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**PFLEIDERER GRAJEWO
GROUP**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1ST – JUNE 30TH 2013**

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PFLEIDERER GRAJEWÓ GROUP

(all amounts in PLN thousand)

MANAGEMENT BOARD'S STATEMENT

Pursuant to the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz. U. of 2009, No. 33, item 259), the Management Board of Pfeiderer Grajewo S.A. represents that to the best of its knowledge the interim condensed consolidated financial statements and the interim condensed separate financial statements for the period January 1st–June 30th 2013 and the comparative data have been prepared in compliance with the applicable accounting standards and give a true, fair and clear view of the assets, financial standing and financial results of the Pfeiderer Grajewo Group and Pfeiderer Grajewo S.A., respectively, and that the interim Directors' Report on the operations of the Pfeiderer Grajewo Group and interim Directors' Report on the operations of Pfeiderer Grajewo S.A. give a fair view of the development, achievements and standing of the Pfeiderer Grajewo Group and Pfeiderer Grajewo S.A., respectively, including a description of the key risks and threats.

The Management Board of Pfeiderer Grajewo S.A. (the Parent) represents that the qualified auditor of financial statements that reviewed the interim condensed consolidated financial statements of the Pfeiderer Grajewo Group and the interim condensed separate financial statements of Pfeiderer Grajewo S.A. had been appointed in compliance with applicable laws, and that both the auditing firm and the qualified auditors who performed the review met the conditions required to issue an impartial and independent report on the reviewed interim condensed consolidated financial statements and interim condensed separate financial statements, in accordance with the applicable laws and professional standards.

Wojciech Gątkiewicz

President of the Management Board

Rafał Karcz

Member of the Management Board, Chief Financial Officer

Dariusz Tomaszewski

Member of the Management Board, Sales Director

Grajewo, August 23rd 2013

PFLEIDERER GRAJEWO GROUP

(all amounts in PLN thousand)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of profit or loss and other comprehensive income

		Jan 1– Jun 30 2013 unaudited	Jan 1– Jun 30 2012 unaudited*)	Apr 1 – Jun 30 2013 unaudited	Apr 1 – Jun 30 2012 unaudited*)
	Note				
Continued operations					
Revenue	1	695,713	690,822	341,250	328,385
Cost of sales		(581,304)	(583,846)	(285,032)	(271,768)
Gross profit		114,409	106,976	56,218	56,617
Other income		11,072	3,073	1,989	(747)
Distribution costs		(45,203)	(45,437)	(20,609)	(22,063)
Administrative expenses		(35,213)	(28,555)	(16,571)	(13,603)
Other expenses		(8,238)	(2,068)	(180)	(440)
Operating profit		36,827	33,989	20,847	19,764
Finance income	3	5,073	16,473	745	7,811
Finance costs	3	(20,785)	(45,920)	(7,963)	(25,334)
Net finance costs		(15,712)	(29,447)	(7,218)	(17,523)
Profit before tax		21,115	4,541	13,629	2,241
Income tax expense	5, 5a	(5,992)	(2,240)	(2,937)	(551)
Net profit		15,123	2,302	10,692	1,690
Profit/(loss) on discontinued operations	11	101,141	10,585	(1,047)	(2,457)
Profit/(loss) in the reporting period		116,264	12,887	9,645	(767)
Other income which can be transferred to the result					
Exchange differences on translating foreign operations transferred to the result		14,247	(4,114)	0	(4,531)
Exchange differences on net investments in subsidiaries transferred to the result		3,829	(5,943)	0	(6,379)
Effective portion of changes on fair-value measurement of hedging instruments		(1,490)	660	(1,703)	829
Other income		16,586	(9,397)	(1,703)	(10,081)
Total income for the period		132,850	3,490	7,942	(10,848)
Net profit/(loss) attributable to:					
Owners of the parent		110,120	17,866	5,859	5,205
Non-controlling interests		6,144	(4,979)	3,786	(5,972)
Net profit/(loss)		116,264	12,887	9,645	(767)
Total income for the period attributable to:					
Owners of the parent		126,751	8,705	4,156	(4,599)
Non-controlling interests		6,099	(5,215)	3,786	(6,249)
Total income for the period		132,850	3,490	7,942	(10,848)
Basic earnings per share (PLN)		2.22	0.36	0.12	0.10
Diluted earnings per share (PLN)		2.22	0.36	0.12	0.10

*) 2012 and Q2 2012 restated

PFLEIDERER GRAJEWO GROUP

(all amounts in PLN thousand)

Interim condensed consolidated statement of changes in equity

January 1st – June 30th 2013

	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Exchange differences on net investments in subsidiaries	Cash flow hedges	Retained earnings/(deficit)	Total	Non-controlling interests	Total
As at Jan 1 2013	16,376	289,806	195,806	619	(14,292)	(3,829)	0	42,906	527,392	57,773	585,165
Comprehensive income for the period											
Net profit	0	0	0	0	0	0	0	110,120	110,120	6,144	116,264
Other comprehensive income											
Exchange differences on translating foreign operations	0	0	0	0	14,292	0	0	0	14,292	(45)	14,247
Exchange differences on net investments in subsidiaries	0	0	0	0	0	3,829	0	0	3,829	0	3,829
Exchange differences on valuation of forward contracts	0	0	0	0	0	0	(1,490)	0	(1,490)		(1,490)
Total other comprehensive income	0	0	0	0	14,292	3,829	(1,490)	0	16,631	(45)	16,586
Total comprehensive income for the period	0	0	0	0	14,292	3,829	(1,490)	110,120	126,751	6,099	132,850
Transactions with owners recognised in equity											
Loss of control of a subsidiary Pfleiderer MDF OOO									0	5,004	5,004
Transactions with owners recognised in equity	0	0	12,003	0	0	0	0	(12,003)	0	5,004	5,004
As at June 30th 2013	16,376	289,806	207,809	619	0	0	(1,490)	141,023	654,143	68,876	723,019

PFLEIDERER GRAJEWO GROUP

(all amounts in PLN thousand)

For the period January 1st – December 31st 2012

	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Exchange differences on net investments in subsidiaries	Cash flow hedges	Retained earnings/(deficit)	Total	Non-controlling interests	Total
As at Jan 1 2012	16,376	289,806	155,005	619	(4,839)	4,182	0	33,892	495,041	71,440	566,481
Comprehensive income for the period											
Net profit/loss	0	0	0	0	0	0	0	49,815	49,815	(13,530)	36,285
Other comprehensive income											
Exchange differences on translating foreign operations	0	0	0	0	(9,453)	0	0	0	(9,453)	(137)	(9,590)
Exchange differences on net investments in subsidiaries	0	0	0	0	0	(8,011)	0	0	(8,011)	0	(8,011)
Total other comprehensive income	0	0	0	0	(9,453)	(8,011)	0	0	(17,464)	(137)	(17,601)
Total comprehensive income for the period	0	0	0	0	(9,453)	(8,011)	0	49,815	32,351	(13,667)	18,684
Transactions with owners recognised in equity											
Transfer of part of 2011 net profit to statutory reserve funds	0	0	40,801	0	0	0	0	(40,801)	0	0	0
Transactions with owners recognised in equity	0	0	40,801	0	0	0	0	(40,801)	0	0	0
As at Dec 31 2012	16,376	289,806	195,806	619	(14,292)	(3,829)	0	42,906	527,392	57,773	585 165

PFLEIDERER GRAJEWO GROUP

(all amounts in PLN thousand)

January 1st – June 30th 2012

	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Exchange differences on net investments in subsidiaries	Cash flow hedges	Retained earnings/(deficit)	Total	Non- controlling interests	Total
As at Jan 1 2012	16,376	289,806	155,005	619	(4,839)	4,182	0	33,892	495,041	71,440	566,481
Comprehensive income for the period											
Net profit/loss	0	0	0	0	0	0	0	17,866	17,866	(4,979)	12,887
Other comprehensive income											
Exchange differences on translating foreign operations	0	0	0	0	(3,878)	0	0	0	(3,878)	(236)	(4,114)
Exchange differences on net investments in subsidiaries	0	0	0	0	0	(5,943)	0	0	(5,943)	0	(5,943)
Effective portion of changes on fair-value measurement of hedging instruments	0	0	0	0	0	0	660	0	660	0	660
Total other comprehensive income	0	0	0	0	(3,878)	(5,943)	660	0	(9,161)	(236)	(9,397)
Total comprehensive income for the period	0	0	0	0	(3,878)	(5,943)	660	17,866	8,705	(5,215)	3,490
Transactions with owners recognised in equity											
Transfer of 2011 net profit to statutory reserve funds	0	0	40,801	0	0	0	0	(40,801)	0	0	0
Total transactions with owners recognised in equity	0	0	40,801	0	0	0	0	(40,801)	0	0	0
As at June 30th 2012 (unaudited)	16,376	289,806	195,806	619	(8,717)	(1,761)	660	10,957	503,746	66,225	569,971

PFLEIDERER GRAJEWO GROUP

(all amounts in PLN thousand)

Interim condensed consolidated statement of financial position

	Note	Jun 30 2013 (unaudited)	Dec 31 2012(*) restated
Assets			
Property, plant and equipment	4	597,237	594,067
Intangible assets		1,879	2,218
Goodwill		107,829	107,829
Investments in related entities		126	117
Other non-current financial assets		210	10
Investment property		4,300	4,300
Deferred tax asset		36,201	12,184
Prepayments for property, plant and equipment		1,016	5,426
Government grants receivable		12,197	14,443
Non-current assets		760,995	740,594
Inventories		159,581	164,396
Income tax receivable		2,275	261
Trade and other receivables	6	159,540	70,356
Cash and cash equivalents		116,180	17,518
Other current financial assets		17,234	0
Assets held for sale or distribution		0	813,907
Current assets		454,810	1,066,438
Total assets		1,215,805	1,807,032
Equity	7		
Share capital		16,376	16,376
Share premium		289,806	289,806
Statutory reserve funds		207,809	195,806
Revaluation reserve		619	619
Exchange differences on translating foreign operations		0	(14,292)
Exchange differences on net investments in subsidiaries		0	(3,829)
Cash flow hedges		(1,490)	0
Retained earnings		141,023	42,906
Equity (attributable to owners of the parent)		654,143	527,392
Non-controlling interests		68,876	57,773
Total equity		723,019	585,165
Liabilities			
Borrowings and other debt instruments	8	128,819	182,650
Employee benefit obligations		7,111	7,111
Provisions		767	739
Deferred tax liabilities		8,694	8,245
Deferred income from government assistance		26,656	27,233
Non-current liabilities		172,047	225,978
Borrowings and other debt instruments	8	101,821	528,448
Income tax payable		326	1,136
Trade and other payables	9	194,637	197,112
Employee benefit obligations		22,807	18,736
Liabilities related to assets held for sale		0	249,309
Deferred income from government assistance		1,148	1,148
Current liabilities		320,739	995,889
Total liabilities		492,786	1,221,867
Total equity and liabilities		1,215,805	1,807,032

(*) - see section 5 notes

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(all amounts in PLN thousand)

Interim condensed consolidated statement of cash flows

	Note	Jan 1– Jun 30 2013 (unaudited)	Jan 1– Jun 30 2012 (unaudited)
Cash flows from operating activities			
Net profit		116,264	12,887
Adjustments		(116,960)	39,214
Depreciation and amortisation		21,059	39,349
Foreign exchange gains		(3,915)	(3,295)
Interest for the period		19,032	46,506
Profit on investing activities		145	(9)
Income tax disclosed in profit or loss of the period		6,732	2,618
Deferred income tax recognised in equity		0	(1,394)
Change in trade and other receivables		(62,852)	1,874
Change in inventories		5,749	(14,089)
Change in trade and other payables		978	(34,776)
Change in employee benefit obligations		(1,511)	(726)
Change in provisions		28	16
Amortisation of government assistance		(614)	(413)
Result on forward and swap contracts		434	(477)
Change in exchange differences on translating foreign operations		0	3,857
Net profit/loss on discontinued operations	11	(102,459)	0
Other adjustments		234	173
Cash flows from operating activities		(696)	52,101
Interest received		826	32
Income tax paid		(61,477)	(6,012)
Net cash from operating activities		(61,347)	46,121
Cash flows from investing activities			
Disposal of non-current assets		29	277
Acquisition of shares in a subsidiary		(9)	0
Loans advanced to other entities		(1,200)	0
Loans advanced to related entity		(205)	0
Acquisition of intangible assets and property, plant and equipment		(25,535)	(16,245)
Proceeds from repayment of related party loan		207	0
Disposal of non-current assets held for sale	11	688,983	0
Net cash from investing activities		662,270	(15,968)
Cash flows from financing activities			
Repayment of borrowings and other debt instruments		(503,214)	(47,570)
Increase in borrowings and other debt instruments		20,987	70,705
Interest paid		(20,034)	(38,855)
Net cash from financing activities		(502,261)	(15,720)
Total net cash flow		98,662	14,433
Change in cash		98,662	14,433
Cash at beginning of the period		17,518	19,586
Cash at end of the period		116,180	34,019

THE PFLEIDERER GRAJEWÓ GROUP

Notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

Notes to the interim condensed consolidated financial statements

1. General information

Pfleiderer Grajewo S.A., the parent entity of the Pfleiderer Grajewo Group (the Parent), is a publicly traded joint-stock company registered in Poland.

The Parent, 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 Section B of the Commercial Register, under entry No. 270. Subsequently, on May 9th 2001, it was registered by the District Court of Białystok, 12th Commercial Division of the National Court Register, under entry No. KRS 0000011422. On September 18th 2002, the Company's 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.

The Company's registered office is situated at ul. Wiórowa 1, Grajewo, Poland.

In accordance with the Polish Classification of Business Activities, Pfleiderer Grajewo S.A. is registered under No. 1621 Z.

These interim condensed consolidated financial statements of the Pfleiderer Grajewo Group for the period January 1st – June 30th 2013 were approved by the Management Board of the Parent on August 23rd 2013.

THE PFLEIDERER GRAJEWÓ GROUP

Notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

2. Structure of the Group

Pfleiderer Grajewo S.A. in the period January 1st – June 30th 2013 was the parent of the following companies:

Subsidiaries

- 1 Pfleiderer Prospan S.A., Wieruszów
- 2 Silekol Sp. z o.o., Kędzierzyn-Koźle,
- 3 Pfleiderer MDF Sp. z o.o., Grajewo
- 4 Jura Polska Sp. z o.o., Grajewo
- 5 Unifloor Sp. z o.o., Wieruszów
- 6 Pfleiderer OOO, Novgorod (Russia) - subsidiary to 23.01.2013
- 7 Pfleiderer MDF OOO, Novgorod (Rosja) - subsidiary to 23.01.2013
- 8 Grajewo OOO, Novgorod (new founded company)
- 9 Pfleiderer Services Sp. z o.o., Grajewo

Jointly-controlled entities

- 10 Blitz 11-446 GmbH, Neumarkt

Associates

- 11 Pfleiderer MDF OOO Novgorod (Rosja) - associate from 23.01.2013

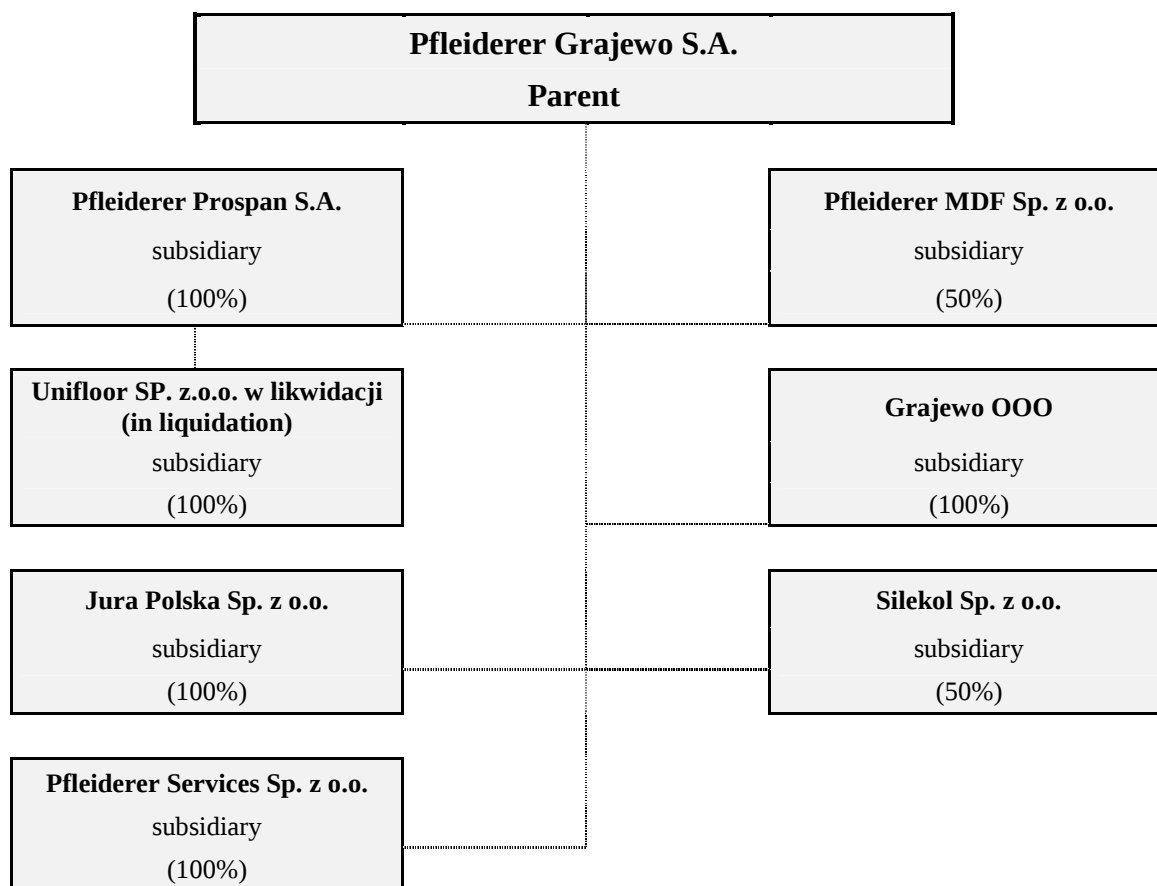
- (5) indirectly through Pfleiderer Prospan S.A.
- (6) sale of the shares on January 23rd 2013
- (7) (11) sale of the assets and loss of control on January 23rd 2013
- (8) purchase of shares on April 26th 2013

THE PFLEIDERER GRAJEWÓ GROUP

Notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

Structure of the Group as at June 30th 2013:



These interim condensed consolidated financial statements of the Pfleiderer Grajewo Group comprise the financial data of Pfleiderer Grajewo S.A., the Parent, and of its subsidiaries: Pfleiderer Prospan S.A., Silekol Sp. z o.o., Pfleiderer MDF Sp. z o.o., Jura Polska Sp. z o.o., and Unifloor Sp. z o.o. (in liquidation).

The Parent, Pfleiderer Grajewo S.A., holds 50% of the shares and votes in subsidiaries Pfleiderer MDF Sp. z o.o. and Silekol Sp. z o.o., but it continues to exercise control over these entities as it has the power to govern their financial and operating policies through the right to appoint and remove from office a majority of the management board members of the entities.

As a result of the agreements of January 23rd 2013, the Pfleiderer Grajewo Group lost control over its subsidiary Pfleiderer MDF OOO. The loss of control was due to the loss of the right to appoint the majority of board members. As of January 23rd 2013, MDF OOO is an associate of the Pfleiderer Grajewo Group.

* The interest in the company, which is jointly-controlled by the Group, is accounted for in the consolidated financial statements with the equity method.

THE PFLEIDERER GRAJEWÓ GROUP

Notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

Changes in the Group's structure in the reporting period

On April 16th 2013, Pfeiderer Grajewo S.A. (the Parent) acquired 100% of shares in Grajewo OOO from BI_EL-SI of Russia. The shares were acquired for EUR 2 thousand (PLN 8 thousand)

On January 23rd 2013, Pfeiderer Grajewo S.A. (the Parent), as the seller, and Ingka Pro Holding Subholding I B.V. and SWEDSPAN Holding B.V., as the buyers, entered into an agreement on sale of a 100% interest in Pfeiderer OOO of Russia, as well as of assets of Pfeiderer MDF OOO of Russia (a subsidiary) and the jointly-controlled entity Blitz 11-446 GmbH of Germany. At the same time, under the agreements, the Pfeiderer Grajewo Group lost control over Pfeiderer MDF OOO.

The list of companies included in the Group 'Pfeiderer Grajewo' SA and their business profile

The business of Pfeiderer Grajewo S.A., the Parent, consists in:

- Manufacture of wood and wood-based panels and their refinement,
- impregnation of paper
- trade at home and abroad

Pfeiderer Prospan S.A. – a joint-stock company entered in the 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, 20th 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

Business profile of Pfeiderer Prospan S.A.

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

Silekol Sp. z o.o. – entered in the National Court Register by the District Court of Opole, 8th Commercial Division of the National Court Register of Opole, under 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

Business profile of Silekol Sp. z o.o.

Silekol Sp. z o.o. is a subsidiary which ensures uninterrupted supplies of adhesives used in the production of chipboards to the Parent and the other subsidiaries.

- manufacture of dyes and pigments,

THE PFLEIDERER GRAJEWÓ GROUP

Notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

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

Pfleiderer MDF Sp. z o.o. – entered in the National Court Register by the District Court of Białystok, 12th Commercial Division of the National Court Register in Białystok, under 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

Business profile of Pfleiderer MDF Sp. z o.o.

- sale and intermediation in the sale of raw and melamine-faced chipboards, films and foils,
- veneering of chipboards,
- manufacture of melamine-faced and raw chipboards and other wood-based materials.

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 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

Business profile of Jura Polska Sp. z o.o.

- transport,
- road transport of goods with specialised vehicles,
- road transport of goods with universal vehicles,
- lease of trucks,
- wholesale of building materials and sanitary fixtures and fittings

Unifloor Sp. z o.o. w likwidacji (in liquidation) – entered in the National Court Register by the District Court of Białystok, Commercial Division of the National Court Register, under 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

Unifloor Sp. z o.o. is currently in liquidation.

Pfleiderer Services Sp. z o.o. – entered in the National Court Register by the District Court of Białystok, 12th Commercial Division of the National Court Register in Białystok, under 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

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Notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

The company has suspended its operations.

Grajewo OOO – a limited liability company incorporated under the laws of the Russian Federation, registered on August 12th 2009 by Interregional Inspection No. 9 of the Ministry of Duties and Taxes of the Russian Federation for the Novgorod District.

Uniform Registration Number:	1095321004130
Tax Identification Number:	5321135070
Registered office:	21 Studenicheskaya street 43 Veliky Novgorod, Russia

Business profile of Grajewo OOO

- trading activities in the territory of Russia

Jointly-controlled entities and associates of the Pfleiderer Grajewo Group

Blitz 11-446 GmbH – entered in the Commercial Register by the Court in Nuremberg, under No. HRB 28 166.

HRB Registry Number:	28 166
Tax Identification Number:	201/116/21366
Registered office:	Ingolstädter Strasse 51, Neumarkt, Germany

Business profile of Blitz 11-446 GmbH

- exports, in particular to Russia and Eastern Europe,
- provision of investment-related services,

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

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

Business profile of Pfleiderer MDF OOO

- sales of impregnates and accessories

THE PFLEIDERER GRAJEWÓ GROUP

Notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

3. Composition of the Parent's Management Board and Supervisory Board and changes in the reporting period

As at June 30th 2013, the Management Board of Pfeiderer Grajewo S.A. was composed of:

1. Wojciech Gątkiewicz – President of the Management Board,
2. Rafał Karcz – Member,
3. Dariusz Tomaszewski – Member,

On June 26th 2013, Mr Radosław Wierzbicki resigned from the position of Member of the Management Board – Chief Operating Officer of the Pfeiderer Grajewo S.A. At the same time, Mr Radosław Wierzbicki resigned from the position of Member of the Management Board of Pfeiderer Prospan S.A. and Member of the Management Board of Pfeiderer MDF Sp. z o.o., subsidiaries of Pfeiderer Grajewo S.A.

As at June 30th 2013, the Supervisory Board of Pfeiderer Grajewo S.A. was composed of:

- | | |
|-----------------------|-----------------------------------|
| 1. Michael Wolff | Chairman of the Supervisory Board |
| 2. Gerd Hammerschmidt | Member |
| 3. Jochen Schapka | Member |
| 4. Richard Mayer | Member |
| 5. Jan Woźniak | Member |

On February 12th 2013, Mr Hans-Kurt von Werder resigned from the position of Member of the Parent's Supervisory Board, effective from February 26th 2013.

In accordance with a resolution of the Extraordinary General Meeting, on February 26th 2013, Mr Richard Mayer was appointed Member of the Parent's Supervisory Board.

THE PFLEIDERER GRAJEWO GROUP

Notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

4. Periods covered by the interim condensed consolidated financial statements and comparative data

These interim condensed consolidated financial statements cover the period January 1st – June 30th 2013, and the comparative data cover the period as at December 31st 2012 and the six months ended June 30th 2012. Statement of comprehensive income has been prepared for the six months of 2013, from January 1 to June 30, 2013, and contains data for comparative period last year.

5. Basis of preparation

a) Statement of compliance

These condensed semi-annual financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', pursuant to Art. 55.5 and Art. 45.1a-45.1c of the Accountancy Act (Dz. U. of 2013, No. 47, item 330, as amended) and the secondary legislation thereto, and 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 February 19th 2009 (Dz. U. of 2009, No. 33, item 259, as amended).

The International Financial Reporting Standards, as endorsed by the European Union (EU IFRS), include all the International Accounting Standards, International Financial Reporting Standards, and their Interpretations, except for those Standards and Interpretations, discussed below, which are still to be endorsed by the European Union and Standards and Interpretations which have been endorsed by the European Union but have not come into force yet.

Changes in accounting policies

When preparing these condensed semi-annual consolidated financial statements, the Group applied the same accounting policies as those described in the consolidated financial statements prepared as at December 31st 2012, with exception of the changes presented below. These financial statements do not contain all information required to be included in full annual financial statements, and therefore should be read in conjunction with the Group's audited annual consolidated financial statements for the financial year ended December 31st 2012.

The following amendments to existing standards, approved by the EU, have become effective for the Group's financial statements for the financial year beginning January 1st 2013:

- Amendments to IAS 1 **Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income** (effective for annual periods beginning on or after July 1st 2012),
- IAS 19 (2011) **Employee Benefits** (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IFRS 7 **Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities** (effective for annual periods beginning on or after January 1st 2013),
- IFRS 13 **Fair Value Measurement** (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IAS 12 **Income Taxes – Deferred Tax: Recovery of Underlying Assets** (effective for annual periods beginning on or after January 1st 2013),
- Improvements to International Financial Reporting Standards, 2009–2011 Cycle (effective for annual periods beginning on or after January 1st 2013).

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Notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

The application of the above standards and interpretations has not caused any material changes in the Group's accounting policies or in the presentation of data in financial statements, except for amendments to **IAS 16 - Property, Plant and Equipment** (introduced as part of improvements to International Financial Reporting Standards, 2009–2011 Cycle). As a result of the amendments to IAS 16, the Group reclassified spare parts previously disclosed under the Group's current assets (inventories) to property, plant and equipment. Accordingly, the Group restated its statement of financial position as at December 31st 2012. The value of spare parts reclassified to property, plant and equipment was PLN 10,407 thousand.

In addition, as of 2013 the Group has changed the classification of exchange differences. Exchange differences on operating activities have been reclassified from financing activities to production costs. As a result of reclassification of comparative data, cost of sales for H1 2012 rose by PLN 1,200 thousand, and finance costs fell by the same amount.

Standards and Interpretations not applied in these financial statements:

The new Standards, amendments to Standards, and Interpretations are not yet effective for interim reporting periods ending June 30th 2013, and they have not been used in the preparation of these consolidated financial statements. The Group intends to apply them with respect to those periods in which they will be effective for the first time.

The Group estimates that the below standards, interpretations and amendments to standards would not have had any material effect on the consolidated financial statements if they had been applied as at the reporting date, except for **IFRS 9 Financial Instruments**, which will apply to the consolidated financial statements of the Group for 2015 and could materially affect the classification and measurement of financial assets. The Group does not plan to apply the standard early, and the effect of its application has not been estimated.

Standards and interpretations adopted by the IASB and approved by the EU

- **IFRS 10 Consolidated Financial Statements** (effective for annual periods beginning on or after January 1st 2014),
- **IFRS 11 Joint Arrangements** (effective for annual periods beginning on or after January 1st 2014),
- **IFRS 12 Disclosure of Interests in Other Entities** (effective for annual periods beginning on or after January 1st 2014),
- **IAS 27 (2011) Separate Financial Statements** (effective for annual periods beginning on or after January 1st 2014),
- **IAS 28 (2011) Investments in Associates and Joint Ventures** (effective for annual periods beginning on or after January 1st 2014),
- **Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities** (effective for annual periods beginning on or after January 1st 2014),
- **Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities** (effective for annual periods beginning on or after January 1st 2014),

Standards and Interpretations adopted by the IASB and pending endorsement by the EU as at June 30th 2013

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Notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

- IFRS 9 **Financial Instruments** (2009) (effective for annual periods beginning on or after January 1st 2015),
- Amendments to IFRS 9 **Financial Instruments** (2010) (effective for annual periods beginning on or after January 1st 2015),
- Amendments to IFRS 9 **Financial Instruments** and IFRS 7 **Financial Instruments: Disclosures** (effective for annual periods beginning on or after January 1st 2015),
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 **Impairment of Assets**) (effective for annual periods beginning on or after January 1st 2014),
- IFRIC 21 **Levies** (effective for annual periods beginning on or after January 1st 2014),
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*) (effective for annual periods beginning on or after January 1st 2014).

Basis of accounting

These interim condensed consolidated financial statements have been prepared in compliance with the historical cost convention, with the exception of financial derivatives and property investments, which are measured at fair value.

These interim consolidated financial statements of the Pfleiderer Grajewo Group have been prepared on a going concern basis, i.e. assuming that the Group would continue as a going concern in the foreseeable future.

b) Functional and presentation currency

All figures disclosed in these interim condensed consolidated financial statements are expressed in the złoty (PLN) and rounded to the nearest thousand, unless indicated otherwise.

The functional currency of the Parent is the Polish złoty (PLN).

c) Estimates and judgements

The preparation of financial statements in accordance with the EU IFRS requires the Management Board to make certain estimates and assumptions which affect the values disclosed in the financial statements and the related notes. While the assumptions and estimates used are based on the Management Board's best knowledge of current actions, operations and events, the actual results may differ from projections.

The estimates and the related assumptions are subject to review on an ongoing basis. Any change in accounting estimates is recognised in the period in which such change occurred, or in current and future periods if the performed estimate change relates to both the current and future periods.

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Supplementary notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

Supplementary notes to the interim condensed consolidated financial statements

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Supplementary notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

1. Operating segments

The Group has identified two geographical segments of operations, based on asset storage location and asset operation location. Following sale of the assets located in Russia, Poland is now the Group's geographical segment.

Reporting segment	Companies comprising the segment	Business profile
Poland	PFLEIDERER GRAJEWO S.A.	Production of chipboard
	Jura Polska Sp. z o.o.	Transport services - mainly to Polish companies of the Pfeiderer Grajewo Group
	Pfleiderer Prospan S.A.	Production of chipboard
	Unifloor Sp. z o.o. w likwidacji (in liquidation)	In liquidation
	Pfleiderer MDF Sp. z o.o.	Production of thin MDF board
	Silekol Sp. z o.o.	Production of resins and adhesives – mainly for the Group's purposes
Russia	Pfleiderer OOO	Discontinued operations
	Pfleiderer MDF OOO	

The table below presents the reporting segments' revenue for the period January 1st – June 30th 2013.

	Jan 1 - Jun 30 2013	Jan 1 - Jun 30 2013	Jan 1 - Jun 30 2013
Reporting segment	Revenue outside the segment	Inter-segment revenue	Revenue outside the Group
Poland	695,713	0	695,713
Russia – discontinued operations	21,376	0	21,376
Total	717,089	0	717,089

Reporting segments' revenue for the period January 1st – June 30th 2012:

	Jan 1 - Jun 30 2012	Jan 1 - Jun 30 2012	Jan 1 - Jun 30 2012
Reporting segment	Revenue outside the segment	Inter-segment revenue	Revenue outside the Group
Poland	691,063	241	690,822
Russia – discontinued operations	213,245	42,367	170,878
Total	904,308	42,608	861,700

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(all amounts in PLN thousand)

Reconciliation of the reporting segments' profit before tax:

	Jan 1– Jun 30 2013	Jan 1– Jun 30 2012
	Profit before tax	Profit before tax
Poland	21,115	4,542
Russia (discontinued operations)	(578)	11,300
Segments' profit	20,537	15,842
Inter-segment eliminations	0	(337)
Consolidated profit before tax	20,537	15,505

including the profit before tax of discontinued operations :

(578)	10,963

2. Seasonality of operations

Chipboard sales are subject to seasonal changes, in particular changes related to the seasonal nature of the construction cycle. Sales peak in the second half of a calendar year.

3. Finance income and costs

Disclosed in profit or loss of the period:

	Jan 1– Jun 30 2013	Jan 1– Jun 30 2012	Apr 1– Jun 30 2013	Apr 1– Jun 30 2012
Finance income				
Interest income	980	16,473	445	7,811
Foreign exchange gains	3,577	0	0	0
Gains on forward contracts	434	0	249	0
Other finance income	82	0	51	0
	5,073	16,473	745	7,811
Finance costs				
Interest expense	(20,013)	(41,872)	(5,104)	(20,760)
Net foreign exchange loss	0	(3,251)	(2,762)	(3,863)
Loss on forward contracts	0	(477)	0	(477)
Other finance costs	(772)	(320)	(97)	(234)
	(20,785)	(45,920)	(7,963)	(25,334)
Finance costs on continuing operations	(15,712)	(29,447)	(7,218)	(17,523)
Finance costs on discontinued operations	(2,983)	(19,387)	0	(21,534)
Net finance costs in the reporting period	(18,695)	(48,834)	(7,218)	(39,057)

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(all amounts in PLN thousand)

Recognised in other comprehensive income

	Jan 1– Jun 30 2013	Jan 1– Jun 30 2012	Apr 1– Jun 30 2013	Apr 1– Jun 30 2012
Effective portion of changes on fair-value measurement of hedging instruments	(1,490)	660	(1,703)	829
Exchange differences on net investments in subsidiaries (transferred to result)	3,829	(5,943)	0	(6,379)
	<u>2,339</u>	<u>(5,283)</u>	<u>(1,703)</u>	<u>(5,550)</u>

4. Property, plant and equipment

In the period January 1st - June 30th 2013, the Group's capital expenditure totalled PLN 20,592 thousand. The capital expenditure was spent in particular on modernisation of the dust production line in Pfeleiderer Grajewo S.A. (PLN 1,514 thousand) and the laminated press in Pfeleiderer Prospan S.A. (PLN 14,754 thousand), as well as on other minor operating projects. The amount of investment contracts open at June 30, 2013 amounted to PLN 9,410 thousand.

Real estate and fixed assets in the amount of PLN 544,114 thousand are subject of collateral for the loans granted to the Group by the Bank Millennium SA, the Bank Zachodni WBK S.A., Bank Ochrony Środowiska S.A., Alior Bank S.A. and PKO Bank Polski S.A.

5. Income tax expense

The effective tax rate for H1 2013 in the continuing operations was 24%, compared with 49% for the same period of 2012.

The income tax was calculated using the weighted average tax rate planned for the financial year.

5.a change the allocation of deferred tax assets - adjustment period 1.01.2013-31.03.2013

As at 30 June 2013. Group has reassessed the calculation and allocation of deferred tax assets. As a result of changes in the analysis of temporary differences giving rise to the charge assets, whereto the allocation of input tax assets in the amount of PLN 11,215 thousand from continuing operations to discontinued operations. As a result of the review, there was a change in the position of the amounts of income tax and net profit for the period 1.01.2013-31.03.2013.

	IQ2013 before adjustment	adjustment	IQ2013 after adjustment	IIQ2013	total
Profit before tax	7,486		7,486	13,269	21,115
Income tax	8,160	(11 215)	(3,055)	(2,937)	(5,992)
net profit	15,646		4,431	10,692	15,123
Profit / loss from discontinued operations	90,973	11 215	102,188	(1,047)	101,141
Profit / loss for reporting period	106,619		106,619	9,645	116,264

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Supplementary notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

6. Trade and other receivables

	<u>Jun 30 2013</u>	<u>Dec 31 2012</u>
Trade receivables	58,880	43,090
Trade receivables - related entities	36,641	7,597
Prepayments and accrued income	19,637	10,380
VAT receivables	9,884	7,660
Other settlements related to sale of shares	30,963	0
Other receivables	3,535	1,629
Total	<u>159,540</u>	<u>70,356</u>

7. Equity

	<u>Jun 30 2013</u>	<u>Dec 31 2012</u>
Par value of share capital	16,376	16,376
Number of (fully paid up) shares at beginning of the period	49,624,000	49,624,000
Number of (fully paid up) shares at end of the period	49,624,000	49,624,000
Par value per share (PLN)	0.33	0.33
	<u>Jan 1 - Jun 30 2013</u>	<u>Jan 1 - Jun 30 2012</u>
Earnings per share attributable to owners of the parent (PLN)	2.22	0.36

All the shares issued by Pfeiderer Grajewo S.A., the Parent, are ordinary shares. Holders of ordinary shares are entitled to receive approved dividends and to exercise one vote per each share held at the General Meeting of the Parent. All shares confer the same rights to participate in the distribution, if any, of the Parent's assets.

Pfeiderer Grajewo S.A. is a subsidiary of Pfeiderer Service GmbH, which holds 65.11% of shares in Pfeiderer Grajewo S.A. In the period from January 1st to June 30th 2013, the number of the Company shares held by its main shareholder, Pfeiderer Service GmbH, did not change.

Statutory reserve funds

In 2013, the portion of the 2012 profit allocated by the Parent to statutory reserve funds was PLN 12,003 thousand.

Dividends

The Parent did not pay dividend in the first half of the year 2013.

THE PFLEIDERER GRAJEWO GROUP**Supplementary notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013**

(all amounts in PLN thousand)

8. Borrowings and other debt instruments

	Jun 30 2013	Dec 31 2012
Non-current liabilities		
Non-current portion of interest-bearing bank borrowings	119,886	149,381
Borrowings from related entities	8,933	33,269
Total	128,819	182,650
Current liabilities		
Overdraft facility repayable in less than 12 months from the reporting date	0	2,171
Current portion of interest-bearing bank borrowings	101,821	526,277
Total	101,821	528,448

8.1 Bank borrowings

As at June 30th 2013, liabilities under bank borrowings amounted to PLN 221,707 thousand (December 31st 2012: PLN 528,448 thousand).

All credit lines used by the Group bear interest at a variable WIBOR interest rate (depending on the credit line's currency) plus a margin.

As at June 30th 2013, the repayment terms and schedules for bank borrowings were as follows:

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Supplementary notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

Lender	Debtor	Currency	Interest rate	Maturity date	Security	As at Jun 30 2013	
						Current portion	Non-current portion
Bank Millennium S.A.	Pfleiderer Prospan S.A.	PLN	WIBOR + bank margin	Jun 25 2016	Mortgage, registered pledge	0	3
Bank Millennium S.A.	Silekol Sp. z.o.o.	PLN	WIBOR + bank margin	Jun 25 2016	Mortgage, registered pledge	0	1
Bank Millennium S.A.	Pfleiderer Grajewo S.A.	PLN	WIBOR + bank margin	Jun 25 2016	Mortgage, registered pledge	0	38
PKO Bank Polski S.A.	Pfleiderer MDF Sp. z.o.o	PLN	WIBOR + bank margin	Apr 15 2014	mortgage, registered pledge, assignments	48,407	0
PKO Bank Polski S.A.	Pfleiderer MDF Sp. z.o.o	PLN	WIBOR + bank margin	Jul 15 2016	mortgage, registered pledge, assignments	0	119,845
PKO Bank Polski S.A.	Pfleiderer MDF Sp. z.o.o	PLN	WIBOR + bank margin	Jul 31 2013(*)	mortgage, registered pledge, assignments	53,414	0
Total						101 821	119 886

(*) - subsidiary has signed an annex to the contract with a Bank and changed the maturity date for September 30th 2013

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Supplementary notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

As at December 31st 2012, the repayment terms and schedules for bank borrowings were as follows:

Lender	Borrower	Currency	Interest rate	Maturity date	Security	As at Dec 31 2012	
						Current portion	Non-current portion
Syndicate of five banks Tranche B	Pfleiderer Grajewo S.A.	PLN	WIBOR + margin	Mar 16 2013	mortgages, pledges	2,171	0
Syndicate of five banks Tranche A	Pfleiderer Grajewo S.A.	PLN	WIBOR + margin	Dec 30 2013	mortgages, pledges	455,083	0
PKO Bank Polski S.A.	Pfleiderer MDF Sp. z o.o.	PLN	WIBOR + bank margin	Oct 15 2013	mortgage, registered pledge, assignments	38,725	0
PKO Bank Polski S.A.	Pfleiderer MDF Sp. z o.o.	PLN	WIBOR + bank margin	Jul 15 2016	mortgage, registered pledge, assignments	0	149,381
PKO Bank Polski S.A.	Pfleiderer MDF Sp. z o.o.	PLN	WIBOR + bank margin	Jun 30 2013	mortgage, registered pledge, assignments	32,469	0
						528,448	149,381

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(all amounts in PLN thousand)

New credit facility agreements executed by the Parent and the subsidiaries.

On June 26th and 27th 2013, Pfleiderer Grajewo S.A. (the Parent) and the subsidiaries Pfleiderer Prospan SA and Silekol Sp. z o.o. entered into new credit facility agreements. The total credit limit available under the facilities with four banks amounts to PLN 300,000,000 and ensures financial liquidity of the Parent and the subsidiaries for the next five years.

On June 26th 2013, the Parent entered into two credit facility agreements with Bank Millennium SA, for an aggregate of PLN 100,000,000, including a PLN 75,000,000 multi-purpose credit facility agreement and an up to PLN 25,000,000 overdraft facility agreement.

At the same time, Pfleiderer Prospan SA, a subsidiary, entered into an overdraft facility agreement with Bank Millennium SA, for up to PLN 10,000,000. Moreover, the subsidiary Silekol Sp. z o.o. entered into an overdraft facility agreement with Bank Millennium SA, for up to PLN 10,000,000. The total liabilities of all the three borrowers under the four credit facility agreements with Bank Millennium SA may not exceed the aggregate of PLN 100,000,000. The multi-purpose credit facility agreement provides for the repayment of the entire loan after five years from its execution, while the overdrafts are to be repaid in full after three years. The facilities will be used to finance day-to-day operations of the borrowers.

On June 26th 2013, the Parent entered into a PLN 75,000,000 credit facility agreement with Alior Bank SA, to ensure financing of its day-to-day operations. The facility is to be repaid in full after five years from the execution of the agreement. At the same time, the Parent and the subsidiaries Pfleiderer Prospan SA and Silekol Sp. z o.o. entered into an overdraft facility agreement with Alior Bank SA, for up to PLN 25,000,000, under which the bank granted the Parent an overdraft limit of PLN 25,000,000 and separate sub-limits of PLN 10,000,000 to Pfleiderer Prospan SA and Silekol Sp. z o.o. The objective of this facility, repayable in full after three years from the execution of the agreement, is to finance the day-to-day operations of the borrowers. The total liabilities of the three borrowers under the two agreements with Alior Bank SA may not exceed an aggregate of PLN 100,000,000.

On June 26th 2013, the Parent entered into a PLN 45,000,000 multi-purpose credit facility agreement with Bank Zachodni WBK SA. The credit facility, designed to ensure liquidity and finance capital expenditure, is to be repaid in full after five years from the execution of the agreement. At the same time, the Parent and the subsidiaries Pfleiderer Prospan SA and Silekol Sp. z o.o. entered into an overdraft facility agreement with Bank Zachodni WBK SA, for up to PLN 15,000,000 (a joint overdraft limit for all the three borrowers). The facility, designed to ensure liquidity and finance capital expenditure, is to be repaid in full after three years from the execution of the agreement. The total liabilities of the three borrowers under the two agreements with Bank Zachodni WBK SA may not exceed an aggregate of PLN 60,000,000.

On June 27th 2013, the Parent entered into a PLN 40,000,000 multi-purpose credit facility agreement with Bank Ochrony Środowiska SA to finance the Parent's day-to-day operations. The facility is to be repaid after five years from the date of execution of the agreement.

The criterion based on which the agreements are considered significant is the value of the Parent's equity.

Syndicated credit facility agreement

On January 29th 2013, Pfleiderer Grajewo S.A. (the Parent) made an early repayment of part of the syndicated credit facility incurred by the Group under a credit facility agreement concluded on

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(all amounts in PLN thousand)

March 16th 2010 by the Parent and its subsidiaries, Pfleiderer Prospan S.A. and Silekol Sp. z o.o., with a bank syndicate comprising Bank PEKAO S.A., Bank Zachodni WBK S.A., BRE Bank S.A., BNP Paribas Bank Polska S.A. (formerly Fortis Bank Polska S.A.) and Bank Gospodarki Żywnościowej S.A.

A part of Pfleiderer Grajewo S.A.'s proceeds from the sale of shares in Pfleiderer OOO on January 23rd 2013 was used to repay a substantial portion of the syndicated credit facility. From January 24th to January 29th 2013, the Parent repaid the full tranche A of the syndicated credit facility, amounting to PLN 460,000,000, and on January 29th 2013 a part of tranche B of the syndicated credit facility, amounting to PLN 88,375,403, was repaid.

On March 18th 2013, the syndicated credit facility incurred by the Parent Pfleiderer Grajewo S.A. and its subsidiaries Pfleiderer Prospan S.A. and Silekol Sp. z o.o. with a bank syndicate comprising Bank PEKAO S.A., Bank Zachodni WBK S.A., BRE Bank S.A., BNP Paribas Bank Polska SA (formerly Fortis Bank Polska S.A.) and Bank Gospodarki Żywnościowej S.A. was repaid in full. All security interests related to the Facility have been released.

Other credit facility agreements

Pfleiderer MDF Sp. z o.o. also has an investment credit facility from PKO BP S.A., to be repaid in instalments by July 15th 2016. As at June 30th 2013, the Group's debt under the facility amounted to PLN 168,251 thousand (PLN 188.1 m as at December 31st 2012).

Additionally, Pfleiderer MDF Sp. z o.o. has a PLN 55m multi-purpose credit facility from PKO BP S.A., repayable by July 31st 2013. As at June 30th 2013, the outstanding amount under the facility was PLN 53,414 thousand.

8.2 Borrowings from related entities

	<u>Jun 30 2013</u>	<u>Dec 31 2012</u>
Borrowings from related entities repayable in more than 12 months from the reporting date	<u>8,933</u>	<u>33,269</u>
	<u>8,933</u>	<u>33,269</u>

Liabilities under borrowings from related entities comprise a PLN 8,933 thousand loan advanced (in the Polish currency) to Pfleiderer MDF Sp. z o.o. by Pfleiderer Service GmbH (a related entity) to finance its day-to-day operations, repayable by July 16th 2016.

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Supplementary notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

9. Trade and other payables

	<u>Jun 30 2013</u>	<u>Dec 31 2012</u>
Trade payables	121,521	158,378
Trade payables to related entities	6,536	3,416
Liabilities under factoring agreements	47,040	17,418
VAT liabilities	0	106
Liabilities under investment supplies	4,108	9,051
Prepaid deliveries	1,338	1,484
Hedging derivatives	1,500	0
Other liabilities	12,594	7,259
Total	<u>194,637</u>	<u>197,112</u>

10. Financial instruments

Objectives and methods of financial risk management adopted by the Group

The Group manages all types of financial risk described below, which may have a significant effect on its operations in the future. In its risk management process, the Group focuses on the following risk types:

- credit risk,
- market risk, including interest rate risk and currency 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 services.

The purpose of market risk management is to control and maintain the Group's exposure to market risk within assumed parameters. The objective of currency risk management is to minimise losses arising out of unfavourable changes in foreign exchange rates. The Group monitors its currency position with a view to protecting cash flows. To manage its currency risk, it first relies on natural hedging and where necessary uses forward and swap contracts.

The objective of financial liquidity management is to protect the Group against insolvency. This objective is pursued through regular projection of debt levels in a five-year horizon, and arrangement of appropriate financing.

The exposure to credit, currency and interest rate risks has not materially changed as compared with data disclosed in the Group's most recent annual consolidated financial statements.

Liquidity risk

As at June 30st 2013, the Pfleiderer Grajewo Group's debt under bank borrowings amounted to PLN 222m. The Group also had an undrawn credit facility of approximately PLN 300m. The Group also holds cash in the amount of PLN 116m.

The Group monitors its financial ratios on an ongoing basis and, based on its short-term financial plans, analyses the risk of failure to maintain the ratios at the required levels.

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Supplementary notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

11. Discontinued operations and disposal groups

On January 23rd 2013, Pfeiderer Grajewo S.A. (the Parent), as the seller, and Ingka Pro Holding Subholding I B.V. and SWEDSPAN Holding B.V., as the buyers, entered into an agreement on sale of a 100% interest in Pfeiderer OOO of Russia, as well as of assets of Pfeiderer MDF OOO of Russia (a subsidiary) and the jointly-controlled entity Blitz 11-446 GmbH of Germany. At the same time as a result of agreements signed Pfeiderer Grajewo SA lost control over a subsidiary - Pfeiderer MDF OOO.

As at June 30th 2013, the Group did not recognise any discontinued operations or operations held for sale in the statement of comprehensive income. The comparative data in the statement of comprehensive income is restated so as to present discontinued operations separately from continuing operations.

Net assets	Jan 23 2013
Property, plant and equipment and prepayments	(571,534)
Inventories	(47,881)
Trade and other receivables	(69,284)
Cash and cash equivalents	(5,376)
	(694,075)
Deferred tax liabilities	1,654
Borrowings and other debt instruments	55,089
Trade and other payables	71,722
Net assets from discontinued operations	(565 610)
Other items included in the result of the transaction:	
transaction costs	(32,081)
Write-off of foreign currency translation of subsidiaries	(11,779)
Written-off exchange differences on net investments in subsidiaries	(3,829)
Write-off of non-controlling	(5,004)
Other (including foreign exchange)	4,950
Income tax	(31,376)
Adjusted net assets from discontinued operations	(644,729)
 Cash proceeds from disposal of assets (a)	 694,359
Proceeds from disposal of assets in a blocked account (non-cash as at Jun 30 2013) (b)	52,829
Cash from discontinued operations (c)	(5,376)
Net cash flows (a)+(c)	688,983
Proceeds (a)+(b)	747,188

Cash flows from discontinued operations

	Jan 1– Jun 30 2013	Jan 1– Jun 30 2012
Net cash flows from operating activities	(4,380)	51,825
Net cash flows from investing activities	688,983	(4,458)
Net cash flows from financing activities	0	(38,335)
Net cash flows for the period	684,603	9,032

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(all amounts in PLN thousand)

Profit/loss on discontinued operations

	Jan 1– Jun 30 2013	Apr 1 2013 Jun 30 2013	Jan 1– Jun 30 2012	Apr 1 2012 Jun 30 2012
Revenue	21,769	0	171,628	84,251
Costs	(19,363)	0	(141,278)	(65,723)
Operating profit/loss	2,405	0	30,350	18,528
Profit/loss from financing activities	(2,993)	0	(19,387)	(21,534)
Pre-tax profit	(578)	0	10,963	(3,006)
Tax	(740)	0	(378)	549
Net profit/loss from discontinued operations	(1,318)	0	10,585	(2,457)
Profit on disposal of discontinued operations	133,835	(1,047)	0	0
Current tax payable on profit on disposal of discontinued operations	(31,376)	0	0	0
Profit/loss on discontinued operations	101,141	(1,047)	10,585	(2,457)
Basic profit/loss per share	2.04	(0.02)	0.21	(0.05)
Diluted profit/loss per share	2.04	(0.02)	0.21	(0.05)

Net result from discontinued operations in the amount of PLN 101,141 thousand is due in full to shareholders of the parent company. From the net profit from continuing operations of PLN 15,123 thousand, shareholders of the parent account for the amount of PLN 8,979 thousand.

The score in the second quarter of (1 047) concerns the valuation of foreign currency account escrow.

12. Contingent liabilities

On April 2nd 2012, Pfeiderer Grajewo S.A. (the Parent) and its subsidiary Pfeiderer Prospan S.A. received a decision of the President of the Office of Competition and Consumer Protection, dated March 30th 2012, concerning the instigation of anti-trust proceedings on suspicion that Kronospan Szczecinek Sp. z o.o., Kronospan Mielec Sp. z o.o., Kronopol Sp. z o.o., Pfeiderer Grajewo S.A. and Pfeiderer Prospan S.A. acted in collusion to frustrate competition on the domestic chipboard and fibreboard markets.

During the proceedings, Pfeiderer Grajewo S.A. and Pfeiderer Prospan S.A. provided additional information required by the Office. At present, based on available information, the Parent's Management Board is not able to assess the risk or specify the expected closing date of the proceedings.

Other than the proceedings referred to above, there are no court, arbitration or administrative proceedings pending with respect to any liabilities or debts of the Group companies, whose value would represent 10% or more of the Parent's equity.

THE PFLEIDERER GRAJEWO GROUP

Supplementary notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

13. Material transactions with related entities

Pfleiderer Grajewo S.A. is a subsidiary of Pfleiderer Service GmbH, with Pfleiderer AG as the ultimate parent.

The Group's transactions with related entities in the period from January 1st to June 30th 2013 and from January 1st to June 30th 2012:

Entity	Jan 1 – Jun 30 2013			Jan 1 – Jun 30 2012			
	Sales	Finance costs	Purchases	Sales	Finance costs	Purchases	Other expenses
Pfleiderer Service GmbH	0	754	1,271	0	962	2,363	0
Pfleiderer GmbH	2	0	2,508	665	4,212	2,112	0
Pfleiderer Holzwerkstoffe GmbH & Co.KG	2,052	0	6,486	0	0	158	0
Blitz 11-446 GmbH	0	0	0	0	0	0	2,756
Pfleiderer Neumarkt GmbH	19,777	0	0	19,986	0	178	0
Pfleiderer Leutkirch GmbH	235	0	0	4,525	0	0	0
Pfleiderer Gutersloh GmbH	15,017	0	1,411	16,014	0	39	0
Pfleiderer Industrie Limited	0	0	12	0	0	3	0
Pfleiderer Finance	0	0	0	0	0	1	0
Pfleiderer BV	0	0	8	0	0	13	0
Jura Spedition GmbH	0	0	1,895	0	0	1,768	0
Pfleiderer Amsberg GmbH	909	0	0	58	0	4,275	0
Pfleiderer Baruth GmbH	28,261	0	0	7,548	0	0	0
Pergo Inc.	0	0	0	210	0	0	0
Grajewo OOO	2,284	0	1	0	0	0	0
Pfleiderer France S.A.S.	0	0	1	0	0	0	0
Pfleiderer Engineering International GmbH	0	0	0	0	0	727	0
Total	68, 537	754	13,591	49,006	5,174	11,637	2,756

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Supplementary notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

Receivables from and liabilities to related entities as at June 30th 2013 and December 31st 2012:

Entity	Jun 30 2013			Dec 31 2012		
	Liabilities under borrowings	Trade receivables	Trade payables	Liabilities under borrowings**)	Trade receivables	Trade payables**)
Pfleiderer Service GmbH	8,933	0	826	33,269	0	497*
Pfleiderer Aktiengesellschaft	0	0	2,026	150,881	0	4,737
Pergo AG	0	0	0	0	0	32
Pfleiderer Holzwerkstoffe GmbH & Co. KG	0	556	2,501	0	23	0
Pfleiderer Holzwerkstoffe Verwaltungs GmbH	0	0	0	0	28	0
Pfleiderer Neumarkt GmbH	0	9,598	0	0	992	45
Pfleiderer Leutkirch GmbH	0	130	0	0	0	21
Pfleiderer Gütersloh GmbH	0	8,425	64	0	1,505	27
Jura Spedition GmbH	0	0	758	0	0	746
Pfleiderer Amsberg GmbH	0	889	0	0	6	642
Pfleiderer Baruth GmbH	0	14,291	0	0	5,043	0
Pfleiderer France S.A.S.	0	0	0	0	0	2
Pfleiderer Finance B.V.	0	0	16	0	0	0
Pfleiderer B.V.	0	0	0	0	0	6
Pfleiderer Industrie Limited	0	0	0	0	0	9
Grajewo OOO	0	2,752	0	0	0	0
Blitz 11-446 GmbH	0	0	0	0	0	8,607
Pfleiderer Engineering International GmbH	0	0	345	0	0	910
Total	8,933	36,641	6,536	184,150	7,597	16,281

Pfleiderer Grajewo S.A. is a subsidiary of Pfleiderer Service GmbH, with Atlantik SA as the ultimate parent.

*Trade payables of Pfleiderer Services include investment commitments of PLN 37 thousand.

**Following execution of the agreement for the sale of 100% of shares in Pfleiderer OOO of Russia and disposal of Pfleiderer MDF OOO assets. The Group classified the subsidiaries' assets as held for sale and their respective liabilities as liabilities related to assets held for sale. As at December 31st 2012, both subsidiaries disclosed material transactions with related entities in the following amounts (included in the table above):

- Liabilities under borrowings: PLN 150,881 thousand
- Trade payables: PLN 12,828 thousand

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(all amounts in PLN thousand)

Remuneration of members of the Management and Supervisory Boards

Remuneration, including bonuses, paid and payable to members of the Management Board of the Parent, Pfleiderer Grajewo S.A., and remuneration of the Supervisory Board of the Parent was as follows:

	Jan 1 – Jun 30 2013	Jan 1 – Jun 30 2012
Remuneration of the Management Board	1,411	1,623
Remuneration of the Supervisory Board	312	172
	1,723	1,795

In addition, members of the Parent's Management Board received the following remuneration from Pfleiderer Prospan S.A. (subsidiary):

	Jan 1 – Jun 30 2013	Jan 1 – Jun 30 2012
Remuneration of the Management Board	1,411	1,623
	1,411	1,623

As at June 30th 2013, Mr Dariusz Tomaszewski, member of the Management Board, had outstanding debt of PLN 26 thousand to Pfleiderer Prospan S.A. (as at December 31st 2012: PLN 26 thousand).

The other members of the Management Board had no outstanding debt under any loan agreements with the Group.

The number of Pfleiderer Grajewo S.A. shares held by the members of the Management and Supervisory Boards had changed since the release of the consolidated financial statements for the year ended December 31st 2012 and as the date of release of these financial statements was as follows:

- Mr Wojciech Gątkiewicz, President of the Management Board – 5,400 shares
- Mr Rafał Karcz, Member of the Management Board – 3,472 shares
- Mr Dariusz Tomaszewski, Member of the Management Board – 4,108 shares
- Mr Jan Woźniak, Member of the Supervisory Board – 10,000 shares.

The other members of the Parent's Supervisory Board did not hold any shares in the Parent.

14. Events subsequent to the balance-sheet date

After the June 30, 2013, there were no material events that would require disclosure in these interim condensed consolidated financial statements of Pfleiderer Grajewo S.A.

THE PFLEIDERER GRAJEWO GROUP

Supplementary notes to the interim condensed consolidated financial statements for the period January 1st – June 30th 2013

(all amounts in PLN thousand)

15. Accounting estimates and assumptions

The Group makes estimates and assumptions relating to the future. Such accounting estimates may, by their nature, not correspond to actual performance.

The Group performs reviews on a regular basis and recognises impairment losses on individual assets in the income statement. In particular, impairment loss are made on trade receivables, inventories of materials, and finished goods. In addition, non-current assets employed are also reviewed on an ongoing basis, which includes a review of their useful economic lives and circumstances affecting their recoverable amounts. The amount of provisions for future liabilities under retirement and sick-pension entitlements is determined with an actuarial method on the basis of adopted assumptions.

In the period from January 1st to June 30th 2013, there was no material change in the estimates and judgements relative to the Group's most recent annual consolidated financial statements for the financial year ended December 31st 2012.

Wojciech Gątkiewicz

President of the Management Board

Rafał Karcz

Member of the Management Board, Chief Financial Officer

Dariusz Tomaszewski

Member of the Management Board, Sales Director

Irena Lenczewska

Person responsible for the accounting records

Grajewo, August 23rd 2013