

## POLISH FINANCIAL SUPERVISION AUTHORITY

**Consolidated Quarterly Report Qsr 3 / 2011**

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 3rd quarter of the financial year 2011, covering the period from July 1st to September 30th 2011,

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: November 14th 2011

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**Pfleiderer Grajewo Spółka Akcyjna**

(full name)

**GRAJEWO**

(abbreviated name)

**19-203**

(postal code)

**Wiórowa**

(street)

**0-86 272 96 00**

(telephone number)

[grajewo@pfleiderer.pl](mailto:grajewo@pfleiderer.pl)

(e-mail)

**719-10-00-479**

(NIP – Tax Identification Number)

**wood products**

(sector according to the Warsaw Stock Exchange's classification)

**Grajewo**

(registered office)

**1**

(number)

**0-86 272 39 83**

(fax number)

[www.pfleiderer.pl](http://www.pfleiderer.pl)

(web site)

**4500933817**(REGON – Industry Registration Number)

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FINANCIAL HIGHLIGHTS	PLN '000		EUR '000	
	3 quarter cumulative / 2011 Jan 1-Sep 30 2011	3 quarter cumulative / 2010 Jan 1-Sep 30 2010	3 quarter cumulative / 2011 Jan 1-Sep 30 2011	3 quarter cumulative / 2010 Jan 1-Sep 30 2010
	Condensed consolidated financial statements data			
I. Sales revenue	1 244 622	980 575	307 976	244 979
II. Operating profit/(loss)	91 330	23 133	22 599	5 779
III. Profit/(loss) before tax	9 753	-43 413	2 413	-10 846
IV. Net profit	2 300	-36 977	569	-9 238
V. Net profit attributable to equity holders of the parent	10 264	-23 473	2 540	-5 864
VI. Net cash provided by (used in) operating activities	100 154	47 149	24 783	11 779
VII. Net cash provided by (used in) investing activities	-13 213	-17 194	-3 269	-4 296
VIII. Net cash provided by (used in) financing activities	-63 492	-54 690	-15 711	-13 663
IX. Total net cash flow	23 449	-24 735	5 802	-6 180
X. Total assets	1 936 803	1 852 471	439 065	467 760
XI. Liabilities	1 407 957	1 356 297	319 178	342 473
XII. Non-current liabilities	946 655	1 032 164	214 603	260 628
XIII. Current liabilities	461 302	324 133	104 575	81 846
XIV. Equity	528 846	496 174	119 887	125 287
XV. Share capital	16 376	16 376	3 712	4 135
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	18 666	-27 582	4 619	-6 825
XIX. Earnings per ordinary share (PLN/EUR)*	0,38	-0,56	0,09	-0,14
XX. Diluted earnings per ordinary share (PLN/EUR)*	0,38	-0,56	0,09	-0,14
XXI. Book value per share (PLN/EUR)	10,66	10,00	2,42	2,27
XXII. Diluted book value per share (PLN/EUR)	10,66	10,00	2,42	2,27
XXIII. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00

#### Condensed financial statements data

XXIV. Sales revenue	541 357	441 015	133 956	110 180
XXV. Operating profit/(loss)	27 888	20 074	6 901	5 015
XXVI. Profit/(loss) before tax	33 017	971	8 170	243
XXVII. Net profit/(loss)	28 149	2 676	6 965	669
XXVIII. Net cash provided by (used in) operating activities	25 257	35 653	6 250	8 907
XXIX. Net cash provided by (used in) investing activities	18 185	-23 057	4 500	-5 760
XXX. Net cash provided by (used in) financing activities	-31 334	-15 752	-7 753	-3 935
XXXI. Total net cash flow	12 108	-3 156	2 996	-788
XXXII. Total assets	1 556 598	1 480 137	352 874	373 744
XXXIII. Liabilities	1 047 259	995 326	237 409	251 326
XXXIV. Non-current liabilities	491 796	567 840	111 488	143 383
XXXV. Current liabilities	555 463	427 486	125 921	107 943
XXXVI. Equity	509 339	484 811	115 465	122 418
XXXVII. Share capital	16 376	16 376	3 712	4 135
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	26 767	-374	6 623	-93
XLI. Earnings per ordinary share (PLN/EUR)*	0,54	-0,03	0,13	-0,01
XLII. Diluted earnings per ordinary share (PLN/EUR)*	0,54	-0,03	0,13	-0,01
XLIII. Book value per share (PLN/EUR)	10,26	9,80	2,33	2,47
XLIV. Diluted book value per share (PLN/EUR)	10,26	9,80	2,33	2,47
XLV. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00

\* Based on annualised profit

data in lines : X-XV, XXXII-XXXVII are presented accordingly:

column.1 - for 30.09.2011

column.2 - for 31.12.2010

column.3 - for 30.09.2011

column.4 - for 31.12.2010

**Consolidated Quarterly Report QSr 3/2011**

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 Pfleiderer Grajewo S.A. of Grajewo hereby releases the quarterly report for Q3 2011.

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**PRESIDENT'S INTRODUCTION TO THE Q3 2011 CONSOLIDATED REPORT**

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It is my pleasure to announce that the third quarter of the current year was yet another period in which the Pfleiderer Grajewo Group delivered a significant improvement in sales and financial performance. Sales were up by 24% year on year, with EBITDA having risen by nearly 50%. These stronger results were driven by favourable market conditions at home and in Russia, well-aimed trade decisions and high operational competence, additionally buoyed by the depreciation of the Polish currency, which put in particular our customers at an advantage. Sales of the construction board and other products marketed by the Group since mid-2010 have grown to represent a prominent share in the total sales structure. It is worth noting that the growth in sales was accompanied by stronger EBITDA. After a period of slowdown brought about by the 2009 economic recession, the Russian market, where the Group generates nearly 20% of its sales, has recovered to a two-digit growth rate. The net financial result might have been still better by ten to twenty million if it were not for higher finance expenses associated with the revaluation of foreign-currency loans and borrowings in Russia, following from the depreciation of the Eastern European currencies.

As usual, the second half of the year was a period of peak demand, which resulted in full utilisation of the Group's production capacities, with the production efficiency levels remaining high. In Q3 2011, the prices of strategic raw materials, including wood, adhesives, resin and mazout, stabilised.

CAPEX projects, largely limited to modernisation and replacement projects, are progressing as planned. In line with the adopted policy, we plan to double capital expenditure next year as our financial standing improves. As banks' positive decision for financing the MDF plant construction in Russia is conceivable, it will be the more likely that the project will actually enter the implementation stage. At this point, project owners must contribute their shares of the necessary financing. As announced earlier, we are considering an option to raise the financing through a share issue. Pfleiderer Grajewo S.A. is currently in the process of securing the necessary corporate approvals and decisions from the institutions financing the Company's day-to-day operations.

As at September 30th 2011, the Group was in compliance with the financial covenants under its credit facility agreements. By the end of 2011, debt towards banks will have been reduced by a total of PLN 60m plus year on year. The Management Board of Pfleiderer Grajewo S.A. aims to further reduce the debt in the years to come.

Despite an active approach to hedging, the Group remains exposed to currency risk, largely of non-monetary nature, related to potential fluctuations in the PLN/EUR and RUB/EUR exchange rates, which may affect its future performance.

The outlook for the fourth quarter is promising, which should help close the financial year with overall net profit, despite the significant burden of debt servicing cost, including that relating to the suspended investment project in Russia.

Yours faithfully,

Wojciech Gątkiewicz  
President of the Management Board

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## II. GENERAL INFORMATION

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

Pfleiderer Grajewo S.A. is the Parent Undertaking of the Pfleiderer Grajewo Group.

The Parent Undertaking, under its former name of Zakłady Płyt Wiórowych S.A. of Grajewo, was originally registered on July 1st 1994 by the District Court, Commercial Court of Łomża, in 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 Company's registered office is located at ul. Wiórowa 1, Grajewo, Poland.

On September 18th 2002, the Management Board of the Parent Undertaking received a decision from the District Court of Białystok to enter the Company's new name in the National Court Register. Accordingly, on September 18th 2002, the Parent Undertaking'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 Company's business is registered under No. 1621 Z.

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

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

1. Wojciech Gątkiewicz	President
2. Rafał Karcz	Member
3. Dariusz Tomaszewski	Member
4. Radosław Wierzbicki	Member.

With effect from February 8th 2011, Johann Bitzi, Vice-President of the Management Board, was removed from office as member of the Pfleiderer Grajewo Management Board.

Composition of the Supervisory Board as at September 30th 2011:

1. Paweł Wyrzykowski	Chairman
2. Hans H. Overdiek	Member
3. Michael Wolff	Member
4. Heiko Graeve	Member
5. Jan Woźniak	Member.

On 17.10.2011 Mr. Heiko Graeve submitted a resignation from a position of member of Supervisory Board.

Extraordinary General Shareholders Meeting of Pfleiderer Grajewo S.A. was convened for 24.11.2011 to appoint new member of Supervisory Board.

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

The financial statements of Pfleiderer Grajewo S.A. (Parent Undertaking), Pfleiderer Prospan S.A., Pfleiderer OOO, Pfleiderer MDF OOO, Silekol Sp. z o.o., Pfleiderer MDF Sp. z o.o., Jura Polska Sp. z o.o., and Unifloor Sp. z o.o. (subsidiary undertakings) were consolidated using the full method. Financial information for the comparative period of Q3 2011 comprises separate financial statements

of Pfleiderer Grajewo S.A. prepared in accordance with the IFRS, and separate financial statements of Pfleiderer Prospan S.A., Pfleiderer OOO, Pfleiderer MDF OOO, Silekol Sp. z o.o. and Pfleiderer MDF Sp. z o.o., Jura Polska Sp. z o.o. and Unifloor Sp. z o.o.

### **III. CHANGES IN ACCOUNTING POLICIES**

#### **1. Accounting policies**

##### **(a) Compliance statement**

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

The financial statements were prepared on the assumption that the Company would continue as a going concern in the foreseeable future. As at the date of publication of the 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 Q3 2011 and comparative data were prepared in accordance with the accounting policies presented 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 for preparation of the financial statements**

The companies comprising the Group, namely Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., Pfleiderer MDF Sp. z o.o., and Silekol Sp. z o.o. maintain their accounting records in compliance with the International Financial Reporting Standards (IFRS), whereas Pfleiderer OOO and Pfleiderer MDF OOO apply accounting policies based on the Russian standards; their data was restated for the purpose of consolidation to meet the requirements imposed under the International Financial Reporting Standards. As concerns Jura Polska Sp. z o.o. and Unifloor Sp. z o.o., their accounting records are kept in accordance with the policies and common practice applied by Polish companies; their data was also restated for the purpose of consolidation. The consolidated financial statements, prepared on the basis of the accounting records of the Group companies, reflect adjustments made to present 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.

The consolidated financial statements of the Group and the separate financial statements of the Parent Undertaking prepared as at September 30th 2011 have not been audited.

The separate financial statements of the Parent Undertaking as at September 30th 2011 were prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Committee (IASC), as well as with the interpretations issued by the IASC Standing Interpretations Committee.

## IV. FINANCIAL HIGHLIGHTS

### 1. Group's consolidated sales revenue and changes thereof

The table below presents a comparison of the Q3 2011 and Q3 2010 data.

Income statement	Q3 2011 Jul 1- Sep 30 2011		Q3 2010 Jul 1- Sep 30 2010	
	(PLN '000)	%	(PLN '000)	%
	/A/	/B/	/C/	/D/
Sales revenue	445,490	100,0%	359,971	100,0%
Cost of sales (*)	-348,746	-78,3%	-279,531	-77,7%
<b>Gross profit</b>	<b>96,744</b>	<b>21,7%</b>	<b>80,440</b>	<b>22,3%</b>
Other income	413	0,1%	2,033	0,6%
Selling costs (*)	-27,234	-6,1%	-24,195	-6,7%
General and administrative expenses (*)	-15,467	-3,5%	-28,948	-8,0%
Other expenses	-8,797	-2,0%	-4,192	-1,2%
<b>Operating profit/loss</b>	<b>45,659</b>	<b>10,2%</b>	<b>25,138</b>	<b>7,0%</b>
Finance income	2,949	0,7%	167	0,0%
Finance expenses	-40,275	-9,0%	-50,555	-14,0%
Net finance income/(expenses)	-37,326	-8,4%	-50,388	-14,0%
<b>Profit/loss before tax</b>	<b>8,333</b>	<b>1,9%</b>	<b>-25,250</b>	<b>-7,0%</b>
Income tax	-7,281	-1,6%	5,650	1,6%
<b>Net profit/loss</b>	<b>1,052</b>	<b>0,2%</b>	<b>-19,600</b>	<b>-5,4%</b>
Net loss attributable to minority interests	-5,498	-1,2%	-6,603	-2,2%
<b>Net profit attributable to majority interests</b>	<b>6,550</b>	<b>1,5%</b>	<b>-12,997</b>	<b>-3,2%</b>
<b>EBITDA</b>	<b>65,238</b>	<b>14,6%</b>	<b>44,023</b>	<b>12,2%</b>

### Commentary to the income statement

(\*) As from 2011, some of the general and administrative expenses have been allocated to cost of sales or selling costs. This change did not affect operating profit/loss. If the Group reclassified the comparative data for Q3 2010, cost of sales in that period would amount to approximately PLN 288,2m, gross profit – to approximately PLN 71,7 m, selling costs – to approximately PLN 24,5m, and general and administrative expenses – to approximately PLN 20,0m, with operating profit/loss remaining unchanged.

In addition, in Q3 2011 the Group carried out a periodic review of useful lives of tangible assets. Following the review, the useful lives of plant and equipment were extended, as a result of which depreciation/amortisation charges in Q1–Q3 2011 amounted to PLN 58.1m (together with intangible assets), compared with PLN 78.9m in Q1–Q3 2010.

Sales revenue posted by the Group in Q3 2011 rose by 24% year on year. The drop is attributable to improved situation on the market of wood-based boards resulting from increased demand for furniture in Europe.

In Q3 2011, sales margin grew by 2 percentage points year on year (taking in consideration data changed caused by cost allocations) . Higher sales margin primarily follows from higher prices of finished goods and lower cost of sales.

Compared with Q3 2010, the Group's operating profit rose by PLN 20,6m to PLN 45,7m, which was attributable mainly to improved gross profit, implementation of a cost reduction programme (which

resulted in a decrease in general and administrative expenses), and lower depreciation charges resulting from a review of useful lives of property, plant and equipment.

Net finance expense was attributable primarily to interest on loans and borrowings and foreign exchange losses under EUR-denominated loans and borrowings contracted by the Russian subsidiaries ( primarily negative unrealized exchange losses on long-term positions) .

## **2. Net cash position**

In Q3 2011, the Group's net debt under loans, finance leases and borrowings dropped by PLN 19.2m, mainly due to its high operating profit. As at September 30th 2011, the Group's net debt under bank loans and borrowings stood at PLN 1,020.4m.

## **3. Equity**

As at the end of Q3 2011, the Group's equity was PLN 536.7m, up by PLN 15.2m quarter on quarter. The increase was attributable mainly to the Group's net profit earned in that period.

## **4. Sale of shares or assets**

In Q3 2011, the Pfleiderer Grajewo Group reported a gain on disposal of non-current assets of PLN 0.3m.

**V. THE GROUP'S SALES**

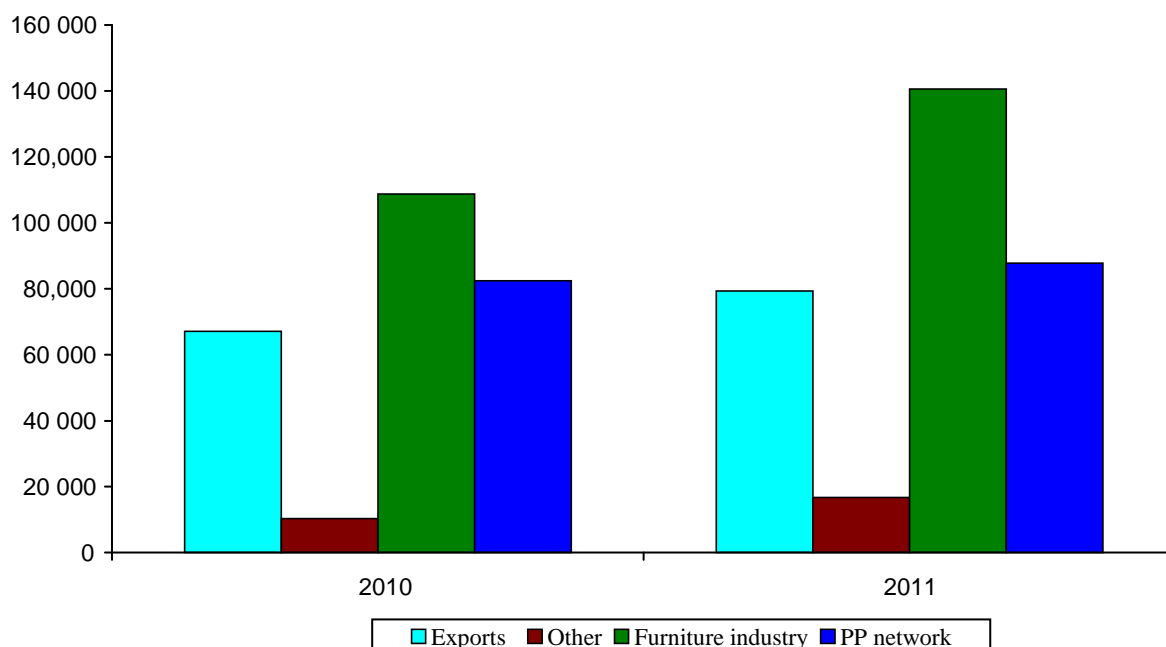
**1. Domestic and export sales**

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 Pfleiderer Grajewo S.A., Pfleiderer Prospan S.A., and Pfleiderer MDF Sp. z o.o.

**Sales structure in Q3 2011 and Q3 2010 (PLN '000)**

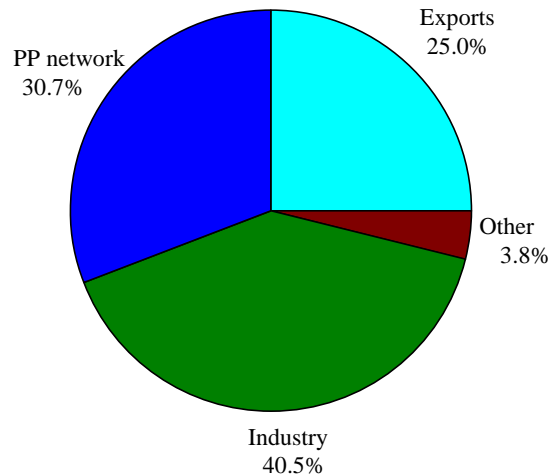


**Figure: Sales structure in Q3 2011 and Q3 2010 (PLN '000).**

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. Year on year, in Q3 2011 direct sales to large and medium-sized furniture manufacturers rose by 29% in value terms, and to the Pfleiderer Partner wholesalers network – by 7% in value terms. Export sales increased by 18% in the reporting period. Sales through other distribution channels rose significantly, by 63%. The rise is mostly attributable to growing sales of a new product – the MFP board for construction applications.

In Q3 2011, the shares of individual distribution channels in total sales were as follows:

**Share of distribution channels in total sales in Q3 2011**



**Figure: Share of distribution channels in total sales in Q3 2011.**

In Q3 2011, relative to Q3 2010, the shares of individual distribution channels in the sales structure changed. The share of direct sales to large and medium-sized furniture manufacturers went up from 40.5% to 43.3% and the sales through other distribution channels rose from 3.8% to 5.2%. At the same time, the share of sales to the Pfleiderer Partner wholesale network declined from 30.7% to 27.1% and the share of export sales fell from 25.0% to 24.5%.

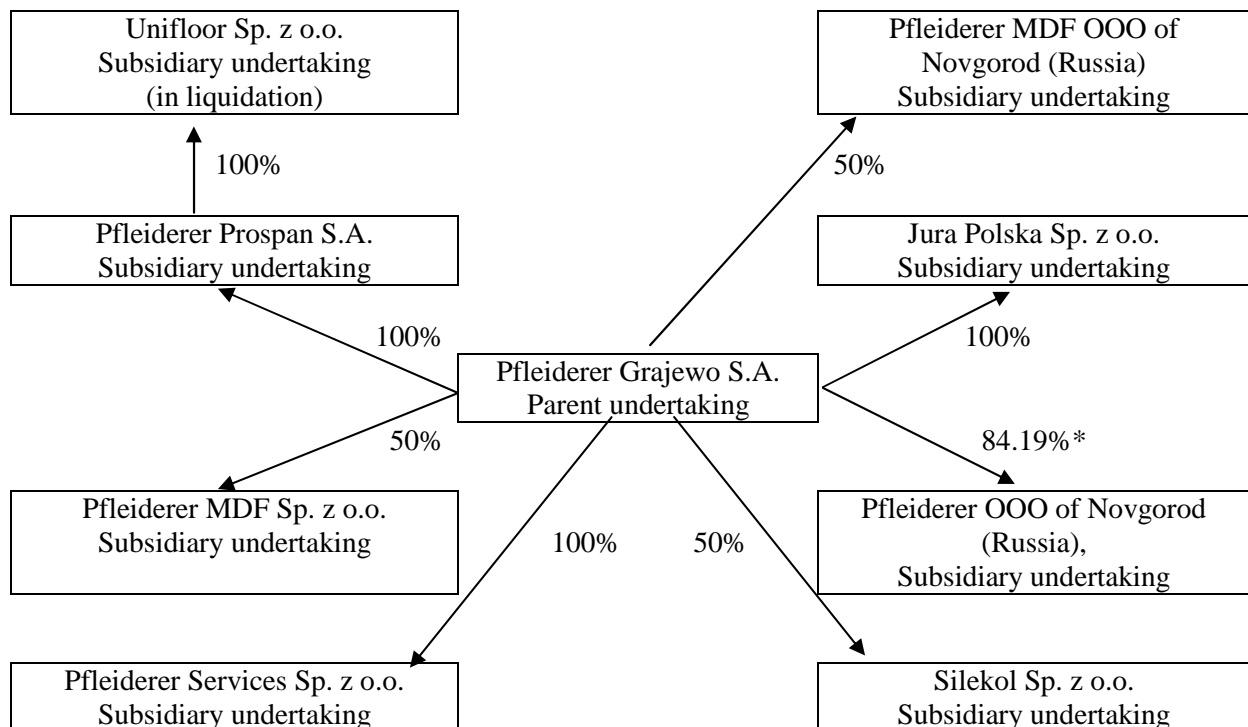
## VI. Q3 2011 RESULTS

### 1. Composition of the Pfleiderer Grajewo Group

#### a. Structure of the Pfleiderer Grajewo Group

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

Structure of the Pfleiderer Grajewo Group as at September 30th 2011:



\*Pfleiderer Grajewo S.A. holds a call option which allows it to early repurchase the shares in Pfleiderer OOO held by the EBRD. The EBRD holds a put option which allows it to sell early the shares held in Pfleiderer OOO to the Company in the event of default under financing agreements. Accordingly, the Parent Undertaking (Pfleiderer Grajewo S.A.) treats Pfleiderer OOO as its wholly-owned subsidiary undertaking. In the consolidated financial statements of the Pfleiderer Grajewo Group, 100% of Pfleiderer OOO's profit is subject to consolidation.

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

**b. Changes in the Pfleiderer Grajewo Group's structure in the reporting period**

There were no changes in the structure of the Group in Q3 2011.

**c. Business profile**

The Pfleiderer Grajewo Group is an arm of the international Pfleiderer Group and its Business Centre for Eastern Europe, which builds upon extensive experience on the market for wood-based products. 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.

**The scope of business of Pfleiderer Grajewo S.A., the Parent Undertaking, includes:**

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

**Business profiles of other companies of the Pfleiderer Grajewo Group:****Pfleiderer Prospan S.A.**

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

**Pfleiderer OOO**

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

**Pfleiderer MDF OOO**

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

**Silekol Sp. z o.o.**

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

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

**Pfleiderer MDF Sp. z o.o.**

- manufacture of MDF boards and other wooden and wood-based products,
- trade at home and abroad
- generation and distribution of heat.

**Jura Polska Sp. z o.o.**

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

**Unifloor Sp. z o.o. (in liquidation)**

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

**Pfleiderer Services Sp. z o.o.**

- The company has suspended its operations.

**d. Non-consolidated undertakings**

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

**e. Subsidiary undertakings comprising the Pfleiderer Grajewo Group**

**Pfleiderer Prospan S.A.** – a joint-stock company entered into the Polish commercial register maintained by the District Court of Kalisz under No. RHB 1754, on September 23rd 1997, under the name of Zakłady Płyt Wiórowych Prospan S.A.; subsequently, on September 17th 2001, registered by the District Court of Łódź-Śródmieście, XX Division of the National Court Register, under No. KRS 0000042082.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**2. Consolidated financial results**
**Consolidated statement of financial position as at September 30th 2011 (PLN '000)**

	<b>Total Sep 30 2011</b>	<b>Total Jun 30 2011</b>	<b>Total Dec 31 2010</b>	<b>Total Sep 30 2010</b>
<b>Assets</b>				
Property, plant and equipment	1,137,791	1,097,664	1,122,139	1,134,213
Intangible assets	3,135	3,900	4,704	4,713
Goodwill	107,829	107,829	107,829	107,829
Investments in related undertakings	52	52	52	52
Other non-current financial assets	10	31	10	10
Investment property	4,300	4,300	4,300	0
Deferred tax assets	11,915	17,653	15,736	21,580
Non-current receivables – prepayments for tangible assets	199,284	222,629	217,403	214,908
Government assistance receivable	14,549	14,549	14,549	16,572
<b>Non-current assets</b>	<b>1 478 865</b>	<b>1,468,607</b>	<b>1,486,722</b>	<b>1,499,877</b>
Inventories	243,891	218,859	181,487	191,880
Income tax receivable	107	77	724	365
Trade and other receivables	170,623	157,066	163,057	194,109
Other current financial assets	0	0	24	0
Cash and cash equivalents	43,317	35,254	19,868	6,129
Cash flow hedges	0	818	589	988
<b>Current assets</b>	<b>457,938</b>	<b>412,074</b>	<b>365,749</b>	<b>393,471</b>
<b>Total assets</b>	<b>1,936,803</b>	<b>1,880,681</b>	<b>1,852,471</b>	<b>1,893,348</b>
<b>Equity</b>				
Share capital	16,376	16,376	16,376	16,376
Share premium account	289,806	289,806	289,806	289,806
Statutory reserve funds	155,005	155,005	153,711	153,729
Revaluation reserve	619	619	619	0
Cash flow hedges	(3,032)	818	589	988
Exchange differences on translation of subsidiary undertakings	(10,127)	(12,930)	(14,829)	(15,979)
Exchange differences on net investments in subsidiary undertakings	(4,894)	(11,515)	(15,349)	(18,506)
Retained earnings	10,948	4,398	1,978	(6,312)
<b>Equity (attributable to owners of the parent)</b>	<b>454,701</b>	<b>442,577</b>	<b>432,901</b>	<b>420,102</b>
<b>Non-controlling interests</b>	<b>74,145</b>	<b>78,997</b>	<b>63,273</b>	<b>64,551</b>
<b>Total equity</b>	<b>528,846</b>	<b>521,574</b>	<b>496,174</b>	<b>484,653</b>
<b>Liabilities</b>				
Non-current portion of bank loans and borrowings	906,094	877,854	994,038	1,029,662
Non-current portion of finance lease liabilities	44	43	87	99
Employee benefits payable	6,013	6,013	6,013	5,203
Provisions	619	619	640	1,657
Deferred tax liabilities	8,834	5,475	5,535	9,941
Deferred income under government assistance	25,051	25,257	25,851	26,887
<b>Non-current liabilities</b>	<b>946,655</b>	<b>915,261</b>	<b>1,032,164</b>	<b>1,073,449</b>
Current portion of bank loans and borrowings	157,428	196,840	62,870	60,971
Current portion of finance lease liabilities	111	108	142	180
Income tax payable	905	1,112	0	818
Trade and other payables	285,542	227,322	242,912	257,727
Employee benefits payable	16,128	17,276	17,021	13,116
Deferred income under government assistance	1,188	1,188	1,188	2,434
<b>Current liabilities</b>	<b>461,302</b>	<b>443,846</b>	<b>324,133</b>	<b>335,246</b>
<b>Total liabilities</b>	<b>1,407,957</b>	<b>1,359,107</b>	<b>1,356,297</b>	<b>1,408,695</b>
<b>Total equity and liabilities</b>	<b>1,936,803</b>	<b>1,880,681</b>	<b>1,852,471</b>	<b>1,893,348</b>

<b>OFF-BALANCE-SHEET ITEMS</b>	Sep 30 2011 end of Q3 2011 (PLN '000)	Jun 30 2011 end of Q2 2011 (PLN '000)	Dec 31 2010 end of Q4 2010 (PLN '000)	Sep 30 2010 end of Q3 2010 (PLN '000)
Contingent liabilities	1,210	3,028	6,662	11,456
To other undertakings, including:	1,210	3,028	6,662	11,456
- guarantees and sureties issued	1,210	3,028	6,662	11,456
<b>Total off-balance-sheet items</b>	<b>1,210</b>	<b>3,028</b>	<b>6,662</b>	<b>11,456</b>

### **Commentary on changes in key balance-sheet items**

The increase in property, plant and equipment by PLN 40.1m is primarily a result of the transfer a part of prepayments to tangible assets in construction, and foreign exchange gains on translation of assets of the Russian subsidiaries, which offset depreciation charges.

Receivables under prepayments for tangible assets fell quarter on quarter chiefly due to transfer to tangible assets in construction at the Russian subsidiaries.

As at the end of Q3 2011, no changes were recorded in goodwill. The decrease in intangible assets was due to their periodic amortisation.

The amount of government assistance receivable remained unchanged.

As at the end of Q3 2011, inventories stood at PLN 243.9m, having increased by PLN 25m relative to the end of H1 2011. This was mainly the effect of higher sales and production volumes in Q3 2011.

As at the end of Q3 2011, trade and other receivables went up by PLN 13.6m, mainly on the back of stronger sales.

As at the end of Q3 2011, the Group's total equity was PLN 536.7m, having grown by PLN 15.2m over H1 2011.

This was primarily attributable to a decrease (by PLN 6.6m compared with the end of H1 2011) in foreign exchange losses on valuation of net investments in subsidiary undertakings due to positive valuation in Q3 2011, a decrease (by PLN 3.6m relative to the end of H1 2011) in foreign exchange losses on translation of subordinated undertakings due to foreign exchange gains, and the Group's net profit in Q3 2011 of PLN 8.8m accompanied by a PLN 3.6m loss on valuation of financial instruments following from the application of hedge accounting.

As at September 30th 2011, as a result of further optimisation of working capital, liabilities rose by PLN 48.9m relative to the end of H1 2011 (including a PLN 17.5m rise in current liabilities and a PLN 31.4m increase in non-current liabilities).

**Consolidated statement of comprehensive income for the period January 1st–September 30th 2011  
 (PLN '000)**

	Note	<b>Total Jan 1–Sep 30 2011</b>	<b>Total Jan 1–Sep 30 2010</b>
		<b>Continuing operations</b>	<b>Continuing operations</b>
Sales revenue		1,244,622	980,575
Cost of sales (*)		(1,001,029)	(799,945)
<b>Gross profit</b>		<b>243,593</b>	<b>180,630</b>
Other income		3,381	6,456
Selling costs (*)		(77,651)	(63,888)
General and administrative expenses (*)		(56,756)	(85,919)
Other expenses		(21,237)	(14,146)
<b>Operating profit/loss</b>		<b>91,330</b>	<b>23,133</b>
Finance income		4,145	1,883
Finance expenses		(85,722)	(68,429)
<b>Net finance expenses</b>	3	<b>(81,577)</b>	<b>(66,546)</b>
<b>Profit/loss before tax</b>		<b>9,753</b>	<b>(43,413)</b>
Corporate income tax		(7,453)	6,436
<b>Net profit/loss</b>		<b>2,300</b>	<b>(36,977)</b>
Attributable to non-controlling interests		(7,964)	(13,504)
Attributable to owners of the parent		10,264	(23,473)
<b>EBITDA</b>		<b>149,507</b>	<b>102,038</b>
<b>Other income/expenses</b>			
Exchange differences on translation of subsidiary undertakings		5,899	2,351
Exchange differences on net investments in subsidiary undertakings		10,455	978
Effective portion of loss on fair-value measurement of hedging instruments, including corporate income tax		(3,621)	988
<b>Other income/expenses</b>		<b>12,733</b>	<b>4,317</b>
<b>Total income/expenses for period</b>		<b>15,033</b>	<b>(32,660)</b>
<b>Total income/expenses for period attributable to:</b>			
Owners of the parent		21,800	(19,827)
Non-controlling interests		(6,767)	(12,833)
<b>Total income/expenses for period</b>		<b>15,033</b>	<b>(32,660)</b>
Basic earnings per share (PLN)		0.38	(0.56)
Diluted earnings per share (PLN)		0.38	(0.56)

(\*) As from 2011, some of the general and administrative expenses presented in statement of comprehensive income have been allocated to cost of sales or selling costs. This change did not affect operating profit/loss. If the Group reclassified the comparative data for Q3 2010, cost of sales in that period would amount to approximately PLN 288,2m, gross profit – to approximately PLN 71,7 m, selling costs – to approximately PLN 24,5m, and general and administrative expenses – to approximately PLN 20,0m, with operating profit/loss remaining unchanged.

**Consolidated statement of changes in equity for the period January 1st 2010–September 30th 2011 (PLN '000)**

	Share capital	Share premium account	Statutory reserve funds	Exchange differences on translation of subordinated undertakings	Exchange differences on net investments in subsidiary undertakings	Valuation of forward contracts	Retained earnings/(deficit)	Total	Non-controlling interests	Total
<b>As at Jan 1 2010</b>	<b>16,376</b>	<b>289,806</b>	<b>133,518</b>	<b>(17,659)</b>	<b>(19,484)</b>	<b>0</b>	<b>37,372</b>	<b>439,929</b>	<b>77,384</b>	<b>517,313</b>
<b>Comprehensive income for period</b>										
Net loss	0	0	0	0	0	0	(23,473)	(23,473)	(13,504)	(36,977)
<b>Other comprehensive income</b>										
Exchange differences on translation of subordinated undertakings	0	0	0	1,680	0	0	0	1,680	671	2,351
Exchange differences on net investments in subsidiary undertakings	0	0	0	0	978	0	0	978	0	978
Exchange differences on valuation of forward contracts	0	0	0	0	0	988	0	988	0	988
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,680</b>	<b>987</b>	<b>988</b>	<b>0</b>	<b>3,646</b>	<b>671</b>	<b>4,317</b>
<b>Total comprehensive income for period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,680</b>	<b>978</b>	<b>988</b>	<b>(23,473)</b>	<b>(19,827)</b>	<b>(12,833)</b>	<b>(32,660)</b>
<b>Transactions with owners recognised in equity</b>										
Allocation of 2009 net profit to supplementary capital	0	0	20,211	0	0	0	(20,211)	0	0	0
<b>Transactions with owners recognised in equity</b>	<b>0</b>	<b>0</b>	<b>20,211</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20,211)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance as at Sep 30 2010</b>	<b>16,376</b>	<b>289,806</b>	<b>153,729</b>	<b>(15,979)</b>	<b>(18,506)</b>	<b>988</b>	<b>(6,312)</b>	<b>420,102</b>	<b>64,551</b>	<b>484,653</b>

	Share capital	Share premium account	Statutory reserve funds	Revaluation reserve	Exchange differences on translation of subsidiary undertakings	Exchange differences on net investments in subsidiary undertakings	Cash flow hedges	Retained earnings	Total	Non-controlling interests	Total
<b>As at Jan 1 2010</b>	<b>16,376</b>	<b>289,806</b>	<b>133,518</b>	<b>0</b>	<b>(17,659)</b>	<b>(19,484)</b>	<b>0</b>	<b>37,372</b>	<b>439,929</b>	<b>77,384</b>	<b>517,313</b>
<b>Comprehensive income for period</b>											
Net loss	0	0	0	0	0	0	0	(15,183)	(15,183)	(15,248)	(30,431)
<b>Other comprehensive income</b>											
Exchange differences on translation of subsidiary undertakings	0	0	0	0	2,830	0	0	0	2,830	1,137	3,967
Exchange differences on net investments in subsidiary undertakings	0	0	0	0	0	4,135	0	0	4,135	0	4,135
Effective portion of loss on fair-value measurement of hedging instruments, including corporate income tax	0	0	0	0	0	0	589	0	589	0	589
Valuation of investment property as at the reclassification date	0	0	0	619	0	0	0	0	619	0	619
Other	0	0	(18)	0	0	0	0	0	(18)	0	(18)
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>(18)</b>	<b>619</b>	<b>2,830</b>	<b>4,135</b>	<b>589</b>	<b>0</b>	<b>8,155</b>	<b>1,137</b>	<b>9,292</b>
<b>Total comprehensive income for period</b>	<b>0</b>	<b>0</b>	<b>(18)</b>	<b>619</b>	<b>2,830</b>	<b>4,135</b>	<b>589</b>	<b>(15,183)</b>	<b>(7,028)</b>	<b>(14,111)</b>	<b>(21,139)</b>
<b>Transactions with owners recognised in equity</b>											
Transfer of 2009 net profit to statutory reserve funds	0	0	20,211	0	0	0	0	(20,211)	0	0	0
<b>Transactions with owners recognised in equity</b>	<b>0</b>	<b>0</b>	<b>20,211</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20,211)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance as at Dec 31 2010</b>	<b>16,376</b>	<b>289,806</b>	<b>153,711</b>	<b>619</b>	<b>(14,829)</b>	<b>(15,349)</b>	<b>589</b>	<b>1,978</b>	<b>432,901</b>	<b>63,273</b>	<b>496,174</b>

	Share capital	Share premium account	Statutory reserve funds	Revaluation reserve	Exchange differences on translation of subordinated undertakings	Exchange differences on net investments in subsidiary undertakings	Cash flow hedges	Retained earnings/ (deficit)	Total	Non-controlling interests	Total
<b>As at Jan 1 2011</b>	<b>16,376</b>	<b>289,806</b>	<b>153,711</b>	<b>619</b>	<b>(14,829)</b>	<b>(15,349)</b>	<b>589</b>	<b>1,978</b>	<b>432,901</b>	<b>63,273</b>	<b>496,174</b>
<b>Comprehensive income for period</b>											
Net profit	0	0	0	0	0	0	0	3,714	3,714	(2,466)	1,248
<b>Other comprehensive income</b>											
Exchange differences on translation of subordinated undertakings	0	0	0	0	1,899	0	0	0	1,899	551	2,450
Exchange differences on net investments in subsidiary undertakings	0	0	0	0	0	3,834	0	0	3,834	0	3,834
Effective portion of loss on fair-value measurement of hedging instruments, including corporate income tax	0	0	0	0	0	0	229	0	229	0	229
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,899</b>	<b>3,834</b>	<b>229</b>	<b>0</b>	<b>5,962</b>	<b>551</b>	<b>6,513</b>
<b>Total comprehensive income for period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,899</b>	<b>3,834</b>	<b>229</b>	<b>3,714</b>	<b>9,676</b>	<b>(1,915)</b>	<b>7,761</b>
<b>Transactions with owners recognised in equity</b>											
Increased interest in share capital of Pfleiderer MDF Sp. z o.o.	0	0	0	0	0	0	0	0	0	17,639	17,639
Transfer of part of 2010 net profit to statutory reserve funds	0	0	1,294	0	0	0	0	(1,294)	0	0	0
<b>Transactions with owners recognised in equity</b>	<b>0</b>	<b>0</b>	<b>1,294</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,294)</b>	<b>0</b>	<b>17,639</b>	<b>17,639</b>
<b>Balance as at Jun 30 2011</b>	<b>16,376</b>	<b>289,806</b>	<b>155,005</b>	<b>619</b>	<b>(12,930)</b>	<b>(11,515)</b>	<b>818</b>	<b>4,398</b>	<b>442,577</b>	<b>78,997</b>	<b>521,574</b>

	Share capital	Share premium account	Statutory reserve funds	Revaluation reserve	Exchange differences on translation of subordinated undertakings	Exchange differences on net investments in subsidiary undertakings	Cash flow hedges	Retained earnings/ (deficit)	Total	Non-controlling interests	Total
<b>As at Jan 1 2011</b>	<b>16,376</b>	<b>289,806</b>	<b>153,711</b>	<b>619</b>	<b>(14,829)</b>	<b>(15,349)</b>	<b>589</b>	<b>1,978</b>	<b>432,901</b>	<b>63,273</b>	<b>496,174</b>
<b>Comprehensive income for period</b>											
Net profit	0	0	0	0	0	0	0	10,264	10,264	(7,964)	2,300
<b>Other comprehensive income</b>											
Exchange differences on translation of subordinated undertakings	0	0	0	0	4,702	0	0	0	4,702	1,197	5,899
Exchange differences on net investments in subsidiary undertakings	0	0	0	0	0	10,455	0	0	10,455	0	10,455
Effective portion of loss on fair-value measurement of hedging instruments, including corporate income tax	0	0	0	0	0	0	(3,621)	0	(3,621)	0	(3,621)
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,702</b>	<b>10,455</b>	<b>(3,621)</b>	<b>0</b>	<b>11,536</b>	<b>1,197</b>	<b>12,733</b>
<b>Total comprehensive income for period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,702</b>	<b>10,455</b>	<b>(3,621)</b>	<b>10,264</b>	<b>21,800</b>	<b>(6,767)</b>	<b>15,033</b>
<b>Transactions with owners recognised in equity</b>											
Increased interest in share capital of Pfleiderer MDF Sp. z o.o.	0	0	0	0	0	0	0	0	0	17,639	17,639
Transfer of part of 2010 net profit to statutory reserve funds	0	0	1,294	0	0	0	0	(1,294)	0	0	0
<b>Transactions with owners recognised in equity</b>	<b>0</b>	<b>0</b>	<b>1,294</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,294)</b>	<b>0</b>	<b>17,639</b>	<b>17,639</b>
<b>Balance as at Sep 30 2011</b>	<b>16,376</b>	<b>289,806</b>	<b>155,005</b>	<b>619</b>	<b>(10,127)</b>	<b>(4,894)</b>	<b>(3,032)</b>	<b>10,948</b>	<b>454,701</b>	<b>74,145</b>	<b>528,846</b>

**Consolidated statement of cash flows for the period January 1st–September 30th 2011 (PLN ‘000)**

	<b>Jan 1–Sep 30 2011</b>	<b>Jan 1–Sep 30 2010</b>
<b>Cash flows from operating activities</b>		
<b>Net profit/loss</b>	<b>2,300</b>	<b>(36,977)</b>
<i>Adjustments</i>	108,200	84,509
Depreciation and amortisation	58,177	78,905
Foreign exchange gains	10,293	(1,458)
Interest for period	71,731	64,498
Gain/loss on disposal of intangible assets and property, plant and equipment	(301)	(426)
Income tax expense	7,453	(6,436)
Deferred income tax charged to equity	2,452	229
Change in trade and other receivables	(7,567)	(58,343)
Change in inventories	(62,404)	(26,017)
Change in trade and other payables	33,854	39,356
Change in employee benefits payable	(893)	(3,765)
Change in provisions	(21)	(895)
Change resulting from government assistance	(800)	(2,503)
Change in currency translation differences on consolidation	(13,353)	(384)
Gains on forward contracts	225	896
<b>Cash flows from operating activities</b>	<b>101,146</b>	<b>47,532</b>
Interest received/paid	271	19
Income tax paid	(1,263)	(402)
<b>Net cash provided by/(used in) operating activities</b>	<b>100,154</b>	<b>47,149</b>
<b>Cash flows from investing activities</b>		
Disposal of non-current assets	305	3,435
Other cash provided by financial assets	24	147
Acquisition of intangible assets and property, plant and equipment	(13,542)	(20,776)
<b>Net cash provided by/(used in) investing activities</b>	<b>(13,213)</b>	<b>(17,194)</b>
<b>Cash flows from financing activities</b>		
Repayment of loans and borrowings	(43,663)	(598,853)
Increase in loans and borrowings	51,157	593,361
Change resulting from gains/losses on forward contracts	(3,032)	0
Interest paid	(67,954)	(49,198)
<b>Net cash provided by/(used in) financing activities</b>	<b>(63,492)</b>	<b>(54,690)</b>
Change in cash	23,449	(24,735)
Cash at beginning of period	19,868	30,864
<b>Cash at end of period</b>	<b>43,317</b>	<b>6,129</b>

## **VII. CAPITAL EXPENDITURE**

In Q3 2011, the Pfleiderer Grajewo Group incurred capital expenditure of PLN 13,475 thousand.

## **VIII. SUPPLEMENTARY INFORMATION**

### **1. Material agreements**

In Q3 2011, the Group did not enter into any material agreements.

### **2. Provisions**

As at the end of Q3 2011, the Group maintained a provision for employee benefits of PLN 22,141 thousand. The amount of the provision remained relatively flat compared to the end of H1 2011. It is the only provision created by the Group under IAS. Currently, Pfleiderer Grajewo S.A. maintains no other provisions under IAS.

In Q3 2011, deferred tax assets decreased by PLN 5,738 thousand over the end of H1 2011, while deferred tax liabilities rose by PLN 3,359 thousand. In the reporting period, there were no material changes in impairment losses that would have a material bearing on the Pfleiderer Grajewo Group's financial performance.

### **3. Guarantees and sureties**

As at September 30th 2011, Pfleiderer Grajewo S.A. had three outstanding sureties for an aggregate amount of up to PLN 48,542 thousand, including a surety of up to EUR 9,615 thousand issued for an unspecified period for the benefit of the European Bank for Reconstruction and Development to secure the liabilities of Pfleiderer OOO under a bank loan.

As at September 30th 2011, the amount of underlying debt secured with the sureties stood at PLN 48,542 thousand.

Additionally, Pfleiderer Grajewo S.A. has a contingent liability towards the European Bank for Reconstruction and Development under the Put/Call Option Agreement of December 28th 2005. In performance of the Agreement, in Q2 2007, Pfleiderer OOO issued, and the EBRD acquired, new shares worth EUR 7m. The Agreement provides for the Bank's equity involvement for five years from the share acquisition date. Thereafter, the shares will be sold to Pfleiderer Grajewo S.A. The annual finance expenses relating to the transaction, resulting from the difference between the purchase price and the selling price of the shares, will be equal to the interest expense on the loan advanced by the Bank to Pfleiderer OOO. Pfleiderer Grajewo S.A. has a call option allowing it to repurchase the shares held by the Bank at any time before the expiry of the five-year period. The EBRD holds a put option allowing it to sell the shares before December 28th 2010 if the financing agreements concluded by the Company and Pfleiderer OOO with the EBRD are breached and if a risk arises that the shares may not be purchased by the agreed deadline.

Furthermore, Pfleiderer Prospan S.A. and Silekol Sp. z o.o. had contingent liabilities towards banks under loans contracted by:

- Pfleiderer Grajewo S.A. – liabilities to a syndicate of Polish banks under a loan of PLN 700,000 thousand

- Pfleiderer OOO and Pfleiderer Grajewo S.A. – liabilities to the EBRD under a bank loan and a put option in the total amount of EUR 18,632 thousand.

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

#### **4. Changes in contingent assets and liabilities**

In Q3 2011, Pfleiderer Grajewo S.A.'s contingent liabilities decreased slightly as a result of repayment by Pfleiderer OOO of a loan advanced by Raiffeisen Bank, which was secured with a surety.

#### **5. Contracted and repaid loans and borrowings; debt and equity issues**

In Q3 2011, Pfleiderer Grajewo S.A. carried out 13 issues of commercial paper in the form of short-term notes with a view to optimising the management of financial liquidity within the Group. 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 subsidiary undertaking Pfleiderer Prospan S.A.

#### **6. Dividend paid**

In Q3 2011, no decisions were made concerning dividend payment.

#### **7. Performance forecast**

Given the fast-changing market environment, Pfleiderer Grajewo S.A. did not publish any financial forecasts for 2011.

#### **8. Material events subsequent to September 30th 2011**

After September 30th 2011, Pfleiderer Grajewo S.A. carried out 5 issues of commercial paper in the form of short-term notes with a view to optimising the management of financial liquidity within the Group. 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 subsidiary undertaking Pfleiderer Prospan S.A.

On October 17th 2011, Mr Heiko Graeve resigned from his position as Member of the Supervisory Board of Pfleiderer Grajewo S.A.

#### **9. Changes in the Group's structure**

There were no changes in the structure of the Group in Q3 2011.

#### **10. Transactions with owners and related parties**

In Q3 2011, Pfleiderer Grajewo S.A. carried out 13 issues of short-term notes, all of which were acquired by Pfleiderer Prospan S.A.

### **11. Change in the number of shares or options held by the management and supervisory staff**

As at the publication date of this report, the number of Pfleiderer Grajewo S.A. shares held by the Management Board members was as follows:

- Wojciech Gątkiewicz, President of the Management Board, held 5,400 shares;
- Rafał Karcz, Member of the Management Board, held 3,472 shares;
- Dariusz Tomaszewski, Member of the Management Board, held 4,108 shares;
- Radosław Wierzbicki, Member of the Management Board, held 2,000 shares.

As at the publication date of this report, the number of Pfleiderer Grajewo S.A. shares held by the Supervisory Board members was as follows:

- Paweł Wyrzykowski, Chairman of the Supervisory Board, held 4,080 shares;
- Jan Woźniak, Member of the Supervisory Board, held 10,000 shares.

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

### **12. Shareholder structure of the Company as at the report release date**

<b>Shareholder structure as at Nov 14 2011</b>	<b>Number of shares</b>	<b>% of share capital</b>	<b>Number of votes at GM</b>	<b>% of votes at GM</b>
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%
<b>TOTAL</b>	<b>49,624,000</b>	<b>100.00%</b>	<b>49,624,000</b>	<b>100.00%</b>

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 based on the most recent notification of change in the number of shares held, received by the Company on July 9th 2007.

The information on the number of Pfleiderer Grajewo S.A. shares held by ING OFE is based on the most recent notification of change in the number of shares, received by the Company on June 5th 2009.

The number of shares held by the major shareholder, Pfleiderer Service GmbH, did not change in Q3 2011.

### **13. Court proceedings**

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 Company's equity.

### **14. Other material information**

On July 20th 2011, the Extraordinary General Shareholders Meeting of Pfleiderer Grajewo adopted a resolution to:

- amend the Company's Articles of Association as regards the Management Board's authorisation to increase the Company's share capital within the limit of authorised capital, with an option to disapply, in whole or in part, the existing shareholders' pre-emptive rights to acquire shares and subscription warrants, seek the admission and introduction of the shares and allotment certificates

issued within the limit of authorised capital to trading on the regulated market and convert them into book-entry form, as well as to amend the Company's Articles of Association in connection with the Management Board's exercising its authorisation to increase the Company's share capital within the limit of authorised capital, and

- issue subscription warrants, carry out a conditional share capital increase, disapply in full the pre-emptive rights of the existing shareholders, and amend the Company's Articles of Association, as well as to seek the admission and introduction of the shares issued as part of the conditional share capital increase to trading on the regulated market, and convert them into book-entry form.

The amended Articles of Association authorise the Company's Management Board to increase the Company's share capital through an issue of up to 11,000,000 new Series E shares with a par value of PLN 0.33 per share and with a total par value of up to PLN 3,630,000 ("Series E Shares"). Subject to the Supervisory Board's consent, the Management Board, acting pursuant to its authorisation to increase the Company's share capital within the limit of authorised capital, may also issue subscription warrants exercisable by December 31st 2012 ("Warrants"). Furthermore, subject to the Supervisory Board's consent, the Management Board may disapply, in whole or in part, the existing shareholders' pre-emptive rights to acquire Series E Shares and Warrants. However, if this is the case, Series E Shares will be publicly offered by the Company at their issue price equal to or higher than EUR 50,000 as at the pricing date.

The Management Board's authorisation to increase the share capital within the limit of authorised capital expires on December 31st 2012.

The issue price of Series E Shares issued within the limit of authorised capital will be determined by the Management Board in reference to the prevailing price of the Company shares on the regulated market of the Warsaw Stock Exchange and based on the findings of an investor demand analysis performed by the Management Board, and will be such as to ensure that an acceptable amount of proceeds is earned by the Company. Warrants may be issued by the Company free of charge.

The objective behind the share capital increase within the limit of the authorised share capital is to enable the Company to raise funds for an increase of the share capital of Pfleiderer MDF OOO of Novgorod (Russia), with a view to financing Pfleiderer MDF's investment project involving the construction of a MDF/HDF board production plant.

Moreover, the amended Articles of Association provide for a conditional share capital increase by up to PLN 6,772,920, effected through an issue of up to 20,524,000 Series F ordinary bearer shares with a par value of PLN 0.33 per share (the "Series F Shares"). The purpose of the conditional share capital increase is to enable the holders of 20,524,000 subscription warrants (the "Subscription Warrants"), to be offered in a private placement to Pfleiderer Service GmbH, to acquire Series F Shares.

The Company will issue Subscription Warrants free of charge. The issue price of Series F Shares issued as part of the conditional share capital increase will be determined by the Management Board. However, the price may not be lower than the issue price of Series E Shares issued within the limit of authorised capital. If Series F Shares are acquired later than Series E Shares, the issue price of Series F Shares may not be lower than the issue price of Series E Shares plus 5% per annum.

The primary objective behind the conditional share capital increase and disapplication of the existing shareholders' pre-emptive rights to Series F Shares and to Subscription Warrants is to enable the Company to raise funds for an increase of the share capital of Pfleiderer MDF OOO of Novgorod (Russia), with a view to financing Pfleiderer MDF's investment project involving the construction of a MDF/HDF board production plant.

Moreover, the conditional share capital increase and issue of Subscription Warrants are related to the Management Board's authorisation to increase the Company's share capital within the limit of the authorised capital. Considering that a restructuring process is underway at the Pfleiderer Group in Germany, it is possible that Pfleiderer Service GmbH will not participate in the first share issue, which would lead to dilution of its existing interest in the Company's share capital and the total vote at its General Shareholders Meeting. The Company's objective is to ensure that Pfleiderer Service GmbH, the

majority shareholder, retains its existing interest. This may be achieved by carrying out a conditional share capital increase with pre-emptive rights of the existing shareholders being disappplied.

Pfleiderer Grajewo S.A.'s ability to secure financing (through a share issue) is prerequisite to providing its subsidiary – Pfleiderer MDF OOO of Novgorod, Russia, with funds necessary to complete the construction of the MDF/HDF board production plant.

Efforts aimed at securing the funds should not affect the Company's shareholder structure. Therefore, the issue of Series E shares offered to Investors is complemented by the issue of Series F Shares offered to Pfleiderer Service GmbH, Pfleiderer Grajewo S.A.'s parent undertaking, so as to ensure that the share issue does not lead to dilution of Pfleiderer Service GmbH's interest.

Furthermore, on July 20th 2011, the Extraordinary General Shareholders Meeting of Pfleiderer Grajewo S.A. resolved to repurchase the Company's own shares for cancellation. The purpose of the repurchase is to enable the Company to effectively use the surplus cash earned from the issue of shares within the limit of authorised capital.

Pfleiderer Service GmbH, the majority shareholder, is keen to retain its existing interest in the Company's share capital and the total vote at its General Shareholder Meeting. Considering that a restructuring process is underway at the Pfleiderer Group in Germany, it is possible that Pfleiderer Service GmbH will not participate in the first share issue, which would lead to dilution of its existing interest in the Company's share capital and the total vote at its General Shareholders Meeting. Acquisition by Pfleiderer Service GmbH of shares offered in subsequent share issues will enable it to recover the previously held interest in the Company's share capital and total vote, but at the same time it may generate significant surplus of cash relative to the Company's investment capital requirements.

The amendments to the Company's Articles of Association resulting from Resolution No. 1 of the Company's Extraordinary General Shareholders Meeting of July 20th 2011 were registered in the National Court Register on August 24th 2011. In particular, the information entered in the National Court Register concerned the authorised capital of PLN 3,630,000 and the par value of a conditional share capital increase of PLN 6,772,920.

On August 30th 2011, the Company published the consolidated text of its Articles of Association, providing for the amendments introduced pursuant to Resolution No. 1 of the Company's Extraordinary General Shareholders Meeting of July 20th 2011.

## **15. Financial instruments**

As the Group carries out its production and trading activities across Europe, it is exposed to currency risk related to fluctuations in the EUR/PLN exchange rate. The Polish companies belonging to the Group have mainly been using natural hedges, selecting the most adequate currency structures for their sale and purchase contracts. The complementary hedging method used are currency forwards.

As at September 30th 2011, Pfleiderer Grajewo S.A. was party to ten EUR/PLN forward contracts for the sale of EUR 10,000 thousand by the end of 2011. As at September 30th 2011, the Company recognised a loss of PLN 3,032 thousand on valuation of these forward contracts.

The other Group companies were not parties to any derivative contracts as at September 30th 2011.

The key sources of the Group's EUR/RUB currency risk in Russia include:

- the EUR-denominated loan extended by EBRD to Pfleiderer OOO,
- EUR-denominated loans contracted by Pfleiderer MDF from Pfleiderer AG.

As at September 30th 2011, the currency risk exposure in Russia was unhedged.

In Q3 2011, the Group did not hedge its interest rate risk or risk of fluctuations in raw material prices.

**16. Business segments**

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service (business segment) or in providing products or services within a particular economic environment (geographical segment), and that is subject to risks and returns that are different from those of other segments.

In Q3 2011, the Group's sales rose by 22% year on year, with export sales accounting for approximately 24% of the Group's total sales. The Group's key export destinations include Russia, Germany, Lithuania, Belarus, Kazakhstan and Sweden.

**17. Notes to the consolidated balance sheet**
**Note 1 – Trade and other receivables (PLN '000)**

	<b>Sep 30 2011</b>	<b>Jun 30 2011</b>	<b>Dec 31 2010</b>	<b>Sep 30 2010</b>
Trade receivables	117,478	114,397	119,741	138,122
Receivables from related undertakings	7,084	6,761	6,816	10,769
Current prepayments and accrued income	7,802	6,912	7,149	16,291
Current VAT receivables	27,438	22,272	22,806	26,460
Other receivables	10,821	6,724	6,545	2,467
<b>Total</b>	<b>170,623</b>	<b>157,066</b>	<b>163,057</b>	<b>194,109</b>

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

	<b>Sep 30 2011</b>	<b>Jun 30 2011</b>	<b>Dec 31 2010</b>	<b>Sep 30 2010</b>
Trade payables	223,786	172,370	190,709	209,500
Liabilities to related undertakings	11,540	14,575	17,200	11,388
VAT liabilities	1,483	1,008	1,087	773
Liabilities under factoring agreements	15,631	19,291	18,473	16,223
Liabilities under investment supplies	763	403	1,340	666
Interest expense payable	71	0	0	0
Prepaid deliveries	4,126	2,662	3,109	1,976
Deliveries prepaid by related undertakings	880	0	0	0
Other liabilities	27,262	17,013	10,994	17,201
<b>Total</b>	<b>285,542</b>	<b>227,322</b>	<b>242,912</b>	<b>257,727</b>

**18. Notes to the consolidated income statement (PLN '000) – Note 3**

	<b>Jan 1–Sep 30 2011</b>	<b>Jan 1–Sep 30 2010</b>
<b>Finance income</b>		
Interest income	430	425
Net foreign exchange gains	0	562
Gains on forward contracts	1,123	896
Other finance income	2,592	0
	<b>4,145</b>	<b>1,883</b>
<b>Finance expenses</b>		
Interest expense	(72,162)	(64,923)
Net foreign exchange loss	(10,518)	0
Loss on forward contracts	(898)	0
Other finance expenses	(2,144)	(3,506)
	<b>(85,722)</b>	<b>(68,429)</b>
<b>Net finance expenses</b>	<b>(81,577)</b>	<b>(66,546)</b>
<b>Exchange differences</b>	<b>(10,293)</b>	<b>1,458</b>
Realised	(2,001)	(1,430)
Unrealised	(8,292)	2,888

### **19. Currency translation of financial data**

The Pfleiderer Grajewo Group comprises two foreign subsidiary undertakings, Pfleiderer OOO and Pfleiderer MDF OOO, whose functional currency is the Russian rouble (RUB). For consolidation purposes, the financial statements of the said subsidiary undertakings are translated into the zloty in the following manner:

- assets and equity and liabilities in the statement of financial position are translated at the closing exchange rate quoted by the National Bank of Poland ("NBP") for the reporting date;
- items of the statement of comprehensive income are translated at the exchange rate computed as the arithmetic mean of exchange rates quoted in 2011.

Currency translation differences, if any, are recognised in equity under exchange differences on translation of subordinated undertakings.

<b>Date</b>	<b>RUB</b>	<b>PLN</b>
Jan 31 2011	RUB 1	0.0967
Feb 28 2011	RUB 1	0.0995
Mar 31 2011	RUB 1	0.0994
Apr 30 2011	RUB 1	0.0971
May 31 2011	RUB 1	0.0982
Jun 30 2011	RUB 1	0.0987
Jul 31 2011	RUB 1	0.1014
Aug 31 2011	RUB 1	0.0992
Sep 30 2011	RUB 1	0.1015
RUB exchange rate at the end of Q3 2011		<b>0.1015</b>
Arithmetic mean for 2011		<b>0.0991</b>

Selected financial information presented in these financial statements were 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 Q3 2011.

<b>Date</b>	<b>EUR</b>	<b>PLN</b>
Jan 31 2011	EUR 1	3.9345
Feb 28 2011	EUR 1	3.9763
Mar 31 2011	EUR 1	4.0119
Apr 30 2011	EUR 1	3.9376
May 31 2011	EUR 1	3.9569
Jun 30 2011	EUR 1	3.9866
Jul 31 2011	EUR 1	4.0125
Aug 31 2011	EUR 1	4.1445
Sep 30 2011	EUR 1	4.4112
EUR exchange rate at the end of Q3 2011		<b>4.4112</b>
Arithmetic mean for 2011		<b>4.0413</b>

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

**Separate statement of financial position as at September 30th 2011 (PLN '000)**

	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>
	<b>Sep 30 2011</b>	<b>Jun 30 2011</b>	<b>Dec 31 2010</b>	<b>Sep 30 2010</b>
<b>Assets</b>				
Property, plant and equipment	107,637	110,124	115,972	119,580
Intangible assets	1,775	2,251	3,208	2,879
Investments in related undertakings	810,929	807,957	790,134	790,321
Other non-current financial assets	10	10	10	10
Deferred tax assets	0	1,462	2,110	2,950
Non-current loans advanced to related undertakings	399,670	378,685	383,387	345,968
Non-current receivables – prepayments for tangible assets	1,133	0	0	0
<b>Non-current assets</b>	<b>1,321,154</b>	<b>1,300,489</b>	<b>1,294,821</b>	<b>1,261,708</b>
Inventories	80,833	60,421	50,923	59,837
Trade and other receivables	141,664	165,884	132,965	148,036
Cash and cash equivalents	12,947	6,441	839	1,708
Current loans advanced to related undertakings	0	0	0	25,658
Cash flow hedges	0	818	589	988
<b>Current assets</b>	<b>235,444</b>	<b>233,564</b>	<b>185,316</b>	<b>236,227</b>
<b>Total assets</b>	<b>1,556,598</b>	<b>1,534,053</b>	<b>1,480,137</b>	<b>1,497,935</b>
<b>Equity</b>				
Share capital	16,376	16,376	16,376	16,376
Share premium account	289,806	289,806	289,806	289,806
Statutory reserve funds	154,958	154,958	153,664	153,682
Cash flow hedges	(3,032)	818	589	988
Retained earnings	51,231	36,238	24,376	25,758
<b>Total equity</b>	<b>509,339</b>	<b>498,196</b>	<b>484,811</b>	<b>486,610</b>
<b>Liabilities</b>				
Loans and borrowings	484,633	492,929	563,435	585,016
Employee benefits payable	4,405	4,405	4,405	3,888
Deferred tax liabilities	2,758	0	0	0
<b>Non-current liabilities</b>	<b>491,796</b>	<b>497,334</b>	<b>567,840</b>	<b>588,904</b>
Loans and borrowings	133,269	154,914	30,262	24,382
Liabilities to related undertakings under debt securities	299,981	287,336	293,017	286,952
Trade and other payables	113,696	88,067	95,832	103,984
Employee benefits payable	8,517	8,206	8,375	7,103
<b>Current liabilities</b>	<b>555,463</b>	<b>538,523</b>	<b>427,486</b>	<b>422,421</b>
<b>Total liabilities</b>	<b>1,047,259</b>	<b>1,035,857</b>	<b>995,326</b>	<b>1,011,325</b>
<b>Total equity and liabilities</b>	<b>1,556,598</b>	<b>1,534,053</b>	<b>1,480,137</b>	<b>1,497,935</b>

<b>OFF-BALANCE-SHEET ITEMS</b>	Sep 30 2011 end of Q3 2011 (PLN '000)	Dec 31 2010 end of Q4 2010 (PLN '000)	Sep 30 2010 end of Q3 2010 (PLN '000)
Contingent liabilities	88,317	95,009	114,783
To other undertakings, including:	88,317	95,009	114,783
- guarantees and sureties issued	88,317	95,009	114,783
<b>Total off-balance-sheet items</b>	<b>88,317</b>	<b>95,009</b>	<b>114,783</b>

**Separate statement of comprehensive income for the period January 1st–September 30th 2011  
(PLN '000)**

	<b>Total Jan 1–Sep 30 2011</b>	<b>Total Jan 1–Sep 30 2010</b>
	<b>Continuing operations</b>	<b>Continuing operations</b>
Sales revenue	541,357	441,015
Cost of sales (*)	(473,729)	(378,707)
<b>Gross profit</b>	<b>67,628</b>	<b>62,308</b>
Other income	988	1,610
Selling costs (*)	(20,730)	(18,028)
General and administrative expenses (*)	(18,934)	(24,746)
Other expenses	(1,064)	(1,070)
<b>Operating profit/loss</b>	<b>27,888</b>	<b>20,074</b>
Finance income	62,612	33,377
Finance expenses	(57,483)	(52,480)
Net finance income/expenses	<b>5,129</b>	<b>(19,103)</b>
<b>Profit/loss before tax</b>	<b>33,017</b>	<b>971</b>
Corporate income tax	(4,868)	1,705
<b>Net profit/loss</b>	<b>28,149</b>	<b>2,676</b>
<b>Other comprehensive income</b>		
Effective portion of loss on fair-value measurement of hedging instruments, including corporate income tax	(3,621)	988
<b>Total comprehensive income for period</b>	<b>24,528</b>	<b>3,664</b>

(\*) As from 2011, some of the general and administrative expenses presented in statement of comprehensive income have been allocated to cost of sales or selling costs. This change did not affect operating profit/loss. If the Company reclassified the comparative data for Q3 2010, cost of sales in that period would amount to approximately PLN 386,7m, gross profit – to approximately PLN 54,3 m, selling costs – to approximately PLN 18,0m, and general and administrative expenses – to approximately PLN 16,0m, with operating profit/loss remaining unchanged.

**Separate statement of changes in equity for the period January 1st 2010–September 30th 2011 (PLN '000)**

	Share capital	Share premium account	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
<b>As at Jan 1 2010</b>	<b>16,376</b>	<b>289,806</b>	<b>133,471</b>	<b>0</b>	<b>43,293</b>	<b>482,946</b>
<b>Comprehensive income for period</b>						
Net profit	0	0	0	0	2,676	2,676
Valuation of forward contracts	0	0	0	988	0	988
<b>Comprehensive income for period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>988</b>	<b>2,676</b>	<b>3,664</b>
<b>Transactions with owners recognised in equity</b>						
Transfer of part of 2009 profit to statutory reserve funds	0	0	20,211	0	(20,211)	0
<b>Transactions with owners recognised in equity</b>	<b>0</b>	<b>0</b>	<b>20,211</b>	<b>0</b>	<b>(20,211)</b>	<b>0</b>
<b>Balance as at Sep 30 2010</b>	<b>16,376</b>	<b>289,806</b>	<b>153,682</b>	<b>988</b>	<b>25,758</b>	<b>486,610</b>

	Share capital	Share premium account	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
<b>As at Jan 1 2010</b>	<b>16,376</b>	<b>289,806</b>	<b>133,471</b>	<b>0</b>	<b>43,293</b>	<b>482,946</b>
<b>Comprehensive income for period</b>						
Net profit	0	0	0	0	1,294	1,294
Effective portion of gain on fair-value measurement of hedging instruments, including corporate income tax	0	0	0	589	0	589
Other	0	0	(18)	0	0	(18)
<b>Total comprehensive income for period</b>	<b>0</b>	<b>0</b>	<b>(18)</b>	<b>589</b>	<b>1,294</b>	<b>1,865</b>
<b>Transactions with owners recognised in equity</b>						
Transfer of 2009 net profit to statutory reserve funds	0	0	20,211	0	(20,211)	0
<b>Total transactions with owners recognised in equity</b>	<b>0</b>	<b>0</b>	<b>20,211</b>	<b>0</b>	<b>(20,211)</b>	<b>0</b>
<b>Balance as at Dec 31 2010</b>	<b>16,376</b>	<b>289,806</b>	<b>153,664</b>	<b>589</b>	<b>24,376</b>	<b>484,811</b>

	Share capital	Share premium account	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
<b>As at Jan 1 2011</b>	<b>16,376</b>	<b>289,806</b>	<b>153,664</b>	<b>589</b>	<b>24,376</b>	<b>484,811</b>
<b>Comprehensive income for period</b>						
Net profit	0	0	0	0	28,149	28,149
Effective portion of gain on fair-value measurement of hedging instruments, including corporate income tax	0	0	0	(3,621)	0	(3,621)
<b>Comprehensive income for period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,621)</b>	<b>28,149</b>	<b>24,528</b>
<b>Transactions with owners recognised in equity</b>						
Transfer of 2010 net profit to statutory reserve funds	0	0	1,294	0	(1,294)	0
<b>Transactions with owners recognised in equity</b>	<b>0</b>	<b>0</b>	<b>1,294</b>	<b>0</b>	<b>(1,294)</b>	<b>0</b>
<b>Balance as at Sep 30 2011</b>	<b>16,376</b>	<b>289,806</b>	<b>154,958</b>	<b>(3,032)</b>	<b>51,231</b>	<b>509,339</b>

**Separate statement of cash flows for the period January 1st–September 30th 2011 (PLN ‘000)**

	<b>Jan 1–Sep 30 2011</b>	<b>Jan 1–Sep 30 2010</b>
<b>Cash flows from operating activities</b>		
<b>Net profit</b>	<b>28,149</b>	<b>2,676</b>
<i>Adjustments</i>		
Depreciation and amortisation	(2,926)	33,017
Foreign exchange gains/losses	10,459	16,158
Dividend and interest for period	(13,722)	(495)
	15,754	14,412
Gain/loss on disposal of intangible assets and property, plant and equipment	(219)	(3)
Deferred tax assets/liabilities	4,868	(1,705)
Change in trade and other receivables	(8,700)	(13,846)
Change in inventories	(29,910)	(17,263)
Change in trade and other payables	18,045	35,699
Change in employee benefits payable	142	(836)
Result on forward contracts	357	896
<b>Cash flows from operating activities</b>	<b>25,223</b>	<b>35,693</b>
Interest received	71	85
Interest paid	(37)	(125)
<b>Net cash provided by/(used in) operating activities</b>	<b>25,257</b>	<b>35,653</b>
<b>Cash flows from investing activities</b>		
Sale of property, plant and equipment	222	25
Interest received	8,094	0
Dividend and profit distributions	16,392	14,799
Acquisition of intangible assets and property, plant and equipment	(2,016)	(935)
Loans advanced	(4,507)	(36,946)
<b>Net cash provided by/(used in) investing activities</b>	<b>18,185</b>	<b>(23,057)</b>
<b>Cash flows from financing activities</b>		
Repayment of loans and borrowings	(22,500)	(568,483)
Increase in loans and borrowings	37,585	548,029
Redemption of debt securities	(831,812)	(719,601)
Issue of debt securities	836,372	770,475
Gains/loss on forward contracts	(3,032)	0
Interest paid	(47,947)	(46,172)
<b>Net cash provided by/(used in) financing activities</b>	<b>(31,334)</b>	<b>(15,752)</b>
Change in cash	12,108	(3,156)
Cash at beginning of period	839	4,864
<b>Cash at end of period</b>	<b>12,947</b>	<b>1,708</b>

**Supplementary information to the condensed separate financial statements of Pfleiderer Grajewo S.A., the Parent Undertaking**
**1. Notes to the separate balance sheet**
**Note 1 – Trade and other receivables (PLN '000)**

	<b>Sep 30 2011</b>	<b>Jun 30 2011</b>	<b>Dec 31 2010</b>	<b>Sep 30 2010</b>
Trade receivables other than from related undertakings	19,699	19,199	17,134	24,210
Trade and other receivables from related undertakings	35,511	67,545	39,503	41,122
Current prepayments and accrued income	2,040	1,720	1,872	3,702
Current VAT receivables	5,846	6,285	5,145	9,058
Other receivables	78,568	71,135	69,311	69,944
<b>Total</b>	<b>141,664</b>	<b>165,884</b>	<b>132,965</b>	<b>148,036</b>

Other receivables include receivables under a deposit with Diffenbacher of PLN 75,051 thousand, securing the supply of equipment to Pfleiderer MDF OOO.

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

	<b>Sep 30 2011</b>	<b>Jun 30 2011</b>	<b>Dec 31 2010</b>	<b>Sep 30 2010</b>
Trade payables	69,092	53,689	48,241	63,045
Liabilities to related undertakings	29,787	20,642	32,963	27,128
Liabilities under factoring agreements	7,731	9,569	9,848	9,031
Liabilities under investment supplies	246	212	426	296
Other liabilities	6,840	3,955	4,354	4,484
<b>Total</b>	<b>113,696</b>	<b>88,067</b>	<b>95,832</b>	<b>103,984</b>

Other liabilities include primarily accrued expenses and other provisions.