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**Report of Supervisory Board
of Pfleiderer Grajewo S.A. with its seat in Grajewo
(hereinafter the “Company”)
for a period from 01.01.2012 to 31.12.2012**

prepared on 14.06.2013

1. Changes in a composition of Supervisory Board and current composition of Supervisory Board

Within a period from 01.01.2012 to 31.12.2012 the composition of Supervisory Board was changed as follows:

Mr. Hans-Joachim Ziems submitted his resignation from the Supervisory Board as of 07.03.2012.

General Meeting of Shareholders on 10.04.2012 appointed to the Supervisory Board Mr. Jochen Schapka.

Mr. Hans H. Overdiek submitted his resignation from the Supervisory Board as of 28.09.2012.

General Meeting of Shareholders on 07.11.2012 appointed to the Supervisory Board Mr. Gerd Hammerschmidt.

After the end of 2012 business year the following changes in a composition of Supervisory Board took place:

Mr. Dr. Hans-Kurt von Werder submitted his resignation from the Supervisory Board with effect as of 26.02.2013.

General Meeting of Shareholders on 26.02.2013 appointed to the Supervisory Board Mr. Richard Mayer.

As of the date of adoption of this report the Supervisory Board is composed of: Mr. Michael Wolff – the Chairman, Mr. Gerd Hammerschmidt, Mr. Richard Mayer, Mr. Jochen Schapka, and Mr. Jan Woźniak.

2. Legal basis of activity of Supervisory Board

Supervisory Board performed its tasks basing on the Commercial Companies Code, Statutes of the Company and Bylaws of Supervisory Board as adopted by the Supervisory Board according to the resolution No. 1/2/97 dated 30.10.1997 r. and resolution No. 18/III/2000 dated 23.03.2000.

3. Submitting by Management Board the documents for evaluation

Management Board prepared and submitted to the Supervisory Board verified by auditors non-consolidated financial report comprising: separate statement of financial position as at 31.12.2012, the separate statement of comprehensive income, the separate statement of changes in equity, the separate statement of cash flows for the year then ended and the notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Management Board prepared and submitted to the Supervisory Board verified by auditors consolidated financial report comprising: consolidated statement of financial position as at 31.12.2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

4. Report on the results of evaluating the non-consolidated financial statement, report of Management Board on operations and motion of Management Board on distribution of a profit.

4.1. Evaluation of non-consolidated financial statement.

Ordinary Meeting of Shareholders of the Company dated 23.06.2010 in a resolution No. 8 appointed company KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa in Warsaw as entity authorised to audit financial statements of the Company and of the Capital Group of Pfleiderer Grajewo S.A. beginning from a financial statement for a business year starting on 01.01.2010.

Supervisory Board evaluated the non-consolidated financial report submitted by Management Board and comprising:

- a) statement of financial position as at 31.12.2012, showing an amount of PLN 1,427,663 thousand,
- b) statement of comprehensive income for a period from 01.01.2012 to 31.12.2012 showing net profit amounting to PLN 12,003 thousand,
- c) statement of changes in equity for a period from 01.01.2012 to 31.12.2012 showing increase in equity by an amount of PLN 12,003 thousand,
- d) statement of cash flows for a period from 01.01.2012 to 31.12.2012 showing a net increase in cash amounting to PLN 339 thousand,
- e) notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Supervisory Board reviewed the opinion of auditor dated 30.04.2013 and analyzed the report from audit of separate financial statement prepared by company KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa.

Supervisory Board stated basing on the opinion of auditor that the financial statement was prepared in all material aspects in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of law and Statutes of the Company. Financial statement presents fairly all information significant for evaluation a profitability and financial result within a period from 01.01.2012 to 31.12.2012, as well as for evaluation of financial situation of Capital Group as at 31.12.2012.

4.2. Evaluation of consolidated financial statement.

Supervisory Board evaluated the consolidated financial report submitted by Management Board and comprising:

- a) consolidated statement of financial position as at 31.12.2012, showing an amount of PLN 1,807,032 thousand,
- b) consolidated statement of comprehensive income for a period from 01.01.2012 to 31.12.2012 showing net profit amounting to PLN 36,285 thousand,
- c) consolidated statement of changes in equity for a period from 01.01.2012 to 31.12.2012 showing increase in equity by an amount of PLN 18,684 thousand,
- d) consolidated statement of cash flows for a period from 01.01.2012 to 31.12.2012 showing a net increase in cash amounting to PLN 7,689 thousand,
- e) notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Supervisory Board reviewed the opinion of auditor dated 30.04.2013 and analyzed the report from audit of consolidated financial statement prepared by company KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa.

Supervisory Board stated basing on the opinion of auditor that the consolidated financial statement was prepared in all material aspects in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of law and Statutes of

the Company. Consolidated financial statement presents fairly all information significant for evaluation of a profitability and financial result within a period from 01.01.2012 to 31.12.2012 as well as for evaluation of financial situation of Capital Group as at 31.12.2012.

4.3. Evaluation of motion of Management Board regarding distribution of the profit

Supervisory Board recommends to accept the motion of Management Board and to allocate net profit for a period from 01.01.2012 to 31.12.2012 amounting to PLN 12,003 thousand to a supplementary capital of the Company.

4.4. Evaluation of report of Management Board on operations within a period from 01.01.2012 to 31.12.2012

Supervisory Board states that the report on operations within a period from 01.01.2012 to 31.12.2012 presented by the Management Board has been prepared with due accuracy and contain all information necessary for evaluation correctness of operations of Management Board and situation of the Company as of the end of 2012 business year.

Supervisory Board estimates that the operations of Management Board remained in formal aspects in accordance with Commercial Companies Code, Statute of the Company and other provisions of law. Additionally the operations of Management Board stayed in compliance with the resolution of Supervisory Board and General Meeting of Shareholders of the Company.

Supervisory Board states that the cooperation with Management Board in 2012 business year was due and proper.

4.5. Evaluation of report of Management Board of Capital Group on operations within a period from 01.01.2012 to 31.12.2012

Supervisory Board states that the report on operations within a period from 01.01.2012 to 31.12.2012 presented by the Management Board has been prepared with due accuracy and contain all information necessary for evaluation correctness of operations of Management Board and situation of Capital Group as of the end of 2012 business year.

5. Evaluation of situation of the Company

The Supervisory Board positively estimates current situation of the Company and the situation of the Company and the capital group of the Company as of the end of 2012 business year.

In particular the Supervisory Board positively estimates a decision on a sale by Pfleiderer Grajewo S.A. its shares in Pfleiderer OOO as well as a sale of the assets dedicated to Rus-

sian MDF project. Financial means obtained by the Company in 2013 as a result of the above transaction allowed to reduce an indebtedness of capital group of the Company.

Annual revenues of the Company in 2012 remained on similar level comparing to previous business year in spite of the market downswing.

A debt towards the banks was reduced by the Company in 2012 by PLN 42,000 thousand. On 29 January 2013 the Company fully repaid the syndicate credit facility agreement dated 16 March 2010.

In 2012 the Company recorded a decrease in net result caused mainly by unrealized foreign exchange differences arising from the valuation of loans to foreign entities and realized exchange differences arising from the receipt of loan repayments.

The Supervisory Board positively estimates Company's actions towards developing new products and market segments, as well as further actions towards lowering the costs.

In an opinion of the Supervisory further situation of the Company and the capital group of Company in 2013 will be influenced among others by external factors, including an economic growth.

Internal control system that exists on the levels of both the Company and capital group of the Company limits a risk of irregularities within the Company and its subsidiaries. Additionally there exists within the capital group a risk management system, which allows to identify existing risks and to take necessary actions in connection with such risks.

Supervisory Board together with Management Board analyzes a market environment of the Company and of the capital group of the Company as well as all risk factors connected with operations of the Company and its subsidiaries. In the opinion of Supervisory Board the Management Board pays due diligence in order to identify and manage the above risks.

6. Evaluation of a work of the Supervisory Board

Within a period from 01.01.2012 to 31.12.2012 the Supervisory Board performed its duties in the course of the meetings of the Supervisory Boards and by adopting the written resolutions without formal meetings. The Supervisory Board was on a regular basis informed by the Management Board about a current situation of the Company and the capital group of the Company.

Agenda of the meetings resulted from the scope of duties of Supervisory Board as defined by the provisions of law and of the Statute of the Company.

Supervisory Board in particular performed a regular supervision over the activity of the Company by:

- a) current control of economic and financial situation of the Company,
- b) approval of annual budget and a control of its performance,
- c) evaluation of financial statement of the Company, financial statement of Capital Group, report of Management Board and Management Board of Capital Group on the operations, as well as a motion of Management Board on distribution of the profit.

Supervisory Board within a period from 01.01.2012 to 31.12.2012 paid a due diligence when performing its duties as defined by the provisions of law and the provisions of Statute of the Company.

7. Recommendations for General Meeting of Shareholders

Supervisory Board after evaluation the following presented by Management Board documents:

- a) verified by auditor non-consolidated financial statement for a period from 01.01.2012 to 31.12.2012,
- b) report of Management Board on operations within a period from 01.01.2012 to 31.12.2012,
- c) verified by auditor consolidated financial statement for a period from 01.01.2012 to 31.12.2012,
- d) report of Management Board of Capital Group of Pfleiderer Grajewo S.A. on operations within a period from 01.01.2012 to 31.12.2012,
- e) motion of Management Board on distribution of net profit for a period from 01.01.2012 to 31.12.2012.

grants a positive opinion with respect to the above documents and decides to recommend to the General Meeting of Shareholders as follows:

- a) to approve the verified by auditor non-consolidated financial statement for a period from 01.01.2012 to 31.12.2012,
- b) to approve the report of Management Board on operations within a period from 01.01.2012 to 31.12.2012,
- c) to approve the verified by auditor consolidated financial statement for a period from 01.01.2012 to 31.12.2012,
- d) to approve report of Management Board of Capital Group of Pfleiderer Grajewo S.A. on operations within a period from 01.01.2012 to 31.12.2012,
- e) to accept the motion of Management Board and to allocate total net profit for a period from 01.01.2012 to 31.12.2012 to a supplementary capital of the Company,
- f) to approve a performance of the duties by all members of Management Board and Supervisory Board within a period from 01.01.2012 to 31.12.2012 r.

Signatures of members of Supervisory Board:

Michael Wolff

Gerd Hammerschmidt

Richard Mayer

Jochen Schapka

Jan Woźniak