POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 2 / 2008

quarter / year

(prepared in accordance with Par. 86.2 and Par. 87.1 of the Regulation of the Minister of Finance dated October 19th 2005 - Dz.U. No. 209, item 1744)

for issuers conducting manufacturing, construction, trade or services business

for the 2nd quarter of the financial year 2008, covering the period from January 1st to July 30 th 2008,

including condensed consolidated financial statements prepared in accordance with the IFRS

currency: PLN

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

currency: PLN

Date of filing: July 24th 2008

Pfleiderer Grajewo Spółka Akcyjna

(full name)

GRAJEWO (abbreviated name)	**wood products** (sector according to the Warsaw Stock Exchange's classification)
19-203 (postal code)	**Grajewo** (registered office)
Wiórowa (street)	**1** (number)
0-86 272 96 00 (telephone number)	**0-86 272 39 83** (fax number)
grajewo@pfleiderer.pl (e-mail)	www.pfleiderer.pl (web site)
719-10-00-479 (NIP – Tax Identification Number)	**4500933817** (REGON – Industry Registration Number)

FINANCIAL HIGHLIGHTS	PLN '000		EUR '000	
	2 quarter cumulative / 2008 Jan 1-Jun 30 2008	2 quarter cumulative / 2007 Jan 1-Jun 30 2007	2 quarter cumulative / 2008 Jan 1-Jun 30 2008	2 quarter cumulative / 2007 Jan 1-Jun 30 2007
Condensed consolidated financial statements data				
I. Sales revenue	716 516	712 811	201 416	182 763
II. Operating profit/(loss)	40 808	87 013	11 471	22 310
III. Profit/(loss) before tax	8 628	76 237	2 425	19 547
IV. Net profit	3 324	60 236	934	15 444
V. Net profit attributable to equity holders of the parent	13 948	48 703	3 921	12 487
VI. Net cash provided by (used in) operating activities	66 860	77 802	18 795	20 231
VII. Net cash provided by (used in) investing activities	-105 431	-534 040	-29 637	-136 926
VIII. Net cash provided by (used in) financing activities	-6 212	476 475	-1 746	122 167
IX. Total net cash flow	-44 783	20 237	-12 589	5 189
X. Total assets	1 733 559	1 665 123	516 832	411 813
XI. Liabilities	1 154 911	1 026 019	344 318	253 752
XII. Non-current liabilities	632 653	659 252	188 615	163 044
XIII. Current liabilities	522 258	366 767	155 703	90 708
XIV. Equity	578 648	639 104	172 514	158 061
XV. Share capital	16 376	16 376	4 882	4 050
XVI. Weighted average number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XVII. Weighted average diluted number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XVIII. Annualised net profit attributable to equity holders of the parent*	90 503	100 083	25 441	25 661
XIX. Earnings per ordinary share (PLN/EUR)*	1,82	2,02	0,51	0,52
XX. Diluted earnings per ordinary share (PLN/EUR)*	1,82	2,02	0,51	0,52
XXI. Book value per share (PLN/EUR)	11,66	12,88	3,48	3,19
XXII. Diluted book value per share (PLN/EUR)	11,66	12,88	3,48	3,19
XXIII. Declared or paid dividend per share (PLN/EUR)	2,86	1,09	0,85	0,27
Condensed financial statements data				
XXIV. Sales revenue	314 158	339 659	88 311	87 088
XXV. Operating profit/(loss)	9 503	43 306	2 671	11 104
XXVI. Profit/(loss) before tax	75 053	38 642	21 098	9 908
XXVII. Net profit/(loss)	76 160	30 907	21 409	7 924
XXVIII. Net cash provided by (used in) operating activities	24 741	14 922	6 955	3 826
XXIX. Net cash provided by (used in) investing activities	-43 130	-306 728	-12 124	-78 644
XXX. Net cash provided by (used in) financing activities	-3 211	321 985	-903	82 556
XXXI. Total net cash flow	-21 600	30 179	-6 072	7 738
XXXII. Total assets	1 259 827	1 205 487	375 597	298 137
XXXIII. Liabilities	765 276	756 620	228 155	187 125
XXXIV. Non-current liabilities	223 432	326 321	66 613	80 705
XXXV. Current liabilities	541 844	430 299	161 542	106 420
XXXVI. Equity	494 551	448 867	147 442	111 012
XXXVII. Share capital	16 376	16 376	4 882	4 050
XXXVIII. Weighted average number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XXXIX. Weighted average diluted number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XL. Annualised net profit*	179 874	62 858	50 563	16 117
XLI. Earnings per ordinary share (PLN/EUR)*	3,62	1,27	1,02	0,32
XLII. Diluted earnings per ordinary share (PLN/EUR)*	3,62	1,27	1,02	0,32
XLIII. Book value per share (PLN/EUR)	9,97	9,05	2,97	2,24
XLIV. Diluted book value per share (PLN/EUR)	9,97	9,05	2,97	2,24
XLV. Declared or paid dividend per share (PLN/EUR)	2,86	1,09	0,85	0,27

This report should be sent to the Polish Financial Supervision Authority, the Warsaw Stock Exchange, and the press agency, as stipulated in applicable laws and regulations.

SIGNATURES OF PERSONS REPRESENTING THE COMPANY			
Date	Name	Position	Signature
July 24th 2008	Rafał Karcz	Member of the Management Board, Chief Financial Officer	
July 24th 2008	Agnieszka Kabus	Proxy/ Chief Accountant	

Consolidated Quarterly Report QSr 2/2008

Pursuant to the Regulation of the Polish Council of Ministers on current and periodic information to be published by issuers of securities, dated October 19th 2005 (Dz. U. No. 209, item 1744),

the Management Board of Pfleiderer Grajewo S.A. of Grajewo hereby releases the Company's quarterly report for Q2 2008.

COMPANY PRESIDENT'S INTRODUCTION TO THE Q2 2008 CONSOLIDATED REPORT

In Q2 2008, the Pfleiderer Grajewo Group recorded a slight year-on-year decrease in sales revenue. The 2.2% decrease in turnover was attributable mainly to the seasonality of the industry. Thanks to the strength of the Polish złoty, in Q2 2008, the business conditions did not change significantly relative to the previous quarter.

In a weaker market environment, Pfleiderer Grajewo Group's main objective is to keep its market share intact. To do this, we must adjust the prices of our products to market levels, which erodes our profit margins. Additionally, a substantial portion of the Group's sales is euro-denominated, which in the context of appreciation of the Polish currency had a negative effect on the Group's performance in Q2 2008. The foreign exchange losses on exports were, however, largely offset by hedging instruments used to manage the currency risk.

Over Q2 2008, changes in prices of our basic raw materials were in line with earlier expectations. The average price of wood remained at a level similar to that seen in the previous quarter. In Q3 and Q4 2008, the prices of wood are expected to remain fairly stable, whereas the prices of adhesive resins and other chemical components will be growing as a result of the expected sharp increases in the prices of urea on the global markets. Other factors affecting the profit margins included a hike in energy prices and higher salaries paid to employees. Intensive efforts are still being taken across the Group to reduce production costs and other expenses.

In Q2 2008, Pfleiderer OOO, our Russian subsidiary, improved its profitability. In H2 2008, the company plans to further enhance its profit margins by expanding the product range and bringing down production cost per unit.

The construction of the second production plant in Russia is progressing according to schedule. Having contracted deliveries of the entire necessary plant and equipment at the end of 2007, in 2008 Pfleiderer MDF OOO obtained a building permit and signed an agreement with the general contractor for the construction of the plant. The plant's launch is scheduled for 2009; the second plant outside Poland will contribute to a greater geographical diversification of our business and facilitate our further expansion in a rapidly growing market.

An assessment of the outlook for the Polish furniture sector indicates that the industry is likely to rebound already in Q3 2008, which will likely translate into higher sales and improved profit margins. However, given the current market environment, the Group will refrain from publishing its forecast for H2 2008 until the market volatility subsides and the Polish market of furniture manufacturers becomes more stable.

Yours faithfully,
Paweł Wyrzykowski

II. GENERAL INFORMATION

1. General Information on Pfleiderer Grajewo S.A. (Parent Undertaking)

Pfleiderer Grajewo S.A. is the parent undertaking of the Pfleiderer Grajewo Group.
The parent undertaking, under its former name of Zakłady Płyt Wiórowych S.A. of Grajewo, was originally registered on July 1st 1994 by the District Court, Commercial Court of Łomża, in the Commercial Register in Section B under entry No. 270. On May 9th 2001, it was registered by the District Court of Białystok, XII Commercial Division of the National Court Register, under entry No. KRS 0000011422. The Company's registered office is situated at ul. Wiórowa 1, Grajewo, Poland.
On September 18th 2002, the Management Board of the parent undertaking received the decision of the District Court of Białystok on entering its new name in the National Court Register. Accordingly, on September 18th 2002, the parent undertaking's former name – Zakłady Płyt Wiórowych S.A. – was changed into Pfleiderer Grajewo S.A.

In accordance with the Polish Classification of Business Activities, the Company is registered under No. 2020 E.

2. Composition of the Management Board and the Supervisory Board of the Parent Undertaking and Changes in the Reporting Period

As at the end of the reporting period, the Management Board of Pfleiderer Grajewo S.A. of Grajewo was composed of:

1. Paweł Wyrzykowski — President
2. Rafał Karcz — Member
3. Krzysztof Lobert — Member
4. Dariusz Tomaszewski — Member

As at June 30th 2008, the Supervisory Board of Pfleiderer Grajewo S.A. was composed of:

1. Robert Hopperdietzel — Chairman
2. Rafał Bogusławski
3. Michael Ernst
4. Hans H. Overdiek
5. Michael Wolff

On March 7th 2008, the Extraordinary General Shareholders Meeting of Pfleiderer Grajewo S.A. removed Mr Derrick Noe from his position on the Supervisory Board and appointed Mr Michael Wolff in his place.

On June 27th 2008, the Extraordinary General Shareholders Meeting of Pfleiderer Grajewo S.A. removed Mr Wojciech Szymon Kowalski from his position on the Supervisory Board and appointed Mr Rafał Bogusławski in his place.

3. Periods Covered by the Consolidated Financial Statements and the Comparable Data

The financial statements of Pfleiderer Grajewo S.A. (parent undertaking), Pfleiderer Prospan S.A., Pfleiderer OOO, Pfleiderer MDF OOO, Silekol Sp. z o.o., Pfleiderer MDF Sp. z o.o., Jura Polska Sp. z o.o., and Unifloor Sp. z o.o. (subsidiary undertakings) were consolidated using the full method. The financial data for the comparable period of Q2 2007 comprise the non-consolidated financial statements of Pfleiderer Grajewo S.A. prepared in accordance with the IFRS, and the non-consolidated financial statements of Pfleiderer Prospan S.A., Pfleiderer OOO, Silekol Sp. z o.o. and Pfleiderer MDF Sp. z o.o., Jura Polska Sp. z o.o. and Unifloor Sp. z o.o. Pfleiderer MDF OOO of Russia has been consolidated since October 1st 2007.

III. CHANGES IN ACCOUNTING POLICIES

1. Accounting Policies

(a) **Compliance Statement**

The financial statements of the Company were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Committee (IASC) and in compliance with the interpretations issued by the IASC Standing Interpretations Committee.

The financial statements were drawn up in accordance with the same accounting policies as those applied in the most recent annual financial statements.

(b) **Basis for Preparation of the Financial Statements**

The companies comprising the Group, namely Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF Sp. z o.o., and Silekol Sp. z o.o. maintain their accounting records in compliance with the International Financial Reporting Standards (IFRS), whereas Pfleiderer OOO and Pfleiderer MDF OOO apply accounting policies based on the Russian standards, which were restated for the purpose of consolidation to meet the requirements imposed under the International Financial Reporting Standards. As concerns Jura Polska Sp. z o.o. and Unifloor Sp. z o.o., their accounting records are kept in accordance with the policies and common practice applied by Polish companies; its figures were also restated for the purpose of consolidation. These consolidated financial statements drawn up on the basis of the accounting records of the Group companies reflect adjustments made to show the consolidated financial standing, results and cash flows of the Group in accordance with the International Financial Reporting Standards, which include standards and interpretations approved by the International Accounting Standards Board and the Standing Interpretations Committee.

These consolidated financial statements of the Group and the non-consolidated financial statements of the parent undertaking prepared as at June 30th 2008 have not been audited.

The non-consolidated financial statements of the parent undertaking as at June 30th 2008 were prepared in accordance with the requirements of the International Financial Reporting Standards issued by the International Accounting Standards Committee (IASC), as well as with the interpretations issued by the IASC Standing Interpretations Committee.

IV. KEY INFORMATION

1. Consolidated Revenue and Sales Revenue Growth

Below is presented a comparison of the Q2 2008 and Q2 2007 data.

Income Statement	Q2 2008 Apr 1 – Jun 30 2008		Q2 2007 Apr 1 – Jun 30 2007	
	(PLN '000)	%	(PLN '000)	%
	/A/	/B/	/C/	/D/
Sales revenue	341,047	100.0%	348,676	100.0%
Cost of sales	273,678	80.2%	256,207	73.5%
Profit on sales	**67,369**	19.8%	**92,469**	26.5%
Excess of fair value of net assets over their acquisition cost	1,701	0.5%	0	0.0%
Other income	2,333	0.7%	-817	-0.2%
Selling costs	18,653	5.5%	17,023	4.9%
General and administrative expenses	30,613	9.0%	30,221	8.7%
Other expenses	421	0.1%	1,906	0.5%
Operating profit	**21,716**	6.4%	**42,502**	12.2%
Financial income	7,450	2.4%	2,957	0.8%
Financial expenses	26,239	8.0%	9,454	2.7%
Net financial income/(expenses)	*-18,789*	*-5.5%*	*-6,497*	*-1.9%*
Profit before tax	**2,927**	0.9%	**36,005**	10.3%
Income tax	1,718	0.5%	7,869	2.3%
Net profit	**1,209**	0.4%	**28,136**	8.1%
Profit attributable to minority interests	-4,867	-1.4%	4,876	1.4%
Net profit attributable to majority interests	**6,076**	1.8%	**23,260**	6.7%

Below is presented a comparison of the Q2 2008 and Q2 2007 cumulative data.

Income Statement	Q2 2008 cumulatively Jan 1 – Jun 30 2008		Q2 2007 cumulatively Jan 1 – Jun 30 2007	
	(PLN '000)	%	(PLN '000)	%
	/A/	/B/	/C/	/D/
Sales revenue	716,516	100.0%	712,811	100.0%
Cost of sales	580,830	81.1%	530,878	74.5%
Profit on sales	**135,686**	18.9%	**181,933**	25.5%
Excess of fair value of net assets over their acquisition cost	1,701	0.2%	0	0.0%
Other income	6,400	0.9%	3,102	0.4%
Selling costs	36,159	5.0%	32,318	4.5%
General and administrative expenses	60,775	8.5%	60,543	8.5%
Other expenses	6,045	0.8%	5,161	0.7%
Operating profit	**40,808**	5.7%	**87,013**	12.2%
Financial income	12,073	1.8%	4,069	0.6%
Financial expenses	44,253	6.3%	14,845	2.1%
Net financial income/(expenses)	*-32,180*	-4.5%	*-10,776*	-1.5%
Profit before tax	**8,628**	1.2%	**76,237**	10.7%
Income tax	5,304	0.7%	16,001	2.2%
Net profit	**3,324**	0.5%	**60,236**	8.5%
Profit attributable to minority interests	-10,624	-1.5%	11,533	1.6%
Net profit attributable to majority interests	**13,948**	1.9%	**48,703**	6.8%

Comment on the income statement:

Sales revenue posted by the Group in Q2 2008 was by 2.2% lower year on year. This slight drop in turnover was attributable mainly to the seasonality of the industry.

In Q2 2008 the Group reported sales margin of 19.8%, which was by almost 2 percentage points higher than in Q1 2008, but by 6.7 percentage points lower than in the corresponding period of the previous year. The decline relative to the previous year was caused by the market factors referred to in the paragraph above, compounded by higher prices of adhesive resins (due to more expensive urea) and of energy, as well as higher salaries paid to employees.

The excess of fair value of net assets over their acquisition cost is attributable to the fact that Pfleiderer Europe GmbH acquired shares in Silekol Sp. z o.o. for a price exceeding the net value of the assets – the resulting income had to be recognised in the income statement.

Due to recognition of public aid, other income increased by over 3m relative to the corresponding period of the previous year. Selling costs rose on the back of intensified market activities aimed at stimulating sales of MDF board and maintaining the market share in the face of the downturn in the wood-based boards market. There was practically no year-on-year change in general and administrative expenses. Other expenses decreased by almost PLN 1.5m relative to the corresponding period of the previous year, as a result of various cost-cutting initiatives.

The year-on-year increase in financial income recorded in Q2 2008 can be explained by the realisation of currency-risk hedging instruments, which partially offset the costs due to the appreciation of the polish zloty. A year-on-year rise in financial expenses in Q1 2008 was driven mainly by the Group's higher debt level, connected with the finalisation of the purchase of a minority interest in Pfleiderer Prospan from the State Treasury, construction of the MDF board plant in Grajewo, and the new MDF production plant project in Russia. Additionally, the higher debt level was compounded by an increase in reference interest rates and higher foreign exchange losses.

2. <u>Net Cash Position</u>

The Group's net debt under loans and borrowings decreased over Q2 2008 by PLN 8,895 thousand. As at June 30th 2008, net debt under bank loans and borrowings stood at PLN 739,690 thousand. The reduction of net debt was achieved thanks to the excess of cash from operating income and the share issue over capital expenditure and interest paid.

3. <u>Equity</u>

As at the end of Q2 2008, the Group's equity was PLN 578,648 thousand, having fallen over the quarter by PLN 120,288 thousand, mainly as a result of distribution of Pfleiderer Grajewo S.A.'s profit for 2007 (PLN 141,925 thousand was allocated for dividend payment).

4. Sale of Shares and Assets

In 2008, the Pfleiderer Grajewo Group reported a gain on sale of non-current assets amounting to PLN 1,945 thousand.

V. THE GROUP SALES

1. Domestic and Export Sales

Pfleiderer Grajewo Group’s long-term sales strategy relies on three key distribution channels:
- direct sale to the furniture industry,
- sale to Pfleiderer Partner (the PP Network) wholesalers,
- export sale.

The sales analysis covers the sales recorded by Pfleiderer Grajewo S.A. and Pfleiderer Prospan S.A., as well as by Pfleiderer MDF Sp. z o.o., which launched its operations in 2007.

In Q2 2008, the shares of the above distribution channels were as follows:

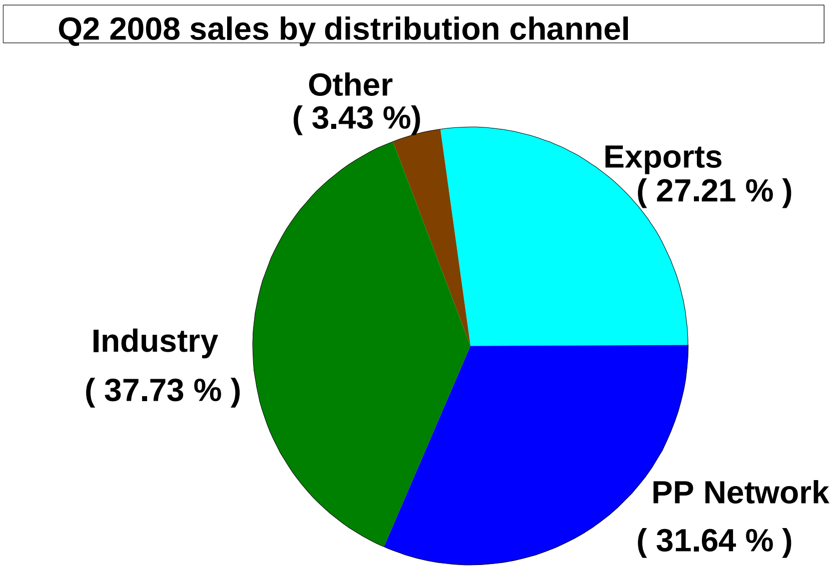


Chart: Distribution channels in Q2 2008 (%).

Export sale activities are for the most part based on a network of regional sales representatives, which ensures optimal selection of distribution channels for specific markets and enables the Group to directly reach stable and developing furniture manufacturers. This sales policy, allowing the Group to maintain a strong position on its strategic target markets (Lithuania, Latvia, Belarus), is particularly important given the Group’s new investments on the Eastern European market. The lower value of exports in Q2 2008 compared with Q2 2007 is mainly a consequence of a partial takeover of customers in Eastern Europe by the new plant Pfleiderer OOO in Russia and a lower euro exchange rate.

In the Polish market, direct sales to large and medium-sized furniture producers and sales to the Pfleiderer Partner wholesalers network continued to represent the most important distribution channels. Compared with the corresponding period of the previous year, the sales structure changed to the advantage of the PP Network. A fall in direct sales to the furniture producers sector came on the back of the downturn on the furniture market. Sales to the PP Network were increased mainly as a result of stronger sales of the existing products through the network and also owing to the market launch of a new product – the HDF board. Other factors which affected the achieved sales volumes to the furniture producers segment were:

- long-term cooperation agreements,
- development of a common pricing and marketing policy,
- implementation of a common product policy,
- upgrading of the machine park,
- design and improving quality of the end product
- launch of the Pfleiderer MDF Sp. z o.o. production plant.

The key drivers of sales through the PP Network included:

- cooperation with established trading companies,
- creation of local market leaders,
- development and implementation of a common pricing and marketing policy,
- appropriate market segmentation and product positioning,
- joint logistics/distribution projects,
- implementation of an SAP system to support the logistics and planning processes,
- planning of distribution requirements,
- continual development of products,
- launch of the new Pfleiderer MDF Sp. z o.o. production plant.

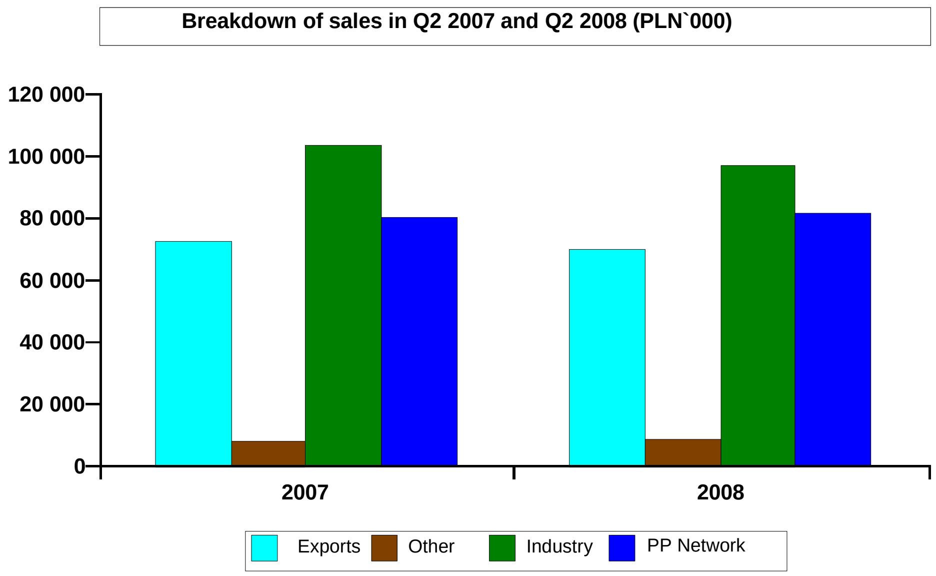


Chart: Sales analysis for Q2 2007 and Q2 2008 (PLN ’000).

The market of furniture production materials is characterised by strong price, product and logistics competition from domestic and foreign manufacturers, which try to gain competitive advantages in those aspects of cooperation which are important to the customers. Thanks to its sales and marketing efforts, Pfleiderer Grajewo S.A. continues to increase its sales and, most of all, consolidate the Group’s position in the market of furniture production materials.

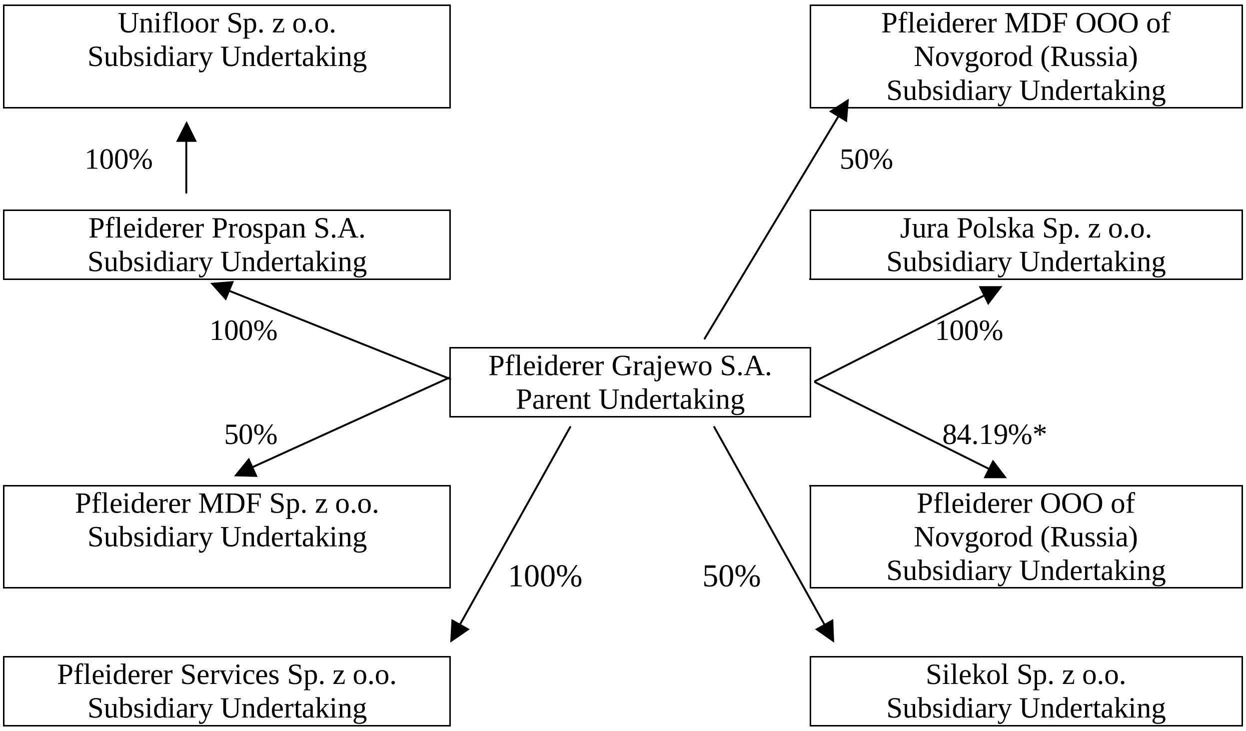
VI. Q2 2008 RESULTS

1. Composition of the Pfleiderer Grajewo Group

a. Structure of the Pfleiderer Grajewo Group

Pfleiderer Grajewo S.A. is the parent undertaking of Pfleiderer Prospan S.A. of Wieruszów (Poland), Pfleiderer OOO of Novgorod (Russia), Pfleiderer MDF OOO of Novgorod (Russia), Silekol Sp. z o.o. of Kędzierzyn-Koźle (Poland), Pfleiderer MDF Sp. z o.o. of Grajewo, Jura Polska Sp. z o.o. of Grajewo, UniFloor Sp. z o.o. of Wieruszów and Pfleiderer Services Sp. z o.o. of Grajewo.

Structure of the Pfleiderer Grajewo Group as at June 30th 2008:



*****Pfleiderer Grajewo S.A. holds a Call option entitling the Company to early repurchase the shares in Pfleiderer OOO held by the EBRD. The EBRD holds a put option entitling it to sell early the shares held in Pfleiderer OOO to the Company in the event of a breach of the provisions of financing agreements. Accordingly, from the point of view of the Parent Undertaking (Pfleiderer Grajewo S.A.), Pfleiderer OOO is treated as a subsidiary undertaking in which Pfleiderer Grajewo S.A. holds 100% of shares. Moreover, in the consolidated financial statements of the Pfleiderer Grajewo Group, 100% of Pfleiderer OOO's profit is subject to consolidation.

The consolidated financial statements of the Group comprise the financial data of Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer OOO, Pfleiderer MDF OOO, Silekol Sp. z o.o., Pfleiderer MDF Sp. z o.o., Jura Polska Sp. z o.o. and Unifloor Sp. z o.o.

b. Changes in the Pfleiderer Grajewo Group's Structure in the Reporting Period

In Q2 2008, Pfleiderer Europe GmbH acquired an issue of new shares in Silekol Sp. z o.o. Following this acquisition, Pfleiderer Grajewo S.A.'s interest in Silekol Sp. z o.o. is 50%. The acquisition was related to the fact that Pfleiderer Europe GmbH financed the development of Silekol Sp. z o.o.`s production capacity. As a result of the dilution affecting Pfleiderer Grajewo S.A.'s interest in Silekol Sp. z o.o., a gain of PLN 1,702 thousand was recognised. Due to the fact that Pfleiderer Grajewo S.A. has the right to appoint two out of three members of the Management Board of Silekol Sp. z o.o. and two out of four members of its Supervisory Board, including the right to designate the Chairman of the Supervisory Board, Silekol Sp. z o.o. is fully consolidated in the consolidated financial statements of the Pfleiderer Grajewo Group, as an entity controlled by the Group, and the minority interest held in Silekol Sp. z o.o. is disclosed in the consolidated balance sheet under minority interests.

c. Business Profile

The scope of business of Pfleiderer Grajewo S.A., the parent undertaking, includes:

- manufacture and veneering of wood and wood-based products
- impregnation of paper
- trade at home and abroad.

Business profile of other Companies of the Pfleiderer Grajewo Group:

Pfleiderer Prospan S.A.

- manufacture of melamine-faced and raw chipboards and other wood and wood-based products
- impregnation of paper
- trade at home and abroad
- production and distribution of heat.

Pfleiderer OOO

- manufacture of raw and melamine-faced chipboard, other materials and wood products
- production of materials from wood waste
- wholesale of own and third-party products.

Pfleiderer MDF OOO

The undertaking has been established to execute the investment project consisting in the construction of an MDF/HDF production plant in Novgorod (Russia).

Silekol Sp. z o.o.

Silekol Sp. z o.o. is a subsidiary undertaking which ensures steady supplies of high-quality adhesives used in the production of chipboards to the parent undertaking and the other subsidiary undertakings.

- manufacture of dyes and pigments
- manufacture of organic and other inorganic chemicals
- manufacture of paints and varnishes
- manufacture of glues and gelatines.

Pfleiderer MDF Sp. z o.o.

- manufacture of MDF board and other wooden and wood-based boards
- trade at home and abroad.

Jura Polska Sp. z o.o.

- transport
- road transport of goods with special vehicles
- road transport of goods with universal vehicles
- lease of trucks
- wholesale of building materials and sanitary fittings.

Unifloor Sp. z o.o.

Unifloor Sp. z o.o. is responsible for the production and sale of laminate flooring. In Q2 2008, the Group's Management Board made a decision to abandon the production and sale of laminate flooring by the end of 2008. In H1 2008 sales of laminate flooring accounted for 0.5% of the Group's total sales. Due to the immateriality of both Unifloor Sp. z o.o.'s sales and Unifloor Sp. z o.o. as a whole, the related figures were not disclosed separately under discontinued operations. Following the discontinuation of its current activity, Unifloor Sp. z o.o. will be used for other business conducted by the Group. Current business profile of Unifloor Sp. z o.o. comprises:

- manufacture of veneer sheets, boards and plywood
- manufacture of other wood products
- services consisting in the impregnation of wood
- wholesale of wood, building materials and sanitary fittings
- manufacture of paper and cardboard
- road transport.

Pfleiderer Services Sp. z o.o.

- The company has suspended its operations.

d. Non-Consolidated Undertakings

Since Pfleiderer Services Sp. z o.o. has suspended its operations and its financial data is immaterial for a clear and fair view of the Group's financial standing, the financial statements of the company were not consolidated.

e. Subsidiary Undertakings Comprising the Pfleiderer Grajewo Group

Pfleiderer Prospan S.A. – a joint-stock company entered in the Polish commercial register maintained by the District Court of Kalisz under No. RHB 1754 on September 23rd 1997 as Zakłady Płyt Wiórowych Prospan S.A. On September 17th 2001, the company was registered with the District Court of Łódź-Śródmieście in Łódź, XX Division of the National Court Register under entry No. KRS: 0000042082.

Industry Identification Number (REGON):	250744416
Tax Identification Number (NIP):	619-17-42-967
Registered office:	ul. Bolesławiecka 10, 98-400 Wieruszów, Poland

Pfleiderer OOO – a limited liability company organised under the laws of the Russian Federation, registered on January 15th 2003 by the Interregional Inspection No. 3 of the Novgorod Region under the Ministry of Customs and Taxes of the Russian Federation.

Uniform registration number:	1035301200164
Tax Identification Number:	5310011273
Registered office:	106 Tsentralnaya St, Novgorod Region 173502, Russia.

Pfleiderer MDF OOO – a limited liability company organised under the laws of the Russian Federation, registered on September 11th 2007 by the Interregional Inspection No. 3 of the Novgorod Region under the Ministry of Customs and Taxes of the Russian Federation

Uniform registration number:	1075321005396
Tax Identification Number:	5310014147
Registered office:	106 Tsentralnaya St, Novgorod Region 173502, Russia

Silekol Sp. z o.o. – entered in the National Court Register by the District Court of Opole, VIII Commercial Division of the National Court Register under entry No. KRS 0000225788 on January 6th 2005.

Industry Identification Number (REGON):	160003017
Tax Identification Number (NIP):	749-19-69-061
Registered office:	ul. Mostowa 30 K, 47-220 Kędzierzyn-Koźle, Poland

Pfleiderer MDF Sp. z o.o. – entered in the National Court Register by the District Court of Białystok, XII Commercial Division of the National Court Register in Białystok, under entry No. KRS 174810, on October 9th 2003.

Industry Identification Number (REGON):	330994545
Tax Identification Number (NIP):	719-13-99-317
Registered office:	ul. Wiórowa 1, 19-203 Grajewo, Poland

Jura Polska Sp. z o.o. – entered in the National Court Register by the District Court of Katowice, Commercial Division of the National Court Register, under entry No. KRS 149282, on November 24th 1999.

Industry Identification Number (REGON):	276746151
Tax Identification Number (NIP):	629-215-85-14
Registered office:	ul. Wiórowa 1, 19-203 Grajewo, Poland

Unifloor Sp. z o.o. – entered in the National Court Register by the District Court of Białystok, Commercial Division of the National Court Register, under entry No. KRS 0000237233, on June 29th 2005.

Industry Identification Number (REGON):	200021250
Tax Identification Number (NIP):	719-149-38-49
Registered office:	ul. Bolesławiecka 10, 98-400 Wieruszów, Poland

Pfleiderer Services Sp. z o.o. – entered in the National Court Register by the District Court of Białystok, XII Commercial Division of the National Court Register in Białystok, under entry No. KRS 0000247423, on December 20th 2005.

Industry Identification Number (REGON):	200052769
Tax Identification Number (NIP):	719-15-03-973
Registered office:	ul. Wiórowa 1, 19-203 Grajewo, Poland

2. Consolidated Financial Results

Consolidated balance sheet as at June 30th 2008 (PLN '000)

	Note	Jun 30 2008	Mar 31 2008	Dec 31 2007	Jun 30 2007
Assets					
Property, plant and equipment		1,138,110	1,124,860	1,141,787	1,029,281
Intangible assets		10,334	10,799	11,572	9,914
Goodwill		107,828	107,721	107,721	107,590
Investments in related undertakings		53	53	52	52
Other non-current financial assets		136	184	233	3,902
Deferred tax asset		1,892	2,033	2,517	1,819
Receivables under public aid		32,229	74,346	74,346	0
Non-current assets		**1,290,582**	**1,319,996**	**1,338,228**	**1,152,558**
Inventories		188,069	206,098	208,185	158,127
Income tax receivable		5,327	971	444	82
Trade and other receivables	1	232,235	205,613	191,712	284,604
Other current financial assets		1,082	1,700	2,298	0
Cash and cash equivalents	3	12,501	57,573	23,709	64,431
Currency forwards		3,763	5,108	4,182	1,678
Assets held for sale		0	17,720	20,658	3,643
Receivables under public aid		0	3,142	3,142	0
Current assets		**442,977**	**497,925**	**454,330**	**512,565**
Total assets		**1,733,559**	**1,817,921**	**1,792,558**	**1,665,123**
Equity					
Share capital		16,376	16,376	16,376	16,376
Share premium account		289,806	289,806	289,806	289,806
Statutory reserve funds		89,156	88,743	88,743	88,743
Currency translation differences on subordinated undertakings		-24,760	(19,879)	(14,624)	(5,762)
Currency translation differences on net investment in subsidiary undertakings		-4,818	(2,519)	0	0
Retained earnings		150,341	286,603	278,731	202,215
Equity attributable to equity holders of the parent		**516,101**	**659,130**	**659,032**	**591,378**
Minority interests		**62,547**	**39,806**	**45,563**	**47,726**
Total equity		**578,648**	**698,936**	**704,595**	**639,104**
Liabilities					
Overdraft facility		91,250	136,974	82,749	213,999
Non-current portion of interest-bearing bank loans and borrowings		468,983	511,674	514,962	396,202
Employee benefits		6,983	7,456	7,456	7,939
Provisions		2,372	2,476	2,476	2,416
Deferred tax liability		14,626	14,769	16,620	16,495
Deferred income related to public aid		48,439	92,371	92,371	22,201
Non-current liabilities		**632,653**	**765,720**	**716,634**	**659,252**

Overdraft facility		50,691	27,405	17,116	19,478
Current portion of interest-bearing bank loans and borrowings		141,267	130,105	110,386	62,289
Income tax payable		608	901	12,790	5,539
Trade payables and other liabilities	2	303,158	169,298	200,396	253,798
Employee benefits		22,668	18,855	23,461	25,026
Deferred income related to public aid		3,866	6,701	7,180	637
Current liabilities		**522,258**	**353,265**	**371,329**	**366,767**
Total liabilities		**1,154,911**	**1,118,985**	**1,087,963**	**1,026,019**
Total equity and liabilities		**1,733,559**	**1,817,921**	**1,792,558**	**1,665,123**

OFF-BALANCE-SHEET ITEMS	Jun 30 2008 end of Q2 2008 (PLN '000)	Mar 31 2008 end of Q1 2008 (PLN '000)	Dec 31 2007 end of Q4 2007 (PLN '000)	Jun 30 2007 end of Q2 2007 (PLN '000)
Contingent liabilities	4,054	0	5,080	34,668
To other undertakings, including:	4,054	0	5,080	34,668
- guarantees and sureties issued	4,054	0	5,080	34,668
Total off-balance-sheet items	4,054	0	5,080	34,668

Comment on changes in the key balance-sheet items:

The change of PLN 13m in property, plant and equipment between June 30th 2008 and March 31st 2008 is attributable to completion of investment projects.

There was no change in goodwill.

As at June 30th 2008, the value of non-current assets remained virtually unchanged from the level reported as at March 31st 2008, and amounted to PLN 1,290m.

Inventories as at the end of Q2 2008 stood at PLN 188m, and decreased by PLN 18m (or 9%) relative to the figure as at March 31st 2008, thanks to the optimisation of the level of inventories.

As at June 30th 2008, trade receivables rose by PLN 26m relative to the figure posted as at the end of March 2008, mainly in connection with the growing sales of OOO Pfleiderer and Pfleiderer MDF.

Cash and cash equivalents fell by PLN 45m between June 30th 2008 and March 31st 2008, and amounted to PLN 12m. The Group's net debt decreased by over PLN 8m as at June 30th 2008 compared with March 31st 2008.

As at the end of the reporting period, the liabilities grew by PLN 36m (or 3%) relative to the end of Q1 2008. There was a change in the structure of liabilities – current liabilities increased by PLN 169m, while non-current liabilities declined by PLN 133m. The change in the liabilities structure followed from the disclosure of dividend payable of PLN 14,925 thousand under trade payables and other liabilities.

In Q2 2008, the Group's net debt under loans and borrowings fell by PLN 8,895 thousand. As at June 30th 2008, net debt under bank loans and borrowings stood at PLN 739,690 thousand. The reduction of net debt was achieved thanks to the excess of cash from operating income and the share issue over capital expenditure and interest paid.

Interim consolidated income statement for the period January 1st – June 30th 2008 (PLN '000)

	Jan 1 2008- Jun 30 2008	**Jan 1 2007- Jun 30 2007**	**Apr 1 2008- Jun 30 2008**	**Apr 1 2007- Jun 30 2007**
	Continued operations	Continued operations	Continued operations	Continued operations
Sales revenue	716,516	712,811	341,047	348,676
Cost of sales	580,830	530,878	273,678	256,207
Profit on sales	**135,686**	**181,933**	**67,369**	**92,469**
Gain on dilution of shares in subsidiary undertakings	1,701	0	1,702	0
Other income	6,400	3,102	2,333	-817
Selling costs	36,159	32,318	18,653	17,023
General and administrative expenses	60,775	60,543	30,613	30,221
Other expenses	6,045	5,161	421	1,906
Operating profit	**40,808**	**87,013**	**21,717**	**42,502**
Financial income	12,073	4,069	7,450	2,957
Financial expenses	44,253	14,845	26,239	9,454
Net financial income/(expenses)	-32,180	-10,776	-18,789	-6,497
Profit before tax	**8,628**	**76,237**	**2,928**	**36,005**
Income tax	5,304	16,001	1,718	7,869
Net profit	**3,324**	**60,236**	**1,210**	**28,136**
attributable to:				
equity holders of the parent	13,948	48,703	5,815	23,260
minority interests	-10,624	11,533	-4,605	4,876
	3,324	**60,236**	**1,210**	**28,136**
Basic earnings per share (PLN)	0.28	0.98		
Diluted earnings per share (PLN)	0.28	0.98		

** As opposed to the financial highlights, where the annualised profit was used, these figures are based on the profit attributable to equity holders of the parent, respectively for the first six months of 2008 and the first six months of 2007.*

Statement of changes in consolidated equity for the period January 1st 2007 – June 30th 2008 (PLN '000)

	Share capital	Share premium account	Statutory reserve funds	Currency translation differences on subordinated undertakings	Retained earnings	Total	Minority interests	Total
Balance as at Jan 1 2007	**16,376**	**289,806**	**88,520**	**(3,462)**	**207,825**	**599,065**	**258,474**	**857,539**
Currency translation differences	0	0	0	(2,300)	0	(2,300)	0	(2,300)
Net income and expenses recognised under equity	0	0	0	(2,300)	0	(2,300)	0	(2,300)
Net profit	0	0	0	0	48,703	48,703	11,533	60,236
Total income and expenses for period	0	0	0	(2,300)	48,703	46,403	11,533	57,936
Transfer of part of 2006 net profit to statutory reserve funds	0	0	223	0	(223)	0	0	0
Allocation of profit to dividend	0	0		0	(54,090)	(54,090)	0	(54,090)
Purchase of minority interest in Pfleiderer Prospan S.A.	0	0	0	0	0	0	(222,281)	(222,281)
Balance as at Jun 30 2007	**16,376**	**289,806**	**88,743**	**(5,762)**	**202,215**	**591,378**	**47,726**	**639,104**

	Share capital	Share premium account	Statutory reserve funds	Currency translation differences on subordinated undertakings	Retained earnings	Total	Minority interests	Total
Balance as at Jul 1 2007	**16,376**	**289,806**	**88,743**	**(5,762)**	**202,215**	**591,378**	**47,726**	**639,104**
Currency translation differences	0	0	0	(8,862)		(8,862)		(8,862)
Net income and expenses recognised under equity	*0*	*0*	*0*	*(8,862)*	*0*	*(8,862)*	*0*	*(8,862)*
Net profit	0	0	0		76,555	76,555	(2,686)	73,869
Total income and expenses for period	*0*	*0*	*0*	*(8,862)*	*76,555*	*67,693*	*(2,686)*	*65,007*
Issue of shares in Pfleiderer MDF OOO							523	523
Allocation of profit to dividend	0	0	0		(39)	(39)		(39)
Balance as at Dec 31 2007	**16,376**	**289,806**	**88,743**	**(14,624)**	**278,731**	**659,032**	**45,563**	**704,595**

	Share capital	Share premium account	Statutory reserve funds	Currency translation differences on subordinated undertakings	Retained earnings	Total	Minority interests	Total
Balance as at Jan 1 2008	**16,376**	**289,806**	**88,743**	**(14,624)**	**278,731**	**659,032**	**45,563**	**704,595**
Currency translation differences	0	0	0	(10,136)	0	(10,136)		(10,136)
Net investment in subsidiary undertakings				(4,818)		(4,818)		(4,818)
Net income and expenses recognised under equity	*0*	*0*	*0*	*(14,954)*	*0*	(14,954)	*0*	*(14,954)*
Net profit	0	0	0	0	13,948	13,948	(10,624)	3,324
Total income and expenses for period	*0*	*0*	*0*	*(14,954)*	*13,948*	*(1,006)*	*(10,624)*	*(11,630)*
Issue of shares in Silekol Sp. z o.o.		1,603				1,603	22,700	24,303
Share premium from issue of shares in Silekol sp. z o.o., attributable to minority interests							3,304	3,304
Transfer of part of 2006 net profit to statutory reserve funds	0	0	413	0	(413)	0	0	0
Allocation of profit to dividend	0	0	0	0	(141,925)	(141,925)	0	(141,925)
Balance as at Jun 30 2008	**16,376**	**289,806**	**89,156**	**(29,578)**	**150,341**	**516,101**	**62,547**	**578,648**

Consolidated cash-flow statement for the period
January 1st – June 30th 2008 (PLN '000)

	Jan 1 2008- Jun 30 2008	Jan 1 2007- Jun 30 2007
Cash flows from operating activities		
Net profit/(loss)	**3,324**	**60,236**
Adjustments:	87,157	27,006
Depreciation and amortisation	54,774	42,907
Foreign exchange gains/(losses)	(10,867)	448
Interest	27,105	8,950
Gain on disposal of intangible assets and property, plant and equipment	194	142
Accrued income tax	5,304	16,001
Change in receivables	(3,364)	(30,070)
Change in inventories	20,116	(24,538)
Change in liabilities	(17,777)	11,215
Change in employee benefits payable	(1,266)	0
Change in provisions	(104)	3,697
Amortisation of public aid	(1,987)	0
Other adjustments	15,029	(1,746)
Cash provided by operating activities	**90,481**	**87,242**
Interest received	117	251
Tax paid	(23,738)	(9,691)
Net cash provided by operating activities	**66,860**	**77,802**
Cash flows from investing activities		
Sale of non-current assets	1,945	536
Sale of non-current assets held for sale	13,510	0
Disposal of financial assets	1,313	0
Other cash provided by financial assets	0	1,368
Acquisition of a subsidiary undertaking	(107)	(329,871)
Acquisition of intangible assets and property, plant and equipment	(130,581)	(205,624)
Cash provided by other investments	8,489	(449)
Net cash used in investing activities	**(105,431)**	**(534,040)**
Cash flows from financing activities		
Proceeds from issue of shares	27,607	0
Repayment of loans and borrowings	(74,115)	(19,266)
Acquisition of treasury shares	0	0
Increase in bank loans and borrowings	66,855	480,008
Other cash provided by financing activities	0	23,057
Decrease in finance lease liabilities	0	(180)
Dividend paid	0	0
Interest paid	(26,559)	(7,144)
Net cash provided by/(used in) financing activities	**(6,212)**	**476,475**
Change in cash	(44,783)	20,237
Cash at beginning of period	6,593	24,716
Change in cash resulting from foreign exchange gains/(losses)	0	0
Cash at end of period	**(38,190)**	**44,953**

VII. CAPITAL EXPENDITURE

In 2008, the Pfleiderer Grajewo Group made capital expenditure of PLN 75,491 thousand.

VIII. SUPPLEMENTARY INFORMATION

1. Material Agreements

On April 24th 2008, Pfleiderer MDF OOO of Russia, a subsidiary of Pfleiderer Grajewo S.A., concluded a construction contract with Alpine Mayreder OOO of Moscow, Russia. The contract provides for execution of building works connected with construction of the new MDF/HDF board plant in Novgorod, Russia. The contract value is RUB 999,540,000.00, VAT exclusive (złoty equivalent: PLN 91,357,956.00). The contract provides for contractor's liability for delays in the form of penalties of up to 5% of the contract value.

2. Provisions

As at the end of Q2 2008, the Group maintained a provision for employee benefits of PLN 2,372 thousand. Relative to Q1 2008, the value of the provision fell by PLN 104 thousand. The provision for employee benefits is the only provision created by the Group under IAS. Currently, Pfleiderer Grajewo S.A. maintains no provisions under IAS.

Both the deferred tax asset and the deferred tax liability of the Pfleiderer Grajewo Group decreased in Q2 2008 compared with Q1 2008, by PLN 141 thousand and PLN 143 thousand, respectively. In the reporting period, there were no material changes to the valuation allowances which would have a material bearing on the Pfleiderer Grajewo Group's net profit/(loss).

3. Guarantees and Sureties

As at June 30th 2008, Pfleiderer Grajewo S.A. had granted two sureties for the aggregate amount of up to EUR 29,029 thousand, including a surety of up to EUR 27,821 thousand for an indefinite period, granted to the European Bank for Reconstruction and Development to secure the liabilities of Pfleiderer OOO under a bank loan.

As at June 30th 2008, the amount of underlying debt secured with the sureties stood at EUR 29,029 thousand.

Additionally, Pfleiderer Grajewo S.A. has a contingent liability towards the European Bank for Reconstruction and Development, under the Put/Call Option Agreement of December 28th 2005. In performance of the Agreement, in Q2 2007, Pfleiderer OOO issued, and the EBRD acquired, new shares worth EUR 7m. The Agreement provides for the Bank's equity involvement for five years. Thereafter, the shares will be sold to Pfleiderer Grajewo S.A. The annual financial expenses relating to the transaction, resulting from the difference between the purchase price and the selling price of the shares, will be equal to the interest expense on the loan advanced by the Bank to Pfleiderer OOO. Pfleiderer Grajewo S.A. has a call option enabling it to repurchase the shares held by the Bank at any time before the lapse of the five-year period. The Bank has a put option over the shares, whereby it may sell the shares to the Company if the financial agreements executed between the Company, Pfleiderer OOO and the Bank are breached, or if there is a risk that the shares might not be repurchased at the expected date.

Other companies of the Group did not issue any guarantees or sureties.

4. Changes in Contingent Liabilities and Assets

In Q2 2008, the amount of contingent liabilities decreased following the complete settlement of the letter of credit issued by Bank PEKAO S.A. upon instruction from Pfleiderer MDF Sp. z o.o. and secured with a surety granted by Pfleiderer Grajewo S.A.

5. Contracted and Repaid Loans, Debt and Equity Issues

On April 24th 2008, Pfleiderer Grajewo S.A. redeemed its commercial paper in the form of short-term notes with a par value of PLN 215,000,000 and subsequently issued another two tranches of the notes with a par value of PLN 100,000,000 and PLN 124,000,000, respectively. The new issues mature respectively on July 23rd 2008 and April 23rd 2009, and bear interest at 3M WIBOR and 12M WIBOR p.a. The notes were acquired by Pfleiderer Prospan S.A.

On June 27th 2008, Pfleiderer Grajewo S.A. issued commercial paper comprising short-term notes with a par value of PLN 83,000,000. The notes bear interest at 6.28% per annum. The individual tranches of the notes mature in the period between July 3rd and August 28th 2008. The notes were purchased by Pfleiderer Prospan S.A.

In Q2 2008, Pfleiderer Grajewo S.A. advanced two new loans to Pfleiderer MDF OOO for the total amount of RUB 148,000 thousand. As at June 30th 2008, the total value of Pfleiderer Grajewo S.A.'s receivables under loans advanced to Pfleiderer MDF OOO of Russia stood at RUB 484,642 thousand.

In Q2 2008, Pfleiderer OOO repaid Pfleiderer Grajewo S.A. the remaining euro-denominated loans, which were replaced by loans denominated in the rouble (RUB). As at June 30th 2008, the total value of Pfleiderer Grajewo S.A.'s receivables under loans advanced to Pfleiderer OOO of Russia stood at RUB 856,860 thousand.

In Q2 2008, Silekol Sp. z o.o. fully repaid the loan of PLN 28,480 thousand contracted with Pfleiderer Europe GmbH.

6. Dividend Paid or Declared

On May 29th 2008, the Management Board of Grajewo S.A. adopted a resolution on its recommendation to the General Shareholders Meeting concerning distribution of the Company's profit for the 2007 financial year. The Management Board of the Company recommended allocating the Company's 2007 net profit of PLN 142,355,757.10 to statutory reserve funds.

The Supervisory Board of Pfleiderer Grajewo S.A. issued a negative opinion on the Management Board's recommendation to allocate 2007 net profit of PLN 142,355,757.10 to the Company's statutory reserve funds. At the same time, the Supervisory Board recommended the General Shareholders Meeting to vote in favour of the allocation of the net profit to dividend payment.

On June 27th 2008, the Annual General Shareholders Meeting of the Company adopted a resolution on distribution of the 2007 net profit. By virtue of the resolution, the amount of PLN 141,924,640 was allocated to the payment of dividend of PLN 2.86 per share. The General Shareholders Meeting decided that the right to dividend would accrue to the shareholders holding shares in Pfleiderer Grajewo S.A. on July 10th 2008. The dividend will be paid out on July 24th 2008.

7. Performance Forecast

To date, Pfleiderer Grajewo S.A. has not published a forecast of its financial performance for 2008.

8. Material Events Subsequent to June 30th 2008

On July 11th 2008, Silekol Sp. z o.o. received the decision of the District Court of Opole concerning the registration of the share capital increase of Silekol Sp. z o.o. of Kędzierzyn-Koźle, a subsidiary of Pfleiderer Grajewo S.A. The increase in the share capital of Silekol Sp. z o.o. was registered on July 4th 2008. Following the increase, the share capital of Silekol Sp. z o.o. amounts to PLN 45,400,000 and is divided into 45,400 shares with a par value of PLN 1,000 per share. The shares in the increased share capital of Silekol Sp. z o.o. were acquired by Pfleiderer Europe Gesellschaft mit Beschrankter Haftung in exchange for a cash contribution. Pfleiderer Grajewo S.A. and Pfleiderer Europe Gesellschaft mit Beschrankter Haftung each hold 50% of the shares and 50% of the total vote at the General Shareholders Meeting. The total number of votes at the General Shareholders Meeting of Silekol Sp. z o.o. conferred by all issued shares is 45,400.

9. Changes in the Capital Structure of the Group

In Q2 2008, Pfleiderer Europe GmbH acquired an issue of new shares in Silekol Sp. z o.o. Following this acquisition, Pfleiderer Grajewo S.A.'s interest in Silekol Sp. z o.o. is 50%. The acquisition was related to the fact that Pfleiderer Europe GmbH financed the development of Silekol Sp. z o.o.`s production capacity. As a result of the dilution affecting Pfleiderer Grajewo S.A.'s interest in Silekol Sp. z o.o., a gain of PLN 1,702 thousand was recognised. Due to the fact that Pfleiderer Grajewo S.A. has the right to appoint two out of three members of the Management Board of Silekol Sp. z o.o. and two out of four members of its Supervisory Board, including the right to designate the Chairman of the Supervisory Board, Silekol Sp. z o.o. is fully consolidated in the consolidated financial statements of the Pfleiderer Grajewo Group, as an entity controlled by the Group, and the minority interest held in Silekol Sp. z o.o. is disclosed in the consolidated balance sheet under minority interests.

10. Transactions with Shareholders and Other Related Parties

In Q2 2008, Pfleiderer Grajewo S.A. carried out 15 issues of short-term notes, all of which were acquired by Pfleiderer Prospan S.A.

11. Change in the Number of Shares or Options Held by the Management and Supervisory Staff

Since May 7th 2008, when the previous quarterly report was released, the number of shares in Pfleiderer Grajewo S.A. held by members of the Management Board has not changed.

- Mr Paweł Wyrzykowski, President of the Management Board, holds 4,080 shares in Pfleiderer Grajewo S.A.,
- Mr Rafał Karcz, Member of the Management Board, holds 3,472 shares in Pfleiderer Grajewo S.A.,
- Mr Dariusz Tomaszewski, Member of the Management Board, holds 4,108 shares in Pfleiderer Grajewo S.A.
- Mr Krzysztof Lobert, Member of the Management Board, holds no shares in Pfleiderer Grajewo S.A.

The members of the Supervisory Board of Pfleiderer Grajewo S.A. do not hold any shares in the Company.

12. Shareholder Structure of the Company as at the Report Release

Shareholder structure as at July 24th 2008	Number of shares	% of share capital held	Number of votes at GM	% of total vote at GM
Pfleiderer Service GmbH	32,308,176	65.11%	32,308,176	65.11%
Commercial Union OFE BPH CU WBK	4,928,816	9.93%	4,928,816	9.93%
Other shareholders	12,387,008	24.96%	12,387,008	24.96%
TOTAL	49,624,000	100.00%	49,624,000	100.00%

The information on the number of shares in Pfleiderer Grajewo S.A. held by Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK is based on the most recent notification received by the Company on July 9th 2007.

The number of shares held by the principal shareholder, Pfleiderer Service GmBH, did not change in the last quarter.

13. Court proceedings

There are no court, arbitration or administrative proceedings pending with respect to the Group companies' liabilities or debts, whose value would represent 10% or more of the Company's equity.

14. Other Information

On April 7th 2008, Mr Paweł Wyrzykowski, President of the Management Board of Pfleiderer Grajewo S.A., was appointed Member of the Management Board of Pfleiderer AG of Neumarkt. In connection with this appointment, Mr Paweł Wyrzykowski intends to resign from the position of President of the Management Board of Pfleiderer Grajewo S.A. The date of his resignation depends on the date of appointment of Mr Wyrzykowski's successor to the position of President of the Management Board of Pfleiderer Grajewo S.A. and will take effect no earlier than on September 1st 2008 and no later than on January 1st 2009. Mr Paweł Wyrzykowski will assume his duties as member of the Management Board of Pfleiderer AG only after he has resigned as President of the Management Board of Pfleiderer Grajewo S.A. On the Management Board of Pfleiderer AG, Mr Wyrzykowski will be responsible for sales, marketing and product strategy. Concurrently, Mr Wyrzykowski will supervise the Eastern European region, which includes Pfleiderer Grajewo S.A. As head of Eastern Europe, Mr Wyrzykowski will be appointed member of the Company's Supervisory Board and will assume the position of its Chairman.

On June 27th 2008, the General Shareholders Meeting of Pfleiderer Grajewo S.A. appointed the Supervisory Board of the Company for the new term of office. The following persons were appointed to the Supervisory Board: Michael Ernst, Robert Hopperdietzel, Hans H. Overdiek, Michael Wolff and Rafał Bogusławski.

Profiles of the Members of the Supervisory Board:

Mr Robert Hopperdietzel, born in 1966, holds a PhD in production engineering. In the most recent period of his professional career, Mr Hopperdietzel held managerial positions at REHAU AG & Co. Since September 1st 2006, Mr Hopperdietzel has held the position of Member of Management Board of Pfleiderer AG of Neumarkt, responsible for technology and production plants.

Mr Michael Ernst, born in 1948, holds the position of Member of the Management Board of Pfleiderer AG of Neumarkt, responsible for human resources and legal affairs. Mr Ernst holds a degree in law and is an attorney-at-law.
In the course of his professional career, Mr Ernst worked for the Robert Bosch Group, Metallgesellschaft AG, Frankfurter Allgemeine Zeitung GmbH, Wilh. Werhahn, Neuss and Philipp Holzmann AG.

Mr Hans H. Overdiek, born in 1952, holds a university degree in commerce. Mr Overdiek commenced his professional career at the business audit firm Peak, Marwick, Mitchell & Co. Duesseldorf. Then, for many years he was a member of the management of Robert-Zapp GmbH & Co. KG Duesseldorf and held a similar position at Gesenkbau Albert Biecker GmbH & Co. KG Plettenberg. Subsequently, Mr Overdiek was appointed to the position of Member of the Management Board of Boehler-Uddeholm AG of Vienna. Since January 1st 2001, he has served on the Management Board of Pfleiderer AG. Until September 15th 2003, he held the position of Member of the Management Board of Pfleiderer Grajewo S.A.

Mr Michael Wolff, born in 1960, is a certified Economic Engineer. In his professional career, Mr Wolff held managerial positions at Helsa Werke GmbH & Co. KG, Glunz AG, Villeroy & Boch AG, Freetime Group Germany GmbH and Optische Werke G. Rodenstock. In April 2004, Mr Wolff joined Pfleiderer AG, where he holds the position of Managing Director responsible for the Business Centre Western Europe.

Mr Rafał Bogusławski, aged 40, graduated from the Warsaw School of Economics and completed an MBA Programme at the Academy of Entrepreneurship and Management in Warsaw. Mr. Bogusławski is a business consultant. He gained professional experience while working at Commercial Union Investment Management and Commercial Union Ubezpieczenia na Życie. He also served on the Supervisory Boards of Zelmer S.A., Synthos S.A. and Poligrafia S.A. Mr. Bogusławski is a Supervisory Board member meeting the independency criteria set forth in the Company's Articles of Association.

15. <u>Business segments</u>

A business segment is a distinct area of the Group's business activities, comprising production and distribution of specific products or provision of services (industry segment), or covering certain economic environment (geographical segment), that is subject to risks and returns that are different from those of other business segments.

In Q3 2007, the Pfleiderer Grajewo Group commenced the sale of thin MDF/HDF board at the newly launched MDF plant. The Group's export sales (chiefly to Russia, Lithuania, Latvia and Ukraine) accounted in Q2 2008 for 27.21% of the total sales of the Group.

16. <u>Notes to the Consolidated Balance Sheet</u>

Note 1 – Trade and other receivables (PLN ‘000)

	Jun 30 2008	Mar 31 2008	Dec 31 2007	Jun 30 2007
Trade receivables	90,890	92,065	79,869	180,928
Trade receivables from related undertakings	8,227	9,276	5,600	4,203
Prepayments for tangible assets under construction	91,574	57,091	56,895	27,134
Current prepayments and accrued income	13,077	18,787	11,564	6,084
Current VAT receivables	24,451	24,345	35,009	61,940
Other receivables	4,016	4,049	2,775	4,315
Total	**232,235**	**205,613**	**191,712**	**284,604**

Note 2 – Trade payables and other liabilities (PLN’000)

	Jun 30 2008	Mar 31 2008	Dec 31 2007	Jun 30 2007
Trade payables	69,208	83,468	87,109	91 740
Liabilities to related undertakings	2,138	4,698	4,339	20 223
Dividends payable	141,925	0	0	54 090
VAT liabilities	1,812	3,436	1,377	1 434
Factoring liabilities	26,024	11,654	29,411	0
Liabilities under supplies for investment projects	49,057	45,935	70,443	*76,241*
Other payables	12,994	20,107	7,717	*10,070*
Total	**303,158**	**169,298**	**200,396**	**253,798**

17. Notes to the Consolidated Cash-Flow Statement (PLN ‘000) – Note 3

	Jun 30 2008	Mar 31 2008	Dec 31 2007	Jun 30 2007
Cash in hand and cash at banks	12,501	57,573	23,709	64,431
Overdraft facilities	(50,691)	(27,405)	(17,116)	(19,478)
Total	**(38,190)**	**30,168**	**6,593**	**44,953**

PLN/EUR exchange rates applied to translate the amounts disclosed in the "Financial Highlights":

Date	EUR	PLN
Jan 31 2008	EUR 1	3.6260
Feb 29 2008	EUR 1	3.5204
Mar 31 2008	EUR 1	3.5258
Apr 30 2008	EUR 1	3.4604
May 31 2008	EUR 1	3.3788
Jun 30 2008	EUR 1	3.3542
EUR exchange rate at the end of Q2 2008		**3.3542**
Arithmetic mean for 2008		**3.4776**

PLN/RUB exchange rates applied to translate the financial data of Pfleiderer OOO of Russia and Pfleiderer MDF OOO of Russia:

Date	RUB	PLN
Jan 31 2008	RUB 1	0.1000
Feb 29 2008	RUB 1	0.0965
Mar 31 2008	RUB 1	0.0949
Apr 30 2008	RUB 1	0.0940
May 31 2008	RUB 1	0.0919
Jun 30 2008	RUB 1	0.0906
RUB exchange rate at the end of Q2 2008		**0.0906**
Arithmetic mean for 2008		**0.0947**

Condensed Non-Consolidated Financial Statements of Pfleiderer Grajewo S.A., the Parent Undertaking, prepared in accordance with IFRS

Non-consolidated balance sheet as at June 30th 2008 (PLN '000)

	Jun 30 2008	Mar 31 2008	Dec 31 2007	Jun 30 2007
Assets				
Property, plant and equipment	172,574	177,337	183,221	173,075
Intangible assets	5,662	7,719	8,243	9,103
Investments in related undertakings	727,483	703,897	703,888	789,785
Other non-current financial assets	110	153	197	296
Long term loans advanced to related undertakings	126,628	108,353	41,639	0
Non-current assets	**1,032,457**	**997,459**	**937,188**	**972,259**
Inventories	65,596	75,252	83,736	61,666
Tax receivables	4,933	805	273	0
Trade and other receivables	148,053	74,430	73,196	127,371
Cash and cash equivalents	0	3,828	2,346	42,513
Loans and advances	5,025	7,592	49,533	0
Currency forwards	3,763	5,108	4,182	1,678
Assets held for sale	0	2,701	2,701	0
Current assets	**227,370**	**169,716**	**215,967**	**233,228**
Total assets	**1,259,827**	**1,167,175**	**1,153,155**	**1,205,487**
Equity				
Share capital	16,376	16,376	16,376	16,376
Share premium account	289,806	289,806	289,806	289,806
Statutory reserve funds	89,109	88,696	88,696	88,696
Retained earnings	99,260	165,352	165,438	53,989
Total equity	**494,551**	**560,230**	**560,316**	**448,867**
Liabilities				
Overdraft facility	88,250	126,987	63,101	213,999
Non-current portion of interest-bearing bank loans and borrowings	123,479	100,000	100,000	100,000
Employee benefits payable	3,908	4,132	4,132	4,615
Deferred tax liability	7,795	7,755	9,340	7,707
Non-current liabilities	**223,432**	**238,874**	**176,573**	**326,321**
Overdraft facility	36,516	17,221	12,238	19,478
Income tax payable	0	0	0	1,979
Liabilities to related undertakings under debt securities	299,815	281,000	318,170	265,000
Trade payables and other liabilities	194,829	62,412	73,988	129,574
Employee benefits payable	10,684	7,438	11,870	14,268
Current liabilities	**541,844**	**368,071**	**416,266**	**430,299**
Total liabilities	**765,276**	**606,945**	**592,839**	**756,620**
Total equity and liabilities	**1,259,827**	**1,167,175**	**1,153,155**	**1,205,487**

OFF-BALANCE-SHEET ITEMS	June 30 2008 end of Q2 2008 (PLN ‘000)	Mar 31 2008 end of Q1 2008 (PLN ‘000)	Dec 31 2007 end of Q4 2007 (PLN ‘000)	June 30 2007 end of Q2 2007 (PLN ‘000)
Contingent liabilities	122,764	134,641	141,680	230,490
To other undertakings, including:	122,764	134,641	141,680	230,490
- guarantees and sureties issued	122,764	134,641	141,680	230,490
Total off-balance-sheet items	**122,764**	**134,641**	**141,680**	**230,490**

Non-consolidated interim income statement for the period January 1st – June 30th 2008 (PLN ‘000)

	Jan 1 2008- Jun 30 2008	**Jan 1 2007- Jun 30 2007**	**Apr 1 2008- Jun 30 2008**	**Apr 1 2007- Jun 30 2007**
	Continued operations	Continued operations	Continued operations	Continued operations
Sales revenue	314,158	339,659	152,487	168,263
Cost of sales	274,260	266,300	134,385	131,140
Profit on sales	**39,898**	**73,359**	**18,102**	**37,123**
Other income	1,517	3,305	1,149	-864
Selling costs	10,638	9,151	5,374	4,453
General and administrative expenses	20,061	20,196	9,789	9,803
Other expenses	1,213	4,011	702	2,261
Operating profit	**9,503**	**43,306**	**3,386**	**19,742**
Financial income	100,267	7,416	95,073	5,200
Financial expenses	34,717	12,080	23,419	8,359
Net financial income/(expenses)	65,550	-4,664	71,654	-3,159
Profit before tax	**75,053**	**38,642**	**75,040**	**16,583**
Corporate income tax	-1,107	7,735	-1,207	3,277
Net profit	**76,160**	**30,907**	**76,247**	**13,306**

** As opposed to the financial highlights, where the annualised profit was used, these figures are based on the net profit, respectively for the first six months of 2008 and the first six months of 2007.*

Non-consolidated statement of changes in equity for the period January 1st 2007 – June 30th 2008 (PLN '000)

	Share capital	Share premium account	Statutory reserve funds	Retained earnings	Total
Balance as at Jan 1 2007	**16,376**	**289,806**	**88,473**	**77,395**	**472,050**
Net profit	0	0	0	30,907	30,907
Total income and expenses for period	0	0	0	30,907	30,907
Transfer of part of 2006 net profit to statutory reserve funds	0	0	223	(223)	0
Dividend	0	0	0	(54,090)	(540,90)
Balance as at Jun 30 2007	**16,376**	**289,806**	**88,696**	**53,989**	**448,867**

	Share capital	Share premium account	Statutory reserve funds	Retained earnings	Total
Balance as at Jul 1 2007	**16,376**	**289,806**	**88,696**	**53,989**	**448,867**
Net profit	0	0	0	111,449	111,449
Total income and expenses for period	0	0	0	111,449	111,449
Balance as at Dec 31 2007	**16,376**	**289,806**	**88,696**	**165,438**	**560,316**

	Share capital	Share premium account	Statutory reserve funds	Retained earnings	Total
Balance as at Jan 1 2008	**16,376**	**289,806**	**88,696**	**165,438**	**560,316**
Net profit	0	0	0	76,160	76,160
Total income and expenses for period	0	0	0	76,160	76,160
Transfer of part of 2007 net profit to statutory reserve funds	0	0	413	(413)	0
Dividend for 2007	0	0	0	(141,925)	(141,925)
Balance as at Jun 30 2008	**16,376**	**289,806**	**89,109**	**99,260**	**494,551**

Non-consolidated cash-flow statement for the period January 1st – June 30th 2008 (PLN ’000)

	Jan 1 2008-Jun 30 2008	Jan 1 2007-Jun 30 2007
Cash flows from operating activities		
Net profit	**76,160**	**30,907**
Adjustments:	**(46,715)**	**(10,714)**
Depreciation and amortisation	15,146	15,167
Foreign exchange gains/(losses)	10,976	2,650
Interest and dividend	(70,763)	3,897
Gain on disposal of intangible assets and property, plant and equipment	259	(1,844)
Accrued income tax	(1,107)	7,735
Change in receivables	2,898	(19,902)
Change in inventories	18,140	(9,800)
Change in liabilities	(22,264)	(8,255)
Change in provisions	0	2,418
Other adjustments	0	(2,780)
Cash provided by operating activities	**29,445**	**20,193**
Interest received	114	81
Interest paid	(21)	0
Tax paid	(4,797)	(5,352)
Net cash provided by operating activities	**24,741**	**14,922**
Cash flows from investing activities		
Sale of non-current assets	4,225	2,715
Interest received	2,926	2,724
Dividends and profit distributions	6,877	527
Other financing expenses	0	(448)
Acquisition of shares in a subsidiary undertaking	(107)	(329,871)
Acquisition of intangible assets and property, plant and equipment	(11,863)	(4,862)
Loans repaid	0	23,489
Loans advanced	(52,544)	(1,002)
Other cash provided by financial assets	7,356	0
Net cash used in investing activities	**(43,130)**	**(306,728)**
Cash flows from financing activities		
Increase in loans and borrowings	24,639	274,760
Issue of debt securities	102,833	54,130
Redemption of debt securities	(116,170)	0
Decrease in finance lease liabilities	0	(180)
Interest paid	(14,513)	(6,725)
Net cash provided by/(used in) financing activities	**(3,211)**	**321,985**
Change in cash	(21,600)	30,179
Cash at beginning of period	(9,892)	(7,144)
Cash at end of period	**(31,491)**	**23,035**

Supplementary Information to the Condensed Non-Consolidated Financial Statements of Pfleiderer Grajewo S.A., the Parent Undertaking, Prepared in Accordance with IFRS

1. Notes to the Non-Consolidated Balance Sheet

Note 1 – **Trade and other receivables (PLN ’000)**

	Jun 30 2008	Mar 31 2008	Dec 31 2007	Jun 30 2007
Trade receivables from others	32,544	27,762	28,336	89,058
Other receivables from related undertakings	20,486	25,574	23,921	17,517
Receivables from related undertakings under loans	0	0	0	1,002
Dividends receivable	78,210	0	**0**	123
Prepayments for tangible assets under construction	21	693.49173	262	3,959
Current prepayments and accrued income	4,879	7,788	9,711	4,045
Current VAT receivables	8,215	8,740	8,601	7,940
Other receivables	3,698	3,873	2,365	3,727
Total	**148,053**	**74,430**	**73,196**	**127,371**

Note 2 – **Trade payables and other liabilities (PLN ’000)**

	Jun 30 2008	Mar 31 2008	Dec 31 2007	Jun 30 2007
Trade payables	23,970	27,894	31,424	33,157
Payables to related undertakings	11,848	19,463	16,820	34,540
Dividends payable	141,925	0	0	54,090
Social security liabilities	0	0	0	0
Factoring liabilities	10,152	4,655	13,394	0
Liabilities under supplies for investment projects	574	1,842	8,327	1,309
Other liabilities	6,360	8,559	4,023	6,478
Total	**194,829**	**62,412**	**73,988**	**129,574**

2. Notes to the Non-Consolidated Cash-Flow Statement (PLN ‘000) – Note 3

	Jun 30 2008	Mar 31 2008	Dec 31 2007	Jun 30 2007
Cash in hand and cash at banks	5,025	3,828	2,346	42,513
				0
Overdraft facilities	(36,516)	(17,221)	(12,238)	(19,478)
Total	**(31,491)**	**(13,393)**	**(9,892)**	**23,035**