Press release

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Pfleiderer affected by financial crisis – Full-year result 2008 reflects economic downturn in fourth quarter

- **Revenue close to prior-year level at €1,736 million**
- **Respectable return on sales of 12.9% despite financial crisis**
- **Cash flow up by 15% to €228.4 million**
- **Focus in 2009 on costs management**

Neumarkt, March 31, 2009. In a worsening market environment, MDAX-listed Pfleiderer AG (ISIN DE0006764749) was able to strengthen its position further and gained market share, although it did not achieve its originally defined revenue and earnings targets. In 2008, demand for engineered wood declined in all of the Pfleiderer Group's sales regions, leading to falling prices for most products. Consolidated revenue therefore decreased by 3.6% to €1,735.9 million (2007: €1,801.1 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased to €223.7 million (2007: €248.7 million), causing the EBITDA margin to fall slightly from 13.8% to 12.9%. While most of this decline in margin took place in Eastern Europe, the region of Western Europe generated record margins. The Group initiated cost-efficiency programs at an early stage and was able to reduce costs by approximately €80 million, significantly more than originally targeted. As a result, and thanks to a sound financial structure with an equity ratio of 37.7% and a debt-to-equity ratio (gearing) of 0.9, the Group considers itself prepared for the difficult economic conditions in 2009.

"The Pfleiderer Group achieved respectable results compared with the industry in 2008, with revenue of nearly €1.74 billion and an EBITDA margin of 12.9%. In view of our success in reducing our cost base by €80 million, and thanks to a sound balance sheet structure, we believe we are well prepared for a difficult year 2009. We are convinced that we will be able to gain market share, so Pfleiderer will emerge from this crisis stronger than before," commented Hans H. Overdiek, Chairman of the Executive Board of Pfleiderer AG, on current business developments.

EBITDA close to prior-year level at €224 million

More than half of the €65 million decrease in revenue in 2008 is due to the closure of the plant in La Baie, Canada. However, there were positive effects on revenue from the first full year of Pergo's consolidation (€41.8 million), positive exchange-rate changes (€17.4 million) and the revenue generated by the new US particleboard plant in Moncure, NC (€10.4 million). Due to the slight decline in revenue and increased raw-material costs, which could only partially be passed on to customers and were not completely offset by savings, EBITDA decreased from €248.7 million to €223.7 million. The EBITDA margin fell accordingly from 13.8% to 12.9%. In addition to slightly higher depreciation, impairments totaling €13.8 million were also recognized in 2008, primarily relating to the transfer of the La Baie production plant to Moncure. Earnings before interest and taxes (EBIT) therefore decreased from €136.8 million to €97.6 million. The Financial result worsened from €46.0 million to €80.0 million in 2008, due to expenses of €28.4 million relating to the fair-value measurement of exchange-rate hedges (€15.5 million) and interest-rate hedges (€4.1 million) as well as the balance sheet date measurement of financial items denominated in foreign currencies. Profit from continuing operations before income taxes therefore fell from €90.6 million to €17.6 million. Earnings per share from continuing operations amounted to €0.24 for 2008 (2007: €1.00).

Further market share gains in Western Europe – record earnings margin

The Western Europe region remained the Group's most important source of revenue in 2008, accounting for 53.4% of the total. Due to good market positioning, the region's revenue decrease was kept comparatively moderate at minus 4% to €945.8 million, despite the clear onset of recession at the end of the year. The drop in revenue was primarily due to falling prices for raw particleboard as well as for high-density fiberboard (HDF) and medium-density fiberboard (MDF), but also due to lower sales volumes of HDF and MDF. Sales of surface-finished board increased once again, however. While the laminate flooring business in Europe remained difficult in 2008 because of excess capacity in the industry, Pfleiderer's Pergo brand performed rather better than its competitors in the high-price segment in which it is active. EBIT in Western Europe increased compared to the prior year to €112.5 million (2007: €110.0 million). The EBIT margin improved from 11.1% to a new record level of 11.9%. Key reasons for the earnings growth were the increasing share of high-margin products in Pfleiderer's portfolio and the significant improvement in profitability following the structural measures taken in recent years. Strict cost management was also a contributing factor.

Eastern Europe continues to expand

Business development in the Eastern Europe region developed very differently varied in the Polish and Russian markets in 2008. Whereas the situation of demand and earnings were excellent in Russia, the Polish plants were operating in a difficult environment. For a large part of the year, the strong zloty was a burden on the exports of Pfleiderer's customers, which are mainly active in the furniture industry and export most of their production to Western Europe. The Polish furniture industry's demand for particleboard in 2008 was therefore 15% lower than in the prior year. Excess capacity also depressed prices of particleboard and MDF. Activities in Russia developed very positively, however: Sales grew significantly and the increased raw-material costs were passed on in full to the customers. Despite the difficult market situation in Poland, Pfleiderer expanded its revenue in the Eastern Europe region by 7% to €420.3 million. The growth resulted from the new MDF plant in Poland, exchange-rate effects and capacity expansion in Russia. The segment's EBIT fell by €22.9 million to €28.9 million, however. This was caused by higher raw-material costs, as well as by pressure on prices of MDF and particleboard in Poland. In order to counteract cost pressure and falling prices, far-reaching cost-saving measures were implemented, leading to savings of approximately €27 million in 2008.

Significant improvement in adjusted earnings in North America

The development of business in North America was affected by the real estate and financial markets crisis in 2008. In this difficult environment, sales remained close to the prior-year level thanks to the newly acquired plant in

Moncure, although the plant in La Baie was closed. Market share for particleboard and laminate flooring increased once again. Whereas the market for laminate flooring contracted by 15%, Pergo posted growth of more than 24%. The decrease in revenue in North America of 9% to €404.9 million overall was caused by exchange-rate effects and the closure of the plant in La Baie. Measured on a comparable basis, revenue increased by 2%. Due to overcapacity, it was almost impossible to pass on the sharply increased raw-material prices to customers. By contrast, this was possible to a certain extent in the laminate flooring business. In view of the unfavorable market environment and impairments of €13.8 million mainly connected with the transfer of the La Baie plant, EBIT fell from minus €15.5 million to minus €20.2 million. The increase in EBIT adjusted for the impairments was the result of cost reduction, better market positioning and badwill from the acquisition of the Moncure plant. Pfleiderer will significantly improve its cost position due to the transfer of the MDF plant to Moncure, where the Group will benefit from lower wood prices and transport costs as well as the elimination of the exchange-rate risk. The start of production is planned for the fourth quarter of 2009, depending on the market situation.

Significant improvement in cash flows, sound finances and balance sheet structure

Thanks to the efficient management of current assets, the Pfleiderer Group's cash flows developed very positively also in 2008. The net cash inflow from operating activities increased by €30.4 million to €228.4 million. This permitted investments and acquisitions of €189.3 million (2007: €574.7 million). The Group has sound finances due in part to a Schuldschein of €165.0 million issued at favorable conditions. The equity ratio at the end of 2008 was a very favorable 37.7%. Net debt increased compared with December 31, 2007 by €17.3 million to €635.5 million.

Against the backdrop of the global recession, which has also had a negative impact on the engineered wood industry, Pfleiderer anticipates a difficult business development in 2009. In nearly all markets, falls in both prices and sales are likely, partially offset, however, by increased market share resulting from the company's relatively good cost position. In view of these conditions, strict cost and cash flow management will have top priority in 2009. On the cost side, the actions initiated in 2008 will be continued and will lead to further noticeable savings in 2009. The ongoing ramp-up of the new MDF plant in Grajewo, Poland, will have a positive effect on Pfleiderer. The same applies to the additional capacities created in Novgorod, Russia, in the second half of 2008. The Polish plants should also benefit from the weaker zloty. Demand is expected to cool off in Western Europe, but this should be counteracted by continual productivity improvements in all plants. North America will continue to present great challenges to all market players in 2009, as the market for engineered wood is likely to shrink for the third consecutive year due to the real estate crisis. But contrary to the market trend, Pfleiderer anticipates growing market share and an increase in business volume resulting from the new plant in Moncure. For the first quarter of 2009 ending on March 31, Pfleiderer expects lower revenue and EBITDA than in the fourth quarter of 2008.

The Pfleiderer Annual Report 2008 and further information on the Group can be found on the website at: www.pfleiderer.com.

About the Pfleiderer Group:

MDAX-listed Pfleiderer AG (ISIN DE 0006764749) is one of the world's leading manufacturers of engineered wood, surface-finished products and laminate flooring. The company serves the furniture industry, tradesmen, interior fitters and the do-it-yourself market with approximately 5,800 employees at 22 production facilities in North America, Western Europe and Eastern Europe. In the year 2008, the Pfleiderer Group achieved revenue of approximately €1.74 billion and EBITDA of nearly €224 million.

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Key figures for 2008
(according to IFRS)

€ million	Jan. 1 – Dec. 31, 2008	Jan. 1 – Dec. 31, 2007	Change in %
Revenue	1,735.9	1,801.1	-3.6 %
• thereof Western Europe	945.8	986.7	-4.1 %
• thereof Eastern Europe	420.3	393.3	+6.9 %
• thereof North America	404.9	443.0	-8.6 %
Gross margin (in %)	25.1	27.3	-8.1 %
EBITDA	223.7	248.7	-10.0 %
Return on sales (in %)	12.9	13.8	-6.5 %
EBIT	97.6	136.8	-28.7 %
• thereof Western Europe	112.5	110.0	2.3 %
• thereof Eastern Europe	28.9	51.8	-44.2 %
• thereof North America	-20.2	-15.5	-30.3 %
EBT of continuing operations	17.6	90.6	-80.6 %
Profit for the period	22.3	84.6	-73.6 %
Earnings per share of continuing operations (basic) (in €)	0.24	1.00	-76.0 %

€ million	Dec. 31, 2008	Dec. 31, 2007
Balance sheet total	1,887.5	1,921.3
Equity	710.9	801.0
Equity ratio (in %)	37.7	41.7
Net debt	635.5	618.2
Debt-equity ratio (gearing)	0.89	0.69
Investment in property, plant and equipment	158.7	182.6
Cash flow from operating activities	228.4	198.0

Number of employees in continuing operations excluding apprentices	5,777	5,849
• thereof Germany	2,569	2,545
• thereof international	3,208	3,304