POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 4 / 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 4th quarter of the financial year 2011, covering the period from October 1st to December 31st 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: February 29th 2012

Pfleiderer Grajewo Spółka Akcyjna

(full name)

GRAJEWO
(abbreviated name)

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

19-203
(postal code)

Grajewo
(registered office)

Wiórowa
(street)

1
(number)

0-86 272 96 00
(telephone number)

0-86 272 39 83
(fax number)

grajewo@pfleiderer.pl
(e-mail)

www.pfleiderer.pl
(web site)

719-10-00-479
(NIP – Tax Identification Number)

4500933817
(REGON – Industry Registration Number)

FINANCIAL HIGHLIGHTS	PLN '000		EUR '000	
	4 quarter cumulative / 2011 Jan 1-Dec 31 2011	4 quarter cumulative / 2010 Jan 1-Dec 31 2010	4 quarter cumulative / 2011 Jan 1-Dec 31 2011	4 quarter cumulative / 2010 Jan 1-Dec 31 2010
Condensed consolidated financial statements data				
I. Sales revenue	1 725 231	1 390 388	416 712	347 219
II. Operating profit/(loss)	136 205	47 100	32 899	11 762
III. Profit/(loss) before tax	38 747	-34 770	9 359	-8 683
IV. Net profit	21 735	-30 431	5 250	-7 599
V. Net profit attributable to equity holders of the parent	33 208	-15 248	8 021	-3 808
VI. Net cash provided by (used in) operating activities	149 237	113 612	36 047	28 372
VII. Net cash provided by (used in) investing activities	-34 882	-21 091	-8 425	-5 267
VIII. Net cash provided by (used in) financing activities	-114 637	-103 517	-27 689	-25 851
IX. Total net cash flow	-282	-10 996	-68	-2 746
X. Total assets	1 935 970	1 852 471	438 320	467 760
XI. Liabilities	1 369 489	1 356 297	310 064	342 473
XII. Non-current liabilities	941 509	1 032 164	213 165	260 628
XIII. Current liabilities	427 980	324 133	96 898	81 846
XIV. Equity	566 481	496 174	128 256	125 287
XV. Share capital	16 376	16 376	3 708	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	33 208	-15 248	8 021	-3 808
XIX. Earnings per ordinary share (PLN/EUR)	0,67	-0,31	0,16	-0,08
XX. Diluted earnings per ordinary share (PLN/EUR)	0,67	-0,31	0,16	-0,08
XXI. Book value per share (PLN/EUR)	11,42	10,00	2,58	2,52
XXII. Diluted book value per share (PLN/EUR)	11,42	10,00	2,58	2,52
XXIII. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00
Condensed financial statements data				
XXIV. Sales revenue	730 081	616 183	176 344	153 878
XXV. Operating profit/(loss)	40 004	23 939	9 663	5 978
XXVI. Profit/(loss) before tax	49 503	429	11 957	107
XXVII. Net profit/(loss)	40 801	1 294	9 855	323
XXVIII. Net cash provided by (used in) operating activities	51 741	62 805	12 498	15 684
XXIX. Net cash provided by (used in) investing activities	58 754	-23 201	14 191	-5 794
XXX. Net cash provided by (used in) financing activities	-109 954	-43 629	-26 558	-10 895
XXXI. Total net cash flow	541	-4 025	131	-1 005
XXXII. Total assets	1 507 764	1 480 137	341 370	373 744
XXXIII. Liabilities	982 741	995 326	222 501	251 326
XXXIV. Non-current liabilities	488 421	567 840	110 583	143 383
XXXV. Current liabilities	494 320	427 486	111 918	107 943
XXXVI. Equity	525 023	484 811	118 870	122 418
XXXVII. Share capital	16 376	16 376	3 708	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	40 801	1 294	9 855	323
XLI. Earnings per ordinary share (PLN/EUR)	0,82	0,03	0,20	0,01
XLII. Diluted earnings per ordinary share (PLN/EUR)	0,82	0,03	0,20	0,01
XLIII. Book value per share (PLN/EUR)	10,58	9,77	2,40	2,47
XLIV. Diluted book value per share (PLN/EUR)	10,58	9,77	2,40	2,47
XLV. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00

Consolidated Quarterly Report QSr 4/2011

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 Q4 2011.

PRESIDENT'S INTRODUCTION TO THE Q4 2011 CONSOLIDATED REPORT

It is with great pleasure that we present the Pfleiderer Grajewo Group's performance for Q4 2011. It was yet another quarter which saw an increase in sales accompanied by a higher sales margin relative to the corresponding period of the previous year. In Q4 2011, sales revenue rose by 17% while the EBITDA profit increased by nearly 50% year on year. The Group's strong performance is primarily attributable to the positive effects of our marketing and operational activities, further supported by depreciation of the Polish currency and favourable weather conditions in winter.

Following the strategy of optimising the profitability of the product portfolio, the Group launched a new product line named "Global Collection", which has earned customers' recognition. Sales of the construction board and other products marketed by the Group since mid-2010 have grown to represent a prominent share of total sales.

The strong financial results were driven by favourable market conditions both at home and in Russia. In Poland, which is one of the world's leading furniture producers, there was a double-digit growth in the number of products sold (year-on-year). The continuity of production processes was maintained. Sales on the Russian market account for more than 20% of total sales. Following the economic crisis, in 2011 Russian economy largely recovered. This was reflected in a double-digit sales growth in Q4 2011 and a 40% sales growth in the entire 2011.

The capacities of the main production lines were almost fully utilised, which ensured profitable distribution of fixed costs. In Q4 2011, the prices of key raw materials continued to rise, however the growth was moderate.

As a result, the Group recorded consolidated net profit attributable to owners of the parent at the level of PLN 33m, despite material financing costs, including the cost of debt related to the suspended investment project in Russia. In the entire 2011, operating expenses relating to the project suspension exceeded PLN 16m.

Capital expenditure projects, largely limited to modernisation and replacement projects, are progressing as planned. In line with the adopted policy, we plan to at least double capital expenditure next year as our financial standing improves. It cannot be denied that in connection with the limited modernisation expenditures incurred over the recent years, needs in that respect are enormous. In the first months of 2012, the Management Board is planning to make a final decision concerning further execution of the strategic investment project in Russia.

As at December 31st 2011, the Group was in compliance with the financial covenants under its credit facility agreements. In 2011, debt towards banks was reduced by a total of over PLN 60m. The Management Board of Pfleiderer Grajewo S.A. aims to consistently pursue the policy of debt reduction in the years to come. However, the resumption of the project in Russia would require, at least temporarily, a further increase of the debt relative to results achieved.

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

Development of the market situation in 2012 depends on the pace of economic growth in response to stricter fiscal policy, which is, in turn, a way of dealing with excessive budget deficits in most European countries. At the present stage, the Management Board is cautiously assuming further improvement of financial performance.

Yours faithfully,

Wojciech Gątkiewicz
President of the Management Board

II. GENERAL INFORMATION

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

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

The Parent, under its former name of Zakłady Płyt Wiórowych S.A. of Grajewo, was originally registered on July 1st 1994 by the District Court, Commercial Court of Łomża, in Section B of the Commercial Register under entry No. 270. On May 9th 2001, it was registered by the District Court of Białystok, XII Commercial Division of the National Court Register, under entry No. KRS 0000011422. The Parent's registered office is located at ul. Wiórowa 1, Grajewo, Poland.

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

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

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

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

Composition of the Supervisory Board as at December 31st 2011:

1.	Michael Wolff	Chairman of the Supervisory Board
2.	Hans H. Overdiek	Member
3.	Jan Woźniak	Member
4.	Hans-Joachim Ziems	Member
5.	Hans-Kurt von Werder, Ph.D	Member

On October 17th, Mr Heiko Graeve resigned from membership of the Supervisory Board of Pfleiderer Grajewo S.A.

At the Extraordinary General Shareholders Meeting convened for November 24th 2011 Mr Paweł Wyrzykowski was recalled from the Supervisory Board.
Mr Hans-Joachim Ziems and Mr Hans-Kurt von Werder were appointed as Members of the Supervisory Board.

At a meeting of Pfleiderer Grajewo S.A.'s Supervisory Board held on December 21st 2011, Members of the Supervisory Board selected Mr Michael Wolff to the post of Supervisory Board Chairman.

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

The financial statements of Pfleiderer Grajewo S.A. (Parent), 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. (subsidiaries) were consolidated using the full method. Financial information for the comparative period of Q4 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 Parent 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 Parent 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 Q4 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 prepared as at December 301st 2011 have not been audited.

The separate financial statements of the Parent as at December 31st 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 Q4 2011 and Q4 2010 data.

Income statement	Q4 2011 Oct 1-Dec 31 2011		Q4 2010 Oct 1-Dec 31 2010	
	(PLN '000)	%	(PLN '000)	%
	/A/	/B/	/C/	/D/
Sales revenue	480,609	100.0%	409,813	100.0%
Cost of sales (*)	(381,676)	-79.4%	(328,417)	-80.1%
Gross profit	**98,933**	**20.6%**	**81,396**	**19.9%**
Other income	2,407	0.5%	1,767	0.4%
Selling costs (*)	(28,435)	-5.9%	(27,739)	-6.8%
General and administrative expenses (*)	(27,753)	-5.8%	(29,711)	-7.2%
Other expenses	(277)	-0.1%	(1,746)	-0.4%
Operating profit/loss	**44,875**	**9.3%**	**23,967**	**5.8%**
Finance income	5,449	1.1%	7,213	1.8%
Finance expenses	(21,330)	-4.4%	(22,537)	-5.5%
Net finance income/(expenses)	(15,881)	-3.3%	(15,324)	-3.7%
Profit/loss before tax	**28,994**	**6.0%**	**8,643**	**2.1%**
Income tax	(9,559)	-2.0%	(2,097)	-0.5%
Net profit/loss	**19,435**	**4.0%**	**6,546**	**1.6%**
Net loss attributable to non-controlling interests	(3,509)	-0.7%	(1,744)	-0.8%
Net profit attributable to owners of the parent	**22,944**	**4.8%**	**12,799**	3.5%
EBITDA	**64,297**	**13.4%**	**44,068**	**10.8%**

Comments on the income statement

(*) With effect from 2011, the Pfleiderer Grajewo Group changed the method of allocating costs presented in the statement of comprehensive income. Consequently, certain costs presented under general and administrative expenses are now allocated to the cost of sales or selling costs. The change did not affect the operating profit. If the Group reclassified the comparative data for Q4 2010, cost of sales would amount to approximately PLN 338m, gross profit - to approximately PLN 71m, selling costs - to approximately PLN 28m, and general and administrative expenses - to approximately PLN 19m, with operating profit/loss remaining unchanged.

In line with its accounting policy, in 2010 the Group carried out a periodic review of useful lives of property, plant and equipment. Following the review, the useful lives of plant and equipment were extended, as a result of which depreciation/amortisation charges in Q1–Q4 2011 amounted to PLN 77.5m (together with intangible assets), compared with PLN 99.0m in Q1–Q4 2010.

Sales revenue posted by the Group in Q4 2011 rose by 17% year on year. The increase is attributable to a recovery on the market of wood-based boards, fuelled by stronger demand for furniture in Europe.
In Q4 2011, the sales margin grew by 3 percentage point year on year (considering the data changed by cost allocation). The higher sales margin primarily follows from higher prices of finished goods and lower cost of sales.
Compared with Q4 2010, the Group's operating profit rose by PLN 20.9m, to PLN 44.9m, 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.
The net finance expense is attributable primarily to interest on loans and borrowings and foreign exchange losses under EUR-denominated loans and borrowings contracted by the Russian subsidiaries.

2. Net cash position

In Q4 2011, the Group's net debt under loans, finance leases and borrowings dropped by PLN 21,090 thousand, mainly due to the high operating profit and net profit. As at December 31st 2011, the Group's net debt under bank loans and borrowings stood at PLN 999,107 thousand, of which PLN 811,153 thousand was net debt under bank loans.

3. Equity

As at the end of Q4 2011, the Group's equity was PLN 566,481 thousand, up by PLN 37,635 thousand quarter on quarter. The increase was attributable mainly to the Group's net profit earned in the period, as well as positive exchange differences on translation of subordinated undertakings in Russia and net investments, which followed from the increase of RUB/PLN exchange rate.

4. Sale of shares or assets

In Q4 2011, the Pfleiderer Grajewo Group reported a gain on disposal of non-current assets of PLN 73 thousand.

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.

Figure: Sales structure in Q4 2011 and Q4 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 Q4 2011 direct sales to large and medium-sized furniture manufacturers rose by 12% in value terms, while sales to the Pfleiderer Partner wholesalers network fell by 1%. Export sales increased by 21% in the reporting period. Sales through other distribution channels rose by 18%.

In Q4 2011, the shares of individual distribution channels in total sales were as follows:

Share of distribution channels in total sales in Q4 2011

Figure: Share of distribution channels in total sales in Q4 2011.

In Q4 2011, relative to Q4 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 43.8% to 44.1%, the share of export sales rose from 24.7% to 27.0%, and the share of sales through other distribution rose from 4.7% to 5.0%. At the same time, the share of sales to the Pfleiderer Partner wholesale network declined from 26.8% to 23.9%.

VI. Q4 2011 RESULTS

1. Composition of the Pfleiderer Grajewo Group

a. Structure of the Pfleiderer Grajewo Group

Pfleiderer Grajewo S.A. is the Parent 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 December 31st 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 Parent in the event of default under the financing agreements. Accordingly, the Parent (Pfleiderer Grajewo S.A.) treats Pfleiderer OOO as its wholly-owned subsidiary. In the Group's consolidated financial statements, 100% of Pfleiderer OOO's profit is consolidated.

**The interest in the company is measured with the equity method due to the location of the company's registered office and composition of its management board.

The Group's consolidated financial statements 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. The interest in Blitz 11-446 GmbH is measured with the equity method.

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

On December 21st 2011, Pfleiderer Grajewo S.A. and Pfleiderer Service GmbH acquired shares in Blitz 11-446 GmbH of Germany. Each company holds a 50% interest in the acquired company. The price paid by Pfleiderer Grajewo S.A. was EUR 14.5 thousand (PLN 65.2 thousand).

c. Group's business

The Pfleiderer Grajewo Group is an arm of the international Pfleiderer Group and its Business Centre for Eastern Europe, which builds upon extensive experience 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, 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 which ensures uninterrupted supplies of high-quality adhesives used in the production of chipboards to the Parent and the other subsidiaries.

- manufacture of dyes and pigments,

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

Pfleiderer MDF Sp. z o.o.

- 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.

Blitz 11-446 GmbH

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

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.

The interest in Blitz 11-446 GmbH is measured with the equity method.

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. Bolesławiecka 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

Blitz 11-446 GmbH – a company based in Germany, entered in the Commercial Register by a Court of Nürnberg under No. HRB 28166.

HRB:	28166
Tax Identification Number:	201/116/21366
Registered office:	Ingolstädter Strasse 51, Neumarkt

2. Consolidated financial results

Consolidated statement of financial position as at December 31st 2011 (PLN '000)

		Total Dec 31 2011	Total Sep 30 2011	Total Dec 31 2010	Total Sep 30 2010
Assets					
Property, plant and equipment		1,153,850	1,137,791	1,122,139	1,134,213
Intangible assets		2,539	3,135	4,704	4,713
Goodwill		107,829	107,829	107,829	107,829
Investments in related undertakings		117	52	52	52
Other non-current financial assets		10	10	10	10
Investment property		4,300	4,300	4,300	0
Deferred tax assets		13,447	11,915	15,736	21,580
Non-current receivables – prepayments for tangible assets		207,697	199,284	217,403	214,908
Government assistance receivable		27,165	14,549	14,549	16,572
Non-current assets		**1,516,954**	**1,478,865**	**1,486,722**	**1,499,877**
Inventories		241,830	243,891	181,487	191,880
Income tax receivable		111	107	724	365
Trade and other receivables	1	157,489	170,623	163,057	194,109
Other current financial assets		0	0	24	0
Cash and cash equivalents		19,586	43,317	19,868	6,129
Cash flow hedges		0	0	589	988
Current assets		**419,016**	**457,938**	**365,749**	**393,471**
Total assets		**1,935,970**	**1,936,803**	**1,852,471**	**1,893,348**
Equity					
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		0	(3,032)	589	988
Exchange differences on translating foreign operations		(4,839)	(10,127)	(14,829)	(15,979)
Exchange differences on net investments in subsidiaries		4,182	(4,894)	(15,349)	(18,506)
Retained earnings		33,892	10,948	1,978	(6,312)
Equity (attributable to owners of the parent)		**495,041**	**454,701**	**432,901**	**420,102**
Non-controlling interests		**71,440**	**74,145**	**63,273**	**64,551**
Total equity		**566,481**	**528,846**	**496,174**	**484,653**
Liabilities					
Non-current portion of bank loans and borrowings		880 934	906,094	994,038	1,029,662
Non-current portion of finance lease liabilities		46	44	87	99
Employee benefits payable		6 584	6,013	6,013	5,203
Provisions		634	619	640	1,657
Deferred tax liabilities		12 827	8,834	5,535	9,941
Deferred income under government assistance		40 484	25,051	25,851	26,887
Non-current liabilities		**941 509**	**946,655**	**1,032,164**	**1,073,449**
Current portion of bank loans and borrowings		137 760	157,428	62,870	60,971
Current portion of finance lease liabilities		116	111	142	180
Income tax payable		188	905	0	818
Trade and other payables	2	266 922	285,542	242,912	257,727
Employee benefits payable		21 118	16,128	17,021	13,116
Deferred income under government assistance		1 876	1,188	1,188	2,434
Current liabilities		**427 980**	**461,302**	**324,133**	**335,246**
Total liabilities		**1,369,489**	**1,407,957**	**1,356,297**	**1,408,695**
Total equity and liabilities		**1,935,970**	**1,936,803**	**1,852,471**	**1,893,348**

OFF-BALANCE-SHEET ITEMS	Dec 31 2011 end of Q4 2011 (PLN '000)	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	0	1,210	6,662	11,456
To other undertakings, including:	0	1,210	6,662	11,456
- guarantees and sureties issued	0	1,210	6,662	11,456
Total off-balance-sheet items	0	1,210	6,662	11,456

Comments on changes in key items of the consolidated statement of financial position

The PLN 16.1m increase in property, plant and equipment is primarily a result of transferring a part of prepayments for tangible assets under construction, as well as of foreign exchange gains on translation of assets of the Russian subsidiaries, which offset depreciation charges.

Receivables under prepayments for tangible assets rose by PLN 8.4m compared to Q3 2011, chiefly due to gains on translation of prepayments of the Russian subsidiaries.

As at the end of Q4 2011, no changes were recorded in goodwill. The decrease in intangible assets was due to their periodic amortisation.

The amount of government assistance receivables, resulting from the revaluation of the total estimated value of the assistance calculated on the basis of budgeted financial data relating to future years, rose by PLN 12.6m compared to Q3 2011.

As at the end of Q4 2011, inventories stood at PLN 241.8m, having slightly decreased from PLN 243.9m as at the end of Q3 2011. The drop followed from optimisation of inventories.

As at December 31st 2011, trade and other receivables went down by PLN 13.1m compared with the end of September 2011. This change is attributable primarily to an improvement in the average collection period.

As at December 31st 2011, the Group's total equity was PLN 566.5m, having grown by PLN 37.6m over Q3 2011.
The increase is mainly an outcome of positive valuation of net investments in subsidiaries, which amounted to PLN 4.2m (increase of PLN 9.1m relative to the end of Q3 2011), lower foreign exchange losses on translation of subordinated undertakings due to foreign exchange gains (by PLN 5.3m over the end of Q3 2011), and the Group's net profit of PLN 21.7m (up by PLN 19.4m over the end of Q3 2011), accompanied by a PLN 3.0m gain on valuation of financial instruments following from the application of hedge accounting.

Liabilities fell by PLN 38.5m relative to the end of Q3 2011, primarily on the back of a PLN 44.8m decrease in balance of loans and borrowings (of which PLN 25.2 is attributable to non-current loans and borrowings), PLN 18.6m decrease in trade and other liabilities, as well as PLN 16.1m higher deferred income from government assistance (of which PLN 15.4m is non-current), and also a PLN 5.0m increase in current employee benefit obligations.

Consolidated statement of comprehensive income for the period January 1st – December 31st 2011 (PLN '000)

	Note	Total Jan 1– Dec 31 2011 Continuing operations	Total Jan 1– Dec 31 2010 Continuing operations
Sales revenue		1,725,231	1,390,388
Cost of sales (*)		(1,382,705)	(1,128,362)
Gross profit		**342,526**	**262,026**
Other income		5,788	8,223
Selling costs (*)		(106,086)	(91,627)
General and administrative expenses (*)		(84,509)	(115,630)
Other expenses		(21,514)	(15,892)
Operating profit/loss		**136,205**	**47,100**
Finance income		6,662	9,096
Finance expenses		(104,120)	(90,966)
Net Finance Income (and Expenses)	3	**(97,458)**	**(81,870)**
Profit/loss before tax		**38,747**	**(34,770)**
Corporate income tax		(17,012)	4,339
Net profit/loss		**21,735**	**(30,431)**
Attributable to non-controlling interests		(11,473)	(15,183)
Attributable to owners of the parent		33,208	(15,248)
EBITDA		**213,804**	**146,106**
Other income/expenses			
Exchange differences on translating foreign operations		11,991	3,967
Exchange differences on net investments in subsidiaries		19,531	4,135
Effective portion of loss on fair-value measurement of hedging instruments, including corporate income tax		(589)	589
Valuation of investment property as at the reclassification date		0	619
Other		0	(18)
Other income/expenses		**30,933**	**9,292**
Total income/expenses for the period		**52,668**	**(21,139)**
Total income/expenses for the period attributable to:			
Owners of the parent		62,140	(7,028)
Non-controlling interests		(9,472)	(14,111)
Total income/expenses for the period		**52,668**	**(21,139)**
Basic earnings per share (PLN)		0.67	(0.31)
Diluted earnings per share (PLN)		0.67	(0.31)

(*) With effect from 2011, the Pfleiderer Grajewo Group changed the method of allocating costs presented in the statement of comprehensive income. Consequently, certain costs originally presented under general and administrative expenses are now allocated to the cost of sales or selling costs. The change did not affect the operating profit. If the Group reclassified the comparative data for Q1-Q4 2010, cumulative cost of sales would amount to approximately PLN 1,162m, gross profit – to approximately PLN 228m, selling costs – to approximately PLN 93m, and general and administrative expenses – to approximately PLN 81m, with operating profit/loss remaining unchanged.

Statement of changes in consolidated equity for the period January 1st – December 31st 2011 (PLN '000)

	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	Valuation of forward contracts	Retained earnings/(deficit)	Total	Non-controlling interests	Total
As at Jan 1 2010	**16,376**	**289,806**	**133,518**	**0**	**(17,659)**	**(19,484)**	**0**	**37,372**	**439,929**	**77,384**	**517,313**
Comprehensive income for the period											
Net loss	0	0	0	0	0	0	0	(15,183)	(15,183)	(15,248)	(30,431)
Other comprehensive income											
Exchange differences on translation of subordinated undertakings	0	0	0	0	2,830	0	0	0	2,830	1,137	3,967
Exchange differences on net investments in subsidiaries	0	0	0	0	0	4,135	0	0	4,135	0	4,135
Exchange differences on valuation of forward contracts	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)
Total other comprehensive income	0	0	(18)	619	2,830	4,135	589	0	8,155	1,137	9,292
Total comprehensive income for the period	**0**	**0**	**(18)**	**619**	**2,830**	**4,135**	**589**	**(15,183)**	**(7,028)**	**(14,111)**	**(21,139)**
Transactions with owners											
Transfer of 2009 net profit to statutory reserve funds	0	0	20,211		0	0	0	(20,211)	0	0	0
Transactions with owners recognised in equity	**0**	**0**	**20,211**		**0**	**0**	**0**	**(20,211)**	**0**	**0**	**0**
As at Dec 31 2010	**16,376**	**289,806**	**153,711**	**619**	**(14,829)**	**(15,349)**	**589**	**1,978**	**432,901**	**63,273**	**496,174**

	Share capital	Share premium account	Statutory reserve funds	Revaluation reserve	Exchange differences on translation of subordinated undertakings	Exchange differences on net investments in subsidiaries	Valuation of forward contracts	Retained earnings/(deficit)	Total	Non-controlling interests	Total
As at Jan 1 2011	**16,376**	**289,806**	**153,711**	**619**	**(14,829)**	**(15,349)**	**589**	**1,978**	**432,901**	**63,273**	**496,174**
Comprehensive income for the period											
Net profit/loss	0	0	0	0	0	0	0	33,208	33,208	(11,473)	21,735
Other comprehensive income											
Currency translation differences on subordinated undertakings	0	0	0	0	9,990	0	0	0	9,990	2,001	11,991
Exchange differences on net investments in subsidiaries	0	0	0	0	0	19,531	0	0	19,531	0	19,531
Exchange differences on valuation of forward contracts	0	0	0	0	0	0	(589)	0	(589)	0	(589)
Valuation of investment property as at the reclassification date	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total other comprehensive income	0	0	0	0	9,990	19,531	(589)	0	28,932	2,001	30,933
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**9,990**	**19,531**	**(589)**	**33,208**	**62,140**	**,(9,472))**	**52,668**
Transactions with owners											
Share capital increase at Pfleiderer MDF Sp. z o.o.	0	0	0	0	0	0	0	0	0	17,639	17,639
Transfer of 2010 net profit to statutory reserve funds	0	0	1,294	0	0	0	0	(1,294)	0	0	0
Transactions with owners recognised in equity	**0**	**0**	**1,294**	**0**	**0**	**0**	**0**	**(1,294)**	**0**	**17,639**	**17,639**
As at Dec 31 2011	**16,376**	**289,806**	**155,005**	**619**	**(4,839)**	**4,182**	**0**	**33,892**	**495,041**	**71,440**	**566,481**

Consolidated statement of cash flows for the period January 1st – December 31st 2011 (PLN '000)

	Jan 1–Dec 31 2011	Jan 1–Dec 31 2010
Cash flows from operating activities		
Net profit/loss	**21,735**	**(30,431)**
Adjustments	138,281	147,076
Depreciation and amortisation	77,599	99,006
Foreign exchange gains	(238)	(8,546)
Interest for the period	96,533	85,387
Gain/loss on disposal of intangible assets and property, plant and equipment	(374)	(2,927)
Income tax expense	17,012	(4,339)
Deferred income tax charged to equity	4,581	970
Change in trade and other receivables	5,568	(27,291)
Change in inventories	(60,343)	(15,624)
Change in trade and other payables	18,203	23,868
Change in employee benefits payable	4,668	950
Change in provisions	(6)	(1,912)
Change resulting from government assistance	2,705	(2,762)
Other adjustments	(77)	
Change in currency translation differences on consolidation	(24,885)	(1,809)
Result on forward contracts	(2,665)	2,105
Cash flows from operating activities	**160,016**	**116,645**
Interest received/paid	432	(168)
Income tax paid	(11,211)	(2,865)
Net cash provided by/(used in) operating activities	**149,237**	**113,612**
Cash flows from investing activities		
Disposal of non-current assets	444	155
Other cash provided by financial assets	24	123
Purchase of subsidiary undertaking	(65)	0
Acquisition of intangible assets and property, plant and equipment	(35,285)	(21,369)
Net cash provided by/(used in) investing activities	**(34,882)**	**(21,091)**
Cash flows from financing activities		
Repayment of loans and borrowings	(62,511)	(620,492)
Increase in loans and borrowings	31,823	588,787
Change resulting from gains/losses on forward contracts	0	
Interest paid	(83,949)	(71,812)
Net cash provided by/(used in) financing activities	**(114,637)**	**(103,517)**
Change in cash	(282)	(10,996)
Cash at beginning of period	19,868	30,864
Cash at end of period	**19,586**	**19,868**

VII. CAPITAL EXPENDITURE

In Q4 2011, the Pfleiderer Grajewo Group incurred capital expenditure of PLN 33.8 million.

VIII. SUPPLEMENTARY INFORMATION

1. Material agreements

On December 22th 2011, Blitz 11-446 GmbH ("Pfleiderer SPV"), a new SPV in which Pfleiderer Grajewo S.A. and Pfleiderer Service GmbH (a subsidiary of Pfleiderer AG) hold 50% interests each, purchased the components of the production line manufactured by Dieffenbacher and designed to be assembled at the MDF/HDF board production plant in Russia. The value of those components is EUR 53,842,497.01 (PLN 239,265,288.20). The components were purchased in a non-cash transaction and the Pfleiderer Group incurred no expenses related to the purchase. As a result of the transaction, two companies of the Pfleiderer Group, Pfleiderer SPV and Pfleiderer MDF OOO, hold the ownership rights to the entire production line manufactured by Dieffenbacher and designed to be assembled at the MDF/HDF board production plant in Russia.

In order to execute the transaction, on December 22nd 2011 the Parent and Pfleiderer AG signed an annex to the agreement of July 2nd 2009 concerning financial collateral under the contract for the supply of an MDF/HDF production line ("the Supply Contract") concluded between Dieffenbacher and Pfleiderer MDF OOO.

Under the annex, the Parent transferred onto Pfleiderer AG a 50% interest in joint ownership of the machinery supplied under the Supply Contract ("the Parent's Interest in the Machinery"). The Company's Interest in the Machinery was subsequently transferred onto Dieffenbacher and finally onto Pfleiderer SPV. The value of the Parent's Interest in the Machinery is EUR 17,013,900.00 (PLN 75,606,368.82 PLN).

Moreover, prior to the execution of those transactions the Parent's Interest in the Machinery was released from security created for the benefit of the banks financing the Parent: Bank PEKAO S.A., Bank Zachodni WBK S.A., BRE Bank S.A., BNP Paribas Bank Polska S.A. and Bank Gospodarki Żywnościowej S.A. The release was made in exchange for an assignment by way of security, performed on December 22nd 2011, of the ownership right to the machinery purchased by Pfleiderer SPV. The assignment by way of security secures the repayment of 50% the bank loan granted to the Parent and 50% of bank loans granted to Pfleiderer AG.

In Q4 2011, the Group did not enter into any other material agreements.

2. Provisions

As at the end of Q4 2011, the Group maintained a provision for employee benefits of PLN 16.1m. The value of the provision rose by PLN 4.5m relative to the end of Q3 2011. The provision for employee benefits is the only provision created by the Group under IAS. Currently, Pfleiderer Grajewo S.A. maintains no other provisions under IAS.

In Q4 2011, deferred tax assets grew by PLN 1,5m quarter on quarter, while deferred tax liabilities rose by PLN 4.0m. In the reporting period, no major changes with a potentially material bearing on the Group's financial performance took place regarding impairment losses.

3. Guarantees and sureties

As at December 31st 2011, Pfleiderer Grajewo S.A. had two outstanding sureties for an aggregate amount of up to PLN 38,898 thousand, including a surety of up to EUR 7,692 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 December 31st 2011, the amount of underlying debt secured with the sureties stood at PLN 38,898 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 a period of five years starting from the bank's acquisition of shares. After that, 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 to repurchase the shares held by the Bank at any time. The EBRD holds a put option enabling it to sell the shares before December 28th 2010 if the financing agreements concluded by the Parent and Pfleiderer OOO with the EBRD are breached and if there arises the risk 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 in an amount of PLN 700,000 thousand (the currently outstanding loan amount is PLN 670,000 thousand);
- Pfleiderer OOO and Pfleiderer Grajewo S.A. - liabilities to the EBRD under a bank loan and put option in the total amount of PLN 16,822 thousand.

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

4. Changes in contingent assets and liabilities

In Q4 2011, contingent liabilities assumed by Pfleiderer Grajewo S.A. decreased slightly owing to repayment of bank loans secured with the Parent's sureties.

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

In Q4 2011, Pfleiderer Grajewo S.A. carried out 11 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 the commercial paper programme agreement executed with Bank PEKAO S.A. on July 22nd 2003 and in accordance with the Polish Bonds Act of June 29th 1995 as złoty-denominated, unsecured, zero-coupon bearer securities in book-entry form. The notes are redeemed at their par value. The notes were acquired by Pfleiderer Prospan S.A., a subsidiary.

6. Dividend paid

In Q4 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 or 2012.

8. Material events subsequent to December 31st 2011

After December 31st 2011, Pfleiderer Grajewo S.A. carried out 8 issues of commercial paper in the form of short-term notes with a view to optimising the financial liquidity management within the Group. The notes were issued pursuant to the commercial paper programme agreement executed with Bank PEKAO S.A. on July 22nd 2003 and in accordance with the Polish Bonds Act of June 29th 1995 as złoty-denominated unsecured zero-coupon bearer securities in book-entry form. The notes are redeemable at par. The notes were acquired by Pfleiderer Prospan S.A., a subsidiary.

On January 31st 2012, Pfleiderer Grajewo S.A. received a notification dated January 27th 2012 from Wojciech Gątkiewicz, President of the Management Board. In the notification, Mr Gątkiewicz, acting pursuant to Art. 160 of the Act on Trading in Financial Instruments of July 29th 2005, notified the Parent that in 2011 he acquired Company shares with a total value of up to EUR 5,000. 2,400 ordinary bearer shares were acquired at prices from PLN 8.10 to PLN 8.78 per share in ordinary session transactions concluded on the Warsaw Stock Exchange on August 29th and September 6th 2011.

9. Changes in the Group's structure

On December 21st 2011, Pfleiderer Grajewo S.A. and Pfleiderer Service GmbH acquired shares in Blitz 11-446 GmbH of Germany. Each of the purchasing companies holds 50% of shares in Blitz 11-446 GmbH. The purchase price paid by Pfleiderer Grajewo S.A. stood at EUR 14.5 thousand (PLN 65.2 thousand).
Shares value In Blitz 11-446 GmbH was measured in consolidated report with equity method.

10. Transactions with owners and related parties

In Q4 2011, Pfleiderer Grajewo S.A. carried out 11 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 in Pfleiderer Grajewo S.A.;
- Rafał Karcz, member of the Management Board, held 3,472 shares in Pfleiderer Grajewo S.A.;
- Dariusz Tomaszewski, member of the Management Board, held 4,108 shares in Pfleiderer Grajewo S.A.;
- Radosław Wierzbicki, Member of the Management Board of Pfleiderer Grajewo S.A., 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:
- Jan Woźniak, Member of the Supervisory Board, held 10,000 shares in Pfleiderer Grajewo S.A.

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

12. Shareholder structure as at the report release date

Shareholder structure as at Feb 29 2012	Number of shares	% of share capital	Number of votes at GM	% of votes at GM
Pfleiderer Service GmbH	32,308,176	65.11%	32,308,176	65.11%
Aviva OFE Aviva BZ WBK	4,928,816	9.93%	4,928,816	9.93%
ING OFE	2,639,144	5.32%	2,639,144	5.32%
Other shareholders	9,747,864	19.64%	9,747,864	19.64%
TOTAL	49,624,000	100.00%	49,624,000	100.00%

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

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

The number of shares held by the main shareholder, Pfleiderer Service GmbH, did not change in Q4 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 Parent’s equity.

14. Other material information

In Q4 2011, certain changes occurred in the composition of the Supervisory Board of Pfleiderer Grajewo SA.

On October 17th 2011, Mr Heiko Graeve resigned from membership of the Supervisory Board of Pfleiderer Grajewo S.A., and Mr Paweł Wyrzykowski was recalled from the Parent's Supervisory Board with effect from November 24th 2011.

On November 24th 2011, the following persons were appointed to the Parent's Supervisory Board:

- Mr Hans-Joachim Ziems
- Mr Hans-Kurt von Werder, Ph.D

Since April 2011, Mr Hans-Joachim Ziems has been a Member of the Management Board of Pfleiderer AG, in charge of restructuring.
To the best of the Parent's knowledge, Mr Hans-Joachim Ziems does not conduct any activity competitive with respect to the Parent, nor is he a partner in a competing civil-law partnership, or a member of a governing body of a competing corporation or another legal entity. Mr Ziems is not entered in the Register of Insolvent Debtors maintained under the National Court Register Act.

Since 2005, Mr Hans-Kurt von Werder has been working for Pfleiderer AG, where he is Technical Director and Chief Executive Officer at Pfleiderer Engineering International GmbH.
Mr Hans-Kurt von Werder does not conduct any activity competitive with respect to the Parent, nor is he a partner in a competing civil-law partnership or a member of a governing body of a competing corporation or another legal entity. Mr Hans-Kurt von Werder is not entered in the Register of Insolvent Debtors maintained under the National Court Register Act.

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 December 31st 2011, Pfleiderer Grajewo S.A. was not a party to any forward contracts.

The other Group companies were not parties to any derivative contracts as at December 31st 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 December 31st 2011, the currency risk exposure in Russia was unhedged.

In Q4 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 Q4 2011, the Group's sales rose by 17% year on year, with export sales accounting for approximately 27% 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)

	Dec 31 2011	Sep 30 2011	Dec 31 2010	Sep 30 2010
Trade receivables	97,421	117,478	119,741	138,122
Receivables from related undertakings	7,364	7,084	6,816	10,769
Current prepayments and accrued income	3,405	7,802	7,149	16,291
Current VAT receivables	32,697	27,438	22,806	26,460
Other receivables	16,602	10,821	6,545	2,467
Total	**157,489**	**170,623**	**163,057**	**194,109**

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

	Dec 31 2011	Sep 30 2011	Dec 31 2010	Sep 30 2010
Trade payables	195,602	223,786	190,709	209,500
Liabilities to related undertakings	11,927	11,540	17,200	11,388
VAT liabilities	281	1,483	1,087	773
Liabilities under factoring agreements	16,389	15,631	18,473	16,223
Liabilities under investment supplies	7,147	763	1,340	666
Interest expense payable	71	71	0	0
Prepaid deliveries	2,535	4,126	3,109	1,976
Deliveries prepaid by related undertakings	886	880	0	0
Other liabilities	32,084	27,262	10,994	17,201
Total	**266,922**	**285,542**	**242,912**	**257,727**

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

	Jan 1–Dec 31 2011	Jan 1–Dec 31 2010
Finance income		
Interest income	621	551
Net foreign exchange gains	4,559	6,440
Gains on forward contracts	1,475	2,105
Other finance income	7	0
	6,662	**9,096**
Finance expenses		
Interest expense	(97,155)	(85,938)
Loss on forward contracts	(4,140)	0
Other finance expenses	(2,825)	(5,028)
	(104,120)	**(90,966)**
Net finance income / expenses	**(97,458)**	**(81,870)**
Exchange differences (including on forward contracts)	**1,894**	**8,546**
Realised	6,772	(953)
Unrealised	(4,878)	9,499

19. Currency translation of financial data

The Pfleiderer Grajewo Group comprises two foreign subsidiaries, Pfleiderer OOO and Pfleiderer MDF OOO, whose functional currency is the Russian rouble (RUB). For consolidation purposes, the financial statements of the subsidiaries are translated into the złoty 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.

Date	**RUB**	**PLN**
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
Oct 31 2011	RUB 1	0.1029
Nov 30 2011	RUB 1	0.1091
Dec 31 2011	RUB 1	0.1061
RUB exchange rate at the end of Q4 2011		**0.1061**
Arithmetic mean for 2011		**0.1008**

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 Q4 2011.

Date	**EUR**	**PLN**
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
Oct 31 2011	EUR 1	4.3433
Nov 30 2011	EUR 1	4.5494
Dec 31 2011	EUR 1	4.4168
EUR exchange rate at the end of Q4 2011		**4.4168**
Arithmetic mean for 2011		**4.1401**

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

Separate statement of financial position as at December 31st 2011 (PLN '000)

		Total Dec 31 2011	Total Sep 30 2011	Total Dec 31 2010	Total Sep 30 2010
Assets					
Property, plant and equipment		109,888	107,637	115,972	119,580
Intangible assets		1,367	1,775	3,208	2,879
Investments in related undertakings		811,034	810,929	790,134	790,321
Other non-current financial assets		10	10	10	10
Deferred tax assets		0	0	2,110	2,950
Non-current loans advanced to related undertakings		217,741	399,670	383,387	345,968
Non-current receivables – prepayments for tangible assets		0	1,133	0	0
Non-current assets		**1,140,040**	**1,321,154**	**1,294,821**	**1,261,708**
Inventories		79,443	80,833	50,923	59,837
Trade and other receivables	1	120,727	141,664	132,965	148,036
Cash and cash equivalents		1,380	12,947	839	1,708
Current loans advanced to related undertakings		166 174	0	0	25,658
Cash flow hedges		0	0	589	988
Current assets		**367 724**	**235,444**	**185,316**	**236,227**
Total assets		**1,507,764**	**1,556,598**	**1,480,137**	**1,497,935**
Equity					
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		0	(3,032)	589	988
Retained earnings		63,883	51,231	24,376	25,758
Total equity		**525,023**	**509,339**	**484,811**	**486,610**
Liabilities					
Loans and borrowings		476,934	484,633	563,435	585,016
Employee benefits payable		4,895	4,405	4,405	3,888
Deferred tax liabilities		6,592	2,758	0	0
Non-current liabilities		**488,421**	**491,796**	**567,840**	**588,904**
Loans and borrowings		86,617	133,269	30,262	24,382
Liabilities to related undertakings under debt securities		293,515	299,981	293,017	286,952
Trade and other payables	2	104,593	113,696	95,832	103,984
Employee benefits payable		9,595	8,517	8,375	7,103
Current liabilities		**494,320**	**555,463**	**427,486**	**422,421**
Total liabilities		**982,741**	**1,047,259**	**995,326**	**1,011,325**
Total equity and liabilities		**1,507,764**	**1,556,598**	**1,480,137**	**1,497,935**

OFF-BALANCE-SHEET ITEMS	Dec 31 2011 end of Q4 2011 (PLN '000)	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	79,220	88,317	95,009	114,783
To other undertakings, including:	79,220	88,317	95,009	114,783
- guarantees and sureties issued	79,220	88,317	95,009	114,783
Total off-balance-sheet items	79,220	88,317	95,009	114,783

Separate statement of comprehensive income for the period January 1st – December 31st 2011 (PLN '000)

	Total Jan 1–Dec 31 2011 Continuing operations	**Total Jan 1–Dec 31 2010 Continuing operations**
Sales revenue	730,081	616,183
Cost of sales (*)	(635,610)	(532,999)
Gross profit	**94,471**	**83,184**
Other income	698	1,867
Selling costs (*)	(27,943)	(24,694)
General and administrative expenses (*)	(24,823)	(34,497)
Other expenses	(2,399)	(1,921)
Operating profit/loss	**40,004**	**23,939**
Finance income	90,076	43,409
Finance expenses	(80,577)	(66,919)
Net finance income/expenses	**9,499**	**(23,510)**
Profit/loss before tax	**49,503**	**429**
Corporate income tax	(8,702)	865
Net profit/loss	**40,801**	**1,294**
Other comprehensive income		
Effective portion of loss on fair-value measurement of hedging instruments, including corporate income tax	(589)	589
Other	0	(18)
Total comprehensive income for the period	**40,212**	**1,865**

(*) With effect from 2011, the Parent changed the method of allocating costs presented in the statement of comprehensive income. Consequently, certain costs originally presented under general and administrative expenses are now allocated to the cost of sales or selling costs. This change did not affect the operating profit. If the Parent reclassified the comparative data for 12 months of 2010, cost of sales would amount to approximately PLN 544m, gross profit – to approximately PLN 72m, selling costs – to approximately PLN 25m, and general and administrative expenses – to approximately PLN 23m, with operating profit/loss remaining unchanged.

Separate statement of changes in equity for the period January 1st 2010 – December 31st 2011 (PLN '000)

	Share capital	Share premium account	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
As at Jan 1 2010	**16,376**	**289,806**	**133,471**	**0**	**43,293**	**482,946**
Comprehensive income for the period						
Net profit	0	0	0	0	1,294	1,294
Valuation of forward contracts	0	0	0	589	0	589
Other	0	0	(18)	0	0	(18)
Comprehensive income for the period	0	0	(18)	589	1,294	1,865
Transactions with owners recognised in equity						
Transfer of part of 2009 profit to statutory reserve funds	0	0	20,211	0	(20,211)	0
Transactions with owners recognised in equity	**0**	**0**	**20,211**	**0**	**(20,211)**	**0**
Balance as at Dec 31 2010	**16,376**	**289,806**	**153,664**	**589**	**24,376**	**484,811**

	Share capital	Share premium account	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
As at Jan 1 2011	**16,376**	**289,806**	**153,664**	**589**	**24,376**	**484,811**
Comprehensive income for the period						
Net profit	0	0	0	0	40,801	40,801
Effective portion of gain on fair-value measurement of hedging instruments, including corporate income tax	0	0	0	(589)	0	(589)
Other	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	(589)	40,801	40,212
Transactions with owners recognised in equity						
Transfer of 2010 net profit to statutory reserve funds	0	0	1,294	0	(1,294)	0
Total transactions with owners recognised in equity	**0**	**0**	**1,294**	**0**	**(1,294)**	**0**
Balance as at Dec 31 2011	**16,376**	**289,806**	**154,958**	**0**	**63,883**	**525,023**

Separate statement of cash flows for the period January 1st – December 31st 2011 (PLN '000)

	Jan 1–Dec 31 2011	Jan 1–Dec 31 2010
Cash flows from operating activities		
Net profit	**40,801**	**1,294**
Adjustments	10,876	61,689
Depreciation and amortisation	13,956	19,898
Foreign exchange gains/losses	(26,845)	(6,702)
Dividend and interest for the period	27,157	26,050
Gain/loss on disposal of intangible assets and property, plant and equipment	(241)	(42)
Deferred tax assets/liabilities	8,702	(865)
Change in trade and other receivables	12,238	1,225
Change in inventories	(28,520)	(8,349)
Change in trade and other payables	5,385	27,416
Change in employee benefits payable	1,709	953
Result on forward contracts	(2,665)	(2,105)
Cash flows from operating activities	**51,677**	**62,983**
Interest received	117	114
Interest paid	(53)	(292)
Net cash provided by/(used in) operating activities	**51,741**	**62,805**
Cash flows from investing activities		
Sale of property, plant and equipment	245	80
Interest received	8,155	207
Dividend and profit distributions	16,392	14,799
Purchase of subsidiary undertaking	(65)	0
Acquisition of intangible assets and property, plant and equipment	(2,634)	(1,298)
Loans repaid	44,978	0
Loans advanced	(8,317)	(36,989)
Net cash provided by/(used in) investing activities	**58,754**	**(23,201)**
Cash flows from financing activities		
Repayment of loans and borrowings	(40,298)	(568,483)
Increase in loans and borrowings	0	555,958
Redemption of debt securities	(1,169,113)	(1,1131,442)
Issue of debt securities	1,169,317	1,165,801
Gains/loss on forward contracts	0	0
Interest paid	(69,860)	(65,463)
Net cash provided by/(used in) financing activities	**(109,954)**	**(43,629)**
Change in cash	541	(4,025)
Cash at beginning of period	839	4,864
Cash at end of period	**1,380**	**839**

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

1. Notes to the separate balance sheet

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

	Dec 31 2011	Sep 30 2011	Dec 31 2010	Sep 30 2010
Trade receivables other than from related undertakings	14,779	19,699	17,134	24,210
Trade and other receivables from related undertakings	20,400	35,511	39,503	41,122
Current prepayments and accrued income	1,890	2,040	1,872	3,702
Current VAT receivables	5,654	5,846	5,145	9,058
Other receivables	78,004	78568	69,311	69,944
Total	**120,727**	**141,664**	**132,965**	**148,036**

Other receivables include receivables under a deposit with Diffenbacher of PLN 75,147 thousand, securing the supply of equipment to Pfleiderer MDF OOO.

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

	Dec 31 2011	Sep 30 2011	Dec 31 2010	Sep 30 2010
Trade payables	64,898	69,092	48,241	63,045
Liabilities to related undertakings	22,624	29,787	32,963	27,128
Liabilities under factoring agreements	9,458	7,731	9,848	9,031
Liabilities under investment supplies	3,795	246	426	296
Other liabilities	3,818	6,840	4,354	4,484
Total	**104,593**	**113,696**	**95,832**	**103,984**

Other liabilities include primarily accrued expenses and other provisions.