

20 September 2017

Press release

Pfleiderer Group presents its strategy to be achieved by 2021 and announces detailed terms of buy-back program

- **The strategy is based on core pillars which are to be reflected in the stable growth in the Company's value to its shareholders.**
- **Pfleiderer Group's objective is to achieve sales revenue on the level of approx. EUR 1.2 billion and EBITDA margin of at least 16% for the year ended 31 December, 2021.**
- **Within the time horizon covered by the strategy, the Group plans stable capital expenditures of EUR 70 million on average p.a.**
- **At the same time, the Management Board presents the assumptions of the buy-back program up to PLN 390 million.**

20.09.2017 Wrocław. The management of Pfleiderer Group S.A. has today announced the strategy for the Group to be achieved by 2021. The strategy focuses on the following main key pillars: intensifying sales and marketing activities for higher valued products, improving operational efficiency, human resources, improving the cost structure and a competitive management approach. The implementation of the development plan in these areas is supposed to translate into a stable growth of the Group's value to its shareholders.

The main goals and objectives of the strategy published by Pfleiderer Group include:

- Achievement of sales revenue for the year ended 31 December, 2021 of approx. EUR 1.2 billion
- Achievement of 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 a secure level of debt - target level of net financial leverage is between 1.5 and 2
- Equity ratio above 30%
- Dividend payment of up to 70% of net profit (the dividend policy has not been changed).

"Thanks to the implementation of our strategy we want to steadily increase sales revenue for the year ended 31 December, 2021 to approx. EUR 1.2 billion. The aim is also to increase profitability at EBITDA level, which should also mean growth of profits. On one hand, our objective is to achieve an organic growth in the scale of business through smart investments aimed at extending the production capacity of high-margin products and new technologies. On the other hand, we will focus on the realization of the efficiency improvement program implemented in the Pfleiderer Group."

Tom K. Schäbinger, CEO Pfleiderer Group

Detailed terms of the repurchase of the shares in the Company determined

In connection with the implementation of the buy-back program that was approved by the Company's Annual General Meeting of the Shareholders on 21 June 2017, the Management Board of Pfleiderer Group S.A. today resolved to determine the detailed terms of the repurchase of the shares in the Company. The shares will be repurchased by way of the submission to all the shareholders a voluntary offer to repurchase the shares. The detailed terms of the buy-back, which are presented in the invitation to submit sale offers, were also approved today by the Supervisory Board of the Company.

Key parameters of the buy-back program:

- 3,235,050 shares
- 5.00% percent of capital
- Price: PLN 47.00

Timeline:

- Subscription period: 21 September – 5 October
- Trade date: 10 October
- Settlement date: 12 October

Today the Supervisory Board of the Company adopted a resolution regarding the determination of the terms of the long-term incentive programme (LTIP) for selected managers. According to the terms of the LTIP, the Company will grant selected members of the Management Board and the Supervisory Board the option to acquire existing shares in the share capital of the Company (Call Option Shares) in exchange for the exercise price per share multiplied by the number of the Call Option Shares to which each Manager is entitled.

The implementation of the LTIP for selected members of the Supervisory Board is further subject to the adoption by the general meeting of the shareholders of the Company.

The sales strategy aims to boost sales revenue for the year ended 31 December, 2021 to approx. EUR 1.2 billion

The strategy adopted by the Management Board of Pfleiderer Group S.A. involves the intensification of sales and marketing activities. The Group will focus on smart and focused customer segmentation in key markets where it operates, among others by entering new sub-segments and expanding its operations in high-potential target industries.

The Group aims to continue to grow within value added products which generate the highest margins and which differentiate Pfleiderer from the competition. The product pipeline will be expanded with new decors and surfaces inspired by new trends and created to satisfy changing customer needs. The highest quality customer service will go together with the development of advanced product ranges.

Pfleiderer Group is now able to provide advanced products and customer service for key European markets through its service departments. In terms of export sales, the Group will focus on advanced solutions for key customers in the most attractive markets.

Increased productivity through operational efficiency

Pfleiderer Group has implemented an efficiency improvement programme that will have a positive impact on operating results. The goal is to achieve an uptime improvement of all CPL, MDF and PB lines by 4% by 2018 in relation to 2015 and productivity improvement by 5% by 2019 compared to 2015. Pfleiderer will focus on optimising production costs and debottlenecking.

The Group is also planning to achieve savings thanks to implemented dedicated procurement excellence program. In addition, the operational efficiency will be supported by extension of capacities and implementing advanced technologies. One of the objectives in this area is even better use of the potential of Pfleiderer's subsidiary - Silekol, which is a recognised manufacturer of resin adhesives and hardeners used in the timber industry.

Stable capital expenditures will support organic growth

The strategy presented by the Pfleiderer Group S.A.'s Management Board assumes stable capital expenditures amounting to an average of EUR 70 million p.a., including EUR 20 million of maintenance CAPEX p.a. Strategic projects such as the "4-pack" investment in Grajewo, the worktop line and the Dynasteam project in Wieruszów, the sanding line at the largest plant in Neumarkt, the commissioning of the lacquering line in Leutkirch and the implementation of resign growth strategy in Silekol aim to increase EBITDA level and generated margins.

A favourable market environment will support the implementation of the strategy

The average GDP growth forecast by the European Commission for 2018 is expected to reach 1.8% in EU countries. On Pfleiderer Group's key markets, which is in Poland and DACH countries, GDP growth is to total 3,1% and 1.8%, respectively (*source: European Commission, European Economic Forecast Winter 2017*). Good prospects are also visible in the most important industry sectors in which the Group operates. New investments in the residential construction sector in Poland and in Germany will be the major driver of demand for Pfleiderer's products. Especially good prospects are visible in the Polish furniture industry - in 2016 Poland was the second largest exporter of furniture in terms of tonnage (fourth in terms of value) (*source: B + R Studio, Furniture Market Analyzes*).

About Pfleiderer Group

The Pfleiderer Group with over 120 years of experience is now a leading European producer of fiber-based products specializing in the production of materials in the furniture industry, the interior industry and construction. The Group manufactures standard particleboard, worktops, HPL laminates, artificial wallcovering and wood-based panels. Pfleiderer Group operates in 9 manufacturing facilities located in Poland and Germany, employing a total of approx. 3.5 thousand people. The Group is able to provide advanced products and customer care for key European markets through its service departments located in the UK, the Netherlands, Switzerland, France, Austria and Romania.

<http://www.pfleiderer.pl>

<https://www.pfleiderer.com>

<http://annualreport2016.pfleiderer.pl/>

Definitions:

EBITDA – results from operating activities + depreciation and amortization;

EBITDA margin – EBITDA / total sales revenue;

Equity ratio – total equity / total assets;

net financial leverage – net financial debt / EBITDA;

net financial debt – total loans and borrowings - cash and cash equivalents.

All above financials are on a consolidated basis i.e. they refer to financial results and financial position of the Group. The financials included in this press release do not constitute profit forecasts and/or profit estimates.