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**PFLEIDERER GRAJEWO S.A.
INTERIM DIRECTORS' REPORT
ON THE COMPANY'S OPERATIONS
IN THE PERIOD
JANUARY 1ST – JUNE 30TH 2013**

PFLEIDERER GRAJEWO S.A.**Interim Directors' Report on the Company's operations in the period
January 1st – June 30th 2013****1. Financial highlights**

	Jan 1 - Jun 30 2013	Jan 1 - Jun 30 2012	Jan 1 - Jun 30 2013	Jan 1 - Jun 30 2012
	PLN '000		EUR '000	
Revenue	323,736	352,313	76,828	83,396
Operating profit	11,239	15,514	2,667	3,672
Profit before tax	104,474	12,386	2,472	2,932
Net profit	71,169	14,628	16,890	3,463
Net cash from operating activities	(39,068)	(34,553)	(9,271)	(8,179)
Net cash from investing activities	669,546	24,986	158,886	5,914
Net cash from financing activities	(581,272)	12,948	(137,938)	3,065
Total net cash flow	49,206	3,381	11,677	800
Basic earnings per share (PLN/EUR)	1.43	0.29	0.34	0.07
Diluted earnings per share (PLN/EUR)	1.43	0.29	0.34	0.07
PLN/EUR average exchange rate			4.2138	4.2246

	Jun 30 2013	Dec 31 2012	Jun 30 2013	Dec 31 2012
	PLN '000		EUR '000	
Total assets	934,214	1,427,663	215,794	349,216
Total liabilities	327,509	890,637	75,651	217,855
Non-current liabilities	5,450	30,863	1,259	7,549
Current liabilities	322,059	859,774	74,392	210,306
Total equity	606,705	537,026	140,143	131,360
Share capital	16,376	16,376	3,783	4,006
Number of shares	49,624,000	49,624,000	49,624,000	49,624,000
Book value per share (PLN/EUR)	12.23	10.82	2.82	2.65
PLN/EUR exchange rate as at the reporting date			4.3292	4.0882

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2. General information

Pfleiderer Grajewo S.A. ("the Company") is a publicly traded joint-stock company registered in Poland.

The Company's registered office is located 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.

The business of Pfleiderer Grajewo S.A. consists in the manufacture and veneering of wood and wood-based products, impregnation of paper, trade in Poland and abroad, provision of industrial services related to its core business, as well as other services based on resources held.

As at June 30th 2013, the composition of the Company's Management Board was as follows:

- Wojciech Gątkiewicz - President of the Management Board
- Rafał Karcz - Member
- Dariusz Tomaszewski - Member

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

As at June 30th 2013, the composition of the Company's Supervisory Board was as follows:

- Michael Wolff - Chairman of the Supervisory Board
- Gerd Hammerschmidt - Member
- Richard Mayer - Member
- Jochen Schapka - Member
- 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.

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3. Pfleiderer Grajewo S.A.'s shareholder structure

As at the date of this Report, the Company's shareholder structure was as follows:

Shareholder structure	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM
Pfleiderer Service GmbH	32,308,176	65.11%	32,308,176	65.11%
Aviva OFE Aviva BZ WBK	4,928,816	9.93%	4,928,816	9.93%
ING OFE	2,639,144	5.32%	2,639,144	5.32%
Other shareholders	9,747,864	19.64%	9,747,864	19.64%
Total	49,624,000	100.00%	49,624,000	100.00%

In the period from January 1st 2013 to the date of this Directors' Report on the Company's operations, the number of the Company shares held by its main shareholder, Pfleiderer Service GmbH, did not change.

The information on the number of the Company shares held by Aviva OFE is sourced from the most recent notification of shareholding change, received by the Company on July 10th 2007. The information on the number of the Company shares held by ING OFE is sourced from the most recent notification of shareholding change, received by the Company on June 5th 2009.

The Company is not aware of any other changes in its shareholder structure.

4. Company shares or rights to Company shares held by its management and supervisory staff

In the period from January 1st 2013 to the date of this Directors' Report, the number of Company shares held by the members of the Company's Management Board and Supervisory Board remained unchanged relative to December 31st 2012 and as at the date of this Directors' Report was as follows:

- President of the Management Board	Wojciech Gątkiewicz	5 400 shares in Pfleiderer Grajewo S.A.
- Member	Rafał Karcz	3 472 shares in Pfleiderer Grajewo S.A.
- Member	Dariusz Tomaszewski	4,108 shares in Pfleiderer Grajewo S.A.
- Member	Jan Woźniak	10 000 shares in Pfleiderer Grajewo S.A.

As at June 30th 2013, Mr Wierzbicki held 2,000 Company shares.

The other members of Pfleiderer Grajewo S.A.'s Supervisory Board did not hold any shares in the Company.

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5. Information material to the assessment of the personnel, assets, financial standing and performance of the Company and their changes, and for the assessment of the Company's ability to fulfil its obligations

5.1. Financial Standing of Pfeiderer Grajewo S.A.

As at the reporting date, the structure of financing of the Company's assets was as follows:

<i>all amounts in PLN thousand</i>	Jun 30 2013	Dec 31 2012
Equity	606,705	537,026
Non-current liabilities	5,450	30,863
Long-term capital (equity + non-current liabilities)	612,155	567,889
Current liabilities	322,059	859,774

As at the end of H1 2013, the Company recorded a profit of PLN 71,169 thousand. The Company financed its current activities chiefly with own funds and, to a lesser extent, with the issue of short-term notes acquired by Pfeiderer Prospan S.A., a subsidiary.

As at June 30th 2013, the Company's debt outstanding under the short-term notes was PLN 209,812 thousand, whereas debt under bank borrowings and other debt instruments totalled PLN 38 thousand.

5.2. Revenue and profit

In the period January 1st – June 30th 2013, the Company's revenue was PLN 323,736 thousand, down by PLN 28,577 thousand year on year.

The table below presents revenue by geographical region:

	Jan 1 – Jun 30 2013	Jan 1 – Jun 30 2012
Domestic sales	207,738	232,800
- revenue from sales of products	152,699	169,614
- revenue from sales of merchandise and materials	41,605	48,901
- revenue from rendering of services	13,434	14,285
Foreign sales	115,998	119,513
- revenue from sales of products	106,246	101,896
- revenue from sales of merchandise and materials	8,697	17,114
- revenue from rendering of services	1,055	503
Total:	323,736	352,313

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The table below presents revenue by product group:

	Jan 1 – Jun 30 2013	share (%)	Jan 1 – Jun 30 2012	share (%)
Revenue from sales of products	258,945	79.98 %	271,510	77.06 %
<i>Chipboard</i>	215,434	66.54 %	214,333	60.83 %
<i>Finish foil (foil, edge banding, edge foil)</i>	43,511	13.44 %	57,177	16.23 %
Revenue from sales of merchandise and materials	50,302	15.54 %	66,015	18.74 %
<i>Revenue from sales of materials</i>	40,810	12.61 %	49,830	14.15 %
<i>Revenue from sales of merchandise</i>	9,492	2.93 %	16,185	4.59 %
Revenue from rendering of services	14,489	4.48 %	14,788	4.20 %
Total:	323,736	100.00 %	352,313	100.00 %

In the period from January 1st to June 30th 2013, revenue from sales of products and revenue from sales of merchandise and materials fell 5% and 24% year on year, respectively. Furthermore, revenue from rendering of services declined 2%.

In the period January 1st – June 30th 2013, the Company's operating profit was PLN 13,420 thousand, down by 13% on H1 2012.

Net profit stood at PLN 71,169 thousand, up by PLN 56,541 thousand on the H1 2012 figure. The increase was driven by sale of shares in the Russian companies.

5.3. Headcount and remuneration

As at June 30th 2013, the Company employed 572 staff, including the management staff and persons working under managerial contracts or on the basis of appointment by the Supervisory Board (December 31st 2012: 567 staff).

The remuneration and bonuses paid to members of the Management and Supervisory Boards of Pfleiderer Grajewo S.A. for the period January 1st – June 30th 2013 and January 1st – June 30th 2012 were the following:

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

As at June 30th 2013 and June 30th 2012, members of the Management and Supervisory Boards of Pfleiderer Grajewo S.A. had no outstanding debt to the Company.

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The tables below present information on transactions with related entities concluded as at June 30th 2013 and in the period January 1st – June 30th 2012 (all figures in PLN '000).

Related party	Loans advanced	Other receivables	Trade receivables
Pfleiderer Prospan S.A.	0	9,991	473
Pfleiderer MDF Sp. z o.o.	449	0	23,360
Silekol Sp. z o.o.	0	0	5
Jura Polska Sp. z o.o.	0	0	30
Pfleiderer Holzwerkstoffe GmbH & Co. KG	0	0	9
Grajewo OOO	0	0	2,752
Total	449	9,991	26,629

Related party	Liabilities under debt securities	Trade payables
Pfleiderer Service GmbH	0	826
Pfleiderer Prospan S.A.	209,812	0
Pfleiderer MDF Sp. z o.o.	0	6,653
Silekol Sp. z o.o.	0	12,456
Pfleiderer OOO	0	0
Jura Polska Sp. z o.o.	0	1,470
Pfleiderer GmbH	0	1,484
Pfleiderer Gütersloh GmbH	0	64
Pfleiderer Holzwerkstoffe GmbH & Co. KG	0	105
Pfleiderer Engineering International GmbH	0	173
Total	209,812	23,231

Related party	Revenue	Finance income
Pfleiderer Prospan S.A.	8,993	9,991
Pfleiderer MDF Sp. z o.o.	47,743	19
Silekol Sp. z o.o.	286	93
Pfleiderer OOO	2,764	576
Jura Polska Sp. z o.o.	313	0
Pfleiderer MDF OOO	0	1,090
Pfleiderer Neumarkt GmbH	56	0
Grajewo OOO	2,284	0
Total	62,439	11,769

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<u>Related party</u>	<u>Purchase of products, merchandise, materials, and services</u>	<u>Finance costs</u>
Pfleiderer Service GmbH	1,271	623
Pfleiderer Prospan S.A.	7,742	4,657
Pfleiderer MDF Sp. z o.o.	24,752	0
Silekol Sp. z o.o.	32,341	0
Pfleiderer OOO	41	0
Jura Polska Sp. z o.o.	10,881	0
Pfleiderer GmbH	1,447	0
Pfleiderer Holzwerkstoffe GmbH & Co. KG	498	0
Pfleiderer Gütersloh GmbH	1,411	0
Total	80,384	5,280

In the period from January 1st to June 30th 2013, the Company did not conclude any transactions with related entities other than on arm's length basis.

7. Financial instruments

7.1. Overview of the financial instruments

a) Derivatives

As at June 30th 2013, the Company held 19 open forward contracts, totalling EUR 20,000 thousand. Forward contracts are executed in order to hedge currency risk related to business transactions (sale of products, purchase of raw materials, capital expenditure in foreign currencies).

The Company applies hedge accounting, and therefore the effective portion of gains or losses on fair value measurement of forward hedging instruments is recognised under other comprehensive income and as a separate balance-sheet item in equity, under "cash flow hedges". Gains or losses previously recognised in other comprehensive income are transferred to the current period's profit or loss in the same period and in the same item in which hedged cash flows are recognised in the statement of comprehensive income. The ineffective portion of changes in fair value of a derivative instrument is recognised immediately in the current period's profit or loss.

As at June 30th 2013, the fair value of open forward contracts was PLN (1,490) thousand. In the first half of 2012, the result on settled forward contracts was PLN 418 thousand.

b) Short-term notes

The commercial paper programme, run under an agreement of July 22nd 2003 with PEKAO S.A., consists in issuance of short-term notes. The notes are issued in accordance with the Polish Act on Bonds of June 29th 1995 as PLN-denominated, unsecured, zero-coupon bearer securities in book-entry form. The notes are issued to optimise the management of financial liquidity within the Group, reduce external debt and finance day-to-day operations.

The Company issues notes due in up to one year, which are purchased through Bank PEKAO S.A. by the Company's subsidiaries, Pfleiderer Prospan S.A. and Silekol Sp. z o.o. The Bank's fee is the cost incurred

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by the Company in connection with the issue. The notes are a discount instrument – they are issued at a discount to their nominal value and repurchased by the issuer at nominal value.

As at June 30th 2013, Pfleiderer Grajewo S.A.'s debt under the notes in issue totalled PLN 209,812 thousand. The interest paid by the Company to Pfleiderer Prospan S.A. in H1 2013 amounted to PLN 4,657 thousand.

c) Borrowings

On June 20th 2013, the Company finalised the early repayment of a loan from Pfleiderer Service GmbH, a related entity. The repaid amount comprised EUR 5,000 thousand of principal (PLN 21,282 thousand) and EUR 1,133 thousand of interest (PLN 4,680 thousand).

The original final repayment date was June 30th 2014.

d) Bank borrowings

Syndicated credit facility agreement

On January 29th 2013, Pfleiderer Grajewo S.A. made an early repayment of a part of the syndicated credit facility extended to the Group under a credit facility agreement concluded on March 16th 2010 by the Company and its subsidiaries, Pfleiderer Prospan S.A. and Silekol Sp. z o.o., by 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 the Company's proceeds from the sale of shares in Pfleiderer OOO was used to repay a substantial portion of the syndicated credit facility.

From January 24th to January 29th 2013, tranche A of the syndicated credit facility, amounting to PLN 460,000 thousand was repaid in full, and on January 29th 2013 a part of tranche B of the syndicated credit facility, amounting to PLN 88,375 thousand was repaid.

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

New credit facility agreements

On June 26th and 27th 2013, Pfleiderer Grajewo S.A. and the subsidiaries Pfleiderer Prospan S.A. 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 thousand and ensures financial liquidity of the Company and its subsidiaries for the next five years.

- Credit facility agreement with Bank Millennium S.A.

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

At the same time, Pfleiderer Prospan S.A., a subsidiary, entered into an overdraft facility agreement with Bank Millennium S.A., for up to PLN 10,000 thousand. Moreover, the subsidiary Silekol Sp. z o.o. entered into an overdraft facility agreement with Bank Millennium S.A., for up to PLN 10,000 thousand. The total liabilities of all the three borrowers under the four credit facility agreements with Bank Millennium S.A. may not exceed the aggregate of PLN 100,000 thousand. The multi-purpose

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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.

The four credit facilities will be secured primarily with a mortgage on developed properties (cross-collateralized for the benefit of the other three banks), i.e. the Company's production plant in Grajewo and the Wieruszów production plant owned by Pfeiderer Prospan S.A., as well as with a pledge over the production plants' machinery. Additionally, both Pfeiderer Prospan S.A. and Silekol Sp. z o.o. issued guarantees of up to PLN 115,000 thousand for the liabilities of the Company under the credit facilities.

- Credit facility agreement with Alior Bank S.A.

On June 26th 2013, the Company entered into a PLN 75,000 thousand credit facility agreement with Alior Bank S.A., 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 Company and the subsidiaries Pfeiderer Prospan S.A. and Silekol Sp. z o.o. entered into an overdraft facility agreement with Alior Bank S.A., for up to PLN 25,000 thousand, under which the bank granted the Company an overdraft limit of PLN 25,000 thousand and separate sub-limits of PLN 10,000 thousand to Pfeiderer Prospan S.A. and Silekol Sp. z o.o. The 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 all the three borrowers under the two credit facility agreements with Alior Bank S.A. may not exceed the aggregate of PLN 100,000 thousand.

The four credit facilities will be secured primarily with a mortgage on developed properties (cross-collateralized for the benefit of the other three banks), i.e. the Company's production plant in Grajewo and the Wieruszów production plant owned by Pfeiderer Prospan S.A., as well as with a pledge on the machinery of the Pfeiderer Prospan S.A. production plant. Additionally, both Pfeiderer Prospan S.A. and Silekol Sp. z o.o. issued guarantees of up to PLN 115,000 thousand for the liabilities of the Company under the bank loans.

- Credit facility agreement with Bank Zachodni WBK S.A.

On June 26th 2013, the Company entered into a PLN 45,000 thousand multi-purpose credit facility agreement with Bank Zachodni WBK S.A. 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 Company and the subsidiaries Pfeiderer Prospan S.A. and Silekol Sp. z o.o. entered into an overdraft facility agreement with Bank Zachodni WBK S.A., for up to PLN 15,000 thousand (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 S.A. may not exceed an aggregate of PLN 60,000 thousand.

The four credit facilities will be secured primarily with a mortgage on developed properties (cross-collateralized for the benefit of the other three banks), i.e. the Company's production plant in Grajewo and the Wieruszów production plant owned by Pfeiderer Prospan S.A., as well as with a pledge over the machinery of the Company's production plant.

- Credit facility agreement with Bank Ochrony Środowiska S.A.

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

The credit facility will be secured primarily with a mortgage on developed properties (cross-collateralized for the benefit of the other three banks), i.e. the Company's production plant in Grajewo

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and the Wieruszów production plant owned by Pfeiderer Prospan S.A., as well as with a pledge over the machinery of the Company's production plant.

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

e) Loans advanced

The Company is executing new investment projects through its subsidiaries. The projects are financed partly with loans advanced by banks directly to the subsidiaries and partly with loans granted by Pfeiderer Grajewo S.A.

As at June 30th 2013, the Company disclosed receivables under loans advanced to the following subsidiary:

- Pfeiderer MDF Sp. z o.o.

and associate:

- Pfeiderer MDF OOO (subsidiary until 23.01.2013)

On January 11th 2013 and January 16th 2013, Pfeiderer Grajewo S.A. advanced a loan to Grajewo OOO. The loan amount was EUR 50 thousand (PLN 205 thousand). The principal and interest were repaid on April 9th 2013.

The table below presents detailed information on loans advanced to those entities (all figures in PLN '000):

	Jan 1 2013	Loans advanced	Accrued interest	Repayment of principal	Repayment of interest	Reserve	Effect of foreign exchange differences	Jun 30 2012
Pfeiderer OOO	120,587	8,256	576	(103,178)	(28,597)	0	2,356	0
Pfeiderer MDF OOO	175,284	0	1,090	(75,176)	0	(87,102)	2,138	16,234
Silekol Sp. z o.o.	6,832	0	93	(6,832)	(93)	0	0	0
Pfeiderer MDF Sp. z o.o.	430	0	19	0	0	0	0	449
Grajewo OOO	0	205	2	(207)	(2)	0	2	0
Total:	303,133	8,461	1,780	(185,393)	(28,692)	(87,102)	4,496	16,683
of which:								
non-cash flows:	-	0	-	(2,524)	(71)	-	-	-
cash flows:	-	8,461	-	(182,869)	(28,621)	-	-	-

Interest on loans advanced accrues monthly and is disclosed under finance income.

The loans advanced to Pfeiderer OOO and Pfeiderer MDF OOO are denominated in RUB and bear interest at a rate equal to 3M MOSPRIME plus margin. The loans advanced to Silekol Sp. z o.o. and Pfeiderer MDF Sp. z o.o. are denominated in PLN and bear interest at a rate equal to 1M WIBOR plus margin.

7.2. Financial risks related to the Company's operations

a) Objectives and methods of financial risk management adopted by the Company

The Company 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 Company 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 Company'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 Company'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 Company 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 contracts. The time horizon adopted for position monitoring and hedging transactions is up to 12 months.

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

b) Credit risk

In accordance with the Management Board's policy, credit risk exposure is monitored on an ongoing basis. All customers requiring credit in excess of a certain amount are evaluated in terms of credit worthiness. The Company does not require its customers to provide it with collateral on their assets.

Credit risk related to trade receivables is limited as the Company's customer base is extensive and diversified. Moreover, the Company operates a strict receivables management policy, whereby the risk of customer insolvency is mitigated through the use of trade credit insurance and factoring. As at June 30th 2013, approximately 90% of total trade receivables from non-related parties were covered with trade credit insurance. The insurance secures credit risk – if a customer fails to pay, the insurer covers the loss (the insurance deductible is 10%).

As regards continuing operations, in the period from January 1st to June 30th 2013, the Company did not incur any significant losses resulting from failure to collect receivables from customers. Impairment losses are recognised on uninsured receivables, as well as on amounts corresponding to the Company's deductibles in relation to receivables insured, on the basis of a detailed analysis of accounts receivable.

c) Interest rate risk

The Company holds funds in bank accounts and has receivables under loans advanced, as well as liabilities under bank borrowings and loans received. Interest rate risk is connected with interest payments under instruments bearing interest at floating rates. As at the reporting date, the Company records no hedge against the interest rate risk.

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Currency risk

The Company is exposed to currency risk through trade transactions denominated in foreign currencies, including both purchases of merchandise and materials, and sale of finished products. Therefore, in the event of any exchange rate fluctuations the resulting foreign exchange gains and losses are offset to some extent. The Company monitors its foreign currency positions on an on-going basis and hedges open positions – first through natural hedging and then through forward transactions. Pfeiderer Grajewo S.A. monitors its currency risk exposure in terms of cash flows.

The Company is also exposed to currency risk relating to loans advanced to its associate, Pfeiderer MDF OOO, denominated in RUB and EUR.

d) Liquidity risk

The Company monitors its liquidity on an ongoing basis. The liquidity ratios are currently as follows:

	Current ratio	Quick ratio	Average collection period	Average payment period	Inventory turnover period
	<u>Current assets</u> Current liabilities	<u>Receivables + cash</u> Current liabilities	<u>Average trade and other receivables</u> Revenue :180/ :360	<u>Average trade and other payables</u> Revenue :180/ :360	<u>Average inventories</u> Revenue :180/ :360
Jun 30 2013	0.76	0.56	52 days	55 days	35 days
Dec 31 2012	0.88	0.81	49 days	51 days	35 days

The Company 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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8. Sureties and security interests over the Company's assets

8.1. Sureties issued

As at June 30th 2013, the Company issued the following sureties:

- a) Surety of EUR 1,115 thousand (PLN 4,827 thousand) issued to Pfeiderer MDF Sp. z o.o. in connection with a credit facility given Pfeiderer MDF Sp. z o.o. by PKO BP S.A. As at June 30th 2013, Pfeiderer MDF Sp. z o.o.'s liability under the facility was PLN 168,251 thousand. The surety expires on July 15th 2019.
- b) Surety of PLN 15,000 thousand issued to Pfeiderer Prospan S.A. and Silekol Sp. z o.o. in connection with a credit facility given Pfeiderer Grajewo S.A. and the subsidiaries Pfeiderer Prospan S.A. and Silekol Sp. z o.o. by BZ WBK S.A. As at June 30th 2013, the borrowers' liability under the facility was PLN 0. The surety expires on June 25th 2016.
- c) Surety of PLN 11,500 thousand issued to Pfeiderer Prospan S.A. in connection with a credit facility given Pfeiderer Prospan S.A. by Alior Bank S.A. As at June 30th 2013, Pfeiderer Prospan S.A.'s liability under the facility was PLN 0. The surety expires on June 25th 2016.
- d) Surety of PLN 11,500 thousand issued to Silekol Sp. z o.o. in connection with a credit facility given Silekol Sp. z o.o. by Alior Bank S.A. As at June 30th 2013, Silekol Sp. z o.o.'s liability under the facility was PLN 0. The surety expires on June 25th 2016.
- e) Surety of PLN 11,500 thousand issued to Pfeiderer Prospan S.A. in connection with a credit facility given Pfeiderer Prospan S.A. by Millennium Bank S.A. As at June 30th 2013, Pfeiderer Prospan S.A.'s liability under the facility was PLN 3 thousand. The surety expires on June 25th 2016.
- f) Surety of PLN 11,500 thousand granted to Silekol Sp. z o.o. in connection with a credit facility given Silekol Sp. z o.o. by Bank Millennium S.A. As at June 30th 2013, Silekol Sp. z o.o.'s liability under the facility was PLN 2 thousand. The surety expires on June 25th 2016.

8.2. The Company's assets used as security

Certain documents and agreements were signed in order to secure the Banks' receivables under credit facility agreements concluded on June 26th and 27th 2013 by the Company and its subsidiaries (Pfeiderer Prospan S.A. and Silekol Sp. z o.o.). The documents and agreements concerned in particular security over its assets. A detailed description is provided in section 7.1 d) of this report.

9. Court proceedings

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, Pfeiderer Grajewo S.A.'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.

10. The Management Board's opinion on the feasibility of meeting previously published performance forecasts

The Company has not published forecasts for 2013. Given the current economic climate, the Company will also refrain from publishing any forecast for 2014 until the market volatility subsides and the Polish market of furniture manufacturers becomes more stable.

11. Factors with a bearing on the Company's performance in the next period

The favourable structure of raw wood purchases and stable prices of chemical feedstocks, as well as falling prices of melamine, urea and paper allow the Company to expect positive performance in H2 2013. As early as by June, the market situation saw a marked improvement, especially in the melamine-faced and raw chipboard segments. Increases in volumes are expected in July and August, however, without related price rises. Fierce competition and customers' growing expectations render the situation on exports markets less promising. Given the worrying statistics showing a drop in furniture sales and a considerable price pressure on the market, margins on sales will not improve significantly.

PFLEIDERER GRAJEWO S.A.

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January 1st – June 30th 2013**

12. Events subsequent to the balance-sheet date

After the June 30, 2013, there were no material events that would require disclosure in these interim financial statements of Pfleiderer Grajewo SA

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