

Subject: Adoption of the “Pfleiderer Group Strategy”

Current Report no. 42/2017

The Management Board of Pfleiderer Group S.A. (the “**Company**”) hereby informs that on 20 September 2017 it resolved a resolution on adoption of the document “Pfleiderer Group Strategy” which sets forth the Company group’s (the “**Group**”) strategy to be achieved by 2021 (the “**Strategy**”). The Supervisory Board of the Company approved the Strategy also on 20 September 2017.

The Strategy focuses on the following main key pillars: (i) intensifying sales and marketing activities for higher valued products, (ii) improving operational efficiency, (iii) human resources, (iv) improving the cost structure and (v) a competitive management approach. The implementation of the Strategy in these areas is supposed to translate into a stable growth of the Group’s value to its shareholders.

The Strategy assumes achieving the following key targets by 2021:

- approx. sales revenue for the year ended 31 December, 2021 of EUR 1,2 billion;
- approx. minimum EBITDA for the year ended 31 December, 2021 of EUR 200 million ;
- EBITDA margin for the year ended 31 December, 2021 of at least 16%;
- capital expenditures amounting to an average of EUR 70 million p.a. (including EUR 20 million of maintenance capital expenditures p.a.);
- maintaining net financial leverage between 1.5 and 2.0;
- equity ratio above 30%;
- dividend payment up to 70% of net profit (the dividend policy has not been changed).

The Strategy assumes achieving the following operating targets:

- uptime improvement of all CPL, MDF and PB lines by 4% to be achieved by 2018 (base year 2015);
- productivity improvement of all CPL, MDF and PB lines by 5% to be achieved by 2019 (base year 2015).

The Strategy assumes among others implementation of a growth plan for Pfleiderer Silekol sp. z o.o. (an indirect subsidiary of the Company) amounting to approx. EUR 12,4 million of capital expenditures. The implementation is aimed at increasing EBTIDA by EUR 6,4 million p.a.

All above financials are on a consolidated basis i.e. they refer to financial results and financial position of the Group.

The Strategy is based on macroeconomic, market and financial assumptions which include *inter alia* GDP assumptions (GDP growth estimations for relevant markets) as well as growth rates assumptions in the construction industry (both residential and non-residential). All information concerning future periods has been estimated on the basis of applied assumptions and can differ from actual values reported by the Company in future statements and/or reports. The Strategy does not include any impact of the changes to the assumed macroeconomic, market and financial scenarios, one-off event or any changes in regulations as well as impact of any potential acquisitions or disposals.

The Company informs that assumptions and key targets included in the Strategy do not constitute profit forecasts and/or profit estimates.

Definitions:

EBITDA – results from operating activities + depreciation and amortization;

Equity ratio – total equity / total assets;

Net financial leverage – net financial debt / EBITDA;

Net financial debt – total loans and borrowing - cash and cash equivalents;

EBITDA margin – EBITDA / total sales revenue.

The report was prepared on the basis of Article 17 section 1 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (Dz. U. UE L 173/1 on 12 July 2014).

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