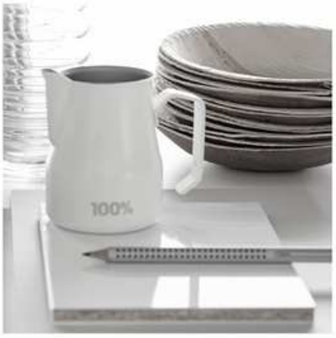

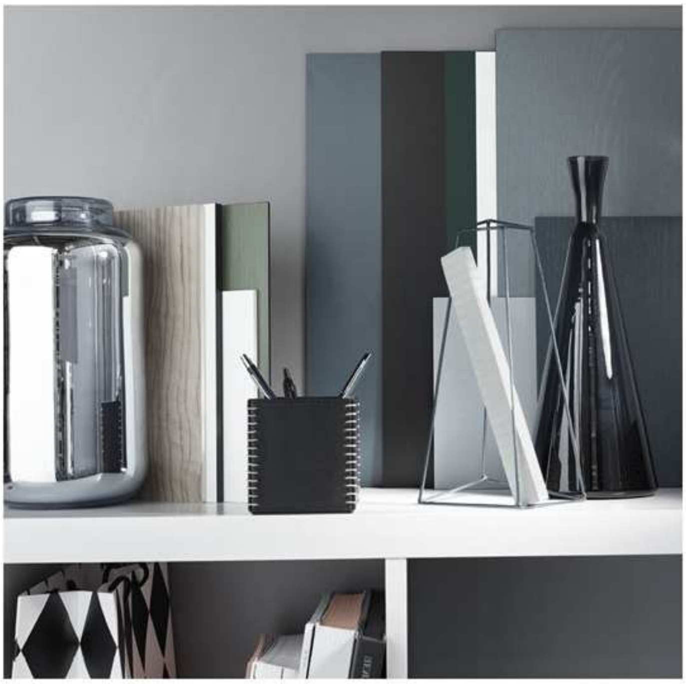

INSPIRATIONS CLOSE
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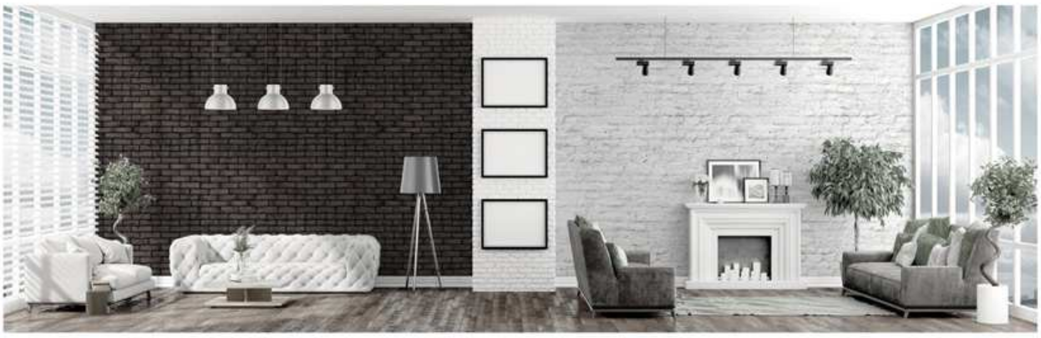
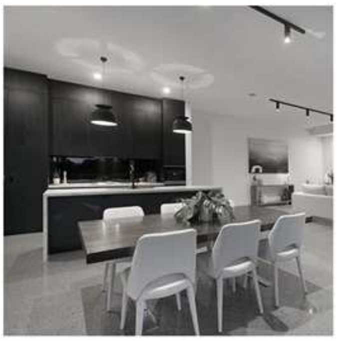
# PFLEIDERER GROUP S.A.





UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 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 30 June 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 30 June 2019 gives a fair view of its development, achievements and standing, including a description of the key risks and threats.

**Zbigniew Prokopowicz**
*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, 25 September 2019

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| ASSETS<br>'000 EUR | Notes | 30 Jun. 2019 | 31 Dec. 2018 |
|---|---|---|---|
| Property, plant and equipment | 9. | 549 221 | 558 587 |
| Intangible assets | | 74 899 | 79 179 |
| Right-of-use asset | 9. | 36 404 | 0 |
| Goodwill | | 67 098 | 66 792 |
| Other non-current assets | | 486 | 490 |
| Investment property | | 853 | 843 |
| Deferred tax assets | | 571 | 475 |
| Advances paid on fixed assets | 9. | 11 642 | 8 052 |
| Government grants receivables | | 3 290 | 3 251 |
| Long term investments | | 3 | 1 |
| **Non-current assets** | | **744 467** | **717 670** |
| Inventories | 12. | 109 840 | 116 292 |
| Trade and other receivables | 11. | 53 581 | 33 829 |
| Income tax receivable | | 1 066 | 511 |
| Cash and cash equivalents | | 21 943 | 33 495 |
| Fair value of hedging instruments | | 212 | 81 |
| Other short term financial assets | | 242 | 289 |
| **Current assets** | | **186 884** | **184 497** |
| Total assets | | 931 351 | 902 167 |

| LIABILITIES AND EQUITY<br>'000 EUR | | 30 Jun. 2019 | 31 Dec. 2018 |
|---|---|---|---|
| Share capital | | 6 692 | 6 692 |
| Share premium | | 146 375 | 146 375 |
| Statutory reserve funds | | 113 294 | 79 391 |
| Reserves | | -15 794 | -11 921 |
| Retained earnings | | -132 285 | -87 267 |
| Total equity attributable to owners of the Company | 13. | 118 282 | 133 270 |
| Total equity | | 118 282 | 133 270 |
| Liabilities | | | |
| Non-current financial liabilities | 14. | 452 266 | 425 875 |
| Provisions for employee benefits | | 56 983 | 52 072 |
| Provisions | 15. | 1 721 | 1 886 |
| Deferred tax liabilities | | 53 809 | 59 721 |
| Deferred income from government grants | | 6 112 | 6 252 |
| Other non-current liabilities | | 21 | 21 |
| **Non-current liabilities** | | **570 912** | **545 827** |
| Current financial liabilities | 14. | 27 104 | 6 211 |
| Income tax payable | | 6 714 | 6 912 |
| Trade and other payables | 16. | 163 712 | 170 594 |
| Employee related payables | | 29 945 | 24 478 |
| Provisions | 15. | 14 249 | 14 432 |
| Fair value hedging instruments | | 0 | 16 |
| Deferred income from government grant | | 433 | 427 |
| **Current liabilities** | | **242 157** | **223 070** |
| Total equity and liabilities | | 931 351 | 902 167 |

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

| '000 EUR | Notes | 1 Jan. - 30 Jun. 2019 | 1 Jan. - 30 Jun. 2018 | 1 Apr. - 30 Jun. 2019 | 1 Apr. - 30 Jun. 2018 |
|---|---|---|---|---|---|
| Net sales | | 522 277 | 533 183 | 259 958 | 264 414 |
| Cost of sales | | -423 407 | -410 402 | -206 661 | -204 327 |
| **Gross profit** | | **98 870** | **122 781** | **53 297** | **60 087** |
| Selling expenses | | -66 068 | -66 168 | -32 125 | -32 815 |
| R&D expenses | | -935 | -855 | -483 | -412 |
| General and administrative expenses | | -24 301 | -24 960 | -12 293 | -12 705 |
| Other operating income and expenses | 6.,7. | -4 042 | 1 089 | -2 355 | -257 |
| **EBIT** | | **3 524** | **31 887** | **6 041** | **13 898** |
| | | | | | |
| Financial income and expenses | | -16 719 | -10 781 | -8 532 | -5 446 |
| Other financial result | | 2 952 | -7 569 | 2 910 | -6 191 |
| **Financial result** | **8.** | **-13 767** | **-18 350** | **-5 622** | **-11 637** |
| | | | | | |
| **EBT** | | **-10 243** | **13 537** | **419** | **2 261** |
| | | | | | |
| Result of income tax | 10. | -872 | -7 766 | -546 | -3 825 |
| | | | | | |
| Net profit for the reporting period | | -11 115 | 5 771 | -127 | -1 564 |
| | | | | | |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Actuarial gains and losses net of related tax | | -3 998 | 0 | -1 385 | 0 |
| Exchange differences on translation to presentation currency of the Group | | -254 | -2 120 | -529 | -1 559 |
| **Items that will not be reclassified subsequently to profit or loss** | | **-4 252** | **-2 120** | **-1 914** | **-1 559** |
| Cash flow hedge - effective portion of changes in fair value net to related tax | | -31 | -767 | -24 | -123 |
| Cash flow hedge - net change of fair value reclassified to current year profit or loss net of tax | | 149 | 207 | 106 | -118 |
| **Items that are or may be reclassified subsequently to profit or loss** | | **118** | **-560** | **82** | **-241** |
| OTHER COMPREHENSIVE INCOME | | -4 134 | -2 680 | -1 832 | -1 800 |
| | | | | | |
| **Total comprehensive income for the period** | | **-15 249** | **3 091** | **-1 959** | **-3 364** |
| | | | | | |
| Profit for the period attributable to: | | | | | |
| Shareholders of the Company | | -11 115 | 5 771 | -127 | -1 564 |
| Profit for the period | | -11 115 | 5 771 | -127 | -1 564 |
| | | | | | |
| Total comprehensive income attributable to: | | | | | |
| Shareholders of the Company | | -15 249 | 3 091 | -1 959 | -3 364 |
| Total comprehensive income for the period | | -15 249 | 3 091 | -1 959 | -3 364 |
| | | | | | |
| Number of shares at the end of the reporting period (excluding treasury shares) | | 51 760 806 | 59 304 074 | 51 760 806 | 59 304 074 |
| Average number of shares during the reporting period (excluding treasury shares) | | 51 760 806 | 59 747 221 | 51 760 806 | 59 304 074 |
| Basic earnings per share | | -0.21 | 0.10 | 0.00 | -0.03 |
| Diluted earnings per share | | -0.21 | 0.10 | 0.00 | -0.03 |

The notes are an integral part of these consolidated financial statements

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the six month period ended 30 June 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 | -11 115 | **-11 115** |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | -254 | 0 | -3 998 | 118 | 0 | **-4 134** |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | 0 | -254 | 0 | -3 998 | 118 | -11 115 | **-15 249** |
| **Transactions with owners recognised in equity** | | | | | | | | | | | |
| Equity settled share based payments | 0 | 0 | 0 | 0 | 0 | 0 | 261 | 0 | 0 | 0 | **261** |
| Transfer of 2018 net profit to statutory reserve | 0 | 0 | 0 | 33 903 | 0 | 0 | 0 | 0 | 0 | -33 903 | **0** |
| Total transactions with owners recognised in equity | 0 | 0 | 0 | 33 903 | 0 | 0 | 261 | 0 | 0 | -33 903 | 261 |
| **As at 30 Jun. 2019** | **6 692** | **146 375** | **54 790** | **58 504** | **145** | **-10 092** | **841** | **-6 891** | **203** | **-132 285** | **118 282** |

**For the six month period ended 30 June 2018:**

| '000 EUR | Share capital | Share premium | Reserve for own shares | Statutory reserve funds | Re-valuation reserve | Exchange rate differences | Incentive pro-gramme | Actuarial gains and losses | Cash flow hedges | Retained earnings | **TOTAL** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| As at 1 Jan. 2018 | 6 692 | 146 375 | 60 395 | 26 886 | 145 | -7 987 | 45 | -2 867 | 334 | 4 456 | **234 474** |
| **Comprehensive income for the period** | | | | | | | | | | | |
| Net profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 771 | **5 771** |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | -2 120 | 0 | 0 | -560 | 0 | **-2 680** |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | 0 | -2 120 | 0 | 0 | -560 | 5 771 | **3 091** |
| **Transactions with owners recognised in equity** | | | | | | | | | | | |
| Equity settled share based payments | 0 | 0 | 0 | 0 | 0 | 0 | 376 | 0 | 0 | 0 | **376** |
| Transfer of part of 2017 net profit to reserve funds | 0 | 0 | 0 | 80 909 | 0 | 0 | 0 | 0 | 0 | -80 909 | **0** |
| Transfer of part of statutory reserve fund to reserve for own shares | 0 | 0 | 83 194 | -83 194 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -16 719 | **-16 719** |
| Own shares purchase | 0 | 0 | -18 616 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **-18 616** |
| Total transactions with owners recognised in equity | 0 | 0 | 64 578 | -2 285 | 0 | 0 | 376 | 0 | 0 | -97 628 | **-34 959** |
| **As at 30 Jun. 2018** | **6 692** | **146 375** | **124 973** | **24 601** | **145** | **-10 107** | **421** | **-2 867** | **-226** | **-87 401** | **202 606** |

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| '000 EUR | 1 Jan. - 30 Jun. 2019 | 1 Jan. - 30 Jun. 2018 |
|---|---|---|
| **Net profit for the reporting period** | **-11 115** | **5 771** |
| Depreciation and amortisation | 46 356 | 37 514 |
| Foreign exchange gains | -2 952 | 7 569 |
| Interest for the period | 16 867 | 10 989 |
| Profit on investing activities | 24 | -26 |
| Income tax disclosed in profit or loss of the period | 872 | 7 766 |
| Amortisation of government grants | -119 | -177 |
| Result on forward contracts | -148 | -207 |
| Increase in exchange differences on translating foreign operations | 137 | -1 547 |
| **Changes in** | | |
| trade and other receivables | -19 762 | -21 709 |
| inventories | 6 766 | -9 459 |
| trade and other payables | 1 858 | 4 825 |
| employee benefit obligations | -1 436 | -1 561 |
| provisions | -1 099 | -680 |
| **Cash generated from operating activities** | **36 249** | **39 068** |
| Income tax (paid)/received | -6 137 | -9 268 |
| Net cash provided by operating activities | 30 112 | 29 800 |
| | | |
| Net cash used in investing activities | | |
| Disposal of property, plant and equipment | 26 | 61 |
| Interest received | 190 | 74 |
| Acquisition of intangible assets and property, plant and equipment | -34 048 | -35 832 |
| Net cash used in investing activities | -33 832 | -35 697 |
| | | |
| Net cash used in financing activities | | |
| Increase of borrowings and other debt instruments | 11 098 | 0 |
| Financial leasing | -4 990 | 0 |
| Share buy-back | 0 | -18 609 |
| Interest paid | -12 021 | -7 039 |
| Other financing activities | -1 919 | -2 189 |
| Net cash used in financing activities | -7 832 | -27 837 |
| Total cash flows | -11 552 | -33 734 |
| | | |
| Decrease/Increase in cash | -11 552 | -33 734 |
| Cash at beginning of the period | 33 495 | 83 845 |
| **Cash at the end of the period** | **21 943** | **50 111** |

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONTENTS

# 1. GENERAL INFORMATION

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

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

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

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

These unaudited interim condensed 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 25 September 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 30 June 2019, the Pfleiderer Group S.A. was the parent company with respect to the following subsidiaries:

| Eastern Europe | | 30 Jun. 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** | | **30 Jun. 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 | n.a. | 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 1 January 2016 Pfleiderer Group selected the EUR as the presentation currency for its consolidated financial statements.

### e) Estimates and judgements

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

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

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

**Assumptions and estimation uncertainties**

- Useful lives of property, plant and equipment and intangible assets – determined based on estimated useful lives of property, plant and equipment and intangible assets and verified at least annually,
- Goodwill, recoverable amount of non-financial non-current assets – if there is an indicator of impairment, the recoverable amount is determined as the higher of fair value less cost to sell or value in use (based on discounted cash flows) by applying the appropriate discount rate (cost of capital, growth rates),
- Corporate income tax and government grants receivables – recognition of deferred tax assets; availability of future taxable profit against which carry forward tax losses can be used; availability of future taxable profit against which government grants receivables can be utilized,
- Measurement of liabilities under defined employee benefit plans – employee benefits are evaluated by an actuary. The valuation is based on assumptions regarding interest rates, remuneration increase, inflation rate, and employment turnover,
- Provisions and contingent liabilities - recognition of provisions and contingent liabilities requires estimating the probable outflow of economic benefits and making the best estimate of expenditure required to settle present obligation at the end of reporting period.
- Valuation of financial instruments – fair value of financial instruments is measured using valuation models for financial instruments.

## 4. OPERATING SEGMENTS

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

Segment reporting is as follows:

For the six month period ended 30 June 2019:

| '000 EUR | Western Europe | Eastern Europe | Others / Consolidation | Group |
|---|---|---|---|---|
| **External revenues** | **364 831** | **157 446** | **0** | **522 277** |
| **Intersegment revenues** | **8 772** | **45 542** | **-54 314** | **0** |
| Profit/loss before income taxes | -4 567 | -5 937 | 261 | -10 243 |
| Net financing cost | 10 481 | 3 286 | 0 | 13 767 |
| **Result from operating activities (EBIT)** | **5 914** | **-2 651** | **261** | **3 524** |
| Depreciation and amortisation | 33 779 | 11 805 | -51 | 45 533 |
| Impairment | 823 | 0 | 0 | 823 |
| **Segment earnings EBITDA** | **40 516** | **9 154** | **210** | **49 880** |
| Cash and cash equivalents | -2 831 | -19 111 | -1 | -21 943 |
| Current financial liabilities | 12 437 | 14 667 | 0 | 27 104 |
| Non-current financial liabilities | 444 068 | 8 198 | 0 | 452 266 |
| **Net debt** | **453 674** | **3 754** | **-1** | **457 427** |
| Receivables before factoring | 69 287 | 48 050 | 0 | 117 337 |
| Inventories | 67 930 | 41 910 | 0 | 109 840 |
| Liabilities | -53 539 | -46 494 | 0 | -100 033 |
| **Net working capital before factoring** | **83 678** | **43 466** | **0** | **127 144** |
| **Segment capital expenditure** | **20 089** | **10 836** | **0** | **30 925** |
| Property, plant and equipment | 371 057 | 178 164 | 0 | 549 221 |
| Intangible assets | 64 768 | 10 131 | 0 | 74 899 |
| Goodwill | 29 804 | 37 294 | 0 | 67 098 |
| Advances paid on fixed assets | 6 123 | 5 519 | 0 | 11 642 |

For the six month period ended 30 June 2018:

| '000 EUR | Western Europe | Eastern Europe | Others / Consolidation | Group |
|---|---|---|---|---|
| **External revenues** | **373 393** | **159 790** | **0** | **533 183** |
| **Intersegment revenues** | **10 803** | **39 274** | **-50 077** | **0** |
| Profit/loss before income taxes | 14 251 | -901 | 187 | 13 537 |
| Net financing cost | 8 926 | 9 499 | -75 | 18 350 |
| **Result from operating activities (EBIT)** | **23 177** | **8 598** | **112** | **31 887** |
| Depreciation and amortisation | 27 508 | 10 057 | -51 | 37 514 |
| **Segment earnings EBITDA** | **50 685** | **18 655** | **61** | **69 401** |
| Cash and cash equivalents | -24 079 | -26 031 | -1 | -50 111 |
| Current financial liabilities | 2 556 | 0 | 0 | 2 556 |
| Non-current financial liabilities | 338 177 | 0 | -938 | 337 239 |
| **Net debt** | **316 654** | **-26 031** | **-939** | **289 684** |
| Receivables before factoring | 74 691 | 47 119 | 0 | 121 810 |
| Inventories | 65 681 | 38 396 | 0 | 104 077 |
| Liabilities | -65 087 | -49 143 | 0 | -114 230 |
| **Net working capital before factoring** | **75 285** | **36 372** | **0** | **111 657** |
| **Segment capital expenditure** | **18 261** | **8 995** | **0** | **27 256** |
| Property, plant and equipment | 367 486 | 165 678 | 0 | 533 164 |
| Intangible assets | 70 687 | 9 953 | 0 | 80 640 |
| Goodwill | 29 804 | 36 575 | 0 | 66 379 |
| Advances paid on fixed assets | 13 030 | 3 228 | 0 | 16 258 |

## 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 | 1 Jan. - 30 Jun. 2019 | 1 Jan. - 30 Jun. 2018 | 1 Apr. - 30 Jun. 2019 | 1 Apr. - 30 Jun. 2018 |
|---|---|---|---|---|
| Profit on sale of property, plant and equipment | 29 | 30 | 28 | 19 |
| Reversal of impairment loss on receivables | 267 | 271 | 187 | 115 |
| Compensation and penalties received (*) | 3 853 | 483 | 656 | 76 |
| Rental income | 129 | 108 | 64 | 42 |
| Release of unused accruals and provisions | 18 | 119 | 9 | 12 |
| Other, including: | 2 565 | 3 324 | *1 260* | *1 533* |
| *Government grants and public assistance* | *214* | *274* | *107* | *137* |
| *Operating foreign exchange gains* | *833* | *1 388* | *558* | *903* |
| *Operational management (sewage treatment plant Baruth)* | *225* | *225* | *112* | *112* |
| *Income from forward contracts* | *163* | *313* | *106* | *41* |
| *Proceeds from the sale of scrap* | *129* | *158* | *50* | *113* |
| *Sale of diesel* | *92* | *94* | *44* | *44* |
| *Sale of silver catalyst* | *121* | *0* | *7* | *0* |
| *Other income* | *788* | *872* | 276 | 183 |
| TOTAL | 6 861 | 4 335 | 2 204 | 1 797 |

(*) Compansation in HY1 2019 refers mainly to compensation for fire damage in Baruth – EUR 3 617 thousand.

## 7. OTHER OPERATING EXPENSES

| '000 EUR | 1 Jan. - 30 Jun. 2019 | 1 Jan. - 30 Jun. 2018 | 1 Apr. - 30 Jun. 2019 | 1 Apr. - 30 Jun. 2018 |
|---|---|---|---|---|
| Loss on disposal of property, plant and equipment | 53 | 4 | 40 | 4 |
| Allowance for receivables | 75 | 125 | 27 | 110 |
| Bad debt loss | 528 | 273 | 372 | 113 |
| Operating foreign exchange losses | 990 | 1 492 | 645 | 1 100 |
| Damages paid | 54 | 20 | 54 | 20 |
| Other - including: | 9 203 | 1 332 | 3 421 | 707 |
| *Consulting (*)* | *7 904* | *236* | *2 831* | *203* |
| *Other* | *1 299* | *1 096* | *590* | *504* |
| TOTAL | 10 903 | 3 246 | 4 559 | 2 054 |

(*) Costs of consulting in HY1 2019 includes mainly consulting costs for improvement projects in the amount of EUR 7 743 thousand.

## 8. FINANCIAL INCOME AND EXPENSES

Disclosed in profit or loss of the period:

| '000 EUR | 1 Jan. - 30 Jun. 2019 | 1 Jan. - 30 Jun. 2018 | 1 Apr. - 30 Jun. 2019 | 1 Apr. - 30 Jun. 2018 |
|---|---|---|---|---|
| Interest income | 293 | 74 | 285 | 46 |
| **Financial income** | **293** | **74** | **285** | **46** |
| Interest expense (1) | -14 445 | -8 872 | -7 434 | -4 443 |
| Refinancing costs (2) | -1 638 | -1 349 | -611 | -676 |
| Other finance costs | -929 | -634 | -772 | -373 |
| **Financial costs** | **-17 012** | **-10 855** | **-8 817** | **-5 492** |
| Exchange differences on translating foreign operations (3) | 2 952 | -7 569 | 2 910 | -6 191 |
| **Other financial result** | **2 952** | **-7 569** | **2 910** | **-6 191** |
| TOTAL | -13 767 | -18 350 | -5 622 | -11 637 |

(1) The interest expenses include:

a) expenses on financial liabilities measured at amortised cost:
- interests for long term bank loan (Term Loan B) – EUR 11 187 thousand for HY 2019 (HY 2018: EUR 7 039 thousand)

b) finance leasing interests (according to IFRS 16) – EUR 712 thousand for HY 2019 (HY 2018: EUR 0 – all leasing costs presented within operating costs)

c) other interest expenses (interests on overdraft, insurance, factoring interests) – EUR 2 546 thousand for HY 2019 (HY 2018: EUR 1 833 thousand)

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

(3) Exchange differences of EUR 2 952 thousand (income) for HY 2019 (costs of EUR 7 569 thousand for HY 2018) relate mainly 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 HY1 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 six month period ended 30 June 2019 were EUR 30 925 thousand (including advance payments), while the capital expenditures including advance payments for the six month period ended 30 June 2018 were EUR 27 256 thousand and EUR 80 491 thousand for the entire financial year 2018.

As at 30 June 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 30 June 2019 are related to Plant concept Leutkirch and KT11 Grajewo.

| '000 EUR | 30 Jun. 2019 | 31 Dec. 2018 |
|---|---|---|
| Property, plant and equipment | 15 394 | 18 811 |
| Intangible assets | 185 | 319 |
| Commitment purchase | 15 579 | 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 30 June 2019 the gross value of the Right-of-use assets amounts to EUR 41 122 thousand while the accumulated depreciation is EUR 4 718 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 HY1 2019 in the amount of EUR 872 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 295 thousand (cash effect). The accrual for the tax audit decreased in HY1 2019 from EUR 1.6 million to EUR 1.2 million.

## 11. TRADE AND OTHER RECEIVABLES

| '000 EUR | 30 Jun. 2019 | 31 Dec. 2018 |
|---|---|---|
| Trade receivables | 23 721 | 6 998 |
| Trade receivables from related parties | 17 | 19 |
| Current prepayments and accrued income | 6 173 | 1 012 |
| Current VAT receivables | 6 006 | 7 750 |
| Other receivables | 17 664 | 18 050 |
| TOTAL | 53 581 | 33 829 |

The amount of EUR 17 664 thousand of other receivables as at 30 June 2019 (EUR 18 050 thousand as at 31 December 2018) included, among others:

- EUR 9 515 thousand as at 30 June 2019 (EUR 11 689 thousand as at 31 December 2018) relates to factoring continuing involvement in Core West and represents the risk reserve of the factor;
- EUR 835 thousand as at 30 June 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 3 629 thousand as at 30 June 2019 (EUR 3 953 thousand as at 31 December 2018) receivables related to energy regulations refund
- EUR 1 618 thousand as at 30 June 2019 (EUR 0 as at 31 December 2018) - insurance receivable for fire damage

The position „Receivables before factoring” presented in Note 4 Operating segments in the amount of EUR 117 337 thousand represents apart from total trade receivables (EUR 23 738 thousand) also derecognized factored receivables (EUR 84 083 thousand) and factoring continuing involvement for Core West (EUR 9 515 thousand).

## 12. INVENTORIES

| '000 EUR | 30 Jun. 2019 | 31 Dec. 2018 |
|---|---|---|
| Materials and merchandise | 58 643 | 60 145 |
| Semi-finished products and work in progress | 2 642 | 1 354 |
| Finished goods | 48 547 | 54 733 |
| Advances for deliveries | 8 | 60 |
| TOTAL | 109 840 | 116 292 |

Inventories are presented in the consolidated statement of financial position at net realisable value, i.e. net of write-downs of EUR 8 954 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:

| | 30 Jun. 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 30 June 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.

(all amounts in EUR thousand)

The shareholder structure as of 25 September 2019 is as follows:

| Shareholding structure | Number of share | Ownership interest | Number of votes at GM | % of votes at GM |
|---|---|---|---|---|
| Strategic Value Partners LLC (through Volantis Bidco B.V.) | 39 286 245 | 60.72% | 39 286 245 | 60.72% |
| Atlantik S.A. | 12 474 561 | 19.28% | 12 474 561 | 19.28% |
| *Treasury shares (*)* *Strategic Value Partners (through the Company)* | *12 940 201* | *20.00%* | *12 940 201* | *20.00%* |
| 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.

On 23 August 2019 the Company received from Aviva Otwarty Fundusz Emerytalny Aviva Santander a notification on a sale of 3 763 022 shares in the Company, representing 5.82% of the share capital of the Company. After the sale Aviva Otwarty Fundusz Emerytalny Aviva Santander does not possess the shares in the Company.

On 23 August 2019 the Company received from Strategic Value Partners , LLC (“SVP”) and Volantis Bidco B.V. (“Volantis”) a notification on direct acquisition by Volantis of 15 054 481 shares in the Company representing 23.27% of the share capital of the Company and on indirect acquisition of the above shares by SVP. The above shares were acquired as a result of the settlement of the tender offer with the price amounting to PLN 26.60 for each share. After the settlement of the tender offer SVP indirectly holds, through Volantis, 34 237 630 shares in the Company, representing 52.92% of the share capital of the Company and indirectly 12 940 201 treasury shares held by the Company, representing 20% of the share capital of the Company.

Furthermore on 28 August 2019 the Company received from Volantis Bidco B.V. and Atlantik S.A. a notification on execution of an agreement of the shareholders of the Company on acquisition of the shares and joint voting at the general meeting and on the parties of the agreement exceeding the threshold referred to in article 69 pf the public offering act. In connection with the execution of the agreement the parties hold in total 59 652 392 shares in the Company, representing 92.2% of the share capital of the Company.

On 16 September the information was announced regarding the planned acquisition of Company’s shares, through a squeeze-out by Volantis Bidco B.V., with its registered office in Amsterdam, which together with Atlantik S.A., with its registered office in Luxembourg, is a party to the agreement within the meaning of Article 87, section 1 point 5 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies.

The subject of the squeeze-out were 5 048 615 shares of the Company, which constitute 7.80% of the share capital of the Company and represent 5 048 615 votes at the general meeting of the shareholders of the Company representing 7.80% of the total number of votes at the general meeting of the shareholders of the Company.

The squeeze-out price was PLN 26.60 per share. Squeeze-out commenced on 16 September 2019 and was settled on 19 September 2019.

As a result of the acquisition of all shares covered by the squeeze-out, the parties to the agreement hold together, directly and indirectly, 64 701 007 shares in the Company, representing 100.00% of the share capital of the Company and carrying 64 701 007 votes at the general meeting of the Company, i.e., 100.00% of the total votes at the general meeting of the Company.

### Retained earnings

The negative balance of retained earnings as at 30 June 2019 results from the distribution of profits from the Parent company received as dividends, which were generated before first consolidation by subsidiaries.

### Profit distribution

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.

At 11 June 2019 the Ordinary General Meeting of Shareholders adopted a resolution concerning the allocation of entire 2018 net profit of the Company amounting to PLN 144 442 thousand to the supplementary capital.

## 14. FINANCIAL LIABILITIES

**Non-current financial liabilities:**

| '000 EUR | 30 Jun. 2019 | 31 Dec. 2018 |
|---|---|---|
| Non-current leasing liabilities | 24 752 | 0 |
| Bank borrowings | 427 514 | 425 875 |
| TOTAL | 452 266 | 425 875 |

**Current financial liabilities:**

| '000 EUR | 30 Jun. 2019 | 31 Dec. 2018 |
|---|---|---|
| Current leasing liabilities | 10 025 | 0 |
| Current portion of bank borrowings | 1 236 | 1 669 |
| Other interest bearing liabilities | 15 843 | 4 542 |
| TOTAL | 27 104 | 6 211 |

Leasing liabilities as at 30 June 2019 in the total amount of EUR 34 777 thousand relate 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 53 557 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 drawn in cash for an amount of EUR 3 000 thousand, partially drawn for bank guarantees of EUR 2 046 thousand and PLN 520 thousand (EUR 122 thousand) as well as Letters of Credit in an amount of EUR 336 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 | | | | | | 30 Jun. 2019 | | | 31 Dec. 2018 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Lender | Currency | Interest rate | Duration from | Duration to | | Credit limit kEUR | Drawn amount kEUR | Undrawn amount kEUR | Credit limit kEUR | Drawn amount kEUR | Undrawn amount kEUR |
| Revolving Credit Facility (PLN) | | | | | | | | | | | |
| Bank Millennium S.A. | PLN | WIBOR + margin | 1 Aug 2017 | 1 Aug 2022 | *) | 18 825 | 12 603 | 6 222 | 20 410 | 4 232 | 16 178 |
| Alior Bank S.A. | PLN | WIBOR + margin | 1 Aug 2017 | 1 Aug 2022 | | 18 555 | 0 | 18 555 | 18 332 | 0 | 18 332 |
| BNP Paribas Bank Polska S.A. | PLN | WIBOR + margin | 1 Aug 2017 | 1 Aug 2022 | | 7 678 | 0 | 7 678 | 7 585 | 0 | 7 585 |
| Guarantees, L/Cs and Limit for credit cards Core East | | | | | | | | | | | |
| **Bank Millenium S.A.** | **PLN** | | **1 Aug 2017** | **1 Aug 2022** | | **4 706** | **1 929** | **2 777** | **2 374** | **2 374** | **0** |
| bank guarantee/s issued in PLN | | | | | | | 1 474 | | 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] | | | | | | 0 | 455 | 0 | 0 | 0 | 0 |
| Credit cards East in EUR year-end | | | | | | | 0 | | 465 | 0 | 465 |
| **TOTAL PLN Credit facilities** | | | | | | **49 764** | **14 532** | **35 232** | **49 166** | **6 606** | **42 560** |

**) credit line PLN 100 000 thousand reduced for sub-limit PLN 20 000 thousand for guarantees, L/Cs and credit cards*

## Financing EUR (excluding ABCP and operating leases)

| '000 EUR | | | | | | 30 Jun. 2019 | | | 31 Dec. 2018 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Lender | Currency | Interest rate | Duration from | Duration to | | Credit limit kEUR | Drawn amount kEUR | Undrawn amount kEUR | Credit limit kEUR | Drawn amount kEUR | Undrawn amount kEUR |
| Revolving Credit Facility (EUR) | | | | | | | | | | | |
| Alior Bank S.A. | EUR | EURIBOR + margin | 1 Aug 2017 | 1 Aug 2022 | | 5 000 | 500 | 4 500 | 5 000 | 0 | 5 000 |
| Bank of China | EUR | EURIBOR + margin | 1 Aug 2017 | 1 Aug 2022 | | 10 000 | 1 000 | 9 000 | 10 000 | 0 | 10 000 |
| Commerzbank AG | EUR | EURIBOR + margin | 1 Aug 2017 | 1 Aug 2022 | *) | 12 495 | 0 | 12 495 | 7 548 | 0 | 7 548 |
| Goldman Sachs Bank USA | EUR | EURIBOR + margin | 2 Aug 2018 | 1 Aug 2022 | | 15 000 | 1 500 | 13 500 | 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** | | **2 505** | **2 505** | **0** | **7 452** | **7 452** | **0** |
| | | | | | | | | | | | |
| bank guarantee issued in EUR | | | | | | 2 047 | 2 047 | 0 | 2 291 | 2 291 | 0 |
| bank guarantee issued in PLN | | | | | | 122 | 122 | 0 | 121 | 121 | 0 |
| letter of credit issued in EUR | | | | | | 336 | 336 | 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** | **450 505** | **44 495** | **495 000** | **452 452** | **42 548** |

*) Total RCF-limit with Commerzbank AG is EUR 15 000 thousand, adding cash-line and ancillary used for guarantees

## 15. PROVISIONS

**For the six month period ended 30 June 2019:**

| '000 EUR | 1 Jan. 2019 | Additions | Utilisation | Release | Currency difference | 30 Jun. 2019 |
|---|---|---|---|---|---|---|
| **Non-current** | | | | | | |
| Severance payments | 890 | 140 | -180 | -157 | 0 | 693 |
| Other provisions | 996 | 48 | -16 | 0 | 0 | 1 028 |
| **Total non-current** | **1 886** | **188** | **-196** | **-157** | **0** | **1 721** |
| **Current** | | | | | | |
| Court proceedings (Note 19) | 4 700 | 0 | 0 | 0 | 0 | 4 700 |
| OCCP penalty and related costs (1) | 8 594 | 0 | -21 | 0 | 104 | 8 677 |
| Restructuring costs | 1 138 | 0 | -225 | -41 | 0 | 872 |
| **Total current** | **14 432** | **0** | **-246** | **-41** | **104** | **14 249** |
| **TOTAL** | **16 318** | **188** | **-442** | **-198** | **104** | **15 970** |

**For the six month period ended 30 June 2018:**

| '000 EUR | 1 Jan. 2018 | Additions | Utilisation | Release | Currency difference | 30 Jun. 2018 |
|---|---|---|---|---|---|---|
| **Non-current** | | | | | | |
| Severance payments | 504 | 418 | -140 | -430 | 0 | 352 |
| Other provisions | 949 | 14 | -24 | 0 | -17 | 922 |
| **Total** | **1 453** | **432** | **-164** | **-430** | **-17** | **1 274** |
| **Current** | | | | | | |
| Court proceedings (Note 19) | 3 150 | 550 | 0 | 0 | 0 | 3 700 |
| OCCP penalty and related costs (1) | 9 261 | 0 | -195 | 0 | -409 | 8 657 |
| Restructuring costs | 3 144 | 0 | -157 | -304 | 0 | 2 683 |
| **Total** | **15 555** | **550** | **-352** | **-304** | **-409** | **15 040** |
| **TOTAL** | **17 008** | **982** | **-516** | **-734** | **-426** | **16 314** |

(1) 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 30 June 2019 the provisions amount to PLN 36 875 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.

## 16. TRADE AND OTHER PAYABLES

| '000 EUR | 30 Jun. 2019 | 31 Dec. 2018 |
|---|---|---|
| Trade payables | 100 033 | 100 277 |
| Liabilities under factoring agreements | 34 694 | 37 967 |
| Insolvency-related liabilities of PCF GmbH | 7 748 | 7 748 |
| VAT liabilities | 2 237 | 1 118 |
| Liabilities for capital expenditures | 1 849 | 5 551 |
| Other liabilities | 17 151 | 17 933 |
| TOTAL | 163 712 | 170 594 |

Other liabilities as of 30 June 2019 comprised mainly of:

- real estate transfer tax liability related to the acquisition EUR 9 545 thousand (EUR 10 600 thousand as of 31 December 2018) - liability as at 30 June 2019 amounts to PLN 40 562 thousand and is revaluated at each reporting date
- provisions for the cost of emission rights EUR 1 029 thousand (EUR 1 941 thousand as of 31 December 2018)
- deferred income mainly referred to emission rights EUR 3 472 thousand (EUR 1 736 thousand as at 31 December 2018)
- other tax payables of EUR 428 thousand (EUR 445 thousand as of 31 December 2018) and
- other cost accruals of EUR 2 677 thousand (EUR 3 208 thousand as of 31 December 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 HY1 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 incurs 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). On 11 April 2019 Pfleiderer Group companies concluded with Bank Millennium S.A. the agreement for operating a cash management structure for a set of accounts (cash pooling agreement). In this regards Jura Polska sp. z o.o. acceded: (a) as a borrower the ancillary facility agreement concluded on 27 June 2017, between Bank Millennium S.A., as lender, and Pfleiderer Group S.A. and other companies of Pfleiderer Group as borrowers, and (b) as a debtor the intercreditor agreement concluded on 9 May 2017 between among others, Pfleiderer Group S.A. and Wilmington Trust (London) Limited as security agent and other creditors and other debtors.

## 19. CONTINGENT LIABILITIES

As at 30 June 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.

**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 30 June 2019 provisions related to antitrust violations including costs related to legal proceedings with Classen as well as legal costs and potential amicable settlements of claims with Oeseder in the total amount of EUR 4 150 thousand. 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 court. On 9 August 2019, Landgericht Düsseldorf issued its ruling pursuant to which it determined that Pfleiderer Baruth GmbH is liable towards Classen on the merits of the claim. Based on general economic experience the court held that the actions attributable to Pfleiderr Baruth GmbH likely caused damages to Classen. The court has not yet decided on the quantum of the claim and will determine the amount of damages payable by Pfleiderer Baruth GmbH to Classen – if any – in separate proceedings regarding quantum, provided that the ruling will be finally legal valid and confirmed by the further court instances in last instance, beyond the background that Pfleiderer Baruth GmbH disagrees with the ruling on the merits of Landgericht Düsseldorf and the grounds of the ruling and already appealed against the ruling.

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 still difficult to predict and will depend from the next court hearing which was scheduled for August 2019 and has been postponed to January 2020.

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 30 June 2019 the Management Board consists of Mr. Zbigniew Prokopowicz (Interim CEO), Dr. Nico Reiner (CFO), Dr. Frank Herrmann (COO) and Mr. Stefan Zinn (CSO)

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

| '000 EUR | 1 Jan. - 30 Jun. 2019 | 1 Jan. - 30 Jun. 2018 |
|---|---|---|
| Remuneration of Management Board | 1 948 | 1 942 |
| Remuneration of Supervisory Board | 247 | 318 |
| TOTAL | 2 195 | 2 260 |

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

The Management Board remuneration for HY1 2019 includes the severance payment for Mr. Dirk Hardow in the amount of EUR 180 thousand as well as severance payment for Mr. Tom K. Schäbinger in the amount of EUR 709 thousand.

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

**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.
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.
On 10 September 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 11 September 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 11 December 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.

**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.
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.

On 10 September 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 11 September 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 11 December 2019.

**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 261 thousand (HY 2018: EUR 376 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

In August 2019 new company of the Group PFL Recykling Sp. z o.o. has been registered.

On 23 August 2019 the Company received from Aviva Otwarty Fundusz Emerytalny Aviva Santander a notification on a sale of 3 763 022 shares in the Company, representing 5.82% of the share capital of the Company. After the sale Aviva Otwarty Fundusz Emerytalny Aviva Santander does not possess the shares in the Company.

On 23 August 2019 the Company received from Strategic Value Partners , LLC ("SVP") and Volantis Bidco B.V. ("Volantis") a notification on direct acquisition by Volantis of 15 054 481 shares in the Company representing 23.27% of the share capital of the Company and on indirect acquisition of the above shares by SVP. The above shares were acquired as a result of the settlement of the tender offer with the price amounting to PLN 26.60 for each share. After the settlement of the tender offer SVP indirectly holds, through Volantis, 34 237 630 shares in the Company, representing 52.92% of the share capital of the Company and indirectly 12 940 201 treasury shares held by the Company, representing 20% of the share capital of the Company.
Furthermore on 28 August 2019 the Company received from Volantis Bidco B.V. and Atlantik S.A. a notification on execution of an agreement of the shareholders of the Company on acquisition of the shares and joint voting at the general meeting and on the parties of the agreement exceeding the threshold referred to in article 69 pf the public offering act. In connection with the execution of the agreement the parties hold in total 59 652 392 shares in the Company, representing 92.2% of the share capital of the Company.

On 16 September the information was announced regarding the planned acquisition of Company's shares, through a squeeze-out by Volantis Bidco B.V., with its registered office in Amsterdam, which together with Atlantik S.A., with its registered office in Luxembourg, is a party to the agreement within the meaning of Article 87, section 1 point 5 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies.

The subject of the squeeze-out were 5 048 615 shares of the Company, which constitute 7.80% of the share capital of the Company and represent 5 048 615 votes at the general meeting of the shareholders of the Company representing 7.80% of the total number of votes at the general meeting of the shareholders of the Company.The squeeze-out price was PLN 26.60 per share. Squeeze-out commenced on 16 September 2019 and was settled on 19 September 2019.
As a result of the acquisition of all shares covered by the squeeze-out, the parties to the agreement hold together, directly and indirectly, 64 701 007 shares in the Company, representing 100.00% of the share capital of the Company and carrying 64 701 007 votes at the general meeting of the Company, i.e., 100.00% of the total votes at the general meeting of the Company.

On 10 September 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 11 September 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 11 December 2019.

**Management Board of Pfleiderer Group S.A.**

**Zbigniew Prokopowicz**
*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, 25 September 2019