 was consumed mainly by significant investment programme (EUR 17 427 thousand) as well as expenditures for financial activities – repayment of overdraft, interests and financial leasing. The outflows for financial leasing are not comparable YoY due to the fact that leasing payments were previously presented within operational activities and reclassified in Q1 2019 to financial activity in accordance with the IFRS 16.

The investing cash flow was EUR 17 123 thousand cash out in Q1 2019 due to conducted significant investments. The total amount of investing cash flows in 2018 includes repayment of investment liabilities in the amount of EUR 4 451 thousand.

3.1.4. KEY FINANCIAL RATIOS – CAPITAL GROUP

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

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

	Definition		Q1 2019	Year 2018	Q1 2018
Liquid funds	Cash and cash equivalents	mEUR	21.5	33.5	57.3
Net debt (*)	Financial debt w/o leasing - liquid funds	mEUR	407.7	398.6	281.9
Net leverage	Net debt / EBITDA (LTM)	factor	3.45	2.98	2.24
Equity ratio	Equity / balance sheet totals	%	12.8%	14.8%	24.5%
Gearing	Net debt / equity	factor	3.39	2.99	1.24
EBITDA (LTM)	Result from operating activities + depreciation + amortization for last 12 months	mEUR	118.1	133.8	125.7
Interest cover	EBITDA (LTM) / net financing costs (LTM)	factor	3.7	4.4	5.3
ROCE	Result from operating activities (LTM) / Capital employed	%	5.1%	8.5%	8.1%
ROA	Net profit (LTM) / total assets at the end of the period	%	-1.3%	0.7%	1.5%
ROE	Net profit (LTM) / equity at the end of the period	%	-10.3%	4.4%	6.2%

(*) Net debt = financial debt – leasing liabilities according to IFRS 16 – cash and cash equivalents

Looking at the financing position in YoY comparison shows a higher level of the net debt resulting mainly from lower level of liquid funds as well as amendment of long term bank loan agreement.

TABLE 12: MARGINS

	Q1 2019	Q1 2018
Gross profit margin (Profit on sales/Revenue)	17.37%	23.33%
EBIT margin (Result from operating activities/Revenue)	-0.96%	6.69%
Pre-tax margin (Profit before tax/Revenue)	-4.06%	4.20%
Net income margin (Net profit/Revenue)	-4.19%	2.73%

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. (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., 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. - 31 Mar. 2019	1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2019	1 Jan. - 31 Mar. 2018
Loss on operating activity	-12 634	-4 314	-2 937	-1 032
Loss before tax	-23 708	-13 279	-5 511	-3 177
Net loss for the reporting period	-23 708	-13 923	-5 511	-3 331
Average PLN/EUR exchange rate			4.3021	4.1795

Operating result in both Q1 2019 and Q1 2018 reflects purely the holding activity of the Company. Higher loss on operating activity in the first quarter of 2019 compared to the corresponding period of the previous year results from costs of strategic projects aimed at increasing the future results of the Group (PLN 10.4 million disclosed within other operating costs), offset by lower general and administrative expenses.

Higher loss on financial activity in the first quarter of 2019 compared to Q1 2018 results mainly from higher interests on loans received from PCF GmbH (PLN 10.1 million in Q1 2019 compared to PLN 5.6 million in Q1 2018 - increase attributable to additional loan of EUR 95 million received in August 2018 for buy back of treasury shares). Q1 2019 result on financial activity includes also impact of buy back financing acquisition costs settled over time (PLN 1.4 million). Additionally the Company earned lower interest on loans granted to a subsidiary (PLN 0.2 million compared to PLN 1.3 million in Q1 2018) because of their repayment in June 2018 and February 2019 and also lower financial income on intercompany sureties (PLN 0.8 million compared to PLN 2.2 million in Q1 2018). The above mentioned negative effect was partly offset by lower negative foreign exchange differences on intercompany loans from PCF GmbH and on obligation taken over from Atlantik SA (foreign exchange loss of PLN 0.3 million in Q1 2019 compared to foreign exchange loss of PLN 6.4 million in Q1 2018).

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3.2.2. STANDALONE STATEMENT OF FINANCIAL POSITION

TABLE 14: STANDALONE STATEMENT OF FINANCIAL POSITION

	'000 PLN		'000 EUR	
	31 Mar. 2019	31 Dec. 2018	31 Mar. 2019	31 Dec. 2018
Total assets	2 218 686	2 278 687	515 902	529 755
Liabilities	1 106 697	1 143 549	257 335	265 855
Non-current liabilities	1 624	124	378	29
Current liabilities	1 105 073	1 143 425	256 958	265 826
Equity	1 111 989	1 135 138	258 566	263 900
Share capital	21 351	21 351	4 965	4 964
Number of shares	64 701 007	64 701 007	64 701 007	64 701 007
Book value per share (in PLN/EUR)	17.19	17.54	4.00	4.08
PLN/EUR exchange rate as at the end of the reporting period			4.3006	4.3014

3.2.3. STANDALONE STATEMENT OF CASH FLOWS

TABLE 15: STANDALONE STATEMENT OF CASH FLOWS

	'000 PLN		'000 EUR	
	1 Jan. - 31 Mar. 2019	1 Jan. - 31 Mar. 2018	1 Jan. - 31 Mar. 2019	1 Jan. - 31 Mar. 2018
Net cash provided by operating activities	7 630	1 900	1 774	455
Net cash provided by investing activities	51 258	41 252	11 915	9 870
Net cash used in financing activities	-61 273	-46 205	-14 243	-11 055
Total net cash flow	-2 385	-3 053	-554	-730
Average PLN/EUR exchange rate			4.3021	4.1795

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 Q1 2019.

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 2019.

3.5. RATINGS

TABLE 16: 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 31 March 2019, the Group did not carry any borrowings from related parties.

Bank loans and corporate bonds

Use of bank borrowings

TABLE 17: BORROWINGS AND OTHER DEBT INSTRUMENTS

'000 Euro	31 Mar. 2019	31 Dec. 2018
Non-current leasing liabilities	24 883	0
Bank borrowings	426 738	425 875
Non-current liabilities	**451 621**	**425 875**
Current leasing liabilities	9 602	0
Current portion of bank borrowings	1 545	1 669
Other interest bearing liabilities	959	4 542
Current liabilities	**12 106**	**6 211**
TOTAL	463 727	432 086

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).

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.

At the reporting date these Revolving Credit Facilities were drawn in cash for an amount of PLN 2 923 thousand and 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 396 thousand. The Revolving Facility 1 is partially drawn for bank guarantees of EUR 2 151 thousand and PLN 520 thousand (EUR 121 thousand) as well as Letters of Credit in an amount of EUR 1 008 thousand. Interest on cash drawings is accrued at EURIBOR (for EUR-drawings; floored at zero) plus margin, WIBOR (for PLN-drawings) plus margin, LIBOR (for drawings in other currencies) plus margin.

TABLE 18: PLN CREDIT FACILITIES (EXLUDING FACTORING AND OPERATING LEASES)

'000 EUR					31 Mar. 2019			31 Dec. 2018		
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	20 876	680	20 196	20 410	4 232	16 178
Alior Bank S.A.	PLN	WIBOR + margin	1 Aug 2017	1 Aug 2022	18 335	0	18 335	18 332	0	18 332
BNP Paribas Bank Polska S.A.	PLN	WIBOR + margin	1 Aug 2017	1 Aug 2022	7 587	0	7 587	7 585	0	7 585
Guarantees Core East										
Bank Millennium S.A.	**PLN**		**1 Aug 2017**	**1 Aug 2022**	**1 912**	**1 912**	**0**	**2 374**	**2 374**	**0**
bank guarantee/s issued in PLN					1 457	1 457	0	1 457	1 457	0
bank guarantee/s issued in EUR					0	0	0	0	0	0
Letter/s of Credit issued in EUR year-end [EUR 797 240]					0	0	0	917	917	0
Letter/s of Credit issued in EUR actual [EUR 395 500]					455	455	0	0	0	0
Limit of credit cards East										
Bank Millennium S.A.	PLN		1 Aug 2017	1 Aug 2022	465	0	465	465	0	465
TOTAL PLN Credit facilities					**49 175**	**2 592**	**46 583**	**49 166**	**6 606**	**42 560**

TABLE 19: EUR CREDIT FACILITIES (EXLUDING FACTORING AND OPERATING LEASES)

'000 EUR					31 Mar. 2019			31 Dec. 2018		
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 *)	11 720	0	11 720	7 548	0	7 548
Goldman Sachs Bank USA	EUR	EURIBOR + margin	2 Aug 2018	1 Aug 2022	15 000	0	15 000	15 000	0	15 000
BNP Paribas 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**	**3 280**	**3 280**	**0**	**7 452**	**7 452**	**0**
bank guarantee/s issued in EUR					2 151	2 151	0	2 291	2 291	0
bank guarantee/s issued in PLN					121	121	0	121	121	0
Letter/s of credit issued in EUR					1 008	1 008	0	5 040	5 040	0
Other debt instruments										
Term Loan B (TLB)	EUR		1 Aug 2017	1 Aug 2024	445 000	445 000	0	445 000	445 000	0
TOTAL EUR Credit facilities					**495 000**	**448 280**	**46 720**	**495 000**	**452 452**	**42 548**

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

Liabilities under borrowings from related parties

As at 31 March 2019 and 31 December 2018, the Group did not carry any borrowings from related parties.

Stand Alone

Loans – Pfleiderer Group S.A.

Loans advanced:

As at 31 December 2018, the Company had loan receivables of PLN 29 465 thousand granted to a subsidiary Pfleiderer MDF Grajewo Sp. z o.o. On 28 February 2019, the subsidiary has fully repaid the outstanding loan balance along with interest.

After the balance sheet date, on 24 April 2019 the Company has granted a loan of PLN 30 000 thousand to its subsidiary Pfleiderer Polska Sp. z o.o.

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 128 885 thousand (PLN 554 372 thousand); as at 31 December 2018 EUR 127 953 thousand (PLN 550 200 thousand).
- Loan granted by PCF GmbH to finance the subsequent purchase of treasury shares, of EUR 9 350 thousand (PLN 40 219 thousand).
- Loan granted by PCF GmbH in order to continue the purchase of treasury shares, of EUR 98 136 thousand (PLN 422 112 thousand).

Interest accrued in 2019 on the above loans amounted to EUR 2 264 thousand (PLN 9 730 thousand).

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

As at 31 March 2019, no such events occurred.

Derivatives

On 31 March 2019 the Company did not have any open foreign exchange forward transactions.

Commercial paper program

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

As at 31 March 2019, the Company's debt under issued notes totaled PLN 31 965 thousand (as at 31 December 2018: PLN 92 932 thousand). The notes are used to optimize the management of financial liquidity within the Group, reduce external debt and finance day-to-day operations.

Liquidity management through the cash pool system

On 11 April 2019, Pfleiderer Group companies (Pfleiderer Polska Sp. z o.o. – as Coordinator and Participants: Pfleiderer Group S.A., Pfleiderer MDF Grajewo Sp. z o.o., Pfleiderer Wieruszów Sp. z o.o., Pfleiderer Silekol Sp. z o.o., Pfleiderer Grajewo Sp. z o.o., Jura Polska Sp. z o.o.) concluded the Agreement with Bank Millennium S.A. on the cash management structure for the group of accounts and the annex to the ancillary agreement of 27 June 2017. Under the agreement on the cash management structure for the group of accounts, the Bank will perform settlements of one structure in PLN and one in EUR. Conclusion of the Annex to the ancillary agreement of 27 June 2017 makes available part of the Revolving Facility 2 in the form of an overdraft up to PLN 80 000 thousand to the Coordinator and through the structure to all Participants.

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 analyse the risks faced by the Group, set appropriate risk limits and controls and 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 unfavourable effects of changes in market risk factors on the cash flows and financial results.

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

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

The objective of currency risk management is to minimize losses arising out of unfavourable changes in foreign exchange rates. The Group monitors its currency position from the point of view of cash flows. To manage its currency risk, it first relies on natural hedging and where necessary uses forward contracts. The time horizon adopted for position monitoring and hedging transactions is analysed 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 Q1 2019, approximately 95% of the Group's trade receivables were secured with insurances. 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 recognised 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 Group also incurres costs of interests under factoring agreements. The interest rate risk is related to interest payments with floating interest rates. The Group does not hedge the interest rate risk for the time being. The Group monitors the level of interest costs on a regular basis.

Currency risk (transaction risks)

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

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

Forward and swap 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

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.

At the balance sheet date, after repayment of a loan granted to its subsidiary Pfleiderer MDF Grajewo Sp. z o.o. on 29 February 2019, there are no other receivables exposed to credit risk. After the balance sheet date the only exposure to credit risk effects from the loan granted on 24 April 2019 to its subsidiary Pfleiderer Polska Sp. z o.o. of PLN 30 000 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 9 350 thousand and EUR 98 136 thousand), and other finance liabilities related to obligation taken over from Atlantik S.A. (EUR 128 885 thousand).

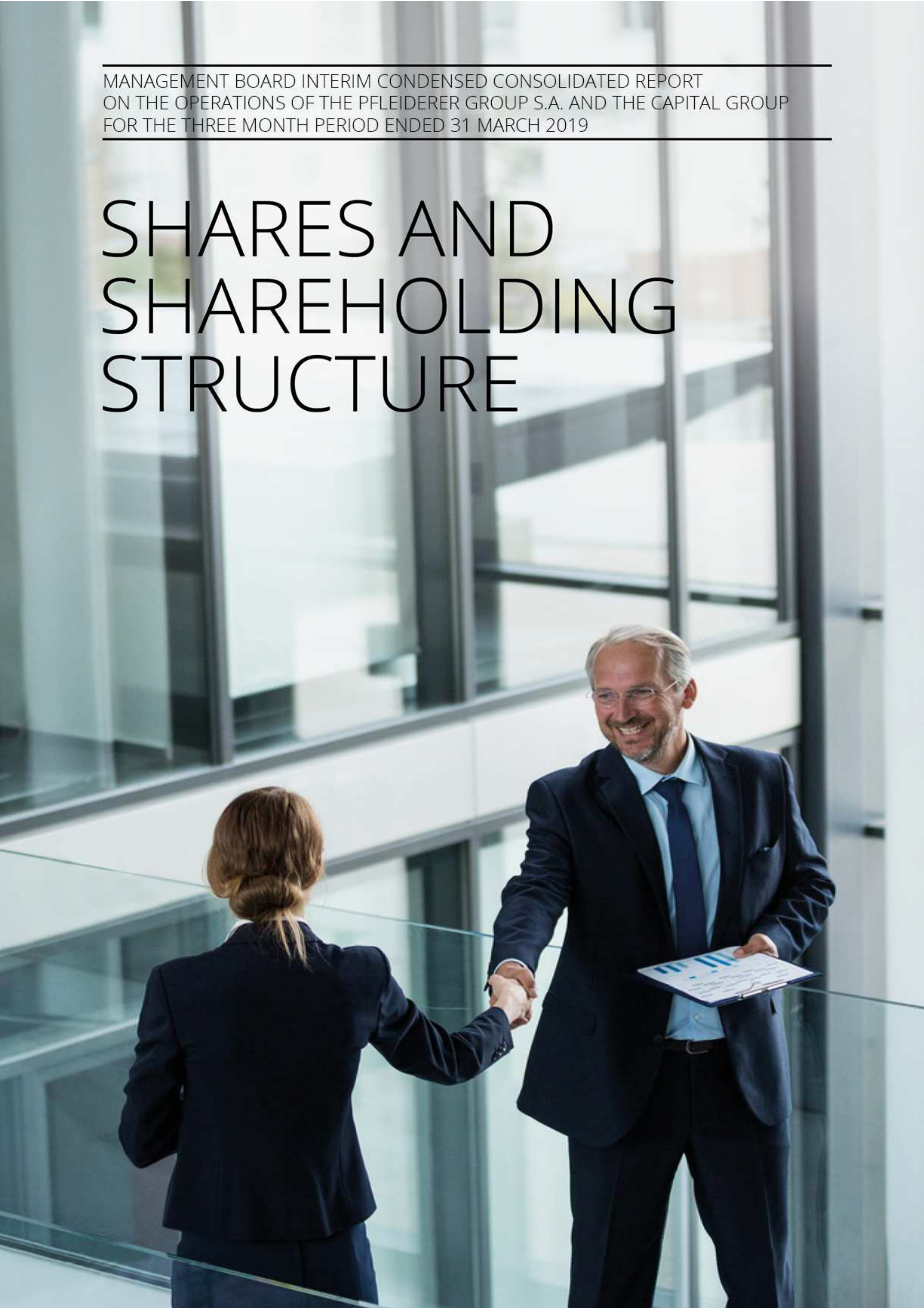
The risk of changes in the prices of financial instruments

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). On 11 April 2019, Pfleiderer Group companies concluded the Agreement with Bank Millennium S.A. on a financial service with joint liquidity management through cash pooling scheme.

SHARES AND SHAREHOLDING STRUCTURE



4. SHARES AND SHAREHOLDING STRUCTURE

4.1. SHAREHOLDING STRUCTURE

TABLE 20: SHAREHOLDER STRUCTURE AS OF 31 MARCH 2019

	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 Santander	4 308 424	6.66%	4 308 424	6.66%
Treasury shares (*)	*12 940 201*	*20.00%*	*12 940 201*	*20.00%*
Other shareholders	15 794 672	24.41%	15 794 672	24.41%
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

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 approximately 20% of the votes at the general meeting of the Company, which represents approximately 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.

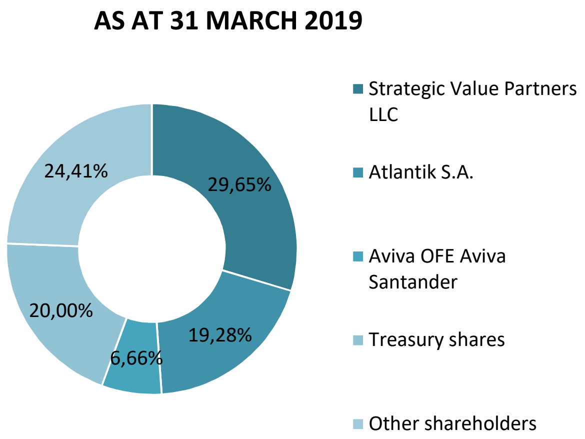
TABLE 21: SHAREHOLDER STRUCTURE AS OF 22 MAY 2019

	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 Santander	4 308 424	6.66%	4 308 424	6.66%
Treasury shares (*)	*12 940 201*	*20.00%*	*12 940 201*	*20.00%*
Other shareholders	15 794 672	24.41%	15 794 672	24.41%
TOTAL	64 701 007	100.00%	64 701 007	100.00%

According to the information from last General Meeting of Shareholders

(*) In accordance with article 364 Paragraph 2 of the Commercial Companies Code the Company does not execute the shareholding rights attached

FIGURE 11: 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 2017, the Company, after fulfilling the legal requirements and depending on market conditions, will allocate up to 70% of its consolidated earnings to be paid as a dividend.

In 2018 Pfleiderer Group paid to shareholders above PLN 71 million of dividend

At 15 May 2019 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 2018 and recommended assigning entire 2018 net profit amounting to PLN 144 442 thousand to the supplementary capital. The above motion was positively opined by the Supervisory Board of the Company on 21 May 2019.

4.3. INVESTOR RELATIONS IN PFLEIDERER GROUP

In order to meet the highest information governance requirements for public companies and fulfil the information needs of different groups of stakeholders, the Management Board of Pfleiderer Group undertakes various investor relations activities aimed at improving transparency. In Q1 2019 Pfleiderer Group performed a number of activities to improve efficient communication with the capital market.

Activities dedicated to investors – summary

Over 40	Participants at quarterly conferences for analysts and fund managers (FY 2017, Q1, H1, Q3 2018)
Approx. 20	Analysts and fund managers met during Santander Conference
5	Number of analysts - brokerage houses coverage

Other:

- Daily IR coverage of sell side analysts, buy side clients and lenders
- Online broadcasts from conferences available to foreign investors and employees
- IR Newsletter – targeting approx. 500 email accounts

Head of Investor relations

The Director of Investor Relations, Mr. Bartek Godlewski, is an experienced professional who earlier acted as Head of Institutional Clients at DM BOŚ brokerage and Head of Equities at BZ WBK (now Santander) brokerage. IR Director strengthens Pfleiderer communication with the investor community

2021 strategy update

In September 2017, the management board of Pfleiderer Group S.A. presented the top-down "Diamond Strategy" for the company's long-term orientation. Ambitious initiatives and targets along the five dimensions Commercial, Operations, People, Corporate Culture and Shareholder Value were introduced to strengthen our competitiveness and accelerate further shareholder value growth.

In 2018, Pfleiderer teams detailed and further developed initiatives to achieve these goals in a bottom-up detailing of the strategy plan. At the heart of this strategy plan lies our new commitment to reach revenues of EUR 1.3B and EBITDA margin of over 16% by 2021. To capture the full potential of our strategy, we have now set up an implementation program that is currently being rolled-out across the organization. Over the coming years, Pfleiderer plans to implement at least 12 major initiatives, organized in three Workstreams (Commercial, Operations and Poland-specific), which should improve the Group's efficiency and support top line growth in the 2021 perspective. The updated strategy was presented during the Q3 financial results conference in mid-November 2018.

4.4. RECOMMENDATIONS

Warsaw Stock Exchange has qualified Pfleiderer for **Analytical Coverage Support Pilot Programme.**

This year Pfleiderer has got again broad coverage from investment community including research reports, company's updtes and result forecasts. 6 reputable brokerage houses and foreign financial institutions have published their document covering Pfleiderer shares.

TABLE 22: RECOMMENDATIONS

▲	2	Buy, Accumulate
	2	Hold, Neutral
▼	2	Sell, Reduce

TABLE 23: RECOMMENDATIONS FOR PFLEIDERER GROUP S.A. – SUMMARY

Maximum target price	47.90
Median target price	43.50
Minimum target price	27.00

TABLE 24: RECOMMENDATIONS FOR PFLEIDERER GROUP S.A. SHARES

Target price (PLN)	Recommendation	Share Price on the date of the report (PLN)	Institution	Date
30.8	Buy	25	Trigon	18/04/2019
n.a.	Neutral	24.7	DM mBank	16/04/2019
33.9	Buy	29	Santander	22/02/2019
33.8	Hold	32.35	Noble Securities	19/12/2018
27	Reduce	30.9	BDM	20/11/2018
21	Sell	25.3	PKO BP	19/10/2018

TABLE 25: INSTITUTIONS ISSUING RECOMMENDATIONS FOR PFLEIDERER GROUP IN 2019

Institution	Analyst	Contact details
BDM	Krystian Brymora	+48 32 208 14 35 krystian.brymora@bdm.com.pl
mBank	Jakub Szkopek	+48 22 438 24 03 Jakub.szkopek@mbank.pl
Noble Securities	Krzysztof Radojewski	+48 22 244 13 03 krzysztof.radojewski@noblesecurities.pl
PKO BP	Piotr Łopaciuk	+48 22 521 48 12 piotr.lopaciuk@pkobp.pl
Santander	Michał Sopiel	48 22 586 82 33 michal.sopiel@santander.pl
Trigon	Maciej Marcinowski	+48 22 433 83 75 maciej.marcinowski@trigon.pl

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF THE PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

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 – 16 750 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 26: THE COMPOSITION OF THE SUPERVISORY BOARD AS AT 31 MARCH 2019

Supervisory Board	
Zbigniew Prokopowicz	Chairman of the Supervisory Board
Michael F. Keppel	Vice-Chairman of the Supervisory Board
John Brantl	Vice-Chairman 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
Julian von Martius	Member of the Supervisory Board

The present term of the Supervisory Board began on 11 June 2018 and will expire on 11 June 2023.

The tenures of all the incumbent Supervisory Board members as at 31 March 2019 will expire at the latest on the date of holding the General Meeting approving the financial statements for the last full financial year when they are Supervisory Board members, i.e., on the day of adoption of the resolution to approve the financial statements for the financial 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 Supervisory Board members appointed before the end of a given term will expire at the same time as of the remaining Supervisory Board members.

Changes in Supervisory Board

On 31 January 2019 the Company received the resignation letter from Mr. Florian Kawohl regarding the resignation from the position of member of the Company's Supervisory Board with effect as of the date of the appointment by the general meeting of the shareholders of the Company of a new member of the supervisory board of the Company in his place. In case the appointment of a new member of the supervisory board of the Company would not take place before 14 February 2019, the resignation would be effective as of 14 February 2019.

On 7 February 2019 the extraordinary general meeting of shareholders of the Company appointed to the Supervisory Board Mr. John Brantl and Mr. Julian von Martius.

On 20 March 2019 the Supervisory Board nominated Mr. John Brantl to the position of Vice-Chairman of the Supervisory Board.

5.2.2. MANAGEMENT BOARD

TABLE 27: THE COMPOSITION OF THE PFLEIDERER GROUP S.A. MANAGEMENT BOARD AS AT 31 MARCH 2019

 **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.
 **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.

Changes in the Management Board
On 20 March 2019 Mr. Dirk Hardow submitted a resignation from the Management Board of the Company. The resignation takes effect on 31 March 2019.
On the same day the Supervisory Board of the Company decided to appoint to the Management Board: Dr. Frank Herrmann as Chief Operating Officer and Mr. Stefan Zinn as Chief Commercial Officer. The above appointments take effect from 1 May 2019.

Dr. Frank Herrmann joins Pfleiderer with a strong industrial background, having previously served in the role of COO at Madrid-headquartered URSA Insulation S.A., a leading European insulation provider. He holds a degree in industrial engineering form TU Darmstadt and completed his doctorate degree at TU Clausthal. He started his career at Ymos AG and later worked at PricewaterhouseCoopers, Gemini Consulting and Bain & Company, where he left as a Senior manager, having spent eight years in their Frankfurt office. Following his consulting career, he was a Member of the Group Executive Committee at Braas Monier Building Group and served in various leadership positions, including more than four years as CEO, of Austrian gas flue management company Schiedel International.

Stefan Zinn has been working in managerial sales positions at Pfleiderer Group since 2013. From 2017, he was responsible for export sales in the company's Core West segment and from 2018 for overall sales in Core West. Stefan Zinn was promoted Chief Commercial Officer in January 2019 and is responsible in particular for sales in Core West, export sales and marketing. From 1994 to 2012, Stefan Zinn worked in various managerial positions in the printing industry with a focus on coated self-adhesive and digital print media products. He started his career in 1991 at family-owned consulting firm Rolf Zinn & Partner Unternehmensberatung GmbH. He holds a degree in business administration from Julius-Maximilian University, Würzburg.

6. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

CONCLUSION OF SIGNIFICANT AGREEMENT

On 11 April 2019, Pfleiderer Group companies (Pfleiderer Polska Sp.z o.o. – as Coordinator and Participants: Pfleiderer Group S.A., Pfleiderer MDF Grajewo Sp. z o.o., Pfleiderer Wieruszów Sp. z o.o., Pfleiderer Silekol Sp. z o.o., Pfleiderer Grajewo sp. z o.o., Jura Polska sp. z o.o.) concluded the Agreement with Bank Millennium S.A. on the cash management structure for the group of accounts and the annex to the ancillary agreement of 27 June 2017. Under the agreement on the cash management structure for the group of accounts, the Bank will perform settlements of one structure in PLN and one in EUR. Conclusion of the Annex to the ancillary agreement of 27 June 2017 makes available part of the Revolving Facility 2 in the form of an overdraft up to PLN 80 million to the Coordinator and through the structure to all Participants. The collateral for the repayment of the participants' mutual obligations is guaranteed up to PLN 80 million.

CHANGE IN THE MANAGEMENT BOARD

On 21 May 2019 Mr. Thomas Schäbinger submitted a resignation from the Management Board of the Company. The resignation of Mr. Thomas Schäbinger takes effect on 31 May 2019. On the same day PCF GmbH, the subsidiary of the Company signed the termination agreement with Mr. Thomas Schäbinger.

On 21 May 2019 the Company’s Supervisory Board adopted a resolution authorising the delegation of Mr. Zbigniew Prokopowicz, chairman of the Company’s Supervisory Board, to temporarily perform the duties of the president of the Management Board of the Company. Mr. Prokopowicz was delegated to the Management Board for a period starting from 1 June 2019 until the moment of the appointment by the Company’s Supervisory Board of a new president of the Management Board, but not longer than until 31 August 2019.

In connection with completion of the term of office of the Management Board and expiration of the mandates of present members of the Management Board as well as in connection with the resignation of Thomas Schäbinger from the Management Board of the Company with effect on 31 May 2019, on 21 May 2019 the Supervisory Board decided to appoint Mr. Frank Hermmann to the Management Board of the Company as the Member of the Management Board (Chief Operating Officer), Mr. Nico Reiner to the Management Board of the Company as the Member of the Management Board (Chief Financial Officer) and Mr. Stefan Zinn to the Management Board of the Company as the Member of the Management Board (Chief Commercial Officer). The appointments come into effect on a date of the Ordinary General Meeting of Shareholders of the Company approving the financial statements of the Company for 2018 financial year.

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 31 March 2019 and the comparative data have been prepared in compliance with the applicable accounting policies and give a fair and clear view of the Pfleiderer Group S.A. Group's assets and financial results, and that the Management Board Report on the operations of Pfleiderer Group S.A. and the Group for the period from 1 January to 31 March 2019 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, 22 May 2019**

Tom K. Schäbinger
President of the Management Board

Dr. Nico Reiner
Member of the Management Board,
Chief Financial Officer

Dr. Frank Herrmann
Member of the Management Board,
Chief Operating Officer

Stefan Zinn
Member of the Management Board,
Chief Commercial Officer

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PFLEIDERER

INSPIRATIONS CLOSE TO YOU

PFLEIDERER GROUP S.A.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

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 31 March 2019 and the comparative information have been prepared in compliance with the applicable accounting policies and give a true and fair view of the Pfleiderer Group S.A. Group's assets and financial results, and that the interim condensed Management Board report on the operations of the Pfleiderer Group S.A. and the Group for the period from 1 January to 31 March 2019 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

Dr. Frank Herrmann
Member of the Management Board,
Chief Operating Officer

Stefan Zinn
Member of the Management Board,
Chief Commercial Officer

Wrocław, 22 May 2019

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS '000 EUR	Notes	31 Mar. 2019	31 Dec. 2018
Property, plant and equipment	9.	546 554	558 587
Intangible assets		77 982	79 179
Right-of-use asset	9.	36 248	0
Goodwill		66 788	66 792
Long term investments		488	490
Investment property		843	843
Deferred tax assets		1 847	475
Advances paid on fixed assets	9.	13 052	8 052
Government grants receivables		3 251	3 251
Other non-current assets		2	1
Non-current assets		**747 055**	**717 670**
Inventories	12.	115 001	116 292
Trade and other receivables	11.	52 527	33 829
Income tax receivable		1 032	511
Cash and cash equivalents		21 487	33 495
Fair value of hedging instruments		110	81
Other short term financial assets		266	289
Current assets		**190 423**	**184 497**
Total assets		937 478	902 167

LIABILITIES AND EQUITY '000 EUR		31 Mar. 2019	31 Dec. 2018
Share capital		6 692	6 692
Share premium		146 375	146 375
Statutory reserve funds		79 391	79 391
Reserves		-14 093	-11 921
Retained earnings		-98 255	-87 267
Total equity attributable to owners of the Company	13.	120 110	133 270
Total equity		120 110	133 270
Liabilities			
Non-current financial liabilities	14.	451 621	425 875
Provisions for employee benefits		55 378	52 072
Provisions	15.	1 733	1 886
Deferred tax liabilities		58 580	59 721
Deferred income from government grants		6 147	6 252
Other non-current liabilities		21	21
Non-current liabilities		**573 480**	**545 827**
Current financial liabilities	14.	12 106	6 211
Income tax payable		6 304	6 912
Trade and other payables	16.	181 162	170 594
Employee related payables		29 668	24 478
Provisions	15.	14 220	14 432
Fair value hedging instruments		0	16
Deferred income from government grant		428	427
Current liabilities		**243 888**	**223 070**
Total equity and liabilities		937 478	902 167

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

'000 EUR	Note	1 Jan. - 31 Mar. 2019	1 Jan. - 31 Mar. 2018
Net sales		262 319	268 769
Cost of sales		-216 746	-206 075
Gross profit		**45 573**	**62 694**
Selling expenses		-33 943	-33 353
R&D expenses		-452	-443
General and administrative expenses		-12 008	-12 255
Other operating income and expenses	6., 7.	-1 687	1 346
EBIT		**-2 517**	**17 989**
Financial income and expenses		-8 187	-5 335
Other financial result		42	-1 378
Financial result	**8.**	**-8 145**	**-6 713**
EBT		**-10 662**	**11 276**
Result of income tax	10.	-326	-3 941
Net result for the reporting period		-10 988	7 335

OTHER COMPREHENSIVE INCOME		
Actuarial gains and losses net of related tax	-2 613	0
Exchange differences on translation to presentation currency of the Group	275	-561
Items that will not be reclassified subsequently to profit or loss	**-2 338**	**-561**
Cash flow hedge - effective portion of changes in fair value net to related tax	-7	-644
Cash flow hedge - net change of fair value reclassified to current year profit or loss net of tax	43	325
Items that are or may be reclassified subsequently to profit or loss	**36**	**-319**
OTHER COMPREHENSIVE INCOME	-2 302	-880
Total comprehensive income for the period	**-13 290**	**6 455**
Profit for the period attributable to:		
Shareholders of the Company	-10 988	7 335
Profit for the period	-10 988	7 335
Total comprehensive income attributable to:		
Shareholders of the Company	-13 290	6 455
Total comprehensive income for the period	-13 290	6 455
Number of shares at the end of the reporting period (excluding treasury shares)	51 760 806	59 304 074
Average number of shares during the reporting period (excluding treasury shares)	51 760 806	60 195 293
Basic earnings per share	-0.21	0.12
Diluted earnings per share	-0.21	0.12

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2019:

'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. 2019	6 692	146 375	54 790	24 601	145	-9 838	580	-2 893	85	-87 267	**133 270**
Comprehensive income for the period											
Net profit	0	0	0	0	0	0	0	0	0	-10 988	**-10 988**
Other comprehensive income	0	0	0	0	0	275	0	-2 613	36	0	**-2 302**
Total comprehensive income for the period	0	0	0	0	0	275	0	-2 613	36	-10 988	**-13 290**
Transactions with owners recognised in equity											
Equity settled share based payments	0	0	0	0	0	0	130	0	0	0	**130**
Total transactions with owners recognised in equity	0	0	0	0	0	0	130	0	0	0	130
As at 31 Mar. 2019	**6 692**	**146 375**	**54 790**	**24 601**	**145**	**-9 563**	**710**	**-5 506**	**121**	**-98 255**	**120 110**

For the three month period ended 31 March 2018:

'000 EUR	Share capital	Share premium	Reserve for own shares	Statutory reserve funds	Re-valuation reserve	Exchange rate differences	Incentive programme	Actuarial gains and losses	Cash flow hedges	Retained earnings	TOTAL
As at 1 Jan. 2018	6 692	146 375	60 395	26 886	145	-7 987	45	-2 867	334	9 884	**239 902**
Comprehensive income for the period											
Net result	0	0	0	0	0	0	0	0	0	7 335	**7 335**
Other comprehensive income	0	0	0	0	0	-561	0	0	-319	0	**-880**
Total comprehensive income for the period	0	0	0	0	0	-561	0	0	-319	7 335	**6 455**
Transactions with owners recognised in equity											
Equity settled share based payments	0	0	0	0	0	0	168	0	0	0	**168**
Shares buyback	0	0	-18 609	0	0	0	0	0	0	0	**-18 609**
Total transactions with owners recognised in equity	0	0	-18 609	0	0	0	168	0	0	0	**-18 441**
As at 31 Mar. 2018	**6 692**	**146 375**	**41 786**	**26 886**	**145**	**-8 548**	**213**	**-2 867**	**15**	**17 219**	**227 916**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

'000 EUR	1 Jan. - 31 Mar. 2019	1 Jan. - 31 Mar. 2018
Net profit for the reporting period	**-10 988**	**7 335**
Depreciation, amortisation and impairment	23 289	18 512
Foreign exchange gains	-42	1 378
Interest for the period	8 230	5 513
Profit on investing activities	12	-10
Income tax disclosed in profit or loss of the period	326	3 941
Amortisation of government grants	-59	-89
Result on forward contracts	-43	-178
Increase in exchange differences on translating foreign operations	16	-482
Changes in		
trade and other receivables	-19 374	-13 812
inventories	1 838	-1 995
trade and other payables	20 655	1 756
employee benefit obligations	-717	-705
provisions	-1 969	-640
Cash generated from operating activities	**21 174**	**20 524**
Income tax (paid)/received	-2 935	-2 092
Net cash provided by operating activities	18 239	18 432
Net cash used in investing activities		
Disposal of property, plant and equipment	296	11
Interest received	8	28
Acquisition of intangible assets and property, plant and equipment	-17 427	-21 721
Net cash used in investing activities	-17 123	-21 682
Net cash used in financing activities		
Repayment of borrowings and other debt instruments	-3 714	0
Financial leasing	-2 805	0
Share buy-back	0	-18 609
Interest paid	-5 777	-3 578
Other financing activities	-828	-1 127
Net cash used in financing activities	-13 124	-23 314
Total cash flows	-12 008	-26 564
Decrease/Increase in cash	-12 008	-26 564
Cash at beginning of the period	33 495	83 845
Cash at the end of the period	**21 487**	**57 281**

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 September 30, 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 22 May 2019.

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. 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 31 March 2019, the Pfleiderer Group S.A. was the parent company with respect to the following subsidiaries:

Eastern Europe		31 Mar. 2019	31 Dec. 2018
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		**31 Mar. 2019**	**31 Dec. 2018**
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 2018. 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 2018.

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 2018 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 three month period ended 31 March 2019:

'000 EUR	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	**180 326**	**81 993**	**0**	**262 319**
Intersegment revenues	**4 525**	**21 781**	**-26 306**	**0**
Profit/loss before income taxes	-4 977	-5 703	18	-10 662
Net financing cost	5 233	2 912	0	8 145
Result from operating activities (EBIT)	**256**	**-2 791**	**18**	**-2 517**
Depreciation and amortisation	16 613	5 878	-25	22 466
Impairment	823	0	0	823
Segment earnings EBITDA	**17 692**	**3 087**	**-7**	**20 772**
Cash and cash equivalents	-2 029	-19 456	-2	-21 487
Current financial liabilities	9 561	2 542	3	12 106
Non-current financial liabilities	443 870	7 751	0	451 621
Net debt	**459 153**	**-16 914**	**1**	**442 240**
Receivables before factoring	70 565	52 739	0	123 304
Inventories	69 885	45 116	0	115 001
Liabilities	-57 544	-60 171	-1	-117 716
Net working capital before factoring	**82 906**	**37 684**	**-1**	**120 589**
Segment capital expenditure	**37 346**	**12 636**	**0**	**49 982**
Property, plant and equipment	394 710	188 092	0	582 802
Intangible assets	67 849	10 133	0	77 982
Goodwill	29 804	36 984	0	66 788
Advances paid on fixed assets	11 261	1 791	0	13 052

For the three month period ended 31 March 2018:

'000 EUR	Western Europe	Eastern Europe	Others / Consolidation	Group
External revenues	**188 421**	**80 348**	**0**	**268 769**
Intersegment revenues	**5 691**	**19 112**	**-24 803**	**0**
Profit/loss before income taxes	8 433	2 822	21	11 276
Net financing cost	4 380	2 330	3	6 713
Result from operating activities (EBIT)	**12 813**	**5 152**	**24**	**17 989**
Depreciation and amortisation	13 597	4 940	-25	18 512
Segment earnings EBITDA	**26 410**	**10 092**	**-1**	**36 501**
Cash and cash equivalents	-28 776	-28 494	-11	-57 281
Current financial liabilities	2 467	0	0	2 467
Non-current financial liabilities	337 700	0	-1 011	336 689
Net debt	**311 391**	**-28 494**	**-1 022**	**281 875**
Receivables before factoring	72 038	49 491	0	121 529
Inventories	60 202	37 428	0	97 630
Liabilities	-68 624	-51 473	0	-120 097
Net working capital before factoring	**63 616**	**35 446**	**0**	**99 062**
Segment capital expenditure	**9 256**	**3 491**	**0**	**12 747**
Property, plant and equipment	365 569	173 823	0	539 392
Intangible assets	73 187	8 902	0	82 089
Goodwill	29 804	38 113	0	67 917
Advances paid on fixed assets	18 137	2 292	0	20 429

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. OTHER OPERATING INCOME

'000 EUR	Jan. 1 - Mar. 31, 2019	Jan. 1 - Mar. 31, 2018
Profit on sale of property, plant and equipment	1	11
Reversal of impairment loss on receivables	80	156
Compensation and penalties received (*)	3 197	407
Rental income	65	66
Release of unused accruals and provisions	9	107
Other, including:	1 305	1 791
Government grants and public assistance	*107*	137
Sales of excess CO2 emission rights	*0*	257
Operating foreign exchange gains	*275*	485
Operational management (sewage treatment plant Baruth)	*113*	*113*
Income from forward contracts	*57*	272
Proceeds from the sale of scrap	*79*	*45*
Sale of diesel	*48*	*50*
Sale of silver catalyst	*114*	*0*
Other income	*512*	*432*
TOTAL	4 657	2 538

(*) Compansation in Q1 2019 refers mainly to compensation for fire damage in Baruth – EUR 3 024 thousand.

7. OTHER OPERATING COSTS

'000 EUR	Jan. 1 - Mar. 31, 2019	Jan. 1 - Mar. 31, 2018
Loss on disposal of property, plant and equipment	13	0
Allowance for receivables	48	15
Bad debt loss	156	160
Operating foreign exchange losses	345	392
Other - including:	5 782	625
Consulting (*)	*5 073*	*33*
Other	*709*	*592*
TOTAL	6 344	1 192

(*) Costs of consulting in Q1 2019 includes mainly consulting costs for improvement projects in the amount of EUR 4 886 thousand.

8. FINANCIAL INCOME AND COSTS

Disclosed in profit or loss of the period:

'000 EUR	1 Jan. - 31 Mar. 2019	1 Jan. - 31 Mar. 2018
Interest income	8	28
Financial income	**8**	**28**
Interest expense (1)	-7 011	-4 429
Refinancing costs (2)	-1 027	-673
Other finance costs	-157	-261
Financial costs	**-8 195**	**-5 363**
Exchange differences on translating foreign operations (3)	42	-1 378
Other financial result	**42**	**-1 378**
TOTAL	-8 145	-6 713

(1) The interest expenses include:

a) expenses on financial liabilities measured at amortised cost:
   - interests for long term bank loan (TLB) – EUR 5 563 thousand for Q1 2019 (2018: EUR 3 500 thousand)

b) other interest expenses (insurance/factoring interests) – EUR 1 448 thousand for Q1 2019 (2018: EUR 929 thousand)

(2) Refinancing costs are initial cost of obtaining the loans, which are settled throughout the loan period.

(3) Exchange differences of EUR 42 thousand (income) for Q1 2019 (costs of EUR 1 378 thousand for Q1 2018) relate to subsequent valuation of intra-group loan from nominal currency (EUR) to functional currency (PLN) at the reporting date.

9. PROPERTY, PLANT AND EQUIPMENT

In 3M 2019 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 third month period ended 31 March 2019 were EUR 13 024 thousand (including advance payments), while the capital expenditures including advance payments for the three month period ended 31 March 2018 were EUR 12 747 thousand and EUR 80 491 thousand for the entire financial year 2018.

As at 31 March 2019 the Group has purchased commitments for the property, plant and equipment and intangible assets. These commitments relate to the signed agreements by the members of the Group with respect to future investments plans. The most significant amounts as of 31 March 2019 are related to Plant concept Leutkirch and KT11 Grajewo.

'000 EUR	31 Mar. 2019	31 Dec. 2018
Property, plant and equipment	19 450	18 811
Intangible assets	507	319
Commitment purchase	19 957	19 130

Starting 1 January 2019, according to new IFRS 16, the Group recognized Right-of-use assets and Leasing liabilities in relation to perpetual usufruct of land, leased offices, vehicles, machines and other equipment.

As at 31 March 2019 the gross value of the Right-of-use assets amounts to EUR 38 643 thousand while the accumulated depreciation is EUR 2 395 thousand.

10. 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 Q1 2019 in the amount of EUR 326 thousand presented in the statement of profit and loss was influenced by payments of tax liabilities for the outcome of the tax audit for years 2010-2015 conducted in Germany in the amount of EUR 193 thousand (cash effect). Therefore the accrual for the tax audit decreased in Q1 2019 from EUR 1.6 million to EUR 1.2 million.

11. TRADE AND OTHER RECEIVABLES

'000 EUR	31 Mar. 2019	31 Dec. 2018
Trade receivables	23 254	6 998
Trade receivables from related parties	14	19
Current prepayments and accrued income	2 437	1 012
Current VAT receivables	7 130	7 750
Other receivables	19 692	18 050
TOTAL	52 527	33 829

The amount of EUR 19 692 thousand of other receivables as at 31 March 2019 (EUR 18 050 thousand as at 31 December 2018) included, among others:

- EUR 10 821 thousand as at 31 March 2019 (EUR 11 689 thousand as at 31 December 2018) relates to factoring continuing involvement and represents the risk reserve of the factor;
- EUR 835 thousand as at 31 March 2019 (EUR 835 thousand as at 31 December 2018) in a bank account with restricted access for distribution to secured creditors of the insolvency proceedings (Core West);
- EUR 3 773 thousand as at 31 March 2019 (EUR 3 953 thousand as at 31 December 2018) receivables related to energy regulations refund
- EUR 3 025 thousand as at 31 March 2019 (EUR 0 as at 31 December 2018) - insurance receivable for fire damage

12. INVENTORIES

'000 EUR	31 Mar. 2019	31 Dec. 2018
Materials and merchandise	61 087	60 145
Semi-finished products and work in progress	2 237	1 354
Finished goods	51 007	54 733
Advances for deliveries	670	60
TOTAL	115 001	116 292

Inventories are presented in the consolidated statement of financial position at net realisable value, i.e. net of write-downs of EUR 9 192 thousand (31 December 2018: EUR 9 449 thousand).

13. EQUITY

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

	31 Mar. 2019	31 Dec. 2018
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)	6 992	6 992
Number of shares at beginning of period (fully paid up)	64 701 007	64 701 007
Number of shares at end of period (fully paid up)	64 701 007	64 701 007

All shares issued by the Company 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 31 March 2019 is as follows:

Shareholding structure	Number of share	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 Santander	4 308 424	6.66%	4 308 424	6.66%
Treasury shares (*)	*12 940 201*	*20.00%*	*12 940 201*	*20.00%*
Other shareholders	15 794 672	24.41%	15 794 672	24.41%
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.

The shareholder structure as of 22 May 2019 is as follows:

Shareholding structure	Number of share	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 Santander	4 308 424	6.66%	4 308 424	6.66%
Treasury shares (*)	*12 940 201*	*20.00%*	*12 940 201*	*20.00%*
Other shareholders	15 794 672	24.41%	15 794 672	24.41%
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 31 March 2019 results from the distribution of profits from the Parent company received as dividends, which were generated before first consolidation by subsidiaries.

Dividends

At 15 May 2019 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 2018 and recommended assigning entire 2018 net profit amounting to PLN 144 442 thousand to the supplementary capital. The above motion was positively opined by the Supervisory Board of the Company on 21 May 2019.

14. FINANCIAL LIABILITIES

Non-current financial liabilities:

'000 EUR	31 Mar. 2019	31 Dec. 2018
Non-current leasing liabilities	24 883	0
Bank borrowings	426 738	425 875
TOTAL	451 621	425 875

Current financial liabilities:

'000 EUR	31 Mar. 2019	31 Dec. 2018
Current leasing liabilities	9 602	0
Current portion of bank borrowings	1 545	1 669
Other interest bearing liabilities	959	4 542
TOTAL	12 106	6 211

Leasing liabilities as at 31 March 2019 relates to liabilities recognised according to new IFRS 16 starting 1 January 2019.

Other interest bearing liabilities refers mainly to overdraft facilities

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).

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.

At the reporting date these Revolving Credit Facilities were drawn in cash for an amount of PLN 2 923 thousand and 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 396 thousand. The Revolving Facility 1 is partially drawn for bank guarantees of EUR 2 151 thousand and PLN 520 thousand (EUR 121 thousand) as well as Letters of Credit in an amount of EUR 1 008 thousand. Interest on cash drawings is accrued at EURIBOR (for EUR-drawings; floored at zero) plus margin, WIBOR (for PLN-drawings) plus margin, LIBOR (for drawings in other currencies) plus margin.

Financings PLN (excluding factoring and operating leases)

'000 EUR					31 Mar. 2019			31 Dec. 2018		
Lender	Currency	Interest rate	Duration from	Duration to	Credit limit EUR	Drawn amount EUR	Undrawn amount EUR	Credit limit EUR	Drawn amount EUR	Undrawn amount EUR
Revolving Credit Facility (PLN)										
Bank Millennium S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022	20 876	680	20 196	20 410	4 232	16 178
Alior Bank S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022	18 335	0	18 335	18 332	0	18 332
BNP Paribas Bank Polska S.A.	PLN	WIBOR + margin	01 Aug 2017	01 Aug 2022	7 587	0	7 587	7 585	0	7 585
Guarantees Core East										
Bank Millennium S.A.	**PLN**		**01 Aug 2017**	**01 Aug 2022**	**1 912**	**1 912**	**0**	**2 374**	**2 374**	**0**
bank guarantee/s issued in PLN					1 457	1 457	0	1 457	1 457	0
bank guarantee/s issued in EUR					0	0	0	0	0	0
Letter/s of Credit issued in EUR year-end [EUR 797 240]					0	0	0	917	917	0
Letter/s of Credit issued in EUR actual [EUR 395 500]					455	455	0	0	0	0
Limit of credit cards East										
Bank Millennium S.A.	PLN		01 Aug 2017	01 Aug 2022	465	0	465	465	0	465
TOTAL PLN Credit facilities					**49 175**	**2 592**	**46 583**	**49 166**	**6 606**	**42 560**

Financing EUR (excluding ABCP and operating leases)

'000 EUR						31 Mar. 2019			31 Dec. 2018		
Lender	Currency	Interest rate	Duration from	Duration to		Credit limit EUR	Drawn amount EUR	Undrawn amount EUR	Credit limit EUR	Drawn amount EUR	Undrawn amount EUR
Revolving Credit Facility (EUR)											
Alior Bank S.A.	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022		5 000	0	5 000	5 000	0	5 000
Bank of China	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022		10 000	0	10 000	10 000	0	10 000
Commerzbank AG	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022	*)	11 720	0	11 720	7 548	0	7 548
Goldman Sachs Bank USA	EUR	EURIBOR + margin	02 Aug 2018	01 Aug 2022		15 000	0	15 000	15 000	0	15 000
BNP Paribas Bank Polska S.A.	EUR	EURIBOR + margin	01 Aug 2017	01 Aug 2022		5 000	0	5 000	5 000	0	5 000
Guarantees Core West											
Commerzbank AG	**EUR**		**01 Aug 2017**	**01 Aug 2022**		**3 280**	**3 280**	**0**	**7 452**	**7 452**	**0**
bank guarantee(-s) issued in EUR						2 151	2 151	0	2 291	2 291	0
bank guarantee(-s) issued in PLN						121	121	0	121	121	0
Letter(-s) of credit issued in EUR						1 008	1 008	0	5 040	5 040	0
Other debt instruments											
Term Loan B (TLB)	EUR		01 Aug 2017	01 Aug 2024		445 000	445 000	0	445 000	445 000	0
TOTAL EUR Credit facilities						**495 000**	**448 280**	**46 720**	**495 000**	**452 452**	**42 548**

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

15. PROVISIONS

For the three month period ended 31 March 2019:

'000 EUR	1 Jan. 2019	Additions	Utilisation	Release	Currency difference	31 Mar. 2019
Non-current						
Severance payments	890	36	-77	-104	0	745
Other provisions	996	3	-7	0	-4	988
Total non-current	**1 886**	**39**	**-84**	**-104**	**-4**	**1 733**
Current						
Court proceedings (Note 19)	4 700	0	0	0	0	4 700
OCCP penalty and related costs (Note 19)	8 594	0	-11	0	2	8 584
Restructuring costs	1 138	0	-161	-41	0	936
Total current	**14 432**	**0**	**-172**	**-41**	**2**	**14 220**
TOTAL	**16 318**	**39**	**-256**	**-145**	**-2**	**15 953**

For the three month period ended 31 March 2018:

'000 EUR	1 Jan. 2018	Additions	Utilisation	Release	Currency difference	31 Mar. 2018
Non-current						
Severance payments	504	192	-78	-207	0	411
Other provisions	949	3	-12	0	-6	934
Total	**1 453**	**195**	**-90**	**-207**	**-6**	**1 345**
Current						
Court proceedings (Note 19)	3 150	0	0	0	0	3 150
OCCP penalty and related costs (Note 19)	9 261	0	0	0	-74	9 187
Restructuring costs	3 144	0	-157	-304	0	2 683
Total	**15 555**	**0**	**-157**	**-304**	**-74**	**15 020**
TOTAL	**17 008**	**195**	**-247**	**-511**	**-80**	**16 365**

16. TRADE AND OTHER PAYABLES

'000 EUR	31 Mar. 2019	31 Dec. 2018
Trade payables	117 716	100 277
Liabilities under factoring agreements	33 810	37 967
Insolvency-related liabilities of PCF GmbH	7 748	7 748
VAT liabilities	1 699	1 118
Liabilities for capital expenditures	1 100	5 551
Other liabilities	19 089	17 933
TOTAL	181 162	170 594

Other liabilities as of 31 March 2019 comprised mainly of:

- real estate transfer tax liability related to the acquisition EUR 10 603 thousand (EUR 10 600 thousand as of 31 December 2018) - liability amounts to PLN 45 595 thousand and is revaluated at each reporting date

- provisions for the cost of emission rights EUR 2 092 thousand (EUR 1 941 thousand as of 31 December

2018)

- deferred income mainly referred to emission rights EUR 3 225 thousand (EUR 1 736 thousand as at 31 December 2018)
- other tax payables of EUR 317 thousand (EUR 445 thousand as of 31 December 2018) and
- other cost accruals of EUR 2 852 thousand (EUR 3 208 thousand as of 31 Dec 2018).

17. 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 analyse 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 unfavourable effects of changes in market risk factors on the cash flows and financial results.

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

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

The objective of currency risk management is to minimize losses arising out of unfavourable changes in foreign exchange rates. The Group monitors its currency position from the point of view of cash flows. To manage its currency risk, it first relies on natural hedging and where necessary uses forward contracts. The time horizon adopted for position monitoring and hedging transactions is analysed 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 Q1 2019, approximately 95% of the Group's trade receivables were secured with insurances. 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 recognised 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 Group also incurres costs of interests under factoring agreements. The interest rate risk is related to interest payments with floating interest rates. The Group does not hedge the interest rate risk for the time being. The Group monitors the level of interest costs on a regular basis.

Currency risk (transaction risks)

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

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

Forward and swap 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.

18. 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., 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).

19. CONTINGENT LIABILITIES

As at 31 March 2019 the Group did not identify any significant contingent liabilities except for an additional potential liability (apart from the provisions already recorded in the balance sheet) resulting from the antitrust proceedings and German insolvency code (Alno case) 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 final. 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 31 March 2019 the provisions amount to PLN 36 916 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 proceedings is difficult to predict. Based on its best knowledge the Management estimated as of 31 March 2019 provisions related to antitrust violations of EUR 4 150 thousand including costs related to legal proceedings with Classen as well as legal costs and potential 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 filed an action for damages with the regional court of Düsseldorf (Landgericht Düsseldorf) against Pfleiderer Baruth GmbH (then: Pfleiderer Faserplattenwerk Baruth GmbH) currently amounting to approximately EUR 55.4 million (plus interest). The proceeding is still pending and the outcome, i.e. the further potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid, cannot be assessed yet. The court has released an indicative order dated 11 December 2018: According to the preliminary view of the court, the claim is justified on the merits but quantum still needs to be determined. Pfleiderer Baruth GmbH has argued against this indicative. On 14 February 2019 another oral hearing has taken place where a new German jurisdiction of the German Federal Court of 11 December 2018 has been discussed. Subsequent to this court hearing both parties – Pfleiderer and Classen - have lodged a statement explaining their legal opinion regarding the question if a judgement on the merits of the claim would be admissibly from a legal perspective, to the local court of Düsseldorf. The court now must come to a conclusion whether a judgment regarding the merits of the claim is possible without evaluating a possible damage. The next court decision is announced for 27 June 2019. As at 31 March 2019 the provision for accrued legal costs for Classen has been recognized by the Group in these consolidated financial statements and is comprised in the total amount of EUR 4 150 thousand.

In December 2012, Oeseder Möbel-Industrie Mathias Wiemann GmbH & Co. KG ("Oeseder"), one of the Pfleiderer Group's customers, filed an action for damages with the regional court of Hannover (Landgericht Hannover) against Sonae Arauco Deutschland AG (then: Glunz AG) amounting to approximately EUR 26 million (plus interest). The plaintiff claimed to have suffered damages due to the Chipboard Cartel. Following a third party notice (Streitverkündung) by Sonae Arauco Deutschland AG, PCF GmbH has joined the legal proceedings as an intervener (Nebenintervenient). The court has passed a judgement on 31 May 2016 according to which the claim is justified on the merits but subject to further discussion regarding quantum. Sonae Arauco Deutschland AG has filed an appeal against this decision with the higher regional court in Celle. A court meeting was held in March 2019. The outcome is difficult to predict; a new oral hearing will take place in August 2019.

As at 31 March 2019 the Management based on its best knowledge recognised a provision for the expected outcome, which is included in the total amount of EUR 4 150 thousand. PCF GmbH's obligation for substantial payments may result from a contribution claim (Gesamtschuldnerinnenausgleichsanspruch) based on PCF GmbH's joint and several liability (Gesamtschuld), if Sonae Arauco Deutschland AG or any other third party is obligated to pay compensation to Oeseder. The proceeding is still pending and the outcome, i.e. the further potential costs that may arise in connection with this litigation or the amount of damages that might be required to be paid could change significantly.

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 thousand. 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 who is in the burden of proof 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 if the claim is legitimated and to estimate 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; on November 30th 2018 the Company has sent a letter to the insolvency administrator rejecting the claims. In case of a litigation Pfleiderer and its legal advisors estimated the cost for lawyers and the court and created the provision in the amount of EUR 550 thousand.

Moreover the Group has tax liabilities for the expected outcome of the tax audit for years 2010-2015 conducted in Germany. Like described in Note 10 "Income tax expense" most of this liability has already been paid so the remaining liability is amounting to EUR 1.2 million.

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Remuneration of key management personnel

As of 31 March 2019 the Management Board consists of Thomas Schäbinger (President and CEO) and Dr. Nico Reiner (CFO).

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

'000 EUR	1 Jan. - 31 Mar. 2019	1 Jan. - 31 Mar. 2018
Remuneration of Management Board	740	681
Remuneration of Supervisory Board	136	175
TOTAL	876	856

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

The Management Board remuneration for Q1 2019 includes the severance payment for Mr Dirk Hardow in the amount of EUR 180 thousand.

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

As at 31 March 2019 members of the Management held the following number of Pfleiderer Group shares:

- President of the Management Board Tom K. Schäbinger - 16 750 Company shares

Changes in the Management Board

On 20 March 2019 Mr. Dirk Hardow submitted a resignation from the Management Board of the Company. The resignation takes effect on 31 March 2019.
On the same day the Supervisory Board of the Company decided to appoint to the Management Board: Dr. Frank Herrmann as Chief Operating Officer and Mr. Stefan Zinn as Chief Commercial Officer. The above appointments take effect from 1 May 2019.

Changes in the Supervisory Board

On 31 January 2019 Mr. Florian Kawohl submitted his resignation from the position of the member of the Company's Supervisory Board with effect as of the date of the appointment by the general meeting of shareholders of Pfleiderer Group S.A. of a new member of the Supervisory Board in his place.
The above resignation became effective on 7 February 2019 i.e. on the date of appointment by the General Meeting of Shareholders new members of the Supervisory Board in place of the members who submitted the resignations. On 7 February 2019 the Extraordinary General Meeting of Shareholders of the Company appointed to the Supervisory Board Mr. John Brantl and Mr. Julian von Martius.

Long term incentive programme

On 20 September 2017 the Supervisory Board adopted a resolution establishing the terms of the long-term incentive programme for selected Management Board members ("Management Board LTIP").
On 18 October 2017 the Extraordinary General Meeting adopted a resolution establishing the terms of the long-term incentive programme for selected Supervisory Board members in the form determined by the Supervisory Board ("Supervisory Board LTIP" and together with the Management Board LTIP, the "LTIP").
On 20 March 2019 the Supervisory Board adopted a resolution regarding amendment and determination of new terms of the Management Board LTIP.
According to the terms of the LTIP, the Company will grant selected Management Board and Supervisory Board members ("Managers") an option to acquire existing shares in the Company's share capital ("Call Option Shares") at the exercise price per share multiplied by the number of Call Option Shares to which each Manager is entitled ("Call Option"). As a rule, the Managers will be entitled to receive the Call Option Shares if they continue to be members of the Company's respective corporate body or their appointment thereto expires pursuant to certain conditions, including, in particular: (i) death; (ii) disability due to which a Manager is unable to perform his duties as a member thereof; or (iii) the elapse of the term for which the respective Manager is appointed as a member thereof and not being elected to a subsequent term of office for reasons other than for cause or occurrence of a material breach of obligations; or (iv) dismissal from the respective corporate body for reasons other than for cause or occurrence of a material breach of obligations.
The Call Option will be vested in fifteen tranches. Each vested tranche will entitle each Manager to acquire, respectively, 5%, 5%, 7.5%, 10%, 22.5%, 2%, 2%, 2%, 2%, 7%, 7%, 7%, 7%, 7%, and 7% (each defined as a "Tranche") of the overall number of the Call Option Shares to which each Manager is entitled if with respect to a given Tranche the price of the Company's shares reaches, respectively, PLN 40, PLN 47, PLN 55, PLN 63, PLN 70, PLN 71, PLN 72, PLN 73, PLN 74, PLN 75, PLN 76, PLN 77, PLN 78, PLN 79 and PLN 80 (the "Tested Share Price"). In the event that, during the term of 5 (five) consecutive years from the date of the adoption of the resolution

regarding the Supervisory Board LTIP, the Tested Share Price for any of the respective Tranche has not been met and Call Option Shares related to such Tranche are not vested, the Manager shall irrevocably lose the right to acquire such Call Option Shares without the right to any compensation.

The Tested Share Price constitutes:

(i) the arithmetic average of the market price of the shares established on the basis of the daily volume-weighted average prices at the end of each period of 70 (seventy) consecutive trading days on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) through the whole term of the LTIP (the "Share Price Test Period"), plus the sum of all dividends paid or declared to be paid by the Company in the period from the date of the adoption of the resolution regarding the Supervisory Board LTIP until respective Share Price Test Period divided by all of the shares in the Company's share capital; or

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

(iii) the final price per Share paid by a Third Party Purchaser(s), i.e. the entity other that is not a Significant Shareholder, in a tender offer for 66% or 100% of the total number of Shares (whether voluntary or mandatory), provided that such Third Party Purchaser(s) acquire(s) more than 50% of the issued share capital of the Company (either before or as a result of such a tender offer).

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

As of the date of signing this Report, due to the changes in the Management Board, the members of the Management Board are in aggregate entitled to receive 2 312 146 Call Option Shares for the exercise price per share of PLN 40. As of the date of signing this Report only one member of the Supervisory Board participates in the Supervisory Board LTIP. He is entitled to receive 283 067 Call Option Shares for the exercise price per share of PLN 30.

In the reporting period the Group recognized the costs of the long term incentive programme in the amount of EUR 130 thousand (Q1 2018: EUR 168 thousand). The amount has been included in the employee benefit costs versus reserves in Equity.

21. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

SIGNIFICANT AGREEMENT

On 11 April 2019, Pfleiderer Group companies (Pfleiderer Polska Sp.z o.o. – as Coordinator and Participants: Pfleiderer Group S.A., Pfleiderer MDF Grajewo Sp. z o.o., Pfleiderer Wieruszów Sp. z o.o., Pfleiderer Silekol Sp. z o.o., Pfleiderer Grajewo sp. z o.o., Jura Polska sp. z o.o.) concluded the Agreement with Bank Millennium S.A. on the cash management structure for the group of accounts and the annex to the ancillary agreement of 27 June 2017. Under the agreement on the cash management structure for the group of accounts, the Bank will perform settlements of one structure in PLN and one in EUR. Conclusion of the Annex to the ancillary agreement of 27 June 2017 makes available part of the Revolving Facility 2 in the form of an overdraft up to PLN 80 million to the Coordinator and through the structure to all Participants.
The collateral for the repayment of the participants' mutual obligations is guaranteed up to PLN 80 million.

CHANGE IN THE MANAGEMENT BOARD

On 21 May 2019 Mr. Thomas Schäbinger submitted a resignation from the Management Board of the Company. The resignation of Mr. Thomas Schäbinger takes effect on 31 May 2019. On the same day PCF GmbH, the subsidiary of the Company signed the termination agreement with Mr. Thomas Schäbinger.
On 21 May 2019 the Company’s Supervisory Board adopted a resolution authorising the delegation of Mr. Zbigniew Prokopowicz, chairman of the Company’s Supervisory Board, to temporarily perform the duties of the president of the Management Board of the Company. Mr. Prokopowicz was delegated to the Management Board for a period starting from 1 June 2019 until the moment of the appointment by the Company’s Supervisory Board of a new president of the Management Board, but not longer than until 31 August 2019.
In connection with completion of the term of office of the Management Board and expiration of the mandates of present members of the Management Board as well as in connection with the resignation of Thomas Schäbinger from the Management Board of the Company with effect on 31 May 2019, on 21 May 2019 the Supervisory Board decided to appoint Mr. Frank Hermmann to the Management Board of the Company as the Member of the Management Board (Chief Operating Officer), Mr. Nico Reiner to the Management Board of the Company as the Member of the Management Board (Chief Financial Officer) and Mr. Stefan Zinn to the Management Board of the Company as the Member of the Management Board (Chief Commercial Officer). The appointments come into effect on a date of the Ordinary General Meeting of Shareholders of the Company approving the financial statements of the Company for 2018 financial year.

There were no other significant subsequent events that should be disclosed in these 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

Dr. Frank Herrmann
Member of the Management Board,
Chief Operating Officer

Stefan Zinn
Member of the Management Board,
Chief Commercial Officer

Wrocław, 22 May 2019

PFLEIDERER GROUP S.A.

UNAUDITED CONDENSED SEPARATE
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2019

(all amounts in PLN thousand)

STANDALONE INTERIM FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

Assets	31.03.2019	31.12.2018
Property, plant and equipment	9	295
Right-of-use assets	1 610	-
Investments in subsidiaries	2 133 125	2 133 125
Other non-current financial assets	492	75
Non-current assets	**2 135 236**	**2 133 495**
Trade and other receivables	9 894	40 542
Cash and cash equivalents	72 800	75 185
Other current financial assets	756	29 465
Current assets	**83 450**	**145 192**
Total assets	2 218 686	2 278 687

Equity and liabilities		
Equity		
Share capital	21 351	21 351
Share premium	625 240	625 240
Reserves	321 582	321 023
Retained earnings	143 816	167 524
Total equity	**1 111 989**	**1 135 138**
Liabilities		
Non-current financial liabilities	1 500	-
Employee related payables	124	124
Non-current liabilities	**1 624**	**124**
Current financial liabilities	987 175	974 719
Liabilities to related parties under debt securities	31 965	92 932
Income tax liabilities	42	42
Trade and other payables	82 071	72 068
Employee related payables	3 820	3 664
Current liabilities	**1 105 073**	**1 143 425**
Total liabilities	**1 106 697**	**1 143 549**
Total equity and liabilities	2 218 686	2 278 687

(all amounts in PLN thousand)

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	01.01.2019 31.03.2019	01.01.2018 31.03.2018
Other operating income	2 101	2 794
General and administrative expenses	(4 294)	(7 056)
Other operating expenses	(10 441)	(52)
Loss from operating activities	**(12 634)**	**(4 314)**
Financial income	1 342	3 604
Financial expenses	(12 416)	(12 569)
Net financial costs	**(11 074)**	**(8 965)**
Loss before tax	**(23 708)**	**(13 279)**
Income tax expense	-	(644)
Net Loss for the reporting period	(23 708)	(13 923)

(all amounts in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserves	Reserve for own shares	Cash flow hedge	Incentive programme	Change in measurement of net liabilities under defined employee benefits	Retained earnings	Total
1 January 2019	21 351	625 240	95 445	207 149	15 870	2 480	79	167 524	1 135 138
Comprehensive income for the period									
Net loss	-	-	-	-	-	-	-	(23 708)	(23 708)
Total comprehensive income for the period	-	-	-	-	-	-	-	(23 708)	(23 708)
Transactions with owners recognised in equity									
Credit to equity for equity settled share-based payments	-	-	-	-	-	559	-	-	559
Total transactions with owners recognised in equity	**-**	**-**	**-**	**-**	**-**	**559**	**-**	**-**	**559**
31 March 2019	21 351	625 240	95 445	207 149	15 870	3 039	79	143 816	1 111 989

(all amounts in PLN thousand)

	Share capital	Share premium	Statutory reserves	Reserve for own shares	Cash flow hedges	Incentive programme	Change in measurement of net liabilities under defined employee benefits	Retained earnings	Total
1 January 2018	21 351	625 240	104 604	237 298	15 870	190	61	438 624	1 443 238
Comprehensive income for the period									
Net loss	-	-	-	-	-	-	-	(13 923)	(13 923)
Total comprehensive income for the period	-	-	-	-	-	-	-	(13 923)	(13 923)
Transactions with owners recognised in equity									
Credit to equity for equity settled share-based payments	-	-	-	-	-	706	-	-	706
Treasury share buyback	-	-	-	(81 249)	-	-	-	-	(81 249)
Total transactions with owners recognised in equity	**-**	**-**	**-**	**(81 249)**	**-**	**706**	**-**	**-**	**(80 543)**
31 March 2018	21 351	625 240	104 604	156 049	15 870	896	61	424 701	1 348 772

(all amounts in PLN thousand)

STATEMENT OF CASH FLOWS

	01.01.2019 31.03.2019	01.01.2018 31.03.2018
Cash flows from operating activities		
Net loss	**(23 708)**	**(13 923)**
Adjustments	**31 144**	**16 538**
Depreciation and amortisation	69	8
Foreign exchange losses	313	6 400
Interest for the period	10 761	2 564
Income tax expense	-	643
Changes in:		
trade and other receivables	9 928	7 900
trade and other payables	9 542	(2 194)
employee benefit obligations	156	511
Other adjustments	559	706
Cash flows from operating activities	**7 620**	**2 615**
Interest received	10	17
Income tax paid	-	(732)
Net cash provided by operating activities	**7 630**	**1 900**
Cash flows from investing activities		
Acquisition of a subsidiary	-	(222)
Dividends received	21 600	41 474
Proceeds from repayment of loans advanced	29 658	-
Net cash provided by investing activities	**51 258**	**41 252**
Cash flows from financing activities		
Redemption of debt securities	(351 553)	(560 375)
Issue of debt securities	290 659	573 309
Increase in loans and borrowings	-	62 256
Decrease in loans and borrowings	-	(24 951)
Other financial inflows	457	3
Other financial outflows	(178)	(478)
Own shares purchase	-	(81 249)
Interest paid	(410)	(14 720)
Financial lease	(248)	-
Net cash used in financing activities	**(61 273)**	**(46 205)**
Total net cash flows	**(2 385)**	**(3 053)**
Decrease in cash	(2 385)	(3 053)
Cash at beginning of the period	75 185	4 413
Cash at end of the period	72 800	1 360

Tom K. Schäbinger
President of the Management Board

Dr. Nico Reiner
Member of the Management Board,
Chief Financial Officer

Dr. Frank Herrmann
Member of the Management Board,
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Wrocław, 22 May 2019