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PFLEIDERER GRAJEWO S.A.

**INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1ST–
JUNE 30TH 2014**

PFLEIDERER GRAJEWO S.A.

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PFLEIDERER GRAJEWO S.A.

(all amounts in PLN thousand)

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS**Interim condensed statement of comprehensive income**

	Jan 1– Jun 30 2014	Jan 1– Jun 30 2013	Apr 1– Jun 30 2014	Apr 1– Jun 30 2013
	unaudited	unaudited restated*)	unaudited	unaudited restated*)
Revenue	333,358	323,736	162,077	159,688
Cost of sales*)	(285,046)	(283,493)	(136,894)	(139,489)
Gross profit	48,312	40,243	25,183	20,199
Other income*)	2,669	6,646	197	3,126
Distribution costs	(19,029)	(14,612)	(7,987)	(7,580)
Administrative expenses	(12,892)	(15,505)	(6,268)	(6,937)
Other expenses	(989)	(3,185)	(174)	(192)
Operating profit	18,071	13,587	10,951	8,616
Finance income*)	38,894	107,056	38,575	10,655
Finance costs	(6,769)	(16,169)	(3,151)	(3,078)
Net finance income/costs	32,125	90,887	35,424	7,577
Profit before tax	50,196	104,474	46,375	16,193
Income tax expense	(2,360)	(33,305)	(1,631)	(1,204)
Net profit	47,836	71,169	44,744	14,989
Other comprehensive income				
Effective portion of gains/losses on fair-value measurement of hedging instruments	307	(1,490)	(149)	(1,490)
Total comprehensive income for the period	48,143	69,679	44,595	13,499
Basic earnings per share (PLN)	0.96	1.43	0.90	0.30
Diluted earnings per share (PLN)	0.96	1.43	0.90	0.30

*) restated comparative data, see Note 2b.

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(all amounts in PLN thousand)

Interim condensed statement of changes in equity

	Share capital	Share premium	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
As at Jan 1 2013	16,376	289,806	195,759	0	35,085	537,026
Comprehensive income for the period						
Net profit	0	0	0	0	71,169	71,169
Effective portion of gains/losses on fair-value measurement of hedging instruments	0	0	0	(1,490)	0	(1,490)
Total comprehensive income for the period	0	0	0	(1,490)	71,169	69,679
Transactions with owners recognised in equity						
Transfer of 2012 net profit to statutory reserve funds	0	0	12,003	0	(12,003)	0
Total transactions with owners recognised in equity	0	0	12,003	0	(12,003)	0
As at Jun 30 2013 (unaudited)	16,376	289,806	207,762	(1,490)	94,251	606,705

	Share capital	Share premium	Statutory reserve funds	Cash flow hedges	Retained earnings	Total
As at Jan 1 2014	16,376	289,806	207,762	0	109,085	623,029
Comprehensive income for the period						
Net profit	0	0	0	0	47,836	47,836
Effective portion of gains/losses on fair-value measurement of hedging instruments	0	0	0	307	0	307
Total comprehensive income for the period	0	0	0	307	47,836	48,143
Transactions with owners recognised in equity						
Transfer of 2013 net profit to statutory reserve funds	0	0	86,003	0	(86,003)	0
Total transactions with owners recognised in equity	0	0	86,003	0	(86,003)	0
As at Jun 30 2014 (unaudited)	16,376	289,806	293,765	307	70,918	671,172

PFLEIDERER GRAJEWO S.A.

(all amounts in PLN thousand)

Interim condensed statement of financial position

	<u>Note</u>	<u>Jun 30 2014</u> <u>unaudited</u>	<u>Dec 31 2013</u>
Assets			
Property, plant and equipment	1	132,189	116,340
Intangible assets		1,909	1,619
Investments in subsidiaries	2	785,752	785,752
Other non-current financial assets		75	18,738
Non-current loans advanced to subsidiaries	2	9,779	9,525
Prepayments for property, plant and equipment		1,822	4,936
Non-current assets		931,526	936,910
Inventories		61,200	65,240
Income tax receivable		0	20,399
Trade and other receivables		98,115	53,204
Cash and cash equivalents		11,073	4,826
Derivatives		307	0
Current assets		170,695	143,669
Total assets		1,102,221	1,080,579
Equity			
Share capital		16,376	16,376
Share premium		289,806	289,806
Statutory reserve funds		293,765	207,762
Cash flow hedges		307	0
Retained earnings		70,918	109,085
Total equity		671,172	623,029
Liabilities			
Employee benefit obligations		6,114	6,114
Deferred tax liabilities		2,786	406
Non-current liabilities		8,900	6,520
Borrowings	3	42,431	26,652
Liabilities to related entities under debt securities	4	295,986	289,671
Trade and other payables		71,891	122,112
Employee benefit obligations		11,841	12,595
Current liabilities		422,149	451,030
Total liabilities		431,049	457,550
Total equity and liabilities		1,102,221	1,080,579

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(all amounts in PLN thousand)

Interim condensed statement of cash flows

	Jan 1– Jun 30 2014 unaudited	Jan 1– Jun 30 2013 unaudited
Cash flows from operating activities		
Net profit	47,836	71,169
Adjustments:		
Depreciation and amortisation	7,422	6,231
Foreign exchange gains	(1,049)	(3,910)
Dividend and interest for the period	(31,688)	3,333
Gain/loss on disposal of shares	116	(91,116)
Gain/loss on investing activities	(116)	150
Income tax assessed	2,360	33,305
Change in trade and other receivables	(1,519)	2,330
Change in inventories	4,040	(1,301)
Change in trade and other payables	(16,778)	(710)
Change in employee benefit obligations	(757)	(473)
Result on forward contracts	779	418
Other adjustments	0	352
Cash flows from operating activities	10,646	19,778
Interest received	91	428
Interest paid	(14)	(92)
Income tax refunded/paid	20,419	(59,182)
Net cash from operating activities	31,142	(39,068)
Cash flows from investing activities		
Disposal of intangible assets, property, plant and equipment	116	24
Interest received	0	23
Acquisition of interests	(30,341)	(9)
Disposal of a subsidiary	6,388	677,336
Acquisition of intangible assets and property, plant and equipment	(16,587)	(3,885)
Repayment of loans advanced	0	4,518
Loans advanced	0	(8,461)
Net cash from investing activities	(40,424)	669,546
Cash flows from financing activities		
Repayment of borrowings	0	(483,358)
Increase in borrowings	15,779	38
Redemption of debt securities	(742,075)	(514,525)
Issue of debt securities	747,636	432,656
Interest paid	(5,811)	(16,083)
Net cash from financing activities	15,529	(581,272)
Total net cash flow	6,247	49,206
Change in cash	6,247	49,206
Cash at beginning of the period	4,826	1,719
Cash at end of the period	11,073	50,925

PFLEIDERER GRAJEWÓ S.A.

Notes to the interim condensed separate financial statements for the period January 1st–June 30th 2014

(all amounts in PLN thousand)

Notes to the interim condensed separate financial statements

1. General information

Pfleiderer Grajewo S.A. (the Company) 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 Section B of the Commercial Register under entry No. 270. Subsequently, on May 9th 2001, it was registered by the District Court of Białystok, 12th Commercial Division of the National Court Register, under entry No. KRS 0000011422. On September 18th 2002, the Company's Management Board received the decision of the District Court of Białystok on entering the Company's new name, Pfleiderer Grajewo S.A., 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, Pfleiderer Grajewo S.A. is registered under No. 1621 Z.

The scope of the Company's business includes:

- manufacture and veneering of wood and wood-based products,
- paper finishing,
- trade at home and abroad.

2. Basis of preparation

a) Statement of compliance

These interim condensed separate financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, and do not contain all information required to be disclosed in annual financial statements. Consequently, these interim condensed separate financial statements should be read in conjunction with the annual separate financial statements for the financial year ended December 31st 2013.

These interim condensed separate financial statements of the Company are published along with the interim condensed consolidated financial statements of the Pfleiderer Grajewo Group. In order to fully understand the Company's financial performance and standing, these financial statements should be read in conjunction with the interim condensed consolidated financial statements of the Pfleiderer Grajewo Group.

All figures disclosed in these financial statements are expressed in the złoty (PLN) and rounded to the nearest thousand, unless indicated otherwise.

These interim condensed separate financial statements for the period January 1st to June 30th 2014 were approved by the Company's Management Board on August 25th 2014.

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**Notes to the interim condensed separate financial statements for the period
January 1st–June 30th 2014**

(all amounts in PLN thousand)

b) Significant accounting policies

These interim condensed separate financial statements have been prepared in accordance with the accounting policies described in the audited financial statements of Pfleiderer Grajewo S.A. for the year ended December 31st 2013.

Except for the changes discussed in this subsection, the accounting policies have been applied consistently to all periods presented in these interim condensed financial statements.

With effect from H2 2013, the Company changed the manner of presentation of foreign exchange gains and losses in the statement of comprehensive income. Foreign exchange gains and losses related to operating activities were reclassified from cost of sales to other income or expenses, as appropriate. The change affects the amount of gross profit. It does not affect, though, operating profit and profit before tax.

In addition, effective from H2 2013, the Company changed the manner of presentation of foreign exchange gains and losses on forwards in the statement of comprehensive income. Foreign exchange gains and losses related to operating activities were reclassified from finance income or costs to other income or expenses, as appropriate. The change affects the amount of operating profit and net finance income/costs. However, it does not affect profit before tax.

To ensure comparability of data presented in the financial statements, the Company has restated the statement of comprehensive income for the comparative periods. As a result, other expenses increased by PLN 2,348 thousand in H1 2013 thousand and by PLN 775 thousand in Q2 2013. Cost of sales decreased by PLN 2,181 thousand in H1 2013 and by PLN 609 thousand in Q2 2013, while finance income decreased by PLN 167 thousand in H1 2013 and by PLN 166 thousand in Q2 2013.

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Supplementary notes to the interim condensed separate financial statements for the period January 1st–June 30th 2014

(all amounts in PLN thousand)

Supplementary notes to the interim condensed separate financial statements

1. Property, plant and equipment

From 1 January 2014 until 30 June 2014, the Company incurred investment expenditures in amount of PLN 23 259 thousand. These concerned in particular:

- PLN 3,176 thousand – wastewater treatment plant upgrade;
- PLN 1,029 thousand – wood chip transport upgrade
- PLN 1,162 thousand – BISON dryer upgrade
- PLN 14,295 thousand – dry wood shavings sorting mill

2. Investments in subsidiaries

The Company's investments in subsidiaries:

	<u>Jun 30 2014</u>	<u>Dec 31 2013</u>
Interest in subsidiaries	785,752	785,752
Non-current loans advanced to subsidiaries	9,779	9,525
	<u>795,531</u>	<u>795,277</u>

3. Borrowings

	<u>Jun 30 2014</u>	<u>Dec 31 2013</u>
Current liabilities		
Overdraft facilities	42,431	26,652
Total	<u>42,431</u>	<u>26,652</u>

Bank borrowings

On June 26th and 27th 2013, Pfleiderer Grajewo S.A. and the subsidiaries Pfleiderer Prospan S.A. and Silekol Sp. z o.o. entered into new credit facility agreements. The total credit limit available under the facilities with four banks amounts to PLN 300,000 thousand and ensures financial liquidity of the Company and its subsidiaries for the next five years.

Repayment terms and schedules for bank borrowings as at June 30th 2014 and December 31st 2013:

PFLEIDERER GRAJEWO S.A.**Supplementary notes to the interim condensed separate financial statements for the period January 1st–June 30th 2014**

(all amounts in PLN thousand)

Lender	Interest rate	Maturity date	Security	As at Jun 30 2014	
				Current portion	Non-current portion
Millennium S.A.	1M WIBOR + margin	Jun 25 2018	mortgages, pledges	16,850	0
Millennium S.A.	1M WIBOR + margin	Jun 25 2016	mortgages, pledges	7,884	0
Alior Bank S.A.	1M WIBOR + margin	Jun 25 2018	mortgages	8,949	0
Alior Bank S.A.	1M WIBOR + margin	Jun 25 2016	mortgages	3,599	0
BZ WBK S.A.	1M WIBOR + margin	Jun 25 2018	mortgages, pledges	0	0
BZ WBK S.A.	1M WIBOR + margin	Jun 25 2016	mortgages, pledges	1,878	0
BOŚ Bank S.A.	1M WIBOR + margin	Jun 25 2018	mortgages, pledges	3,271	0
Total				42,431	0

Lender	Interest rate	Maturity date	Security	As at Dec 31 2013	
				Current portion	Non-current portion
Millennium S.A.	1M WIBOR + margin	Jun 25 2018	mortgages, pledges	5,042	0
Millennium S.A.	1M WIBOR + margin	Jun 25 2016	mortgages, pledges	6,110	0
Alior Bank S.A.	1M WIBOR + margin	Jun 25 2018	mortgages	0	0
Alior Bank S.A.	1M WIBOR + margin	Jun 25 2016	mortgages	4,491	0
BZ WBK S.A.	1M WIBOR + margin	Jun 25 2018	mortgages, pledges	0	0
BZ WBK S.A.	1M WIBOR + margin	Jun 25 2016	mortgages, pledges	5,905	0
BOŚ Bank S.A.	1M WIBOR + margin	Jun 25 2018	mortgages, pledges	5,104	0
Total				26,652	0

3.1. Credit facility agreement with Bank Millennium S.A.

On June 26th 2013, the Company entered into two credit facility agreements with Bank Millennium S.A., for an aggregate amount of PLN 100,000 thousand, including a PLN 75,000 thousand multi-purpose credit facility agreement and an up to PLN 25,000 thousand overdraft facility agreement.

At the same time, Pfleiderer Prospan S.A., a subsidiary of the Company, entered into an overdraft facility agreement with Bank Millennium S.A., for up to PLN 10,000 thousand. Moreover, subsidiary Silekol Sp. z o.o. entered into an overdraft facility agreement with Bank Millennium S.A., for up to PLN 10,000 thousand. Total liabilities of all the three borrowers under the four credit facility agreements with Bank Millennium S.A. may not exceed PLN 100,000 thousand. The multi-purpose credit facility is to be repaid in full after five years, while the overdrafts are to be repaid in full after three years. The facilities will be used to finance day-to-day operations of the borrowers.

The four credit facilities are secured primarily with a mortgage on developed properties (cross-collateralised for the benefit of the other three banks), i.e. the Company's production plant in Grajewo and the Wieruszów production plant owned by Pfleiderer Prospan S.A., as well as with a pledge over the production plants' machinery.

Additionally, both Pfleiderer Prospan S.A. and Silekol Sp. z o.o. issued guarantees of up to PLN 115,000 thousand for the liabilities of the Company under the credit facilities. Pfleiderer Grajewo S.A. also provided a guarantee to the amount of PLN 11,500 thousand both for Pfleiderer Prospan S.A. and Silekol Sp. z o.o.

PFLEIDERER GRAJEWÓ S.A.

Supplementary notes to the interim condensed separate financial statements for the period January 1st–June 30th 2014

(all amounts in PLN thousand)

3.2. Credit facility agreement with Alior Bank S.A.

On June 26th 2013, the Company entered into a PLN 75,000 thousand credit facility agreement with Alior Bank S.A., to ensure financing of its day-to-day operations. The facility is to be repaid in full after five years from the execution of the agreement. At the same time, the Company and the subsidiaries Pfeleiderer Prospan S.A. and Silekol Sp. z o.o. entered into an overdraft facility agreement with Alior Bank S.A., for up to PLN 25,000 thousand, under which the bank granted the Company an overdraft limit of PLN 25,000 thousand and separate sub-limits of PLN 10,000 thousand to Pfeleiderer Prospan S.A. and Silekol Sp. z o.o. The facility, repayable in full after three years from the execution of the agreement, is to finance the day-to-day operations of the borrowers. Total liabilities of all the three borrowers under the two credit facility agreements with Alior Bank S.A. may not exceed PLN 100,000 thousand.

Those two credit facilities are secured primarily with a mortgage on developed properties (cross-collateralised for the benefit of the other three banks), i.e. the Company's production plant in Grajewo and the Wieruszów production plant owned by Pfeleiderer Prospan S.A., as well as with a pledge on the machinery of the Pfeleiderer Prospan production plant.

Additionally, both Pfeleiderer Prospan S.A. and Silekol Sp. z o.o. issued guarantees of up to PLN 115,000 thousand for the liabilities of the Company under the credit facilities. Pfeleiderer Grajewo S.A. also provided a guarantee to the amount of PLN 11,500 thousand both for Pfeleiderer Prospan S.A. and Silekol Sp. z o.o.

3.3. Credit facility agreement with Bank Zachodni WBK S.A.

On June 26th 2013, the Company entered into a PLN 45,000 thousand multi-purpose credit facility agreement with Bank Zachodni WBK S.A. The credit facility, designed to ensure liquidity and finance capital expenditure, is to be repaid in full after five years from the execution of the agreement. At the same time, the Company and the subsidiaries Pfeleiderer Prospan S.A. and Silekol Sp. z o.o. entered into an overdraft facility agreement with Bank Zachodni WBK S.A., for up to PLN 15,000 thousand (a joint overdraft limit for all three borrowers). The facility, designed to ensure liquidity and finance capital expenditure, is to be repaid in full after three years from the execution of the agreement. Total liabilities of the three borrowers under the two agreements with Bank Zachodni WBK S.A. may not exceed PLN 60,000 thousand.

The two credit facilities are secured primarily with a mortgage on developed properties (cross-collateralised for the benefit of the other three banks), i.e. the Company's production plant in Grajewo and the Wieruszów production plant owned by Pfeleiderer Prospan S.A., as well as with a pledge over the machinery of the Company's production plant.

Pfeleiderer Grajewo S.A. also provided a guarantee to the amount of PLN 15,000 thousand both for Pfeleiderer Prospan S.A. and Silekol Sp. z o.o.

3.4. Credit facility agreement with Bank Ochrony Środowiska S.A.

On June 27th 2013, the Company entered into a PLN 40,000 thousand multi-purpose credit facility agreement with Bank Ochrony Środowiska S.A. to finance the Company's day-to-day operations. The facility is to be repaid after five years from the date of execution of the agreement.

The credit facility is secured primarily with a mortgage on developed properties (cross-collateralised for the benefit of the other three banks), i.e. the Company's production plant in Grajewo and the Wieruszów production plant owned by Pfeleiderer Prospan S.A., as well as with a pledge over the machinery of the Company's production plant.

PFLEIDERER GRAJEWO S.A.**Supplementary notes to the interim condensed separate financial statements for the period
January 1st–June 30th 2014**

(all amounts in PLN thousand)

4. Liabilities to related entities under debt securities

	<u>Jun 30 2014</u>	<u>Dec 31 2013</u>
Liabilities to related entities under debt securities	295,986	289,671
Total	<u>295,986</u>	<u>289,671</u>

The liabilities under debt securities in the amount of PLN 295,986 thousand as at June 30th 2014 (December 31st 2013: PLN 289,671 thousand) relate to the commercial papers issued in the form of short-term notes. As at June 30th 2014, the notes were held by Pfleiderer Prospan S.A., a subsidiary.

The notes' issuance was based on a Debt Issuance Programme Agreement concluded on July 22nd 2003 with Bank PEKAO S.A. The maximum value of the notes that may be issued under the programme, ending June 2015, is PLN 500,000 thousand.

The notes are issued in accordance with the Polish Bonds Act of June 29th 1995 as PLN-denominated, unsecured, zero-coupon bearer securities in book-entry form.

The notes are used to optimise the management of financial liquidity within the Group, reduce external debt of the Company and finance its day-to-day operations.

5. Contractual commitments for the acquisition of property, plant and equipment

As at June 30 2014, the Company had thirty three open investment contracts totalling PLN 16,138 thousand. Contractual commitments under contracts effective as at the reporting date are presented below:

INSTALMEC S.R.I.	EUR 1,646 thousand
NESS WARMETECHNIK GmbH	EUR 235 thousand
ZEPPELIN POLSKA Sp. z o.o.	EUR 196 thousand
SCIENTA OY	EUR 171 thousand
SPRAYING SYSTEMS CO Sp. z o.o.	EUR 126 thousand
TOCCHIO SRL	EUR 120 thousand
PROJPRZEM EKO Sp. z o.o.	PLN 1,793 thousand
ELEKTROMONTAŻ-WSCHÓD Sp. z o.o.	PLN 1,133 thousand
ENKI Sp. z o.o.	PLN 765 thousand
others	PLN 2,070 thousand

The commitments arise under contracts concluded by the Company with the above entities in connection with the implementation of investment projects.

PFLEIDERER GRAJEWO S.A.**Supplementary notes to the interim condensed separate financial statements for the period
January 1st–June 30th 2014**

(all amounts in PLN thousand)

6. Contingent liabilities and security over the Company's assets**6.1. Sureties granted**

As at June 30th 2014, the Company had issued the following sureties:

Debtor	Creditor	Origination date	Amount of liability		PLN '000	Expiry date
			maximum	in foreign currency		
Sureties in EUR:						
Pfleiderer MDF Sp. z. o.o.	PKO BP S.A.	Apr 24 2009	1,115	1,115	4,639	Jul 15 2019
		Total:	1,115	1,115	4,639	
Sureties in PLN:						
Pfleiderer Prospan S.A., Silekol Sp. z o.o.	BZ WBK S.A.	Jun 26 2013	15,000	-	0	Jun 25 2016
Pfleiderer Prospan S.A., Silekol Sp. z o.o.	Alior Bank S.A.	Jun 26 2013	11,500	-	0	Jun 25 2016
Pfleiderer Prospan S.A., Silekol Sp. z o.o.	Millennium S.A.	Jun 26 2013	11,500	-	76	Jul 25 2016
Pfleiderer Prospan S.A., Silekol Sp. z o.o.	Millennium S.A.	Jun 26 2013	11,500	-	0	Jul 25 2016
			61,000	-	76	

Sureties presented in the table above include:

- Surety of EUR 1,115 thousand (PLN 4,639 thousand) issued to Pfleiderer MDF Sp. z o.o. in connection with a credit facility given to Pfleiderer MDF Sp. z o.o. by PKO BP S.A. As at June 30th 2014, Pfleiderer MDF Sp. z o.o.'s liability under the facility was PLN 87,396 thousand. The surety expires on July 15th 2019.
- Surety of PLN 15,000 thousand issued to Pfleiderer Prospan S.A. and Silekol Sp. z o.o. in connection with a credit facility given to Pfleiderer Grajewo S.A. and its subsidiaries, Pfleiderer Prospan S.A. and Silekol Sp. z o.o., by BZ WBK S.A. As at June 30th 2014, the companies' liability under the facility was PLN 0. The surety expires on June 25th 2016.
- Surety of PLN 11,500 thousand issued to Pfleiderer Prospan S.A. in connection with a credit facility given to Pfleiderer Prospan S.A. by Alior Bank S.A. As at June 30th 2014, Pfleiderer Prospan S.A.'s liability under the facility was PLN 0. The surety expires on June 25th 2016.
- Surety of PLN 11,500 thousand issued to Silekol Sp. z o.o. in connection with a credit facility given to Silekol Sp. z o.o. by Alior Bank S.A. As at June 30th 2014, Silekol Sp. z o.o.'s liability under the facility was PLN 0. The surety expires on June 25th 2016.
- Surety of PLN 11,500 thousand issued to Pfleiderer Prospan S.A. in connection with a credit facility given to Pfleiderer Prospan S.A. by Bank Millennium S.A. As at June 30th 2014, Pfleiderer Prospan S.A.'s liability under the facility was PLN 76 thousand. The surety expires on July 25th 2016.
- Surety of PLN 11,500 thousand issued to Silekol Sp. z o.o. in connection with a credit facility given to Silekol Sp. z o.o. by Bank Millennium S.A. As at June 30th 2014, Silekol Sp. z o.o.'s liability under the facility was PLN 0 thousand. The surety expires on July 25th 2016.

PFLEIDERER GRAJEWO S.A.**Supplementary notes to the interim condensed separate financial statements for the period January 1st–June 30th 2014**

(all amounts in PLN thousand)

As at December 31st 2013, the Company had issued the following sureties:

Debtor	Creditor	Origination date	Amount of liability		PLN '000	Expiry date
			maximum	in foreign currency		
Sureties in EUR:						
Pfleiderer MDF Sp. z. o.o.	PKO BP S.A.	Apr 24 2009	1,115	1,115	4,624	Jul 15 2019
		Total:	1,115	1,115	4,624	
Sureties in PLN:						
Pfleiderer Prospan S.A., Silekol Sp. z o.o.	BZ WBK S.A.	Jun 26 2013	15,000	-	0	Jun 25 2016
Pfleiderer Prospan S.A.	Alior Bank S.A.	Jun 26 2013	11,500	-	0	Jun 25 2016
Silekol Sp. z o.o.	Alior Bank S.A.	Jun 26 2013	11,500	-	0	Jun 25 2016
Pfleiderer Prospan S.A.	Millennium S.A.	Jun 26 2013	11,500	-	0	Jul 25 2016
Silekol Sp. z o.o.	Millennium S.A.	Jun 26 2013	11,500	-	0	Jul 25 2016
			61,000	-	0	

6.2. Other contingent liabilities

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 Company's 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.

Other than the proceedings referred to above, there are no court, arbitration or administrative proceedings pending with respect to any liabilities or claims of the Company, whose value would represent 10% or more of the Company's equity.

PFLEIDERER GRAJEWO S.A.**Supplementary notes to the interim condensed separate financial statements for the period January 1st–June 30th 2014**

(all amounts in PLN thousand)

7. Material transactions with related entitiesThe Company's transactions with related entities in the period from January 1st to June 30th 2014 and January 1st to June 30th 2013:

Related party	Jan 1–Jun 30 2014					Jan 1–Jun 30 2013				
	Revenue	Finance income	Other income	Purchase of products, merchandise, materials and services	Finance costs	Revenue	Finance income	Income from sale of property, plant and equipment and intangible assets	Purchase of products, merchandise, materials and services	Finance costs
Pfleiderer Service GmbH	-	-	-	49	-	-	-	-	1,271	623
Pfleiderer Prospan S.A.	6,784	16,931	-	3,878	3,679	8,993	9,991	43	7,742	4,657
Pfleiderer MDF Sp. z o.o.	56,825	254	-	28,776	-	47,743	19	-	24,752	-
Silekol Sp. z o.o.	523	21,018	-	35,400	-	286	93	-	32,341	-
Pfleiderer OOO*)	n.a.	n.a.	n.a.	n.a.	n.a.	2,764	576	-	41	-
Pfleiderer MDF OOO*)	n.a.	n.a.	n.a.	n.a.	n.a.	-	1,090	-	-	-
Grajewo OOO	2,076	-	-	-	-	2,284	-	-	-	-
Jura Polska Sp. z o.o.	369	46	10	10,792	-	313	-	-	10,881	-
Pfleiderer GmbH	-	-	-	1,639	-	-	-	-	1,447	-
Pfleiderer Neumarkt GmbH	35	-	-	-	-	56	-	-	-	-
Pfleiderer Holzwerkstoffe GmbH & Co. KG	-	-	75	1,443	-	-	-	-	498	-
Pfleiderer Gütersloh GmbH	-	-	-	424	-	-	-	-	1,411	-
Total	66,612	38,249	85	82,401	3,679	62,439	11,769	43	80,384	5,280

*) Pfleiderer OOO and Pfleiderer MDF OOO are no longer related parties.

The income and expense items for the comparative period cover the period from January 1st to January 23rd 2013 in the case of Pfleiderer OOO, and the period from January 1st to June 30th 2013 in the case of Pfleiderer MDF OOO.

PFLEIDERER GRAJEWO S.A.**Supplementary notes to the interim condensed separate financial statements for the period January 1st–June 30th 2014**

(all amounts in PLN thousand)

Related-party balances as at June 30th 2014 and December 31st 2013:

Related party	Jun 30 2014			Dec 31 2013	
	Loans advanced	Other receivables	Trade receivables	Loans advanced	Trade receivables
Pfleiderer Service GmbH	-	-	-	-	258
Pfleiderer Prospan S.A.	-	16,931	723	-	1,868
Pfleiderer MDF Sp. z o.o.	9,779	-	12,833	9,525	15,536
Silekol Sp. z o.o.	-	21,018	25	-	155
Grajewo OOO	-	-	-	-	192
Jura Polska Sp. z o.o.	-	46	37	-	91
Pfleiderer Holzwerkstoffe GmbH & Co. KG	-	-	-	-	31
Pfleiderer Leutkirch GmbH	-	-	-	-	(1)
Blitz 11-446 GmbH	-	-	-	-	4,147
Total	9,779	37,995	13,618	9,525	22,277

PFLEIDERER GRAJEWO S.A.**Supplementary notes to the interim condensed separate financial statements for the period January 1st–June 30th 2014**

(all amounts in PLN thousand)

	Jun 30 2014		Dec 31 2013	
Related party	Liabilities under debt securities	Trade payables and other	Liabilities under debt securities	Trade payables and other
Pfleiderer Service GmbH	-	-	-	146
Pfleiderer Prospan S.A.	295,986	-	289,671	-
Pfleiderer MDF Sp. z o.o.	-	5,895	-	4,148
Silekol Sp. z o.o.	-	6,662	-	6,947
Jura Polska Sp. z o.o.	-	1,246	-	1,818
Pfleiderer GmbH	-	526	-	518
Pfleiderer Holzwerkstoffe Gschwend GmbH	-	499	-	498
Pfleiderer Gütersloh GmbH	-	58	-	101
Pfleiderer Neumarkt GmbH	-	-	-	831
Pfleiderer Holzwerkstoffe GmbH & Co. KG	-	1,138	-	-
Total	295,986	16,024	289,671	15,007

PFLEIDERER GRAJEWÓ S.A.

**Supplementary notes to the interim condensed separate financial statements for the period
January 1st–June 30th 2014**

(all amounts in PLN thousand)

Remuneration of members of the Management and Supervisory Boards

Remuneration of members of the Pfleiderer Grajewo's Management and Supervisory Boards. (including bonuses) paid and payable for the periods January 1st–June 30th 2014 and January 1st–June 30th 2013 was as follows:

	<u>Jan 1– Jun 30 2014</u>	<u>Jan 1– Jun 30 2013</u>
Remuneration of members of the Management Board	2,803	1,411
Remuneration of members of the Supervisory Board	313	312
	<u>3,116</u>	<u>1,723</u>

As at June 30th 2014 and December 31st 2013, members of the Management and Supervisory Boards of Pfleiderer Grajewo S.A. had no outstanding debt under loans from the Company.

8. Distribution of the 2013 net profit

On June 30th 2014, the Annual General Meeting adopted a resolution to transfer the Company's net profit for the year ended December 31st 2013, totalling PLN 86,003 thousand, to the Company's statutory reserve funds.

9. Events subsequent to the balance sheet date

After the June 30, 2014, there were no material events that would require disclosure in these interim condensed financial statements of Pfleiderer Grajewo S.A.

PFLEIDERER GRAJEWÓ S.A.

**Supplementary notes to the interim condensed separate financial statements for the period
January 1st–June 30th 2014**

(all amounts in PLN thousand)

Accounting estimates and assumptions

The Company makes estimates and assumptions relating to the future. Such accounting estimates may, by their nature, not correspond to actual performance.

The Company performs regular asset reviews and recognises impairment losses on individual assets in profit or loss. Impairment loss are recognised in particular on trade receivables, as well as inventories of materials and finished goods. In addition, non-current assets employed are also reviewed on an ongoing basis, which includes a review of their useful economic lives and circumstances affecting their recoverable amounts. The amount of provisions for future liabilities under retirement and disability entitlements is estimated with an actuarial method on the basis of adopted assumptions.

In the period January 1st to June 30th 2014, there were no significant changes to the estimates and judgments relative to the Company's most recent annual separate financial statements for the financial year ended December 31st 2013.

Wojciech Gałkiewicz

President of the Management Board

Rafał Karcz

*Member of the Management Board, Chief
Financial Officer*

Dariusz Tomaszewski

Member of the Management Board, Sales Director

Ewa Stańska

Person responsible for the accounting records

Grajewo, August 25th 2014