

DIRECTORS' REPORT

on the Operations of Pfeiderer Grajewo S.A.
in the period January 1st – June 30th 2010

FINANCIAL HIGHLIGHTS

	PLN'000		EUR'000	
	Jan 1-Jun 30 2010	Jan 1-Jun 30 2009	Jan 1-Jun 30 2010	Jan 1-Jun 30 2009
Sales revenue	283,294	236,506	70,749	52,343
Operating profit	11,468	7,864	2,864	1,740
Pre- tax profit	51,167	35,862	12,778	7,937
Net profit	43,352	35,483	10,827	7,853
Net cash provided by/(used in) operating activities	5,148	14,955	1,286	3,310
Net cash provided by/(used in) investing activities	(36,100)	(99,297)	(9,016)	(21,976)
Net cash provided by/(used in) financing activities	42,197	80,831	10,538	17,889
Total net cash flow	11,245	(3,511)	2,808	(777)
Basic earnings/(loss) per share (PLN / EUR)	0.87	0.72	0.22	0.16
Diluted earnings/(loss) per share PLN / EUR)	0.87	0.72	0.22	0.16

	PLN'000		EUR'000	
	Jun 30 2010	Dec 31 2009	Jun 30 2010	Dec 31 2009
Total assets	1,554,018	1,428,470	374,842	347,712
Liabilities	1,027,720	945,524	247,894	230,155
Non-current liabilities	669,402	37,843	161,465	9,212
Current liabilities	358,318	907,681	86,429	220,944
Equity	526,298	482,946	126,947	117,557
Share capital	16,376	16,376	3,950	3,986
Number of shares	49,624,000	49,624,000	49,624,000	49,624,000
Book value per share (PLN / EUR)	10.61	9.73	2.56	2.37

GENERAL INFORMATION

Pfleiderer Grajewo S.A. conducts its business in Grajewo, a town situated in north-eastern Poland.

Initially, the Company operated under the name of Zakłady Płyt Wiórowych S.A. of Grajewo and was originally registered on July 1st 1994 by the District Court, Commercial Court of Łomża, in the Commercial Register in Section B under entry No. 270. Subsequently, 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. On September 18th 2002, the Management Board of Pfleiderer Grajewo S.A. received the decision of the District Court of Białystok on entering the Company's new name in the National Court Register. Accordingly, on September 18th 2002, the Company's former name was changed to Pfleiderer Grajewo S.A. The registered office of Pfleiderer Grajewo S.A. is situated at ul. Wiórowa 1, Grajewo, Poland. The Company shares are traded on the public market. In accordance with the Polish Classification of Business Activities, Pfleiderer Grajewo S.A. is registered under No. 1621 Z.

Pfleiderer Grajewo S.A.'s business consists in the manufacturing of wood products, manufacturing and veneering of chipboard, impregnation of paper, trading activities in Poland and abroad, provision of industrial services related to the Company's core business as well as other services based on the Company's resources.

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

- | | |
|------------------------|------------------|
| 1. Wojciech Gątkiewicz | - President |
| 2. Johann Bitzi | - Vice President |
| 3. Rafał Karcz | - Member |
| 4. Dariusz Tomaszewski | - Member |
| 5. Radosław Wierzbicki | - Member |

On May 5th 2010, the Supervisory Board of Pfleiderer Grajewo S.A. appointed Mr Johann Bitzi as Vice-President of the Company's Management Board.

As at June 30th 2010, the Supervisory Board of the Company was composed of:

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

On January 12th 2010, the General Shareholders Meeting appointed two new Members to the Supervisory Board of Pfleiderer Grajewo S.A.: Mr Heiko Graeve and Mr Jan Woźniak.

Pfleiderer Grajewo S.A.'s shareholder structure:

Shareholder structure based on the latest notifications received from the company's shareholders	Number of shares	% of share capital held	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 number of the Company shares held by its main shareholder, Pfleiderer Service GmbH, did not change.

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

1. Number of Pfleiderer Grajewo S.A. Shares Held by the Management Staff of Pfleiderer Grajewo S.A.

As at the publication date of this report the holdings of the Management Board members were as follows:

- Mr Wojciech Gątkiewicz, President of the Management Board, held 3,000 Company shares (as at March 31st 2010: 2,500 shares; the 500 additional shares were acquired on July 2nd 2010);
- Mr Johann Bitzi, Vice-President of the Management Board, did not hold any Company shares;
- Mr Rafał Karcz, Member of the Management Board, held 3,472 Company shares;
- Mr Dariusz Tomaszewski, Member of the Management Board, held 4,108 Company shares;
- Mr Radosław Wierzbicki, Member of the Management Board, held 2,000 Company shares.

The following members of Pfleiderer Grajewo S.A.'s Supervisory Board held shares in the Company:
Mr Paweł Wyrzykowski, Chairman – 4,080 shares.

2. Use of Bank Loans

On March 16th 2010, Pfleiderer Grajewo S.A. and its subsidiaries Pfleiderer Prospan S.A. and Silekol Sp. z o.o. ("the Subsidiaries") executed a PLN 700,000,000 credit facility agreement with a bank syndicate. The syndicate comprised Bank PEKAO S.A. as the syndication agent, Bank Zachodni WBK S.A., BRE Bank S.A., Fortis Bank Polska S.A. and Bank Gospodarki Żywnościowej S.A. ("the Banks").

The credit facility extended to the Company under the agreement is split into two tranches:

- Tranche A in the amount of PLN 530,000,000, in the form of a non-revolving loan to be used to repay the outstanding debt under loans owed by the Company and the Subsidiaries to the Banks;
- Tranche B in the amount of PLN 170,000,000, in the form of a working capital revolving facility to be used to repay the outstanding debt under loans owed by the Company and the Subsidiaries to the Banks and to finance the Company's day-to-day operations.

Repayment of the credit facility is secured by a number of instruments, including:

- mortgages over the real estate owned by the Company and its Subsidiaries;
- pledge over the assets owned by the Company and its Subsidiaries (pledge over a business);
- financial and registered pledge over the Company's shares in the Subsidiaries; the pledge covers 100% of the shares in Pfleiderer Prospan S.A. and 50% of the shares in Silekol Sp. z o.o.;
- financial and registered pledge over the Company's and the Subsidiaries' bank accounts;
- assignment by way of security of the Company's interest in the co-ownership of plant and equipment intended to be used for the purpose of the MDF project in Russia.

Moreover, Pfeiderer Grajewo S.A. has commitments towards the European Bank for Reconstruction and Development ("the EBRD") under the put/call option agreement of December 28th 2005. In performance of the agreement, Pfeiderer OOO issued, and the EBRD acquired, new shares worth EUR 7m. The agreement provides for the Bank's equity involvement for five years. Thereafter, the shares will be sold to Pfeiderer 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. Pfeiderer Grajewo S.A. has a call option enabling it to repurchase the shares held by the Bank at any time. The Bank has a put option over the shares, whereby it may sell the shares to the Company if the financial agreements executed between the Company, Pfeiderer OOO and the Bank are breached, or if there is a risk that the shares might not be repurchased at the expected date. The Company's liability under those commitments was PLN 34,929 thousand as at June 30th 2010.

For information on the interest rates applicable to the loans, please refer to Section 2 of the financial statements of Pfeiderer Grajewo S.A.

3. Material Related-Party Transactions as at June 30th 2010

As at June 30th 2010, Pfeiderer Grajewo S.A.'s outstanding debt under commercial paper issued to its subsidiary undertaking, Pfeiderer Prospan S.A., was PLN 263m (including interest).

In 2010, Pfeiderer Grajewo advanced loans to four subsidiaries: Pfeiderer OOO, Pfeiderer MDF OOO, Silekol Sp. z o.o., and Pfeiderer MDF Sp. z o.o. As at June 30th 2010, the loan advanced to Pfeiderer OOO was PLN 225m. As at June 30th 2010, Pfeiderer MDF OOO's debt under loans from Pfeiderer Grajewo S.A. amounted to PLN 142m. As at June 30th 2010, the loans advanced by Pfeiderer Grajewo to Pfeiderer MDF Sp. z o.o. and Silekol Sp. z o.o. amounted to PLN 17m and PLN 25m respectively.

In addition, Pfeiderer Service GmbH advanced a loan to Pfeiderer Grajewo S.A. As at June 30th 2010, the loan totalled PLN 21m.

In 2010, the Company did not conclude any related-party transactions other than on arms' length basis.

4. Financial Instruments

Overview of the Financial Instruments

a) Forward Transactions

Forward transactions included purchase of foreign currency at a predetermined rate. In 2010, Pfeiderer Grajewo S.A. used forward contracts to hedge the currency risk related to business transactions (sales of products, purchases of raw materials, capital expenditure in foreign currencies) and to hedge foreign currency loans.

b) Notes

The commercial paper programme arranged by Bank PEKAO S.A. consists in issues of short-term notes. The programme's objective is to optimise cash management within the Group. The notes issued by Pfeiderer Grajewo S.A. mature in up to one year, and they are acquired by Pfeiderer Prospan S.A. and Silekol Sp. z o.o. through the agency of Bank PEKAO S.A. Thanks to the programme, Pfeiderer Grajewo S.A. does not use high-interest bank loans and Pfeiderer Prospan S.A. or Silekol Sp. z o.o. have placements which bear higher interest than e.g. treasury bills. Costs borne in connection with the notes issue comprise the Bank's commission. The notes are discount instruments – their issue price reflects discount interest and they are redeemed by the Issuer at par value.

As at June 30th 2010, Pfeiderer Grajewo S.A.'s outstanding debt to its subsidiary undertakings under the notes was PLN 263m thousand (including interest).

c) **Loans, Sureties and Guarantees**

Pfleiderer Grajewo S.A. is carrying out investment projects through subsidiaries. The investment projects are financed partly with loans advanced directly to special-purpose vehicles and partly with loans granted by Pfleiderer Grajewo S.A.

In 2010, Pfleiderer Grajewo granted investment loans to two companies in which it holds equity interests:

- Pfleiderer OOO
- Pfleiderer MDF OOO

In the case of Pfleiderer OOO, as at June 30th 2010 the amount outstanding under loans was PLN 225m. Investment projects were financed with RUB-denominated long-term loans between Pfleiderer Grajewo S.A. and Pfleiderer OOO. The loan agreements provide for the repayment of interest together with the principal at the end of the loan term. Interest on the loans accrues on a monthly basis and is recognised as finance income.

As at June 30th 2010, Pfleiderer MDF OOO, through which Pfleiderer Grajewo S.A. is constructing an MDF/HDF board production plant in Russia, had loans contracted from Pfleiderer Grajewo S.A. in the amount of PLN 142m. All the loans are repayable at the end of 2011.

RUB-denominated loans bear interest at the rate equal to MOSPRIME 3M plus margin.

Furthermore, in 2010, Pfleiderer Grajewo S.A. advanced two operational loans to its subsidiaries: Pfleiderer MDF Sp. z.o.o. and Silekol Sp. z.o.o. As at June 30th 2010, Pfleiderer MDF Sp. z.o.o.'s and Silekol Sp. z.o.o.'s liabilities under those loans amounted to PLN 17m and PLN 25m, respectively. The loan to Pfleiderer MDF Sp. z.o.o. is to be repaid in July 2016, and the loan to Silekol Sp. z.o.o. is due in November 2010.

As at June 30th 2010, Pfleiderer Grajewo S.A. had issued the following sureties:

- surety of up to EUR 24,209 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;
- surety in respect of a blank promissory note issued by 3Spare Sp. z o.o. for the benefit of Bank BGŻ. The maximum amount of the blank promissory note, as specified in the promissory note declaration, is PLN 35,624 thousand. The abovementioned surety relates to an investment loan advanced by Bank BGŻ S.A. to 3Spare Sp. z o.o. As at June 30th 2010, debt under the loan stood at PLN 15,661 thousand (principal).
- surety of EUR 1,115 thousand for Pfleiderer MDF Sp. z o.o. to secure repayment of a PLN 241m loan contracted by Pfleiderer MDF Sp. z o.o. with PKO BP S.A. The maximum value of the security is EUR 5m.

As at June 30th 2010, the Company had provided the following security:

On March 25th 2010, Pfleiderer Grajewo S.A. ("the Company") and its subsidiaries Pfleiderer Prospan S.A. and Silekol Sp. z o.o. ("the Subsidiaries") executed security agreements and documents granting security with respect to claims under the credit facility agreement concluded on March 16th 2010 with Bank PEKAO S.A., Bank Zachodni WBK S.A., BRE Bank S.A., Fortis Bank Polska S.A. and Bank Gospodarki Żywnościowej S.A. ("the Banks"). They provide in particular for:

- creation of contractual blanket security mortgages over real estate owned by the Company and the Subsidiaries, up to the maximum amount of PLN 1,400m,
- creation of registered pledges over assets owned by the Company and the Subsidiaries (pledge over a business), up to the maximum amount of PLN 1,050m,
- creation of registered and financial pledges over amounts credited to bank accounts,

- assignment of rights by way of security,
- assignment by way of security of the Company's interest in the co-ownership of plant and equipment intended to be used for the purpose of the MDF project in Russia
- creation of financial and registered pledges over the Company's shares in the Subsidiaries; the pledge covers 100% of the shares in Pfeiderer Prospan S.A. and 50% of the shares in Silekol Sp. z o.o. (the value of the pledged shares in Pfeiderer Prospan S.A. and the pledged shares in Silekol Sp. z o.o., as disclosed in the Company's accounting books, stands at PLN 470,155 thousand and PLN 23,343 thousand, respectively).

As at June 30th 2010, the Company held 2,462,136 ordinary registered shares in Pfeiderer Prospan S.A. with the aggregate par value of PLN 246,213,600, representing 100% of the company's share capital and 100% of the total vote at its General Shareholders Meeting.

The Company holds 22,700 shares in Silekol Sp. z o.o. with the aggregate par value of PLN 22,700,000, representing 50% of the company's share capital and 50% of the total vote at its General Shareholders Meeting.

Furthermore, on March 25th 2010 the Company, the Subsidiaries and the Banks signed a creditors agreement with the European Bank for Reconstruction and Development ("EBRD"), which is providing financing to Pfeiderer OOO of Russia (a subsidiary of the Company) under a credit facility agreement of December 27th 2005. Under the creditors agreement, the parties agreed upon the scope of the security to be created over the Company's assets.

In order to secure EBRD's claims under the guarantee agreement and the put/call option agreement, on March 25th 2010 the Company and the Subsidiaries executed agreements and documents whereby:

- contractual blanket security mortgages were created over real estate owned by the Company and the Subsidiaries, up to the maximum amount of EUR 70.5m;
- registered pledges were created over assets owned by the Company and the Subsidiaries (pledge over a business), up to the maximum amount of EUR 79.5m.

In addition, in H1 2010 the Company entered into an agreement whereby a pledge was created over the Company's equity interest in Pfeiderer OOO for the benefit of the EBRD, to secure repayment of a credit facility granted to Pfeiderer OOO under credit facility agreement of December 27th 2005. The pledge was established over one share in Pfeiderer OOO's share capital, representing 84.1913% of the company's share capital and conferring the right to 84.1913% of the total vote at Pfeiderer OOO's General Shareholders Meeting.

The table below presents the security for the syndicated loan granted to Pfeiderer Grajewo S.A., provided in the form of mortgages over real estate and pledges over assets of Pfeiderer Grajewo S.A.

Security	Company	Bank	Maximum amount of security	Currency	Claim
mortgage over real estate	Pfleiderer Grajewo S.A.	PEKAO S.A.	247,918,868	PLN	Tranche A
mortgage over real estate	Pfleiderer Grajewo S.A.	PEKAO S.A.	79,521,178	PLN	Tranche B
mortgage over real estate	Pfleiderer Grajewo S.A.	BZ WBK S.A.	260,282,382	PLN	Tranche A
mortgage over real estate	Pfleiderer Grajewo S.A.	BZ WBK S.A.	83,486,802	PLN	Tranche B
mortgage over real estate	Pfleiderer Grajewo S.A.	BRE Bank S.A.	206,924,494	PLN	Tranche A
mortgage over real estate	Pfleiderer Grajewo S.A.	BRE Bank S.A.	66,372,008	PLN	Tranche B
mortgage over real estate	Pfleiderer Grajewo S.A.	BGŻ S.A.	149,662,370	PLN	Tranche A
mortgage over real estate	Pfleiderer Grajewo S.A.	BGŻ S.A.	48,004,910	PLN	Tranche B
mortgage over real estate	Pfleiderer Grajewo S.A.	Fortis Bank Polska S.A.	195,221,786	PLN	Tranche A
mortgage over real estate	Pfleiderer Grajewo S.A.	Fortis Bank Polska S.A.	62,615,102	PLN	Tranche B
mortgage over real estate	Pfleiderer Grajewo S.A.	EBRD	52,500,000	EUR	Guarantee
mortgage over real estate	Pfleiderer Grajewo S.A.	EBRD	18,000,000	EUR	Put option
pledge over assets	Pfleiderer Grajewo S.A.	PEKAO S.A.	795,000,000	PLN	Tranche A
pledge over assets	Pfleiderer Grajewo S.A.	PEKAO S.A.	255,000,000	PLN	Tranche B
pledge over assets	Pfleiderer Grajewo S.A.	EBRD	79,500,000	EUR	Guarantee and put option

Financial Risks Related to the Company's Operations

a) Objectives and Methods of Financial Risk Management Adopted by the Company

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

- credit risk
- currency risk
- liquidity risk.

The objective behind credit risk management is to reduce the Company's losses which may follow from customers' insolvency. This risk is mitigated through insurance of receivables and non-recourse factoring.

The objective of currency risk management is to minimise losses arising out of unfavourable changes in foreign exchange rates. Pfleiderer Grajewo S.A. monitors its currency position from the point of view of cash flows rather than profit or loss. To manage the currency risk, it first relies on natural hedging and where necessary uses forward contracts. The time horizon adopted for position monitoring and hedging transactions is up to 12 months.

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

b) Credit Risk

Transactions which expose Pfleiderer Grajewo S.A. companies to credit risk concern trade receivables. The credit risk related to trade receivables is limited, as the customer base is very wide and the risk is highly diversified. Therefore, the credit risk concentration is insignificant. Moreover, the Company maintains a strict receivables management policy, whereby the risk of customer insolvency is mitigated through the use of trade credit insurance and recourse factoring. In H1 2010, over 85% of the Company's trade receivables were secured in this way. In the event of insolvency of customers who have insurance coverage, the compensation is paid by the insurer. Each customer of the Company has a trade credit limit (usually it corresponds to the insurance limit).

c) Interest Rate Risk

The Company has liabilities under bank loans. The interest rate risk is related to interest payments under loans with floating interest rates. Currently the Company does not hedge the interest rate risk.

d) Currency Risk

As at June 30th 2010, the Company had no exposure to currency risk in connection with foreign-currency loans and borrowings other than in respect of the liability under a EUR 5m loan received from Pfleiderer Germany and EBRD capital contribution (put/call option) in nominal value of EUR 7m. However, this position is offset with a long EUR/PLN position in that company, resulting from the excess of exports over imports, and therefore the currency risk is in this case largely eliminated.

Foreign currency transactions relate both to purchases of raw materials and sale of goods. Therefore, in the event of any exchange rate fluctuations the resulting foreign exchange gains and losses are offset to some extent.

Pfleiderer Grajewo S.A. is exposed to currency risk resulting from RUB-denominated loans extended to Pfleiderer OOO and Pfleiderer MDF OOO. Currently, the Company does not hedge these positions.

e) Price Risk

Given the nature of their production business and the standard market practice, Pfleiderer Grajewo S.A. does not hedge against changes in prices of raw materials and products on commodity markets. Selling prices of products are flexible and may change depending on, for instance, changes in prices of raw materials.

f) Risk of Material Cash-Flow Disruptions

Pfleiderer Grajewo S.A. is protected against any material cash-flow disruptions as they have credit facilities of very high amounts available to them at any time. Material cash-flow disruptions are also unlikely due to customer diversification. All extraordinary expenditure is always planned well ahead and accounted for in the liquidity management process.

g) Financial Liquidity Risk

The Company monitors its financial liquidity on an on-going basis, both with respect to short-term liquidity (a few days forward) and long-term liquidity (a few years forward). The current liquidity ratios are as follows:

	Current ratio <u>Current assets</u> Current liabilities	Quick ratio <u>Receivables + cash</u> Current liabilities	Average collection period <u>Average trade and other receivables</u> Net sales revenue: 180 /360	Average payment period <u>Average trade and other payables</u> Net sales revenue: 180 /360	Inventory turnover ratio <u>Average inventory</u> Net sales revenue: 180/360
Jun 30 2010	0.71	0.58	95 days	44 days	28 days
Dec 31 2009	0.20	0.15	74 days	70 days	30 days

A significant improvement of the liquidity ratios as at June 30th 2010 relative to the end of the previous financial year is attributable to a material decrease in the current liabilities as a result of the execution of a new syndicated loan agreement, which was used to refinance the Company's existing debt.

Changes in the average collection period, average payment period and the inventory turnover ratio followed from optimisation of the working capital as at the end of H1 2010.

As at June 30th 2010, Pfleiderer Grajewo S.A. had debt under loans and borrowings in the amount of PLN 676m.

The availability of credit facilities depends on meeting the ratios set by banks, based on consolidated financial data. The principal ratios are:

- financial debt to EBITDA,
- total equity to total assets,
- current assets to current liabilities,
- debt-service coverage ratio,
- EBITDA for 2010.

5. 2010 Performance Forecast

Given the current economic climate, the Company refrained from publishing its forecast for 2010 until the market volatility subsides and the Polish market of furniture manufacturers becomes more stable.

6. Events Subsequent to the Balance-Sheet Date

On July 6th 2010, Pfleiderer Grajewo S.A. issued commercial paper in the form of short-term notes in order to optimise liquidity management within the Group. The notes were issued under an agreement on notes issue programme of July 22nd 2003, concluded with Bank PEKAO S.A. The notes were acquired by Pfleiderer Prospan S.A., a subsidiary undertaking of Pfleiderer Grajewo S.A., and are due on July 13th 2010. The value of the issued notes amounts to PLN 20m.

On July 14th 2010, Pfleiderer Grajewo S.A. issued commercial paper in the form of short-term notes in order to optimise liquidity management within the Group. The notes were issued under an agreement on notes issue programme of July 22nd 2003, concluded with Bank PEKAO S.A. The notes were acquired by Pfleiderer Prospan S.A., a subsidiary undertaking of Pfleiderer Grajewo S.A., and are due on July 21st 2010. The value of the issued notes amounts to PLN 10m.

On July 21st 2010, Pfleiderer Grajewo S.A. issued commercial paper in the form of short-term notes in order to optimise liquidity management within the Group. The notes were issued under an agreement on notes issue programme of July 22nd 2003, concluded with Bank PEKAO S.A. The notes were acquired by Pfleiderer Prospan S.A., a subsidiary undertaking of Pfleiderer Grajewo S.A., and are due on July 28th 2010. The value of the issued notes amounts to PLN 8m.

On July 28th 2010, Pfleiderer Grajewo S.A. issued commercial paper in the form of short-term notes in order to optimise liquidity management within the Group. The notes were issued under an agreement on notes issue programme of July 22nd 2003, concluded with Bank PEKAO S.A. The notes were acquired by Pfleiderer Prospan S.A., a subsidiary undertaking of Pfleiderer Grajewo S.A., and are due on August 4th 2010. The value of the issued notes amounts to PLN 8m.

On August 11th 2010, Pfleiderer Grajewo S.A. issued commercial paper in the form of short-term notes in order to optimise liquidity management within the Group. The notes were issued under an agreement on notes issue programme of July 22nd 2003, concluded with Bank PEKAO S.A. The notes were acquired by Pfleiderer Prospan S.A., a subsidiary undertaking of Pfleiderer Grajewo S.A., and are due on August 18th 2010. The value of the issued notes amounts to PLN 6m.

7. Economic Forecast for the Near Future

Given the current market climate, the Company will refrain from publishing its forecast for 2011 until the market volatility subsides and the Polish market of furniture manufacturers becomes more stable.

8. Court Proceedings

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

Management Board of Pfeiderer Grajewo S.A.

Grajewo, August 18th 2010

Wojciech Gątkiewicz

President of the Management Board

Johann Bitzi

Vice-President of the Management Board

Rafał Karcz

*Member of the Management Board,
Chief Financial Officer*

Dariusz Tomaszewski

*Member of the Management Board,
Sales Director*

Radosław Wierzbicki

*Member of the Management Board
Chief Operating Officer*