

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report Qsr 3 / 2012

quarter / year

(prepared in accordance with Par. 82.2 and Par. 83.3 of the Regulation of the Minister of Finance dated February 19th 2009 - Dz.U. No. 33, item 259)

for issuers conducting manufacturing, construction, trade or services business

for the 3rd quarter of the financial year 2012, covering the period from July 1st to September 30th 2012,

including condensed consolidated financial statements prepared in accordance with the IFRS

currency: PLN

and condensed non-consolidated financial statements prepared in accordance with the IFRS

currency: PLN

Date of filing: November 13th 2012

Pfleiderer Grajewo Spółka Akcyjna

(full name)

GRAJEWO

(abbreviated name)

19-203

(postal code)

Wiórowa

(street)

0-86 272 96 00

(telephone number)

grajewo@pfleiderer.pl

(e-mail)

719-10-00-479

(NIP – Tax Identification Number)

wood products

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

Grajewo

(registered office)

1

(number)

0-86 272 39 83

(fax number)

www.pfleiderer.pl

(web site)

4500933817(REGON – Industry Registration Number)

	PLN '000		EUR '000	
	3 quarter cumulative / 2012 Jan 1-Sep 30 2012	3 quarter cumulative / 2011 Jan 1-Sep 30 2011	3 quarter cumulative / 2012 Jan 1-Sep 30 2012	3 quarter cumulative / 2011 Jan 1-Sep 30 2011
FINANCIAL HIGHLIGHTS				
Condensed consolidated financial statements data				
I. Sales revenue	1 310 287	1 244 622	312 357	307 976
II. Operating profit/(loss)	101 878	91 330	24 286	22 599
III. Profit/(loss) before tax	33 507	9 753	7 988	2 413
IV. Net profit	24 326	2 300	5 799	569
V. Net profit attributable to equity holders of the parent	32 011	10 264	7 631	2 540
VI. Net cash provided by (used in) operating activities	136 892	100 154	32 633	24 783
VII. Net cash provided by (used in) investing activities	-25 048	-13 213	-5 971	-3 269
VIII. Net cash provided by (used in) financing activities	-98 281	-63 492	-23 429	-15 711
IX. Total net cash flow	13 563	23 449	3 233	5 802
X. Total assets	1 901 725	1 935 970	462 279	438 320
XI. Liabilities	1 321 496	1 369 489	321 235	310 064
XII. Non-current liabilities	832 950	941 509	202 477	213 165
XIII. Current liabilities	488 546	427 980	118 758	96 898
XIV. Equity	580 229	566 481	141 045	128 256
XV. Share capital	16 376	16 376	3 981	3 708
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	54 955	18 666	13 101	4 619
XIX. Earnings per ordinary share (PLN/EUR)*	1,11	0,38	0,26	0,09
XX. Diluted earnings per ordinary share (PLN/EUR)*	1,11	0,38	0,26	0,09
XXI. Book value per share (PLN/EUR)	11,69	10,66	2,84	2,42
XXII. Diluted book value per share (PLN/EUR)	11,69	10,66	2,84	2,42
XXIII. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00

Condensed financial statements data

XXIV. Sales revenue	532 590	541 357	126 963	133 956
XXV. Operating profit/(loss)	29 445	27 888	7 019	6 901
XXVI. Profit/(loss) before tax	13 089	33 017	3 120	8 170
XXVII. Net profit/(loss)	14 735	28 149	3 513	6 965
XXVIII. Net cash provided by (used in) operating activities	23 204	25 257	5 532	6 250
XXIX. Net cash provided by (used in) investing activities	63 881	18 185	15 228	4 500
XXX. Net cash provided by (used in) financing activities	-85 929	-31 334	-20 484	-7 753
XXXI. Total net cash flow	1 156	12 108	276	2 996
XXXII. Total assets	1 486 749	1 507 764	361 405	341 370
XXXIII. Liabilities	946 991	982 741	230 199	222 501
XXXIV. Non-current liabilities	456 827	488 421	111 047	110 583
XXXV. Current liabilities	490 164	494 320	119 151	111 918
XXXVI. Equity	539 758	525 023	131 207	118 870
XXXVII. Share capital	16 376	16 376	3 981	3 708
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	27 390	26 767	6 529	6 623
XLI. Earnings per ordinary share (PLN/EUR)*	0,55	0,54	0,13	0,13
XLII. Diluted earnings per ordinary share (PLN/EUR)*	0,55	0,54	0,13	0,13
XLIII. Book value per share (PLN/EUR)	10,88	10,26	2,64	2,33
XLIV. Diluted book value per share (PLN/EUR)	10,88	10,26	2,64	2,33
XLV. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00

* Based on annualised profit

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

column.1 - for 30.09.2012

column.2 - for 31.12.2011

column.3 - for 30.09.2012

column.4 - for 31.12.2011

Consolidated Quarterly Report QSr 3/2012

Pursuant to the Regulation of the Polish Council of Ministers on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz. U. No. 33, item 259),

the Management Board of Pfleiderer Grajewo S.A. of Grajewo

hereby releases the quarterly report for Q3 2012.

PRESIDENT'S INTRODUCTION TO THE Q3 2012 CONSOLIDATED REPORT

We are pleased to present to you our Q3 2012 report. A market downturn, in the wake of the economic slowdown in Poland and Europe, increased the competitive pressures in Poland. Yet, despite the challenging market conditions, the Grajewo Group's sales held steady relative to Q3 2011, whereas net profit came in higher than a year ago. However, the operating margin declined.

The continuing economic growth in the Russian market, which accounts for nearly 20% of sales, allowed the Group to operate at full capacities and improve the operating margin despite sluggish growth in trading volumes. But also in Poland the Group managed to maintain its sales volumes year on year, which however, given a less favourable market environment, translated into weaker operating performance. Raw material prices and production costs remained stable, as did selling prices.

The Grajewo Group is currently implementing a project intended to redefine its strategic market position and improve margins, following the disposal of Russian assets, that is shares of Pfleiderer OOO and production assets of Pfleiderer MDF OOO. It is expected that the sale of the Russian assets will allow the Group to de-leverage and stabilise its liquidity position. In 2013, the Management Board intends to invest some PLN 100m in upgrade projects. In Q3 2012, the Company incurred costs of over PLN 4m on running project, which had a temporary adverse effect on EBITDA. However, the ultimate outcome of the project is expected to have a positive bearing on the Company's performance.

The total gross value of the sold Russian assets, based on enterprise value, is EUR 205m, including EUR 182.5m is attributable to Grajewo. The proceeds (net of transaction costs and applicable taxes) will be spent on debt repayment and implementation of capex projects aimed at reducing production costs and improving margins on sales in Poland.

A point worth noting is that the financial restructuring process relating at the Company's main shareholder is nearing completion. This is likely to create more stable trading for the Grajewo Group.

Capex projects are progressing in line with the assumptions adopted earlier this year. Their aggregate value in 2012 will reach approximately PLN 30m. The reduction of the originally planned capex of PLN 40m is mainly a result of postponing certain investments. The capital expenditure primarily involves upgrade and replacement projects.

The Group posted improved results for the first three quarters of 2012, relative to the corresponding period of the prior year. The operating profit for the entire 2012 should improve as well.

As at September 30th 2012, the Group complied with the financial covenants under its credit facility agreements. The Management Board of Pfleiderer Grajewo S.A., following the disposal of Russian assets, will pursue its policy to substantially deleverage the Company and reduce its finance costs.

Despite its 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.

The market situation in 2012 will continue to largely depend on the pace of economic growth in Poland and Europe, as the furniture industry is sensitive to market trends and heavily depends on the development of export markets, where Polish manufacturers sell more than 80% of their output.

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 Parent's Management Board received a decision of 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 composition of the Parent's Management Board was as follows:

1. Wojciech Gątkiewicz	President of the Management Board
2. Rafał Karcz	Member
3. Dariusz Tomaszewski	Member
4. Radosław Wierzbicki	Member

Composition of the Supervisory Board as at September 30th 2012:

1. Michael Wolff	Chairman of the Supervisory Board
2. Hans H. Overdiek	Member
3. Hans-Kurt von Werder	Member
4. Jan Woźniak	Member
5. Jochen Schapka	Member

On March 7th 2012, Mr Hans-Joachim resigned from the position of a member of the Parent's Supervisory Board with effect from April 10th 2012.

In accordance with a resolution of the Extraordinary General Meeting, on April 10th 2012, Mr Jochen Schapka was appointed as Member of the Supervisory Board of Pfleiderer Grajewo S.A.

On September 28th, Mr Hans H. Overdiek resigned from the position of member of the Supervisory Board of Pfleiderer Grajewo S.A. with effect from October 31st 2012.

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 Q3 2012 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 Q3 2012 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 September 30th 2012 have not been audited.

The separate financial statements of the Parent as at September 30th 2012 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 revenue and changes thereof

The table below presents a comparison of the Q3 2012 and Q3 2011 data.

Items of the statement of comprehensive income	Q3 2012/period from July 1st to September 30th 2012		Q3 2011/period from July 1st to September 30th 2011	
	(PLN '000)	%	(PLN '000)	%
	/A/	/B/	/C/	/D/
Revenue	448,587	100.0%	445,490	100.0%
Cost of sales	(359,635)	(80.2%)	(348,746)	(78.3%)
Gross profit	88,952	19.8%	96,744	21.7%
Other income	864	0.2%	413	0.1%
Distribution costs	(26,017)	(5.8%)	(27,234)	(6.1%)
General and administrative expenses	(23,955)	(5.3%)	(15,467)	(3.5%)
Other expenses	(3,499)	(0.8%)	(8,797)	(2.0%)
Operating profit	36,345	8.1%	45,659	10.2%
Finance income	4,970	1.1%	19	0.0%
Finance costs	(23,313)	(5.2%)	(37,345)	(8.4%)
<i>Net finance income/(costs)</i>	<i>(18,343)</i>	<i>(4.1%)</i>	<i>(37,326)</i>	<i>(8.4%)</i>
Profit before tax	18,002	4.0%	8,333	1.9%
Corporate income tax	(6,563)	(1.5%)	(7,281)	(1.6%)
Net profit	11,439	2.6%	1,052	0.2%
Net profit attributable to non-controlling interests	(2,706)	(0.6%)	(5,498)	(1.2%)
Net profit attributable to owners of the parent	14,145	3.2%	6,550	1.5%
EBITDA	55,380	12.3%	65,238	14.6%

Discussion of the comprehensive income statement

Revenue posted by the Group in Q3 2012 rose by 0.7% year on year. The slight increase in sales was mainly attributable to the stable market environment and strengthening of the Polish złoty in the last quarter.

In Q3 2012, the sales margin was 19.8%, down by 1.9% year on year. The decline was driven by the increased competitive pressures in Poland. Operating profit shrank by 20% year on year due to a major increase in the costs of consulting services under general and administrative expenses.

The significant rise in finance income in Q3 2012 resulted from positive exchange differences of PLN 2.9m. The Group's finance costs changed substantially during the quarters under analysis, due to lower by PLN 2.5m interest on bank borrowings and other debt instruments comparing to Q3 2011 and additionally there were negative exchange differences in amount of PLN 10.5m in Q3 2011. The net finance costs resulted primarily from interest on bank borrowings and other debt instruments.

In Q3 2012, the Group's net profit was positive and rose by PLN 10.4m year on year. This positive result was attributable to a lower loss on financing activities.

2. Net cash position

In Q3 2012, the Group's net debt under bank borrowings, finance leases and other debt instruments fell by PLN 65,372 thousand, mainly due to generating an operating profit and net profit and due to reduced working capital. As at September 30th 2012, the Group's net debt under bank borrowings and other debt instruments was PLN 941,281 thousand, of which PLN 758,268 thousand was net debt under bank borrowings.

3. Equity

As at the end of Q3 2012, the Group's equity was PLN 580,229 thousand, up by PLN 10,258 thousand quarter on quarter. The increase was mainly attributable to the Group's net profit earned in the period.

4. Sale of shares or assets

In Q3 2012, the Pfleiderer Grajewo Group reported a gain on disposal of non-current assets of PLN 95.4 thousand.

5. Factors and events which may affect the Group's future performance

The favourable structure of raw wood purchases in second half of the year comparing to the first half, stable prices of key chemical feedstocks and keeping sales in Q4 on the forecasted level allow the Company to expect positive performance in next months.

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.

Structure of sales in Q3 2012 and Q3 2011 (PLN '000)

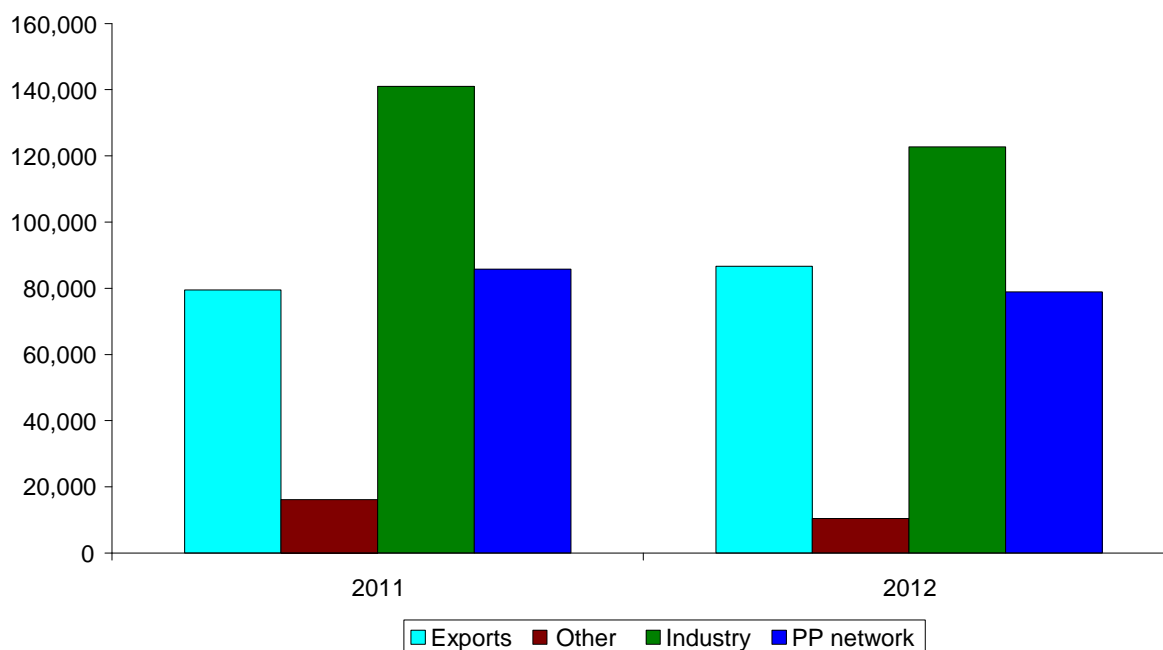


Figure: Structure of sales in Q3 2012 and Q3 2011 (PLN '000).

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. Relative to the corresponding period of the previous year, in Q3 2012 sales to the domestic distribution channels fell as a result of weaker demand from the furniture industry and lower sales of HDF boards to the Swedwood Group. Sales to large furniture manufacturers decreased by 13%, to the Pfleiderer Partner network – by 8%, and to the other domestic distribution channels – by 35%. Export sales increased by 7% in the reporting period.

In Q3 2012, the shares of individual distribution channels in total revenue were as follows:

Share of distribution channels in total sales in Q3 2012

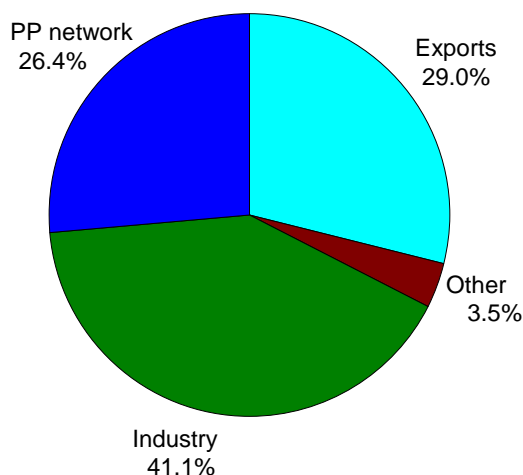


Figure: Distribution channels in Q3 2012 (%)

The shares of individual distribution channels in the structure of sales in Q3 2012 relative to Q3 2011 changed as follows: The share of exports rose from 24.5% to 29.0%. The share of direct sales to large and medium-sized furniture manufacturers declined from 43.3% to 41.1%, the share of sales to the Pfleiderer Partner network – from 27.1% to 26.4%, and the share of sales through other distribution channels – from 5.2 to 3.5%.

2. Seasonality of operations

Chipboard sales are subject to seasonal changes, in particular related to the seasonal nature of the construction cycle. Sales peak in the second half of a calendar year.

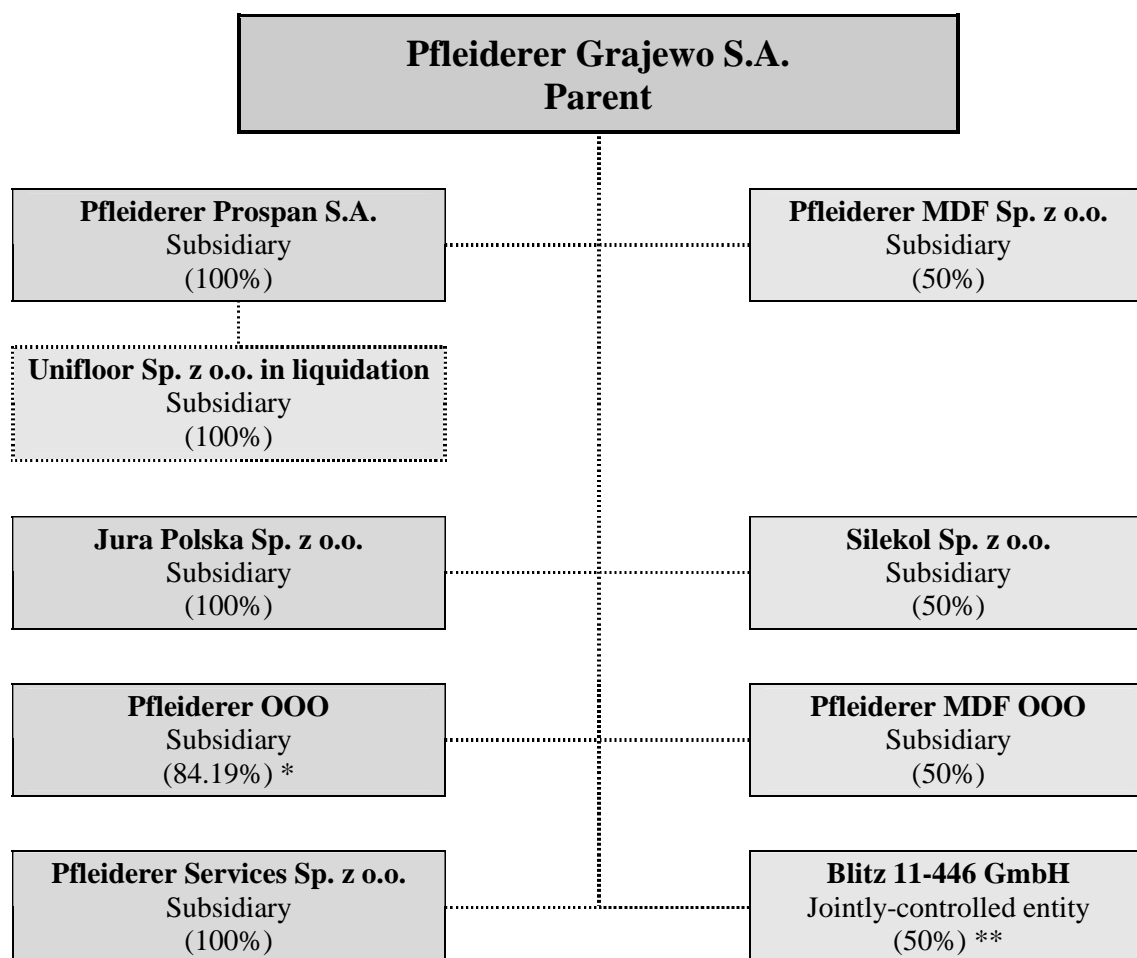
VI. Q3 2012 RESULTS

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. Pfleiderer Grajewo S.A. has joint control over Blitz GmbH of Neumarkt.

Pfleiderer Grajewo Group as at September 30th 2012:



*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, which is jointly-controlled by the Parent, is accounted for in the consolidated financial statements with the equity method.

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

In Q3 2012, there were no changes in the Group's structure.

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 Parent's business consists in:

- 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 entity 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 entities

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 the jointly-controlled Blitz 11-446 GmbH is accounted for with the equity method.

e. Subsidiaries 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 Interregional Inspection No. 3 for the Novgorod District at the Ministry of Duties and Taxes of the Russian Federation.

Uniform Registration Number: 1035301200164
Tax Identification Number (NIP): 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 Interregional Inspection No. 3 for the Novgorod District at the Ministry of Duties and Taxes of the Russian Federation.

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

Silekol Sp. z o.o. – entered in 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 jointly-controlled entity based in Neumarkt, Germany, entered in the Commercial Register by the Court of Nürnberg under No. HRB 28 166.

HRB: 28 166
Tax Identification Number: 201/116/21366
Registered office: Ingolstädter Strasse 51, Neumarkt, Germany

2. Consolidated financial results

Consolidated statement of financial position as at September 30th 2012 (PLN '000)

	Sep 30 2012	Jun 30 2012	Dec 31 2011	Sep 30 2011
Assets				
Property, plant and equipment	1,093,433	1,110,411	1,153,850	1,137,791
Intangible assets	2,512	2,840	2,539	3,135
Goodwill	107,829	107,829	107,829	107,829
Investments in related entities	117	117	117	52
Other non-current financial assets	10	10	10	10
Investment property	4,300	4,300	4,300	4,300
Deferred tax assets	16,583	16,115	13,447	11,915
Paid prepayments for tangible assets	206,146	200,656	207,697	199,284
Government assistance receivable	26,790	26,588	27,165	14,549
Non-current assets	1,457,720	1,468,866	1,516,954	1,478,865
Inventories	236,984	255,919	241,830	243,891
Income tax receivable	413	2,385	111	107
Trade and other receivables	173,459	155,615	157,489	170,623
Cash and cash equivalents	33,149	34,019	19,586	43,317
Cash flow hedges	0	660	0	0
Current assets	444,005	448,598	419,016	457,938
Total assets	1,901,725	1,917,464	1,935,970	1,936,803
Equity				
Share capital	16,376	16,376	16,376	16,376
Share premium	289,806	289,806	289,806	289,806
Statutory reserve funds	195,806	195,806	155,005	155,005
Revaluation reserve	619	619	619	619
Cash flow hedges	0	660	0	(3,032)
Exchange differences on translating foreign operations	(9,023)	(8,717)	(4,839)	(10,127)
Exchange differences on net investments in subordinated companies	(1,948)	(1,761)	4,182	(4,894)
Retained earnings/(deficit)	25,102	10,957	33,892	10,948
Equity (attributable to owners of the parent)	516,738	503,746	495,041	454,701
Non-controlling interests	63,491	66,225	71,440	74,145
Total equity	580,229	569,971	566,481	528,846
Liabilities				
Non-current portion of interest-bearing bank borrowings and other debt instruments	772,661	799,745	880,934	906,094
Non-current portion of finance lease liabilities	0	1	46	44
Employee benefits payable	6,584	6,584	6,584	6,013
Provisions	650	650	634	619
Deferred tax liabilities	13,185	12,833	12,827	8,834
Deferred income from government assistance	39,870	40,071	40,484	25,051
Non-current liabilities	832,950	859,884	941,509	946,655
Current portion of interest-bearing bank borrowings and other debt instruments	201,741	240,881	137,760	157,428
Current portion of finance lease liabilities	28	45	116	111
Income tax payable	92	0	188	905
Trade and other payables	266,346	224,415	266,922	285,542
Employee benefits payable	18,463	20,392	21,118	16,128
Deferred income from government assistance	1,876	1,876	1,876	1,188
Current liabilities	488,546	487,609	427,980	461,302
Total liabilities	1,321,496	1,347,493	1,369,489	1,407,957
Total equity and liabilities	1,901,725	1,917,464	1,935,970	1,936,803

	as at Sep 30 2012 end of Q3 2012 (PLN '000)	as at Jun 30 2012 end of Q2 2012 (PLN '000)	as at Dec 31 2011 end of Q4 2011 (PLN '000)	as at Sep 30 2011 end of Q3 2011 (PLN '000)
OFF-BALANCE-SHEET ITEMS				
Contingent liabilities	0	0	0	1,210
To other entities, including:	0	0	0	1,210
- guarantees and sureties issued	0	0	0	1,210
Total off-balance-sheet items	0	0	0	1,210

Discussion of changes in key items of the statement of financial position

A decrease in property, plant and equipment was primarily a result of capital expenditure offset by amortisation cost in the period and negative valuation on translating assets of the Russian subsidiaries.

As at the end of Q3 2012, no changes were recorded in goodwill. The decrease in intangible assets was due to their periodic amortisation.

Receivables under prepayments for tangible assets rose by PLN 5.5m on Q2 2012, chiefly as a result of the planned investments in Pfleiderer Prospan S.A.

Compared with the end of Q2 2012, there were no significant changes in the amount of government assistance receivable, resulting from the revaluation of the total estimated value of the assistance calculated on the basis of budgeted financial data relating to future years.

As at the end of Q3 2012, inventories were PLN 236.9m, down by PLN 18.9m on the end of Q2 2012. The decline was attributable to the working capital optimisation.

As at September 30th 2012, trade and other receivables rose by PLN 17.8m relative to the figure posted as at the end of June 2012. The increase was due to the higher sales in the last month of Q3.

As at September 30th 2012, the Group's total equity was PLN 580.2m, up by PLN 10.3m over the end of H1 2012. The increase was driven mainly by the Group's net profit of PLN 11.4m.

As at September 30th 2012, liabilities fell by PLN 25.9m on the end of Q2 2012. The decline essentially resulted from a PLN 66.2m decrease in the Group's debt and a PLN 1.9m decrease in employee benefits payable, accompanied by a PLN 41.9m uplift in trade payables.

**Consolidated statement of comprehensive income for the period January 1st – September 30th 2012
 (PLN '000)**

		Total Jan 1– Sep 30 2012	Total Jan 1– Sep 30 2011
	Note	Continuing operations	Continuing operations
Revenue		1,310,287	1,244,622
Cost of sales		(1,055,242)	(1,001,029)
Gross profit		255,045	243,593
Other operational income		4,686	3,381
Distribution costs		(79,322)	(77,651)
General and administrative expenses		(67,030)	(56,756)
Other operational expenses		(11,501)	(21,237)
Operating profit		101,878	91,330
Finance income		5,280	4,145
Finance costs		(73,651)	(85,722)
Net finance costs	3	(68,371)	(81,577)
Profit before tax		33,507	9,753
Corporate income tax		(9,181)	(7,453)
Net profit		24,326	2,300
Attributable to non-controlling interests		(7,685)	(7,964)
Attributable to owners of the parent		32,011	10,264
EBITDA		160,262	149,507
Other income/expenses			
Exchange differences on translating foreign operations		(4,447)	5,899
Exchange differences on net investments in subsidiaries		(6,130)	10,455
Effective portion of loss on fair-value measurement of hedging instruments		0	(3,621)
Other income		(10,577)	12,733
Total income for the period		13,749	15,033
Total income/expenses for the period attributable to:			
Owners of the parent		21,697	21,800
Non-controlling interests		(7,948)	(6,767)
Total income for the period		13,749	15,033
Basic earnings per share (PLN)		0.65	0.38
Diluted earnings per share (PLN)		0.65	0.38

Statement of changes in consolidated equity for the period January 1st – September 30th 2012 (PLN ‘000)

	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Exchange differences on net investments in subsidiaries	Cash flow hedges	Retained earnings/(deficit)	Total	Non-controlling interests	Total
As at Jan 1 2012	16,376	289,806	155,005	619	(4,839)	4,182	(0)	33,892	495,041	71,440	566,481
Comprehensive income for the period											
Net profit / loss	0	0	0	0	0	0	0	32,011	32,011	(7,686)	24,325
Other comprehensive income											
Exchange differences on translating foreign operations	0	0	0	0	(4,184)	0	0	0	(4,184)	(263)	(4,447)
Exchange differences on net investments in subsidiaries	0	0	0	0	0	(6,130)	0	0	(6,130)	0	(6,130)
Total other comprehensive income	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(4,184)</i>	<i>(6,130)</i>	<i>0</i>	<i>0</i>	<i>(10,314)</i>	<i>(263)</i>	<i>(10,577)</i>
Total comprehensive income for the period	0	0	0	0	(4,184)	(6,130)	0	32,011	21,697	(7,949)	13,748
Transactions with owners recognised in equity											
Transfer of part of 2011 net profit to statutory reserve funds	0	0	40,801	0	0	0	0	(40,801)	0	0	0
Transactions with owners recognised in equity	<i>0</i>	<i>0</i>	<i>40,801</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(40,801)</i>	<i>0</i>	<i>0</i>	<i>0</i>
As at Sep 30 2012	16,376	289,806	195,806	619	(9,023)	(1,948)	0	25,102	516,738	63,491	580,229

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	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Exchange differences on net investments in subsidiaries	Cash flow hedges	Retained earnings/(d eficit)	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											
Exchange differences on translating foreign operations	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
Effective portion of loss on fair-value measurement of hedging instruments	0	0	0	0	0	0	(589)	0	(589)	0	(589)
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

	Share capital	Share premium	Statutory reserve funds	Revaluation reserve	Exchange differences on translating foreign operations	Exchange differences on net investments in subsidiaries	Cash flow hedges	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	3,714	3,714	(2,466)	1,248
Other comprehensive income											
Exchange differences on translating foreign operations	0	0	0	0	1,899	0	0	0	1,899	551	2,450
Exchange differences on net investments in subsidiaries	0	0	0	0	0	3,834	0	0	3,834	0	3,834
Effective portion of profit on fair-value measurement of hedging instruments	0	0	0	0	0	0	229	0	229	0	229
Total other comprehensive income	0	0	0	0	1,899	3,834	229	0	5,962	551	6,513
Total comprehensive income for the period	0	0	0	0	1,899	3,834	229	3,714	9,676	(1,915)	7,761
Transactions with owners recognised in equity											
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 part 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 Sep 30 2011	16,376	289,806	155,005	619	(12,930)	(11,515)	818	4,398	442,577	78,997	521,574

Consolidated statement of cash flows for the period January 1st – September 30th 2012 (PLN ‘000)

	Jan 1– Sep 30 2012	Jan 1– Sep 30 2011
Cash flows from operating activities		
Net profit/loss	24,325	2,300
Adjustments	123,295	108,200
Depreciation and amortisation	58,384	58,177
Foreign exchange gains	(2,584)	10,293
Interest for the period	68,989	71,731
Gain/loss on disposal of intangible assets and property, plant and equipment	(105)	(301)
Income tax expense in result of current period	9,181	7,453
Deferred income tax recognised in equity	(1,438)	2,452
Change in trade and other receivables	(15,970)	(7,567)
Change in inventories	4,846	(62,404)
Change in trade and other payables	7,836	33,854
Change in employee benefits payable	(2,655)	(893)
Change in provisions	16	(21)
Amortisation of government grants	(239)	(800)
Change in exchange differences on translating foreign operations	(3,993)	(13,353)
Result from forward transactions	851	225
Other adjustments	176	0
Cash flows from operating activities	147,620	101,146
Interest received/paid	488	271
Income tax paid	(11,216)	(1,263)
Net cash from operating activities	136,892	100,154
Cash flows from investing activities		
Disposal of non-current assets	377	305
Other cash provided by financial assets	0	24
Acquisition of intangible assets and property, plant and equipment	(25,425)	(13,542)
Net cash from investing activities	(25,048)	(13,213)
Cash flows from financing activities		
Repayment of borrowings and other debt instruments	(67,252)	(43,663)
Increase in borrowings and other debt instruments	26,719	51,157
Change resulting from gains/losses on forward contracts	0	(3,032)
Interest paid	(57,748)	(67,954)
Net cash from financing activities	(98,281)	(63,492)
Change in cash	13,563	23,449
Cash at beginning of the period	19,586	19,868
Cash at end of the period	33,149	43,317

VII. CAPITAL EXPENDITURE

In Q3 2012, the Pfleiderer Grajewo Group incurred capital expenditure of PLN 7.5m.

VIII. SUPPLEMENTARY INFORMATION**1. Material agreements**

In Q3 2012, the Company did not execute any material agreements.

2. Provisions

As at the end of Q3 2012, the Group maintained a provision for employee benefits of PLN 25.0m. The value of the provision fell by PLN 1.9m relative to the end of H1 2012. The provision for employee benefits is the only provision recognised by the Group under IAS. Currently, Pfleiderer Grajewo S.A. recognises no other provisions under IAS.

In Q3 2012, deferred tax assets grew by PLN 0.5m relative to the end of H1 2012, while deferred tax liabilities increased by PLN 0.3m. 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 September 30th 2012, Pfleiderer Grajewo S.A. had two outstanding sureties for an aggregate amount of up to PLN 28,318 thousand, including a surety of up to EUR 5,769 thousand issued for an unspecified period for the benefit of the European Bank for Reconstruction and Development to secure the liabilities of Pfleiderer OOO under a bank loan.

As at September 30th 2012, the amount of underlying debt secured with the sureties was PLN 28,319 thousand.

Also, Pfleiderer Grajewo S.A. has a commitment towards the European Bank for Reconstruction and Development (EBRD) 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. Thereafter, the shares will be sold to Pfleiderer Grajewo S.A. The annual finance costs 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 under the facility provided 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 facilities contracted by:

- Pfleiderer Grajewo S.A. - liabilities to a syndicate of Polish banks in the amount of PLN 700,000 thousand (the currently outstanding debt is PLN 640,000 thousand);
- Pfleiderer OOO and Pfleiderer Grajewo S.A. - liabilities to the EBRD under a bank borrowing and put option in the total amount of EUR 15,228 thousand.

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

4. Changes in contingent assets and liabilities

In Q3 2012, contingent liabilities of the Pfleiderer Grajewo Group decreased following the changes in the EUR/PLN exchange rate.

5. Contracted and repaid borrowings; issue of debt and equity instruments

In Q3 2012, Pfleiderer Grajewo S.A. carried out 15 issues of commercial paper in the form of short-term notes with a view to optimising the Group's management of financial liquidity. 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 Q3 2012, no decisions were made concerning the payment of the 2011 dividend.

7. Performance forecast

Given the fast-changing market environment, Pfleiderer Grajewo S.A. did not publish any financial forecasts for 2012.

8. Material events subsequent to September 30th 2012

On October 19th 2012, Pfleiderer Grajewo S.A., as the seller, and Ingka Pro Holding Subholding I B.V. and SWEDSPAN Holding B.V., as the buyers, entered into an agreement on sale of a 100% interest in Pfleiderer OOO of Russia.

The agreement is conditional and its entering into force depends, in particular, on the fulfilment of the following conditions:

- obtaining clearance from the Russian anti-trust authority,
- purchase by the Company of a 15.81% stake in Pfleiderer OOO, currently held by the European Bank for Reconstruction and Development,
- obtaining consents from the Pfleiderer Grajewo Group's financing banks.

The selling price will amount to EUR 160m (PLN 656,544,000) less:

- the value of the loan advanced to Pfleiderer OOO by the European Bank for Reconstruction and Development, outstanding as at the transaction closure date, amounting to ca. EUR 3,8m (ca. PLN 15.6m),
- amounts deposited in the escrow accounts, totalling EUR 14m (PLN 57,447,600).

The agreement also provides for an adjustment mechanism based on the value of Pfleiderer OOO's working capital as at the transaction closing date.

Loans advanced to Pfleiderer OOO by Pfleiderer Grajewo S.A., outstanding as at the transaction closing date, will be repaid as part of the selling price.

Also on October 19th 2012, Pfleiderer MDF OOO of Russia, a subsidiary of the Company, and Blitz 11-446 GmbH of Germany, an associate of the Company, as the sellers, and Ingka Pro Subholding I B.V.,

as the buyer, entered into an agreement on sale of assets ("Assets"). The Assets comprise the components of a complete production line designed for the MDF production plant project in Russia.

The Company holds a 50% interest in Pfleiderer MDF OOO and a 50% interest in Blitz 11-446 GmbH.

The agreement is conditional and its entering into force depends, in particular, on obtaining consents from the financing banks of the Pfleiderer Grajewo Group and the Pfleiderer AG Group.

The purchase price will amount to EUR 45m (PLN 184,653,000), less the amounts deposited in the escrow accounts, totalling EUR 8.7m (PLN 36,599,580). The price may also be reduced if any components of the production line are found missing during the planned inventory taking of the Assets.

The agreement to sell the 100% interest in Pfleiderer OOO of Russia and the agreement to sell the Assets will come into effect at the same time.

In accordance with a resolution of the Extraordinary General Meeting, on November 7th 2012, Mr Gerd Hammerschmidt was appointed as Member of the Supervisory Board of Pfleiderer Grajewo S.A.

9. Changes in the Group's structure

In Q3 2012, there were no changes in the Group's structure.

10. Transactions with owners and related parties

In Q3 2012, Pfleiderer Grajewo S.A. carried out 15 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 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 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 Nov 13 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

On April 2nd 2012, Pfleiderer Grajewo S.A. (the parent) and Pfleiderer Prospan S.A. (a subsidiary) received a decision of the President of the Office of Competition and Consumer Protection, dated March 30th 2012, concerning the instigation of anti-trust proceedings on suspicion that Kronospan Szczecinek Sp. z o.o., Kronospan Mielec Sp. z o.o., Kronopol Sp. z o.o., Pfleiderer Grajewo S.A. and Pfleiderer Prospan S.A. had made an arrangement restricting competition on the domestic chipboard and fibreboard markets.

During the proceedings, Pfleiderer Grajewo S.A. and Pfleiderer Prospan S.A., its subsidiary, provided additional information required by the Office. At present, the Management Board of Pfleiderer Grajewo S.A. is not able to assess the risk based on the information available to it or determine the estimated closing date of the proceedings.

Other than the proceedings referred to above, 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.

On September 28th, Mr Hans H. Overdiek resigned from the position of member of the Supervisory Board of Pfleiderer Grajewo S.A. with effect from October 31st 2012.

14. Inne istotne informacje

Pfleiderer AG of Neumarkt filed a bankruptcy petition on March 28th 2012. According to the information released by Pfleiderer AG, the Management Board of Pfleiderer AG filed a petition to initiate bankruptcy proceedings and be allowed to operate as a debtor in possession. The Management Board of Pfleiderer AG, under the supervision of a court-appointed trustee, will continue to manage the company and carry out the restructuring process.

On April 17th 2012, the bankruptcy court of Dusseldorf commenced bankruptcy proceedings with respect to Pfleiderer AG and allowed the company to operate as a debtor in possession.

On September 12 2012 at a court-ordered meeting a majority of creditors and shareholders of Pfleiderer AG approved the insolvency plan proposed by the Pfleiderer Board. The Insolvency Plan was acknowledged on October 18th 2012 by the Insolvency Court in Düsseldorf.

To the best knowledge of the Management Board of Pfleiderer Grajewo S.A., neither the bankruptcy petition filed by Pfleiderer AG nor declaration of the company's bankruptcy constituted a default under the credit facility agreement executed by Pfleiderer Grajewo S.A.

In the Management Board of Pfleiderer Grajewo S.A. opinion the declaration of Pfleiderer AG's bankruptcy did not adversely affect the Pfleiderer Grajewo Group's day-to-day operations. The Group companies are fully independent in terms of operations, and have their own procurement and sales channels. The Pfleiderer Grajewo Group has separate credit facility agreements securing funding of its day-to-day operations.

In view of the above, Pfleiderer Grajewo S.A. obtained waivers by the financing banks of their rights to terminate the credit facility agreement with the Company as a result of default under the credit facility agreements executed by Pfleiderer AG.

Should the current situation of Pfleiderer AG, the ultimate parent, trigger a default under Pfleiderer Grajewo S.A.'s credit facility agreement, in the opinion of the Management Board of Pfleiderer Grajewo S.A. it is unlikely that the Company will not be able to obtain relevant waivers from its financing banks.

On September 28th, Mr Hans H. Overdiek resigned from the position of member of the Supervisory Board of Pfleiderer Grajewo S.A. with effect from October 31st 2012.

15. Financial instruments

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

As at September 30th 2012, Pfleiderer Grajewo S.A. was not party to any unsettled EUR/PLN forward contracts.

The other Group companies were not counterparties in any derivative contracts as at September 30th 2012.

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

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

As at September 30th 2012, the currency risk exposure in Russia was unhedged.

In Q3 2012, the Group did not hedge its interest rate risk or risk of fluctuations in raw material prices.

16. Business segments

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

In Q3 2012, the Group's sales rose by 0.7% year on year, with export sales accounting for approximately 29% 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 statement of financial position

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

	30.09.2012	Jun 30 2012	Dec 31 2011	30.09.2011
Trade receivables	124,457	107,732	97,421	117,478
Receivables from related entities	20,787	11,397	7,364	7,084
Current prepayments and accrued income	10,730	11,008	3,405	7,802
Current VAT receivables	6,524	13,862	32,697	27,438
Other receivables	10,961	11,616	16,602	10,821
Total	173,459	155,615	157,489	170,623

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

	30.09.2012	Jun 30 2012	Dec 31 2011	30.09.2011
Trade payables	184,269	148,285	194,502	223,786
Liabilities to related entities	18,958	17,686	11,927	11,540
VAT liabilities	15,766	16,920	281	1,483
Liabilities under factoring agreements	3,731	554	16,389	15,631
Liabilities under investment supplies	1,952	2,663	7,147	763
Prepaid deliveries	2,248	2,730	2,535	4,126
Deliveries prepaid by related entities	0	0	886	880
Other liabilities	39,422	35,577	33,255	27,333
Total	266,346	224,415	266,922	285,542

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

	Jan 1– 30.09.2012	Jan 1– 30.09.2011
Finance income		
Interest income	657	430
Net foreign exchange gains	2,901	0
Gains on forward contracts	1,709	1,123
Other finance income	13	2,592
	5,280	4,145
Finance costs		
Interest expense	(69,646)	(72,162)
Foreign exchange losses	0	(10,518)
Loss on forward contracts	(858)	(898)
Other finance expenses	(3,147)	(2,144)
	(73,651)	(85,722)
Net finance income / expenses	(68,371)	(81,577)
Exchange differences (including on forward contracts)	2,901	(10,293)
Realised	(3,625)	(2,001)
Unrealised	6,526	(8,292)

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 were translated at the exchange rate computed as the arithmetic mean of exchange rates quoted in Q3 2012.

Currency translation differences, if any, are recognised in equity under exchange differences on translating foreign operations.

Date	RUB	PLN
2012-01-31	RUB 1	0.1064
2012-02-29	RUB 1	0.1057
2012-03-31	RUB 1	0.1064
2012-04-30	RUB 1	0.1073
2012-05-31	RUB 1	0.1073
2012-06-30	RUB 1	0.1030
2012-07-31	RUB 1	0.1038
2012-08-31	RUB 1	0.1027
2012-09-30	RUB 1	0.1028
RUB exchange rate at the end of Q3 2012		0.1028
Arithmetic mean for 2012		0.1050

Selected financial information presented in these financial statements were translated into the euro in the following manner:

- items of the statement of financial position were translated at the closing exchange rate quoted by the NBP for the reporting date;
- items of the statement of comprehensive income were translated at the exchange rate computed as the arithmetic mean of monthly exchange rates quoted in Q3 2012.

Date	EUR	PLN
2012-01-31	EUR 1	4.2270
2012-02-29	EUR 1	4.1365
2012-03-30	EUR 1	4.1616
2012-04-30	EUR 1	4.1721
2012-05-31	EUR 1	4.3889
2012-06-30	EUR 1	4.2613
2012-07-31	EUR 1	4.1086
2012-08-31	EUR 1	4.1838
2012-09-30	EUR 1	4.1138
EUR exchange rate at the end of Q3 2012		4,1138
Arithmetic mean for 2012		4,1948

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

Separate statement of financial position as at September 30th 2012 (PLN '000)

	Total	Total	Total	Total
	30.09.2012	Jun 30 2012	Dec 31 2011	30.09.2011
Assets				
Property, plant and equipment	102,555	104,459	109,888	107,637
Intangible assets	1,842	2,053	1,367	1,775
Investments in related entities	808,913	809,945	811,034	810,929
Other non-current financial assets	10	10	10	10
Non-current loans advanced to related entities	352,901	358,615	217,741	399,670
Non-current receivables – prepayments for tangible assets	1,105	10	0	1,133
Non-current assets	1,267,326	1,275,092	1,140,040	1,321,154
Inventories	70,944	80,209	79,443	80,833
Trade and other receivables	145,943	178,449	120,727	141,664
Cash and cash equivalents	2,536	4,761	1,380	12,947
Current loans advanced to related entities	0	0	166,174	0
Currency forwards	0	660	0	0
Current assets	219,423	264,079	367,724	235,444
Total assets	1,486,749	1,539,171	1,507,764	1,556,598
Equity and liabilities				
Equity				
Share capital	16,376	16,376	16,376	16,376
Share premium	289,806	289,806	289,806	289,806
Statutory reserve funds	195,759	195,759	154,958	154,958
Cash flow hedges	0	660	0	(3,032)
Retained earnings/(deficit)	37,817	37,710	63,883	51,231
Total equity	539,758	540,311	525,023	509,339
Liabilities				
Borrowings and other debt instruments	446,986	461,306	476,934	484,633
Employee benefits payable	4,895	4,895	4,895	4,405
Deferred tax liabilities	4,946	4,350	6,592	2,758
Non-current liabilities	456,827	470,551	488,421	491,796
Borrowings and other debt instruments	108,613	149,938	86,617	133,269
Liabilities to related entities under debt securities	265,698	293,030	293,515	299,981
Trade and other payables	106,780	75,723	104,593	113,696
Employee benefits payable	9,073	9,618	9,595	8,517
Current liabilities	490,164	528,309	494,320	555,463
Total liabilities	946,991	998,860	982,741	1,047,259
Total equity and liabilities	1,486,749	1,539,171	1,507,764	1,556,598

	as at Sep 30 2012 end of Q3 2012 (PLN '000)	as at Jun 30 2012 end of Q2 2012 (PLN '000)	Dec 31 2011 end of Q4 2011 (PLN '000)	as at Sep 30 2011 end of Q3 2011 (PLN '000)
OFF-BALANCE-SHEET ITEMS				
Contingent liabilities	67,229	67,532	79,220	88,317
To other entities, including:	67,229	67,532	79,220	88,317
- guarantees and sureties issued	67,229	67,532	79,220	88,317
Total off-balance-sheet items	67,229	67,532	79,220	88,317

**Separate statement of comprehensive income for the period January 1st – September 30th 2012
(PLN '000)**

	Total Jan 1– 30.09.2012 Continuing operations	Total Jan 1– 30.09.2011 Continuing operations
Revenue	532,590	541,357
Cost of sales	(461,504)	(473,729)
Gross profit	71,086	67,628
Other operational income	445	988
Distribution costs	(20,962)	(20,730)
General and administrative expenses	(20,132)	(18,934)
Other operational expenses	(992)	(1,064)
Operating profit	29,445	27,888
Finance income	55,412	62,612
Finance costs	(71,768)	(57,483)
Net finance income / expenses	(16,356)	5,129
Profit/loss before tax	13,089	33,017
Corporate income tax	1,646	(4,868)
Net profit/loss	14,735	28,149
Other comprehensive income		
Effective portion of loss on fair-value measurement of hedging instruments	0	(3,621)
Total comprehensive income/loss for the period	14,735	24,528

Separate statement of changes in equity for the period January 1st – September 30th 2012 (PLN '000)

	Share capital	Share premium	Statutory reserve funds	Cash flow hedges	Retained earnings/(deficit)	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	28,149	28,149
Effective portion of gain on fair-value measurement of hedging instruments	0	0	0	(3,621)	0	(3,621)
Comprehensive income for the period	0	0	0	(3,621)	28,149	24,528
Transactions with owners recognised in equity						
Transfer of 2010 net profit to statutory reserve funds	0	0	1,294	0	(1,294)	0
Transactions with owners recognised in equity	0	0	1,294	0	(1,294)	0
As at Sep 30 2011	16,376	289,806	154,958	(3,032)	51,231	509,339

	Share capital	Share premium	Statutory reserve funds	Cash flow hedges	Retained earnings/(defici t)	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	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

	Share capital	Share premium	Statutory reserve funds	Cash flow hedges	Retained earnings/(deficit)	Total
As at Jan 1 2012	16,376	289,806	154,958	0	63,883	525,023
Comprehensive income for the period						
Net profit	0	0	0		14,735	14,735
Comprehensive income for the period	0	0	0	0	14,735	14,735
Transactions with owners recognised in equity						
Transfer of part of 2011 net profit to statutory reserve funds	0	0	40,801	0	(40,801)	0
Transactions with owners recognised in equity	0	0	40,801	0	(40,801)	0
As at Dec 31 2012	16,376	289,806	195,759	0	37,817	539,758

Separate statement of cash flows for the period January 1st – September 30th 2012 (PLN ‘000)

	Jan 1– Sep 30 2012	Jan 1– Sep 30 2011
Cash flows from operating activities		
Net profit/loss	14,735	28,149
Adjustments	8,434	(2,926)
Depreciation and amortisation	10,302	10,459
Foreign exchange gains/losses	8,761	(13,722)
Dividend and interest for the period	216	15,754
Gain/loss on disposal of intangible assets and property, plant and equipment	12	(219)
Deferred tax assets/liabilities	(1,646)	4,868
Change in trade and other receivables	(25,217)	(8,700)
Change in inventories	8,499	(29,910)
Change in trade and other payables	7,001	18,045
Change in employee benefits payable	(521)	142
Result on forward contracts	851	357
Other adjustments	176	0
Cash flows from operating activities	23,169	25,223
Interest received	125	71
Interest paid	(90)	(37)
Net cash from operating activities	23,204	25,257
Cash flows from investing activities		
Sale of property, plant and equipment	259	222
Interest received	0	8,094
Acquisition of intangible assets and property, plant and equipment	(7,365)	(2,016)
Dividend and profit distributions	29,104	16,392
Repayment of loans advanced	41,883	0
Loans advanced	0	(4,507)
Net cash from investing activities	63,881	18,185
Cash flows from financing activities		
Repayment of borrowings and other debt instruments	(30,000)	(22,500)
Increase in borrowings and other debt instruments	20,678	37,585
Redemption of debt securities	(1,529,227)	(831,812)
Issue of debt securities	1,499,300	836,372
Gains/loss on forward contracts	0	(3,032)
Interest paid	(46,680)	(47,947)
Cash flows from financing activities	(85,929)	(31,334)
Change in cash	1,156	12,108
Cash at beginning of the period	1,380	839
Cash at end of the period	2,536	12,947

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

1. Notes to the separate statement of financial position

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

	30.09.2012	Jun 30 2012	Dec 31 2011	30.09.2011
Trade receivables other than from related entities	27,606	20,207	14,779	19,699
Trade and other receivables from related entities	33,987	41,772	20,400	35,511
Current prepayments and accrued income	7,038	5,252	1,890	2,040
Current VAT receivables	4,169	7,011	5,654	5,846
Dividend receivable	0	29,104	0	0
Other receivables	73,143	75,103	78,004	78,568
Total	145,943	178,449	120,727	141,664

Other receivables include receivables under a deposit of PLN 69,992 thousand placed with Pfleiderer AG , securing delivery of equipment from Blitz to Pfleiderer MDF OOO.

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

	Sep 30 2012	Jun 30 2012	Dec 31 2011	Sep 30 2011
Trade payables	62,903	41,268	64,898	69,092
Liabilities to related entities	28,598	19,050	22,624	29,787
Liabilities under factoring agreements	8,968	9,211	9,458	7,731
Liabilities under investment supplies	1,325	1,524	3,795	246
Other liabilities	4,986	4,670	3,818	6,840
Total	106,780	75,723	104,593	113,696

Other liabilities include primarily accrued expenses and other provisions.