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.

PFLEIDERER GRAJEWO S.A.
ANNUAL SEPARATE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
DECEMBER 31ST 2012

CONTENTS

MANAGEMENT BOARD'S STATEMENT 3
ANNUAL SEPARATE FINANCIAL STATEMENTS 4
Statement of comprehensive income 4
Statement of changes in equity 5
Statement of financial position 6
Statement of cash flows 7
Notes to the annual separate financial statements 8
Supplementary notes to the annual separate financial statements 21

MANAGEMENT BOARD'S STATEMENT

Pursuant to the Regulation of the Minister of Finance 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. of 2009, No. 33, item 259), the Pfleiderer Grajewo Management Board represents that to the best of its knowledge the annual separate financial statements for the year ended December 31st 2012 and the comparative data have been prepared in compliance with the applicable accounting policies and give a fair and clear view of the Company's assets, financial standing and financial results, and that the annual separate Directors' Report on the Company's operations gives a fair view of its development, achievements and standing, including a description of the key risks and threats.

The Pfleiderer Grajewo Management Board represents that the audit firm of financial statements who audited the annual separate financial statements was appointed in compliance with applicable laws, and that both the audit firm and the key certified auditor who performed the audit meet the conditions required to issue an objective and independent opinion on the audited annual separate financial statements, in accordance with the applicable laws and professional standards.

Wojciech Gątkiewicz
President of the Management Board

Rafał Karcz
Member of the Management Board,
Chief Financial Officer

Dariusz Tomaszewski
Member of the Management Board,
Sales Director

Radosław Wierzbicki
Member of the Management Board,
Chief Operating Officer

Grajewo, April 30th 2013

ANNUAL SEPARATE FINANCIAL STATEMENTS

Statement of comprehensive income

	Note	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Revenue		725,259	730,081
Cost of sales	4	(626,808)	(635,610)
Gross profit		**98,451**	**94,471**
Other income	2	7,349	698
Distribution costs	4	(29,544)	(27,943)
Administrative expenses	4	(29,012)	(24,823)
Other expenses	3	(5,826)	(2,399)
Operating profit		**41,418**	**40,004**
Finance income		61,638	88,601
Finance costs		(92,225)	(79,102)
Net finance income / costs	6	**(30,587)**	**9,499**
Profit before tax		**10,831**	**49,503**
Income tax expense	7	1,172	(8,702)
Net profit		**12,003**	**40,801**
Other comprehensive income			
Effective portion of change in fair-value measurement of hedging instruments, including corporate income tax		0	(589)
Total comprehensive income for the period		**12,003**	**40,212**
Basic earnings per share (PLN)	17	0.24	0.82
Diluted earnings per share (PLN)	17	0.24	0.82

The notes attached to the separate financial statements constitute their integral part.

Statement of changes in equity

	Share capital	Share premium	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
As at Jan 1 2011	**16,376**	**289,806**	**153,664**	**589**	**24,376**	**484,811**
Comprehensive income for the period						
Net profit	0	0	0	0	40,801	40,801
Effective portion of change in fair-value measurement of hedging instruments, including corporate income tax	0	0	0	(589)	0	(589)
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**
As at Dec 31 2011	**16,376**	**289,806**	**154,958**	**0**	**63,883**	**525,023**
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	0	12,003	12,003
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**12,003**	**12,003**
Transactions with owners recognised in equity						
Transfer of 2011 net profit to statutory reserve funds	0	0	40,801	0	(40,801)	0
Total 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**	**35,085**	**537,026**

The notes attached to the separate financial statements constitute their integral part.

Statement of financial position

	Note	Dec 31 2012	Dec 31 2011
Assets			
Property, plant and equipment	8	103,056	109,888
Intangible assets	9	2,244	1,367
Investments in subsidiaries	10	562,334	811,034
Other non-current financial assets	11	10	10
Non-current loans advanced to subsidiaries	10	430	217,741
Non-current receivables – prepayments for tangible assets		472	0
Non-current assets		**668,546**	**1,140,040**
Inventories	14	63,537	79,443
Trade and other receivables	15	75,146	120,727
Cash and cash equivalents		1,719	1,380
Current loans advanced to subsidiaries	10	6,832	166,174
Disposal group		611,883	0
Current assets		**759,117**	**367,724**
Total assets		**1,427,663**	**1,507,764**
Equity and liabilities			
Equity			
Share capital	16	16,376	16,376
Share premium		289,806	289,806
Statutory reserve funds		195,759	154,958
Retained earnings		35,085	63,883
Total equity		**537,026**	**525,023**
Liabilities			
Borrowings and other debt instruments	18	24,467	476,934
Employee benefit obligations	19	5,412	4,895
Deferred tax liabilities	12	984	6,592
Non-current liabilities		**30,863**	**488,421**
Borrowings and other debt instruments	18	457,254	86,617
Liabilities to related entities under debt securities	21	292,005	293,515
Trade and other payables	20	100,368	104,593
Employee benefit obligations	19	10,147	9,595
Current liabilities		**859,774**	**494,320**
Total liabilities		**890,637**	**982,741**
Total equity and liabilities		**1,427,663**	**1,507,764**

The notes attached to the separate financial statements constitute their integral part.

Statement of cash flows

	Note	Jan 1– Dec 31 2012	Jan 1– Dec 31 2011
Cash flows from operating activities			
Net profit		**12,003**	**40,801**
Adjustments		29,602	10,883
Amortisation	4	13,510	13,957
Foreign exchange gains		12,830	(26,847)
Dividend and interest for the period	6	9,552	27,157
Gain on disposal of intangible assets and property, plant and equipment		(11)	(241)
Income tax assessed	7	(1,172)	8,702
Change in working capital			
Change in trade and other receivables		(23,974)	12,238
Change in inventories		15,906	(28,520)
Change in trade and other payables	27	688	5,392
Change in employee benefit obligations		1,069	1,710
Result on forward contracts		851	(2,665)
Other adjustments		353	0
Cash flows from operating activities		**41,605**	**51,684**
Interest received		148	117
Interest paid		(98)	(60)
Income tax paid		(4,436)	0
Net cash from operating activities		**37,219**	**51,741**
Cash flows from investing activities			
Disposal of property, plant and equipment		293	245
Interest received		44,365	8,155
Dividends received	6	29,104	16,392
Acquisition of subsidiary		(18)	(65)
Acquisition of intangible assets and property, plant and equipment		(8,723)	(2,634)
Repayment of loans advanced		47,883	44,978
Loans advanced		0	(8,317)
Net cash from investing activities		**112,904**	**58,754**
Cash flows from financing activities			
Repayment of borrowings		(74,508)	(40,298)
Redemption of debt securities		(2,196,516)	(1,169,113)
Issue of debt securities		2,195,470	1,169,317
Interest paid		(74,230)	(69,860)
Net cash from financing activities		**(149,784)**	**(109,954)**
Total net cash flow		**339**	**541**
Change in cash		339	541
Cash at beginning of the period		1380	839
Cash at end of the period	27	**1,719**	**1,380**

The notes attached to the separate financial statements constitute their integral part.

Notes to the annual separate financial statements

1. General information

Pfleiderer Grajewo S.A. is a listed joint-stock company registered in Poland.

The Company, 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 the Commercial Register in Section B under entry No. 270. Subsequently, on May 9th 2001, it was registered by the District Court of Białystok, XII Commercial Division of the National Court Register, under entry No. KRS 0000011422. On September 18 2002, the Company's Management Board received the decision of the District Court of Białystok to enter the Company's new name in the National Court Register.

The Company's registered office is located at ul. Wiórowa 1, Grajewo, Poland.

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

As at December 31st 2012, Pfleiderer Grajewo S.A. was the parent of the following companies: Pfleiderer Prospan S.A. of Wieruszów, Pfleiderer OOO of Novogrod (Russia), Pfleiderer MDF OOO of Novogrod (Russia), Silekol Sp. z o.o. of Kędzierzyn Koźle, 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 Service Sp. z o.o. of Grajewo. Blitz GmbH 11-446 of Neumarkt, Germany, is a jointly-controlled entity.

On January 23rd 2013, Pfleiderer Grajewo S.A. entered into agreements with Ingka Pro Holding Subholding I B.V. and SWEDSPAN Holding B.V. to sell 100% of shares in Pfleiderer OOO of Russia and the assets dedicated to the MDF Russia project. As a result of execution of these agreements, Pfleiderer Grajewo S.A. ceased to be the parent of Pfleiderer OOO and Pfleiderer MDF OOO. For details, see Note 29.

These annual separate financial statements were approved by the Management Board on April 30th 2013.

The Company prepared consolidated financial statements for the financial year ended December 31st 2012, which were approved by the Management Board on April 30th 2013.

2. Business profile

The scope of the Company's business, as per its Articles of Association, includes:

- manufacture of melamine-faced and raw chipboards and other wood and wood-based products,
- manufacture of other wood products,
- coating and impregnation of paper and cardboard.

3. Composition of the Management Board and the Supervisory Board

As at December 31st 2012, the composition of the Company'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

As at December 31st 2012, the composition of the Company' Supervisory Board was as follows:

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

On March 7th 2012, Mr Hans-Joachim Ziems resigned from the position of 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 Member of the Company's Supervisory Board.

On September 28th, Mr Hans H. Overdiek resigned from the position of Member of the Supervisory Board with effect from October 31st 2012.

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

On February 12th 2013, Mr Hans-Kurt von Werder resigned from the position of Member of the Company's Supervisory Board, with effect from February 26th 2013.

In accordance with a resolution of the Extraordinary General Meeting, on February 26th 2013, Mr Richard Mayer was appointed Member of the Pfleiderer Grajewo Supervisory Board.

4. Periods covered by the separate financial statements and comparative data

These financial statements were prepared for the year ended December 31st 2012, while the comparative financial data and notes relate to the year ended December 31st 2011.

5. Basis of preparation

a) Statement of compliance

These annual separate financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union ("the EU IFRS").

The EU IFRS include all the International Accounting Standards, International Financial Reporting Standards, and their Interpretations, except for those Standards and Interpretations, discussed below, which are still to be endorsed by the European Union and Standards and Interpretations which have been endorsed by the European Union but have not come into force yet.

A number of new Standards, amendments to Standards and Interpretations not yet effective for annual periods ending on 31 December 2012 and have not been applied in the consolidated financial statements. Group intends to use them, for the periods for which they are applicable for the first time.

The entity estimates that the above standards, interpretations and amendments to standards would not have had any material effect on the consolidated financial statements if they had been applied by the entity as at the balance-sheet date, except for **IFRS 9 Financial Instruments**, which will apply to the financial statements of the entity for 2015 and could materially affect the classification and measurement of financial assets. The entity does not plan to apply the standard earlier, and the effect of its application has not been estimated.

Standards and interpretations approved by the EU

Standards and interpretations adopted by the IASB and approved by the EU

- Amendments to IAS 1 **Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income** (effective for annual periods beginning on or after July 1st 2012),

- IAS 19 (2011) **Employee Benefits** (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IAS 12 **Taxes – Deferred Tax: Recovery of Underlying Assets** (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IFRS 7 **Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities** (effective for annual periods beginning on or after January 1st 2013),
- IFRS 10 **Consolidated Financial Statements** (effective for annual periods beginning on or after January 1st 2014),
- IFRS 11 **Joint Arrangements** (effective for annual periods beginning on or after January 1st 2014),
- IFRS 12 **Disclosure of Interests in Other Entities** (effective for annual periods beginning on or after January 1st 2014),
- IFRS 13 **Fair Value Measurement** (effective for annual periods beginning on or after January 1st 2013),
- IAS 27 (2011)**Separate Financial Statements** (effective for annual periods beginning on or after January 1st 2014),
- IAS 28 (2011) **Investments in Associates and Joint Ventures** (effective for annual periods beginning on or after January 1st 2014),
- Amendments to IAS 32 **Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities** (effective for annual periods beginning on or after January 1st 2014),
- Amendments to IFRS 1 **First-time Adoption of International Financial Reporting Standards: Government Loans** (effective for annual periods beginning on or after January 1st 2013).

Standards and interpretations adopted by the IASB and pending endorsement by the EU as at December 31st 2012

- Amendments to International Financial Reporting Standards 2009-2011 (effective for annual periods beginning on or after January 1st 2013),
- Amendments to **IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Agreements, and IFRS 12 Disclosure of Interests in Other Entities** (effective for annual periods beginning on or after January 1st 2013),
- IFRS 9 **Financial Instruments** (2009) (effective for annual periods beginning on or after January 1st 2015),
- Amendments to IFRS 9 **Financial Instruments** (2010) (effective for annual periods beginning on or after January 1st 2015),
- Amendments to IFRS 9 **Financial Instruments** and IFRS 7 **Financial Instruments: Disclosures**

(effective for annual periods beginning on or after January 1st 2015).

b) Basis of accounting

These annual separate financial statements were prepared in compliance with the historical cost convention, with the exception of financial derivatives which were measured at fair value.

c) Functional and presentation currency

All amounts in these annual separate financial statements are expressed in the złoty (PLN) and rounded to the nearest thousand, unless indicated otherwise. The Polish złoty is the functional currency of the Company.

d) Estimates and judgements

The preparation of separate financial statements in accordance with the EU IFRS requires the Company to make certain estimates and assumptions which affect the values disclosed in the financial statements and the related notes. While the assumptions and estimates used are based on the Management Board's best knowledge of current actions, operations and events, the actual results may differ from projections.

The estimates and the related assumptions are subject to review on an ongoing basis. Any change in accounting estimates is recognised in the period in which such change occurred or in current and future periods if the performed estimate change relates to both the current and future periods.

In particular, significant areas of uncertainty with respect to the estimates as well as the judgements made during the application of accounting policies which had the most significant effect on the figures disclosed in the financial statements are presented in the following Notes:

- Notes to the annual separate financial statements, Chapter 6, Section e (iv) – useful economic life of property, plant and equipment – determined based on economic useful lives of property, plant and equipment and intangible assets and verified at least annually.
- Nota 7 – Corporate income tax - recognition of corporate income tax or settlement of losses carried forward based on assumption that in future the taxable income will be generated,
- Note 8 – Recoverable value of non-financial non-current assets - if there is an indicator for impairment, the recoverable amount of non-financial non-current assets is determined by higher of fair value less cost to sell or value in use (based on discounted cash flows) by applying the proper discount rate (cost of capital, increase rates),
- Note 19 – Measurement of liabilities under defined employee benefits – employee benefits are evaluated by actuary. The valuation is based on assumptions regarding interest rates, increase of salaries levels, inflation rate, employment rotation rate,
- Nota 25 –zobowiązania warunkowe - rozpoznanie zobowiązań warunkowych wymaga oszacowania prawdopodobnych wypływów korzyści ekonomicznych i najlepszego szacunku wydatków potrzebnych do uregulowania bieżącego zobowiązania na dzień bilansowy
- Note 22 – Valuation of financial instruments – measurement of the fair value of financial instruments is determined via use of financial instruments valuation models,
- Note 23 – Classification of lease agreements – classification of the lease agreements as finance lease or operating lease on the basis of business nature analysis.
- Note 15 – derecognition of trade receivables from the statement of financial situation based on assessment of risks and rewards, transfer of control and remaining involvement.

6. Significant accounting policies

The Company's accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently.

a) Transactions in foreign currencies

Any transaction expressed in a foreign currency is translated to the respective functional currencies of the entity at the exchange rate at the transaction dates. Monetary assets and liabilities expressed in foreign currencies are translated as at the reporting date at the exchange rate quoted for a given currency for that date. Non-monetary assets and liabilities valued at historical cost in foreign currencies are translated at the exchange rate at the transaction date.

Foreign currency differences resulting from retranslation are recognised in profit or loss of the period except for foreign currency differences arising from retranslation of a qualifying cash-flow hedge to the extent the hedge is effective.

	Exchange rates used to translate items of the statement of financial position	
	Dec 31 2012	**Dec 31 2011**
EUR	4.0882	4.4168
USD	3.0996	3.4174
GBP	5.0119	5.2691
RUB	0.1017	0.1061
RON	0.9197	1.0226

b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise loans advanced and receivables, as well as liabilities measured at amortised cost.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised from the statement of financial position if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised from the statement of financial position if the Company's obligations specified in the contract expire or are discharged or cancelled.

Loans advanced and receivables

Loans advanced and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially carried at fair value plus direct transaction costs, and subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses.

The fair value of trade and other receivables is estimated as the present value of future cash flows,

discounted using the market interest rate as at the date of the statement of financial position.

Loans advanced and receivables include trade and other receivables, as well as cash and cash equivalents.

Cash and cash equivalents comprise cash in hand and demand deposits at banks. The cash and cash equivalents balance presented in the statement of cash flows comprise the abovementioned cash and cash equivalents less the overdrafts representing an integral part of cash management at the Company.

Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in equity. When investment is derecognised, he gain or loss accumulated in equity is reclassified to profit or loss. Investments in equity instruments which are not listed on an active market are stated at purchase price less any accumulated impairment losses.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are initially recognised at fair value less any directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are recognised on the trade date, which is the date that Group becomes a party to the contractual provisions of the instrument.

The Company's financial liabilities measured at amortised cost comprise loans and borrowings, trade and other payables.

The fair value for disclosure purposes is determined based on the present value of future cash flows from repayment of capital and interest, discounted using the market interest rate as at the date of the statement of financial position.

(ii) Derivative financial instruments

The Company uses financial derivatives, mainly forward contracts to hedge its currency-exchange risk exposures related to its operating, financing or investing activities.

At the time of initial recognition, financial derivatives are recognisedat fair value, any attributable transaction costs are recognised in profit or loss as incurred; thereafter they are measured at fair value. Gains and losses on measurement at fair value are recognised in profit or loss of the period. However, if financial derivatives are classified as hedging instruments, the disclosure of gains or losses on change of fair value depends on the type of the item hedged with such derivatives.

At inception, the Company formally documents the relationship between the hedging instrument and the hedged item. The documentation includes the risk management objective and a strategy for undertaking the hedge, as well as methods to be used by the Company to assess the hedge effectiveness.

The Company assesses, both at inception and in subsequent periods, whether it is justified to expect that the hedging instruments will remain "highly effective" in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the entire period for which the hedge was undertaken, as well as whether actual results are within a range of 80-125%. Cash flow hedges are applied for highly probable forecast transactions bearing risk of changes in cash flows whose effects would be recognised in profit or loss of the period.

The fair value of a currency forward is estimated by discounting the difference between the transaction price and the current forward rate for the period ending on the contract execution date, applying a risk-free rate (based on treasury bills).

Cash flow hedges

If a financial derivative is designated to hedge volatility in cash flows related to a specific risk connected with a recognised asset, liability or a highly probable forecast transaction which could affect profit or loss, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and presented as a separate hedging reserve in equity. Gains or losses previously recognised in other comprehensive income are transferred to the profit or loss in the same period and under the same item in which hedged cash flows are recognised in the statement of comprehensive income. The ineffective portion of changes in fair value of the derivative instrument is recognised immediately in the profit or loss.

If a hedging instrument no longer meets the criteria for hedge accounting, it expires or is sold, terminated or exercised, or its designation is changed, the Company ceases to apply hedge accounting prospectively. If the forecast transaction is not to be effected, the gains or losses previously recognised in the statement of comprehensive income are immediately recognised as the current period's profit or loss. Otherwise, amounts previously recognised in the statement of comprehensive income are recognized in profit or loss in the same period or periods in which the hedged transaction impacts the profit or loss.

c) Investments in subsidiaries

Subsidiaries are all entities with respect to which the Company has the power to govern their financial and operating policies in order to derive benefits from their operations.

Investments in subsidiaries classified as non-current assets are recognised at cost. The Company recognises impairment losses (if any) not later than at the end of the reporting period. The value of shares is reduced by impairment losses (if any).

d) Investments in jointly-controlled entities

Interests in joint ventures are investments jointly controlled by the Company. It is assumed that the Company has joint control if strategic financial and operating decisions require unanimous consent of the parties sharing control. Investments in jointly-controlled entities classified as non-current assets are recognised at cost, which includes transaction costs.
The Company recognises impairment losses (if any) not later than at the end of the reporting period. The value of shares is reduced by impairment losses (if any).

e) Property, plant and equipment

(i) Owned property, plant and equipment

Property, plant and equipment are recognised in the books at acquisition or production cost, less accumulated depreciation and any accumulated impairment losses.

Acquisition cost comprises the price for which a given asset was purchased (i.e. amount due to the seller, less any deductible taxes: VAT and excise tax), public charges (in the case of imports), and costs directly related to the acquisition and adaptation of the asset for use, including the cost of transport, loading, unloading and storage. Rebates, discounts and other similar reductions decrease the asset acquisition cost. The production cost of property, plant and equipment or a tangible asset under construction comprises all

the expenses incurred by a company to construct, install, adapt or improve such asset until the day on which the asset was placed in service, including non-deductible VAT or excise tax. The production cost comprises also the estimation of the cost of dismantling and removing items of property, plant and equipment, as well as of restoring them to their initial condition, if such obligation exists. Additionally, the production cost includes borrowing costs directly associated with the acquisition or production of an item of property, plant and equipment or a tangible asset under construction.

If a specific item of property, plant and equipment consists of separate and material components with different economic useful lives, such components are treated as separate items.

Gain or loss on disposal of an item of property, plant or equipment is estimated as a difference between the disposal proceeds and the carrying amount of the item, and is recognised in profit or loss.

(ii) Property, plant and equipment used under lease agreements

Lease agreements under which en entity assumes substantially all the risks and benefits resulting from the ownership of the property, plant and equipment, are classified as finance lease agreements.

Upon initial recognition, items of property, plant and equipment acquired under finance lease agreements are measured at the lower of their fair value or present value of the minimum lease payments, and subsequently reduced by depreciation and impairment losses.

Lease agreements under which the lessor retains substantially all potential risks and benefits resulting from the ownership of the leased asset are classified as operating lease agreements. Assets used under lease agreements are not included in the statement of financial position.

(iii) Subsequent expenditure

The Company capitalises subsequent expenditure only when it is probable that the Group will obtain future economic benefits associated with the expenditure. Other expenditure is recognised in profit or loss incurred. Repair and maintenance costs are expensed as incurred.

(iv) Depreciation

Items of property, plant and equipment, or substantial and individual elements thereof, are depreciated over their useful economic lives using the straight-line method, taking into account the residual value. Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonable certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The Company has adopted the following length of useful lives for particular categories of property, plant and equipment:

Buildings	25 to 40 years
Plant and equipment	3 to 25 years
Vehicles	5 to 8 years
Other tangible assets	4 to 8 years

The correctness of the applied useful economic lives, depreciation methods and residual values of property, plant and equipment is reviewed as at the end of each reporting period and adjusted if appropriate.

f) Intangible assets

(i) Other intangible assets

Intangible assets acquired in a separate transaction are recognised at acquisition cost less amortisation charges and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure on existing intangible assets is capitalised only when it increases future economic benefits to be generated by the asset. Other expenditure is recognised in the current period's profit or loss as incurred.

(iii) Amortisation

Intangible assets are amortised with the straight-line method over their useful economic lives, unless their lives are indefinite. Goodwill and intangible assets with indefinite useful economic lives are tested for impairment as at the end of each fiscal year. Other intangible assets are amortised from the date of their placement in use. The estimated useful economic lives of intangible assets are as follows:

Licences	2 to 3 years
Computer software	2 years

The correctness of the applied useful economic lives, amortisation methods and residual values of intangible assets is reviewed as at each balance-sheet date and adjusted if appropriate.

g) Inventories

Inventories are recognised at the lower of their cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost to complete and estimated costs necessary to make the sale.

The costs of inventory is determined in the following manner:

Materials and merchandise – acquisition cost; decreases are measured using the weighted average method.

Finished products and work in progress – cost of direct materials and labour and an appropriate portion of indirect production costs, calculated on the basis of normal production capacity, based on the weighted average method.

h) Impairment losses

(i) Non-derivative financial assets

An impairment loss on a non-derivative financial asset is recognised if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset, which may have an adverse impact on future cash flows related to a given the financial asset and it may be estimated reliably.

The amount of an impairment loss on a financial asset measured at amortised cost is estimated as the difference between the asset's carrying amount recognised in the statement of financial position and the present value of the future cash flows, discounted using the original effective interest rate.

Each material financial asset is tested for impairment as at each reporting date. Other financial assets are divided into groups with similar credit risk and assessed for impairment collectively.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed if a subsequent increase in the recoverable value can be objectively attributed to an event occurring after the impairment recognition date. In such a case, the amount of the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amount of non-financial assets other than inventories and deferred tax asset are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable value is estimated.

The recoverable amount of assets or cash-generating units is higher of an asset's fair value less costs to sell and its value in use. Value in use is calculated by discounting present value of estimated future cash flows with a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the case of assets which do not generate independent cash flows, value in use is estimated for the assets' smallest identifiable cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit recognised in the statement of financial position is higher than its recoverable amount. A cash-generating unit is the smallest identifiable group of assets which generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. Impairment losses are recognised in profit or loss. Impairment of a cash-generating unit is initially recognised as a decrease in goodwill allocated to that cash-generating unit (a group of cash-generating units), and subsequently as a decrease in the carrying amount of the other assets belonging to that cash-generating unit(a group of cash-generating units) recognised in the statement of financial position on a pro-rata basis.

Impairment losses on goodwill are not reversible. As far as other assets are concerned, at each reporting date impairment losses recognised in prior periods are reviewed to determine if there is any evidence that they no longer exist or have decreased. An impairment loss recognised in prior periods is reversed if the estimates used to determine the asset's recoverable amount have changed. An impairment loss is reversed only up to the carrying amount of the asset (net of amortisation and depreciation) that would have been determined in the statement of financial position had no impairment loss been recognised.

i) Discontinued operations and disposal groups

Assets and liabilities representing a disposal group, which are expected to generate benefits through sale or distribution rather than through continued use, are classified by the Company as held for sale or distribution, provided that the assets are available for immediate sale in their present condition and the probability of such a transaction is high. Directly before reclassification as held for sale or distribution, the assets (or components of a disposal group) are remeasured in line with the Company's accounting policies. Subsequently, the assets or disposal groups are recognised at the lower of their carrying amount or fair value less cost to sell.

Any potential impairment loss on a disposal group is allocated first to goodwill, and subsequently as a decrease in the carrying amount of other assets on a pro-rata basis, provided that the loss of goodwill does not affect the value of inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be recognised in accordance with the Company's accounting policies. Impairment on assets initially recognised as held for sale or distribution is charged to profit or loss for the period. This also applies to gains or losses resulting from subsequent change of value. Gains on fair value remeasurement are recognised only up to the amount of previously recognised impairment losses.

Intangible assets and property, plant and equipment classified as assets held for sale or distribution are not amortised or depreciated.

Discontinued operations are understood as Company's operations which were disposed of or classified as held for sale or distribution, constituting:

- a separate significant part of business or geographical area of operations,
- a part of a single co-ordinated plan to dispose of a significant main line of business or a geographical area of operations,
- a subsidiary purchased solely for resale.

Operations are classified as discontinued operations following their disposal or once they meet the criteria to be classified as held for disposal. If the operations are classified as discontinued operations, the comparative data in the statement of comprehensive income is restated as if the discontinuation took place at the beginning of the comparative period.

j) Equity

(i) Ordinary shares

Ordinary shares are disclosed under equity. Costs directly attributable to the issue of ordinary shares and stock options, adjusted by the effect of taxes, reduce equity.

(ii) Dividends

Dividends are recognised as liabilities in the period in which the dividend resolution was adopted.

k) Employee benefits

(i) Defined contribution plan

Under the applicable regulations, the Company is required to withhold and pay contributions for future pension benefits of its employees. According to IAS 19, the benefits form a state plan which is a defined contribution plan. In connection with the above, the Company’s liabilities for each period are recognised based on the contributions payable in a given year.

(ii) Other non-current employee benefits - retirement bonuses

In accordance with the remuneration rules, Company's employees are entitled to receive retirement bonus (upon retirement).

The Company’s retirement bonus obligations are determined by estimating the amount of future remuneration of the employee at the time of the employee's retirement, and by estimating the amount of the future bonus. Retirement bonuses are discounted to present value. Retirement bonus obligations are recognised pro rata to the employee's expected length of service.

The value of future liabilities is calculated by a qualified actuary using the projected unit cost method. The employee turnover is estimated based on historical data and projections concerning future employment levels.

Any changes between the balance of employee benefit obligations as at the beginning and the end of a reporting period are recognised in profit or loss.

l) Provisions

Provisions are created when an entity has a liability (legal or constructive obligation) resulting from past events and when it is probable that a discharge of this liability would cause an outflow of economic benefits, and the amount of the liability may be reliably estimated. If the effect of time value of money is significant, the amount of provisions is determined by discounting projected future cash flows to present value at pre-tax rates reflecting the current market estimates of the time value of money and risks, if any, related to a specific liability. If the discounting method is applied, an increase in provisions as a result of lapse of time is disclosed as finance cost.

m) Revenue

(i) Revenue from sales of finished products/merchandise and services

Revenue from sales of finished products/merchandise is recognised at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognised when significant risks and rewards incidental to the ownership of finished products and merchandise have been transferred to the customer, and if the revenue amount may be reliably estimated. The revenue is not recognised if the future economic benefits, determination of the costs incurred, or the possibility of return of finished products/merchandise is highly uncertain, or if the Company is involved in the management of the sold finished products/merchandise on a continuing basis.

Revenue from provision of services is recognised in profit or loss in proportion to the stage of completion of a service as at the reporting date. The stage of completion is determined on the basis of the cost incurred to total costs works performed.

n) Payments under operating leases

Payments under operating lease agreements concluded by the Company are recognised in the statement of comprehensive income on a straight-line basis during the lease term.

o) Payments under finance leases

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each reporting period as to obtain a constant periodic rate of interest on the remaining amount of the lease liability.

p) Net finance income and costs

Finance income includes interest income on funds invested by the Group, gains on profit/loss previously recognized in other comprehensive income, foreign exchange gains and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised in profit or loss on an accrual basis using the effective interest rate method.

Finance costs include interest expense on borrowings, unwinding of the discount on provisions, and deferred consideration foreign exchange losses, and financial assets impairment (other than trade receivables), reclassification of net losses previously recognised in other comprehensive income. Interest expense that is not directly attributable to the acquisition, construction or production of a qualifying asset are recognise in profit or loss using the effective interest rate method.

Foreign exchange gains and losses are posted on net basis as either finance income or finance cost.

r) Corporate income tax

Corporate income tax recognised in the income statement comprises the current and deferred portion. The current and deferred income tax is recognised in profit or loss, unless it relates to business combination, items recognised directly in equity or as other comprehensive income.

The current tax is the expected tax payable or receivable for the year, determined using the tax rates applicable at the reporting date, and including any adjustments of the tax due for the previous years.

The deferred income tax is determined with the use of the balance-sheet liability method in relation to all temporary differences existing as at the reporting date between the tax value of assets and liabilities and their carrying amount recognised in the statement of financial position and disclosed in the consolidated financial statements.

Deferred tax asset is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax asset is recognised in relation to all deductible temporary differences as well as unused tax losses carried forward, in the amount of the probable taxable income which would enable these differences and losses to be used. Carrying amount of a deferred tax asset is reviewed as at each reporting date and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realisation of this deferred tax asset would be generated.

Deferred tax asset and deferred tax liability are calculated using tax rates expected to be effective at the time of realisation of particular asset or liability, based on tax rates (and tax legislation) actually or legally in force as at the reporting date.

The measurement of deferred tax reflect the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

s) Earnings/(Loss) per share

The Company presents basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated taking into account the profit attributable to holders of ordinary shares, the average number of ordinary shares, and instruments (if any) with a dilutive effect.

t) Determination and presentation of operating segments

An operating segment is a Company component that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of the operating segments for which financial information can be identified are reviewed regularly by the management to make decisions about resources to be allocated and assess their performance.

Segment results reported to the management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly general and administrative assets of the Company, office expenses and income tax assets and liabilities.

Capital expenditure of a segment includes expenditure on purchase of property, plant and equipment and intangible assets other than goodwill.

The Company operates in one business segment – production of chipboard – and does not identify any geographical segments.

Supplementary notes to the annual separate financial statements

1. OPERATING SEGMENTS 22
2. OTHER INCOME 22
3. OTHER EXPENSES 22
4. COSTS BY NATURE OF EXPENSE 23
5. EMPLOYEE BENEFIT EXPENSE 23
6. FINANCE INCOME AND COSTS 24
7. INCOME TAX EXPENSE 25
8. PROPERTY, PLANT AND EQUIPMENT 26
9. INTANGIBLE ASSETS 29
10. INVESTMENTS IN SUBSIDIARIES 30
11. OTHER NON-CURRENT FINANCIAL ASSETS 35
12. ASSETS HELD FOR SALE OR DISTRIBUTION 35
13. DEFERRED INCOME TAX ASSET AND LIABILITY 36
14. INVENTORIES 38
15. TRADE AND OTHER RECEIVABLES 38
16. EQUITY 40
17. EARNINGS PER SHARE 41
18. BORROWINGS AND OTHER DEBT INSTRUMENTS 41
19. EMPLOYEE BENEFIT OBLIGATIONS 42
20. TRADE AND OTHER PAYABLES 44
21. LIABILITIES TO RELATED ENTITIES UNDER DEBT SECURITIES 44
22. FINANCIAL INSTRUMENTS 45
23. OPERATING LEASE AGREEMENTS 52
24. CONTRACTUAL COMMITMENTS TO ACQUIRE PROPERTY, PLANT AND EQUIPMENT 52
25. CONTINGENT LIABILITIES AND SECURITY 52
26. MATERIAL RELATED-PARTY TRANSACTIONS 54
27. SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CASH FLOWS 57
28. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD 58

1. Operating segments

For information on operating segments, see the consolidated financial statements for the year ended December 31st 2012.

2. Other income

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Profit on sale of non-current assets	11	241
Reversal of impairment loss on receivables	307	23
Compensations received	105	319
Release of unused accruals and deferred income	166	0
Other income	6,760	115
Total	**7,349**	**698**

Other income of PLN 6,760 thousand comprises net proceeds of PLN 6,198 thousand from sale of items of property, plant and equipment. For details, which have returned to usage on basis of operating lease agreement (see note 23).

3. Other expenses

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Revaluation of receivables	(3,261)	0
Receivables written-off	(1,254)	(1)
Damages paid	(121)	(228)
Other provisions	0	(538)
Other expenses	(1,190)	(1,632)
Total	**(5,826)**	**(2,399)**

Other expenses include PLN 38 thousand of non-deductible VAT expense, PLN 206 thousand of non-tax-deductible expenses within the meaning of the corporate income tax regulations, PLN 117 thousand of grants, and PLN 316 thousand of damages and compensations paid.

4. Costs by nature of expense

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Raw materials and consumables used	435,383	425,260
Amortisation	13,510	13,957
Services	61,082	47,268
Taxes and charges	6,466	6,391
Employee benefit expense	47,315	43,818
Cost of merchandise and materials sold	119,132	141,765
Other costs	9,935	8,568
Total costs	**692,823**	**687,027**
Change in inventories of finished products and accruals and deferrals	(3,998)	(2,326)
Work performed by entity and capitalised	(3,461)	3,675
Total operating expenses	**685,364**	**688,376**
including:		
Distribution costs	29,544	27,943
Administrative expenses	29,012	24,823
Cost of sales	626,808	635,610

5. Employee benefit expense

	Jan 1–Dec 31 2011	Jan 1–Dec 31 2011
Salaries and wages payable	37,645	34,355
Employee benefits	8,870	7,940
Increase in retirement bonus obligations	478	658
Increase in unused holiday entitlement obligations	344	21
Increase/Decrease in liabilities related to bonus payment	(22)	844
Total	**47,315**	**43,818**

6. Finance income and costs

Disclosed in profit or loss of the period:

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Interest income	31,683	31,116
Net foreign exchange gains	0	41,093
Gains on forward contracts	851	0
Dividend income	29,104	16,392
Finance income	61,638	88,601
Interest expense	(70,339)	(74,665)
Net foreign exchange loss	(21,448)	0
Loss on forward contracts	0	(2,665)
Other finance costs	(438)	(1,772)
Finance costs	(92,225)	(79,102)
Net finance income / costs	**(30,587)**	**9,499**

The above finance income and costs include the following items of income and costs related to assets and liabilities:

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Interest income on financial assets	31,683	31,116
Interest expense on financial liabilities	(70,339)	(74,665)
	(38,656)	**(43,549)**

Recognised in other comprehensive income

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Effective portion of change in fair-value measurement of cash-flow hedging instruments	0	(589)
	0	**(589)**

7. Income tax expense

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Income tax expense		
Current portion of income tax	4,436	0
Deferred income tax		
Relating to origination and reversal of temporary differences	(5,608)	8,702
	(1,172)	8,702
Income tax disclosed in profit or loss of the period	**(1,172)**	**8,702**

Reconciliation of income tax on pre-tax profit at the statutory tax rate to income tax calculated at the effective tax rate:

	%	Jan 1–Dec 31 2012	%	Jan 1–Dec 31 2011
Profit before tax		**10 831**		**49 503**
Tax at domestic rate	19%	2,058	19.00%	9,406
Non-tax-deductible expenses	21.24%	2,300	5.00%	2,474
Dividends received	(51.06%)	(5,530)	(6.29%)	(3,115)
Non-taxable income	0%	0	(0.13%)	(63)
Effect on income tax	(29.82%)	(3,230)	(1.42%)	(704)
Income tax at effective tax rate	(10.82%)	(1,172)	17.58%	8,702
Income tax disclosed in profit or loss of the period		**(1,172)**		**8,702**

(all amounts in PLN thousand)

8. Property, plant and equipment

	Land, buildings	Plant and equipment	Other	Tangible assets under construction	Total
Gross value					
As at Jan 1 2011	108,107	359,996	23,657	1,109	492,869
Increase	0	0	0	6,034	6,034
Decreases	0	19	2,738	0	2,757
Transfers	606	2,479	35	(3,183)	(63)
As at Dec 31 2011	**108,713**	**362,456**	**20,954**	**3,960**	**496,083**
As at Jan 1 2012	108,713	362,456	20,954	3,960	496,083
Increase	0	0	0	7,836	7,836
Decreases	217	1,329	2,046	0	3,592
Transfers	428	7,372	279	(10,329)	(2,250)
As at Dec 31 2012	**108,924**	**368,499**	**19,187**	**1,467**	**498,077**

(all amounts in PLN thousand)

	Land, buildings	Plant and equipment	Other	Tangible assets under construction	Total
Accumulated depreciation and impairment losses					
As at Jan 1 2011	64,040	293,931	18,926	0	376,897
Amortisation	2,677	7,967	1,409	0	12,053
Decreases	0	19	2,736	0	2,755
As at Dec 31 2011	**66,717**	**301,879**	**17,599**	**0**	**386,195**
As at Jan 1 2012	66,717	301,879	17,599	0	386,195
Amortisation	2,671	8,332	1,133	0	12,136
Decreases	217	1,205	1,888	0	3,310
As at Dec 31 2012	**69,171**	**309,006**	**16,844**	**0**	**395,021**
Net value					
As at Jan 1 2011	**44,067**	**66,065**	**4,731**	**1,109**	**115,972**
As at Dec 31 2011	**41,996**	**60,577**	**3,355**	**3,960**	**109,888**
As at Jan 1 2012	**41,996**	**60,577**	**3,355**	**3,960**	**109,888**
As at Dec 31 2012	**39,753**	**59,493**	**2,343**	**1,467**	**103,056**

Impairment of non-financial non-current assets

The Management Board tested non-current assets for impairment as at December 31st 2012.

The recoverable value of non-current assets was determined based on the value in use. The calculations take into account the cash flow projections approved by the Management Board. Cash flows extending beyond the period of five years are extrapolated at a 3% growth rate, which does not exceed the average long-term growth rate for the manufacturing sector in Poland. The growth rate does not exceed the long-term average growth rate for the manufacturing sector in Poland.

The key assumptions used in the impairment test of non-current assets as at December 31st 2012 to calculate the value in use were as follows:

- growth rate beyond the five-year period covered by the budget – 3%;
- discount rate – 9.0%.

The Management Board made budget assumptions for the impairment test based on past performance and on the Management Board's market development forecasts. A discount rate was applied to reflect the risks specific to a given operating segment. In the case of Polish companies, the 10-year treasury bonds was assumed as the risk-free rate. The projected cash flows were derived from the budgets for the years until 2017 approved by the Management Board. Cash flows for subsequent years (from 15 to 25 years, depending on the company) are determined by extrapolating the 2017 financial results at a fixed growth rate of 3%.

The test did not reveal any impairment of non-financial non-current assets as at December 31st 2012.

The difference between recoverable amount and carrying amount of goodwill presents below table:

	Dec 31 2012
Excess of recoverable value over the carrying amount:	**499,203**

Following the test for impairment of non-financial non-current asset, a sensitivity analysis of the test was performed to sanction the assumptions used for the test.

Sensitivity analysis showed possibility of impairment of non-financial assets for individual change in each of the assumptions considering that the other assumptions remain unchanged

Management identified one key assumption for which there could be a reasonably possible change that could cause the carrying amount to be equal to the recoverable amount.

- decrease in growth of EBIDTA in budgeted period to 6%

All items of property, plant and equipment serve as security for bank loans.

9. Intangible assets

	Licences, computer software and other
Gross value	
As at Jan 1 2011	17,490
Transfers	63
As at Dec 31 2011	**17,553**
As at Jan 1 2012	17,553
Transfers	2,250
As at Dec 31 2012	**19,803**
Accumulated depreciation and impairment losses	
As at Jan 1 2011	14,282
Amortisation	1,904
As at Dec 31 2011	**16,186**
As at Jan 1 2012	16,186
Amortisation	1,373
As at Dec 31 2012	**17,559**
Net value	
As at Jan 1 2011	**3,208**
As at Dec 31 2011	**1,367**
As at Jan 1 2012	**1,367**
As at Dec 31 2012	**2,244**

No impairment losses on intangible assets were recognised in the reporting and the comparative periods.

10. Investments in subsidiaries

The Company's investments in subsidiaries comprise:

	Dec 31 2012	Dec 31 2011
Interest in subsidiaries	562,334	811,034
Non-current loans advanced to subsidiaries	430	217,741
Current loans advanced to subsidiaries	6,832	166,174
	569,596	**1,194,949**

Investments in subsidiaries recognised under disposal group:

	Dec 31 2012	Dec 31 2011
Interest in subsidiaries	246,456	0
Current loans advanced to subsidiaries	295,871	0
	542,327	**0**

Interest in subsidiaries

The Company's interests in subsidiaries comprise:

	Country	Value of shares at acquisition cost	Ownership interest	Domestic sales	Value of shares at acquisition cost	Ownership interest
		Dec 31 2012	Dec 31 2012		Dec 31 2011	Dec 31 2011
Pfleiderer MDF Sp. z. o.o. *)	Poland	67,664	50%	Poland	67,664	50%
Silekol Sp.. *)	Poland	23,343	50%	Poland	23,343	50%
Pfleiderer Prospan S.A.	Poland	470,155	100%	Poland	470,155	100%
Jura Polska Sp. z o.o.	Poland	1,053	100%	Poland	1,053	100%
Pfleiderer MDF OOO	Russia	0	50%	Russia	59,024	50%
Pfleiderer OOO	Russia	0	100%	Russia	189,676	100%
Pfleiderer Services Sp..	Poland	54	100%	Poland	54	100%
Blitz 11-446 GmbH **)	Germany	65	50 %	Germany	65	50 %
	Total	**562,334**		**Total**	**811,034**	

*) Pfleiderer Grajewo S.A. holds 50% of the shares and votes in subsidiaries Pfleiderer MDF Sp. z o.o. and Silekol Sp. z o.o., but it continues to exercise control over these entities as it has the power to govern their financial and operating policies through the right to appoint and remove from office a majority of the management board members of the entities.

**) Jointly-controlled entity

Value of shares recognised under disposal group:

	Domestic sales	Value of shares at acquisition cost	Ownership interest
		Dec 31 2012	Dec 31 2012
Pfleiderer MDF OOO	Russia	59,024	50%
Pfleiderer OOO	Russia	187,432	100%
	Total	**246,456**	

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 a conditional agreement for sale of a 100% interest in Pfleiderer OOO of Russia.

The agreement and its implementation depended on the following conditions:

- the consent of the Russian Anti-Monopoly Office,
- buyout by Pfleiderer Grajewo S.A. package of 15,81% shares in w Pfleiderer OOO, previously held by European Bank for Reconstruction and Development (EBRD),
- obtaining the consent of the banks financing Group Pfleiderer Grajewo S.A.

The selling price was an amount of EUR 160,000 thousand (PLN 656,544 thousand), reduced by:

- the value of the loan granted Pfleiderer OOO by the European Bank for Reconstruction and Development, outstanding at the closing date in the amount of 3,800 thousand. EUR (PLN 15,600 thousand)
- the amounts deposited in escrow accounts in total value of EUR 14,000 thousand (PLN 57,448 thousand)

Moreover, agreement provided a correction mechanism, which refers to the value of working capital Pfleiderer OOO at the closing date of the transaction.

As part of selling price were to be repaid the loans granted by Pfleiderer Grajewo to Pfleiderer OOO remaining at the date of closing transaction.

Also on October 19th 2012, Pfleiderer MDF OOO of Russia, a subsidiary of the Parent, and Blitz 11-446 GmbH of Germany, an associate of the Parent, as the sellers, and Ingka Pro Subholding I B.V., as the buyer, entered into a conditional 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 selling price was an amount of EUR 45,000 thousand (PLN 184,653 thousand), reduced by the amounts deposited on escrow accounts for a total of EUR 8,700 thousand (PLN 36,600 thousand). Price could also be reduced in case of deficits in components of the production line, found during planned stocktaking of property.

The final agreements were signed on January 23rd 2013. For details – see note 29.

The Company's proceeds from the transaction totalled EUR 157,485 thousand (PLN 656,711 thousand) and comprised the preliminary selling price of EUR 111,884 thousand (PLN 466,555 thousand) and EUR 31,600 thousand (PLN 131,776 thousand) which the Company will receive as repayment of intra-group loans advanced by the Company to Pfleiderer OOO. Moreover, EUR 14,000 thousand (PLN 58,380 thousand) was deposited in an escrow account as security for liabilities under the share sale agreement.

The preliminary selling price of the shares will be ultimately adjusted after the transaction is closed, based on audited financial statements of Pfleiderer OOO prepared as at the sale transaction closing date.

The carrying amount of all shares in Pfleiderer OOO as disclosed in the Company's accounting books is PLN 187,432 thousand (EUR 44,948 thousand).

Concurrently, on January 23rd 2013 Blitz 11-446 GmbH of Germany, an associate of Pfleiderer Grajewo S.A., as the seller, and Ingka Pro Subholding I B.V., as the buyer, entered into an agreement on the sale of the assets held. The selling price was agreed at EUR 33,874 thousand (PLN 141,256 thousand), less EUR 1,000 thousand (PLN 4,170 thousand) deposited in an escrow account.

The carrying amount of Blitz assets is EUR 57,865 thousand (PLN 241,298 thousand).

In addition, on January 23rd 2013 Pfleiderer MDF OOO of Russia, a subsidiary of Pfleiderer Grajewo S.A., as the seller, and Ingka Pro Subholding I B.V., as the buyer, entered into an agreement under which the seller will sell and the buyer will buy the assets owned by Pfleiderer MDF OOO. The ownership of the assets will be transferred by July 23rd 2013, subject to payment of the selling price and handover of the assets. The selling price of Pfleiderer MDF OOO assets is EUR 7,520 thousand (PLN 31,358 thousand) and will be deposited in an escrow account.

The Blitz assets and Pfleiderer MDF OOO assets comprise the components of a complete production line designed for the MDF production plant project in Russia.

In addition to the sale of the abovementioned assets designated for the MDF project in Russia, Pfleiderer MDF OOO will sell construction assets to Pfleiderer OOO, comprising in particular land owned by Pfleiderer MDF OOO, for a selling price of EUR 3,000 thousand (PLN 12,510 thousand).

Pfleiderer Grajewo S.A. holds a 50% interest in Pfleiderer MDF OOO and a 50% interest in Blitz 11-446 GmbH.

The total selling price of Blitz assets, Pfleiderer MDF assets and construction assets amounts to EUR 44,394 thousand (PLN 185,124 thousand).

At 13th December 2012 Pfleiderer Grajewo S.A. acquired from European Bank for Reconstruction and Development (“EBRD”) interest in Pfleiderer OOO of Russia, a subsidiary of Pfleiderer Grajewo S.A., representing 15.81% of the company’s share capital.

Following the acquisition, Pfleiderer Grajewo S.A. held 100% of shares in Pfleiderer OOO.

The repurchase transaction was recognised as an investment in subsidiaries and disclosed under assets held for sale as at December 31st 2012.

As at December 31st 2012, Pfleiderer OOO’s debt outstanding under the EBRD facility was EUR 3,846 thousand. Following the full repayment of the facility in January 2013, all the Pfleiderer Grajewo Group’s liabilities towards the EBRD expired.

Under conditional agreement Pfleiderer Grajewo S.A. classified interests and other assets related to sale of subsidiaries as Disposal group. Details are provided in Note 12 of the financial statement of Pfleiderer Grajewo.

Loans advanced to subsidiaries

The Company advanced the following loans to subsidiaries:

a) non-current loans:	**Dec 31 2012**	**Dec 31 2011**
Loan to Pfleiderer OOO	0	201,051
Loan to Pfleiderer MDF Sp. z o.o.	430	390
Loan to Silekol Sp. z o.o.	0	16,300
	430	**217,741**
b) current loans:		
Loan to Pfleiderer MDF OOO	0	166,174
Loan to Silekol Sp. z o.o.	6,832	0
	6,832	**166,174**

c) loans recognised under assets held for sale:		
Loan to Pfleiderer OOO	120,587	0
Loan to Pfleiderer MDF OOO	175,284	0
	295,871	**0**

Impairment of investments in subsidiaries

The Management Board tested investments in subsidiaries for impairment as at December 31st 2012.

The recoverable amount of investments in subsidiaries Pfleiderer Prospan S.A., Pfleiderer MDF Sp. z o.o. and Silekol Sp. z o.o. was determined based on their value in use. The calculations take into account the estimated future cash flows related to the continued holding of investments in subsidiaries, approved by the Management Board. Cash flows extending beyond the period of five years are extrapolated using the Gordon model at a 3% growth rate. The growth rate does not exceed the long-term average growth rate for the manufacturing sector in Poland. The calculation also takes into consideration the current debt of individual investments under analysis, as well as the Company's percentage share in subsidiaries' equity.

The key assumptions used in the impairment test of investments in subsidiaries as at December 31st 2012 to calculate the value in use were as follows:

- growth rate beyond the five-year period covered by the budget – 3%;
- discount rates – 9.0% with respect to the Polish companies;
- the percentage share in subsidiaries' equity reflects the current structure of the Pfleiderer Grajewo Group.

The Management Board established the budget assumptions, which form a basis for impairment testing, based on the past results and the Management Board's forecasts of market development. A discount rate was applied to reflect the risks specific to a given operating segment. A rate of return on 10-year government bonds was assumed as the risk-free rate. The projected cash flows were derived from the budgets for the years until 2017 approved by the Management Board. Cash flows for subsequent years are based on the Gordon model and are determined by extrapolating the 2017 financial results at a fixed growth rate of 3%.

Analysis of impairment of assets held for sale or distribution has been carried out on the basis of expected cash flows, including cash flows from the planned sale described above....

The analysis did not reveal any impairment of investments in subsidiaries as at December 31st 2012, including group held for sale or distribution.

Key financial data of subsidiaries and jointly controlled entities:

Period	Assets	Liabilities and provisions for liabilities	Equity	Revenue	Profit/(loss)
Jan 1–Dec 31 2012					
Pfleiderer MDF Sp. z o.o.	361,886	313,539	48,347	248,026	(4,332)
Silekol Sp. z o.o.	128,488	52,014	76,474	391,594	14,925
Pfleiderer Prospan S.A.	524,890	80,681	444,209	419,307	10,860
Jura Polska Sp. z o.o.	13,649	11,427	2,222	67,655	136
Pfleiderer MDF OOO*)	390,710	377,367	13,343	0	(25,013)
Pfleiderer OOO	390,004	201,368	188,636	445,894	57,215
Unifloor Sp. (in liquidation) *) **)	0	4,686	(4,686)	0	0
Pfleiderer Services Sp..*)	21	0	21	0	(1)
Blitz 11-446 GmbH*)	138 652	258 735	(120 083)	0	(120 165)
	1 948 300	**1 299 817**	**773 252**	**1 572 476**	**83 135**

*) Unaudited. Pfleiderer Grajewo S.A. is not obliged to cover losses of the jointly controlled entity in excess of its shares in the entity

**) Unifloor Sp. z o.o. (in liquidation) is a subsidiary of Pfleiderer Prospan S.A., wholly-owned by the Company.

Period	Assets	Liabilities and provisions for liabilities	Equity	Revenue	Profit/(loss)
Jan 1–Dec 31 2011					
Pfleiderer MDF Sp. z o.o.	402,865	350,186	52,679	281,146	8,833
Silekol Sp. z o.o.	129,808	68,269	61,539	329,484	8,656
Pfleiderer Prospan S.A.	546,359	83,906	462,453	433,845	31,635
Jura Polska Sp. z o.o.	12,764	10,678	2,086	60,998	(167)
Pfleiderer MDF OOO*)	421,308	378,678	42,630	0	(35,378)
Pfleiderer OOO	421,391	308,771	112,620	398,425	14,667
Unifloor Sp. (in liquidation) *) **)	0	4,686	(4,686)	0	(2)
Pfleiderer Services Sp..*)	21	0	21	0	(1)
Blitz 11-446 GmbH*)	283,563	283,456	107	0	(3)
	2,218,079	**1,488,630**	**729,449**	**1,503,898**	**28,240**

*) Unaudited

**) Unifloor Sp. z o.o. (in liquidation) is a subsidiary of Pfleiderer Prospan S.A., wholly-owned by the Company.

11. Other non-current financial assets

	Dec 31 2012	Dec 31 2011
Other non-current financial assets		
Financial assets available for sale	10	10
- shares in companies not listed on a regulated securities market	10	10
	10	**10**

12. Assets held for sale or distribution

	Dec 31 2012
Assets held for sale or distribution	
Interest in subsidiaries	**246,456**
- shares in Pfleiderer OOO	187,432
- shares in Pfleiderer MDF OOO	59,024
Loans advanced to subsidiaries	**295,871**
- Pfleiderer OOO	120,587
- Pfleiderer MDF OOO	175,284
Other receivables	**69,556**
	611,883

13. Deferred income tax asset and liability

Deferred tax assets and liabilities arise in connection with the following items of the statement of financial position:

	Assets Dec 31 2012	Liabilities Dec 31 2012	Net Dec 31 2012	Assets Dec 31 2011	Liabilities Dec 31 2011	Net Dec 31 2011
Non-current assets						
Property, plant and equipment	765	7,382	(6,617)	821	9,513	(8,692)
Non-current loans advanced to subsidiaries	0	1	(1)	0	12,339	(12,339)
Current assets						
Inventories	970	0	970	690	0	690
Trade and other receivables	1,142	68	1,074	605	303	302
Current loans advanced to subsidiaries	0	0	0	0	7,966	(7,966)
Disposal assets	2,172	15,279	(13,107)			
Non-current liabilities						
Liabilities under bank borrowings and other debt instruments	1,025	0	1,025	0	742	(742)
Employee benefit obligations	1,028	0	1,028	930	0	930
Current liabilities						
Overdraft facility	0	0	0	379	0	379
Liabilities under borrowings and debt securities	0	181	(181)	1,108	0	1,108
Trade and other payables	594	0	594	667	0	667
Employee benefit obligations	1,050	7	1,043	982	0	982
Total tax loss brought forward	13,188	0	13,188	18,089	0	18,089
Deferred income tax asset/liability	**21,934**	**22,918**	**(984)**	**24,271**	**30,863**	**(6,592)**
Deferred income tax asset and liability offset	0	(21,934)		0	(24,271)	
Deferred income tax asset/liability shown in the statement of financial position	**0**	**984**		**0**	**6,592**	

The notes attached to the separate financial statements constitute their integral part.

Changes in temporary differences during the period:

For the period January 1st–December 31st 2012

	As at Jan 1 2012	Change in temporary differences recognised in profit or loss for the period	As at Dec 31 2012
Non-current assets			
Property, plant and equipment	(8,692)	2,075	(6,617)
Non-current loans advanced to subsidiaries	(12,339)	12,338	(1)
Current assets			
Inventories	690	280	970
Trade and other receivables	302	772	1,074
Current loans advanced to subsidiaries	(7,966)	7,966	0
Disposal assets	0	(13,107)	(13,107)
Non-current liabilities			
Liabilities under bank borrowings and other debt instruments	(742)	1,767	1,025
Employee benefit obligations	930	98	1,028
Current liabilities			
Overdraft facility	379	(379)	0
Liabilities under borrowings and debt securities	1,108	(1,289)	(181)
Trade and other payables	667	(73)	594
Employee benefit obligations	982	61	1,043
Total tax loss brought forward	18,089	(4,901)	13,188
	(6,592)	**5,608**	**(984)**

For the period January 1st–December 31st 2011

	As at Jan 1 2011	Change in temporary differences recognised in profit or loss for the period	As at Dec 31 2011
Non-current assets			
Property, plant and equipment	(9,382)	690	(8,692)
Non-current loans advanced to subsidiaries	(9,696)	(2,643)	(12,339)
Current assets			
Inventories	729	(39)	690
Trade and other receivables	1,962	(1,660)	302
Current loans advanced to subsidiaries	0	(7,966)	(7,966)
Non-current liabilities			
Liabilities under bank borrowings and other debt instruments	0	(742)	(742)
Employee benefit obligations	837	93	930
Current liabilities			
Overdraft facility	0	379	379
Liabilities under borrowings and debt securities	323	785	1,108
Trade and other payables	262	405	667
Employee benefit obligations	769	213	982
Total tax loss brought forward	16,306	1,783	18,089
	2,110	**(8,702)**	**(6,592)**

14. Inventories

	Dec 31 2012	Dec 31 2011
Materials and merchandise	43,118	62,450
Semi-finished products and work in progress	0	211
Products	20,388	16,777
Prepaid deliveries	31	5
Total	**63,537**	**79,443**

Inventories are disclosed in the statement of financial position at net value, i.e. net of impairment losses of PLN 5,107 thousand (December 31st 2011: PLN 3,632 thousand).

15. Trade and other receivables

	Dec 31 2012	Dec 31 2011
Trade receivables and prepayments	60,778	35,179
Current prepayments and accrued income	8,743	1,890
Current VAT receivables	4,135	5,654
Other receivables	1,490	78,004
Total	**75,146**	**120,727**

As at December 31st 2012, trade receivables were reduced by impairment losses of PLN 7,020 thousand (December 31st 2011: PLN 4,066 thousand).

Other receivables as at December 31st 2011 included in particular receivables under a deposit at Pfleiderer AG made in connection with a performance bond under a contract on delivery of an MDF/HDF board production line concluded by a supplier and the Company's subsidiary, Pfleiderer MDF OOO, amounting to PLN 75,147 thousand.

As at December 31st 2012, the receivable of PLN 69,556 thousand was recognised under assets held for sale or distribution

Trade and other receivables include the following financial receivables:

	Dec 31 2012	Dec 31 2011
Trade receivables	60,778	35,179
Other receivables	1,490	77,541
Total	**62,268**	**112,720**

Factoring of receivables

The Company and its subsidiaries Pfleiderer Prospan S.A and Pfleiderer MDF Sp. z o.o. are parties to a factoring agreement concluded for a period not shorter than one year. The factoring agreement is regularly extended for successive periods. At present, the factoring agreement is valid until March 31st 2014. The agreement provides for factoring services with respect to trade receivables which are covered by insurance policies, with a PLN 200m limit. Collection of the receivables by the factor is secured with an assignment of rights under the receivables insurance agreements.

Under the agreement, the factor purchases the receivables for 100% of their nominal value, and the cost of financing the factoring service (WIBOR or EURIBOR + margin) is covered by the Company. If the debtors fail to pay their liabilities, the factor has a claim towards the insurer under the insurance

agreement with respect to 90% of the value of the receivables, and the remaining 10% of the receivables value is covered pro rata to the loss incurred by the Company. As the Company continues to be exposed to a portion (10%) of the receivables sold to the factor under the factoring agreement, that portion of the receivables together with the related liabilities continue to be recognised in the Company's financial statements. The remainder of the receivables (90%) were derecognised from the Company's statement of financial position.

The table below presents the amounts of the trade receivables sold under the factoring agreement and the amounts of the receivables and the related liabilities which continue to be recognised the statement of financial position:

	Dec 31 2012	Dec 31 2011
Total trade receivables	109,160	94,221
Receivables derecognised from the statement of financial position	(48,382)	(59,042)
Net trade receivables	**60,778**	**35,179**

	Dec 31 2012	Dec 31 2011
Factoring receivables as at the reporting date	57,913	69,217
Payments made by customers, not submitted to the factor	4,155	3,614
Balance after payments	53,758	65,603
Derecognised receivables (90%)	48,382	59,042
Receivables recognised in the Company's statement of financial position up to the commitment amount (10%)	**5,376**	**6,561**

Settlement of factoring services	Dec 31 2012	Dec 31 2011
Factoring receivables as at the reporting date	57,913	69,217
Other settlements with the factor – cash in transit	(51)	(717)
Receivables derecognised from the statement of financial position (90%)	(48,382)	(59,042)
Factoring liabilities as at the reporting date	**9,480**	**9,458**

16. Equity

	Dec 31 2012	Dec 31 2011
Par value of share capital	16,376	16,376
Number of ordinary shares	49,624,000	49,624,000

Pfleiderer Grajewo S.A. is a subsidiary of Pfleiderer Service GmbH, which holds 65.11% of the shares in Pfleiderer Grajewo S.A. In the period from January 1st to December 31st 2012, the number of the Company shares held by its main shareholder, Pfleiderer Service GmbH, did not change.

As at December 31st 2012, Pfleiderer AG was the parent company of the highest level.

On February 22nd 2013, Pfleiderer AG, the indirect parent company, changed its legal form from a joint-stock company into a limited liability company. The transformation will significantly contribute to the streamlining of the structure and internal processes. The new and sole owner is Atlantik S.A. of Luxembourg, an investment firm.

Share capital

The share capital is made up of 49,624,000 ordinary shares with a par value of PLN 0.33 per share. As at December 31st 2012 all the shares were paid up. Shareholders have the right to dividend and are entitled to one vote per share at the General Meetings. In the financial year 2012, there were no changes in the Company's share capital.

In the period from the registration of the share capital in 1994 to December 1996 the Company operated in a hyperinflationary environment. IAS 29 (Financial Reporting in Hyperinflationary Economies) requires that each component of equity (except retained earnings and revaluation surplus) be restated by applying a general price index from the period of hyperinflation. Such retroactive restatement would cause share capital and statutory reserve funds to increase by the total amount of PLN 28,863 thousand and retained earnings to decrease by the same amount.

Share premium

Share premium is created from the excess of proceeds from issuance of shares above their par value. In 2012, there were no changes in share premium.

Statutory reserve funds

Statutory reserve funds are created by distributions from net profit (i.e. at least 8% of net profit until statutory reserve funds reach one-third of the share capital). In 2012, the portion of the 2011 profit allocated by the Company to statutory reserve funds was PLN 40,801 thousand.

Dividends

The Company did not pay any dividend in 2012.

17. Earnings per share

Basic earnings per share were calculated based on the Company's net profit attributable to ordinary shares and the weighted average number of ordinary shares outstanding during the financial year. The Company's profit attributable to ordinary shares for the financial year ended December 31st 2012 amounted to PLN 12,003 thousand, and profit attributable to ordinary shares for the financial year ended December 31st 2011 was PLN 40,801 thousand.

The weighted average number of ordinary shares outstanding in the financial year used to calculate basic and diluted earnings per share was as follows:

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Number of shares as at January 1st	49,624,000	49,624,000
Number of shares as at December 31st	49,624,000	49,624,000
Weighted average number of shares as at December 31st	49,624,000	49,624,000

Basic and diluted earnings per share are as follows:

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2010
Basic earnings per share as at December 31st	0.24	0.82
Diluted earnings per share as at December 31st	0.24	0.82

18. Borrowings and other debt instruments

	Dec 31 2012	Dec 31 2011
Non-current liabilities		
Borrowings from related entities	24,467	24,904
Non-current portion of interest-bearing bank borrowings	0	452,030
Total	**24,467**	**476,934**
Current liabilities		
Overdraft facilities	2,052	9,579
Current portion of interest-bearing bank borrowings	453,583	70,918
Interest payable on bank borrowings	1,619	6,120
Total	**457,254**	**86,617**

Bank borrowings

As at December 31st 2012, Pfleiderer Grajewo S.A. had credit facilities available in the form of overdraft facilities. As at December 31st 2012, liabilities under bank borrowings were PLN 457,254 thousand (December 31st 2011: PLN 538,647 thousand).

Terms and payment schedules of the bank borrowings as at December 31st 2012 and December 31st 2011:

				As at Dec 31 2012	
Lender	**Interest rate**	**Maturity date**	**Security**	**Current portion**	**Non-current portion**
Syndicate of five banks Tranche B	WIBOR + margin	Mar 16 2012	mortgages, pledges	2,171	0
Syndicate of five banks Tranche A	WIBOR + margin	Dec 30 2013	mortgages, pledges	455,083	0
			Total	**457,254**	**0**

				As at Dec 31 2011	
Lender	**Interest rate**	**Maturity date**	**Security**	**Current portion**	**Non-current portion**
Syndicate of five banks Tranche B	WIBOR + margin	Mar 16 2012	mortgages, pledges	9,579	0
Syndicate of five banks Tranche A	WIBOR + margin	Dec 30 2013	mortgages, pledges	37,737	452,030
EBRD	EURIBOR + margin	Jun 19 2012	shares in Pfleiderer OOO	39,301	0
			Total	**86,617**	**452,030**

Borrowings from related entities

In 2010, the Company obtained a EUR 5m borrowing from Pfleiderer Service GmbH. The borrowing is to be repaid by June 30th 2014. As at December 31st 2012, debt under the borrowing was PLN 24,467 thousand, including accrued interest (December 31st 2011: PLN 24,904 thousand).

19. Employee benefit obligations

	Dec 31 2012	**Dec 31 2011**
Salaries and wages	1,553	1,515
Personal income tax	584	551
Social security	1,852	1,736
Social Benefits Fund	1,498	1,416
Retirement bonus obligations	5,633	5,155
Unused holiday entitlement obligations	1,629	1,285
Employee bonus obligations	2,810	2,832
Total	**15,559**	**14,490**
Non-current portion	5,412	4,895
Current portion	10,147	9,595

Retirement bonus and disability severance payment obligations

As of January 1st 2012, the Company no longer pays length-of-services awards (jubilee awards).

Every employee reaching the retirement age (67 years, based on the transitional regulations of June 6th 2012), who has the required length of service, for which they can provide evidence, is entitled to receive retirement bonus.

Employees with permanent work disability, entitling to disability benefits under the social security scheme, are entitled to receive disability severance payment.

The amount of retirement bonus or disability severance payment is computed based on the employee's one-month pay. The amount of bonus or severance payment increases proportionately following ten years of service at the Company at the rate of 10% of the base pay for each year of service above ten years, and following 20 years of service at the Company – at the rate of 20% of the base pay for each year of service above 20 years.

Retirement bonus and disability severance payment obligations were determined by a qualified actuary using the actuarial projected unit credit method. The following assumptions were used:

- Data on staff turnover was derived from the statistics of Pfleiderer Grajewo S.A. for 1997–2012 and from the statistics available to HALLEY.PL AKTUARIUSZE Sp. z o.o., an actuarial firm. In accordance with the nature of staff movements, the level of staff turnover was assumed to fall as the employees' age increases.
- The mortality rate was based on the likelihood of death depending on age, based on the 2011 Life Expectancy Tables for Poland compiled by the Central Statistics Office (GUS), which are life expectancy tables generally accepted in Poland. It was assumed that the population of the Company employees is characterised by the mortality rate provided in the tables, adjusted for the mortality multiplier. It was further assumed that the mortality rate is constant throughout the year.
- The likelihood of becoming a disabled person was based on the historical data of the Social Insurance Institution and estimates prepared by actuarial firm HALLEY.PL AKTUARIUSZE Sp. z o.o. On the basis of generally available data and in-house analysis, the rate was set at a fixed level, regardless of age, length of service or sex. The model applied does not show significant sensitivity to slight changes of this parameter.
- The retirement age for men is 67, based on the transitional regulations of June 6th 2012.
- In accordance with the rules governing the award of retirement bonuses, persons terminating their employment with the Company lose their rights to any future retirement bonus and disability severance payment.
- The date for calculating all entitlements was the beginning of each calendar year, with the assumption that the entitlements are evenly distributed throughout the year.
- The calculations were made in PLN.
- The remuneration growth rate was assumed at 3.5% per annum.
- The discount rate on future benefits was assumed at 4%.

Employee bonus obligations

Employee bonuses comprise quarterly and annual bonuses paid to the Company's employees. They are recognised with respect to specific completed tasks in relation to which employees will receive payment in the future.

20. Trade and other payables

	Dec 31 2012	Dec 31 2011
Trade payables	83,432	87,522
Liabilities under factoring agreements	9,480	9,458
Liabilities under investment supplies	3,462	3,795
Other liabilities	3,994	3,818
Total	**100,368**	**104,593**

As at December 31st 2012, other liabilities comprised in particular prepaid deliveries of PLN 729 thousand and accruals (including audit costs, environmental charge, insurance and guarantees) of PLN 3,054 thousand.
As at December 31st 2011, other liabilities comprised in particular prepaid deliveries of PLN 1,000 thousand and accruals (including audit costs, environmental charge, insurance and guarantees) of PLN 2,233 thousand.

Trade and other payables include the following financial liabilities:

	Dec 31 2012	Dec 31 2011
Trade payables	83,432	87,522
Liabilities under factoring agreements	9,480	9,458
Liabilities under investment supplies	3,462	3,795
Other liabilities	2,979	2,535
Total	**99,353**	**103,310**

For information on exposure to currency and liquidity risk with respect to liabilities, see Note 22.

21. Liabilities to related entities under debt securities

	Dec 31 2012	Dec 31 2011
Liabilities to related entities under debt securities	292,005	293,515
Total	**292,005**	**293,515**

The liabilities under debt securities in the amount of PLN 292,005 thousand as at December 31st 2012 (December 31st 2011: PLN 293,515 thousand) relate to the commercial paper issued in the form of short-term notes. As at December 31st 2012, the notes were held by Pfleiderer Prospan S.A., a subsidiary.

The notes were issued pursuant to a commercial paper programme agreement concluded with a bank. The maximum value of the notes that may be issued under the programme, ending June 2015, is PLN 500m.

22. Financial instruments

Objectives and methods of financial risk management applied by the Company

The Company manages all types of financial risk described below which may have a significant effect on its future operations, focusing in particular on the market risk, including the interest rate risk, currency risk, credit risk, and liquidity risk.

The objective behind credit risk management is to reduce the Company's losses which could follow from customers' insolvency. This risk is mitigated with the use of receivables insurance and factoring services. The objective of currency risk management is to minimise losses arising out of unfavourable changes in foreign exchange rates. Pfleiderer Grajewo S.A. monitors its currency positions with a view to protecting cash flows. To manage its currency risk, it first relies on natural hedging and where necessary uses forward contracts. The objective of financial liquidity management is to protect the Company from insolvency. This objective is pursued through regular projection of debt levels in a five-year horizon, and arrangement of appropriate financing.

The Company is exposed to credit risk, interest rate risk and currency risk in the ordinary course of business. Financial derivatives are used to hedge the risk related to exchange rate fluctuations.

Credit risk

In accordance with the Management Board's policy, credit risk exposure is monitored on an ongoing basis. All customers who require credit in excess of a certain amount are evaluated in terms of credit worthiness. The Company does not require any security on customer assets.

The Company insures its trade receivables. As at December 31st 2012, ca. 90% of total trade receivables from non-related parties were covered with trade credit insurance. The insurance policies secure credit risk – if a customer fails to pay, the insurer covers the loss (the insurance deductible is 10%).

The Company did not incur any significant losses resulting from failure to collect receivables from customers. Impairment losses are recognised on uninsured receivables, as well as the amounts corresponding to the Company's deductibles in relation to receivables insured, on the basis of a detailed analysis of the accounts receivable.

As at the reporting date, there was no significant concentration of credit risk. The carrying amount of each financial asset represents the maximum credit risk exposure. The total credit risk exposure was as follows:

	Dec 31 2012	**Dec 31 2011**
Loans advanced and receivables	69,530	496,635
Loans advanced and receivables recognised under assets held for sale or distribution	365,427	0
Cash and cash equivalents	1,719	1,380
Other non-current financial assets	10	10
Total	**436,686**	**498,025**

As at December 31st 2012 and December 31st 2011, past due trade receivables were as follows:

	Gross value **Dec 31 2012**	Impairment loss **Dec 31 2012**
Not overdue	28,845	0
Overdue by:		
0–180 days	33,420	3,639

180–360 days	0	0
More than 360 days	5,533	3,381
Total	**67,798**	**7,020**

	Gross value **Dec 31 2011**	Impairment loss **Dec 31 2011**
Not overdue	26,114	0
Overdue by:		
0–180 days	5,886	673
180–360 days	0	0
More than 360 days	7,245	3,393
Total	**39,245**	**4,066**

Changes in impairment losses on trade receivables in the financial year are presented below.

	Jan 1–Dec 31 2012	**Jan 1–Dec 31 2011**
Balance at beginning of the period	4,066	4,421
Change in impairment losses	2,954	(355)
Balance at end of the period	**7,020**	**4,066**

Interest rate risk

The Company carries cash at banks, receivables under loans granted, as well as liabilities under bank borrowings and other debt instruments. Interest rate risk is connected with interest payments under instruments bearing interest at floating rates. As at the reporting date, the Company did not hedge against the interest rate risk. Its current receivables and liabilities are not exposed to the interest rate risk.

	Dec 31 2012	**Dec 31 2011**
Financial instruments of fixed rate		
Financial assets	0	0
Financial liabilities	292 005	293 515
	292 005	**293 515**
Financial instruments of floating rate		
Financial assets	303 133	383 915
Financial liabilities	481 721	563 551
	784 854	**947 466**

Analysis of the sensitivity of cash flows from variable-rate financial instruments

A 1% change in interest rates would lead to a change in net profit and equity by the amounts set out below. The analysis presented below is based on the assumption that other variables, especially FX rates, remain unchanged.

	Jan 1–Dec 31 2012		Jan 1–Dec 31 2011	
	increase 1%	decrease 1%	increase 1%	decrease 1%
Variable-rate financial instruments	(7,110)	7,110	(6,670)	6,670
Difference in the amount of interest and effect on profit before tax	(7,110)	7,110	(6,670)	6,670
Difference in the amount of interest and effect on net profit	(5,759)	5,759	(5,403)	5,403
Effect on equity	0	0	0	0

Analysis of the sensitivity of fair value of fixed-rate financial instruments

The Company does not carry any significant fixed-rate financial assets or liabilities measured at fair value through profit or loss and does not use derivatives transactions as fair value hedges. Therefore, a change in interest rates would have no effect on the Company's statement of comprehensive income through a change in the fair value of financial instruments.

Currency risk

The Company is exposed to currency risk through trade transactions denominated in foreign currencies, including both purchases of materials and goods for resale, and sale of finished products. Therefore, in the event of any exchange rate fluctuations the resulting foreign exchange gains and losses partially offset each other. The Company monitors its foreign currency positions on an ongoing basis and hedges open positions – first, through natural hedging; and second, through forward transactions.

Forward transactions included purchase of foreign currency at a predetermined rate. In 2012, the Company used forward contracts to hedge its currency risk related to business transactions (product exports). The forward contracts used to hedge the Company's business transactions provide for the sale of EUR at a pre-determined rate. This helps to secure margins on export sales and mitigate the risk of adverse changes of the margins due to appreciation of the polish zloty.

The Company had no open forward contracts as at December 31st 2012.

Forward contracts were measured at the end of each month. Changes in the fair value of hedging transactions are recognised in accordance with the hedge accounting policy.

Furthermore, Pfleiderer Grajewo S.A. is exposed to currency risk resulting from RUB-denominated loans extended to Pfleiderer OOO and Pfleiderer MDF OOO, and a EUR-denominated loan received from Pfleiderer Service GmbH.

The Company's exposure to currency risk, calculated using the exchange rate effective at the end of the financial year (PLN '000):

As at Dec 31 2012:	EUR	USD	GBP	RUB	RON
Trade receivables and prepayments	16,778	45	0	0	0
Assets held for sale or distribution	69,556	0	0	295,871	0
Liabilities under borrowings and other debt instruments	(24,467)	0	0	0	0
Trade and other payables	(11,303)	0	(294)	(18)	(14)
Balance-sheet exposure, gross	50,564	45	(294)	295,853	(14)
Net exposure	50,564	45	(294)	295,853	(14)

As at Dec 31 2011:	EUR	USD	GBP	RUB	RON
Trade receivables and prepayments	89,915	49	0	0	0
Loans advanced	0	0	0	367,225	0
Liabilities under borrowings and other debt instruments	(64,206)	0	0	0	0
Trade and other payables	(11,343)	0	0	0	0
Balance-sheet exposure, gross	14,366	49	0	367,225	0
Net exposure	14,366	49	0	367,225	0

As at December 31st 2012 and December 31st 2011, the Company had no open forward contracts.

Analysis of sensitivity to exchange rate changes

A 5% change in the value of a foreign currency in relation to the złoty would lead to changes of profit before tax, net profit, and equity as specified below. The analysis is based on the assumption that other variables, in particular interest rates, remain unchanged.

As at Dec 31 2012:	**change +5%**	**change –5%**
EUR	2,528	(2,528)
USD	2	(2)
GBP	(15)	15
RUB	14,793	(14,793)
RON	(1)	1
Effect on profit before tax	**17,307**	**(17,307)**
Effect on net profit	**14,019**	**(14,019)**
Effect on equity	**0**	**0**

As at Dec 31 2011:	**change +5%**	**change –5%**
EUR	718	(718)
USD	2	(2)
RUB	18,361	(18,361)
SEK	0	0
Effect on profit before tax	**19,081**	**(19,081)**
Effect on net profit	**15,456**	**(15,456)**
Effect on equity	**0**	**0**

The sensitivity analysis was based on the following exchange rates of the złoty against foreign currencies:

Currency	Exchange rate as at Dec 31 2012	Exchange rate as at Dec 31 2011
EUR	4.0882	4.4168
USD	3.0996	3.4174
GBP	5.0119	5.2691
RUB	0.1017	0.1061
RON	0.9197	1.0226

Liquidity risk

The table below presents an analysis of the Company's financial liabilities by remaining maturity as at the balance-sheet date. The amounts presented in the table are contractual, non-discounted cash flows.

As at Dec 31 2012

	Carrying amount	Contractual cash flows	Below 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Overdraft facilities	2,171	2,203	2,203	0	0	0	0
Liabilities under borrowings and other debt instruments	479,550	524,894	39,420	458,896	26,578	0	0
Liabilities under debt securities	292,005	296,000	296,000	0	0	0	0
Trade and other payables	99,352	99,352	99,352	0	0	0	0
	873,078	**922,449**	**436,975**	**458,896**	**26,578**	**0**	**0**

As at Dec 31 2011

	Carrying amount	Contractual cash flows	Below 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Overdraft facilities	9,579	9,724	9,724	0	0	0	0
Liabilities under borrowings and other debt instruments	553,972	648,015	80,871	40,046	497,438	29,660	0
Liabilities under debt securities	293,515	295,000	295,000	0	0	0	0
Trade and other payables	103,310	103,310	103,310	0	0	0	0
	960,376	**1,056,049**	**488,905**	**40,046**	**497,438**	**29,660**	**0**

As at December 31st 2012, the Company had debt under overdraft facilities and credit lines of PLN 457,254 thousand, and under a borrowing advanced by a related party of PLN 24,467 thousand. As at December 31st 2012, unused credit facilities amounted to PLN 153.2m. All these liabilities were short-term credit facilities. For details, see Note 18. The Company holds cash of PLN 1,719 thousand.

In 2012, the Company also financed its operations by issuing short-term notes which were acquired by its subsidiary Pfleiderer Prospan S.A.. After redemption, a new series of short-term notes is usually issued for another period, which provides a constant source of financing for the Company.

Fair value of financial assets and liabilities

Fair value of financial assets and liabilities is similar to their carrying amounts as at December 31st 2012 and December 31st 2011.

Capital management

The key ratio applied by Pfleiderer Grajewo S.A. to monitor equity is the ratio of *equity to total assets*. In 2012, the ratio was up from 34.82% to 37.62%, mainly as a result of repayment of a substantial part of loans advanced to subsidiaries.
The table below presents the value of equity and the equity to total assets ratio.

	Dec 31 2012	Dec 31 2011
Equity	537,026	525,023
Total assets	1,427,663	1,507,764
Ratio		
Equity / Total assets	37.62 %	34.82 %

The Company manages equity in a manner enabling it to maintain a safe level of the debt to equity ratio.

In addition, pursuant to the Commercial Companies Code, the Company is obliged to create statutory reserve funds by creating provisions in the amount of at least 8% of profit for a given financial year, until the amount of the statutory reserve funds reaches one-third of the Company's share capital.

23. Operating lease agreements

The Company entered into an operating lease agreement concerning laminating and impregnating machines. Monthly lease payments are recognised using the straight-line method in profit or loss for current period.

Lease agreements entered into by the Company in 2007 expired on December 15th 2012.

On December 19th 2012, the Group first sold items of property, plant and equipment (laminating and impregnating machines), and subsequently started to use them under the operating lease agreement as part of a sale-and-lease-back arrangement. The lease agreement expires on December 19th 2015; the first lease payment was made by the Group in January 2013. Net proceeds of PLN 6,198 thousand from the sale of items of property, plant and equipment were recognised in other income under *Other* (see Note 2). Monthly lease payments are taken to profit or loss throughout the period when the tangible assets are used under the lease agreement.

The operating lease payments outstanding as at the reporting date are presented in the table below:

	Dec 31 2012	Dec 31 2011
Up to one year	3,956	3,736
From 1 to 5 years	4,785	0
Total	**8,741**	**3,736**

24. Contractual commitments to acquire property, plant and equipment

As at December 31st 2012, the Company had six running capital expenditure projects with contractual commitments to acquire property, plant and equipment of PLN 3 080 thousand.

25. Contingent liabilities and security

As at December 31st 2012, the Company had issued the following sureties:

Beneficiary	Liability origination date	Type of liability	Amount in surety's currency	Amount of liability	Curren cy	Valid until:
Pfleiderer MDF Sp. z o.o.	Apr 24 2009	surety	1,115	4,558	EUR	Jul 15 2019
EBRD	Dec 28 2005	surety	35,000	15,723	EUR	not specified
Ingka Pro Holding Subholding I B.V.	Nov 16 2012	surety	281,217	28,600	RUB	May 31 2013

Sureties presented in the table above include:

- surety of up to EUR 1,115 thousand (PLN 4,558 thousand) for subsidiary Pfleiderer MDF Sp. z o.o. This surety secures the partial repayment of a PLN 227m credit facility advanced to Pfleiderer MDF Sp. z o.o. by PKO BP S.A.
- up to the amount of EUR 35,000 thousand valid for indefinite term, for the benefit of the European Bank for Reconstruction and Development for the liabilities under the bank loan granted to its subsidiary, Pfleiderer OOO, to finance the construction of a new plant in Russia. As at December 31st 2012, debt outstanding under the credit facility was EUR 3,846 thousand (PLN 15,723 thousand). The surety expires upon Pfleiderer OOO's achieving the agreed financial parameters and establishing security over its assets for the benefit of the Bank. Following final repayment of the loan by Pfleiderer OOO in January 2013, the surety expired.
- On December 16th 2012, Pfleiderer OOO contracted a RUB 281,217 thousand loan from Ingka Pro Holding I B.V., the repayment of which was secured with a surety issued by Pfleiderer Grajewo S.A. The loan was related to closing of the transaction under which Pfleiderer Grajewo S.A. sold its Russian assets. The surety expired on January 23rd 2013 when Pfleiderer Grajewo S.A. executed the final agreement concerning the sale of shares in Pfleiderer OOO.

As at December 31st 2011, the Company had issued the following sureties:

Beneficiary	Liability origination date	Type of liability	Amount in surety's currency	Amount of liability	Currency	Valid until:
Pfleiderer MDF Sp. z o.o.	Apr 24 2009	surety	1,115	4,923	EUR	Jul 15 2019
EBRD	Dec 28 2005	surety	35,000	33,975	EUR	not specified

26. Material related-party transactions

Pfleiderer Grajewo S.A.'s related-party transactions in 2012:

Entity	Sales	Finance income	Other income	Dividend income	Finance costs	Purchase of merchandise, services and materials	Receivables under loans granted	Liabilities under borrowings and bonds	Trade and other receivables	Trade payables
Pfleiderer MDF OOO	197	16,448	0	0	0	0	175,284 *)	0	2,611	0
Pfleiderer Unifloor Sp. z o.o.	0	0	0	0	0	0	0	0	0	0
Pfleiderer MDF Sp. z o.o.	107,556	40	0	0	0	47,558	430	0	25,085	1,753
Silekol Sp. z o.o.	1,468	1,115	0	0	0	73,517	6,832	0	168	15,710
OOO Pfleiderer Russia	84,358	13,932	0	0	0	770	120,587 *)	0	11,557	243
Pfleiderer Prospan S.A.	22,837	0	0	29,104	12,919	16,695	0	292,005	6,787	0
Jura Polska Sp. z o.o.	720	0	2	0	0	26,657	0	0	128	2,222
Pfleiderer Services GmbH	0	0	65	0	1,448	2,731	0	24,467	0	453
Pfleiderer Aktiengesellschaft	7	0	0	0	0	2,101	0	0	69,556 *)	515
Pfleiderer Holzwerkstoffe GmbH & Co. KG	905	0	0	0	0	0	0	0	22	0
Wodego GmbH	82	0	0	0	0	0	0	0	28	0
Thermopal GmbH	0	0	0	0	0	21	0	0	0	21
Pfleiderer Industrie GmbH	0	0	0	0	0	74	0	0	0	27
Duropal GmbH	0	0	0	0	0	320	0	0	0	8
Pergo (Europe) AB	210	0	0	0	0	0	0	0	0	0
Pfleiderer Engineering International GmbH	0	0	0	0	0	334	0	0	0	164
Total	**218,340**	**31,535**	**67**	**29,104**	**14,367**	**170,778**	**303,133**	**316,472**	**115,942**	**21,116**

*) recognised in the statement of financial position under assets held for sale or distribution

Pfleiderer Grajewo S.A. is a subsidiary of Pfleiderer Service GmbH, with Pfleiderer GmbH (previously Pfleiderer AG). The ultimate parent is Atlantik SA
.

Pfleiderer Grajewo S.A.'s related-party transactions in 2011:

Entity	Sales	Finance income	Other income	Dividend income	Finance costs	Purchase of merchandise, services and materials	Receivables under loans granted	Liabilities under borrowings and bonds	Trade and other receivables	Trade payables
Pfleiderer MDF OOO	382	12,497	0	0	0	0	166,174	0	3,610	0
Pfleiderer Unifloor Sp. z o.o.	0	0	0	0	0	0	0	0	0	0
Pfleiderer MDF Sp. z o.o.	126,650	264	0	0	0	48,061	390	0	4,905	10,302
Silekol Sp. z o.o.	647	2,098	0	0	1	68,022	16,300	0	110	8,148
OOO Pfleiderer Russia	63,926	16,141	0	0	0	0	201,051	0	6,298	0
Pfleiderer Prospan S.A.	22,428	0	0	16,392	11,777	11,339	0	293,515	3,969	0
Jura Polska Sp. z o.o.	725	0	15	0	0	22,603	0	0	164	2,472
Pfleiderer Services GmbH	327	0	0	0	1,554	4,134	0	24,904	1,344	1,100
Pfleiderer Aktiengesellschaft	0	0	0	0	0	3,256	0	0	75,147	601
Wodego GmbH	50	0	0	0	0	0	0	0	0	0
Duropal GmbH	0	0	0	0	0	232	0	0	0	0
Pergo Inc.	19	0	0	0	0	0	0	0	0	0
Pergo (Europe) AB	7	0	0	0	0	0	0	0	0	0
Total	**215,161**	**31,000**	**15**	**16,392**	**13,331**	**157,647**	**383,915**	**318,419**	**95,547**	**22,623**

Receivables from Pfleiderer AG are exclusively receivables under a deposit placed with Blitz.

Remuneration of members of the Management and Supervisory Boards

Remuneration of members of the Pfleiderer Grajewo Management Board (including bonuses) paid and payable for the reporting period was as follows:

Name	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Wojciech Gątkiewicz	918	735
Rafał Karcz	441	369
Dariusz Tomaszewski	513	456
Radosław Wierzbicki	522	460
Total	**2,394**	**2,020**

As at December 31st 2012, the number of Pfleiderer Grajewo shares held by the members of the Management Board was as follows:

- Mr Wojciech Gątkiewicz, President of the Management Board – 5,400 Pfleiderer Grajewo S.A. shares
- Mr Rafał Karcz, Member of the Management Board – 3,472 Pfleiderer Grajewo S.A. shares
- Mr Dariusz Tomaszewski, Member of the Management Board – 4,108 Pfleiderer Grajewo S.A. shares
- Mr Radosław Wierzbicki, Member of the Management Board – 2,000 Pfleiderer Grajewo S.A. shares

In effect, the valuation of options to be granted in the current financial year, using the Black-Scholes model and assuming a three-year vesting period is as follows:

Mr Wojciech Gątkiewicz, President of the Management Board – PLN 0
Mr Rafał Karcz, Member of the Management Board – PLN 0
Mr Dariusz Tomaszewski, Member of the Management Board – PLN 0
Mr Radosław Wierzbicki, Member of the Management Board – PLN 0

The managerial contract with Mr Rafał Karcz, member of the Management Board, contains a provision entitling Mr Karcz to a one-off termination benefit equal to one-month remuneration if the contract is terminated by notice.

The managerial contract with Mr Dariusz Tomaszewski, member of the Management Board, contains a provision entitling Mr Tomaszewski to a one-off termination benefit equal to one-month remuneration if the contract is terminated by notice.

The managerial contract with Mr Wojciech Gątkiewicz, President of the Management Board, in effect as of January 1st 2012, provides for a six-month notice period.

Remuneration paid to the members of the Pfleiderer Grajewo Supervisory Board in the reporting period was as follows:

Name	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Michael Wolff	157	0
Jan Woźniak	91	48
Jochen Schapka	78	0
Hans-Kurt von Werder	71	0
Gerd Hammerschmidt	15	0
Hans H. Overdiek	61	0
Total	**473**	**48**

As at December 31st 2012, the number of Pfleiderer Grajewo shares held by the members of the Supervisory Board was as follows:

- Mr Jan Woźniak, Member of the Supervisory Board – 10,000 Pfleiderer Grajewo S.A. shares.

The other members of the Pfleiderer Grajewo Supervisory Board did not hold any shares in the Company.

As at December 31st 2012, the members of the Pfleiderer Grajewo Management and Supervisory Boards had no outstanding loan-related debt from the Company.

27. Supplementary information to the statement of cash flows

Structure of cash and cash equivalents

	Dec 31 2012	Dec 31 2011
Cash in hand and at banks	1,719	1,380
Cash disclosed in the statement of cash flows	**1,719**	**1,380**

Change in liabilities

	Dec 31 2012	Dec 31 2011
Change in trade and other payables	(4,225)	8,761
Increase/(decrease) in investment liabilities	333	(3,369)
Set-off of liabilities and receivables under loans advanced	4,585	0
Interest accrued but not received in the reporting period	(5)	0
	688	**5,392**

28. 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. acted in collusion to frustrate 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 Pfleiderer Grajewo Management Board is not able to assess the risk based on the information available to it or determine the estimated closing date of the proceedings.

29. Events subsequent to the end of the reporting period

- After December 31st 2012, Pfleiderer Grajewo S.A. carried out 7 issues of commercial paper in the form of short-term notes with a view to optimising the Group's financial liquidity management. The notes were issued pursuant to a 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.

- On January 23rd 2013, 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 Company's proceeds from the transaction totalled EUR 157,485 thousand (PLN 656,711 thousand) and comprised the preliminary selling price of EUR 111,884 thousand (PLN 466,555 thousand) and EUR 31,600 thousand (PLN 131,776 thousand) which the Company will receive as repayment of intra-group loans advanced by the Company to Pfleiderer OOO. Moreover, EUR 14,000 thousand (PLN 58,380 thousand) was deposited in an escrow account as security for liabilities under the share sale agreement.

  The preliminary selling price of the shares will be ultimately adjusted after the transaction is closed, based on audited financial statements of Pfleiderer OOO prepared as at the sale transaction closing date.

  Concurrently, on January 23rd 2013 Blitz 11-446 GmbH of Germany, an associate of Pfleiderer Grajewo S.A., as the seller, and Ingka Pro Subholding I B.V., as the buyer, entered into an agreement on the sale of the assets held. The selling price was agreed at EUR 33,874 thousand (PLN 141,256 thousand), less EUR 1,000 thousand (PLN 4,170 thousand) deposited in an escrow account.

  The carrying amount of Blitz assets is EUR 57,865 thousand (PLN 241,298 thousand).

  In addition, on January 23rd 2013 Pfleiderer MDF OOO of Russia, a subsidiary of Pfleiderer Grajewo S.A., as the seller, and Ingka Pro Subholding I B.V., as the buyer, entered into an agreement under which the seller will sell and the buyer will buy the assets owned by Pfleiderer MDF OOO. The ownership of the assets will be transferred by July 23rd 2013, subject to payment of the selling price and handover of the assets. The selling price of Pfleiderer MDF OOO assets is EUR 7,520 thousand (PLN 31,358 thousand) and will be deposited in an escrow account.

  The Blitz assets and Pfleiderer MDF OOO assets comprise the components of a complete production line designed for the MDF production plant project in Russia.

  In addition to the sale of the abovementioned assets designated for the MDF project in Russia, Pfleiderer MDF OOO will sell construction assets to Pfleiderer OOO, comprising in particular land

owned by Pfleiderer MDF OOO, for a selling price of EUR 3,000 thousand (PLN 12,510 thousand).

The total selling price of Blitz assets, Pfleiderer MDF assets and construction assets amounts to EUR 44,394 thousand (PLN 185,124 thousand).

- On January 29th 2013, Pfleiderer Grajewo S.A. made an early repayment of part of the syndicated credit facility incurred under a credit facility agreement concluded on March 16th 2010 by the Company, Pfleiderer Prospan S.A. and Silekol Sp. z o.o. with a bank syndicate comprising Bank PEKAO S.A., Bank Zachodni WBK S.A., BRE Bank S.A., BNP Paribas Bank Polska S.A. and Bank Gospodarki Żywnościowej S.A.

  A substantial part of the facility was repaid using proceeds from the sale of shares in Pfleiderer OOO. From January 24th-29th 2013, Tranche A of PLN 460m was repaid in full, while on January 29th 2013, tranche B was repaid in part (PLN 88,375 thousand).

- On February 12th 2013, Mr Hans-Kurt von Werder resigned from the position of Member of the Parent's Supervisory Board, with effect from February 26th 2013.

- In accordance with a resolution of the Extraordinary General Meeting, on February 26th 2013, Mr Richard Mayer was appointed Member of the Pfleiderer Grajewo Supervisory Board.

- On February 26th 2013, Pfleiderer Service GmbH, an indirect parent company , initiated a tender offer for Pfleiderer Grajewo S.A. (the Parent) shares. In accordance with the offer, Pfleiderer Service GmbH, as the superior parent of the Pfleiderer Grajewo Group, holds Pfleiderer Grajewo S.A. shares, representing 65.11% of the total number of the Parent shares, and intends to acquire 443,664 shares in Pfleiderer Grajewo S.A., representing 0.89% of the total number of the Parent shares.

  As a result of the tender offer, the bidder intends to hold directly 32,751,840 shares in the Parent, representing 66% of the Parent’s share capital and 66% of the total vote at the Parent’s General Meeting.

- On March 18th 2012, the Company made a final repayment of the syndicated credit facility incurred by the Company under a credit facility agreement concluded on March 16th 2010 by the Company and its subsidiaries Pfleiderer Prospan S.A. and Silekol Sp. z o.o. with a bank syndicate comprising Bank PEKAO S.A., Bank Zachodni WBK S.A., BRE Bank S.A., BNP Paribas Bank Polska S.A. and Bank Gospodarki Żywnościowej S.A. All security interests related to the facility have been or – in the case of registered pledges and mortgages – will be released.

  Following the transaction, the Company and its subsidiaries Pfleiderer Prospan S.A. and Silekol Sp. z o.o. had no debt outstanding under bank borrowings.

On April 16th 2013 the Parent company acquired 100% shares at nominal value of RUB 10.000 of Grajewo OOO seated in Novgorod, Russia. The purchase price amounted to EUR 2.000. Grajewo OOO is a distributing company active on Russian market.

Wojciech Gątkiewicz
President of the Management Board

Rafał Karcz
Member of the Management Board, Chief Financial Officer

Dariusz Tomaszewski
Member of the Management Board, Sales Director

Radosław Wierzbicki
Member of the Management Board, Chief Operating Officer

Irena Lenczewska
Person responsible for the accounting records

Grajewo, April 30th 2013