

7th November 2016

Press release

Pfleiderer Group recorded an increase in EBITDA margin thanks to the focus on value-added products

- **Sustainable EBITDA (excluding extraordinary effects) increased significantly - by 12.9% to EUR 108.4 million**
- **EBITDA margin was raised to 14.9% of revenues and overachieved expectations**
- **Strong volume demand across all product groups in particular value added products, such as HPL and laminated particleboard**
- **Revenues were EUR 726.6 million, slightly down against the same period in 2015 due to lower selling prices and negative exchange rates**
- **The Group's strong performance was supported by growth of the national economies – a steady increase in sales in the West Segment, materials prices remain at favorable levels**
- **The Management Board confirmed its expectation to achieve at least a low double-digit increase in EBITDA in 2016**

Presented financial data are comparable in connection with the legal and financial process of integration of the Group.

07.11.2016 Wrocław, Poland. During the first three quarters of 2016 Pfleiderer Group generated a strong financial performance. The project "ONE PFLEIDERER" successfully drove the next stage of full integration of the Group, which has unlocked further grow potential.

Consolidated revenues during the first nine months of the year amounted to EUR 726.6 million to EUR 741.9 million last year. The level of sales was negatively affected by price pressure and the negative effect of exchange rate differences amounting to EUR 23.6 million. However, the volume growth in the West Segment (EUR 21.1 million) and favorable prices of materials used in production had a positive impact on revenues.

At a lower level of sales, sustainable EBITDA amounted to EUR 108.4 million and was 12.9% higher. EBITDA margin was raised to 14.9% and was higher than the assumptions for the reporting period.

"The project "ONE PFLEIDERER" successfully drove the next stage of full integration of the Group. The results recorded after 3 quarters of 2016 demonstrated a strong financial performance. High volume demand across all product groups in particular



value added products, EBITDA significant growth excluding the impact of extraordinary items by 12.9% and improvement in margins are of key significance. The results are above our expectations, also when it comes to the effect of optimization activities related to the full integration of the Group.”

“ONE PFLEIDERER” reached all milestones and reported realized savings of EUR 16.4 million to the end of September 2016. We are happy to confirm our target of realizing cost savings of at least EUR 30 million by the end of 2018. We are working on the new growth strategy till 2020, which we would like to present to the capital market at the end of Q1, 2017.”

Michael Wolff, President and CEO of the Pfleiderer Group

The results of the subsequent quarters of this year are affected by one-off events related to the expenditure incurred on the process of re-IPO (EUR 10.2 million), the provisions for necessary reorganization process of the capital group (EUR 7.3 million) and the provisions for costs related to antitrust claims or for settlements of such claims (EUR 3.8 million).

Reported EBITDA, taking into account the aforementioned reasons, amounted to EUR 77.2 million (compared to EUR 87.2 million in three quarters of 2015.). Net profit in the reported period amounted to EUR 13.5 million from EUR 15.1 million during the first nine months of 2015.

In the Western European segment, the Group in the first 3 quarters of 2016 reported a 2.1% increase in revenues to EUR 501.2 million, mainly due to higher sales volumes in all product groups, especially when it comes to raw particleboard and laminate. The results improved despite growing pressure on prices.

In the segment of Eastern Europe in the first three quarters of 2016 the Group generated revenue of EUR 251.6 million, compared to EUR 279.3 million in the same period last year. The decrease of sales of the segment is mainly related to the decrease in turnover of the HDF-plant in MDF Grajewo, price pressure associated with the import of cheaper particleboards from Belarus and Ukraine to the Polish market. The Board notes, however, that the rate of decrease is stopped (in the Q3, 2016 the sales reduction in HDF-plant MDF Grajewo was only EUR 1.5 million vs. EUR 13.7 million in Q1-Q3, 2016). Production capacity in key lines was almost fully utilized, allowing for the effective distribution of fixed costs. In the three quarters of the year, the Group took additional measures to increase operational efficiency, especially in terms of productivity and costs associated with improving quality.

All strategic projects are well on track and the capital expenditure amounted to EUR 31.8 million in the nine months of 2016. At the end of July, a new lacquering line was opened in Grajewo. This investment worth EUR 5 million will increase by 30% the



production capacity for lacquered HDF boards in Grajewo and was realized within the framework of the Pfleiderer program *"4Pack Project"*. Already 51 people were employed to service the new investment. Implementation of the 4Pack project will increase the employment within MDF Grajewo by 70 people. In March the investment in the worktop line in Wieruszów was finalized. Thanks to it, the Group increases its production and improves its competitiveness in the segment of kitchen worktops. Pfleiderer also uses the favorable market conditions in the housing market in Germany. This year EUR 9 million are invested in the Neumarkt production site and the outlays will increase production capacity by 10%. This plant is the largest factory producing particleboards throughout Europe.

In the end of Q3 (30 September), the National Court Register KRS registered the new name - the earlier Pfleiderer Grajewo S.A. is now the Pfleiderer Group S.A. and the Company's head office was moved from Grajewo to Wrocław.

Changes in the Group structure are strategic and they will result in the creation of three tiers of the organization. The Group currently consists of: a holding company which carries out tasks related to the management of the Group, operators of operational and production companies.

Due to change of the Company name, the Warsaw Stock Exchange announced that as from 28th October, 2016 shares of the Pfleiderer Group S.A. will be quoted under market ticker „PFL”.

About Pfleiderer Group

The Pfleiderer Group with 122 years of history behind it is currently Europe's leading producer of decorative wood based panel solutions. It specializes in producing materials for the furniture, interior design and construction industries. It produces standard chipboard, kitchen tops, high pressure laminates, artificial edge bandings and wood-based panels. After completing the reverse takeover of its mother company (Pfleiderer GmbH) in January 2016, Pfleiderer Group S.A. (previously doing business as Pfleiderer Grajewo S.A.) has grown to become one of Europe's leading producers of decorative wood based panel solutions products reporting EUR 1 billion in sales revenues. In terms of chipboard production volume, the Pfleiderer Group is the market leader in Germany and it is number two in Poland. The Pfleiderer Group operates nine production facilities in Poland and Germany and it employs approximately 3.3 thousand people in total. It sells its products across Europe and it manages commercial branches in the United Kingdom, the Netherlands, Switzerland and France.

<http://www.pfleiderer.pl>

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