POLISH FINANCIAL SUPERVISION AUTHORITY

Non-Consolidated Annual Report R 2014

year

(prepared in accordance with Par. 86.1.3 of the Regulation of the Minister of Finance dated February 19th 2009 - Dz.U. No. 33, item 259)

for issuers from the manufacturing, construction, trade or services sectors

for the financial year 2014, covering the period from January 1st to December 31st 2014,

including consolidated financial statements prepared in accordance with the IFRS

currency: PLN

Date of filing: March 20th 2015

Pfleiderer Grajewo Spółka Akcyjna

(full name)

GRAJEWO	**wood products**
(abbreviated name)	(sector according to the Warsaw Stock Exchange's classification)
19-203	**Grajewo**
(postal code)	(city/town)
Wiórowa	**1**
(street)	(number)
0-86 272 96 00	**0-86 272 39 83**
(telephone number)	(fax number)
grajewo@pfleiderer.pl	www.pfleiderer.pl
(e-mail)	(web site)
719-10-00-479	**4500933817**
(NIP – Tax Identification Number)	(REGON – Industry Registration Number)

FINANCIAL HIGHLIGHTS	PLN ‘000		EUR ‘000	
	2014	2013	2014	2013
I. Sales revenue	652 518	669 253	155 758	158 930
II. Operating profit/(loss)	39 298	39 584	9 381	9 400
III. Profit/(loss) before tax	66 095	124 207	15 777	29 496
IV. Net profit	60 549	86 003	14 453	20 423
V. Net cash provided by (used in) operating activities	69 301	4 605	16 542	1 094
VI. Net cash provided by (used in) investing activities	-30 643	477 607	-7 315	113 419
VII. Net cash provided by (used in) financing activities	-38 957	-479 105	-9 299	-113 775
VIII. Total net cash flow	-299	3 107	-71	738
IX. Total assets	1 084 496	1 080 579	254 439	260 556
X. Liabilities	399 705	457 550	93 777	110 327
XI. Non-current liabilities	10 991	6 520	2 579	1 572
XII. Current liabilities	388 714	451 030	91 198	108 755
XIII. Equity	684 791	623 029	160 662	150 229
XIV. Share capital	16 376	16 376	3 842	3 949
XV. Weighted average number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XVI. Weighted average diluted number of shares	49 624 000	49 624 000	49 624 000	49 624 000
XVII. Earnings per ordinary share (PLN/EUR)	1,22	1,73	0,29	0,41
XVIII. Diluted earnings per ordinary share (PLN/EUR)	1,22	1,73	0,29	0,41
XIX. Book value per share (PLN/EUR)	13,80	12,55	3,24	3,03
XX. Diluted book value per share (PLN/EUR)	13,80	12,55	3,24	3,03
XXI. Declared or paid dividend per share (PLN/EUR)	0,00	0,00	0,00	0,00

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD			
Date	First name and surname	Position	Signature
March 20th 2015	Michael Wolff	President of the Management Board	
March 20th 2015	Rafał Karcz	Member of the Management Board, Chief Financial Officer	
March 20th 2015	Gerd Schubert	Member of the Management Board, Chief Operating Officer	
March 20th 2015	Wojciech Gątkiewicz	Member of the Management Board, Chief Transformation Officer	
March 20th 2015	Dariusz Tomaszewski	Member of the Management Board, Sales Director	

SIGNATURE OD THE PERSON RESPONSIBLE FOR ACCOUNT KEEPING			
Date	First name and surname	Position	Signature
March 20th 2015	Ewa Stańska	Person responsible for the accounting records	

TRANSLATION

Pfleiderer Grajewo S.A.

Opinion and Report of the Independent Auditor Financial Year ended 31 December 2014

The opinion contains 2 pages
The supplementary report contains 9 pages
Opinion of the independent auditor
and supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2014

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

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Pfleiderer Grajewo S.A.

Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of Pfleiderer Grajewo S.A., with its registered office in Grajewo, ul. Wiórowa 1 ("the Company"), which comprise the separate statement of financial position as at 31 December 2014, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's and Supervisory Board's Responsibility for the Financial Statements

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

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act"), Management of the Company and members of the Supervisory Board are required to ensure that the financial statements and the report on the Company's activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

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

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

Opinion

In our opinion, the accompanying separate financial statements of Pfleiderer Grajewo S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2014 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Company's Activities

As required under the Accounting Act, we report that the accompanying report on the Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

....
Monika Bartoszewicz
Key Certified Auditor
Registration No. 10268
Limited Liability Partner
with power of attorney

18 March 2015

TRANSLATION

Pfleiderer Grajewo S.A.

Supplementary report on the audit of the separate financial statements Financial Year ended 31 December 2014

The supplementary report contains 9 pages

The supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2014

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

Contents

1. General

1.1. General information about the Company

1.1.1. Company name

Pfleiderer Grajewo S.A.

1.1.2. Registered office

ul. Wiórowa 1
19-203 Grajewo

1.1.3. Registration in the register of entrepreneurs of the National Court Register

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

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

As at 31 December 2014, the Management Board of the Company was comprised of the following members:

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

According to the resolution of the Supervisory Board dated 16 February 2015, Mr. Wojciech Gątkiewicz was recalled from the position of President of the Management Board and he was appointed for the position of Member of the Management Board – Transformation Director.

According to the resolution of the Supervisory Board dated 16 February 2015, Mr. Michael Wolff was appointed for the position of President of the Management Board.

According to the resolution of the Supervisory Board dated 16 February 2015, Mr. Gerd Schubert was appointed for the position of Member of the Management Board – Operations Director.

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname:	Monika Bartoszewicz
Registration number:	10268

1.2.2. Audit Firm information

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

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered into the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.3. Prior period financial statements

The separate financial statements for the financial year ended 31 December 2013 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unmodified opinion.

The separate financial statements were approved at the General Meeting on 30 June 2014 where it was resolved to allocate the net profit for the prior financial year of PLN 86,003 thousand to reserve capital.

The separate financial statements were submitted to the Registry Court on 3 July 2014.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Pfleiderer Grajewo S.A. with its registered office in Grajewo, ul. Wiórowa 1 and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2014, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of General Meeting dated 28 June 2005.

The separate financial statements were audited in accordance with the contract dated 8 October 2014, concluded on the basis of the resolution of the General Meeting dated 23 June 2010 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act"), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements at the Company during the period from 24 to 28 November 2014, from 19 to 23 January 2015, and additional procedures has been performed outside the Company's head office from 23 February to 13 March 2015.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with

International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Company's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

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

All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

2. Financial analysis of the Company

2.1. Summary analysis of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2014 PLN '000	% of total	31.12.2013 PLN '000	% of total
Non-current assets				
Property, plant and equipment	155,814	14.4	116,340	10.8
Intangible assets	2,582	0.2	1,619	0.2
Investments in subsidiaries	785,752	72.5	785,752	72.7
Other long term financial assets	75	-	18,738	1.7
Term loans granted to subsidiaries	10,027	0.9	9,525	0.9
Long term receivebles - prepayments for tangible fixed assets	-	-	4,936	0.4
Fair value of hedging instruments	626	0.1	-	-
Total non-current assets	954,876	88.0	936,910	86.7
Current assets				
Inventories	74,031	6.8	65,240	6.0
Trade and other receivables	50,475	4.7	53,204	4.9
Income tax receivable	-	-	20,399	1.9
Cash and cash equivalents	4,527	0.4	4,826	0.5
Fair value of hedging instruments	587	0.1	-	-
Total current assets	129,620	12.0	143,669	13.3
TOTAL ASSETS	1,084,496	100.0	1,080,579	100.0

EQUITY AND LIABILITIES	31.12.2014 PLN '000	% of total	31.12.2013 PLN '000	% of total
Equity				
Share capital	16,376	1.5	16,376	1.5
Share premium	289,806	26.7	289,806	26.8
Reserve capital	293,765	27.1	207,762	19.2
Cash flow hedge reserve	1,213	0.1	-	-
Retained earnings	83,631	7.7	109,085	10.1
Total equity	684,791	63.1	623,029	57.6
Liabilities				
Employee benefits	8,754	0.8	6,114	0.6
Deferred tax liability	2,237	0.2	406	-
Total non-current liabilities	10,991	1.0	6,520	0.6
Loans and borrowings	11,149	1.0	26,652	2.5
Income tax payable	470	0.1	-	-
Related party liabilities from debt securities	278,503	25.7	289,671	26.8
Trade and other payables	85,184	7.9	122,112	11.3
Employee benefits	13,408	1.2	12,595	1.2
Total current liabilities	388,714	35.9	451,030	41.8
Total liabilities	399,705	36.9	457,550	42.4
TOTAL EQUITY AND LIABILITIES	1,084,496	100.0	1,080,579	100.0

2.1.2.

Separate statement of comprehensive income

	01.01.2014 - 31.12.2014 PLN '000	% of total sales	01.01.2013 - 31.12.2013 PLN '000	% of total sales
Revenue	652,518	100.0	669,253	100.0
Cost of sales	(555,211)	85.1	(576,239)	86.1
Gross profit on sales	*97,307*	*14.9*	*93,014*	*13.9*
Other operating income	6,604	1.0	4,878	0.7
Distribution expenses	(38,657)	5.9	(29,908)	4.5
General and administrative expenses	(23,765)	3.7	(27,379)	4.1
Other operating expenses	(2,191)	0.3	(1,021)	0.1
Results from operating activities	*39,298*	*6.0*	*39,584*	*5.9*
Finance income	39,342	6.0	106,123	15.9
Finance expenses	(12,545)	1.9	(21,500)	3.2
Net finance income	26,797	4.1	84,623	12.7
Profit before income tax	*66,095*	*10.1*	*124,207*	*18.6*
Income tax expense	(5,546)	0.8	(38,204)	5.7
Profit for the period	***60,549***	***9.3***	***86,003***	***12.9***
OTHER COMPREHENSIVE INCOME				
Cash flow hedge - effective portion of changes in fair value	1,213	0.2	-	-
Other comprehensive income	1,213	0.2	-	-
Total comprehensive income for the period	***61,762***	***9.5***	***86,003***	***12.9***
Basic earnings per share (PLN)	1.22	-	1.73	-
Diluted earnings per share (PLN)	1.22	-	1.73	-

2.2. Selected financial ratios

		2014	2013	2012
1.	**Return on sales**			
	profit for the period x 100% / revenue	9.3%	12.9%	1.7%
2.	**Return on equity**			
	profit for the period x 100% / equity - profit for the period	9.7%	16.0%	2.3%
3.	**Debtors' days**			
	average trade receivables (gross) x 365 days / revenue	18 days	29 days	27 days
4.	**Debt ratio**			
	liabilities x 100% / equity and liabilities	37.0%	42.4%	62.5%
5.	**Current ratio**			
	current assets / current liabilities	0.3	0.3	0.9

- Revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.

3. Detailed report

3.1. Accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the separate financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified any material irregularities in the accounting system, which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act, and reconciled and recorded the result thereof in the accounting records.

3.2. Notes to the separate financial statements

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

3.3. Report on the Company's activities

The report on the Company's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

....
Monika Bartoszewicz
Key Certified Auditor
Registration No. 10268
Limited Liability Partner
with power of attorney

18 March 2015

Letter of the President of the Board

Dear All,

The year 2014 was for Pfleiderer Grajewo a period of stable development. The growth dynamics of the furniture production in Poland were at a two-digit level compared to the previous year. The favourable development of the market resulted mostly from the demand growth on the domestic market as well as growing export to the Western Europe. Conversely, Eastern markets were placed on an opposite side as their unstable geopolitical situation reflected in reduced number of sales orders.

In 2014, revenues were analogical to the previous year's results. Maintaining stable values was reached by changes introduced to the product mix and pricing policy concerning selected products. The prices of basic raw materials used in the manufacturing process, i.e. wood and resin, remained on a similar level compared to the previous year, while the electricity and fuel costs decreased. The capacities of the key production lines were fully utilised ensuring therefore optimal distribution of fixed costs. The above mentioned factors in conjunction with the implemented operational efficiency improvement programmes were reflected in the gross margin of nearly 15%.

The investment programme, totalled at PLN 57.5m, aimed at the plant modernisation, adjusting the production potential to the market demand and improving cost efficiency contributed to the improvement of the financial performance. Execution of the programme led to further cost reduction and a product quality improvement.

In January 2014 Pfleiderer Grajewo SA finalised the purchase of minority share in its subsidiary, MDF Grajewo. Eventually, Pfleiderer Grajewo SA acquired 100% of shares in all the subsidiaries.

In December it was signed a 2-year contract for the delivery of our products to the strategic partner - FM Forte S.A. of an approximate value of PLN 306 m.

The 2015 strategy is targeted at the initiation of a process of multi-layer integration of organisational structures within a Pfleiderer Group. The unification of the processes and activities will lead to increasing the market and cost competitiveness, exploring new market potentials, transferring a technology and releasing a number of synergies from common operations. HR development plan will be set up across the organisation.

Yours faithfully,

Michael Wolff
President of the Board

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PFLEIDERER GRAJEWO S.A.

ANNUAL SEPARATE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31ST 2014

CONTENTS

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 (consolidated text, Dz. U. of 2014, item 133), the Pfleiderer Grajewo Management Board represents that to the best of its knowledge the annual separate financial statements for the year ended December 31st 2014 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 Management Board of Pfleiderer Grajewo S.A. represents that the audit firm which audited the annual separate financial statements was appointed in compliance with applicable laws, and that both the audit firm and the auditors 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.

Michael Wolff
President of the Management Board

Rafał Karcz
Member of the Management Board, Chief Financial Officer

Gerd Schubert
Member of the Management Board, Chief Operating Officer

Wojciech Gątkiewicz
Member of the Management Board, Chief Transformation Officer

Dariusz Tomaszewski
Member of the Management Board, Sales Director

Grajewo, March 18th 2015

Pfleiderer Grajewo S.A.

(all amounts in PLN thousand)

ANNUAL SEPARATE FINANCIAL STATEMENTS

Statement of comprehensive income

	Note	Jan 1– Dec 31 2014	Jan 1 – Dec 31 2013
Revenue		652,518	669,253
Cost of sales	4	(555,211)	(576,239)
Gross profit		**97,307**	**93,014**
Other income	2	6,604	4,878
Distribution costs	4	(38,657)	(29,908)
Administrative expenses	4	(23,765)	(27,379)
Other expenses	3	(2,191)	(1,021)
Operating profit		**39,298**	**39,584**
Finance income		39,342	106,123
Finance costs		(12,545)	(21,500)
Net finance income	6	**26,797**	**84,623**
Profit before tax		**66,095**	**124,207**
Income tax expense	7	(5,546)	(38,204)
Net profit		**60,549**	**86,003**
Other comprehensive income			
Effective portion of gains on fair-value measurement of hedging instruments		1,213	0
Other comprehensive income for the period		**1,213**	**0**
Total comprehensive income for the period		**61,762**	**86,003**
Basic earnings per share (PLN)	16	1.22	1.73
Diluted earnings per share (PLN)	16	1.22	1.73

Pfleiderer Grajewo S.A.

(all amounts in PLN thousand)

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	86,003	86,003
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**86,003**	**86,003**
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**		**(12,003)**	**0**
As at Dec 31 2013	**16,376**	**289,806**	**207,762**	**0**	**109,085**	**623,029**

	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	60,549	60,549
Effective portion of gains on fair-value measurement of hedging instruments	0	0	0	1,213	0	1,213
Total comprehensive income for the period	**0**	**0**	**0**	**1,213**	**60,549**	**61,762**
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 Dec 31 2014	**16,376**	**289,806**	**293,765**	**1,213**	**83,631**	**684,791**

Pfleiderer Grajewo S.A.

(all amounts in PLN thousand)

Statement of financial position

	Note	Dec 31 2014	Dec 31 2013
Assets			
Property, plant and equipment	8	155,814	116,340
Intangible assets	9	2,582	1,619
Investments in subsidiaries	10	785,752	785,752
Other non-current financial assets	11	75	18,738
Non-current loans advanced to subsidiaries	10	10,027	9,525
Prepayments for property, plant and equipment		0	4,936
Derivatives	21	626	0
Non-current assets		**954,876**	**936,910**
Inventories	13	74,031	65,240
Trade and other receivables	14	50,475	53,204
Income tax receivables		0	20,399
Cash and cash equivalents	26	4,527	4,826
Derivatives	21	587	0
Current assets		**129,620**	**143,669**
Total assets		**1,084,496**	**1,080,579**
Equity and liabilities			
Equity			
Share capital	15	16,376	16,376
Share premium		289,806	289,806
Statutory reserve funds		293,765	207,762
Effective portion of gains on fair-value measurement of hedging instruments		1,213	0
Retained earnings		83,631	109,085
Total equity		**684,791**	**623,029**
Liabilities			
Employee benefit obligations	18	8,754	6,114
Deferred tax liabilities	12	2,237	406
Non-current liabilities		**10,991**	**6,520**
Borrowings and other debt instruments	0	11,149	26,652
Income tax payable		470	0
Liabilities to related parties under debt securities	20	278,503	289,671
Trade and other payables	19	85,184	122,112
Employee benefit obligations	18	13,408	12,595
Current liabilities		**388,714**	**451,030**
Total liabilities		**399,705**	**457,550**
Total equity and liabilities		**1,084,496**	**1,080,579**

Pfleiderer Grajewo S.A.

(all amounts in PLN thousand)

Statement of cash flows

	Note	Jan 1 2014 Dec 31 2014	Jan 1 2013 Dec 31 2013
Cash flows from operating activities			
Net profit		**60,549**	**86,003**
Adjustments		(8,536)	(23,032)
Depreciation and amortisation	4	17,029	14,122
Foreign exchange gains		(1,517)	(1,297)
Dividend and interest for the period		(26,218)	7,135
Gain/loss on disposal of shares		116	(92,026)
Gain/loss on investing activities		(217)	78
Income tax expense accrued	7	5,546	38,204
Movements in working capital			
Decrease in trade and other receivables		8,529	29,661
Increase in inventories		(8,791)	(3,539)
Decrease in trade and other payables	26	(7,423)	(17,296)
Increase in employee benefit obligations		3,453	3,150
Result on forward contracts		899	2,332
Other adjustments		58	(3,556)
Cash flows from operating activities		**52,013**	**62,971**
Interest received		150	910
Interest paid		(17)	(94)
Income tax received/paid		17,155	(59,182)
Net cash from operating activities		**69,301**	**4,605**
Cash flows from investing activities			
Disposal of property, plant and equipment		217	309
Interest received		0	24
Dividend received	6	37,995	9,991
Acquisition of non-controlling interests		(30,341)	(193,132)
Disposal of a subsidiary		5,860	687,764
Acquisition of intangible assets and property, plant and equipment		(44,374)	(22,359)
Adjustments for spare parts		0	(241)
Repayment of loans advanced		0	4,514
Loans advanced		0	(9,263)
Net cash from investing activities		**(30,643)**	**477,607**
Cash flows from financing activities			
Repayment of borrowings and other debt instruments		(15,503)	(483,358)
Increase in borrowings and other debt instruments		0	26,652
Redemption of debt securities		(1,472,296)	(1,021,461)
Issue of debt securities		1,460,809	1,019,448
Interest paid		(11,967)	(20,386)
Net cash from financing activities		**(38,957)**	**(479,105)**
Total net cash flows		**(299)**	**3,107**
Increase/(decrease) in cash		(299)	3,107
Cash at beginning of the period		4,826	1,719
Cash at end of the period	26	**4,527**	**4,826**

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 Section B of the Commercial Register 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 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, the Company's business is registered under No. 1621 Z.

As at December 31st 2014, Pfleiderer Grajewo S.A. was the parent of the following companies:

- Pfleiderer Prospan S.A. located in Wieruszów,
- Silekol Sp. z o. o. located in Kędzierzyn Koźle,
- Pfleiderer MDF Sp. z o.o. located in Grajewo,
- Jura Polska Sp. z o.o. located in Grajewo,
- Unifloor Sp. z o. o. (in liquidation) located in Wieruszów,
- Pfleiderer Service Sp. z o.o. located in Grajewo,
- Grajewo OOO located in Novgorod (Russia).

Moreover, as at December 31st 2014, Pfleiderer Grajewo S.A. held a 50% interest in joint venture Blitz 11−446 GmbH.

These annual separate financial statements were approved by the Management Board on March 18th, 2015.

The Company prepared the consolidated financial statements for the financial year ended December 31st 2014, which were approved by the Management Board on March 18th, 2015.

Consolidated financial statements at the level of the ultimate parent of the group to which the Company belongs as a subsidiary will be prepared by Atlantik S.A. of Luxembourg.

2. The Company's principal business activity:

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

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

(all amounts in PLN thousand)

3. Composition of the Management Board and the Supervisory Board

As at December 31st 2014, the composition of the Company's Management Board was as follows:

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

During 12 months ended December 31st 2014, no changes in the composition of the Company's Management Board. On February 16th 2015 the Supervisory Board of Pfleiderer Grajewo S.A.:

- elected Mr Michael Wolff as the President of the Company's Management Board,
- elected Mr Gerd Schubert as the Member of the Company's Management Board, Chief Operating Officer,
- recalled Mr Wojciech Gątkiewicz from the position of President of the Management Board, and appointed him for the position of the Member of the Management Board, Transformation Director.

As at the date of issue of these financial statements, the composition of the Company's Management Board was as follows:

1. Michael Wolff	President of the Management Board
2. Rafał Karcz	Member of the Management Board
3. Gerd Schubert	Member of the Management Board
4. Wojciech Gątkiewicz	Member of the Management Board
5. Dariusz Tomaszewski	Member of the Management Board

As at December 31st 2014, the composition of the Company's Supervisory Board was as follows:

1. Michael Wolff	Chairman of the Supervisory Board
2. Jochen Schapka	Member of the Supervisory Board
3. Gerd Schubert	Member of the Supervisory Board
4. Richard Mayer	Member of the Supervisory Board
5. Jan Woźniak	Member of the Supervisory Board

During 12 months ended December 31st 2014, the following changes in the composition of the Company's Supervisory Board occurred:

1. On June 23rd 2014, Mr Gerd Hammerschmidt resigned from the position of the Member of the Supervisory Board of Pfleiderer Grajewo S.A. effective from June 29th 2014.
2. On June 30th 2014, Mr Gerd Schubert was appointed for the position of the Member of the Parent's Supervisory Board.

After December 31st 2014, the following changes in the composition of the Company's Supervisory Board occurred:

1. On January 30th 2015, pursuant to a Resolution of the Extraordinary General Meeting of the Company Mr Michael Wolff was recalled from the position of the Chairman of the Supervisory Board, and Mr Gerd Schubert was recalled from the position of a Member of the Supervisory Board.

- On January 30th 2015, the Extraordinary General Meeting appointed Mr Paolo G. Antonietti and Mr Michael F. Keppel to the Supervisory Board.

On February 16th 2015 the Supervisory Board appointed Mr Paolo G. Antonietti for a position of Chairman of Supervisory Board and Mr. Michael F. Keppel for a position of Vice Chairman of the Supervisory Board.

All duties and responsibilities of the audit committee were transferred to the Company Supervisory Board.

(all amounts in PLN thousand)

As at the date of issue of these financial statements, the composition of the Supervisory Board was as follows:

1. Paolo G. Antonietti	Chairman of the Supervisory Board
2. Michael F. Keppel	Deputy-Chairman of the Supervisory Board
3. Jochen Schapka	Member of the Supervisory Board
4. Richard Mayer	Member of the Supervisory Board
5. Jan Woźniak	Member of the Supervisory Board

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

These annual financial statements have been prepared for the year ended December 31st 2014, while the comparative financial data and notes relate to the year ended December 31st 2013.

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.

The Company has elected not to apply early the new standards and interpretations which have already been published and endorsed by the European Union but will become effective subsequent to the reporting date.

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

IFRIC Interpretation 21 Levies

Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions

Improvements to IFRS (2010-2012)

Improvements to IFRS (2011-2013)

IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to standards and interpretations, which as of the date of publication of the financial statements have not been approved for use:

Standards and Interpretations adopted by the Board (IASB) and pending approval by the EU on 31 December 2014

IFRS 9 Financial Instruments (2014)

IFRS 14 Regulatory Deferral Accounts

IFRS 15 Revenue from Contracts with Customers

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 Joint Arrangements)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets)

Agriculture: Bearer Plants (Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture)

Equity Method in Separate Financial Statements (Amendments to IAS 27 Separate Financial Statements)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates)

Improvements to IFRS (2012-2014)

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures)

Disclosure initiative (Amendments to IAS 1 Presentation of Financial Statements)

According to the Group, abovementioned standards, interpretations and amendments to standards would not have a material impact on the consolidated financial statements, if they had been applied by the Group at the reporting date, with the exception of IFRS 9 "Financial Instruments", which could have a significant impact on the classification and valuation financial assets. Upon initial application, ie. January 1, 2017 year impact of the new IFRS 15 will depend on the specific facts and circumstances relating to contracts with customers, the Group is a party. The Group has not yet analyse the impact of the new standards on its financial position and results of operations.

b) Basis of accounting

These annual separate financial statements have been 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 disclosed in these separate financial statements are expressed in the Polish zloty (PLN) and rounded to the nearest thousand, unless indicated otherwise. The Polish zloty is the functional currency of the Company.

d) Estimates and judgements

The preparation of these separate financial statements in conformity with the EU IFRS requires making 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 activities, operations and developments, the actual results may differ from projections.

Estimates and underlying assumptions are reviewed on an ongoing basis. Any change in accounting estimates is recognised in the period in which such change occurred or in the current and future periods if the 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) and f (iii) – useful lives of property, plant and equipment and intangible assets – determined based on useful lives of property, plant and equipment and intangible assets and verified at least annually.
- Note 12 – Corporate income tax - recognition of corporate income tax or settlement of losses carried forward based on the 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

(all amounts in PLN thousand)

of capital, increase rates).

- Note 14 – derecognition of trade receivables from the statement of financial position based on assessment of transfer of risks and rewards, and remaining involvement.
- Note 18 – Measurement of liabilities under defined employee benefits. Employee benefits are evaluated by an actuary. The valuation is based on certain assumptions regarding interest rates, remuneration increase, inflation rate, and employee turnover,
- Note 21 – Valuation of financial instruments – fair value of financial instruments is measured using valuation models for financial instruments,
- Note 22 – Classification of lease agreements – the Management Board classifies lease agreements based on assessment of acquired/transferred risks and rewards associated with the assets used under a lease agreement.
- Note 24 – Contingent liabilities – recognition of contingent liabilities requires estimating the risk and probable outflow of economic benefits as well as defining the best estimate of the expenditure required to settle the present obligation at the end of reporting period.

6. Significant accounting policies

The Company's accounting policies, have been applied consistently to all periods presented in these financial statements, and are consistent with the policies applied in the previous year.

a) Transactions in foreign currencies

Any transaction involving sale or purchase of a foreign currency is translated into the Polish zloty using the exchange rate applied by the entity's bank on the transaction dates.

Any transaction expressed in a foreign currency is translated into the Polish zloty on the transaction date using the average exchange rate quoted by the National Bank of Poland for a given currency for the date immediately preceding the transaction date.

Monetary assets and liabilities expressed in foreign currencies are translated as at the reporting date using average exchange rate quoted by the National Bank of Poland for a given currency for that date.

Non-monetary assets and liabilities valued at historical cost in foreign currencies are translated using the average exchange rate quoted by the National Bank of Poland for the transaction date.

Non-monetary foreign currency denominated assets and liabilities measured at fair value are translated using average exchange rate quoted by the NBP for the fair value measurement date.

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

Exchange rates used to translate monetary items of the statement of financial position

	Dec 31 2014	Dec 31 2013
EUR	4.2623	4.1472
USD	3.5072	3.0120
GBP	5.4648	4.9828
RUB	0.0602	0.0914
RON	0.9510	0.9262

b) Financial instruments

(i) Non-derivative financial instruments

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

A financial instrument is recognised if the Company becomes a party to the instrument's contractual provisions. Financial assets are derecognised from the statement of financial position if the Company's contractual rights to 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.

The Company may transfer financial assets in a way that some of the assets will not be derecognised. If the Company transfers a financial asset in a way that it neither retains nor transfers substantially all risks and rewards of ownership but it retains control of the financial asset then the Company continues to recognise a financial asset to the extent of its continuing involvement in the asset. The extent of the entity's continuing involvement in the transferred asset is the extent to which the entity is exposed to the risk of changes in the value of the transferred asset.

If the entity continues to recognise an asset to the extent of its continuing involvement, it also recognises the related liability, which is measured in such a way as to reflect the rights and obligations that the entity retained with respect to the asset.

Financial liabilities are derecognised from the statement of financial position if the Group's obligations specified in the contract expire or are discharged or cancelled.

Loans advanced and receivables

Loans 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 directly attributable transaction costs, and subsequently measured at amortised cost, using the effective interest rate method, less any accumulated 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 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. Cash and cash equivalents reported in the statement of cash flows include the above mentioned cash and cash equivalents.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are initially recognised at fair value plus 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 on which the Company becomes a party to the contractual provisions of the instrument.

The Company's financial liabilities measured at amortised cost comprise borrowings, debt securities as well as trade and other payables.

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

(ii) Derivative financial instruments and hedge accounting

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

Initially, financial derivatives are recognised at 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 for 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 describes 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 makes an assessment, both at inception and in subsequent periods, whether it is justified to expect that the hedging instruments will remain "highly effective" in 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 for the period.

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

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 current period's profit or loss in the same period and in 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 a derivative instrument is recognised immediately in the period's 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 in profit or loss for the period. Otherwise, amounts previously recognised in the statement of comprehensive income are recognised in profit or loss in the same period or periods in which the hedged transaction impacts 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 expenses incurred by a company to construct, install, adapt or improve such asset, including non-deductible VAT or excise tax, until the day on which the asset was available for use. The production cost comprises also the estimated 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 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 disclosed in the statement of financial position, and is recognised in profit or loss for the period.

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

Lease agreements under which an 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 risks and benefits resulting from the ownership of the leased asset are classified as operating leases. Property, plant and equipment used under operating lease agreements are not recognized in the statement of financial position.

(iii) Subsequent expenditure

The Company capitalises subsequent expenditure only when it is probable that the Company will obtain future economic benefits associated with the expenditure. Other expenditure is recognised in profit or loss as incurred. Repair and maintenance costs are recognised in profit or loss 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 economic life unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

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

Buildings	25-40 years
Plant and equipment	2-25 years
Vehicles	5-8 years
Other tangible assets	4-8 years

The correctness of the applied useful 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 with a definite useful life acquired in a separate transaction are recognised at acquisition cost less accumulated 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 profit or loss as incurred.

(iii) Amortisation

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

Licences	2-3 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 the end of each reporting period and adjusted where appropriate.

g) Inventories

Inventories are recognised at the lower of 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 cost of inventory is determined in the following manner:

Materials and merchandise – at acquisition cost; based on the weighted average method.

Finished goods 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 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. Impairment losses on financial assets available for sale are computed by reference to the assets' present fair value.

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 for the period.

Impairment losses are reversed if a subsequent increase in the recoverable amount 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 for the period.

(ii) Non-financial assets

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

The recoverable amount of assets of 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 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 for the period. 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. For other assets, at the end of 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 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 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 of 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,
- a part of a single co-ordinated plan to dispose of a major 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 of the reporting period.

l) Provisions

Provisions are recognised when the company 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 presented in finance costs.

m) Revenue

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

Revenue from sales of finished goods/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 goods 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 goods/merchandise is highly uncertain, or if the Company is involved in the management of the sold finished goods/merchandise on a continuing basis.

n) Operating lease payments

Payments under operating lease agreements concluded by the Company are recognised in profit or loss for the period on a straight-line basis during the lease term.

o) Finance lease payments

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

p) Net foreign exchange gains/loss

Foreign exchange gains and losses arising in connection with operating activities, i.e. realised and unrealised foreign exchange gains or losses on cash, receivables and payables, investment liabilities and sale of receivables (factoring) are recognised in other income or expenses. Foreign exchange gains and losses are posted on a net basis as either finance income or finance costs.

q) Net finance income and costs

Finance income includes interest income on funds invested by the Company, net gains previously recognised in other comprehensive income, foreign exchange gains (other than those classified in other income) and dividends receivable. Interest income is recognised in profit or loss on an accrual basis using the effective interest rate method. Dividend is recognised in profit or loss on the date when the Company is vested with the right to receive dividend.

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

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

r) Income tax expense

Corporate income tax recognised in profit or loss comprises the current and deferred tax. The current and deferred income tax is recognised in profit or loss for the period., unless it relates to 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 end of the reporting period, and including any adjustments of the tax due for the previous years.

The deferred income tax is determined in relation to all temporary differences existing as at the end of the reporting period 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 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 for the period;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that the Group is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- Taxable temporary differences arising on 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. The amount of a deferred tax asset recognised in the statement of financial position is reviewed as at the end of each reporting period 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 revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Company’s other components. 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 to assess the segments’ 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

(all amounts in PLN thousand)

1. Operating segments

For information on operating segments, see the Company's annual consolidated financial statements for the year ended December 31st 2014.

2. Other income

	Jan 1 2014 Dec 31 2014	Jan 1 2013 Dec 31 2013
Profit on sale of property, plant and equipment	217	0
Reversal of impairment loss on receivables	1,906	1,469
Compensations received	152	77
Release of unused accruals and deferred income	987	606
Net foreign exchange gains from operating activities	823	1,162
Gain on from forward contracts (operating activities)	214	934
Other income	2,305	630
Total	**6,604**	**4,878**

Other income of PLN 2,305 thousand includes income from the sale of CO_2 emission rights in the amount of PLN 1,684 thousand.

3. Other expenses

	Jan 1 2014 Dec 31 2014	Jan 1 2013 Dec 31 2013
Loss on sale of property, plant and equipment	0	78
Impairment loss on trade receivables	877	95
Receivables written-off	182	3
Damages paid	58	68
Recognition of other provisions	849	464
Other expenses	225	313
Total	**2,191**	**1,021**

4. Operating expense, by nature of expense

	Jan 1 2014 Dec 31 2014	Jan 1 2013 Dec 31 2013
Raw materials and consumables used	371,647	396,728
Depreciation and amortisation *)	17,029	10,214
Services	50,723	56,196
Taxes and charges	6,712	6,626
Employee benefits expense	56,713	50,671
Merchandise and materials sold	110,154	101,535
Other costs	11,862	10,972
Total costs	**624,840**	**632,942**
Change in inventories of finished goods and accruals and deferrals	(4,762)	1,861
Work performed by entity and capitalised to assets	(2,445)	(1,277)
Total operating expenses	**617,633**	**633,526**
including:		
Distribution costs	38,657	29,908
Administrative expenses	23,765	27,379
Cost of sales	555,211	576,239

(all amounts in PLN thousand)

*) The annual depreciation charge in the comparative period of PLN 14,122 thousand was reduced by PLN 3,909 thousand, being a full reversal of the impairment loss on the CPS hydraulic press.

5. Employee benefits expense

	Jan 1 2014 Dec 31 2014	Jan 1 2013 Dec 31 2013
Salaries and wages payable	43,736	38,233
Employee benefits	10,323	9,452
Increase in retirement bonus obligations	2,919	717
Increase in unused holiday entitlement obligations	165	171
Decrease/increase in bonus obligations	(430)	2,098
Total	**56,713**	**50,671**

6. Finance income and costs

Disclosed in profit or loss for the period:

	Jan 1 2014 Dec 31 2014	Jan 1 2013 Dec 31 2013
Interest income	652	2,708
Net foreign exchange gains from financing activities	10	0
Gain on forward contracts (financing activities)	685	1,398
Gain on disposal of shares and assets in subsidiaries	0	92,026
Dividend income	37,995	9,991
Finance income	39,342	106,123
Interest expense	12,360	19,834
Net foreign exchange loss from financing activities	0	1,013
Losses on disposal of shares and assets in subsidiaries	116	0
Other finance costs	69	653
Finance costs	12,545	21,500
Net finance income	**26,797**	**84,623**

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

	Jan 1 2014 Dec 31 2014	Jan 1 2013 Dec 31 2013
Interest income on financial assets	652	2,708
Interest expense on financial liabilities	(12,360)	(19,834)
	(11,708)	**(17,126)**

(all amounts in PLN thousand)

7. Income tax expense

	Jan 1 2014 Dec 31 2014	Jan 1 2013 Dec 31 2013
Income tax expense		
Current portion of income tax	3,715	38,782
Deferred income tax		
Relating to origination and reversal of temporary differences	(2,312)	(9,623)
Tax loss	4,143	9,045
	1,831	(578)
Income tax disclosed in profit or loss for the period.	**5,546**	**38,204**

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

		Jan 1 2014 Dec 31 2014		Jan 1 2013 Dec 31 2013
Profit before tax	%	**66 095**	%	**124 207**
Tax at domestic rate	19%	12,558	19%	23,599
Receivables written off following transfer of deposit	0%	0	11.39%	14,144
Non-tax-deductible expenses	0.32%	209	1.98%	2,459
Dividends received	(10.92%)	(7,219)	(1.53%)	(1,898)
Non-taxable income	0.00%	(2)	(0.08%)	(100)
Effect on income tax	(10.61%)	(7,012)	11.76%	14,605
Income tax at effective tax rate	8.39%	5,546	30.76%	38,204
Income tax disclosed in profit of the period		**5,546**		**38,204**

(all amounts in PLN thousand)

8. Property, plant and equipment

Gross value	Land, buildings	Plant and equipment	Other	Tangible assets under construction	Total
As at Jan 1 2013	108,924	368,499	19,187	1,467	498,077
Increases	0	4,331	0	18,928	23,259
Decreases	347	2,337	1,325	0	4,009
Transfers	1,435	7,019	1,618	(10,283)	(211)
As at Dec 31 2013	**110,012**	**377,512**	**19,480**	**10,112**	**517,116**
As at Jan 1 2014	110,012	377,512	19,480	10,112	517,116
Increases	0	0	0	57,524	57,524
Decreases	0	577	697	0	1,274
Transfers	1,250	34,698	4,151	(42,153)	(2,054)
Reclassification of property, plant and equipment	0	(58)	0	0	(58)
As at Dec 31 2014	**111,262**	**411,575**	**22,934**	**25,483**	**571,254**

(all amounts in PLN thousand)

Accumulated depreciation and impairment losses	Land, buildings	Plant and equipment	Other	Tangible assets under construction	Total
As at Jan 1 2013	69,171	309,006	16,844	0	395,021
Depreciation	2,609	9,792	885	0	13,286
Decreases	173	2,143	1,306	0	3,622
Reversal of impairment loss	0	3,909	0	0	3,909
As at Dec 31 2013	**71,607**	**312,746**	**16,423**	**0**	**400,776**
As at Jan 1 2014	71,607	312,746	16,423	0	400,776
Depreciation	2,641	11,737	1,560	0	15,938
Decreases	0	577	697	0	1,274
As at Dec 31 2014	**74,248**	**323,906**	**17,286**	**0**	**415,440**
Net value					
As at Jan 1 2013	**39,753**	**59,493**	**2,343**	**1,467**	**103,056**
As at Dec 31 2013	**38,405**	**64,766**	**3,057**	**10,112**	**116,340**
As at Jan 1 2014	**38,405**	**64,766**	**3,057**	**10,112**	**116,340**
As at Dec 31 2014	**37,014**	**87,669**	**5,648**	**25,483**	**155,814**

(all amounts in PLN thousand)

Impairment of non-financial non-current assets

The Management Board tested non-financial non-current assets for impairment as at December 31st 2014. The test did not reveal any such indications.

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

9. Intangible assets

Gross value	**Licences, computer software and other**
As at Jan 1 2013	19,803
Transfers	211
Decreases	652
As at Dec 31 2013	**19,362**
As at Jan 1 2014	19,362
Transfers	2,054
As at Dec 31 2014	**21,416**
Accumulated amortisation and impairment losses	
As at Jan 1 2013	17,559
Amortisation	836
Decreases	652
As at Dec 31 2013	**17,743**
As at Jan 1 2014	17,743
Amortisation	1,091
As at Dec 31 2014	**18,834**
Net value	
As at Jan 1 2013	**2,244**
As at Dec 31 2013	**1,619**
As at Jan 1 2014	**1,619**
As at Dec 31 2014	**2,582**

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

(all amounts in PLN thousand)

10. Investments in subsidiaries

The Company's investments in subsidiaries comprise:

	Dec 31 2014	Dec 31 2013
Interest in subsidiaries	785,752	785,752
Non-current loans advanced to subsidiaries	10,027	9,525
	795,779	**795,277**

10.1. Interest in subsidiaries

The Company's interests in subsidiaries comprise:

	Country	Value of shares at acquisition cost	Ownership interest	Country	Value of shares at acquisition cost	Ownership interest
		Dec 31 2014			Dec 31 2013	
Pfleiderer MDF Sp. z o.o.	Poland	197,053	100%	Poland	197,053	100%
Silekol Sp. z o.o.	Poland	117,428	100%	Poland	117,428	100%
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%
Grajewo OOO	Russia	9	100%	Russia	9	100%
Pfleiderer Services Sp. z o.o.	Poland	54	100%	Poland	54	100%
		785,752			**785,752**	

Value of shares in jointly controlled entities presented in other non-current financial assets:

	Country	Value of shares at acquisition cost	Ownership interest	Country	Value of shares at acquisition cost	Ownership interest
		Dec 31 2014			Dec 31 2013	
Blitz 11-446 GmbH	Germany	65	50%	Germany	65	50%
		65			**65**	

Changes in Pfleiderer Grajewo S.A.'s shareholdings in subsidiaries in the reporting period:

In the period from January 1st to December 31st 2014, the structure of Pfleiderer Grajewo S.A.'s equity holdings in subsidiaries did not change relative to December 31st 2013.

Even though certain economic events took place in the current reporting period, they did not directly affect the structure of the Company's holdings and followed from the previously executed agreements.

On January 20th 2014, Pfleiderer Grajewo S.A., as the purchaser, and Pfleiderer Service GmbH located in Neumarkt, Germany, as the seller, signed an agreement for the purchase of shares in subsidiary Pfleiderer MDF Sp. z o.o. located in Grajewo. The share purchase agreement was signed in the performance of the preliminary purchase agreement of December 27th 2013, following fulfilment of a condition provided for in the preliminary agreement (i.e. court registration of share capital increase at Pfleiderer MDF Sp. z o.o.). The purchase agreement concerned 135,328 non-preference shares with a par value of PLN 500 per share. The purchase price for the shares was EUR 6,988 thousand (an equivalent of PLN 29,070 thousand).

(all amounts in PLN thousand)

10.2. Loans advanced to subsidiaries

The Company advanced the following loans to subsidiaries:

non-current loans:	Dec 31 2014	Dec 31 2013
Loan advanced to Pfleiderer MDF Sp. z o.o.	10,027	9,525
	10,027	**9,525**

10.3. Impairment of investments in subsidiaries

The Management Board tested investments in subsidiaries for impairment as at December 31st 2014.

The recoverable amount of investments in subsidiaries Pfleiderer Prospan S.A., Pfleiderer MDF Sp. z o.o., Silekol Sp. z o.o. and Jura Polska 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, as provided for in the budgets approved by the Management Board and covering the period until 2019. Cash flows extending beyond the period of five years are extrapolated using the Gordon model at a 2.5% growth rate. The 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 2014 to calculate the value in use were as follows:

- terminal growth rate beyond the five-year period covered by the budget – 2.5%;
- discount rates – 8.8%.
- the percentage share in subsidiaries' equity reflects the current structure of the Pfleiderer Grajewo Group.

The Management Board made budget assumptions for the impairment test based on past performance and on the Management Board's market development forecasts. The discount rate was applied to reflect the risks specific to a given investment. A rate of return on 10-year government bonds was assumed as the risk-free rate.

The test did not reveal any impairment of investments in subsidiaries as at December 31st 2014.

10.4. Key financial data of subsidiaries:

Period Jan 1−Dec 31 2014	Assets	Liabilities and provisions for liabilities	Equity	Revenue	Profit/ (loss)
Pfleiderer MDF Sp. z o.o.	411,937	231,143	180,794	308,858	23,430
Silekol Sp. z o.o.	167,157	67,156	100,001	450,811	23,527
Pfleiderer Prospan S.A.	557,266	87,468	469,798	463,458	34,108
Jura Polska Sp. z o.o. *)	12,086	10,125	1,961	77,953	(262)
Grajewo OOO*)	746	4	742	2,881	101
Unifloor Sp. z.o.o (in liquidation) *) **)	0	4,686	(4,686)	0	0
Pfleiderer Services Sp. z o.o.*)	19	0	19	0	(1)
	1,149,211	**400,582**	**748,629**	**1,303,961**	**80,903**

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

(all amounts in PLN thousand)

Period Jan 1–Dec 31 2013	Assets	Liabilities and provisions for liabilities	Equity	Revenue	Profit/ (loss)
Pfleiderer MDF Sp. z o.o.	370,242	212,878	157,364	270,947	9,017
Silekol Sp. z o.o.	159,798	62,306	97,492	425,878	21,018
Pfleiderer Prospan S.A.	529,367	76,745	452,622	433,971	18,404
Jura Polska Sp. z o.o.	12,252	9,984	2,268	69,970	46
Grajewo OOO*)	1,389	375	1,014	19,553	1,087
Unifloor Sp. z.o.o (in liquidation) *) **)	0	4,686	(4,686)	0	0
Pfleiderer Services Sp. z o.o.*)	20	0	20	0	(1)
	1,073,068	**366,974**	**706,094**	**1,220,319**	**49,571**

*) Unaudited data
**) 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

Other non-current financial assets	Dec 31 2014	Dec 31 2013
Financial assets available for sale	**75**	**75**
-shares in companies not listed on a regulated securities market	75	75
Other financial assets	**0**	**18,663**
Non-current receivables	0	18,663
	75	**18,738**

Other non-current financial assets of PLN 18,663 thousand recorded in the comparative period comprise receivables which, under executed agreements, are blocked in bank accounts and relate to sale of shares in the Group’s Russian subsidiaries.

(all amounts in PLN thousand)

12. 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 2014	Liabilities Dec 31 2014	Net Dec 31 2014	Assets Dec 31 2013	Liabilities Dec 31 2013	Net Dec 31 2013
Non-current assets						
Property, plant and equipment	0	4,113	(4,113)	0	5,575	(5,575)
Non-current loans advanced to subsidiaries	0	7	(7)	0	1	(1)
Other non-current financial assets	0	0	0	0	3,546	(3,546)
Current assets						
Inventories	782	0	782	747	0	747
Trade and other receivables	799	3,565	(2,766)	926	1,604	(678)
Non-current liabilities						
Employee benefit obligations	1,663	0	1,663	1,162	0	1,162
Current liabilities						
Trade and other payables	858	176	682	1,922	78	1,844
Employee benefit obligations	1,522	0	1,522	1,498	0	1,498
Total tax loss brought forward	0	0	0	4,143	0	4,143
Deferred income tax asset/liability	**5,624**	**7,861**	**(2,237)**	**10,398**	**10,804**	**(406)**
Deferred income tax asset and liability offset	0	(5,624)		0	(10,398)	
Deferred income tax liability in the statement of financial position	**0**	**2,237**		**0**	**406**	

(all amounts in PLN thousand)

Changes in temporary differences during the reporting period:

For the period January 1st – December 31st 2014

	As at Jan 1 2014	Change in temporary differences recognised in profit or loss for the period.	As at Dec 31 2014
Non-current assets			
Property, plant and equipment	(5,575)	1,462	(4,113)
Non-current loans advanced to subsidiaries	(1)	(6)	(7)
Other non-current financial assets	(3,546)	3,546	0
Current assets			
Inventories	747	35	782
Trade and other receivables	(678)	(2,088)	(2,766)
Non-current liabilities			
Employee benefit obligations	1,162	501	1,663
Current liabilities			
Trade and other payables	1,844	(1,162)	682
Employee benefit obligations	1,498	24	1,522
Total tax loss brought forward	4,143	(4,143)	0
	(406)	**(1,831)**	**(2,237)**

For the period January 1st – December 31st 2013

	As at Jan 1 2013	Change in temporary differences recognised in profit or loss for the period.	As at Dec 31 2013
Non-current assets			
Property, plant and equipment	(6,617)	1,042	(5,575)
Non-current loans advanced to subsidiaries	(1)	0	(1)
Other non-current financial assets	0	(3,546)	(3,546)
Current assets			
Inventories	970	(223)	747
Trade and other receivables	1,074	(1,752)	(678)
Assets held for sale or distribution	(13,107)	13,107	0
Non-current liabilities			
Liabilities under bank borrowings and other debt instruments	1,025	(1,025)	0
Employee benefit obligations	1,028	134	1,162
Current liabilities			
Liabilities under borrowings and other debt instruments	(181)	181	0
Trade and other payables	594	1,250	1,844
Employee benefit obligations	1,043	455	1,498
Total tax loss brought forward	13,188	(9,045)	4,143
	(984)	**578**	**(406)**

(all amounts in PLN thousand)

13. Inventories

	Dec 31 2014	Dec 31 2013
Materials and merchandise	50,075	45,195
Semi-finished products and work in progress	12	4
Finished goods	23,802	19,368
Advances for delivers	142	673
Total	**74,031**	**65,240**

Inventories are disclosed in the statement of financial position at net value, i.e. net of write-downs of PLN 4,118 thousand (December 31st 2013: PLN 3,933 thousand).

As at the end of the reporting period, inventory was not used as a security for bank loans and other borrowings.

14. Trade and other receivables

	Dec 31 2014	Dec 31 2013
Trade receivables and prepayments	20,192	34,356
Current prepayments and accrued income	3,153	3,758
Current VAT receivables	6,467	5,156
Other receivables	20,663	9,934
Total	**50,475**	**53,204**

As at December 31st 2014, trade receivables were reduced by impairment losses of PLN 4,635 thousand (December 31st 2013: PLN 5,665 thousand).

Other receivables, in the amount of PLN 20,663 thousand, include in particular receivables which are, under executed agreements, blocked in a bank account and relate to the sale of shares in the Russian subsidiaries. The value of these receivables as at 31 December 2014 is PLN 19,180 thousand. As at 31 December 2013 receivables blocked on this account amounted to PLN 26,956 thousand. The amount of PLN 18,662 thousand was presented as a long-term asset and the remaining part in the amount of PLN 8,294 thousand as a short-term receivables in the statement of financial position.

Trade and other receivables include the following financial receivables:

	Dec 31 2014	Dec 31 2013
Trade receivables	20,192	34,356
Other receivables	20,663	9,934
Total	**40,855**	**44,290**

Factoring of receivables

As at December 31st 2014, Pfleiderer Grajewo S.A. was party to a factoring agreement Typically, the Company enters into factoring agreements of up to one year.

The existing factoring agreement is a capped non-recourse facility, and its term is indefinite. The agreement is automatically extended for next 12 months if neither party notifies the other party of its intention not to extend the agreement, with the proviso that such notice may be sent no later than two months before the expiry of the agreement.

(all amounts in PLN thousand)

The terms of the existing agreement are as follows:

Factoree:	Expiry date:	Factor:	Limit:
Pfleiderer Grajewo S.A.	March 31st 2015	PEKAO Factoring Sp. z o.o.	PLN 100,000 thousand

Under the factoring agreement, the factor purchase receivables for 100% of the receivables' nominal value, and the cost of financing (WIBOR / EURIBOR + margin) is covered by the Company. If 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 is covered pro rata to the loss incurred by the Company.

As the Company's exposure equals to 10% of the receivables sold to the factor, that portion of the receivables and 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 amounts of the receivables and the related liabilities which continue to be recognised by the Company in the statement of financial position:

	Dec 31 2014	Dec 31 2013
Total trade receivables	69,520	93,276
Receivables derecognised from the statement of financial position	(49,328)	(58,920)
Net trade receivables	**20,192**	**34,356**

	Dec 31 2014	Dec 31 2013
Factoring receivables as at the reporting date	65,853	78,511
Payments made by customers, not submitted to the factor	(11,044)	(13,045)
Balance after payments, including:	54,809	65,466
Derecognised receivables (90%)	49,328	58,920
Receivables recognised in the Company's statement of financial position up to the exposure (10%)	**5,481**	**6,546**

Settlement of factoring services	Dec 31 2014	Dec 31 2013
Factoring receivables as at the end of the reporting period	65,853	78,511
Other settlements with the factor – cash in transit	(27)	0
Receivables derecognised from the statement of financial position (90%)	(49,328)	(58,920)
Factoring liabilities as at the reporting date	**16,498**	**19,591**

15. Equity

	Dec 31 2014	Dec 31 2013
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 2014, the number of the Company shares held by its shareholder, Pfleiderer Service GmbH, did not change.

As at December 31st 2014, Atlantik S.A. located in Luxembourg was the ultimate shareholder.

(all amounts in PLN thousand)

15.1. 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 2014, all shares were paid up. Shareholders have the right to dividend and are entitled to the one vote per share at the General Meeting. In the financial year 2014, 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 amount of PLN 28,863 thousand and retained earnings to decrease by the same amount.

15.2. Share premium

Share premium is created from the excess of proceeds from issuance of shares above their par value. In 2014, there were no changes in share premium.

15.3. 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 2014, the Company transferred PLN 86,003 thousand from its 2013 net profit to statutory reserve funds.

15.4. Dividends

The Company did not pay dividend in 2014.

16. 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 net profit attributable to ordinary shares for the financial year ended December 31st 2014 amounted to PLN 60,549 thousand, whereas net profit attributable to ordinary shares for the financial year ended December 31st 2013 was PLN 86,003 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 2014 Dec 31 2014	**Jan 1 2013 Dec 31 2013**
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:

	Jan 1 2014 Dec 31 2014	**Jan 1 2013 Dec 31 2013**
Basic earnings per share as at December 31st	1.22	1.73
Diluted earnings per share as at December 31st	1.22	1.73

(all amounts in PLN thousand)

17. Borrowings and other debt instruments

	Dec 31 2014	Dec 31 2013
Current liabilities		
Overdraft facilities	11,149	26,652
Total	**11,149**	**26,652**

Terms and repayment schedules of credit facilities as at December 31st 2014:

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 current credit facility agreements. The total credit limit available under the facilities with four banks amounts to PLN 300,000 thousand and ensures the financial liquidity of the Company and its subsidiaries.

				As at Dec 31 2014	
Lender	**Interest rate**	**Maturity date**	**Security**	**Current portion**	**Non-current portion**
Millennium S.A.	1M WIBOR + margin	Jun 25 2018	mortgages, pledges	2,373	0
Millennium S.A.	1M WIBOR + margin	Jun 25 2016	mortgages, pledges	2,361	0
Alior Bank S.A.	1M WIBOR + margin	Jun 25 2018	Mortgages	826	0
Alior Bank S.A.	1M WIBOR + margin	Jun 25 2016	Mortgages	868	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	1,996	0
BOŚ Bank S.A.	1M WIBOR + margin	Jun 25 2018	mortgages, pledges	2,725	0
			Total	**11,149**	**0**

17.1. 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 agreement provides for the repayment of the entire loan after five years from execution of the agreement, while the overdrafts are to be repaid within three years. The facilities are used to finance the borrowers' day-to-day operations.

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 issued a surety for up to PLN 11,500 thousand covering liabilities of Pfleiderer Prospan S.A. and Silekol Sp. z o.o.

17.2. 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. The facility, used to finance the Company's day-to-day operations, is to be repaid in full within five years from the agreement execution date. At the same time, the Company and the subsidiaries Pfleiderer 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 to the Company an overdraft limit of PLN 25,000 thousand and separate sub-limits of PLN 10,000 thousand to Pfleiderer Prospan S.A. and Silekol Sp. z o.o. each. The facility, used to finance the borrowers' day-to-day operations is repayable within three years from the agreement execution date. 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.

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 Pfleiderer Prospan S.A., as well as with a pledge over the machinery of the Pfleiderer Prospan production plant.

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

17.3. 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 within five years from the agreement execution date. At the same time, the Company and the subsidiaries Pfleiderer 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 within three years from the agreement execution date. 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 Pfleiderer Prospan S.A., as well as with a pledge over the machinery of the Company's production plant.

Pfleiderer Grajewo S.A. also provided a surety for an aggregate amount of up to PLN 15,000 thousand, covering liabilities of Pfleiderer Prospan S.A. and Silekol Sp. z o.o.

17.4. 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 execution of the agreement.

The credit facility 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 machinery of the Company's production plant.

(all amounts in PLN thousand)

Terms and repayment schedules of bank borrowings as at December 31st 2013:

				As at Dec 31 2013	
Lender	**Interest rate**	**Maturity date**	**Security**	**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**

17.5. Liabilities under borrowings from related parties

As at December 31st 2014 and December 31st 2013, the Company did not carry any liabilities under loans from related parties.

18. Employee benefit obligations

	Dec 31 2014	Dec 31 2013
Salaries and wages	1,893	1,617
Personal income tax	733	485
Social security	2,236	1,970
Social Benefits Fund	1,588	1,579
Retirement bonus obligations	9,269	6,350
Unused holiday entitlement obligations	1,965	1,800
Employee bonus obligations	4,478	4,908
Total	**22,162**	**18,709**
Non-current portion	8,754	6,114
Current portion	13,408	12,595

Retirement bonus and disability severance payment obligations

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. Pursuant to z Art. 92^1§1 of the Labour Code, retirement and disability severance payments must not be lower than the employee's one-month pay.

Obligations under retirement and disability severance payments were determined by a qualified actuary using the actuarial projected unit credit method, assuming annual remuneration growth rate at 4% and a discount rate of 2.7%.

(all amounts in PLN thousand)

Assumptions used for calculation of the retirement bonus:

- Data on staff turnover was derived from the statistics of Pfleiderer Grajewo S.A. and from the statistics available to HALLEY.PL AKTUARIUSZE Sp. z o.o., an actuarial firm. To reflect 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 2013 Life Expectancy Tables for Poland compiled by the Central Statistics Office (GUS), which are 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 does not show significant sensitivity to slight changes of this parameter.
- The default 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 4% per annum.
- The discount rate was assumed at 2.7%.

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 for which the employees will receive remuneration paid in cash in the future.

19. Trade and other payables

	Dec 31 2014	Dec 31 2013
Trade payables	49,210	53,107
Liabilities under factoring agreements	16,498	19,591
Liabilities from acquisition of fixed assets	14,217	6,773
Liabilities related to shares acquired in a subsidiary	0	29,360
Other liabilities	5,259	13,281
Total	**85,184**	**122,112**

As at December 31st 2014, other liabilities comprised in particular prepaid deliveries of PLN 612 thousand, accruals (including audit costs, environmental charge, insurance and guarantees) of PLN 2,008 thousand, and an additional provision for risk related to claims being filed following the sale of the Russian companies, in the amount of PLN 1,920 thousand.

As at December 31st 2013, other liabilities comprised in particular prepaid deliveries of PLN 1,379 thousand, accruals (including audit costs, environmental charge, insurance and guarantees) of PLN 2,550 thousand, and an additional provision for risk related to claims related to the sale of the Russian companies, in the amount of PLN 8,000 thousand.

(all amounts in PLN thousand)

Trade and other payables include the following financial liabilities:

	Dec 31 2014	Dec 31 2013
Trade payables	49,210	53,107
Liabilities under factoring agreements	16,498	19,591
Liabilities from acquisition of fixed assets	14,217	6,773
Liabilities related to shares acquired in a subsidiary	0	29,360
Other liabilities	4,047	10,131
Total	**83,972**	**118,962**

For information on exposure to currency and liquidity risk with respect to liabilities, see Note 21.

20. Liabilities to related parties under debt securities

	Dec 31 2014	Dec 31 2013
Liabilities to related parties under debt securities	278,503	289,671
Total	**278,503**	**289,671**

The liabilities under debt securities in the amount of PLN 278,503 thousand as at December 31st 2014 (December 31st 2013: PLN 289,671 thousand) relate to the commercial paper issued in the form of short-term notes. As at December 31st 2014, the notes were held by Pfleiderer Prospan S.A., a subsidiary.

The notes were issued pursuant to a Debt Issuance Programme concluded with a bank. The maximum value of the notes that may be issued under the programme, ending June 2015, is PLN 500,000 thousand.

21. 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; in particular, the Company focuses on market risk, including interest rate risk, currency risk, credit risk, and liquidity risk.

The objective of the Company's credit risk management is to reduce losses which could be incurred due to 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 from unfavourable changes in foreign exchange rates. The Company monitors its currency position in order to manage its cash flows. To manage the currency risk, the Company primarily relies on natural hedging and, where necessary forward contracts.

The objective of financial liquidity management is to protect the Company from insolvency. This is achieved through regular projection of debt levels for 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 its business. Financial derivatives are used to hedge currency risk.

21.1. Credit risk

In accordance with the Management Board's policy credit risk exposure is monitored on an ongoing basis. The Company evaluates credit standing of all customers who require trade credit above pre-defined limits. The Company does not require any security on customer assets.

(all amounts in PLN thousand)

The Company insures its trade receivables. As at December 31st 2014, approximately 90% of total trade receivables from non-related parties were covered with trade credit insurance. The insurance policies mitigate 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 due to customer default. Impairment losses are recognised on uninsured receivables and on amounts corresponding to the Company's deductibles in receivables insured, based on detailed analysis of the accounts receivable.

As at the end of the reporting period, 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 2014	**Dec 31 2013**
Loans advanced and receivables	50,882	53,815
Cash and cash equivalents	4,527	4,826
Other non-current financial assets	0	18,738
Total	**55,409**	**77,379**

As at December 31st 2014 and December 31st 2013, the ageing structure of trade receivables was as follows:

	Gross value **Dec 31 2014**	Impairment losses **Dec 31 2014**
Not overdue	17,494	0
Overdue by:		
0–180 days	4,081	1,450
180–360 days	92	25
More than 360 days	3,160	3,160
Total	**24,827**	**4,635**

	Gross value **Dec 31 2013**	Impairment losses **Dec 31 2013**
Not overdue	14,469	0
Overdue by:		
0–180 days	20,135	2,221
180–360 days	0	0
More than 360 days	5,417	3,444
Total	**40,021**	**5,665**

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

	Jan 1 2014 Dec 31 2014	**Jan 1 – Dec 31 2013**
Balance at beginning of the period	5,665	7,020
Decrease in impairment losses	(1,030)	(1,355)
Balance at end of the period	**4,635**	**5,665**

(all amounts in PLN thousand)

21.2. Interest rate risk

The Company holds cash at banks, has receivables under loans granted, as well as liabilities under bank borrowings and other debt instruments. Interest rate risk is connected with interest payments on instruments bearing interest at floating rates only. 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 2014	Dec 31 2013
Fixed-rate financial instruments		
Financial liabilities	278,503	289,671
	278,503	**289,671**
Variable-rate financial instruments		
Financial assets	10,027	9,525
Financial liabilities	11,149	26,652
	21,176	**36,177**

Sensitivity of cash flows from variable-rate financial instruments

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

	Dec 1 – Dec 31 2014		Jan 1 – Dec 31 2013	
	increase 1%	**decrease 1%**	**increase 1%**	**decrease 1%**
Variable-rate financial instruments	(601)	601	(744)	744
Difference in amount of interest and effect on profit before tax	(601)	601	(744)	744
Difference in amount of interest and effect on net profit	(487)	487	(603)	603
Effect on equity	0	0	0	0

Sensitivity of fair value of fixed-rate financial instruments

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

21.3. Currency risk

The Company is exposed to currency risk through trade transactions denominated in foreign currencies, including both purchases of materials and merchandise, and sale of finished goods. Therefore, any foreign exchange gains or losses resulting from exchange rate fluctuations partly offset each other (natural hedging). The Company monitors its foreign currency positions on an ongoing basis and hedges open positions through forward transactions.

Forward transactions included purchase of foreign currency at a predetermined rate. In 2014, 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 consist in the sale of EUR at a pre-determined rate. This helps to secure margins on export sales and to mitigate the risk of adverse changes of the margins due to appreciation of the Polish zloty.

As at December 31st 2014, the Company held 30 open EUR/PLN FX forward contracts for the sale of EUR 65,080 thousand by the end of December 2016.

The fair value of the transactions recognised in the statement of financial position as at December 31st 2014 was PLN 1,213 thousand (fair value – level 2).

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.

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 2014:	EUR	USD	RON
Cash and cash equivalents	3,301	6	0
Trade receivables and prepayments	4,033	0	0
Other receivables	19,180	0	0
Trade and other payables	(17,611)	0	(18)
Balance-sheet exposure, gross	8,903	6	(18)
Forward contracts *	(277,390)		
Net exposure	(268,487)	6	(18)

* The FX forward contracts are set to hedge future cash flow mainly from sales agreement denominated in EUR. Estimated contract value amounts to PLN 306,280 thousand till end of 2016.

As at Dec 31 2013:	EUR	USD	RON
Cash and cash equivalents	3 148	134	0
Trade receivables and prepayments	8,211	0	0
Other non-current financial assets	18,662	0	0
Other receivables	8,294	0	0
Trade and other payables	(11,541)	0	(16)
Other liabilities	(29,601)	0	0
Balance-sheet exposure, gross	(2,827)	134	(16)
Net exposure	(2,827)	134	(16)

As at December 31st 2014, the Company held 30 open EUR/PLN FX forward contracts for the sale of a total of EUR 65,080 thousand by the end of December 2016. As at December 31st 2013, the Company had no open forward contracts.

(all amounts in PLN thousand)

Sensitivity to currency exchange rate changes

A 5% change in the value of a foreign currency in relation to the Polish zloty 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 2014:	**change +5%**	**change -5%**
EUR	445	(445)
USD	0	0
GBP	0	0
RUB	0	0
RON	(1)	1
Effect on profit before tax	**444**	**(444)**
Effect on net profit	**444**	**(444)**
Effect on equity	**(11,234)**	**11,234**

As at Dec 31 2013:	**change +5%**	**change -5%**
EUR	(141)	141
USD	7	(7)
GBP	0	0
RUB	0	0
RON	(1)	1
Effect on profit before tax	**(135)**	**135**
Effect on net profit	**(135)**	**135**
Effect on equity	**0**	**0**

The sensitivity analysis was based on the following exchange rates of the Polish zloty against foreign currencies.

Currency	**Exchange rate as at Dec 31 2014**	**Exchange rate as at Dec 31 2013**
EUR	4.2623	4.1472
USD	3.5072	3.0120
GBP	5.4648	4.9828
RUB	0.0602	0.0914
RON	0.9510	0.9262

21.4. Liquidity risk

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

As at Dec 31 2014:

	Carrying amount	**Contractual cash flows**	**Below 6 months**	**6-12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
Overdraft facilities	11,149	11,149	11,149	0	0	0	0
Liabilities under debt securities	278,503	279,300	279,300	0	0	0	0
Trade and other payables	83,972	83,972	83,972	0	0	0	0
	373,624	**374,421**	**374,421**	**0**	**0**	**0**	**0**

(all amounts in PLN thousand)

As at Dec 31 2013:

	Carrying amount	Contractual cash flows	Below 6 months	6-12 months	1–2 years	2–5 years	More than 5 years
Overdraft facilities	26,652	26,652	26,652	0	0	0	0
Liabilities under debt securities	289,671	290,500	290,500	0	0	0	0
Trade and other payables	118,962	118,962	118,962	0	0	0	0
	435,285	**436,114**	**436,114**	**0**	**0**	**0**	**0**

As at December 31st 2014, the Company's debt under bank borrowings and amounts outstanding under credit facilities totalled PLN 11,149 thousand. As at December 31st 2014, unused credit facilities amounted to PLN 278,052 thousand. The total value of credit limits is PLN 300,000 thousand. Credit limits of PLN 65,000 thousand are available until June 25th 2016, and credit limits of PLN 235,000 thousand are available until June 25th 2018. For details, see Note 17 to these financial statements. The Company holds cash of PLN 4,527 thousand.

In 2014, 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.

21.5. Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is close to their carrying amounts as at December 31st 2014 and December 31st 2013.

21.6. Capital management

The key ratio applied by Pfleiderer Grajewo S.A. to monitor equity is the ratio of *equity to total assets*. In 2014, the ratio grew from 57.66% to 63.14%, which mainly resulted from positive net profit while maintaining similar level of assets.

The table below presents the value of equity and the equity to total assets ratio.

	Dec 31 2014	Dec 31 2013
Equity	684,791	623,029
Total assets	1,084,496	1,080,579
Ratio:		
$\frac{\text{Equity}}{\text{Total assets}}$	63.14 %	57.66 %

The Company manages equity in a manner enabling it to maintain a safe level of the debt to equity ratio. The Company did not pay dividend in 2014.

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

22. Operating lease agreements

The Company uses some of its production assets and company cars under operating lease agreements. The average lease term of production assets (forklifts, production line) is three years and the agreements expire in 2015-2016. Monthly lease payments are charged to the reporting period's profit or loss using the straight-line method.

The Company also leases passenger cars under operating lease agreements. The term of all these agreements is 36 months and the agreements will expire in 2015-2017.

The costs incurred by the Company under the operating lease agreements in 2014 were PLN 4,006 thousand (2013: PLN 3,111 thousand).

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

	Dec 31 2014	**Dec 31 2013**
Up to one year	4,123	4,292
From 1 to 5 years	991	4,265
Total	**5,114**	**8,557**

23. Contractual commitments to acquire property, plant and equipment and intangible assets

As at December 31st 2014, the Company had contractual commitments to acquire property, plant. equipment and intangible assets. The commitments relate to 13 open investment projects and were incurred under agreements concluded by the Company as part of its investment activities.

	Dec 31 2014	**Dec 31 2013**
Commitments to acquire property, plant and equipment and intangible assets	361	18,263
- fixed assets	*134*	*18 105*
- intangible assets	*227*	*158*

24. Contingent liabilities and security

As at December 31st 2014, the Company had issued the following sureties:

Debtor	**Creditor**	**Origination date**	**Amount of liability maximum**	**Amount of liability in foreign currency**	**PLN '000**	**Expiry date**
Sureties in EUR:						
Pfleiderer MDF Sp. z. o.o.	PKO BP S.A.	Apr 24 2009	1,115	1,115	4,752	Jul 15 2019
		Total:	**1,115**	**1,115**	**4,752**	
Sureties in PLN:						
Pfleiderer Prospan S.A., Silekol Sp. z o.o.	BZ WBK S.A.	Jun 26 2013	15,000	-	399	Jun 25 2016
Pfleiderer Prospan S.A.	Alior Bank S.A.	Jun 26 2013	11,500	-	-	Jun 25 2016
Silekol Sp. z o.o.	Alior Bank S.A.	Jun 26 2013	11,500	-	-	Jun 25 2016
Pfleiderer Prospan S.A.	Millennium S.A.	Jun 26 2013	11,500	-	222	Jul 25 2016
Silekol Sp. z o.o.	Millennium S.A.	Jun 26 2013	11,500	-	-	Jul 25 2016
			61,000	**-**	**621**	

Sureties presented in the table above include:

a) Surety of EUR 1,115 thousand (PLN 4,752 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 December 31st 2014, Pfleiderer MDF Sp. z o.o.'s liability under the facility was PLN 85,396 thousand. The surety expires on July 15th 2019.

b) Surety of PLN 15,000 thousand granted 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 December 31st 2014, the amount of the companies' liability outstanding under the facility was PLN 399. The surety expires on June 25th 2016;

c) 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 December 31st 2014, Pfleiderer Prospan S.A.'s liability under the facility was PLN 0. The surety expires on June 25th 2016;

d) 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 December 31st 2014, Silekol Sp. z o.o.'s liability under the facility was PLN 0. The surety expires on July 25th 2016;

e) 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 Millennium Bank S.A. As at December 31st 2014, Pfleiderer Prospan S.A.'s liability under the facility was PLN 222 thousand. The surety expires on June 25th 2016;

f) Surety of PLN 11,500 thousand issued to Silekol Sp. z o.o. in connection with a credit facility extended to Silekol Sp. z o.o. by Millennium S.A. As at December 31st 2014, Silekol Sp. z o.o.'s liability under the facility was PLN 0. The surety expires on July 25th 2016;

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

Debtor	Creditor	Origination date	Amount of liability maximum	in foreign currency	PLN '000	Maturity date
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	-	-	Jun 25 2016
Pfleiderer Prospan S.A.	Alior Bank S.A.	Jun 26 2013	11,500	-	-	Jun 25 2016
Silekol Sp. z o.o.	Alior Bank S.A.	Jun 26 2013	11,500	-	-	Jun 25 2016
Pfleiderer Prospan S.A.	Millennium S.A.	Jun 26 2013	11,500	-	-	Jul 25 2016
Silekol Sp. z o.o.	Millennium S.A.	Jun 26 2013	11,500	-	-	Jul 25 2016
			61,000	**-**	**-**	

(all amounts in PLN thousand)

25. Material related-party transactions

Pfleiderer Grajewo S.A.'s related-party transactions in 2014 and 2013:

	Jan 1−Dec 31 2014						Jan 1–Dec 31 2013					
Related party	**Revenue**	**Finance income**	**Other income**	**Dividend income**	**Purchase of products, merchandise, materials and services**	**Finance costs**	**Revenue**	**Finance income**	**Other income and income from sale of property, plant and equipment and intangible assets**	**Dividend income**	**Purchase of products, merchandise, materials and services**	**Finance costs**
Pfleiderer MDF Sp. z o.o.	115,097	502	-	-	58,984	-	103,301	36	-	-	46,403	-
Pfleiderer Prospan S.A.	14,882	-	-	16,931	7,229	7,024	17,695	-	220	9,991	10,916	7,723
Silekol Sp. z o.o.	946	-	-	21,018	68,630	-	813	93	-	-	69,869	-
Jura Polska Sp. z o.o.	736	-	13	46	21,339	-	663	-	8	-	21,883	-
Grajewo OOO	2,076	-	-	-	-	-	14,614	2	-	-	-	-
Pfleiderer Service GmbH	-	-	-	-	49	-	23	-	-	-	1,545	623
Pfleiderer GmbH	-	-	-	-	2,752	-	-	-	-	-	2,578	-
Pfleiderer Holzwerkstoffe GmbH & Co. KG	-	-	75	-	1,672	-	23	-	-	-	1,543	-
Pfleiderer Leutkirch GmbH	-	-	-	-	-	-	1	-	-	-	15	-
Pfleiderer Neumarkt GmbH	92	-	-	-	-	-	98	-	-	-	-	-
Pfleiderer Gütersloh GmbH	-	-	-	-	731	-	-	-	-	-	1,683	-
Blitz 11-446 GmbH	-	-	-	-	-	-	-	4,866	-	-	-	-
Pfleiderer OOO *)	-	-	-	-	-	-	2,764	576	-	-	41	-
Pfleiderer MDF OOO *)	-	-	-	-	-	-	648	1,090	-	-	-	-
Total	**133,829**	**502**	**88**	**37,995**	**161,386**	**7,024**	**140,643**	**6,663**	**228**	**9,991**	**156,476**	**8,346**

*) As at December 31st 2013, Pfleiderer OOO and Pfleiderer MDF OOO were no longer related parties.
The income and expense items for 2013 cover the period from January 1st to January 23rd 2013 in the case of Pfleiderer OOO, and the period from January 1st to December 30th 2013 in the case of Pfleiderer MDF OOO.

(all amounts in PLN thousand)

Related-party transactions as at December 31st 2014 and December 31st 2013:

a) financial, trade and other receivables:

Related party	Dec 31 2014 Loans advanced	Dec 31 2014 Trade and other receivables	Dec 31 2013 Loans advanced	Dec 31 2013 Trade and other receivables
Pfleiderer MDF Sp. z o.o.	10,027	6,842	9,525	15,536
Pfleiderer Prospan S.A.	-	1,297	-	1,868
Silekol Sp. z o.o.	-	116	-	155
Jura Polska Sp. z o.o.	-	68	-	91
Grajewo OOO	-	-	-	192
Pfleiderer Service GmbH	-	-	-	258
Pfleiderer Holzwerkstoffe GmbH & Co. KG	-	-	-	31
Pfleiderer Leutkirch GmbH	-	-	-	(1)
Blitz GmbH	-	-	-	4,147
Total	**10,027**	**8,323**	**9,525**	**22,277**

b) financial liabilities, trade and other payables:

Related party	Dec 31 2014 Liabilities under debt securities	Dec 31 2014 Trade payables and other liabilities	Dec 31 2013 Liabilities under debt securities	Dec 31 2013 Trade payables and other liabilities
Pfleiderer MDF Sp. z o.o.	-	4,917	-	4,148
Pfleiderer Prospan S.A.	278,503	-	289,671	-
Silekol Sp. z o.o.	-	11,910	-	6,947
Jura Polska Sp. z o.o.	-	723	-	1,818
Pfleiderer Service GmbH	-	-	-	146
Pfleiderer GmbH	-	601	-	518
Pfleiderer Neumarkt GmbH	-	-	-	831
Pfleiderer Gütersloh GmbH	-	52	-	101
Pfleiderer Holzwerkstoffe GmbH & Co. KG	-	604	-	498
Total	**278,503**	**18 807**	**289,671**	**15,007**

All related-party transactions were executed on an arm’s length basis.

No security was created for any outstanding receivables, and all such receivables will be settled in cash. Issued securities have been described in note 24 of this financial statement. In the reporting period, no costs related to doubtful or non-performing receivables under related-party transactions were recognised.

(all amounts in PLN thousand)

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 2014 Dec 31 2014	Jan 1 2013 Dec 31 2013
Wojciech Gątkiewicz	1,407	1,338
Rafał Karcz	807	794
Dariusz Tomaszewski	805	766
Radosław Wierzbicki	0	834
Total	**3,019**	**3,732**

As at December 31st 2014, the number of Pfleiderer Grajewo shares held by the members of the Management Board was as follows:

- President of the Management Board Wojciech Gątkiewicz - 5,400 Company shares
- Member of the Management Board Rafał Karcz - 3,472 Company shares
- Member of the Management Board Dariusz Tomaszewski - 4,108 Company shares

The managerial contract between Pfleiderer Grajewo S.A. and Mr Rafał Karcz, Member of the Management Board, provides, in case of termination of the contract before December 31st 2015, a contractual penalty amounting to a remuneration remaining until December 31st 2015. Contract provides for a 12-month notice period with effect as of the end of calendar half-year.

The managerial contract between Pfleiderer Prospan S.A. and Mr Dariusz Tomaszewski, Member of the Management Board, contains a provision entitling Mr Tomaszewski to receive a one-off termination benefit equal to his one-month remuneration if the contract is terminated by notice.

The managerial contract with Mr Wojciech Gątkiewicz, President of the Management Board, provides, in case of termination of the contract before December 31st 2015, a contractual penalty amounting to a remuneration remaining until December 31st 2015. Contract provides for a 12-month notice period with effect as of the end of calendar half-year.

Remuneration paid to members of Pfleiderer Grajewo S.A.'s Supervisory Board in the reporting period was as follows:

Name	Jan 1 2014 Dec 31 2014	Jan 1 2013 Dec 31 2013
Michael Wolff	210	210
Jan Woźniak	105	105
Jochen Schapka	105	105
Hans-Kurt von Werder	0	17
Gerd Hammerschmidt	52	105
Gerd Schubert	53	0
Richard Mayer	105	88
Total	**630**	**630**

As at December 31st 2014, the members of Pfleiderer Grajewo S.A.'s Supervisory Board held no Company shares.

As at December 31st 2014, the members of the Management and Supervisory Boards of Pfleiderer

(all amounts in PLN thousand)

Grajewo S.A. had no outstanding debt under loans from the Company.

26. Supplementary information to the statement of cash flows

Structure of cash and cash equivalents

	Dec 31 2014	Dec 31 2013
Cash in hand and at banks	4,527	4,826
Cash disclosed in the statement of cash flows	**4,527**	**4,826**

Change in trade and other payables

	Dec 31 2014	Dec 31 2013
Increase/(decrease) in trade and other payables	(36,928)	21,744
Decrease in liabilities from acquisition of fixed assets	(7,444)	(3,310)
Set-off of liabilities and receivables under loans advanced	0	2,597
Interest accrued but not received in the reporting period	0	12
Change in liabilities disclosed under disposal of a subsidiary	6,598	(7,988)
Liabilities related to shares in subsidiaries	30,351	(30,351)
	(7,423)	**(17,296)**

27. 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.

In the course of the proceedings, Pfleiderer Grajewo S.A. and Pfleiderer Prospan S.A., its subsidiary, provided additional information required by the Office. At present, based on the available information Pfleiderer Grajewo S.A.'s Management Board is not able to assess the risk of a negative outcome of the proceedings 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.

28. Events subsequent to the end of the reporting period

After December 31st 2014, Pfleiderer Grajewo S.A. carried out 10 issues of commercial paper in the form of short-term notes to optimise the Group's financial liquidity management. The notes were issued under the Note Issue Programme Agreement executed on July 22nd 2003 with Bank PEKAO S.A. The notes were 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 redeemed at nominal value. The notes were acquired by the subsidiary Pfleiderer Prospan S.A.

After December 31st 2014, the following changes occurred in the composition of the Supervisory Board:

1. On January 30th 2015, pursuant to a Resolution of the Extraordinary General Meeting of the Company Mr Michael Wolff was recalled from the position of the Chairman of the Supervisory Board, and Mr Gerd Schubert was recalled from the position of a Member of the Supervisory Board.
2. On January 30th 2015, the Extraordinary General Meeting of the Company appointed Mr Paolo G. Antonietti and Mr Michael F. Keppel to the Supervisory Board.

On February 16th 2015 the Supervisory Board appointed Mr Paolo G. Antonietti for a position of Chairman of Supervisory Board and Mr. Michael F. Keppel for a position of Vice Chairman of the Supervisory Board.

On February 16th 2015, the Supervisory Board of Pfleiderer Grajewo S.A.:

- appointed Mr Michael Wolff to the position of the President of the Parent's Management Board,
- appointed Mr Gerd Schubert to the position of the Member of the Management Board, Chief Operating Officer,
- recalled Mr Wojciech Gątkiewicz from the position of President of the Management Board, and appointed him as the Member of the Management Board, Transformation Director.

Michael Wolff
President of the Management Board

Rafał Karcz
Member of the Management Board, Chief Financial Officer

Gerd Schubert
Member of the Management Board, Chief Operating Officer

Wojciech Gątkiewicz
Member of the Management Board, Chief Transformation Office

Dariusz Tomaszewski
Member of the Management Board, Sales Director

Ewa Stańska
Person responsible for the accounting records

Grajewo, March 18th 2015

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.

DIRECTORS' REPORT

PFLEIDERER GRAJEWO S.A.

in the period

Jan 1−Dec 31 2014

1. FINANCIAL HIGHLIGHTS

	Jan 1−Dec 31 2014	Jan 1−Dec 31 2013	Jan 1−Dec 31 2014	Jan 1−Dec 31 2013
	PLN '000		EUR '000	
Revenue from sales of products, merchandise and materials	652,518	669,253	155,758	158,930
Operating profit	39,298	39,584	9,381	9,400
Profit before tax	66,095	124,207	15,777	29,496
Net profit	60,549	86,003	14,453	20,423
Net cash from operating activities	69,301	4,605	16,542	1,094
Net cash from investing activities	(30,643)	477,607	(7,315)	113,419
Net cash from financing activities	(38,957)	(479,105)	(9,299)	(113,775)
Total net cash flow	(299)	3,107	(71)	738
Basic earnings/(loss) per share (PLN / EUR)	1.22	1.73	0.29	0.41
Diluted earnings per share (PLN / EUR)	1.22	1.73	0.29	0.41
PLN/EUR average exchange rate			4.1893	4.2110

	Dec 31 2014	Dec 31 2013	Dec 31 2014	Dec 31 2013
	PLN '000		EUR '000	
Total assets	1,084,496	1,080,579	254,439	260,556
Liabilities	399,705	457,550	93,777	110,327
Non-current liabilities	10,991	6,520	2,579	1,572
Current liabilities	388,714	451,030	91,198	108,755
Equity	684,791	623,029	160,662	150,229
Share capital	16,376	16,376	3,842	3,949
Number of shares	49,624,000	49,624,000	49,624,000	49,624,000
Book value per share (PLN/EUR)	13.80	12.55	3.24	3.03
PLN/EUR exchange rate as at the reporting date			4.2623	4.1472

2. GENERAL INFORMATION

Pfleiderer Grajewo S.A.'s principal place of business is Grajewo, a town in north-eastern Poland.

Initially, the Company operated under the name of Zakłady Płyt Wiórowych S.A. of Grajewo and 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 to enter the Company's new name in the National Court Register. Accordingly, on September 18th 2002, the Company name was changed to Pfleiderer Grajewo S.A. The registered office of Pfleiderer Grajewo S.A. is situated at ul. Wiórowa 1, Grajewo, Poland. The Company shares are publicly traded. In accordance with the Polish Classification of Business Activities, Pfleiderer Grajewo S.A. is registered under No. 1621 Z.

The business of Pfleiderer Grajewo S.A. consists in the manufacture and veneering of wood and wood-based products, impregnation of paper, trade in Poland and abroad, provision of industrial services related to its core business, as well as other services based on resources held.

1.1. Pfleiderer Grajewo Management Board

As at the end of the reporting period, the composition of the Pfleiderer Grajewo Management Board was as follows:

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

In the 12 months ended December 31st 2014, there were no changes in the composition of the Company's Management Board. On February 16th 2015, the Supervisory Board of Pfleiderer Grajewo S.A.:

- appointed Mr Michael Wolff President to the position of the Parent's Management Board,
- appointed Mr Gerd Schubert Member to the position of of the Management Board, Chief Operating Officer,
- recalled Mr Wojciech Gątkiewicz from the position of President of the Management Board, and appointed him Member of the Management Board, Transformation Director.

As at this Report's date, the Parent's Management Board consisted of:

1.	Michael Wolff	President of the Management Board
2.	Rafał Karcz	Member of the Management Board
3.	Gerd Schubert	Member of the Management Board
4.	Wojciech Gątkiewicz	Member of the Management Board
5.	Dariusz Tomaszewski	Member of the Management Board

1.2. Supervisory Board

As at December 31st 2014, the composition of the Company's Supervisory Board was as follows:

1.	Michael Wolff	Chairman of the Supervisory Board
2.	Jochen Schapka,	Member of the Supervisory Board
3.	Gerd Schubert,	Member of the Supervisory Board
4.	Richard Mayer	Member of the Supervisory Board
5.	Jan Woźniak	Member of the Supervisory Board

During 12 months ended December 31st 2014, the following changes occured in the composition of the Company's Supervisory Board:

1. On June 23rd 2014, Mr Gerd Hammerschmidt resigned from the position of a Member of the Supervisory Board of Pfleiderer Grajewo S.A. effective from June 29th 2014.
2. On June 30th 2014, Mr Gerd Schubert was appointed for a position of the Member of the Supervisory Board.

The following changes in the composition of the Supervisory Board occured after December 31st 2014:

1. On January 30th 2015, pursuant to a resolution of the Parent's Extraordinary General Meeting, Mr Michael Wolff was recalled from the position of Chairman of the Supervisory Board, and Mr Gerd Schubert was recalled from the position of Member of the Supervisory Board.
2. On January 30th 2015, the Extraordinary General Meeting appointed the following persons to the Supervisory Board Mr Paolo G. Antonietti and Mr Michael F. Keppel.

On February 16th 2015 the Supervisory Board appointed Mr Paolo G. Antonietti for a position of Chairman of Supervisory Board and Mr. Michael F. Keppel for a position of Vice Chairman of the Supervisory Board.

As at this Report's date, the Supervisory Board consisted of:

1.	Paolo G. Antonietti	Chairman of the Supervisory Board
2.	Michael F. Keppel	Deputy Chairman of the Supervisory Board
3.	Jochen Schapka	Member of the Supervisory Board
4.	Richard Mayer	Member of the Supervisory Board
5.	Jan Woźniak	Member of the Supervisory Board

All duties and responsibilities of the audit committee were transferred to the Parent's Supervisory Board.

2. Pfleiderer Grajewo S.A.'s shareholders structure

Shareholding structure	**Number of shares**	**Ownership interest**	**Number of votes at GM**	**% of votes at GM**
Pfleiderer Service GmbH	32,308,176	65.11%	32,308,176	65.11%
Aviva OFE Aviva BZ WBK	4,928,816	9.93%	4,928,816	9.93%
ING OFE	2,639,144	5.32%	2,639,144	5.32%
Other shareholders	9,747,864	19.64%	9,747,864	19.64%
TOTAL	**49,624,000**	**100.00%**	**49,624,000**	**100.00%**

The information on the number of Company shares held by Aviva OFE (former Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK) is sourced from the most recent notification of shareholding change, received by the Company on July 10th 2007.

The information on the number of Company shares held by ING OFE is sourced from the most recent notification of shareholding change, received by the Company on June 5th 2009.

The number of the Company shares held by its main shareholder, Pfleiderer Service GmbH, did not change.

3. External factors with a bearing on the Company's business:

- Dependence on key customers – relationships with customers are based on long-term framework agreements providing the parties with assurance of stable cooperation and lasting development.
- Customer credit risk – the Company monitors the financial liquidity of its customers on an ongoing basis, mitigating the customer credit risk by using trade credit insurance.

- Dependence on suppliers – key raw materials purchased by the Company include wood and recycled wood , decorative paper, chemical substances, and machine parts. The Company mitigates the related risk by using diversified sources of supplies. Increases in prices of raw materials affect the Company as well as its competitors and for this reason do not have an adverse impact on the Company's competitive position.
- Currency risk – the Company does not incur any significant currency risk. It monitors its exposure to exchange-rate fluctuations on an ongoing basis and relies on natural hedging and forward transactions to hedge the risk.
- Seasonality – sales fall in the second quarter of a year, while the sales peak is observed in the second half of the financial year. Seasonal changes do not give rise to a significant risk for the Company as lower sales in the period are accompanied by lower purchases of raw materials. The Company's liquidity remains relatively stable over the period.

4. Internal factors with a bearing on the Company's business:

- Technological process – the technologies employed by the Company involve exposure to fire hazard. To mitigate that risk, the Company uses a number of technical and organisational safeguards. Risk of unscheduled unplanned downtime is reduced by the annual maintenance and modernization as well as maintaining a strategic stock of spare parts.
- Debt risk – the Company is the parent of the other Group companies. Therefore, it bears all the burdens related to the financing of investment projects within the Group. The debt level is monitored on an ongoing basis. To mitigate the liquidity risk, the Company uses a full spectrum of available financial instruments.

5. Plans and development prospects for 2015

In 2015, the Pfleiderer Grajewo Management Board will in particular focus on:
- Continued implementation of the long-term investment programme to upgrade the Group's plants, better align its production capacities with market needs and generate cost efficiencies.
- Continued roll out of standardised visual identification for Pfleiderer Partner sale outlets.
- Adapting the product offering to meet market needs – not only in terms of quality, but also design – through continued collaboration with designers and active presence at trade events for interior designers (promotion of new designs for finished furniture products).

Other standard growth initiatives to be implemented in 2015:

- Focus on the furniture sector and strengthening of the Company's position as a leading full-range supplier for the sector.
- Geographical expansion and development of the product mix.
- Implementation of a project designed to improve sales, shorten delivery dates, and expand and consolidate the Pfleiderer dealership network.
- Implementation of new technical systems and efficiency improvement of the Company through further optimisation of the production processes and cost savings programme.
- Promotion of the Pfleiderer brand as a modern and continuously developing organisation, which implements state-of-the-art technologies and respects the natural environment.
- Development of Premium brands and product lines.

6. Initiatives carried out by Pfleiderer Grajewo S.A. in 2014:

- Implementation of a project to increase sales on the existing and new markets and shorten delivery dates.
- Expansion and consolidation of the dealership network, roll out of the standardised visual identification concept for Pfleiderer Partner across sale outlets.
- Continuation and completion of the long-term investment programme to upgrade the Group's plants, better align its production capacities with market needs and generate cost efficiencies.
- Optimisation of production and costs.

- Analysis of production and sales volumes and adjusting them to current market demand.
- Enhancement of security of trade.
- Optimisation efforts designed to improve the Company's operating efficiency.
- Securing of wood and chemicals supplies.
- Improvement of the quality of products and services.
- Enhancement of efficiency and production processes through tight cost control.
- Promotion of the Company's image as a financially stable and reliable business partner.
- Strengthening of Pfleiderer's market position by promoting the Pfleiderer brand and vision.
- Finalisation of acquisition of shares in subsidiaries.

7. Financial standing of Pfleiderer Grajewo S.A.

The financing structure of the Company's assets is as follows:

	Dec 31 2014	Dec 31 2013
	PLN '000	PLN '000
Equity	684,791	623,029
Non-current liabilities	10,991	6,520
Long-term capital (equity + non-current liabilities)	695,782	629,549
Current liabilities	388,714	451,030

In 2014, Pfleiderer Grajewo S.A. financed its operations chiefly with own funds and, to a certain extent, with bank borrowings and issues of notes acquired by Pfleiderer Prospan S.A.

As at December 31st 2014, the Company's debt outstanding under short-term notes in issue was PLN 278,503 thousand, whereas debt under bank borrowings totalled PLN 11,149 thousand.

8. Workforce and remuneration at Pfleiderer Grajewo S.A.–

As at December 31st 2014, the Company employed 570 staff, including the management personnel and staff working under managerial contracts or appointed by the Supervisory Board. The Company's workforce structure as at the end of the reporting period and the end of the corresponding period of the previous year was as follows:

	Dec 31 2014	Dec 31 2013
Employees		
- direct production employees	270	278
- indirect production employees	132	131
- administration, office and other employees	165	163
- management staff	3	3
Total	**570**	**575**

The headcount at Pfleiderer Grajewo S.A. has remained relatively stable for a long time.

Remuneration of the members of the Pfleiderer Grajewo Management Board, including bonuses paid for the period January 1st – December 31st 2014 was as follows:

Position held:	**First name and surname:**	**Jan 1 2014 −Dec 31 2014**	**Jan 1 2013 −Dec 31 2013**
President of the Management Board	− Wojciech Gątkiewicz	PLN 1,407 thousand	PLN 1,338 thousand
Member of the Management Board	− Rafał Karcz	PLN 807 thousand	PLN 794 thousand
Member of the Management Board	− Dariusz Tomaszewski	PLN 805thousand	PLN 766 thousand

Member of the Management Board	− Radosław Wierzbicki	PLN 0thousand	PLN 834 thousand

In addition, the Management Board Members listed above received the following remuneration for holding managerial positions at Pfleiderer Prospan S.A.:

Position held:	**First name and surname:**	**Jan 1 2014 −Dec 31 2014**	**Jan 1 2013 −Dec 31 2013**
President of the Management Board	− Wojciech Gątkiewicz	PLN 962 thousand	PLN 898 thousand
Member of the Management Board	− Rafał Karcz	PLN 518 thousand	PLN 487 thousand
Member of the Management Board	− Dariusz Tomaszewski	PLN 554thousand	PLN 521 thousand
Member of the Management Board	− Radosław Wierzbicki	PLN 0thousand	PLN 153 thousand

In addition, during the reporting period Rafał Karcz and Dariusz Tomaszewski, served as the management of a subsidiary Pfleiderer MDF Sp. z o.o without receiving any remuneration.

The managerial contract with Mr Wojciech Gątkiewicz, President of the Management Board, provides, in case of termination of the contract before December 31st 2015, a contractual penalty amounting to a remuneration remaining until December 31st 2015. Contract provides for a 12-month notice period with effect as of the end of calendar half-year.

The managerial contract between the Company and Mr Rafał Karcz, Member of the Management Board, provides, in case of termination of the contract before December 31st 2015, a contractual penalty amounting to a remuneration remaining until December 31st 2015. Contract provides for a 12-month notice period with effect as of the end of calendar half-year.

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

Remuneration paid to the members of the Company Supervisory Board in the reporting and comparative periods was as follows:

Position held:	**First name and surname:**	**Jan 1 2014 −Dec 31 2014**	**Jan 1 2013 −Dec 31 2013**
Chairman of the Supervisory Board	−Michael Wolff	PLN 210 thousand	PLN 210 thousand
Member of the Supervisory Board	−Jan Woźniak	PLN 105 thousand	PLN 105 thousand
Member of the Supervisory Board	−Jochen Schapka	PLN 105 thousand	PLN 105 thousand
Member of the Supervisory Board	−Hans-Kurt von Werder	PLN 0 thousand	PLN 17 thousand
Member of the Supervisory Board	−Gerd Hammerschmidt	PLN 52 thousand	PLN 105 thousand
Member of the Supervisory Board	−Richard Mayer	PLN 105 thousand	PLN 105 thousand
Member of the Supervisory Board	−Gerd Schubert	PLN 53 thousand	PLN 0

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

9. Number of Pfleiderer Grajewo S.A. shares held by the management staff

As at the date of this Report holdings of Company shares owned by the Management Board members were as follows:

Memeber of the Management Board	Wojciech Gątkiewicz	5,400 Company shares
Member of the Management Board	Rafał Karcz	3,472 Company shares

Member of the Management Board	Dariusz Tomaszewski	4,108 Company shares

As at December 31st 2014, members of the Supervisory Board of Pfleiderer Grajewo S.A. held no Company shares.

10. Production volume and structure

In 2014 and 2013, the production volumes at Pfleiderer Grajewo S.A. by key product groups were as follows:

		Jan 1–Dec 31 2014	**Jan 1–Dec 31 2013**
Gross production of raw chipboards *(finished product; semi- product for the of laminated chipboards)*	ths cubic m	613.5	586.4
Production of laminated chipboards	ths sq. m	16,156.4	17,515.5

In 2014, there was a slight change in the production structure as compared with 2013. Production of raw chipboard increased by 4.61%, while production of laminated chipboard decreased by 7.76% on 2013.

11. Sales volume and structure

Revenue reported by the Company in 2014 was PLN 652,518 thousand, down 2.5% year on year.

The table below presents revenue by geographical region:

	Jan 1–Dec 31 2014	**Jan 1–Dec 31 2013**
Domestic sales	**463,154**	**439,724**
- revenue from sale of products	333,207	321,685
- revenue from sale of merchandise and materials	101,808	89,551
- revenue from rendering of services	28,139	28,488
Foreign sales	**189,364**	**229,529**
- revenue from sale of products	177,076	212,040
- revenue from sale of merchandise and materials	9,566	14,511
- revenue from rendering of services	2,722	2,978
Total:	**652,518**	**669,253**

The table below presents revenue by product group:

	Jan 1−Dec 31 2014		**Jan 1−Dec 31 2013**	
	value	% share	value	% share
Revenue from sale of products	**510,284**	**78.20%**	**533,725**	**79.75%**
Chipboard	397,652	60.94%	395,296	59.07%
Finish foil (foil, edge banding, edge foil)	56,265	8.62%	90,860	13.57%
Other (fibre mats, packaging)	56,367	8.64%	47,569	7.11%
Revenue from sale of merchandise and materials	**111,374**	**17.07%**	**104,062**	**15.55%**
Materials	99,836	15.30%	89,356	13.35%

Merchandise	11,538	1.77%	14,706	2.20%
Revenue from rendering of services	**30,860**	**4.73%**	**31,466**	**4.70%**
Total:	**652,518**	**100.00%**	**669,253**	**100.00%**

Sales volumes of Pfleiderer Grajewo S.A.'s key products:

By product group (thousand cubic meters)		**Jan 1–Dec 31 2014**	**Jan 1–Dec 31 2013**
Raw chipboard	ths cubic m	294.0	259.5
Laminated chipboards	ths sq m	15,650.8	17,332.3

The furniture industry continues to be the most important sector for Pfleiderer Grajewo S.A. as it accounts for 95% of total sales. The Company takes steps to more effectively place its products on the interior design market. On the other hand, it focuses efforts on expanding its presence on the construction market, which is becoming increasingly more attractive for chipboard manufacturers in Poland.

The Company's long-term sales strategy for the furniture market is based on three key distribution channels:

- Sales to industrial customers,
- Sales to the Pfleiderer Partner dealership network (PP network)
- Export sales

Company's sales by distribution channels in 2013−2014

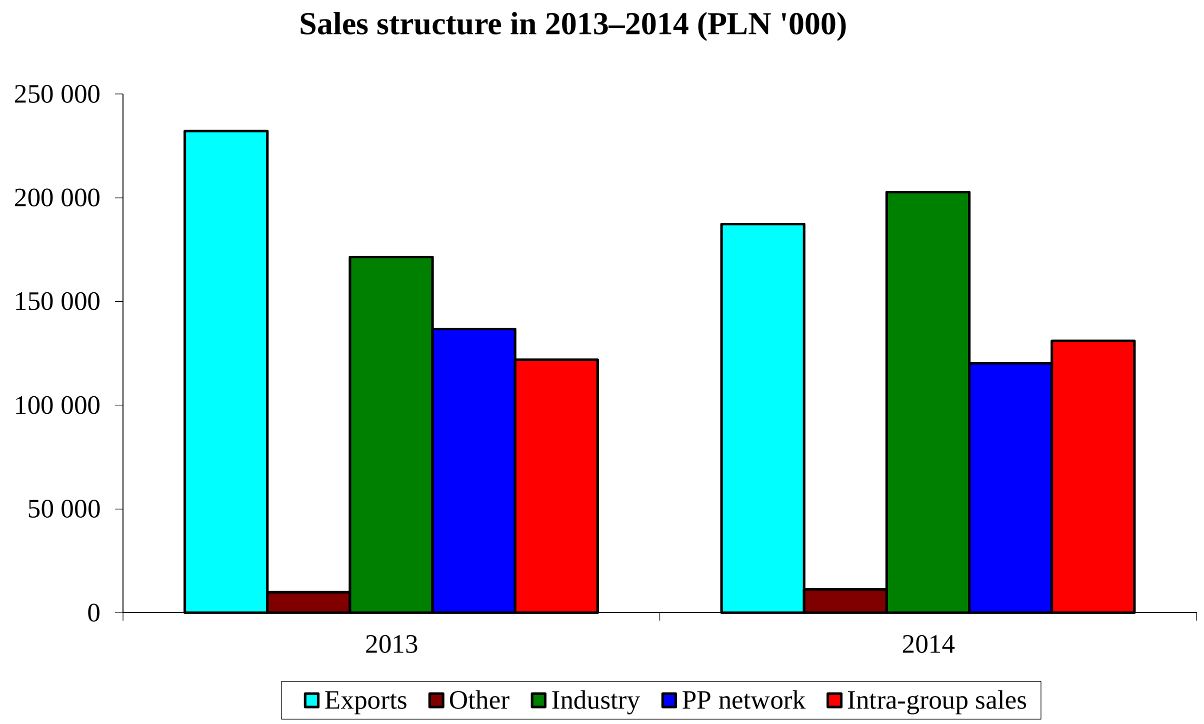

Figure: Sales structure in 2013–2014 (PLN '000)

The Company's key distribution channels remain as follows:

- export sales,
- direct sales to large and medium-sized furniture producers, and
- sales to the Pfleiderer Partner network.

In 2014, sales to large and medium-sized furniture producers increased by 18% in comparison to 2013. Exports sales decreased by 19% on 2014, which was primarily attributable to lower film sales to the Russian production plant, which had been sold early in 2013 and lower demand on Eastern markets due to geopolitical instability. Sales to the Pfleiderer Partner network saw a 12% year-on-year decrease. Intra-group sales to other companies of the Pfleiderer Grajewo Group in Poland rose by 7%.

Shares of individual distribution channels in Pfleiderer Grajewo S.A.'s total sales in 2014:

Shares of distribution channels in 2014 sales:

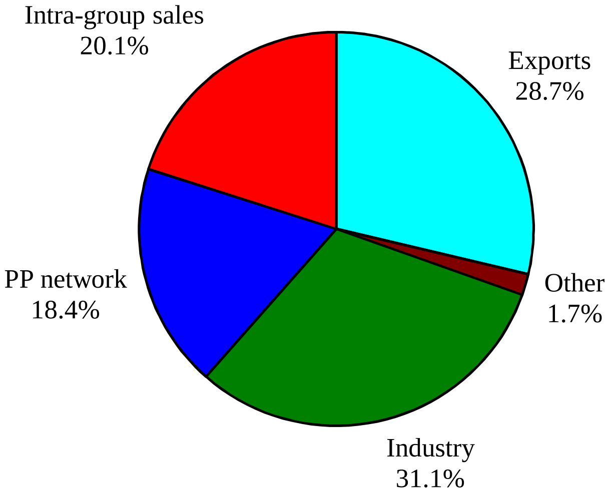

Figure: Company’s sales by distribution channels in 2014 (%)

Relative to the previous year, the share of exports fell from 34.5% to 28.7%. The share of direct sales to furniture producers rose from 25.5% to 31.1%, while the share of sales to the Pfleiderer Partner network fell from 20.4% to 18.4% and that of intra-group sales grew from 18.1% to 20.1.

12. Procurement

Wood, chemicals used in chipboard and plaster manufacturing and decorative papers are the main raw materials used in production at Pfleiderer Grajewo S.A.

In 2014, the Company purchased raw wood from traditional sources, located in close proximity to the plants.

Group is not dependent on a single supplier. The value of transactions did not exceed 10% of the total purchases with any of suppliers in 2014.

13. Economic and financial data

The *cost of raw materials and consumables used* continues to be the most significant component of the Company's cost structure, accounting for 59% of all expenses by nature. The item comprises consumption of raw materials used directly in production, such as wood, resin for chipboard production, other chemicals and decorative papers.

With a 9% and 8% share, respectively, *Employee benefits expense* and *Services* are the second largest component in the Company's cost structure. The high share of services in the overall cost structure results from the fact that certain auxiliary functions are outsourced and certain types of services are contracted from external companies. Also, there has been a gradual increase of transport costs related to product sales and materials procurement.

In the current period an increase in depreciation and amortization can be observed. It results primarily from the investment program, as well as a change in method of accounting for annual overhauls, which since last year are capitalized .

In 2014, there were no significant changes in other cost items compared with 2013.

A 42% decrease in finance cost over the reporting period was attributable mainly to a material debt reduction and elimination of the effect of differences on translation of loans granted to Pfleiderer OOO and Pfleiderer MDF OOO, which totalled PLN 0 as at December 31st 2014.

In 2013 and 2012, the Group earned the following sales margins:

	2014	**2013**
Gross margin Profit before tax / revenue	10.13 %	18.56 %
Net margin Net profit / revenue	9.28 %	12.85 %

In 2014, net and gross margins were down year on year on the back of lower profit earned in 2014 relative to 2013. The lower profit before tax and net profit in 2014 results from recognising PLN 92,026 thousand gains on disposal of shares and assets in subsidiaries in 2013. After excluding these effect profitability ratios improved mainly due to significantly lower financing costs.

14. Use of bank borrowings

14.1. Bank loan agreements

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 credit facility agreements. The total credit limit available under the facilities with four banks amounts to PLN 300,000 thousand and secures the financial liquidity of the Company.

- **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 overdraft facility agreement of up to PLN 25,000 thousand.

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 the aggregate of PLN 100,000 thousand. The multi-purpose credit facility agreement provides for the repayment of the entire loan after five years from its execution, while the overdrafts are to be repaid within three years. The facilities are used to finance the borrowers' day-to-day operations.

The four credit facilities are secured primarily with a mortgage on developed properties (cross-collaterised 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.

- **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. The facility, used to finance the Company's day-to-day operations, is to be repaid in full within five years from the agreement execution date. At the same time, the Company and the subsidiaries Pfleiderer 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 to the Parent an overdraft limit of PLN 25,000 thousand and separate sub-limits of PLN 10,000 thousand to Pfleiderer Prospan S.A. and Silekol Sp. z o.o. each. The facility, used to finance the borrowers' day-to-day operations, is repayable within three years from the agreement execution date. The total liabilities of all the three borrowers under the two credit facility agreements with Alior Bank S.A. may not exceed the aggregate of PLN 100,000 thousand.

Those two credit facilities are secured primarily with a mortgage on developed properties (cross-collaterised 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 on the machinery of the Pfleiderer Prospan production plant. 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.

- **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, designated 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 Pfleiderer 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, designated to ensure liquidity and finance capital expenditure, is to be repaid in full within three years from the agreement execution date. Total liabilities of the three borrowers under the two agreements with Bank Zachodni WBK S.A. may not exceed an aggregate of PLN 60,000 thousand.

The two credit facilities are secured primarily with a mortgage on developed properties (cross-collaterised 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 machinery of the Company's production plant.

- **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-collaterised 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 machinery of the Company's production plant.

As at December 31st 2014, debt outstanding under the bank borrowings used by the Company totalled PLN 11,149 thousand.

The table below presents information on interest rates and maturity dates of the credit facilities discussed above.

Lender	Interest rate	Maturity date	Security	As at Dec 31 2014 Current portion	Non-current portion
Millennium S.A.	1M WIBOR + margin	Jun 25 2018	mortgages, pledges	2,373	0
Millennium S.A.	1M WIBOR + margin	Jun 25 2016	mortgages, pledges	2,361	0
Alior Bank S.A.	1M WIBOR + margin	Jun 25 2018	mortgages	826	0
Alior Bank S.A.	1M WIBOR + margin	Jun 25 2016	mortgages	868	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	1,996	0
BOŚ Bank S.A.	3M WIBOR + margin	Jun 25 2018	mortgages, pledges	2,725	0
			Total	**11,149**	**0**

15. Investments and overhauls

To ensure proper operation on the market and its ability to satisfy the customers' growing expectations, the Company must maintain its plant and equipment in the best technical and technological condition. In 2014, the Company expensed PLN 10,406 thousand on repairs and maintenance of plant and equipment (including capitalised expenditure). The Company's efforts in this respect result in gradual improvement of product quality and higher production capacity.

To maintain appropriate production volumes and consistently enhance product quality, the Company made capital expenditure, which in 2014 was allocated chiefly to increasing productivity. The largest projects were: completion of construction of sorting mill for dry wood shavings (PLN 16,692 thousand) and stormwater and industrial wastewater sewage system (PLN 5,232 thousand); and launch of Phase 2 of modernisation of the wood waste collection and processing line and removal of mineral impurities “Recycling - Phase 2” (PLN 12,093 thousand). The Company's capital expenditure (net of capitalised cost of repair) totalled PLN 52,647 thousand in 2014.

16. Marketing activities in 2014

16.1. Marketing objectives:

- Positioning Pfleiderer as a premium brand;
- Enhancement of the Pfleiderer brand recognition in new segments (architects, designers and end users);
- Strengthening the Company's position in the investment market;
- Strengthening the Company's position in local markets;
- Strengthening the Company's position in the construction market.

16.2. Marketing activities on the furniture and interior design markets:

16.2.1. Product policy:

Product-related marketing activities on the furniture and interior design markets primarily focused on:

- Market launch of new collection of decors, laminated chipboard and kitchen worktops;
- Launch of the decor project with Oskar Zięta and Piotr Kuchciński;

- Market launch of the new line of Duropal high-pressure laminates;
- Continued development of new products while reducing the number of slow-moving products − active management of the product portfolio.

16.2.2. Communication policy:

Our communication-related marketing activities on the furniture and interior design markets focused on:

- Intensification of PFL's/Pfleiderer's model of communication with the market;
- Intensification of external and internal visual identification of Pfleiderer Partner network on the domestic and selected foreign markets;
- Organisation of training courses for the sales force of the Pfleiderer Partner network;
- Support for advertising activities of the Pfleiderer Partner network in the regions;
- Participation in regional fairs and events organised by the Pfleiderer Partner network in Poland and abroad;
- Intensification of advertising and PR activities designed to promote Pfleiderer kitchen worktops in the press and on the Internet;
- Organisation of meetings with key customers from both domestic and exports markets;
- Active promotion of the Pfleiderer brand and products in social media;
- Participation in architecture and design events, such as the Łódź Design Festival and the Design Night in Wrocław, and display of solutions for furnishings and interior design markets in the largest urban centres (in cooperation with VIRTUS).
- Promotion of new finished furniture products presented at the MEBLE furniture trade fair in Poznań; Pfleiderer's press conference during the arena DESIGN event.
- Active PR efforts and advertising initiatives focused mainly on presenting inspiring solutions for home interiors and general public buildings;
- Cooperation with higher education institutions: the University of Arts of Poznań and the ASP Academy of Fine Arts of Wrocław;
- Using the Company's quarterly press conference devoted to the presentation of financial results as an opportunity to meet members of the press (both financial and general-interest magazines as well as interior-design and other trade magazines);

16.3. Marketing activities on the construction market:

16.3.1. Product policy:

Product related marketing activities on the construction market primarily focused on market launch of the MFP Clima Face board and on determination of the scope of products in the BCW (Business Center West) offering on the BCE (Business Center East) market.

16.3.2. Communication policy:

Communication-related marketing activities on the construction market mainly included active promotion of the mfp® brand of construction board among contractors, investors and end users. Main activities in this respect included:

- Participation in regional construction fairs, such as those organised by the PSB Group;
- Organisation of regional training courses for retailers and contractors;
- Promotional campaign for the mfp® board organised together with the Castorama retail chain;
- Organisation of meetings with the Company's customers;
- Continuation of activities designed to enhance brand's visual presence at retail outlets;
- Development of a joint product catalogue with business partner – presentation of solutions for the construction industry.

The overall cost of these activities in the furniture, interior design and construction market was PLN 6,546 thousand (the standard marketing budget) and PLN 10,695 thousand (the marketing budget for the Future Poland project).

17. Material related-party transactions as at December 31st 2014

The table below presents related-party transactions executed by the Company in the reporting period.
In 2014, the Company did not execute any related-party transactions other than on an arms' length basis.

Figures in PLN '000

	Jan 1−Dec 31 2014						As at Dec 31 2014			
Related party	**Revenue**	**Finance income**	**Other income and proceeds from sale of property, plant and equipment**	**Dividend income**	**Purchase of merchandise, services and materials**	**Finance costs**	**Trade and other receivables**	**Receivables under loans granted**	**Trade payables**	**Liabilities under borrowings and bonds**
Pfleiderer MDF Sp. z o.o.	115,097	502	-	-	58,984	-	6,842	10,027	4,917	-
Pfleiderer Prospan S.A.	14,882	-	-	16,931	7,229	7,024	1,297	-	-	278,503
Silekol Sp. z o.o.	946	-	-	21,018	68,630	-	116	-	11,910	-
Jura Polska Sp. z o.o.	736	-	13	46	21,339	-	68	-	723	-
Grajewo OOO	2,076	-	-	-	-	-	-	-	-	-
Pfleiderer Service GmbH	-	-	-	-	49	-	-	-	-	-
Pfleiderer GmbH	-	-	-	-	2,752	-	-	-	601	-
Pfleiderer Holzwerkstoffe GmbH & Co. KG	-	-	75	-	1,672	-	-	-	604	-
Pfleiderer Neumarkt GmbH	92	-	-	-	-	-	-	-	-	-
Pfleiderer Gütersloh GmbH	-	-	-	-	731	-	-	-	52	-
Total	**133,829**	**502**	**88**	**37,995**	**161,386**	**7,024**	**8,323**	**10,027**	**18,807**	**278,503**

18. Management of Pfleiderer Grajewo S.A.'s financial resources in 2014

Financial resources management involves borrowing arrangement, which is used to finance working capital, current operations, investment and cash management.

Proper management of financial resources is a factor supporting the implementation of other management areas, including operational management, strategic and investment projects. This is done in the first place through regular financial projections, including projections of debt in the horizon of five years, and then arranging the appropriate sources of funding, in the form of bank loans, bonds and factoring. Cash Management in Pfleiderer Grajewo S.A. aims at optimizing the financial costs by minimizing cash and devoting cash surpluses to repay bank loans, which may at any time be re-used. The second cash management objective is to reduce the currency risk to which the Group due to the large export and import is exposed.

In 2014, Pfleiderer Grajewo S.A. financed all relevant projects by the use in the first place surplus generated from operating activities, using bank loans, factoring and bond issues.

As at December 31st 2014, par value of the Company's debt under notes in issue totalled PLN 279,300 thousand, and debt outstanding under bank borrowings totalled PLN 11,149 thousand. Cash level is maintained at optimum level and on December 31, 2014 amounted to PLN 4,527 thousand, and PLN 278,052 thousand available under credit lines.

The Company maintains a comprehensive payment capacity and high credibility in the assessment of strategic lenders. In view of the above, even taking into account the possible deterioration of the macroeconomic situation, Management Board believes that there are no risks that could lead to a material deterioration or loss of liquidity.

19. Financial instruments

19.1. Derivatives

Forward transactions included purchase of foreign currency at a predetermined rate. Forward contracts are executed in order to hedge currency risk related to business transactions (sale of products, purchase of raw materials, capital expenditure in foreign currencies).

The Company applies hedge accounting, and therefore the effective portion of gains or losses on fair value measurement of forward hedging instruments is recognised under other comprehensive income and presented separately as 'cash flow hedges' under equity. Gains or losses previously recognised in other comprehensive income are transferred to the current period's profit or loss in the same period and 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 a derivative instrument is recognised immediately in the current period's profit or loss.

As at December 31st 2014, Pfleiderer Grajewo S.A. held 30 open EUR/PLN FX forward contracts for the sale of EUR 65,080 thousand with settlement dates falling between January 29th 2015 and December 29th 2016. Valuation of the transactions as at December 31st 2014 was positive at PLN 1,213 thousand. In the same period, the gain on settled forward contracts was PLN 899 thousand.

19.2. Notes; use of issue proceeds until the date of this Report

The commercial paper programme, carried out pursuant to an agreement of July 22nd 2003 with PEKAO S.A., consists in issuance of short-term notes. 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 issued by Pfleiderer Grajewo S.A., maturing in up to one year, are acquired by Pfleiderer Prospan S.A. through Bank PEKAO S.A. Thanks to this arrangement, Pfleiderer Grajewo S.A. does not use higher-rate bank loans and Pfleiderer Prospan S.A. has placements bearing higher interest than such instruments as treasury bills. The Bank's fee is the cost incurred by the Company in connection with the issue. The notes are a discount instrument – they are issued at a discount to their nominal value and repurchased by the issuer at nominal value.

As at December 31st 2014, Pfleiderer Grajewo S.A.'s debt under notes in issue towards Pfleiderer Prospan S.A. was PLN 278,503 thousand (including interest). After December 31st 2014, Pfleiderer Grajewo S.A. carried out 10 issues of commercial paper in the form of short-term notes with a view to optimising the Group's financial liquidity management, reducing the external debt and financing day-to-day operations.

Use of proceeds

The notes are used to optimise cash management within the Company, reduce external debt and finance day-to-day operations.

19.3. Loans

Loans advanced:

Pfleiderer Grajewo S.A. executes new investment projects through its subsidiaries. The projects are financed partly with credit facilities granted by banks directly to the subsidiaries and partly with loans advanced by Pfleiderer Grajewo S.A.

As at December 31st 2014, the Company disclosed receivables of PLN 10,027 thousand under loans advanced to subsidiary Pfleiderer MDF Sp. z o.o..

The tables below present detailed information on loans advanced by the Company (all amounts in PLN thousand):

Subsidiary:	**Jan 1–**	**Accrued interest**	**Dec 31 2014**
Pfleiderer MDF Sp. z o.o.	9,525	502	10,027
Total	**9,525**	**502**	**10,027**

Interest on loans advanced accrues monthly and is disclosed under finance income. The loan advanced to Pfleiderer MDF Sp. z o.o. is denominated in PLN and bear interest at a rate equal to 1M WIBOR plus margin.

19.4. Sureties

As at December 31st 2014, the Company had issued the following sureties:

a) Surety of EUR 1,115 thousand (PLN 4,752 thousand) issued to Pfleiderer MDF Sp. z o.o. in connection with a credit facility extended to Pfleiderer MDF Sp. z o.o. by PKO BP S.A. As at December 31st 2014, Pfleiderer MDF Sp. z o.o.'s liability under the facility was PLN 85,396 thousand. The surety expires on July 15th 2019.

b) Surety of PLN 15,000 thousand issued to Pfleiderer Prospan S.A. and Silekol Sp. z o.o. in connection with a credit facility extended 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 December 31st 2014, the companies' liability under the facility was PLN 399 thousand. The surety expires on June 25th 2016.

c) Surety of PLN 11,500 thousand issued to Pfleiderer Prospan S.A. in connection with a credit facility extended to Pfleiderer Prospan S.A. by Alior Bank S.A. As at December 31st 2014, Pfleiderer Prospan S.A.'s liability under the facility was PLN 0. The surety expires on June 25th 2016.

d) Surety of PLN 11,500 thousand issued to Silekol Sp. z o.o. in connection with a credit facility extended to Silekol Sp. z o.o. by Alior Bank S.A. As at December 31st 2014, Silekol Sp. z o.o.'s liability under the facility was PLN 0. The surety expires on June 25th 2016.

e) Surety of PLN 11,500 thousand issued to Pfleiderer Prospan S.A. in connection with a credit facility extended to Pfleiderer Prospan S.A. by Millennium Bank S.A. As at December 31st 2014, Pfleiderer Prospan S.A.'s liability under the facility was PLN 222 thousand. The surety expires on June 25th 2016.

f) Surety of PLN 11,500 thousand issued to Silekol Sp. z o.o. in connection with a credit facility extended to Silekol Sp. z o.o. by Millennium Bank S.A. As at December 31st 2014, Silekol Sp. z o.o.'s liability under the facility was PLN 0. The surety expires on June 25th 2016.

19.5. Company's assets used as security

Certain documents and agreements were signed in order to secure the Banks' receivables under the credit facility agreements concluded on June 26th and 27th 2013 by the Company and its subsidiaries (Pfleiderer Prospan S.A. and Silekol Sp. z o.o.). The documents and agreements concerned in particular creating security on the Company's assets. For details, see Section 14.1 of this Report.

19.6. Shares held by Pfleiderer Grajewo S.A.

For detailed information on shareholdings, see supplementary notes to the annual separate financial statements (Investments in subsidiaries).

20. Financial risks related to the Company's operations

The Company manages all types of financial risk described below, which may have a significant effect on its operations in the future. In its risk management process, the Company focuses on the following risk types:

a) credit risk,
b) currency risk,
c) liquidity risk,
d) interest rate 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 non-recourse 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 rather than profit or loss. To manage the currency risk, it first relies on natural hedging and, where necessary, uses forward contracts. The time horizon adopted for position monitoring and hedging transactions is up to 24 months.

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 sources.

20.1. Credit risk

Transactions which expose Pfleiderer Grajewo S.A. companies to credit risk concern trade receivables. The credit risk related to trade receivables is limited, as the customer base is very wide and the risk is highly diversified. Therefore, the credit risk concentration is insignificant. Moreover, the Company operates a strict receivables management policy, whereby the risk of customer insolvency is mitigated through the use of trade credit insurance and factoring. In 2014, approximately 90% of the Company's trade receivables were secured in this way. In the event of insolvency of customers who have insurance coverage, compensation is paid by the insurer. Each customer has a trade credit limit (usually equal to the insurance limit).

20.2. Interest rate risk

The Company holds funds in bank accounts and has receivables under loans granted, liabilities under bank borrowings. The interest rate risk is related to interest payments under borrowings with floating interest rates. The Company monitors the level of interest costs in relation to EBIDTA. The Company does not hedge the interest rate risk.

20.3. Currency risk

As at December 31st 2014, Pfleiderer Grajewo S.A. was not exposed to currency risk related to foreign currency bank borrowings or other debt instruments.

Foreign currency transactions relate both to purchases of raw materials and sale of goods. Therefore, in the event of any exchange rate fluctuations the resulting foreign exchange gains and losses are partly offset. The Group monitors its foreign currency positions on an ongoing basis and hedges open positions – first through natural hedging (appropriate selection of currencies for new contracts), and then through forward transactions. Pfleiderer Grajewo S.A. monitors its currency risk exposure in terms of cash flows.

In 2014, Pfleiderer Grajewo S.A. entered into EUR/PLN forward contracts to hedge against currency risk related to planned trade transactions.

As at December 31st 2014, Pfleiderer Grajewo S.A. held 30 open EUR/PLN FX forward contracts for the sale of EUR 65,080 thousand with settlement dates falling between January 29th 2015 and December 29th 2016. Valuation of the transactions as at December 31st 2014 was positive at PLN 1,213 thousand. In the same period, the gain on settled forward contracts was PLN 899 thousand.

20.4. The risk of changes in the prices of financial instruments

The Company is not exposed to significant risk of changes in the prices of financial instruments.

20.5. Liquidity risk and risk of significant disruptions in cash flows

Pfleiderer Grajewo SA is protected against any material cash flow disruptions, thanks to significant credit facilities available at any time. Significant distortion of the cash flows is unlikely due to customer diversification. All extraordinary expenditure is always planned in advance and taken into account in the process of liquidity management.

The Company monitors its liquidity on an ongoing basis, both with respect to short-term liquidity (a few days forward) and long-term liquidity (a few years forward). The liquidity risk is negligible as the Company has all-time access to credit facilities. The Company's current liquidity ratios confirm its sound financial standing. The liquidity ratios for the period January 1st – December 31st 2014 and January 1st – December 2013 were as follows:

	Current ratio	Quick ratio	Average collection period	Average payment period	Inventory turnover ratio
	Current assets / Current liabilities	Receivables + cash / Current liabilities	Average trade and other receivables / Revenue /360	Average trade and other payables / Revenue /360	Average inventories / Revenue /360
Dec 31 2014	0.33	0.14	29 days	57 days	38 days
Dec 31 2013	0.32	0.13	35 days	60 days	35 days

As at December 31st 2014, the Company's debt under bank borrowings and amounts outstanding under credit facilities totalled PLN 11,149 thousand. As at December 31st 2014, unused credit facilities amounted to PLN 278,052 thousand. The total value of credit limits is PLN 300,000 thousand. Credit limits of PLN 65,000 thousand are available until June 25th 2016, and credit limits of PLN 235,000 thousand are available until June 25th 2018. The Company holds cash of PLN 4,527 thousand.

In 2014, 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.

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

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

22. Corporate governance

22.1. Appointment and removal of the management staff

Pursuant to the Company’s Articles of Association, the Management Board members are appointed and recalled by the Company’s Supervisory Board. The Articles of Association and resolutions of the Company’s General Meeting do not provide for any special powers for the Management Board members with respect to making decisions on the issue or repurchase of shares.

22.2. Management bodies

The Management Board must consist of at least two members. Members of the Management Board are appointed for a joint five-year term of office. The Supervisory Board appoints the President of the Management Board and, upon his/her request, the other members of the Management Board. The Management Board exercises all powers in the scope of managing the Company's operations with the exception of powers reserved for the Company's other governing bodies under law or the Company's Articles of Association. The proceedings of the Management Board and the matters assigned to individual members of the Management Board are defined in detail in the Rules of Procedure of the Management Board, adopted by the Company's Management Board and approved by the Supervisory Board.

The General Meeting appoints the members of the Supervisory Board. The Supervisory Board must consist of five, seven or nine members. Members of the Supervisory Board are appointed for a joint five-year term of office. The Supervisory Board supervises the Company's activities and operations. The powers of the Supervisory Board are defined in the Articles of Associations and in law, including the Commercial Companies Code. The Supervisory Board adopts its rules of procedure, which define operations of the Supervisory Board in detail.

22.3. Amendments to the Articles of Association

The Articles of Association of the Company are amended in line with the procedure specified in the Commercial Companies Code. No special provisions with respect to this practice are set forth in the Parent's Articles of Association.

22.4. General Meeting

The General Meeting of the Company has the powers specified in the Commercial Companies Code and the Articles of Association. The proceedings of the General Meeting are governed by the Articles of Association and the Rules of Procedure of the General Meeting, available on the Company's web site.

22.5. Company shares

The Company has not issued any shares granting special control powers. In addition, there are no limitations on the exercise of voting rights attached to the shares issued by the Company. Also, there exist no rights related to the securities issued by the Company which would be separate from the ownership of the securities.

No restrictions on transferability of the Company shares are imposed under the Company's Articles of Association or its other internal regulations. Therefore, transfer of ownership of the Company shares is subject only to the limitations imposed by the applicable laws and the stock-exchange regulations.

22.6. Financial statements

The Company's financial statements are prepared by a separate organisational unit. All financial statements are reviewed, verified and approved at several levels at the Company, which significantly minimizes risks related to financial reporting.

22.7. Statement of compliance with the corporate governance rules

The Pfleiderer Grajewo Management Board declares that the Company complies with the corporate governance rules contained in the Code of Best Practice for WSE Listed Companies, appended to the WSE Supervisory Board Resolution No. 19/1307/2012, dated November 21st 2012, with the exception of the following rules, which the Company does not apply:

Rule I.12

A company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, and using electronic communication means.

Pfleiderer Grajewo S.A. does not comply with this rule given the small number of shareholders attending the Company's General Meetings. In the opinion of the Pfleiderer Grajewo Management Board, non-compliance with the above rule does not adversely affect the shareholders' ability to participate in the Company's General Meetings.

Rule III.6

At least two members of the Supervisory Board should meet the criteria of being independent from the Company and entities with significant connections with the Company. The independence criteria should be applied under Annex II to the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the Annex, a person who is an employee of the company, its subsidiary or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.

The Company does not comply with the rule. Instead, it ensures that an independent member serves on the Supervisory Board as specified below:

In accordance with the Company's Articles of Association, at least one member of the Supervisory Board consisting of five members, two members of the Supervisory Board consisting of seven members, and three members of the Supervisory Board consisting of nine members must be independent and satisfy the following criteria:

- they are not members of the governing bodies of Pfleiderer Grajewo S.A.'s parent or of such parent's subsidiaries,
- they are not employed by Pfleiderer Grajewo S.A.'s parent or by such parent's subsidiaries,
- they are not relatives (a spouse, direct descendant or direct ascendant) of a member of the governing bodies of Pfleiderer Grajewo S.A. or Pfleiderer Grajewo S.A.'s parent.

Rule IV.10

A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

- real-life broadcast of General Meetings,
- real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.

Pfleiderer Grajewo S.A. does not comply with this rule given the small number of shareholders attending the Company's General Meetings. In the opinion of the Pfleiderer Grajewo Management Board, non-compliance with the above rule does not adversely affect the shareholders' ability to participate in the Company's General Meetings.

23. Auditor

The separate and consolidated financial statements are audited and reviewed on the basis of the decision made by the General Meeting on June 23rd 2010 on appointment of the auditor. Pursuant to the resolution, the following entity was appointed the auditor:

KPMG Audyt Spółka z o.o. spółka komandytowa

ul. Chłodna 51,

00-867 Warszawa, Poland

The financial statements were audited pursuant to the agreement executed between KPMG and the Company. The agreement, dated April 14th 2014, provided for the review of the interim Group report for Q1 2014. The fee due to KPMG under the Agreement was PLN 45 thousand. The agreement, dated July 3rd, 2014, provided for the review of the interim separate financial statements of Pfleiderer Grajewo S.A., and the interim consolidated financial statements of the Pfleiderer Grajewo Group and review of the interim Group report . The fee due to KPMG under the Agreement was PLN 73 thousand. The most recent agreement with KPMG, dated October 8th 2014, provided for an audit of the annual separate financial statements of Pfleiderer Grajewo S.A. and the annual consolidated financial statements of the Pfleiderer Grajewo Group for the financial year ended December 31st 2014, prepared in accordance with the IFRS, as well as for an audit of the Group's annual report. The fee due to KPMG under the agreement is PLN 193 thousand.

The total fee for the audits specified above will amount to PLN 311 thousand (PLN 302 thousand for the previous financial year).

24. Audit Committee

All duties of an audit committee were assigned to the Pfleiderer Grajewo Supervisory Board.

25. Non-recurring events affecting the Pfleiderer Grajewo S.A.'s financial performance

During the reporting period no non-recurring events took place which could have a bearing on the Company's financial performance in the future.

26. Changes in the composition of the Company's Management Board during the financial year

There were no changes in the composition of the Parent's Management Board in 2014.

27. Changes in composition of the Management Board subsequent to the end of the reporting period

On February 16th 2015, the Supervisory Board of Pfleiderer Grajewo S.A.:

- appointed Mr Michael Wolff President to the position of the Company's Management Board,
- appointed Mr Gerd Schubert Member to the position of the Management Board, Chief Operating Officer,
- recalled Mr Wojciech Gątkiewicz from the position of President of the Management Board, and appointed him Member to the position of the Management Board, Transformation Director.

28. Changes in the composition of the Supervisory Board

In the 12 months ended December 31st 2014, the following changes occurred in the composition of the Company's Supervisory Board:

1. On June 23rd 2014, Mr Gerd Hammerschmidt resigned from the position of the Member of the Supervisory Board of Pfleiderer Grajewo S.A. effective from June 29th 2014.
2. On June 30th 2014, Mr Gerd Schubert was appointed to the position of the Member of the Supervisory Board.

The following changes in the composition of the Company's Supervisory Board occurred after December 31st 2014:

3. On January 30th 2015, pursuant to a resolution of the Extraordinary General Meeting, Mr Michael Wolff was recalled from the position of Chairman of the Supervisory Board, and Mr Gerd Schubert was recalled from the position of Member of the Supervisory Board.
4. On January 30th 2015, the Extraordinary General Meeting appointed the following persons to the Supervisory Board Mr Paolo G. Antonietti and Mr Michael F. Keppel.

On February 16th 2015 the Supervisory Board appointed Mr Paolo G. Antonietti for a position of Chairman of Supervisory Board and Mr. Michael F. Keppel for a position of Vice Chairman of the Supervisory Board.

29. Events subsequent to the end of the reporting period

After December 31st 2014, Pfleiderer Grajewo S.A. carried out 10 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 under the Note Issue Programme Agreement executed on July 22nd 2003 with Bank PEKAO S.A. The notes were 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 redeemed at par value. The notes were acquired by subsidiary Pfleiderer Prospan S.A.

30. 2015 financial forecast

Given the current economic climate, the Company refrains from publishing its forecast for 2015 until the market volatility subsides and the Polish market of furniture manufacturers becomes more stable.

Pfleiderer Grajewo Management Board ***Grajewo, March 18th 2015***

Michael Wolff
President of the Management Board

Rafał Karcz
Member of the Management Board, Chief Financial Officer

Gerd Schubert
Member of the Management Board, Chief Operating Officer

Wojciech Gątkiewicz
Member of the Management Board, Chief Transformation Officer

Dariusz Tomaszewski
Member of the Management Board, Sales Director