POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 4 / 2013

quarter / year

(prepared in accordance with Par. 82.2 and Par. 83.3 of the Regulation of the Minister of Finance dated February 19th 2009 - Dz.U. No. 33, item 259)

for issuers conducting manufacturing, construction, trade or services business

for the 4th quarter of the financial year 2013, covering the period from October 1st to December 31st 2013,

including condensed consolidated financial statements prepared in accordance with the IFRS

currency: PLN

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

currency: PLN

Date of filing: February 27th 2014

Pfleiderer Grajewo Spółka Akcyjna
(full name)

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

FINANCIAL HIGHLIGHTS	PLN '000 4 quarter cumulative / 2013 Jan 1-Dec 31 2013	PLN '000 4 quarter cumulative / 2012 Jan 1-Dec 31 2012	EUR '000 4 quarter cumulative / 2013 Jan 1-Dec 31 2013	EUR '000 4 quarter cumulative / 2012 Jan 1-Dec 31 2012
Condensed consolidated financial statements data				
I. Sales revenue	1 462 139	1 432 282	347 219	343 177
II. Operating profit/(loss)	108 434	73 134	25 750	17 523
III. Profit/(loss) before tax	80 967	18 321	19 227	4 390
IV. Net profit	166 606	36 285	39 564	8 694
V. Net profit attributable to equity holders of the parent	152 065	49 815	36 111	11 936
VI. Net cash provided by (used in) operating activities	40 684	228 058	9 661	54 643
VII. Net cash provided by (used in) investing activities	544 862	-27 723	129 390	-6 642
VIII. Net cash provided by (used in) financing activities	-586 614	-192 646	-139 305	-46 158
IX. Total net cash flow	-1 068	7 689	-254	1 842
X. Total assets	1 118 838	1 807 032	269 782	442 012
XI. Liabilities	467 516	1 221 867	112 731	298 877
XII. Non-current liabilities	135 505	225 978	32 674	55 276
XIII. Current liabilities	332 011	995 889	80 057	243 601
XIV. Equity	651 322	585 165	157 051	143 135
XV. Share capital	16 376	16 376	3 949	4 006
XVI. Weighted average number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XVII. Weighted average diluted number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XVIII. Annualised net profit attributable to equity holders of the parent	152 065	49 815	36 111	11 936
XIX. Earnings per ordinary share (PLN/EUR)	3,06	1,00	0,73	0,24
XX. Diluted earnings per ordinary share (PLN/EUR)	3,06	1,00	0,73	0,24
XXI. Book value per share (PLN/EUR)	13,13	11,79	3,16	2,88
XXII. Diluted book value per share (PLN/EUR)	13,13	11,79	3,16	2,88
XXIII. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00
Condensed financial statements data				
XXIV. Sales revenue	669 253	725 259	158 930	173 773
XXV. Operating profit/(loss)	39 870	39 882	9 468	9 556
XXVI. Profit/(loss) before tax	124 207	10 831	29 496	2 595
XXVII. Net profit/(loss)	86 003	12 003	20 423	2 876
XXVIII. Net cash provided by (used in) operating activities	4 972	37 219	1 181	8 918
XXIX. Net cash provided by (used in) investing activities	477 240	112 904	113 332	27 052
XXX. Net cash provided by (used in) financing activities	-479 105	-149 784	-113 775	-35 888
XXXI. Total net cash flow	3 107	339	738	81
XXXII. Total assets	1 080 579	1 427 663	260 556	349 216
XXXIII. Liabilities	457 550	890 637	110 327	217 856
XXXIV. Non-current liabilities	6 520	30 863	1 572	7 549
XXXV. Current liabilities	451 030	859 774	108 755	210 306
XXXVI. Equity	623 029	537 026	150 229	131 360
XXXVII. Share capital	16 376	16 376	3 949	4 006
XXXVIII. Weighted average number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XXXIX. Weighted average diluted number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XL. Annualised net profit	86 003	12 003	20 423	2 876
XLI. Earnings per ordinary share (PLN/EUR)	1,73	0,24	0,41	0,06
XLII. Diluted earnings per ordinary share (PLN/EUR)	1,73	0,24	0,41	0,06
XLIII. Book value per share (PLN/EUR)	12,55	10,82	3,03	2,65
XLIV. Diluted book value per share (PLN/EUR)	12,55	10,82	3,03	2,65
XLV. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

Consolidated Quarterly Report QSr 4/2013

Pursuant to the Regulation of the Polish Council of Ministers 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. No. 33, item 259), the Management Board of the Parent, Pfleiderer Grajewo S.A. of Grajewo, hereby releases the quarterly report for Q4 2013.

Q4 2013 CONSOLIDATED REPORT: President of the Management Board Introduction

There were a number of positive events at the Pfleiderer Grajewo Group in the fourth quarter of 2013.

The growth rate of production sold on the furniture market in Q4 2013 exceeded 8% on a year to year basis. The increase was predominantly driven by strong growth in exports, while domestic demand remained stable. Revenues generated in the Q4 of 2013 by the Polish companies remained broadly flat on the previous year. The Group maintained its sales volumes while making changes to its product range, sales prices were slightly reduced. Return on sales improved significantly, which was due to the fall in prices of raw materials and energy.

Quarterly results have significantly improved. Net profit reached a record level of 31 MPLN. During the year, the Group has improved the result from continuing operations of over 52 MPLN, which was due to both the improvement of the operating result, as well as reducing the cost of debt service.

The wood price, which is our main production resource, dropped in Q4 by an average 5% in comparison to the same period of the previous year. The decreasing wood prices and a range of cost-saving measures implemented by the Group both helped in further improvement the sales profitability.

The Q4 2013 average capacity utilisation at the main lines in Group's plants was above 97%. The Board has decided to increase production capacity by 10% in 2014-2015, by eliminating bottlenecks in technology.

The Group has implemented capital expenditure programme aiming at modernization of plants, adapting the production potential to the market expectations and to improvement of cost-effectiveness. During the year 2013 the Group completed investments of approximately PLN 65m value. The Group has also launched investment projects amounting to 31 MPLN. Their completion is scheduled for the first half of the current year.

The Pfleiderer Grajewo S.A. Group successfully cleared their financial situation through its subsidiary MDF recapitalization and partial debt repayment from additional funds generated on the sale of Russian assets and through rescheduling of remaining debts repayment.

In addition, the parent company Pfleiderer Grajewo repurchased the remaining 50% of shares in its subsidiary Silekol in the fourth quarter of 2013. Buyout of non-controlling interest in Pfleiderer MDF was finalized in January 2014. As a result, Pfleiderer Grajewo S.A. acquired a 100% interest in all its subsidiaries. Acquisition of shares was financed in 50% from their own funds.

Considering the increasingly favourable market conditions and capital expenditure programme, the Management Board believes that further improvement of the operating profit and net profit is a realistic goal for 2014.

Kind regards,
Wojciech Gątkiewicz
President of the Management Board

II. GENERAL INFORMATION

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

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. On May 9th 2001, it was registered by the District Court of Białystok, XII Commercial Division of the National Court Register, under entry No. KRS 0000011422.

The Parent's registered office is located at ul. Wiórowa 1, Grajewo, Poland.

On September 18th 2002, the Parent's Management Board received a decision of the District Court of Białystok to enter the Parent's new name in the National Court Register. Accordingly, on September 18th 2002, the Parent's name was changed from Zakłady Płyt Wiórowych S.A. to Pfleiderer Grajewo S.A.

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

2. Composition of the Management Board and the Supervisory Board of the Parent and changes in the reporting period

As at the end of the reporting period, the composition of the Parent's Management Board was as follows:

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 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.

Composition of the Supervisory Board as at December 31st 2013:

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.

3. Periods covered by the consolidated financial statements and comparative data

The following companies are consolidated with the full method in these financial statements: Pfleiderer Grajewo S.A., the Parent, and its subsidiaries: Pfleiderer Prospan S.A., Silekol Sp. z o.o., Pfleiderer MDF Sp. z o.o., Jura Polska Sp. z o.o., Unifloor Sp. z o.o. and Grajewo OOO. The comparative data for Q4 2012 comprise separate financial statements of Pfleiderer Grajewo S.A., the Parent, prepared in accordance with the IFRS, 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.

III. CHANGES IN ACCOUNTING POLICIES

1. Applied accounting policies

(a) **Statement of compliance**

The Group's financial statements were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

The Group has not used the option of early application of the new standards and interpretations which have already been published and endorsed by the European Union but which are to come into force in the periods beginning after January 1st 2013.

These financial statements were prepared on the assumption that the Parent would continue as a going concern in the foreseeable future. As at the date of publication of these financial statements, no facts or circumstances were identified that would indicate any threat to the Group continuing as a going concern.

The Group’s financial statements for Q4 2013 and the comparative data were prepared in accordance with the accounting policies applied in the most recent annual financial statements of the Group and give a true, fair and clear view of the Group’s assets, financial standing and financial performance.

(b) **Basis of preparation**

The companies comprising the Group, namely Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF Sp. z o.o. and Silekol Sp. z o.o., maintain their accounting records in compliance with the International Financial Reporting Standards (IFRS). Grajewo OOO, a subsidiary, applies accounting policies based on Russian accounting standards, which were restated in accordance with the IFRS for the purpose of consolidation. Jura Polska Sp. z o.o. and Unifloor Sp. z o.o. keep their accounting records in accordance with the policies and common practice applied by Polish companies; their data was also restated for the purpose of consolidation. These consolidated financial statements, prepared on the basis of the accounting records of the Group companies, reflect adjustments made to present the consolidated financial standing, results and cash flows of the Group in accordance with the International Financial Reporting Standards, which include standards and interpretations approved by the International Accounting Standards Board and the Standing Interpretations Committee.

These consolidated financial statements of the Group and the separate financial statements of the Parent prepared as at December 31st 2013 have not been audited.

The separate financial statements of the Parent as at December 31st 2013 were prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting, as adopted by the European Union.

(c) **Changes in accounting policies**

During2013 the Group has changed the classification of foreign exchange differences. Forex on operating activities were reclassified from financing activities to other income or other expenses, as appropriate.

Following reclassification of the comparative data, other income for the whole of 2012 increased by PLN 425 thousand (Q4: up by PLN 0), and other expenses grew by PLN 3,880 thousand (Q4: up by PLN 219 thousand),
while finance income and finance costs decreased by the corresponding amount**.**

Following amendment to IAS 16, the Parent changed the presentation of spare parts in its statement of financial position. Spare parts for 2013 were reclassified from inventories to property, plant and equipment.
The change did not significantly influence the reported financial data.

IV. FINANCIAL HIGHLIGHTS

1. Group's consolidated revenue and its changes

The table below presents a comparison of the Q4 2013 and Q4 2012 data.

Items of the statement of comprehensive income for the reporting period	Q4 2013/period from October 1st to December 31st 2013		Q4 2012/period from October 1st to December 31st 2012 *)	
	(PLN '000)	(%)	(PLN '000)	(%)
	/A/	/B/	/C/	/D/
Revenue	382,945	100.0%	379,891	100.0%
Cost of sales	(303,187)	(79.2%)	(316,827)	(83.4%)
Gross profit	**79,758**	20.8%	**63,064**	16.6%
Other income (*)	1,722	0.4%	14,824	3.9%
Distribution costs	(25,218)	(6.6%)	(27,756)	(7.3%)
Administrative expenses	(15,019)	(3.9%)	(21,001)	(5.5%)
Other expenses (*)	(1,600)	(0.4%)	(4,910)	(1.3%)
Operating profit	**39,643**	10.4%	**24,221**	6.4%
Finance income (*)	1,029	0.3%	8,206	2.2%
Finance costs (*)	(8,857)	(2.3%)	(22,559)	(5.9%)
Net finance income/(costs)	(7,828)	(2.0%)	(14,353)	(3.8%)
Profit before tax	**31,815**	8.3%	**9,868**	2.6%
Income tax expense	(718)	(0.2%)	2,950	0.8%
Net profit from continuing operations	**31,097**	8.1%	**12,818**	3.4%
Net profit from discontinued operations (&)	**(2,311)**	(0.6%)	**(859)**	(0.2%)
Net profit for reporting period	**28,787**	7.5%	**11,959**	3.1%
Net profit attributable to non-controlling interests	4,779	1.2%	(5,844)	(1.5%)
Net profit attributable to owners of the parent	**24,008**	6.3%	**17,803**	4.7%
EBITDA	**55,372**	14.5%	**34,740**	9.1%

***)** change of operating forex presentation, further description in point III.1.c "changes of accounting principles Q4 2012 restated.

(&) Q4 2012 restated

Discussion of the statement of comprehensive income

Revenue from continuing operations posted by the Group in Q4 2013 was on a par with the figure reported for the corresponding period of the previous year. This was attributable to slightly higher sales volumes accompanied by similar price levels. Gross profit rose 4 pp year on year, to nearly 21% (PLN 80m). This improvement followed from consistent sales efforts and cost discipline. In the analysed period, the prices of key raw materials fell slightly quarter on quarter, which was reflected in production costs, with the sales volumes broadly flat. In addition, the Group changed the estimate and capitalised the effect of the economic usefulness of annual comprehensive overhauls. As a result, in Q4 2013 costs of PLN 4.7m, previously presented under cost of sales, were capitalised under property, plant and equipment and depreciated based on the economic useful life of the assets.
Operating profit increased by 15.4m year on year. This major improvement is attributable to lower distribution costs and administrative expenses recorded in the quarters under review.
The Group recorded a PLN 6.5m drop in net finance costs in the analysed period, mainly as a result of a significant reduction in debt.
Net profit from the Group's continuing operations in Q4 2013 was positive, and PLN 18m higher compared with Q4 2012. The positive result is attributable to lower operating costs and lower net finance costs posted for the quarter.

2. Net cash position

As at December 31st 2013, the Group's net debt to banks (debt less cash) was PLN 138,081 thousand, up PLN 24,974 thousand in Q4 2013.

3. Equity

As at the end of Q4 2013, the Group’s equity was PLN 651,322 thousand, decreased by PLN 95,032 thousand quarter on quarter. The drop in equity was caused by the Parent's purchase of non-controlling interests in subsidiaries (see Section VI: “Q4 2013 results”, page 10)

4. Sale of shares or assets

In Q4 2013, the Pfleiderer Grajewo Group reported a loss on disposal of non-current assets of PLN 61 thousand.

5. Factors and events which may affect the Group’s future performance

The Management Board believes that further annual improvement in operating and net results is a realistic goal for the coming quarters, to be achieved through a reduction of financing costs. Going forward, the Group’s efforts will be geared towards developing new products and market segments, tailoring its product range to market expectations, lowering costs and enhancing product quality.

V. THE GROUP'S SALES

1. Domestic and export sales

The long-term sales strategy of the Pfleiderer Grajewo Group is based on the three key distribution channels:

– direct sales to the furniture industry,
– sales to Pfleiderer Partner (the PP Network) wholesalers,
– export sales.

The Group's sales data comprises the sales of the Parent, Pfleiderer Grajewo S.A., and its subsidiaries: Pfleiderer Prospan S.A. and Pfleiderer MDF Sp. z o.o.

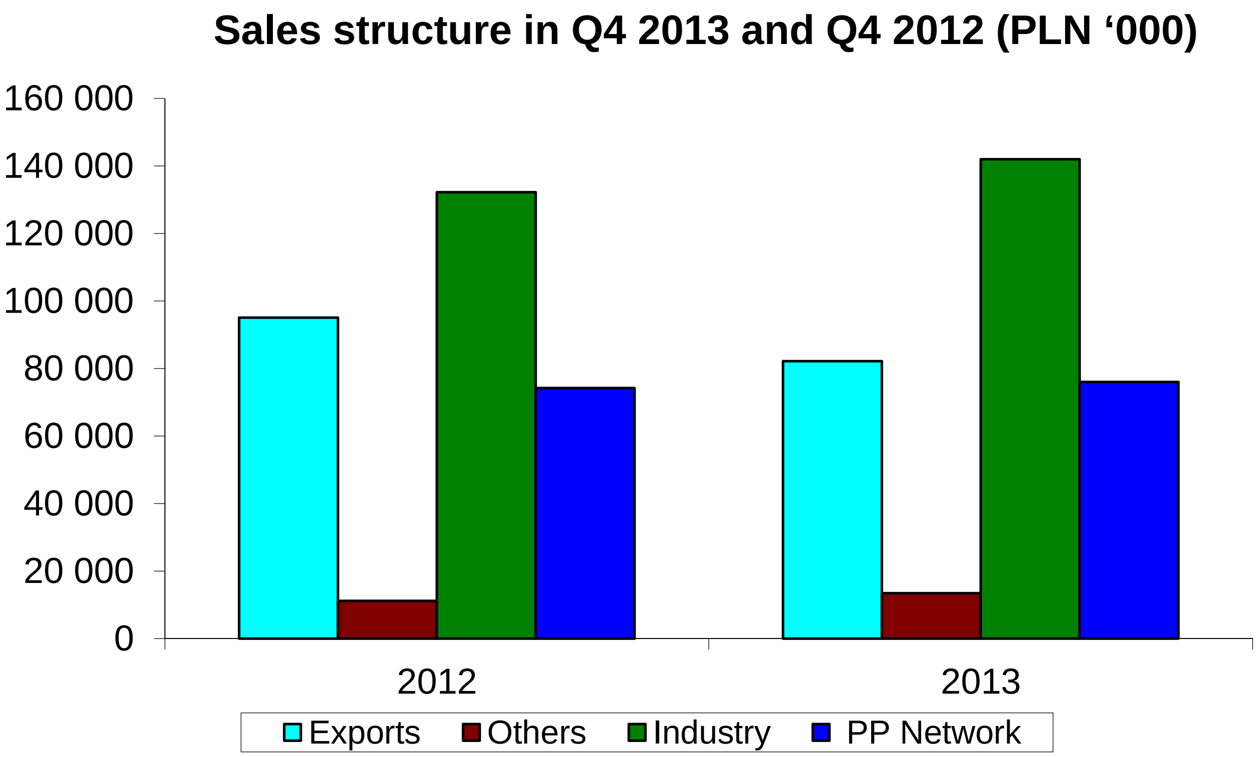


Figure: Sales structure in Q4 2013 and Q4 2012 (PLN '000).

In the Polish market, direct sales to large and medium-sized furniture manufacturers and the Pfleiderer Partner network continued to represent the most important distribution channels. In Q4 2013, sales to large furniture manufacturers and to the Pfleiderer Partner network advanced year on year by approximately 7% and 2%, respectively. Sales to other domestic customers grew by 20%, mainly on increased sales of the MFP construction board. Over the same period export sales declined 14%, chiefly owning to reduced sales of films to the manufacturing plant in Russia, which was sold at the beginning of the year.

In Q4 2013, the shares of individual distribution channels in total revenue were as follows:

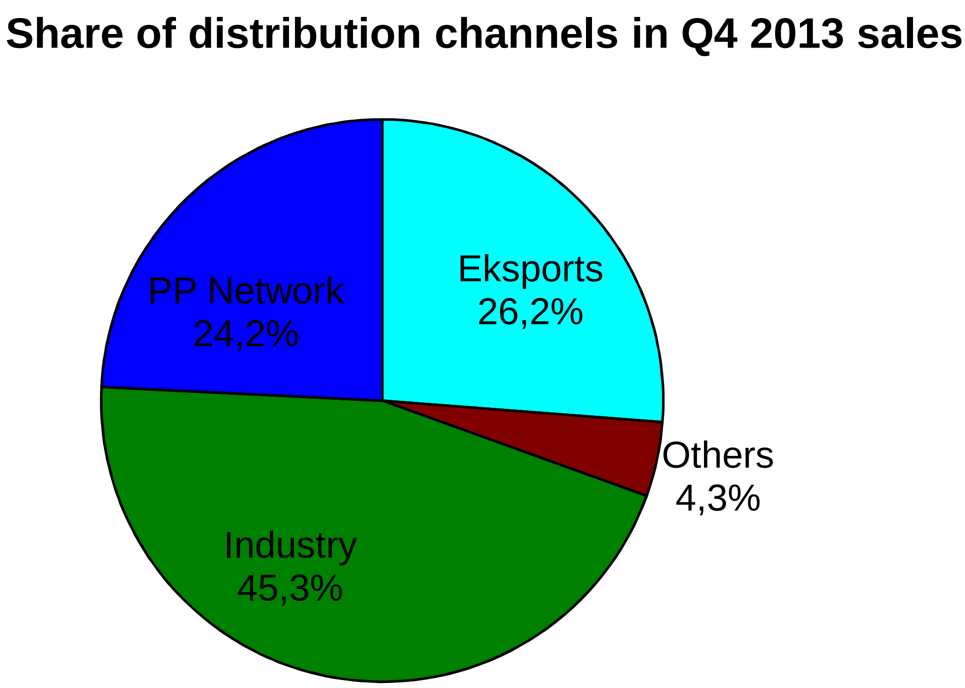


Figure: Distribution channels in Q4 2013 (%)

In Q4 2013, the share of direct sales to large and medium-sized furniture manufacturers grew from 42.3% to 45.3%, the share of sales to the Pfleiderer Partner network increased from 23.8% to 24.2%, and the share of other distribution channels expanded from 3.5% to 4.3% on a year-on-year basis. At the same time, the share of exports went down from 30.4% to 26.2%.

2. Seasonality of operations

Chipboard sales are subject to seasonal changes, in particular related to the seasonal nature of the furniture and construction markets. Sales fall in the second quarter and peak in the second half of a year.

VI. Q4 2013 RESULTS

1. Composition of the Pfleiderer Grajewo Group

a. Structure of the Pfleiderer Grajewo Group

In the period from January 1st 2013 to December 31st 2013, Pfleiderer Grajewo S.A. 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) – until January 23rd 2013
7 Pfleiderer MDF OOO, Novgorod (Russia) – until January 23rd 2013
8 Grajewo OOO, Novgorod (newly established company)
9 Pfleiderer Services Sp. Z o.o., Grajewo

Jointly controlled entities

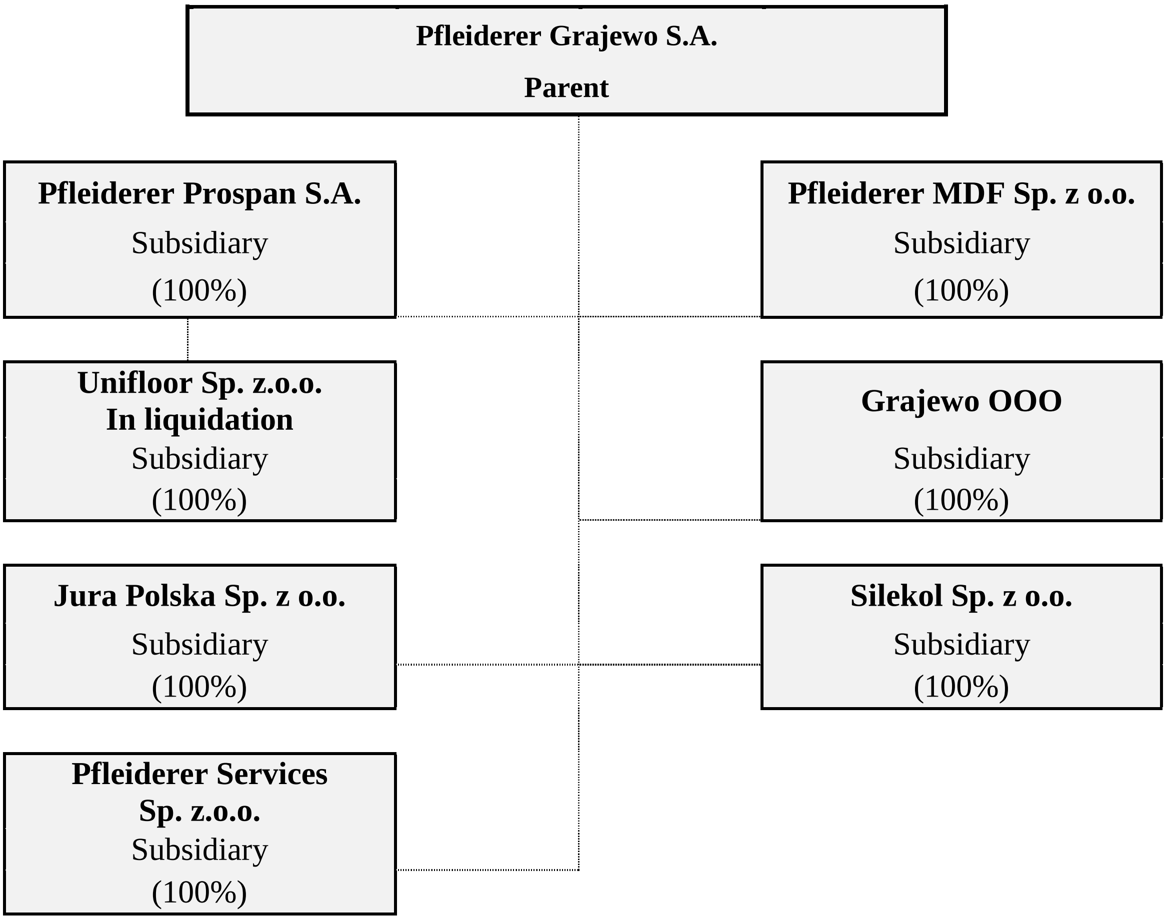
10 Blitz 11-446 GmbH, Neumarkt

Associates

11 Pfleiderer MDF OOO Novgorod (Russia) – from January 23rd to December 30th 2013

(5) Indirectly through Pfleiderer Prospan S.A.
(6) Sale of shares on January 23rd 2013.
(7), (11) Sale of assets and loss of control on January 23rd 2013; sale of shares on December 30th 2013.
(8) Acquisition of shares on April 16th 2013.

Structure of the Group as at December 31st 2013:



These interim consolidated financial statements of the Pfleiderer Grajewo Group comprise the financial data of Pfleiderer Grajewo S.A., the Parent, and of its subsidiaries.

As at December 31st 2013, Pfleiderer Grajewo S.A. held full control over the subsidiaries listed above, stemming from its ability to govern their financial and operating policies through the right to appoint and remove members of their management boards.

As a result of agreements made on January 23rd 2013, the Pfleiderer Grajewo Group lost control over its subsidiary Pfleiderer MDF OOO. Loss of control followed from the loss of the right to appoint the majority of management board members, and consequently after January 23rd 2013 Pfleiderer MDF OOO was an associate of Pfleiderer Grajewo S.A. Under an agreement of December 30th 2013 the Group sold its holding in Pfleiderer MDF OOO .

b. <u>Changes in the Pfleiderer Grajewo Group's structure in the reporting period</u>

On December 27th 2013, Pfleiderer Grajewo S.A. subscribed for 200,000 newly issued shares in the increased share capital of its subsidiary, Pfleiderer MDF Sp. z o.o. of Grajewo, with a par value of PLN 500 per share.

The shares were issued pursuant to a resolution on an increase of PLN 100,000,000 in the company's share capital, adopted by the extraordinary meeting of shareholders of Pfleiderer MDF Sp. z o.o. on December 27th 2013.

Pfleiderer Grajewo S.A. subscribed for the shares in exchange for a cash contribution of PLN 100,000,000. The subscription was financed with Pfleiderer Grajewo S.A.’s own funds.

On December 27th 2013, Pfleiderer Grajewo S.A., as the purchaser, and Pfleiderer Holzwerkstoffe GmbH of Neumarkt, Germany, as the seller, signed an agreement for the purchase of shares in Silekol Sp. z o.o. of Kędzierzyn Koźle. Pursuant to the agreement Pfleiderer Grajewo S.A. purchased 22,700 non-preference shares, with a par value of PLN 1,000 per share, in the share capital of its subsidiary, Silekol Sp. z o.o. The shares represent 50% of the company’s share capital and confer the right to 50% of the total vote at its meeting of shareholders.

The purchase price for the shares amounted to EUR 22,432,696, an equivalent of PLN 93,122,608. The ownership title to the shares was transferred to Pfleiderer Grajewo S.A. on the date of the purchase price payment, i.e. on December 27th 2013. As at December 31st 2013, Pfleiderer Grajewo S.A. held 100% of Silekol Sp. z o.o.'s share capital.

The purchase was financed with Pfleiderer Grajewo S.A.’s own funds and proceeds from credit facilities.

Pfleiderer Holzwerkstoffe GmbH is a subsidiary of Pfleiderer GmbH of Dusseldorf, which is also an indirect parent of Pfleiderer Grajewo S.A.

On December 27th 2013, Pfleiderer Grajewo S.A., as the purchaser, and Pfleiderer Service GmbH of Neumarkt, Germany, as the seller, signed a preliminary agreement for the purchase of shares in Pfleiderer MDF Sp. z o.o. of Grajewo, a subsidiary.

The preliminary purchase agreement concerned 135,328 non-preference shares with a par value of PLN 500 per share. As at the date of the preliminary agreement, the shares represented 50% of Pfleiderer MDF Sp. z o.o.’s share capital and conferred the right to 50% of the total vote at its meeting of shareholders and a 50% share in profit
(dividend).

Conclusion of the final purchase agreement and transfer of the ownership title to the shares took place before publication date of present report immediately after the court registered an increase of PLN 100,000,000 in the share capital of Pfleiderer MDF Sp. z o.o. The new shares in the increased share capital of Pfleiderer MDF Sp. z o.o. were subscribed for by Pfleiderer Grajewo S.A. in exchange for a cash contribution of PLN 100,000,000.

As at the date of the final purchase agreement, the 135,328 shares represented 28.75% of Pfleiderer MDF Sp. z o.o.’s share capital, and conferred the right to 16.92% of the total vote at its meeting of shareholders and a 21.20% share in profit (dividend).

The purchase price for the shares was EUR 6,987,694, an equivalent of PLN 29,007,315.

After the purchase of the shares from Pfleiderer Service GmbH, Pfleiderer Grajewo S.A. will hold 100% of Pfleiderer MDF Sp. z o.o.’s share capital. Pfleiderer Service GmbH is the parent of Pfleiderer Grajewo S.A.

On April 16th 2013, Pfleiderer 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, Pfleiderer Grajewo S.A., as the seller, and Ingka Pro Holding Subholding I B.V. and SWEDSPAN Holding B.V., as the buyers, entered into an agreement to sell a 100% interest in Pfleiderer OOO of Russia as well as assets of Pfleiderer MDF OOO of Russia (a subsidiary) and of Blitz 11-446 GmbH of Germany, a jointly-controlled entity. At the same time, under the agreements, the Pfleiderer Grajewo Group lost control over its subsidiary Pfleiderer MDF OOO.

c. Group's business

The Pfleiderer Grajewo Group is an arm of the international Pfleiderer Group and its Business Centre for Eastern Europe, which builds upon extensive experience in the manufacturing of wood-based products used in the furniture, interior decoration and construction industries. The Group, boasting strong positions on the markets of Central and Eastern Europe, is growing rapidly, entering new markets, targeting new segments and refining and adding new products to its portfolio.
The mission of the Pfleiderer Grajewo Group is to establish long-term relations with direct customers and end users of its products. In business terms, the Group strives to win and retain customers' full confidence by developing a fully professional approach at all levels of cooperation.
The Group operates manufacturing plants with diverse profiles.

Pfleiderer Grajewo Group companies and their business profiles

The business of Pfleiderer Grajewo S.A., the Parent, consists in:
- manufacture and veneering of wood and wood-based products,
- paper finishing,
- trade at home and abroad.

Pfleiderer Prospan S.A. – a joint-stock company entered in the commercial register maintained by the District Court of Kalisz under No. RHB1754 on September 23rd 1997 as Zakłady Płyt Wiórowych Prospan S.A. On September 17th 2001, the company was registered with the District Court of Łódź-Śródmieście in Łódź, XX Division of the National Court Register under entry No. KRS: 0000042082.

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

Business profile:
- 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:
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,
- 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, XII Commercial Division of the National Court Register in Białystok, under entry No. KRS 174810, on October 9th 2003.

Industry Identification Number (REGON):	330994545

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

Business profile:
- 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:
- 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. – a company entered into the National Court Register by the District Court of Białystok, XII 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

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

The company operates in Russia.

2. Consolidated financial results

Consolidated statement of financial position as at December 31st 2013 (PLN '000)

		Total Dec 31 2013	Total Sep 30 2013	Total Dec 31 2012	Total Sep 30 2012
Assets					
Property, plant and equipment		623,837	596,017	583,660	1,093,433
Intangible assets		1,607	1,668	2,218	2,512
Goodwill		107,829	107,829	107,829	107,829
Investments in related entities		117	126	117	117
Other non-current financial assets		18,672	7,010	10	10
Investment property		3,995	4,300	4,300	4,300
Deferred tax assets		14,970	30,244	12,184	16,583
Prepayments for property, plant and equipment		5,578	2,612	5,426	206,146
Government assistance receivable		14,627	11,288	14,443	26,790
Non-current assets		**791,232**	**761,094**	**730,187**	**1,457,720**
Inventories		177,692	151,470	174,803	236,984
Current tax assets		20,837	7,984	261	413
Trade and other receivables	1	112,627	164,465	70,356	173,459
Receivables under cash flow hedges		0	744	0	0
Cash and cash equivalents		16,450	107,485	17,518	33,149
Other current financial assets –(granted loans)		0	1,094	0	0
Disposal group	3	0	0	813,907	0
Current assets		**327,606**	**433,242**	**1,076,845**	**444,005**
Total assets		**1,118,838**	**1,194,336**	**1,807,032**	**1,901,725**
Equity					
Share capital		16,376	16,376	16,376	16,376
Share premium		289,806	289,806	289,806	289,806
Statutory reserve funds		207,809	207,809	195,806	195,806
Revaluation reserve		619	619	619	619
Cash flow hedges		0	744	0	0
Exchange differences on translating foreign operations		(84)	0	(14,292)	(9,023)
Exchange differences on net investments in subsidiaries		0	0	(3,829)	(1,948)
Retained earnings/(deficit)		136,796	158,506	42,906	25,102
Equity (attributable to owners of the parent)		**651,322**	**673,860**	**527,392**	**516,738**
Non-controlling interests		**0**	**72,494**	**57,773**	**63,491**
Total equity		**651,322**	**746,354**	**585,165**	**580,229**
Liabilities					
Borrowings and other debt instruments		86,801	114,320	182,650	772,661
Employee benefit obligations		8,020	7,111	7,111	6,584
Provisions		786	767	739	650
Deferred tax liabilities		9,606	9,347	8,245	13,185
Deferred income from government assistance		30,292	26,450	27,233	39,870
Non-current liabilities		**135,505**	**157,995**	**225,978**	**832,950**
Borrowings and other debt instruments		67,730	106,272	528,448	201,741
Finance lease liabilities		0	0	0	28
Current tax liabilities		639	1,597	1,136	92
Trade and other payables	2	240,261	159,651	197,112	266,346
Employee benefit obligations		22,032	21,319	18,736	18,463
Liabilities related to disposal group	3	0	0	249,309	0
Deferred income from government assistance		1,349	1,148	1,148	1,876
Current liabilities		**332,011**	**289,987**	**995,889**	**488,546**
Total liabilities		**467,516**	**447,982**	**1,221,867**	**1,321,496**
Total equity and liabilities		**1,118,838**	**1,194,336**	**1,807,032**	**1,901,725**

Off-balance-sheet items

Guarantees and off-balance sheet liabilities are described in paragraphs 8 and 9 of the point VIII.

Discussion of changes in key items of the statement of financial position

An increase in property, plant and equipment was primarily a result of investments made in Q4 2013, which were partly offset by recognized depreciation charges.

As at the end of Q4 2013, no changes were recorded in goodwill. The decrease in intangible assets was due to their periodic depreciation.

The balance of other non-current financial assets as at the end of the year represents the value of sale proceeds blocked in accounts under executed agreements related to the sale of shares in the Russian companies.

The decline in deferred tax assets, attributable to their realization following sale of the Russian operations in the current reporting period, translated into a high amount of current tax assets.

The amount of government assistance receivable results from the revaluation of the total estimated value of the assistance, calculated on the basis of budgeted financial data relating to future years.

As at the end of Q4 2013, inventories were PLN 177.7m. In line with the expectations, they increased towards the end of the year as customers stocked up with raw materials for the winter.

As at December 31st 2013, trade and other receivables were down on the end of Q3 2013, due to improvement in the collectability of trade receivables before the end of the year. At the same time, the item increased relative to the end of 2012 because of extended payment deadlines to related companies.

As at December 31st 2013, the Group’s equity was PLN 651m, having declined in comparison to September 30th 2013, predominantly as a result of settlement of the non-controlling interests acquisition in MDF and Silekol by the Parent.

As at December 31st 2013, the Group’s debt liabilities decreased byPLN 66m in comparison to the end of Q3 2013, mainly due to repayment of credit facilities by MDF, a subsidiary. Proceeds from a share capital increase at MDF were partially used to prepay PLN 58m under an investment facility, and to settle trade payables.
Higher trade and other payables were mostly attributable to an increase in investment liabilities, which resulted from investment purchases made by the end of 2013, as well as acquisition of shares in a subsidiary.

Consolidated statement of comprehensive income for the period January 1st – December 31st 2013 (PLN ’000)

Continuing operations	Note	Total Jan 1– Dec 31 2013	Total*) Jan 1– Dec 31 2012
Revenue		1,462,139	1,432,282
Cost of sales		(1,200,057)	(1,204,875)
Gross profit		**262,082**	**227,407**
Other income (*)		8,802	19,016
Distribution costs		(94,260)	(96,123)
Administrative expenses		(64,157)	(65,596)
Other expenses (*)		(4,033)	(11,570)
Operating profit		**108,434**	**73,134**
Finance income (*)		3,479	31,679
Finance costs (*)		(30,946)	(86,492)
Net finance costs	4	**(27,467)**	(54,813)
Profit before tax		**80,967**	**18,321**
Income tax expense		(11,592)	(1,242)
Net profit from continuing operations		**69,375**	**17,079**
Discontinued operations			
Net profit from discontinued operations (&)	3	97,231	19,206
Net profit for reporting period		**166,606**	**36,285**
Attributable to non-controlling interests		14,541	(13,530)
Attributable to owners of the parent		152,065	49,815
EBITDA		**156,545**	**116,149**
Other income			
Exchange differences on translating foreign operations		14,163	(9,590)
Exchange differences on net investments in subsidiaries		3,829	(8,011)
Effective portion of loss on fair-value measurement of hedging instruments, including corporate income tax		0	0
Other income		**17,992**	**(17,601)**
Comprehensive income for the period		**184,598**	**18,684**
Comprehensive income for the period attributable to:			
Owners of the parent		170,102	32,351
Non-controlling interests		14,496	(13,667)
Comprehensive income for the period		**184,598**	**18,684**
Basic earnings per share (PLN)		3.06	1.00
Diluted earnings per share (PLN)		3.06	1.00

*) change of operating forex presentation, further description in point III.1.c “changes of accounting principles, comparative period restated

(&) the comparative period restated, a reconciliation note 3

Consolidated statement of changes in equity for the period January 1st – December 31st 2013 (PLN '000)

	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Exchange differences on net investments in subsidiaries	Retained earnings/(deficit)	Total	Non-controlling interests	Total
As at Jan 1 2013	**16,376**	**289,806**	**195,806**	**619**	**(14,292)**	**(3,829)**	**42,906**	**527,392**	**57,773**	**585,165**
Comprehensive income for the period										
Net profit	0	0	0	0	0	0	152,065	152,065	14,541	166,606
Other comprehensive income										
Exchange differences on translating foreign operations	0	0	0	0	14,208	0	0	14,208	(45)	14,163
Exchange differences on net investments in subsidiaries	0	0	0	0	0	3,829	0	3,829	0	3,829
Total other comprehensive income	*0*	*0*	*0*	*0*	*14,208*	*3,829*	*0*	*18,037*	*(45)*	*17,992*
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**14,208**	**3,829**	**152,065**	**170,102**	**14,496**	**184,598**
Transactions with owners recognised in equity										
Loss of control over subsidiary Pfleiderer MDF OOO	0	0	0	0	0	0	0	0	5,004	5,004
Purchase of non-controlling interests	0	0	0	0	0	0	(46,172)	(46,172)	(77,273)	(123,445)
Transfer of part of 2012 net profit to statutory reserve funds	0	0	12,003	0	0	0	(12,003)	0	0	0
Transactions with owners recognised in equity	0	0	12,003	0	0	0	(58,175)	(46,172)	(72,269)	(118,441)
As at Dec 31 2013	**16,376**	**289,806**	**207,809**	**619**	**(84)**	**0**	**136,796**	**651,322**	**0**	**651,322**

Consolidated statement of changes in equity for the period January 1st–December 31st 2012 (PLN '000)

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

Consolidated statement of cash flows for the period January 1st – December 31st 2013 (PLN '000)

	Note	Jan 1– Dec 31 2013	Jan 1– Dec 31 2012
Cash flows from operating activities			
Net profit for the reporting year		**166,606**	**36,285**
Adjustments		(55,153)	214,103
Depreciation and amortisation		48,111	76,946
Foreign exchange gains/losses		(336)	(9,129)
Interest for the period		26,495	89,877
Gain/loss on investing activities		145	429
Income tax disclosed in profit or loss for the period		11,592	24,302
Deferred income tax recognised in equity		0	(1,879)
Change in trade and other receivables		(33,420)	22,792
Change in inventories		(11,839)	21,115
Change in trade and other payables		(3,741)	(11,138)
Change in employee benefit obligations		4,205	7
Change in provisions		47	105
Amortisation of government assistance		3,076	(1,871)
Net gain/loss on forward contracts		1,498	767
Change in exchange differences on translating foreign operations		(80)	1,427
Net profit/loss from discontinued operations	3	(97,231)	0
Other adjustments		(3,675)	353
Cash flows from operating activities		**111,453**	**250,388**
Interest received		1 609	217
Income tax paid		(4,152)	(22,547)
Net cash from operating activities before tax from discontinued operations		**108,910**	**228,058**
Income tax from discontinued **operations**		(68,226)	0
Net cash from operating activities after tax from discontinued operations		**40,684**	**228,058**
Cash flows from investing activities			
Disposal of non-current assets		359	(147)
Disposal of non-current assets held for sale	3	705,025	0
Acquisition of intangible assets and property, plant and equipment		(65, 920)	(27,576)
Loans advanced to other entities		(205)	0
Repayment of loans to other entities		207	0
Acquisition of a subsidiary and minority interests		(94,085)	0
Other adjustments		(519)	0
Net cash from investing activities		**544,862**	**(27,723)**
Cash flows from financing activities			
Repayment of borrowings and other debt instruments		(589,466)	(129,434)
Increase in borrowings and other debt instruments		31,261	22,310
Interest paid		(28,409)	(85,522)
Net cash from financing activities		**(586,614)**	**(192,646)**
Change in cash		(1,068)	7,689
Cash at beginning of the period		17,518	19,586
Cash at end of the period, including:		**16,450**	**27,275**
Cash from continuing operations		16,450	17,518
Cash classified as disposal group		0	9,757

VII. CAPITAL EXPENDITURE

In Q4 2013, the Pfleiderer Grajewo Group incurred capital expenditure of PLN 32m.

VIII. SUPPLEMENTARY INFORMATION

1. Material agreements

On December 27th 2013, Pfleiderer Grajewo S.A. subscribed for 200,000 newly issued shares in the increased share capital of its subsidiary, Pfleiderer MDF Sp. z o.o. of Grajewo, with a par value of PLN 500 per share.

The shares were issued pursuant to a resolution on an increase of PLN 100,000,000 in the company's share capital, adopted by the extraordinary meeting of shareholders of Pfleiderer MDF Sp. z o.o. on December 27th 2013. Pfleiderer Grajewo S.A. subscribed for the shares in exchange for a cash contribution of PLN 100,000,000. The subscription was financed with Pfleiderer Grajewo S.A.'s own funds.

On December 27th 2013, Pfleiderer Grajewo S.A., as the purchaser, and Pfleiderer Holzwerkstoffe GmbH of Neumarkt, Germany, as the seller, signed an agreement for the purchase of shares in Silekol Sp. z o.o. of Kędzierzyn Koźle. Pursuant to the agreement Pfleiderer Grajewo S.A. purchased 22,700 non-preference shares, with a par value of PLN 1,000 per share, in the share capital of its subsidiary, Silekol Sp. z o.o. The shares represent 50% of the company's share capital and confer the right to 50% of the total vote at its meeting of shareholders.

The purchase price for the shares amounted to EUR 22,432,696, an equivalent of PLN 93,122,608. The ownership title to the shares was transferred to Pfleiderer Grajewo S.A. on the date of the purchase price payment, i.e. on December 27th 2013. As at December 31st 2013, Pfleiderer Grajewo S.A. held 100% of Silekol Sp. z o.o.'s share capital.

Pfleiderer Holzwerkstoffe GmbH is a subsidiary of Pfleiderer GmbH of Dusseldorf, which is also an indirect parent of Pfleiderer Grajewo S.A.

On December 27th 2013, Pfleiderer Grajewo S.A., as the purchaser, and Pfleiderer Service GmbH of Neumarkt, Germany, as the seller, signed a preliminary agreement for the purchase of shares in Pfleiderer MDF Sp. z o.o. of Grajewo, a subsidiary.

The preliminary purchase agreement concerned 135,328 non-preference shares with a par value of PLN 500 per share. As at the date of the preliminary agreement, the shares represented 50% of Pfleiderer MDF Sp. z o.o.'s share capital and conferred the right to 50% of the total vote at its meeting of shareholders and a 50% share in profit (dividend).

Conclusion of the final purchase agreement and transfer of the ownership title to the shares took place immediately after the court registered an increase of PLN after the balance sheet date.

After the purchase of the shares from Pfleiderer Service GmbH, Pfleiderer Grajewo S.A. holds 100% of Pfleiderer MDF Sp. z o.o.'s share capital.
Pfleiderer Service GmbH is the parent of Pfleiderer Grajewo S.A.

On November 28th 2013, Pfleiderer MDF Sp. z o.o. of Grajewo, a subsidiary, executed an annex to the credit facility agreement with PKO Bank Polski S.A. of January 15th 2007. In accordance with the annex,

the final repayment date of the investment facility, contracted for the construction of the MDF plant in Grajewo, was extended. Previously, the final repayment date was July 15th 2016, and under the annex it was changed to October 15th 2018. Execution of the annex also entailed a change in the principal repayment schedule.
The new schedule came in force after certain conditions were fulfilled, including:
- a PLN 100,000,000 increase in Pfleiderer MDF Sp. z o.o.'s share capital by December 30th 2013, and subscription for the new issue shares by Pfleiderer Grajewo S.A. The parties agreed that this condition would be deemed fulfilled after a relevant resolution was adopted by the Pfleiderer MDF Sp. z o.o. General Meeting, Pfleiderer Grajewo S.A. made a relevant representation on subscription for the new shares, the cash contribution was made, and a request for registering the share capital increase was filed with the court.
- execution of an agreement on a subordinated loan of up to PLN 28,000,000 between Pfleiderer Grajewo S.A (as the lender) and Pfleiderer MDF Sp. z o.o. (as the borrower) by December 30th 2013, whereby the loan would be subordinated to the credit facilities provided by PKO BP S.A.

Proceeds from the share capital increase and the loan were used to prepay PLN 58,088,000 under the investment facility advanced by PKO BP S.A., as well as to finance future investments and working capital of Pfleiderer MDF Sp. z o.o. Following the prepayment, the amount outstanding under the facility as at the end of 2013 was PLN 90,800,520. As a result of the partial prepayment of the facility and extension of the facility repayment date, the related debt service costs will decrease significantly over the following years.
Furthermore, on November 28th 2013, Pfleiderer MDF Sp. z o.o. and PKO Bank Polski S.A. executed an annex to the multi-purpose credit facility agreement of August 29th 2007, and conditionally extended the facility of PLN 54,000,000 until June 30th 2016. The conditions for extension of the facility included the abovementioned share capital increase and execution of a subordinated loan agreement.
The other material terms of the credit facilities remained unchanged.

2. Write downs and reversal of write downs of inventories measured at net realisable value

In the statement of financial position, inventories are recognised net of write downs. In Q4 2013, the Group did not recognise any material write downs of inventories. Write downs are recognised as other expenses under operating activities, while their reversal is disclosed as other income.

3. Impairment losses and reversal of impairment losses on financial assets, property, plant and equipment, intangible assets and other assets

In Q4 2013, the Group did not recognise any impairment losses on property, plant and equipment. In Q4 2013, the Group reversed impairment losses on receivables of PLN 282 thousand.

4. Provisions

As at the end of Q4 2013, the Group maintained a provision for employee benefit obligations of PLN 8,328 thousand updated at the balance sheet day by the actuary. It is the only provision recognised by the Group under IAS.

5. Deferred tax assets and liabilities

In Q4 2013, deferred tax assets dropped by PLN 15.3m mainly due to the usage of the tax losses and deferred tax liabilities rose by PLN 0.1m compared with Q3 2013

6. Material purchase and sale transactions in property, plant and equipment

In Q4 2013, the Group purchased property, plant and equipment for PLN 32m, which mainly included expenditure on group 5 tangible assets (purchase of a dust production line and KT5 and KT10 production lines) as well as group 7 tangible assets.

7. Material liabilities under purchase of property, plant and equipment

As at the end of Q4 2013, the Group carried liabilities under purchase of property, plant and equipment of PLN 18m.

8. Guarantees and sureties

As at December 31st 2013, Group subsidiaries carried sureties granted in respect of obligations incurred by other Group companies. No sureties or guarantees were issued in respect of obligations incurred by entities outside the Group.

The existing sureties were issued by three companies: Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A. and Silekol Sp. z o.o., and covered exclusively the obligations of other Group companies under contracted bank borrowings.

Pfleiderer Grajewo S.A., the Parent, had six outstanding sureties for an aggregate amount of up to PLN 65,622 thousand. As at December 31st 2013, the amount of underlying debt secured with the sureties was PLN 4,622 thousand.

Pfleiderer Prospan S.A., a subsidiary, issued seven sureties for an aggregate amount of up to PLN 268,000 thousand, of which the highest-value sureties were:
- two sureties for an aggregate amount of up to PLN 115,000 thousand in respect of bank loans advanced to Pfleiderer Grajewo S.A. by Bank Millennium S.A. of June 26th 2013,
- two sureties for an aggregate amount of up to PLN 115,000 thousand in respect of bank loans advanced to Pfleiderer Grajewo S.A. by Alior Bank S.A. of June 26th 2013.

As at December 31st 2013, the amount of underlying debt secured with the sureties was PLN 21,547 thousand.

Silekol Sp. z o.o., a subsidiary, issued seven sureties for an aggregate amount of up to PLN 268,000 thousand, of which the highest-value sureties were:
- two sureties for an aggregate amount of up to PLN 115,000 thousand in respect of bank loans advanced to Pfleiderer Grajewo S.A. by Bank Millennium S.A. of June 26th 2013,
- two sureties for an aggregate amount of up to PLN 115,000 thousand in respect of bank loans advanced to Pfleiderer Grajewo S.A. by Alior Bank S.A. of June 26th 2013.

As at December 31st 2013, the amount of underlying debt secured with the sureties was PLN 21,547 thousand.

The other Group subsidiaries did not issue any guarantees or sureties.

9. Changes in contingent assets and liabilities

Contingent liabilities arising from signed guarantees contracts are described in Section 8

10. Issue, redemption and repayment of equity and non-equity securities

In Q4 2013, Pfleiderer Grajewo S.A. carried out ten issues of commercial paper in the form of short-term notes with a view to optimising the Group's management of financial liquidity. The notes were issued pursuant to a commercial paper programme agreement executed with Bank PEKAO S.A. on July 22nd 2003 and in accordance with the Polish Bonds Act of June 29th 1995 as zloty-denominated, unsecured, zero-coupon bearer securities in book-entry form. The notes are redeemed at their par value.
The notes were acquired by Pfleiderer Prospan S.A., a subsidiary.

11. Defaults under borrowings and other debt instruments with respect to which no remedial action was taken by the end of the reporting period

As at December 31st 2013, no such events occurred.

12. Discontinued operations and disposal groups

On October 19th 2012, Pfleiderer Grajewo S.A. as the seller, and Ingka Pro Holding Subholding I B.V. and SWEDSPAN Holding B.V., as the buyers, entered into a conditional agreement on sale of a 100% interest in Pfleiderer OOO of Russia, as well as of assets of Pfleiderer MDF OOO of Russia (a subsidiary) and Blitz 11-446 GmbH of Germany (a jointly-controlled entity). The final sale agreement was signed on January 23rd 2013. For details, see Note 3 in Section 26.

13. Dividend paid

In Q4 2013, no decisions were made concerning dividend payment.

14. Performance forecast

Given the fast-changing market environment, Pfleiderer Grajewo S.A., the Parent, did not publish any financial forecasts for 2013 and 2014.

15. Material subsequent events

After December 31st 2013, Pfleiderer Grajewo S.A. carried out four issues of commercial paper in the form of short-term notes with a view to optimising the Group's financial liquidity management. The notes were issued pursuant to a commercial paper programme agreement executed with Bank PEKAO S.A. on July 22nd 2003 and in accordance with the Polish Bonds Act of June 29th 1995 as złoty-denominated, unsecured, zero-coupon bearer securities in book-entry form. The notes are redeemed at their par value. The notes were acquired by Pfleiderer Prospan S.A., a subsidiary.

On January 9th 2014, Silekol Sp. z o.o. of Kędzierzyn Koźle, a subsidiary of Pfleiderer Grajewo S.A., executed a framework agreement with Grupa Azoty Zakłady Azotowe Puławy S.A. of Puławy for the supply of urea, which Silekol Sp. z o.o uses as a key feedstock in the manufacture of adhesive amino resins. Under the agreement, supplier agreed to supply urea to Silekol Sp. z o.o. in specified amounts, and Silekol Sp. z o.o. agreed to accept the supplied urea. The purchase price of the urea will be determined based on a price formula specified in the supply agreement. The agreement was concluded for a period of five years, and the total value of urea to be supplied throughout its term is estimated at PLN 216.4m. The agreement may be terminated on six months' notice if either party defaults on a material obligation under the agreement, and fails to duly fulfil that obligation in accordance with the agreement within 30 days of having been called to do so. For the Azoty Group, the agreed urea supplies will be coordinated by Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.

On January 9th 2014, Silekol Sp. z o.o. of Kędzierzyn Koźle, a subsidiary of Pfleiderer Grajewo S.A., executed an agreement with Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. of Kędzierzyn Koźle ("GA ZAK") for the supply of urea, which Silekol Sp. z o.o uses as a key feedstock in the manufacture of adhesive amino resins. Under the agreement, GA ZAK agreed to supply urea to Silekol Sp. z o.o. in specified amounts, and Silekol Sp. z o.o. agreed to accept the supplied urea. The purchase price of the urea will be determined based on a price formula specified in the supply agreement. The agreement was concluded for a period of five years, and the total value of urea to be supplied throughout its term is estimated at PLN 694.2m. The agreement provides for contractual penalties, payable by the parties in the event of failure to deliver or accept, as the case may be, the urea, in the amount of up to 25% of the value of the urea supplies that the party failed to supply or accept. Payment of the contractual penalties does not preclude a party's right to seek compensation in excess of the penalty amount. The agreement may be terminated on six months' notice if either party defaults on a material obligation under the agreement, and fails to duly fulfil that obligation in accordance with the agreement within 30 days of having been called to do so. For the Azoty Group, the agreed urea supplies will be coordinated by GA ZAK.

On January 20th 2014, Pfleiderer Grajewo S.A., as the purchaser, and Pfleiderer Service GmbH of Neumarkt, Germany, as the seller, signed an agreement for the purchase of shares in Pfleiderer MDF Sp. z o.o. of Grajewo. The agreement was signed pursuant to the provisions of the preliminary purchase agreement dated December 27th 2013. Prior to the signing of the final purchase agreement the condition provided for in the preliminary agreement was satisfied, i.e. an increase of PLN 100,000,000 in the share capital of Pfleiderer MDF Sp. z o.o was registered with the court. The new shares in the increased share capital were subscribed for by Pfleiderer Grajewo S.A. in exchange for a cash contribution of PLN 100,000,000. The purchase agreement concerned 135,328 non-preference shares with a par value of PLN 500 per share. The purchase price for the shares amounted to EUR 6,987,694, an equivalent of PLN 29,059,024.26. After the purchase of the 135,328 shares, Pfleiderer Grajewo S.A. now holds 100% of Pfleiderer MDF Sp. z o.o.'s share capital.

On January 30th 2014, Pfleiderer Prospan S.A. of Wieruszów, a subsidiary of Pfleiderer Grajewo S.A., served a termination notice under a factoring agreement of September 26th 2007 with PEKAO Faktoring Sp. z o.o. of Lublin. The agreement will terminate on the lapse of a one-month notice period, that is on February 28th 2014. The termination followed from a decision to change the factor providing services in respect of Pfleiderer Prospan S.A.'s trade receivables, and involves no material financial consequences for Pfleiderer Prospan S.A.
On the same date, January 30th 2014, Pfleiderer Prospan S.A. and BZ WBK Faktor Sp. z o.o. of Warsaw entered into a non-recourse factoring agreement with a receivables limit of PLN 80,000,000. The agreement is subject to a condition precedent. It will enter into force on the date on which BZ WBK Faktor Sp. z o.o. receives Pfleiderer Prospan S.A.'s statement to the effect that the factoring agreement between Pfleiderer Prospan S.A. and PEKAO Faktoring Sp. z o.o. was terminated and settled.

16. Changes in the Group's structure

On December 27th 2013, Pfleiderer Grajewo S.A. subscribed for 200,000 newly issued shares in the increased share capital of its subsidiary, Pfleiderer MDF Sp. z o.o. of Grajewo, with a par value of PLN 500 per share.

The shares were issued pursuant to a resolution on an increase of PLN 100,000,000 in the company's share capital, adopted by the extraordinary meeting of shareholders of Pfleiderer MDF Sp. z o.o. on December 27th 2013. Pfleiderer Grajewo S.A. subscribed for the shares in exchange for a cash contribution of PLN 100,000,000. The subscription was financed with Pfleiderer Grajewo S.A.'s own funds.

On December 27th 2013, Pfleiderer Grajewo S.A., as the purchaser, and Pfleiderer Holzwerkstoffe GmbH of Neumarkt, Germany, as the seller, signed an agreement for the purchase of shares in Silekol Sp. z o.o. of Kędzierzyn Koźle. Pursuant to the agreement Pfleiderer Grajewo S.A. purchased 22,700 non-preference shares, with a par value of PLN 1,000 per share, in the share capital of its subsidiary, Silekol Sp. z o.o. The shares represent 50% of the company's share capital and confer the right to 50% of the total vote at its meeting of shareholders.

The purchase price for the shares amounted to EUR 22,432,696, an equivalent of PLN 93,122,608. The ownership title to the shares was transferred to Pfleiderer Grajewo S.A. on the date of the purchase price payment, i.e. on December 27th 2013. As at December 31st 2013, Pfleiderer Grajewo S.A. held 100% of Silekol Sp. z o.o.'s share capital.

Pfleiderer Holzwerkstoffe GmbH is a subsidiary of Pfleiderer GmbH of Dusseldorf, which is also an indirect parent of Pfleiderer Grajewo S.A.

On December 27th 2013, Pfleiderer Grajewo S.A., as the purchaser, and Pfleiderer Service GmbH of Neumarkt, Germany, as the seller, signed a preliminary agreement for the purchase of shares in Pfleiderer MDF Sp. z o.o. of Grajewo, a subsidiary.

The preliminary purchase agreement concerned 135,328 non-preference shares with a par value of PLN 500 per share. As at the date of the preliminary agreement, the shares represented 50% of Pfleiderer MDF Sp. z o.o.'s share capital and conferred the right to 50% of the total vote at its meeting of shareholders and a 50% share in profit (dividend).

Conclusion of the final purchase agreement and transfer of the ownership title to the shares took place immediately after the court registered an increase in the share capital of Pfleiderer MDF Sp. z o.o.

After the purchase of the shares from Pfleiderer Service GmbH, Pfleiderer Grajewo S.A. held 100% of Pfleiderer MDF Sp. z o.o.'s share capital.

Pfleiderer Service GmbH is the parent of Pfleiderer Grajewo S.A.

17. Transactions with owners and related parties

In Q4 2013, Pfleiderer Grajewo S.A., the Parent, carried out ten issues of short-term notes, all of which were acquired by Pfleiderer Prospan S.A., a subsidiary.
Agreement for the purchase of shares from related entities are described in paragraph 16

18. Change in the number of shares or options held by the management and supervisory staff

As at the release date of this report, the number of Pfleiderer Grajewo (the Parent) shares held by the Management Board members was as follows:
- Wojciech Gątkiewicz, President of the Management Board, held 5,400 shares in Pfleiderer Grajewo S.A.;
- Rafał Karcz, member of the Management Board, held 3,472 shares in Pfleiderer Grajewo S.A.;
- Dariusz Tomaszewski, member of the Management Board, held 4,108 shares in Pfleiderer Grajewo S.A.;

As at the report release date, members of the Pfleiderer Grajewo Supervisory Board did not hold any shares in the Parent.

19. Shareholder structure as at the report release date

Shareholder structure as at February 27th 2014	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%**

The information on the number of Pfleiderer Grajewo S.A. shares held by Aviva OFE (former Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK) is sourced from the most recent notification of shareholding change, received by the Parent on July 9th 2007.

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

The number of shares held by the main shareholder, Pfleiderer Service GmbH, did not change in Q4 2013.

20. Court proceedings

On April 2nd 2012, Pfleiderer Grajewo S.A., the Parent, and Pfleiderer Prospan S.A., a subsidiary, 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., Pfleiderer Grajewo S.A. and Pfleiderer Prospan S.A. acted in collusion to frustrate competition on the domestic chipboard and fibreboard markets.

During the proceedings, Pfleiderer Grajewo S.A. and Pfleiderer Prospan S.A. provided additional information required by the Office. At present, the Parent's Management Board is not able to assess the risk based on the information available to it or determine the estimated 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 claims of the Group companies, whose value would represent 10% or more of the Parent's equity.

21. Material settlements under court proceedings

As at December 31st 2013, the Group did not carry any material settlements under court proceedings. In Q4 2013, there were no circumstances which would substantiate the recognition of any provisions for costs of court proceedings.

22. Correction of errors of past periods

As at the end of Q4 2013, the Group did not correct any errors of past periods.

23. Other material information

There were no other material events in Q4 2013.

24. Financial instruments

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.

As at December 31st 2013, Pfleiderer Grajewo S.A., the Parent, was not party to any open EUR/PLN forward contracts.

As at December 31st 2013. Silekol Sp. z.o.o., a subsidiary had 4 open FX Forward contracts to sell the total of EUR 2,550 thousand in January and February 2104. The valuation of the contracts as at December 31st 2013 was positive, at PLN 100 thousand.

The other Group companies were not counterparties in any derivative contracts as at December 31st 2013.

In Q4 2013, the Group did not hedge its interest rate risk or risk of fluctuations in raw material prices.

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.

25. Operating segments

The Group has identified two geographical operating segments , based on asset storage location and asset operation location. Following sale of the assets located in Russia, Poland is now the Group's only geographical segment.
In Q4 2013, the Group’s sales grew by 1% year on year, with export sales accounting for approximately 26.2% of the total. The Group’s key export destinations include Russia, Germany, Lithuania, Belarus, Kazakhstan and Sweden.

26. Notes to the consolidated statement of financial position

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

	Dec 31 2013	Sep 30 2013	Dec 31 2012	Sep 30 2012
Trade receivables	40,557	67,108	43,090	124,457
Receivables from related entities	38,826	39,713	7,596	20,787
Current prepayments and accrued income	7,025	13,234	10,380	10,730
Current VAT receivables	15,114	9,677	7,660	6,524
Other receivables	11,105	34,733	1,630	10,961
Total	**112,627**	**164,465**	**70,356**	**173,459**

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

	Dec 31 2013	Sep 30 2013	Dec 31 2012	Sep 30 2012
Trade payables	131,233	108,634	158,378	184,269
Liabilities to related entities	5,784	4,528	3,416	18,958
VAT liabilities	154	1,418	106	15,766
Liabilities under factoring agreements	37,462	28,201	17,418	3,731
Liabilities under investment supplies	18,091	2,870	9,051	1,952
Prepaid deliveries	2,436	1,307	1,484	2,248
Liabilities under purchase of minority stake in a subsidiary	29, 360	0	0	0
Other liabilities	15,741	12,693	7,259	39,422
Total	**240,261**	**159,651**	**197,112**	**266,346**

Note 3 – Discontinued operations and disposal groups

On October 19th 2012, Pfleiderer 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 a conditional agreement on sale of a 100% interest in Pfleiderer OOO of Russia, as well as of assets of Pfleiderer MDF OOO of Russia (a subsidiary) and of Blitz 11-446 GmbH of Germany (a jointly-controlled entity). The final sale agreement was signed on January 23rd 2013.

Net assets 23.01.2013	
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	1654
Borrowings and other debt instruments	55089
Trade and other payables	71 722
Net assets on discontinued operations	**(565 610)**

Other items taken in the result on the transaction

Transaction costs	(30 087)
Exchange differences on translation of subsidiaries	(11 779)
Exchange differences on net investments in subsidiaries	(3 829)

Non-controlling interests	(5 004)
Others (including Exchange differences)	(4 823)
Income tax	(38 288)
Adjusted net assets from discontinued operations	(659 420)
Revenue from the sale of the Group's assets received in cash (a)	**710 401**
Revenue from the sale of assets on escrow account (as at 31 12 2013) (b)	27 105
Cash related to discontinued operations (c)	(5 376)
Net cash flows (a+c)	705 025
Proceeds (a+b)	737 506

Cash flows from discontinued operations

	Jan 1– Dec 31 2013	**Jan 1– Dec 31 2012**
Net cash flows from operating activities	(72 607)	86,100
Net cash flows from investing activities	705 025	(4,609)
Net cash flows from financing activities	0	(81,966)
Net cash flows for the period	**632 418**	**475**

Profit/loss from discontinued operations

	Jan 1– Dec 31 2013	**Oct 1– Dec 31 2013**	**Jan 1– Dec 31 2012**	**Oct 1– Dec 31 2012**
Revenue	21,783	0	358,995	100,181
Costs	(19,363)	0	(282,347)	(73,262)
Operating profit/loss	**2,420**	**0**	**76,648**	**26,919**
Gain/loss on financing activities	(2,998)	0	(34,382)	(9,706)
Profit before tax	(578)	0	42,266	17,213
Tax	(740)	0	(23,060)	(18,071)
Net profit from discontinued operations	**(1,318)**	**0**	**19,206**	**(859)**
Gain on disposal of discontinued operations	136,836	4,600	0	0
Tax payable on gain on disposal of discontinued operations	(38,288)	(6,912)		
Profit/loss from discontinued operations	**97,231**	**(2,311)**	**19,206**	**(859)**

The PLN (2,311) thousand change in the result in Q4 results realised foreign exchange differences, valuation of an escrow currency account and change in tax.

The full amount of net profit from discontinued operations of PLN 97,231 thousand, as well as PLN 54,834 thousand out of the PLN 69,375 thousand of net profit from continuing operations is attributable to owners of the Parent.

27. Notes to the consolidated statement of comprehensive income (PLN ’000) – Note 4

Note 4 – Finance income and costs

	Jan 1– Dec 31 2013	Jan 1– Dec 31 2012*)
Finance income		
Interest income	1,981	31,182
Income from realised derivatives	1,498	426
Other finance income	0	71
	3,479	**31,679**
Finance costs		
Interest expense	(28,476)	(81,733)
Foreign exchange loss	(1,206)	(4,004)
Other finance costs	(1,264)	(755)
	(30,946)	**(86,492)**
Net finance income / costs	**(27,467)**	**(54,813)**
Exchange differences (including on realised derivatives)	**292**	**(3,578)**
Realised	850	(1,283)
Unrealised	(558)	(2,295)

*) 2012 restated as stated in paragraph III 1 c changes in accounting principles

28. Currency translation of financial data

Data of the subsidiaries Pfleiderer OOO and MDF OOO, which were covered by the transaction executed on January 23rd 2013, as well as data of Grajewo OOO, a newly established subsidiary, were translated as follows:

- items of the statement of financial position were translated at the closing exchange rate quoted by the National Bank of Poland (NBP) for the reporting date; the closing date for the sold subsidiaries was January 23rd 2013.
- items of the statement of comprehensive income were translated at the exchange rate computed as the arithmetic mean of monthly exchange rates quoted in Q4 2013.

Date	RUB	PLN
Jan 31 2013	RUB 1	0.1027
Feb 28 2013	RUB 1	0.1038
Mar 29 2013	RUB 1	0.1050
Apr 30 2013	RUB 1	0.1022
May 31 2013	RUB 1	0.1035
Jun 28 2013	RUB 1	0.1013
Jul 31 2013	RUB 1	0.0968
Aug 31 2013	RUB 1	0.0969
Sep 30 2013	RUB 1	0.0961
Oct 31 2013	RUB 1	0.0951
Nov 29 2013	RUB 1	0.0930
Dec 31 2013	RUB 1	0.0914
RUB exchange rate at the end of Q4 2013		**0.0914**
Arithmetic mean for Q4 2013		**0.0990**

Selected financial information presented in these financial statements was translated into the euro in the following manner:

- items of the statement of financial position were translated at the closing exchange rate quoted by the NBP for the reporting date;
- items of the statement of comprehensive income were translated at the exchange rate computed as the arithmetic mean of monthly exchange rates quoted in Q4 2013.

Date	EUR	PLN
Jan 31 2013	EUR 1	4.1870
Feb 28 2013	EUR 1	4.1570
Mar 29 2013	EUR 1	4.1774
Apr 30 2013	EUR 1	4.1429
May 31 2013	EUR 1	4.2902
Jun 28 2013	EUR 1	4.3292
Jul 31 2013	EUR 1	4.2427
Aug 31 2013	EUR 1	4.2654
Sep 30 2013	EUR 1	4.2163
Oct 31 2013	EUR 1	4.1766
Nov 29 2013	EUR 1	4.1998
Dec 31 2013	EUR 1	4.1472
EUR exchange rate at the end of Q4 2013		**4.1472**
Arithmetic mean for Q4 2013		**4.2110**

Condensed separate financial statements of Pfleiderer Grajewo S.A., the Parent, prepared in accordance with IFRS

Separate statement of financial position as at December 31st 2013 (PLN '000)

	Note	Total Dec 31 2013	Total Sep 30 2013	Total Dec 31 2012	Total Sep 30 2012
Assets					
Property, plant and equipment		116,340	100,909	103,056	102,555
Intangible assets		1,619	1,702	2,244	1,842
Investments in related entities		785,817	562,343	562,334	808,913
Other non-current financial assets		18,672	10	10	10
Deferred tax assets		0	16,185	0	0
Non-current loans advanced to subsidiaries		9,525	458	430	352,901
Non-current receivables – prepayments for tangible assets		4,936	1,661	472	1,105
Non-current assets		**936,909**	**683,268**	**668,546**	**1,267,326**
Inventories		65,240	65,540	63,537	70,944
Current tax assets		20,399	7,911	0	0
Trade and other receivables	1	53,205	113,551	75,146	145,943
Cash and cash equivalents		4,826	65,576	1,719	2,536
Loans advanced to subsidiaries		0	0	6,832	0
Cash flow hedges		0	744	0	0
Disposal group		0	0	611,883	0
Current assets		**143,670**	**253,322**	**759,117**	**219,423**
Total assets		**1,080,579**	**936,590**	**1,427,663**	**1,486,749**
Equity					
Share capital		16,376	16,376	16,376	16,376
Share premium		289,806	289,806	289,806	289,806
Statutory reserve funds		207,762	207,762	195,759	195,759
Cash flow hedges		0	744	0	0
Retained earnings/(deficit)		109,085	97,286	35,085	37,817
Total equity		**623,029**	**611,974**	**537,026**	**539,758**
Liabilities					
Borrowings and other debt instruments		0	0	24,467	446,986
Employee benefit obligations		6,114	5,412	5,412	4,895
Deferred tax liabilities		406	0	984	4,946
Non-current liabilities		**6,520**	**5,412**	**30,863**	**456,827**
Borrowings and other debt instruments		26,652	0	457,254	108,613
Liabilities to related entities under debt securities		289,678	226,813	292,005	265,698
Trade and other payables	2	122,112	78,577	100,368	106,780
Employee benefit obligations		12,595	13,814	10,147	9,073
Current liabilities		**451,037**	**319,204**	**859,774**	**490,164**
Total liabilities		**457,557**	**324,616**	**890,637**	**946,991**
Total equity and liabilities		**1,080,579**	**936,590**	**1,427,663**	**1,486,749**

OFF-BALANCE-SHEET ITEMS	Dec 31 2013 end of Q4 2013 (PLN ‘000)	Sep 30 2013 end of Q3 2013 (PLN ‘000)	Dec 31 2012 end of Q4 2012 (PLN ‘000)	Sep 30 2012 end of Q3 2012 (PLN ‘000)
Contingent liabilities	4,622	4,699	48,880	67,229
To other entities, including:	4,622	4,699	48,880	67,229
- guarantees and sureties issued	4,622	4,699	48,880	67,229
Total off-balance-sheet items	4,622	4,699	48,880	67,229

Changes in the statement of financial position of Pfleiderer Grajewo S.A., the Parent
Following amendment to IAS 16, the Parent changed the presentation of spare parts in its statement of financial position. As at the end of 2013, spare parts were reclassified from inventories to property, plant and equipment. It had not material impact on the presentation of financial statements

Separate statement of comprehensive income for the period January 1st – December 31st 2013 (PLN ’000)

	Total Jan 1– Dec 31 2013	**Total Jan 1– Dec 31 2012**
Revenue	669,253	725,259
Cost of sales	(576,239)	(626,808)
Gross profit	**93,014**	**98,451**
Other income (*)	5,164	7,774
Distribution costs	(29,908)	(29,544)
Administrative expenses	(27,379)	(29,012)
Other expenses (*)	(1,021)	(7,787)
Operating profit	**39,870**	**39,882**
Finance income (*)	105,837	61,213
Finance costs (*)	(21,500)	(90,264)
Net finance income/(costs)	**84,337**	**(29,051)**
Profit before tax	**124,207**	**10,831**
Income tax expense	(38,204)	1,172
Net profit for reporting period	**86,003**	**12,003**
Total comprehensive income for the period	**86,003**	**12,003**
Basic earnings per share (PLN)	1.73	0.24
Diluted earnings per share (PLN)	1.73	0.24

(*)change of operating forex presentation, further description in point III.1.c “changes of accounting principles and below, Q4 2012 restated

During 2013, the Parent has changed the classification of exchange differences. Exchange differences on operating activities were reclassified from financing activities to other income or other expenses, as appropriate. Following reclassification of the comparative data, other income for the whole of 2012 increased by PLN 424 thousand, and other expenses grew by PLN 1,962 thousand, while finance income and finance costs decreased by the corresponding amount**.**

The Parent Company has revised the estimated effects of economic usefulness of annual overhauls and made them capitalized. As a result costs of PLN 2.3m previously presented under cost of sales, were capitalised under property, plant and equipment and amortised based on the economic useful life of the assets.

Separate statement of changes in equity for the period January 1st – December 31st 2013 (PLN ’000)

	Share capital	Share premium	Statutory reserve funds	Retained earnings/(deficit)	Total
As at Jan 1 2013	**16,376**	**289,806**	**195,759**	**35,085**	**537,026**
Comprehensive income for the period					
Net profit	0	0	0	86,003	86,003
Comprehensive income for the period	0	0	0	86,003	86,003
Transactions with owners recognised in equity					
Transfer of part of 2012 net profit to statutory reserve funds	0	0	12,003	(12,003)	0
Transactions with owners recognised in equity	0	0	12,003	(12,003)	0
As at Dec 31 2013	**16,376**	**289,806**	**207,762**	**109,085**	**623,029**

Separate statement of changes in equity for the period January 1st – December 31st 2012 (PLN ’000)

	Share capital	Share premium	Statutory reserve funds	Retained earnings/(deficit)	Total
As at Jan 1 2012	**16,376**	**289,806**	**154,958**	**63,883**	**525,023**
Comprehensive income for the period					
Net profit	0	0	0	12,003	12,003
Comprehensive income for the period	0	0	0	12,003	12,003
Transactions with owners recognised in equity					
Transfer of part of 2011 net profit to statutory reserve funds	0	0	40,801	(40,801)	0
Transactions with owners recognised in equity	0	0	40,801	(40,801)	0
As at Dec 31 2012	**16,376**	**289,806**	**195,759**	**35,085**	**537,026**

Separate statement of cash flows for the period January 1st–September 30th 2013 (PLN '000), including comparative data

	Jan 1– Dec 31 2013	Jan 1– Dec 31 2012
Cash flows from operating activities		
Net profit/loss	**86,003**	**12,003**
Adjustments	(22,665)	29,602
Depreciation and amortisation	13 755	13,510
Foreign exchange gains/losses	(1,296)	12,830
Dividend and interest for the period	8,224	9,552
Gain/loss on sale of shares	(92,830)	0
Gain/loss on disposal of intangible assets and property, plant and equipment	78	(11)
Income tax expense	38,204	(1,172)
Change in trade and other receivables	29,376	(23,974)
Change in inventories	(3 172)	15,906
Change in trade and other payables	(17,296)	688
Change in employee benefit obligations	3,150	1,069
Result on forward contracts	2,332	851
Other adjustments	(3 557)	353
Cash flows from operating activities	**63,338**	**41,605**
Interest received	910	148
Interest paid	(94)	(98)
Income tax paid	(59,182)	(4,436)
Net cash from operating activities	**4 972**	**37,219**
Cash flows from investing activities		
Disposal of property, plant and equipment	309	293
Interest received	24	44,365
Acquisition of intangible assets and property, plant and equipment	(23,496)	(8,723)
Other adjustments concerning spare parts	529	0
Dividend and profit distributions	9,991	29,104
Acquisition of subsidiary	(193,132)	(18)
Disposal of a subsidiary	687,764	0
Repayment of loans advanced	4,514	47,883
Loans advanced	(9,263)	0
Net cash from investing activities	**477,240**	**112,904**
Cash flows from financing activities		
Repayment of borrowings and other debt instruments	(483,358)	(74,508)
Increase in borrowings and other debt instruments	26,652	0
Redemption of debt securities	(1,021,461)	(2,196,516)
Issue of debt securities	1,019,448	2,195,470
Interest paid	(20,386)	(74,230)
Cash flows from financing activities	**(479,105)**	**(149,784)**
Change in cash	3,107	339
Cash at beginning of the period	1,719	1,380
Cash at end of the period	**4,826**	**1,719**

Supplementary information to the condensed separate financial statements of Pfleiderer Grajewo S.A., the Parent

1. Notes to the separate statement of financial position

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

	Dec 31 2013	Sep 30 2013	Dec 31 2012	Sep 30 2012
Trade receivables other than from related entities	12,080	22,367	14,392	27,606
Trade and other receivables from related entities	22,276	43,077	46,386	33,987
Current prepayments and accrued income	3,758	5,903	8,744	7,038
Current VAT receivables	5,157	9,994	4,134	4,169
Other receivables	9,934	32,210	1,490	73,143
Total	**53,205**	**113,551**	**75,146**	**145,943**

Other receivables included mainly receivables under the sale of shares in a subsidiary, totalling PLN 8,294 thousand.

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

	Dec 31 2013	Sep 30 2013	Dec 31 2012	Sep 30 2012
Trade payables	38,599	35,961	63,504	62,903
Liabilities to related entities	14,509	21,651	19,928	28,598
Liabilities under factoring agreements	19,591	15,257	9,480	8,968
Liabilities under investment supplies	6,773	1,054	3,463	1,325
Liabilities under purchase of stake in a subsidiary	29,360	0	0	0
Other liabilities	13,280	4,654	3,993	4,986
Total	**122,112**	**78,577**	**100,368**	**106,780**

Other liabilities included primarily accrued expenses and other provisions.