PRESIDENT'S INTRODUCTION TO THE 2011 CONSOLIDATED ANNUAL REPORT

We present to you our current annual report. It is our great pleasure to announce that the Group recorded strong growth in sales, coupled with a marked improvement in profitability. Accordingly, after two lean years, profit was put back onto the bottom line. The Group's strong performance was fuelled by growth in the furniture manufacturing industry, recovery in the construction sector, launch of new products and effective cost management, additionally supported by the temporary depreciation of the złoty in the second half of the year. 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). Sales on the Russian market account for more than 20% of total sales. Following the economic crisis, in 2011 Russian economy largely recovered, which was reflected in an over 40% rate of growth.

To meet market expectations, we launched new products whose sales volumes have been steadily on the rise. In 2011, their share in the Group's total consolidated sales was around 4%. Sales of construction board and other products marketed by the Group since mid-2010 have grown to represent a prominent share of total sales. The Global Collection line has gained acclaim among customers.

The main production lines were utilised to the capacity guaranteeing continuity of production processes, which ensured profitable distribution of fixed costs. 2011 saw a sharp rise in the prices of strategic raw materials, which in part contributed to higher selling prices.

As a result, we 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 half of 2012, the Management Board is planning to make a final decision concerning the future of the strategic project in Russia.

As at December 31st 2011, we were 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. We aim to consistently pursue the policy of debt reduction in the years to come.

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

Development of the market situation in 2012 will largely depend 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, we are cautiously assuming further improvement of our financial performance.

Yours faithfully,

Wojciech Gątkiewicz
President of the Management Board