



TRANSLATION

**Pfleiderer Grajewo S.A. Group**

**Opinion and Report  
of the Independent Auditor  
Financial Year ended  
31 December 2011**

The opinion contains 2 pages  
The report supplementing the auditor's opinion  
contains 11 pages  
Opinion of the independent auditor  
and report supplementing the auditor's opinion  
on the consolidated financial statements  
for the financial year ended  
31 December 2011

**OPINION OF THE INDEPENDENT AUDITOR**



**KPMG Audyt**  
**Spółka z ograniczoną**  
**odpowiedzialnością sp.k.**  
ul. Chłodna 51  
00-867 Warszawa  
Poland

Telefon +48 22 528 11 00  
Fax +48 22 528 10 09  
E-mail [kpmg@kpmg.pl](mailto:kpmg@kpmg.pl)  
Internet [www.kpmg.pl](http://www.kpmg.pl)

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

## **OPINION OF THE INDEPENDENT AUDITOR**

*To the General Meeting of Pfleiderer Grajewo S.A.*

We have audited the accompanying consolidated financial statements of Pfleiderer Grajewo S.A. Group, whose parent entity is seated in Grajewo, ul. Wiórowa 1 ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

### *Management's and Supervisory Board's Responsibility for the Consolidated Financial Statements*

Management of the Parent Entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations and preparation of the Report on the Group's activities. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act"), Management of the Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements and the Report on the Group's activities are in compliance with the requirements set forth in the Accounting Act.

### *Auditor's Responsibility*

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

In our opinion, the accompanying consolidated financial statements of Pfeiderer Grajewo S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2011 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

#### *Other Matters*

As required under the Accounting Act, we also report that the Report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
registration number 3546  
ul. Chłodna 51, 00-867 Warsaw

*Signed on the Polish original*

.....  
Certified Auditor No. 90048  
Limited Liability Partner with power of attorney  
Mirosław Matusik

16 April 2012  
Warsaw

## **REPORT OF THE INDEPENDENT AUDITOR**



TRANSLATION

**Pfleiderer Grajewo S.A. Group**

**Report supplementing  
the auditor's opinion  
on the consolidated financial  
statements  
Financial Year ended  
31 December 2011**

The report supplementing the auditor's opinion  
contains 11 pages  
Report supplementing the auditor's opinion  
on the consolidated financial statements  
for the financial year ended  
31 December 2011

## Contents

1.	General	3
1.1	Identification of the Group	3
1.1.1	Name of the Group	3
1.1.2	Registered office of the Parent Company of the Group	3
1.1.3	Registration of the Parent Company in the National Court Register	3
1.1.4.	Management of the Parent Company	3
1.2	Information about companies comprising the Group	3
1.2.1	Companies included in the consolidated financial statements	3
1.2.2	Entities excluded from consolidation	4
1.3	Auditor information	4
1.3.1	Key certified auditor information	4
1.3.2	Audit auditor information	4
1.4	Prior period consolidated financial statements	4
1.5	Audit scope and responsibilities	5
1.6	Information on audits of the financial statements of the consolidated companies	6
1.6.1	Parent Company	6
1.6.2	Other consolidated entities	6
2	Financial analysis of the Group	7
2.1	Summary of the consolidated financial statements	7
2.1.1	Consolidated statement of financial position	7
2.1.1.	Consolidated statement of comprehensive income	8
2.2	Selected financial ratios	9
3	Detailed report	10
3.1	Accounting principles	10
3.2	Basis of preparation of the consolidated financial statements	10
3.3	Method of consolidation	10
3.4	Goodwill arising on consolidation	10
3.5	Consolidation of equity and calculation of non-controlling interest	10
3.6	Consolidation eliminations	11
3.7	Notes to the consolidated financial statements	11
3.8	Report of the Management Board of the Parent Company on the Group's activities	11
3.9	Information on the opinion of the independent auditor	11

## **1. General**

### **1.1 Identification of the Group**

#### **1.1.1 Name of the Group**

Pfleiderer Grajewo S.A. Group

#### **1.1.2 Registered office of the Parent Company of the Group**

ul. Wiórowa 1  
19-203 Grajewo

#### **1.1.3 Registration of the Parent Company in the National Court Register**

Registration court:	District Court in Białystok, XII Commercial Department of the National Court Register
Date:	9 May 2001
Registration number:	KRS 0000011422
Share capital as at balance sheet date:	PLN 16,375,920.00

#### **1.1.4. Management of the Parent Company**

The Management Board is responsible for management of the Parent Company.

At 31 December 2011, the Management Board of the Parent Company was comprised of the following members:

- |                       |                                      |
|-----------------------|--------------------------------------|
| • Wojciech Gątkiewicz | – President of the Management Board, |
| • Rafał Karcz         | – Member of the Management Board,    |
| • Dariusz Tomaszewski | – Member of the Management Board,    |
| • Radosław Wierzbicki | – Member of the Management Board.    |

On 8 February 2011 Mr. Johann Bitzi was dismissed from the position of the Vice President of the Management Board.

### **1.2 Information about companies comprising the Group**

#### **1.2.1 Companies included in the consolidated financial statements**

As at 31 December 2011, the following companies were consolidated by the Group:

Parent Company:

- Pfleiderer Grajewo S.A.

Subsidiaries consolidated on the full consolidation basis:

- Pfleiderer Prospan S.A.,
- Silekol Sp. z o.o.,
- Pfleiderer MDF Sp. z o.o.,
- Jura Polska Sp. z o.o.,



- Unifloor Sp. z o.o. (w likwidacji),
- Pfleiderer MDF OOO,
- Pfleiderer OOO.

Jointly controlled entities (equity accounted investees):

- Blitz 11-446 GmbH.

### **1.2.2 Entities excluded from consolidation**

As at 31 December 2011, the following subsidiary of the Group was not consolidated:

- Pfleiderer Services Sp. z o.o.

The entity was excluded from consolidation due to the fact that the result of its operation and financial position were insignificant in relation to that of the Group.

### **1.3 Auditor information**

#### **1.3.1 Key certified auditor information**

Name and surname:           Mirosław Matusik  
Registration number:       90048

#### **1.3.2 Audit auditor information**

Name:                           KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Address:                       ul. Chłodna 51, 00-867 Warsaw  
Registration number:       KRS 0000339379  
Registration court:         District Court for the Capital City Warsaw in Warsaw,  
                                     XII Commercial Department of the National Court Register  
NIP number:                  527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of audit firms under number 3546.

### **1.4 Prior period consolidated financial statements**

The consolidated financial statements for the financial year ended 31 December 2010 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting on 29 June 2011.

The consolidated financial statements were submitted to the Registry Court on 11 July 2011 and were published in Monitor Polski B No. 2320 on 23 November 2011.

## **1.5 Audit scope and responsibilities**

This report was prepared for the General Meeting of Pfleiderer Grajewo S.A. seated in Grajewo, ul. Wiórowa 1 and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The consolidated financial statements have been audited in accordance with the contract dated 5 January 2012, concluded on the basis of the resolution of the General Meeting dated 23 June 2010 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by the Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the consolidated financial statements in the Parent Company's head office during the period from 18 to 21 October 2011, 9 to 13 January 2012 and additional procedures have been performed outside the Parent Company's head office in the later period.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the Report on the Company's activities.

Our responsibility is to express an opinion and to prepare a supplementing report on the financial statements.

The Management Board of the Parent Company submitted a statement, dated the same date as this report, as to the true and fair presentation of the consolidated financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All required statements, explanations and information and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

Key certified auditor and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. fulfill independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and Their Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009, No. 77, item 649).

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.

## 1.6 Information on audits of the financial statements of the consolidated companies

### 1.6.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2011 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., certified auditor number 3546, and received an unqualified opinion.

### 1.6.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
Pfleiderer Prospan S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., Warsaw	31 December 2011	unqualified audit opinion
Pfleiderer OOO	ZAO KPMG, St. Petersburg, Russia	31 December 2011	unqualified audit opinion
Silekol Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., Warsaw	31 December 2011	unqualified audit opinion
Pfleiderer MDF Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., Warsaw	31 December 2011	unqualified audit opinion with an emphasis of matter
Jura Polska Sp. z o.o.	not audited	31 December 2011	not audited
Unifloor Sp. z o.o. (w likwidacji)	not audited	31 December 2011	not audited
Pfleiderer MDF OOO	not audited	31 December 2011	not audited
Blitz 11-446 GmbH	not audited	31 December 2011	not audited

## 2 Financial analysis of the Group

### 2.1 Summary of the consolidated financial statements

#### 2.1.1 Consolidated statement of financial position

ASSETS	31.12.2011		31.12.2010	
	PLN '000	% of total	PLN '000	% of total
<b>Non-current assets</b>				
Property, plant and equipment	1,153,850	59.6	1,122,139	60.6
Intangible assets	2,539	0.2	4,704	0.3
Goodwill	107,829	5.6	107,829	5.8
Investments in subsidiaries	117	-	52	-
Other long-term investments	10	-	10	-
Investment property	4,300	0.2	15,736	0.2
Deferred tax assets	13,447	0.7	217,403	0.8
Advances paid on fixed assets	207,697	10.7	217,403	11.8
Government grant receivables	27,165	1.4	14,549	0.8
<b>Total non-current assets</b>	<b>1,516,954</b>	<b>78.4</b>	<b>1,486,722</b>	<b>80.3</b>
<b>Current assets</b>				
Inventories	241,830	12.5	181,487	9.8
Income tax receivable	111	-	724	-
Trade receivables and other	157,489	8.1	163,057	8.8
Other short term financial assets	-	-	24	-
Cash and cash equivalents	19,586	1.0	19,868	1.1
Fair value of hedging instruments	-	-	589	-
<b>Total current assets</b>	<b>419,016</b>	<b>21.6</b>	<b>365,749</b>	<b>19.7</b>
<b>TOTAL ASSETS</b>	<b>1,935,970</b>	<b>100.0</b>	<b>1,852,471</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>				
	31.12.2011	% of total	31.12.2010	% of total
	PLN '000		PLN '000	
<b>Equity</b>				
Share capital	16,376	0.8	16,376	0.9
Share premium	289,806	15.0	289,806	15.6
Reserve capital	155,005	8.0	153,711	8.3
Revaluation reserve	619	-	619	-
Foreign currency differences on translating foreign operation	(4,839)	0.2	(14,829)	0.8
Foreign currency differences on net investments	4,182	0.2	(15,349)	0.8
Cash flow hedge reserve	-	-	589	0.1
Retained earnings	33,892	1.8	1,978	0.1
<b>Total equity attributable to equity holders of the parent</b>	<b>495,041</b>	<b>25.6</b>	<b>432,901</b>	<b>23.4</b>
<b>Non-controlling interest</b>	<b>71,440</b>	<b>3.7</b>	<b>63,273</b>	<b>3.4</b>
<b>Total equity</b>	<b>566,481</b>	<b>29.3</b>	<b>496,174</b>	<b>26.8</b>
<b>Liabilities</b>				
Loans and borrowings	880,934	45.5	994,038	53.7
Long-term part of the financial leasing liabilities	46	-	87	-
Employee related payables	6,584	0.3	6,013	0.3
Provisions	634	-	640	-
Deferred tax liabilities	12,827	0.7	5,535	0.3
Deferred income due from government grants	40,484	2.1	25,851	1.4
<b>Total non-current liabilities</b>	<b>941,509</b>	<b>48.6</b>	<b>1,032,164</b>	<b>55.7</b>
Loans and borrowings	137,760	7.1	62,870	3.4
Short-term part of the financial leasing liabilities	116	-	142	-
Income tax payable	188	-	-	-
Trade and other payables	266,922	13.8	242,912	13.1
Provisions	21,118	1.1	17,021	0.9
Deferred income due from government grants	1,876	0.1	1,188	0.1
<b>Total current liabilities</b>	<b>427,980</b>	<b>22.1</b>	<b>324,133</b>	<b>17.5</b>
<b>Total liabilities</b>	<b>1,369,489</b>	<b>70.7</b>	<b>1,356,297</b>	<b>73.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,935,970</b>	<b>100.0</b>	<b>1,852,471</b>	<b>100.0</b>

## 2.1.1. Consolidated statement of comprehensive income

	01.01.2011 - 31.12.2011 PLN '000	% of total sales	01.01.2010 - 31.12.2010 PLN '000 <i>data restated</i>	% of total sales
<b>CONTINUING OPERATIONS</b>				
Revenue	1,725,231	100.0	1,390,388	100.0
Cost of sales	(1,382,705)	80.1	(1,162,362)	83.6
<b>Gross profit on sales</b>	<b>342,526</b>	<b>19.9</b>	<b>228,026</b>	<b>16.4</b>
Other operating income	5,511	0.3	8,223	0.6
Distribution expenses	(106,086)	6.2	(92,627)	6.7
General and administrative expenses	(84,509)	4.9	(80,630)	5.8
Other operating expenses	(21,237)	1.2	(15,892)	1.1
<b>Results from operating activities</b>	<b>136,205</b>	<b>7.9</b>	<b>47,100</b>	<b>3.4</b>
Financial income	5,187	0.3	9,096	0.6
Financial expenses	(102,645)	5.9	(90,966)	6.5
<b>Net financing costs</b>	<b>(97,458)</b>	<b>(5.6)</b>	<b>(81,870)</b>	<b>(5.9)</b>
<b>Profit/(loss) before tax</b>	<b>38,747</b>	<b>2.3</b>	<b>(34,770)</b>	<b>2.5</b>
Income tax expense	(17,012)	1.0	4,339	0.3
<b>Profit/(loss) for the period</b>	<b>21,735</b>	<b>1.3</b>	<b>(30,431)</b>	<b>2.2</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Foreign currency differences on translating foreign operation	11,991	0.7	3,967	0.3
Foreign exchange translation differences from net investment	19,531	1.1	4,135	0.3
Effective portion of changes in fair value of hedging instruments, net of income tax	(589)	-	589	-
Valuation of investment property	-	-	619	0.1
Net change in fair value of available-for-sale financial assets	-	-	(18)	-
<b>Other comprehensive income for the period</b>	<b>30,933</b>	<b>1.8</b>	<b>9,292</b>	<b>0.7</b>
<b>Total comprehensive income for the period</b>	<b>52,668</b>	<b>3.1</b>	<b>(21,139)</b>	<b>1.5</b>
<b>Profit/(loss) attributable to:</b>				
Shareholders of the Company	33,208	1.9	(15,183)	1.1
Non controlling interests	(11,473)	0.7	(15,248)	1.1
<b>Profit/(loss)</b>	<b>21,735</b>	<b>1.2</b>	<b>(30,431)</b>	<b>2.2</b>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Company	62,140	3.6	(7,028)	0.5
Non controlling interests	(9,472)	0.5	(14,111)	1.0
<b>Total comprehensive income for the period</b>	<b>52,668</b>	<b>3.1</b>	<b>(21,139)</b>	<b>1.5</b>
<b>Earnings per share</b>				
Basic earnings per share (PLN)	0.67	-	(0.31)	-
Diluted earnings per share (PLN)	0.67	-	(0.31)	-

## 2.2 Selected financial ratios

	2011	2010	2009
<b>1. Return on sales</b>			
$\frac{\text{net profit} \times 100\%}{\text{net revenues}}$	1.3%	negative value	negative value
<b>2. Return on equity</b>			
$\frac{\text{net profit} \times 100\%}{\text{equity} - \text{net profit}}$	4.0%	negative value	negative value
<b>3. Debtors turnover</b>			
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{net revenues}}$	27 days	32 days	35 days
<b>4. Debt ratio</b>			
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	70.7%	73.2%	72.3%
<b>5. Current ratio</b>			
$\frac{\text{current assets}}{\text{current liabilities}}$	1.0	1.1	0.4

- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, excluding allowances for receivables.

### **3 Detailed report**

#### **3.1 Accounting principles**

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

Entities included in the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

#### **3.2 Basis of preparation of the consolidated financial statements**

The consolidated financial statements of the Pfleiderer Grajewo S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 r., No 169, item 1327).

#### **3.3 Method of consolidation**

The method of consolidation is described in note 6 a) of the notes to the consolidated financial statements.

#### **3.4 Goodwill arising on consolidation**

The method of calculating goodwill arising on consolidation is described in note 6 e) of the notes to the consolidated financial statements.

#### **3.5 Consolidation of equity and calculation of non-controlling interest**

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

### **3.6 Consolidation eliminations**

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Pfleiderer Grajewo S.A. (or subsidiary entities) and agreed with information received from the subsidiaries.

### **3.7 Notes to the consolidated financial statements**

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. This information should be read in conjunction with the consolidated financial statements.

### **3.8 Report of the Management Board of the Parent Company on the Group's activities**

The Report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the consolidated financial statements.

### **3.9 Information on the opinion of the independent auditor**

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2011, we have issued an unqualified opinion.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
registration number 3546  
ul. Chłodna 51, 00-867 Warsaw

*Signed on the Polish original*

.....  
Certified Auditor No. 90048  
Limited Liability Partner with power of attorney  
Mirosław Matusik

16 April 2012  
Warsaw