INSPIRATIONS
CLOSE
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MANAGEMENT BOARD
INTERIM CONDENSED CONSOLIDATED REPORT

ON THE OPERATIONS OF PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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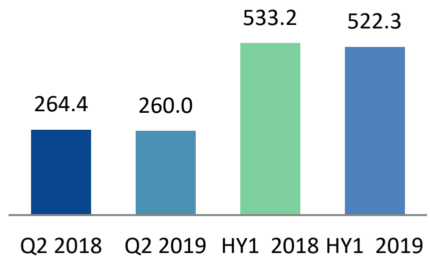
OUR VISION – FOR AN INTEGRATED PFLEIDERER GROUP IN EUROPE

- 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.

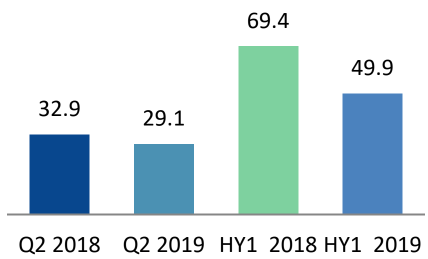
PFLEIDERER GROUP IN HY 2019 AT A GLANCE

9.6%	EBITDA margin thanks to consistent operational efficiency over the last periods
-19.5%	Decrease EBITDA - to EUR 49.9 million
EUR 30.9 million	Capital Expenditures - continued investments on strategic projects with attractive payback

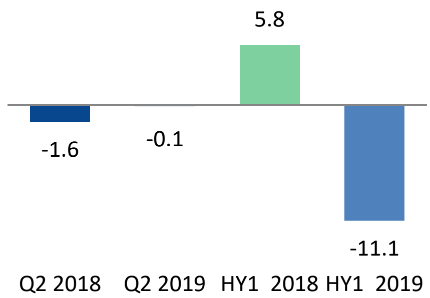
REVENUES (EUR M)



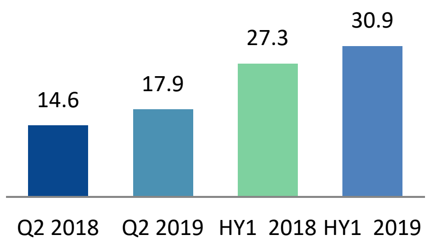
EBITDA (EUR M)



NET PROFIT (EUR M)



CAPEX (EUR M)



EBITDA - Earnings before Interest, Tax and Amortisation and Depreciation

Analytical review – please see Chapter 3

KEY EVENTS AND ACHIEVEMENTS OF THE PFLEIDERER GROUP IN HY 2019

Q2 2019:

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.

EVENTS AFTER THE REPORTING PERIOD:

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.

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.

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
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KEY INFORMATION ABOUT THE GROUP

1. KEY GROUP HIGHLIGHTS

1.1. BUSINESS PROFILE – ACTIVITIES OF THE GROUP

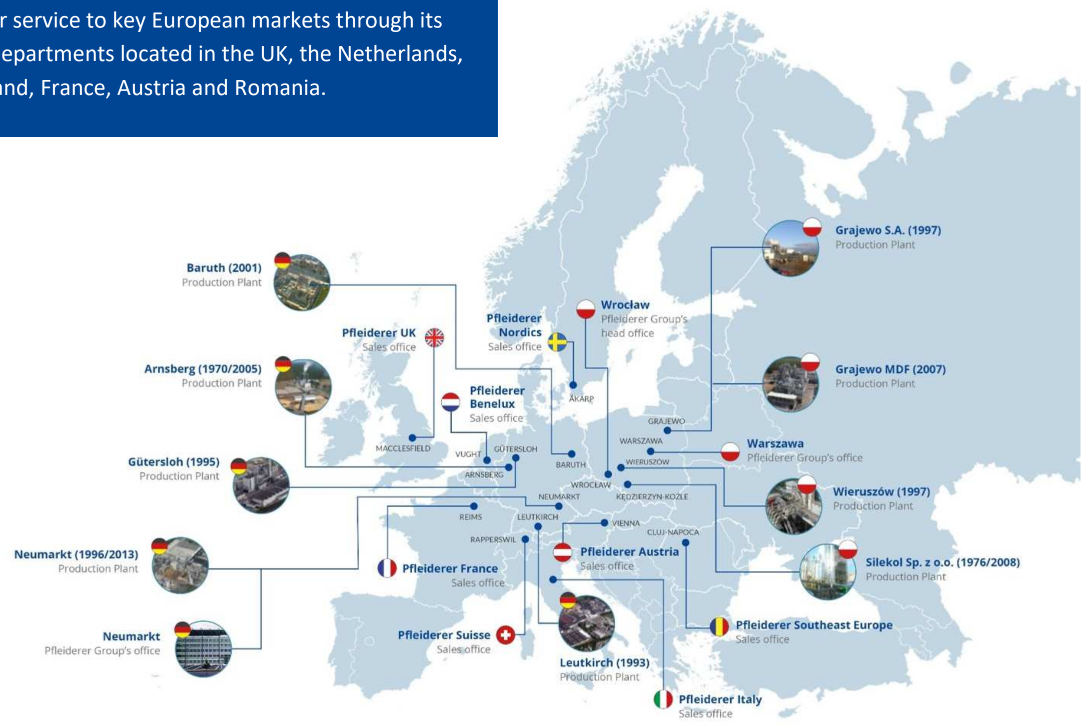
The Pfleiderer Group, with 125 years of experience, is a leading European manufacturer of wood products, specialising in the production of materials for the furniture industry, the interior industry and construction.

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.

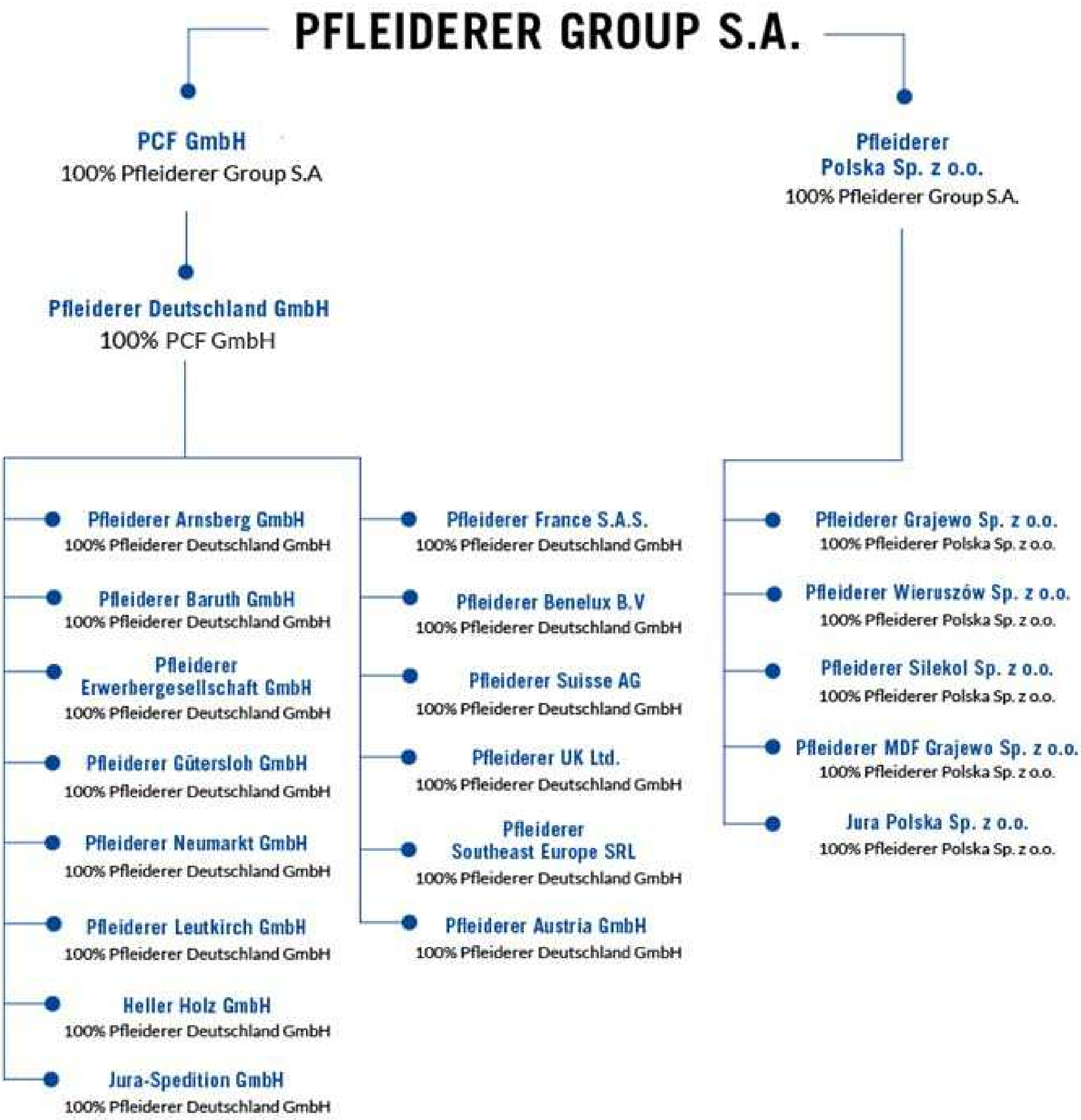


1.2. STRUCTURE OF THE GROUP

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 30 JUNE 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:

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
		Pfleiderer France S.A.S., Reims, France

Sales agency		**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 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.

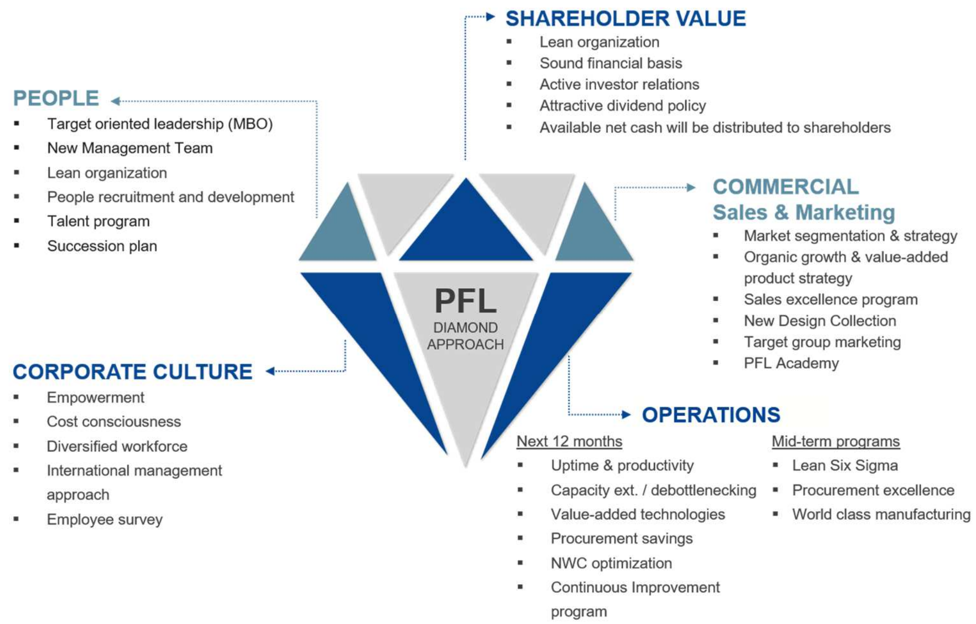
In May 2019 Pfleiderer Vermögensverwaltung GmbH & Co. KG merged to PCF GmbH.

After the reporting period a new company PFL Recykling sp. z o.o. was established in Pfleiderer Group in Poland. The company was entered into National Court Register on 9 August 2019. The company will be responsible for procurement in recycled wood material on Polish market.

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 HY1 2019 Pfleiderer Group incurred EUR 30 925 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	22.7	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 HY 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. The campaign activities are additionally supported by the expansion of social media activities (e.g. LinkedIn, Facebook, and Instagram), additional landing pages in the core markets as well as SEO and SEA measures, newsletters and POS initiatives.

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

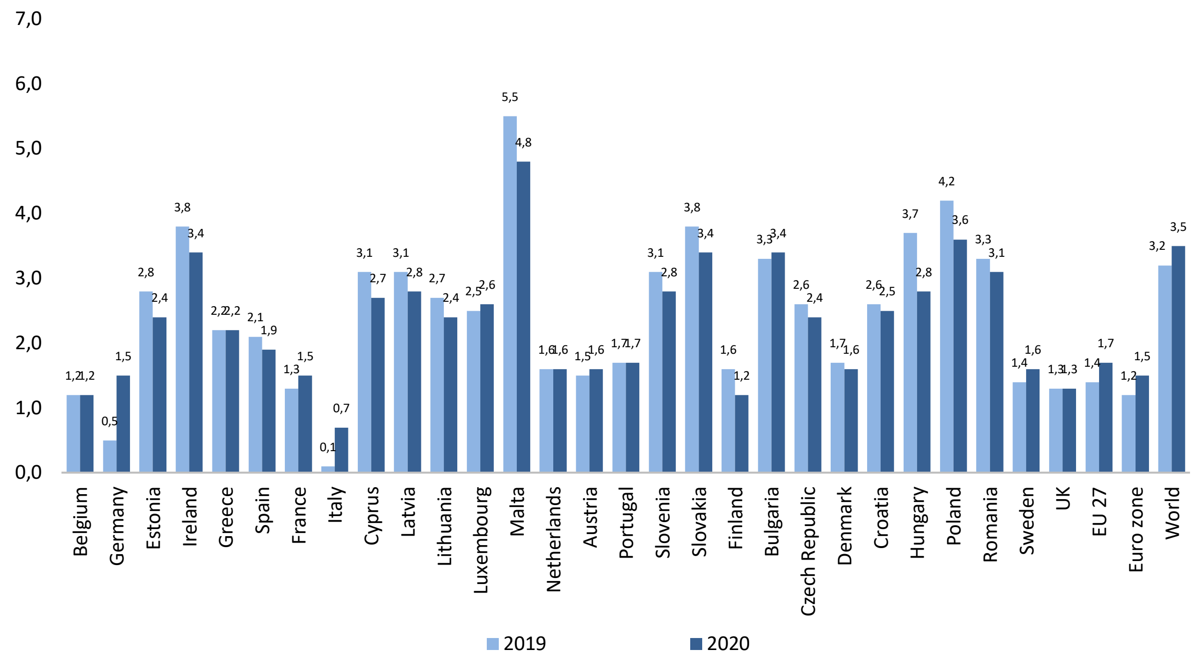
- SICAM, Pordenone
- Surface Design Show, London
- Branchentag Holz
- Kitchen & Bath, Shanghai
- Architect@Work, Zürich
- Architect@Work, Paris
- Architect@Work, Düsseldorf
- Bouwboers, Netherlands
- Seatrade, Fort Lauderdale
- Marinetec, Shanghai
- CSI, Miami
- Design District; Netherlands
- Surface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

1.6. MARKET POSITION AND CONSTRUCTION MARKET OVERVIEW

Macroeconomic situation in spring 2019

In the newest GDP report[1] values of the indicator were revised slightly downward for most of European countries. European economy is predicted however to further growth in 2019 and 2020. The forecast is based on assumption, that current economic uncertainty will not increase, and global demand will support local activities

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



Source: European Commission, European Economic Forecast Spring 2019

German GDP growth forecast for 2019 has been revised down significantly compared to the previous forecast from 1.1% to just 0.5%. In 2020 GDP is expected to increase again, to 1.5%, as a result of recovery in foreign trade, expansion in private consumption, growing incomes and a fiscal expansion, combined with strong calendar effect.

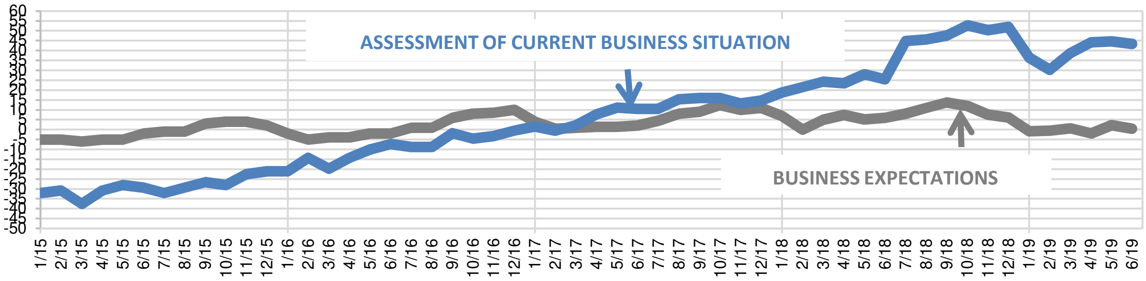
Polish GDP growth is forecast to remain solid in 2019 (4.2%) and slow down to 3.6% in 2020. Positive drivers of Polish economy in both years are expected to be further consumption growth, supported by increasing wages and the new fiscal package.

Business climate in construction

Q2 brings in Germany stabilization in current business assessment, as well as business expectations for upcoming months. In case of evaluation of present situation there's still more positive, than negative opinions and attitude of entrepreneurs is more positive than year ago. Opinions regarding condition of the business in the nearest future are however strongly divided – similarly like comparable time in 2018.

[1] Spring 2019Economic Foreast, EuroCom

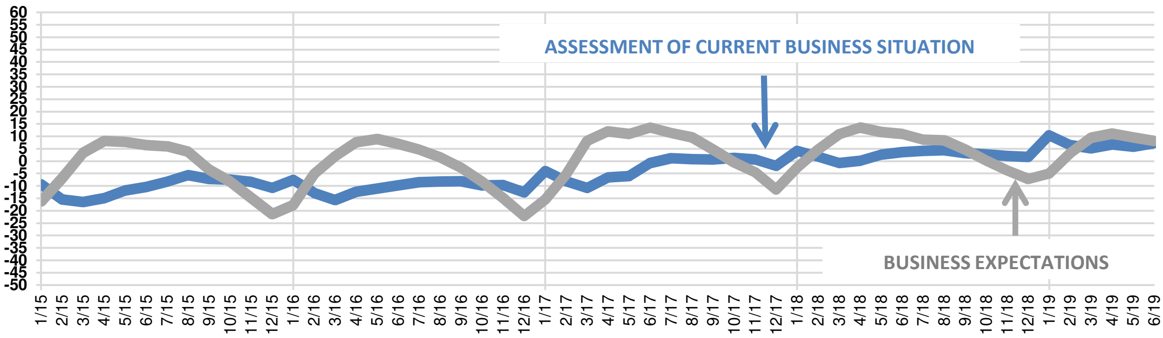
FIGURE 5: BUSINESS CLIMATE IN CONSTRUCTION – GERMANY



Source: own calculation based on ifo

Also in Poland assessment of current business is slightly higher than year ago. Prognosis for the next few months are in negative trend – which is a seasonal rule. In comparison to 2018 they deteriorated slightly. Nevertheless both indicators are above "0" value, which means there's more positive, than negative evaluations.

FIGURE 6: BUSINESS CLIMATE IN CONSTRUCTION – POLAND



Source: own calculation based on GUS

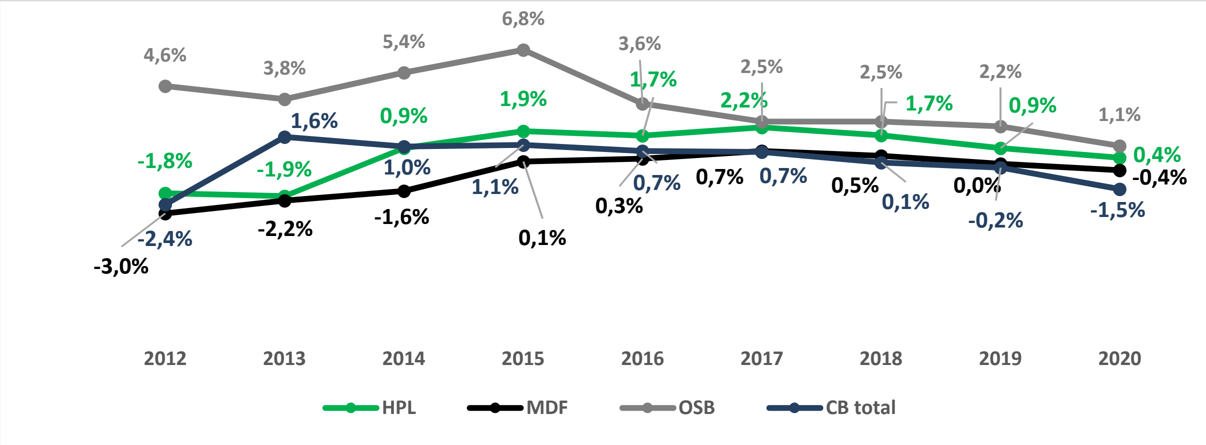
Market dynamic

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.

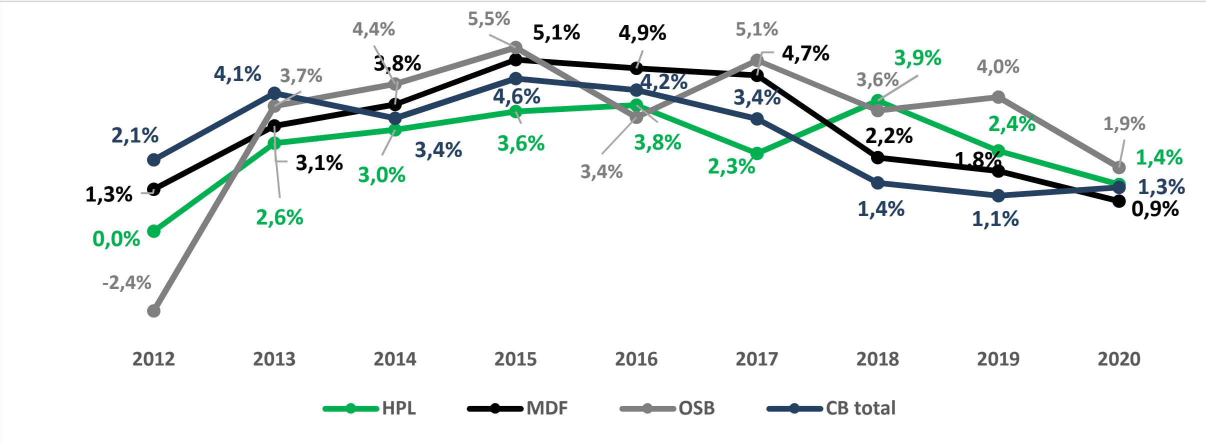
On both markets the highest demand growth in 2019 is expected on OSB and HPL market. In Poland higher sales growth is expected also on MDF/HDF market.

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

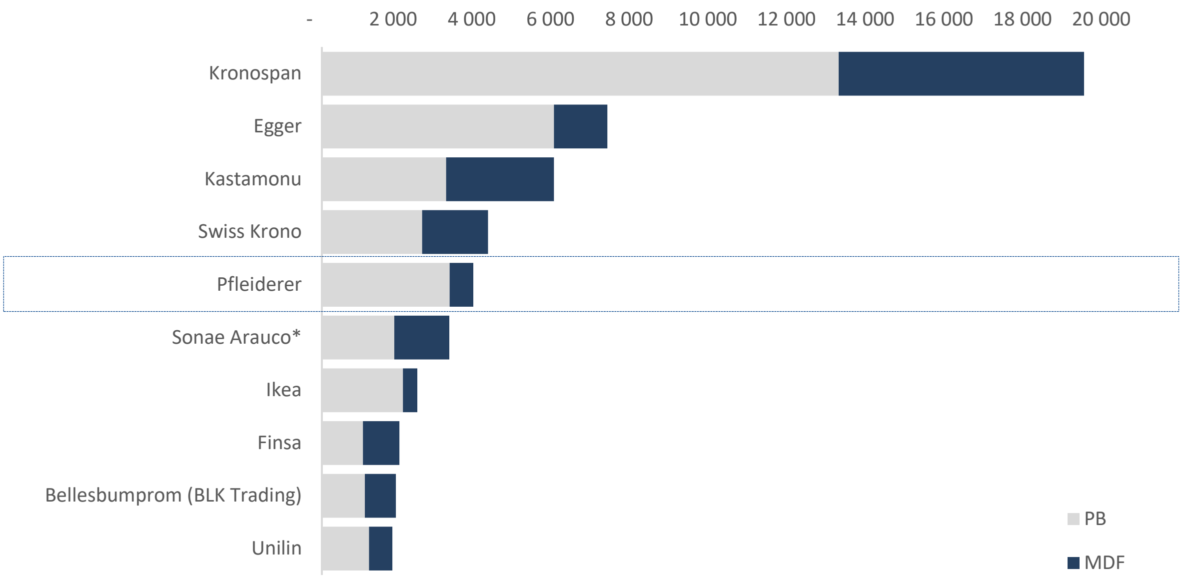


Source: own calculation based on reliable construction& furniture market data provider

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 the Netherlands, Italy, UK, construction business should stabilize, with slight declining tendency. Switzerland and France are expected to note slight drop down in construction, construction market in Austria should slightly increase.

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	**1.7%**	**1.8%**	**1.4%**
Austria	**0.8%**	**0.6%**	**1.0%**
Switzerland	**-1.0%**	**-1.0%**	**-0.9%**
France	**-0.9%**	**-2.0%**	**0.7%**
Italy	**0.1%**	**0.1%**	**0.2%**
United Kingdom	**-0.3%**	**0.5%**	**-1.1%**
Netherlands	**-0.2%**	**0.8%**	**-1.9%**

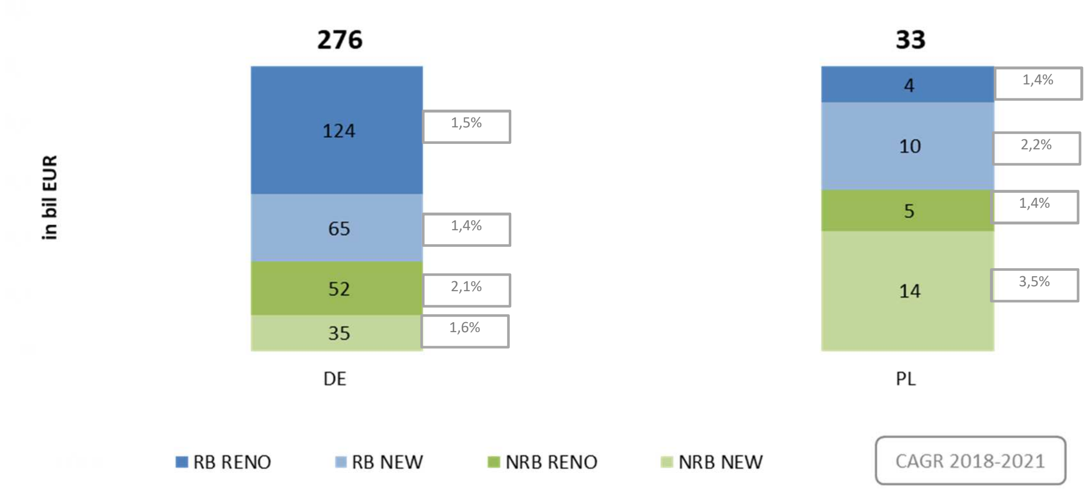
Source: own calculation based on reliable construction market data provider

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 defences 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 applicable legal changes regarding 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 amount have not changed since end of March 2019. Potential Loss Amount, is estimated to be serious. Due to measures taken, Pfleiderer tries to fulfil 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 – 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 as rather unlikely (after measures). However potential 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 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, ongoing work with proper introducing FSC regulations let evaluate the probability of occurrence of this risk as conceivable.

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 more likely than unlikely. The Company responds to it i. a. by measures improving the innovation culture, as well as by developing new products together with customers.

The Pfleiderer Group regularly monitors changes in commodity markets, which are characterized by significant 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. Wood price is mostly 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 HY 2019

For information regarding related-party transactions as at 30 June 2019 and for the period from 1 January to 30 June 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 30 June 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 30 June 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.

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 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.

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 . 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.

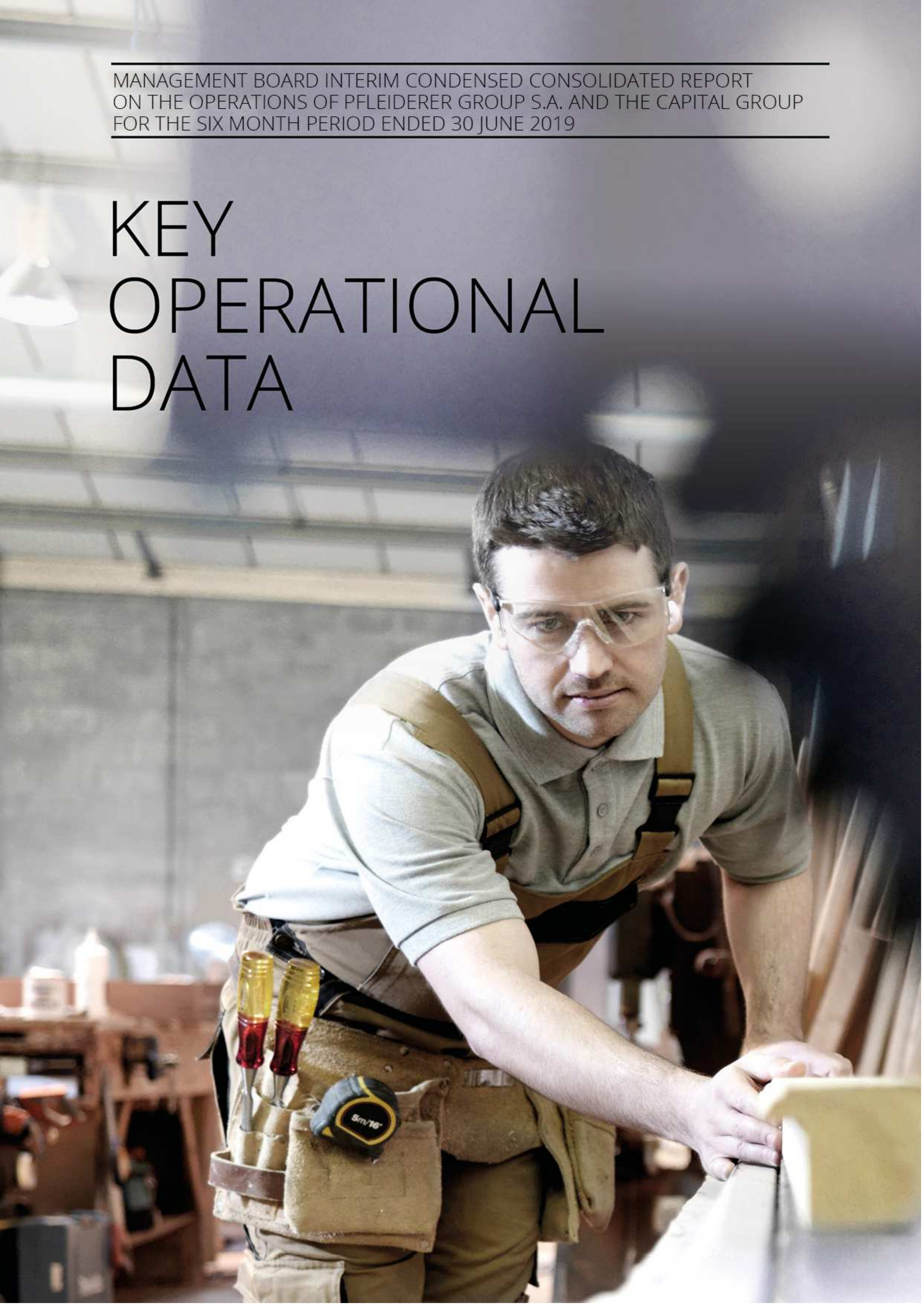
PCF GmbH’s obligation for substantial payments may result from a contribution claim (Gesamtschuldnerinnenausgleichsanspruch) based on PCF GmbH’s joint and several liability (Gesamtschuld), if Sonae Arauco Deutschland AG or any other third party is obligated to pay compensation to Oeseder. The proceeding 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 outcome of the tax audit for years 2010-2015 in Germany amounting to EUR 1.2 million as at 30 June 2019.

MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT
ON THE OPERATIONS OF PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

KEY OPERATIONAL DATA



2. KEY OPERATIONAL DATA

2.1. PRODUCTION VOLUME AND STRUCTURE

In HY 2019 and HY 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. - 30 Jun. 2019	1 Jan. - 30 Jun. 2018	Change (%)	1 Apr. - 30 Jun. 2019	1 Apr. - 30 Jun. 2018	Change (%)
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	cbm	1 589	1 644	-3%	777	823	-6%
Laminated boards	sqm	53 345	54 043	-1%	25 780	26 749	-4%
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	cbm	264	304	-13%	156	151	3%

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

'000		1 Jan. - 30 Jun. 2019 Core West	1 Jan. - 30 Jun. 2019 Core East	1 Apr. - 30 Jun. 2019 Core West	1 Apr. - 30 Jun. 2019 Core East
Gross production of raw chipboards (finished goods; semi- product for the of laminated chipboards)	cbm	976	613	482	295
Laminated boards	sqm	33 294	20 051	15 850	9 930
Raw MDF/HDF boards (finished goods, semi-product to lacquered MDF boards)	cbm	153	111	98	58

2.2. SALES STRUCTURE

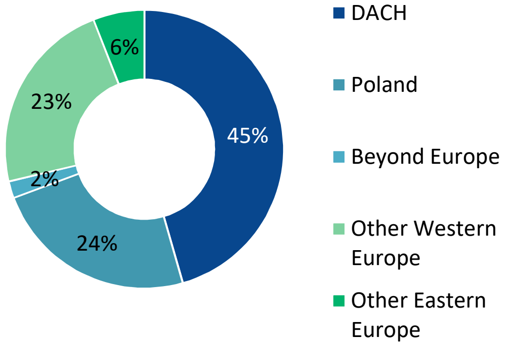
Revenue reported by the Group in HY 2019 was EUR 522 277 thousand and decreased by 2% compared to HY 2018.

The sales volumes by product groups were as follows:

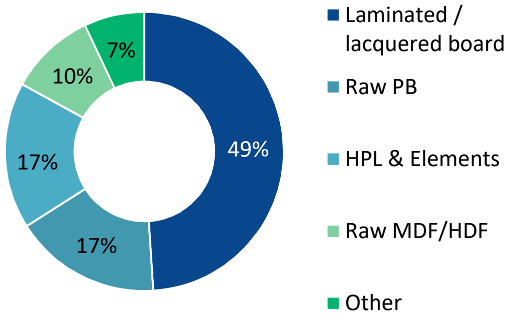
TABLE 7: SALES VOLUMES BY PRODUCT GROUP AT THE GROUP LEVEL

		1 Jan. - 30 Jun. 2019	1 Jan. - 30 Jun. 2018	1 Apr. - 30 Jun. 2019	1 Apr. - 30 Jun. 2018
Laminated particleboard	spm	50 080 411	50 333 399	24 223 439	25 024 622
HPL	spm	6 013 775	5 997 941	3 000 005	2 955 129
Raw particleboard	cbm	518 296	563 266	258 120	272 767
Laminated MDF/HDF board	spm	1 298 696	1 350 823	629 415	678 407
Raw MDF/HDF board	cbm	176 175	214 734	106 745	103 072

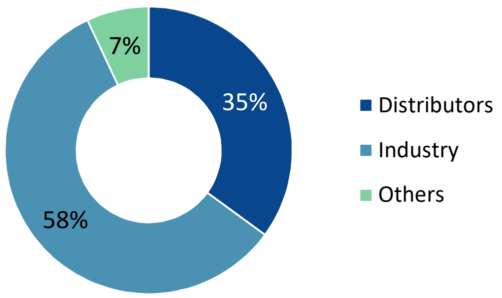
SALES BY REGION



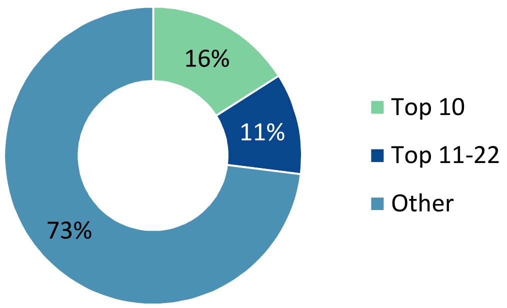
SALES BY PRODUCTS



CUSTOMER SPLIT



CUSTOMER SPLIT



MANAGEMENT BOARD INTERIM CONDENSED CONSOLIDATED REPORT ON THE OPERATIONS OF PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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 HY 2019

'000 EUR	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	-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	**-13 767**	**-18 350**	**-5 622**	**-11 637**
EBT	**-10 243**	**13 537**	**419**	**2 261**
Result of income tax	-872	-7 766	-546	-3 825
Net profit for the reporting period	-11 115	5 771	-127	-1 564

The Group's financial results in HY1 2019 were influenced by market conditions as well as significant one-off items.
The decrease in Net sales of 2.0% YoY to EUR 522 277 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, sales of value-added products was stable and sales product mix is positive – in HY1 2019 value-added products generated 66% of total Group's net sales. The Core West segment revenues amounted to EUR 364 831 thousand, down by 2.3% YoY, while the Core East segment added EUR 157 446 thousand, up 1.5% YoY. Cost of sales increased YoY by ca. 3.2% 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. 2.6% while selling expenses remained on a similar level YoY.
Other operating income and expenses in HY1 2019 were strongly influenced by one off items – mainly costs of consulting for improvements projects in the amount of EUR 7 743 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 EUR 3 524 thousand in HY1 2019 in comparison to EUR 31 887 thousand in HY1 2018. The operating result of the Core West reached EUR 5 914 thousand in HY1 2019 versus EUR 23 177 thousand in HY1 2018 while operating result of the Core East was minus 2 651 thousand in HY1 2019 versus plus EUR 8 598 thousand in HY1 2018.
The net financing cost for HY1 2019 increased YoY due to higher interests costs of EUR 5 573 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 11 115 thousand in HY1 2019 versus plus EUR 5 771 thousand in HY1 2018.

3.1.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TABLE 9: CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2019

ASSETS '000 EUR	30 Jun. 2019	31 Dec. 2018
Property, plant and equipment	549 221	558 587
Intangible assets	74 899	79 179
Right-of-use asset	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	11 642	8 052
Government grants receivables	3 290	3 251
Long term investments	3	1
Non-current assets	**744 467**	**717 670**
Inventories	109 840	116 292
Trade and other receivables	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 '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	118 282	133 270
Total equity	118 282	133 270

Liabilities		
Loans and borrowings	452 266	425 875
Provisions for employee benefits	56 983	52 072
Provisions	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**
Loans and borrowings	27 104	6 211
Income tax payable	6 714	6 912
Trade and other payables	163 712	170 594
Employee related payables	29 945	24 478
Provisions	14 249	14 432
Fair value hedging instuments	0	16
Deferred income from government grant	433	427
Current liabilities	**242 157**	**223 070**
Total equity and liabilities	931 351	902 167

The assets in the statement of financial position increased by ca. 3% in HY1 2019 versus FY 2018 numbers. The overall structure of assets remained stable: non-current assets as at 30 June 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 30 June 2019 is EUR 36 404 thousand.

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

Inventories decreased by 5.5% as at 30 June 2019 versus FY 2018. Cash and cash equivalents level in HY1 2019 was lower by 34% compared to the end of 2018 mainly due to CAPEX expenditures.

The sum of non-current liabilities increased by 4.6% in HY1 2019 mainly due to recognition of financial leasing liabilities in accordance with IFRS 16. Current liabilities increased by ca. 8.6% in comparison to FY 2018 and this resulted from the recognition of financial leasing liabilities according to IFRS 16 and higher overdraft liabilities partially netted by decrease of trade and other payables.

The drop in the Group's total equity from EUR 133 270 thousand at YE 2018 to EUR 118 282 thousand at 30 June 2019 was the effect of negative net result for the reporting period.

Total equity represented 12.7% of total equity and liabilities at the end of HY1 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 HY 2019

'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

Cash earned on operating activities in HY1 2019 was consumed mainly by significant investment programme (EUR 34 048 thousand) as well as expenditures for financial activities – 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 HY1 2019 to financial activity in accordance with the IFRS 16.

The investing cash flow was EUR 33 832 thousand cash out in HY1 2019 due to conducted significant investments. The total amount of investing cash flows in HY1 2019 includes repayment of investment liabilities in the amount of EUR 3 733 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		6M 2019	FY 2018	6M 2018
Liquid funds	Cash and cash equivalents	mEUR	21.9	33.5	50.1
Net debt (*)	Financial debt - liquid funds	mEUR	422.6	398.6	289.7
Net leverage	Net debt / EBITDA (LTM)	factor	3.70	2.98	2.35
Equity ratio	Equity / balance sheet totals	%	12.7%	14.8%	22.5%
Gearing	Net debt / equity	factor	3.57	2.99	1.39
EBITDA (LTM)	Result from operating activities + depreciation + amortization for last 12 months	mEUR	114.3	133.8	123.3
Interest cover	EBITDA (LTM) / net financing costs (LTM)	factor	4.4	4.4	4.1
ROCE	Result from operating activities (LTM) / Capital employed	%	3.8%	8.5%	7.9%
ROA	Net profit (LTM) / total assets at the end of the period	%	-1.2%	0.7%	0.5%
ROE	Net profit (LTM) / equity at the end of the period	%	-9.3%	4.4%	2.1%

(*) 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

	HY1 2019	HY1 2018
Gross profit margin (Gross profit/Net sales)	18.95%	23.03%
EBIT margin (EBIT/Net sales)	0.67%	5.98%
Pre-tax margin (EBT/Net sales)	-1.96%	2.54%
Net income margin (Net profit/Net sales)	-2.13%	1.08%

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). 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. In this regard, JURA Polska Sp. z o.o. joined as additional obligor and guarantor.

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

3.2.1. STANDALONE STATEMENT OF PROFIT OR LOSS

TABLE 13: STANDALONE STATEMENT OF PROFIT OR LOSS

	'000 PLN		'000 EUR	
	1 Jan. - 30 Jun. 2019	1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2019	1 Jan. - 30 Jun. 2018
Loss on operating activity	-17 453	-7 433	-4 067	-1 761
Loss/profit before tax	-5 715	22 614	-1 332	5 359
Net loss/net profit for the reporting period	-8 070	27 333	-1 880	6 477
Average PLN/EUR exchange rate			4.2918	4.2200

Operating result in HY1 2019 and in HY1 2018 reflects purely the holding activity of the Company. Higher loss on operating activity in HY1 2019 (PLN 17 453 thousand) compared to the corresponding period of the previous year (PLN 7 433 thousand) results from costs incurred for strategic projects aimed at increase the Group's future results and improve its operations (PLN 11 490 thousand disclosed within other operating costs), offset by lower general and administrative expenses (PLN 9 288 thousand in HY1 2019 and PLN 13 064 thousand in HY1 2018).

In HY1 2019 the Company achieved a profit on financial activities in amount of PLN 11 738 thousand compared to PLN 30 047 thousand in HY1 2018. The lower financial result is caused mainly by lower dividend income (PLN 22 392 thousand in HY1 2019 compared to PLN 66 616 thousand in HY1 2018), higher interests on loans received from PCF GmbH (PLN 20 249 thousand in HY1 2019 compared to PLN 10 287 thousand in HY1 2018) increase attributable to additional loan of EUR 95 000 thousand received in August 2018 for buy back of treasury shares. Result on financial activity in HY1 2019 includes also impact of buy back financing acquisition costs settled over time (PLN 2 818 thousand). Additionally the Company earned lower interest on loans granted to subsidiaries (PLN 364 thousand in HY1 2019 compared to PLN 2 649 thousand in HY1 2018) due to repayment in February 2019 loan granted to Pfleiderer MDF Grajewo Sp. z o.o. Moreover, the company recognized lower financial income on intercompany sureties (PLN 1 616 thousand in HY1 2019 compared to PLN 4 600 thousand in HY1 2018).

The above mentioned negative effect was partly offset by positive foreign exchange differences on intercompany loans from PCF GmbH and on obligation taken over from Atlantik SA (foreign exchange gains of PLN 11 892 thousand in HY1 2019 compared to foreign exchange loss of PLN 31 001 thousand in HY1 2018).

3.2.2. STANDALONE STATEMENT OF FINANCIAL POSITION

TABLE 14: STANDALONE STATEMENT OF FINANCIAL POSITION

	'000 PLN		'000 EUR	
	30 Jun. 2019	31 Dec. 2018	30 Jun. 2019	31 Dec. 2018
Total assets	2 269 066	2 278 687	533 948	529 755
Liabilities	1 140 880	1 143 549	268 468	265 855
Non-current liabilities	3 745	124	881	29
Current liabilities	1 137 135	1 143 425	267 586	265 826
Equity	1 128 186	1 135 138	265 481	263 900
Share capital	21 351	21 351	5 024	4 964
Number of shares	64 701 007	64 701 007	64 701 007	64 701 007
Book value per share (in PLN/EUR)	17.44	17.54	4.10	4.08
PLN/EUR exchange rate as at the end of the reporting period			4.2496	4.3014

3.2.3. STANDALONE STATEMENT OF CASH FLOWS

TABLE 15: STANDALONE STATEMENT OF CASH FLOWS

	'000 PLN		'000 EUR	
	1 Jan. - 30 Jun. 2019	1 Jan. - 30 Jun. 2018	1 Jan. - 30 Jun. 2019	1 Jan. - 30 Jun. 2018
Net cash used in/provided by operating activities	-10 095	1 538	-2 352	364
Net cash provided by investing activities	16 225	123 252	3 780	29 207
Net cash used in financing activities	-9 799	-120 904	-2 283	-28 650
Total net cash flow	-3 669	3 886	-855	921
Average PLN/EUR exchange rate			4.2918	4.2200

3.3. NON-RECURRING EVENTS

There were no non-recurring events which might affect the Group or Pfleiderer Group S.A.'s financial performance occurred in HY1 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
Moody's Investors Service	03.07.2019	B+	Stable
Standard & Poor's Ratings Services	13.07.2018	B+	Stable
Moody's Investors Service	13.07.2018	B1	Stable
Standard & Poor's Ratings Services	28.03.2018	B+	Stable
Moody's Investors Service	26.02.2018	Ba3	Stable
Standard & Poor's Ratings Services	24.03.2017	B+	Positive
Moody's Investors Service	22.03.2017	Ba3	Stable
Standard & Poor's Ratings Services	20.01.2017	B+	Positive
Standard & Poor's Ratings Services	29.01.2016	B	Positive
Moody's Investors Service	26.01.2016	B1	Positive

3.6. FINANCIAL INSTRUMENTS

Derivative instruments

Forward and swap agreements are forward foreign currency transactions conducted at a predetermined exchange rate. The Group applies hedge accounting, which results in the effective portion of gains or losses on fair value of hedging instruments (forward transactions) is included in other comprehensive income and presented as a separate equity position "cash flow hedge". The gains or losses previously recognised in other comprehensive income are transferred to profit or loss over the same period and in the same position in which the hedged cash flows are recognised in the statement of comprehensive income. The ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Borrowings

As at 30 June 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	30 Jun. 2019	31 Dec. 2018
Non-current leasing liabilities	24 752	0
Bank borrowings	427 514	425 875
Non-current liabilities	**452 266**	**425 875**
Current leasing liabilities	10 025	0
Current portion of bank borrowings	1 236	1 669
Other interest bearing liabilities	15 843	4 542
Current liabilities	**27 104**	**6 211**
TOTAL	479 370	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 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 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						30 Jun. 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	*)	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
Letter/s of Credit issued in EUR actual [EUR 797 240]							0		917	917	0
Letter/s of Credit issued in EUR year-end [EUR 395 500]							455		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

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

'000 EUR							30 Jun. 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	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

Liabilities under borrowings from related parties

As at 30 June 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.

On 24 April 2019 the Company has granted a loan of PLN 30.000 thousand to its subsidiary Pfleiderer Polska Sp. z o.o. The loan was intended to finance the Borrower's business. In the period from 24 April 2019 to 30 June 2019 Pfleiderer Group S.A. recognized PLN 170 thousand interest income.

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 129 869 thousand (PLN 552 203 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 9 429 thousand (PLN 40 091 thousand); as at 31 December 2018 EUR 9 276 thousand (PLN 39 887 thousand).
- Loan granted by PCF GmbH in order to continue the purchase of treasury shares, of EUR 99 446 thousand (PLN 422 844 thousand); as at 31 December 2018 EUR 96 877 thousand (PLN 416 572 thousand).

Interest accrued in 2019 on the above loans amounted to EUR 4 637 thousand (PLN 20 249 thousand).

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

As at 30 June 2019, no such events occurred.

Derivatives

On 30 June 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 Pfleiderer Silekol Sp. z o.o. through Ban 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 Pfleiderer 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 30 June 2019, the Company's debt under issued notes totaled PLN 74 918 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. and 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.

As at 30 June 2019 the receivables related settlements under financial liquidity management system amounted to PLN 1 944 thousand for PLN structure and liabilities amounted to PLN 10 409 thousand (EUR 2 448 thousand) for EUR structure.

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 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 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, 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 9 429 thousand and EUR 99 446 thousand), and other finance liabilities related to obligation taken over from Atlantik S.A. (EUR 129 869 thousand).

The risk of changes in the prices of financial instruments

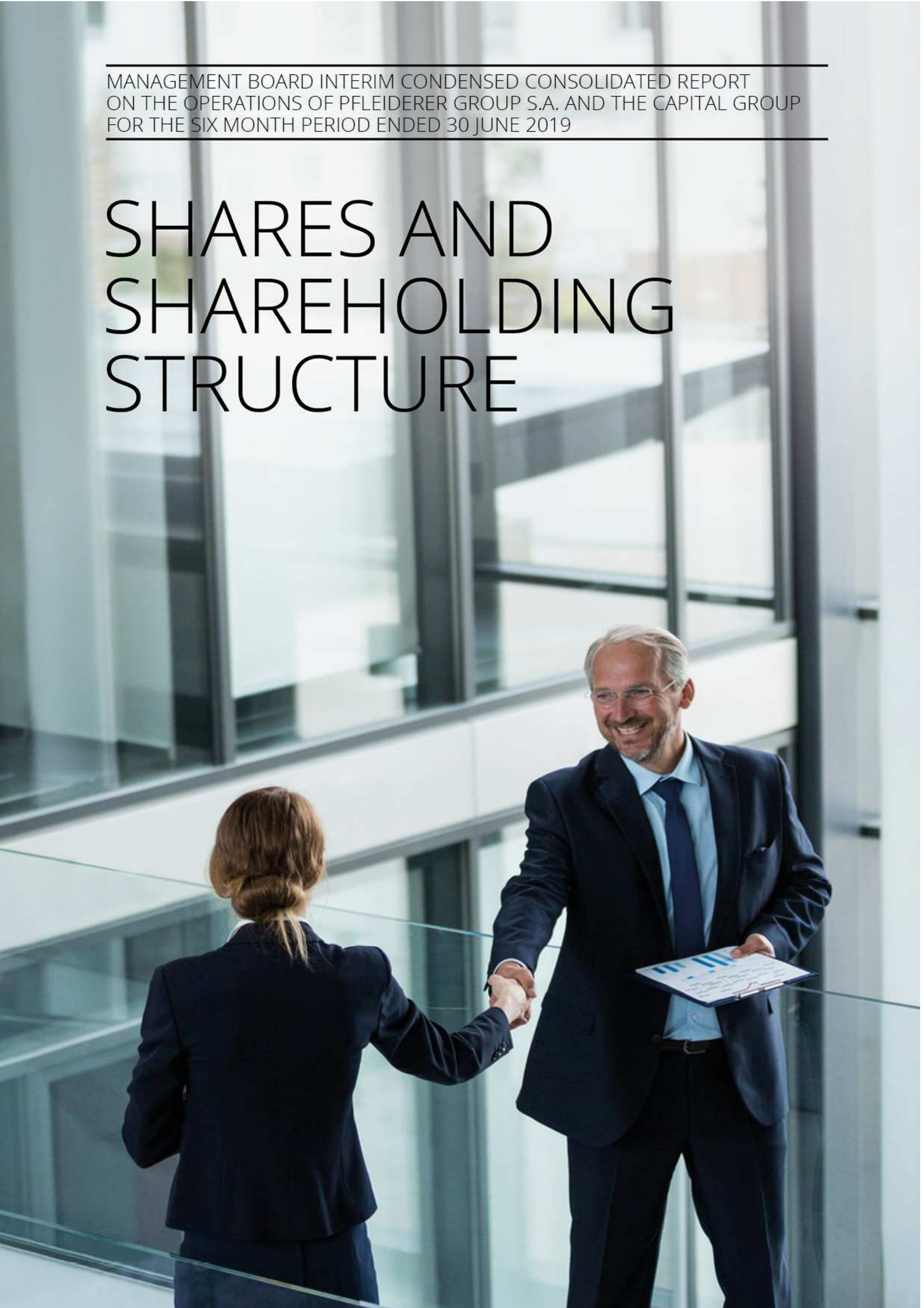
The Company is not exposed to any material price risk associated with financial instruments.

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. In this regard, new sublimits have been defined with Bank Millennium S.A.: PLN 20M for guarantees, L/Cs and credit cards (utilized in line with expenditures no more than PLN 2M) and PLN 80 M overdraft facility available for the cash pooling coordinator Pfleiderer Polska Sp. z o.o..

SHARES AND SHAREHOLDING STRUCTURE



4. SHARES AND SHAREHOLDING STRUCTURE

4.1. SHAREHOLDING STRUCTURE

TABLE 20: SHAREHOLDER STRUCTURE AS OF 30 JUNE 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%

(*) 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 25 SEPTEMBER 2019

	Number of shares	% of equity	Number of votes an GM	Percentage of votes on 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%

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

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.

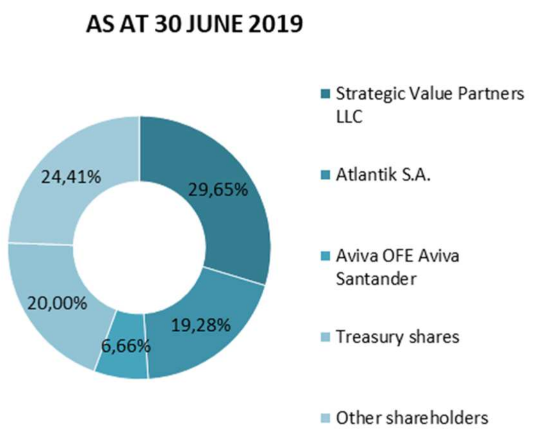
On 16 September the information was announced regarding the planned acquisition of Company's shares, through a squeeze-out by Volantis Bidco B.V., with its registered office in Amsterdam, which together with Atlantik S.A., with its registered office in Luxembourg, is a party to the agreement within the 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.

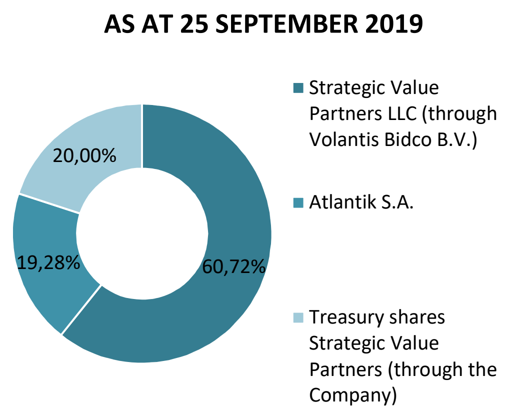
The subject of the squeeze-out were 5 048 615 shares of the Company, which constitute 7.80% of the share capital of the Company and represent 5 048 615 votes at the general meeting of the shareholders of the Company representing 7.80% of the total number of votes at the general meeting of the shareholders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

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.

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.

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 HY1 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
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 updates 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	33.90
Median target price	30.53
Minimum target price	21.00

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 PFLEIDERER GROUP S.A. AND THE CAPITAL GROUP
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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 and Supervisory Board's members 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 30 JUNE 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 30 June 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.

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.

5.2.2. MANAGEMENT BOARD

TABLE 27: THE COMPOSITION OF THE PFLEIDERER GROUP S.A. MANAGEMENT BOARD AS AT 30 JUNE 2019

 **ZBIGNIEW PROKOPOWICZ** PRESIDENT OF THE MANAGEMENT BOARD	Mr Zbigniew Prokopowicz (born in 1967) is a graduate of Paris-Dauphine University and an MBA graduate of Paris Institute of Political Studies. He also studied at the Main School of Planning and Statistics (at present Warsaw School of Economics). Mr Zbigniew Prokopowicz in the years 2008-2016 was a President of Management Board of Polenergia SA. In the years 2004–2008 he held the position of Chairman of the Supervisory Board of Polenergia SA. In the years 2004–2007 he performed the function of Chairman of the Supervisory Board of Opoczno SA. In the years 2005–2008 he was the Chairman of the Supervisory Board of DGS S.A. and President of the Management Board thereof. He managed companies in different industries, e.g. motorization, paper, packaging and energy. Prior to joining Polenergia SA, he was the President of the Management Board of Mondi Packaging (Anglo American Plc) in Poland as well as in Great Britain.
 **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.
 **DR. FRANK HERRMANN** MEMBER OF THE MANAGEMENT BOARD	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** MEMBER OF THE MANAGEMENT BOARD	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.

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.

6. 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.

7. MANAGEMENT BOARD REPRESENTATION

Pursuant to the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated 29 March 2018 (consolidated text: Dz.U. of 2018, item 757), the Management Board of Pfleiderer Group S.A. (the Parent) represents that to the best of its knowledge the unaudited interim condensed consolidated and standalone financial statements for the period from 1 January to 30 June 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 30 June 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, 25 September 2019

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

LIST OF FIGURES

LIST OF TABLES