

2011 Extraordinary Shareholders' Meeting of Pfleiderer AG
Thursday, April 7, 2011
Speech by the Executive Board
Hans H. Overdiek, CEO of Pfleiderer AG

- Check against delivery -

Welcome

Good morning ladies and gentlemen,

I would like to welcome you – also on behalf of my Executive Board colleagues – to the Extraordinary Shareholders' Meeting of Pfleiderer AG. There is no question that the reason why we have gathered together here in Berlin today is unpleasant – for us as the Executive Board, for you as investors in our company, and – I must admit – also for me personally. We have to inform you of the loss of more than half of our share capital, as prescribed by Section 92 of the German Stock Corporation Act. This fact alone shows that the Pfleiderer Group has gotten into serious difficulties which require drastic measures with regard to our business operations and finances.

I last reported to you on the Group's business situation on June 23 of last year. I reported then on the year 2009, which had been hit hard by the financial crisis and recession, and I talked about the most difficult year in the company's history. But at the same time, I believed – in particular against the backdrop of a slight improvement in our operations in the United States – that the business situation was gradually improving and that Pfleiderer could profit from the economic upswing that was just starting.

Today unfortunately, I have to admit that this assessment was too optimistic. The engineered-wood industry once again has a very difficult year behind it, in which structural problems – excess capacity, rising raw-material costs, too-low prices – have become even worse in some areas. Contrary to our expectations, the general upswing of the world economy benefited our industry either too little or not at all in the year 2010. In North America, the economic situation actually deteriorated once again. For Pfleiderer, this led to a very difficult situation towards the end of the year, which threatened our existence and required fundamental renegotiations with our creditors.

In recent weeks, we have done all we could to improve the situation. And I can report to you today on some important progress with the operational and financial restructuring of Pfleiderer. It provides some encouragement that we have now started the turnaround to create a stable basis for our ongoing development.

To give you a picture of the current situation at Pfleiderer: The ship is still in rough seas, and it is some distance to a safe harbor. But the situation on board is under control, the crew is fully committed, and we are sure that the course we have set is the right one!

Chart 1: Contents

Ladies and gentlemen,

Circumstances dictate that I first explain to you how Pfleiderer was able to get into this difficult financial situation. A lot has already been written about the subject in newspapers – some of it is right, but some explanations were too simplified, and others were just wrong. So I will explain to you the main market trends of our industry in the year 2010. This is necessary so that you can understand why there have been such drastic consequences for the financial statements of Pfleiderer AG for the year ended December 31, 2010, ultimately consuming more than half of the share capital and requiring that we give notice of a loss. Finally, I will report on the current stage of the operational and financial restructuring of the Group.

Chart 2: Please note – figures are still preliminary and unaudited.

Before I begin, I would like to draw your attention to the fact that all of the figures for Pfleiderer AG and the Pfleiderer Group that we present to you today are preliminary and thus have not yet been audited by our external auditors. This applies above all to the impairment of subsidiaries and receivables and the resulting charges, which play a major role in the company financial statements of Pfleiderer AG. The values recognized are based on enterprise valuation using the discounted cash flow method. The basis of measurement is the current five-year planning at the beginning of each planning period. The rolling five-year planning prepared for 2011 anticipates significantly lower growth rates and earnings than the planning of 2009/2010, so the valuation of subsidiaries and Group receivables as of December 31, 2010 led to

substantial impairment losses. The new Group financing will have an impact on those valuations, however, and I am not talking about decimal places. The final, audited company and consolidated financial statements will therefore not be prepared and published until later in the year.

Chart 3: Overview of revenue and EBIT 2000 to 2010

Ladies and gentlemen,

The usual interpretation of Pfeleiderer's problems can be summarized like this: *“The Executive Board, under my chairmanship, pursued an aggressive and ambitious expansionary course before, and to a certain extent also during, the beginning of the economic crisis in the attempt to make Pfeleiderer into a global player. The required acquisitions and other growth actions were financed with the acceptance of a substantial burden of debt. In the crisis, this course of action got out of control, and now the company is paying the price for its management's entrepreneurial hubris.”*

As the Chairman of the Executive Board, I of course am the main person who has to face up to this interpretation of the facts. Believe me, I have often asked myself what were the prime causes of our crisis in recent months. And I am far from wanting to blame everything on external factors – the market slump, the financial crisis, the recession etc. I have been the speaker of the Executive Board since 2003 and its Chairman since 2007, and I of course bear prime responsibility for everything that has happened at the company during that time. And I do not want to cast any doubts on that, especially today.

But let's have a look at the facts. On this chart, you can see the long-term development of the Pfeleiderer Group's revenue and operating profit for the years 2000 through 2010. It shows that after the exit from the former area of business of infrastructure technology and the focus on the engineered-wood business in 2003 and 2004, our Group enjoyed profitable growth and achieved respectable rates of return. Our investments and acquisitions contributed to this positive development and in some cases made it possible. For example, without the takeover of the Kunz Group, the consolidation of the German market and an EBITDA margin of 16 to 17 percent at Business Center Western Europe in the years 2007 and 2008 would not have been possible. Even in the year 2008, when the economic crisis began, we were still able to achieve a respectable return on sales. The crisis only hit us really hard in the year 2009, and led to a loss for the year. Regional risk compensation was unable to take effect. All markets slumped at the same time, even Eastern Europe.

Already at the beginning of February, we reported that the Group increased its revenue compared with the prior year by approximately 8 percent to 1.5 billion euros, and thus achieved our target. As I just mentioned, the amount of minus 439 million euros for EBIT in 2010 is to be seen as preliminary. It reflects large balance sheet impairments and extraordinary restructuring costs.

Chart 4: Overview of revenue and EBITDA 2007 to 2010

When we now examine the question of whether Pfeleiderer took on too much debt during its expansion, one first has to analyze how high the debt capacity is, that is, how much borrowing our company could cope with on the basis of its capital resources and operational profitability, while still demonstrating good creditworthiness.

Here you can see the development of Group EBITDA, that is, of earnings before interest, taxes, depreciation and amortization for the years 2007 through 2010. EBITDA fell during that period by approximately 157 million euros to about 92 million euros. This is a drop of approximately 63 percent – which shows the massive impact of the fall in volumes and margins for nearly all product groups in the economic crisis. Solely from 2007 through 2009, prices for raw particleboard and for medium and high-density fiberboard fell by approximately one third in Western Europe, for a while prices were actually halved! No-one foresaw such a development. At the same time, cost of sales, that is the total of material expenses and fixed and variable production costs, increased by 7 percentage points to nearly 80 percent of revenue. Sharp falls in volumes and prices along with massive increases in costs – this development posed a great challenge to each and every company in our industry.

The drop in Group EBITDA of 157 million euros naturally had an impact on the Group's ability to borrow. With the usual multiple of three – that is debt should normally be a maximum of approximately triple operating profit – the Pfeleiderer Group's debt capacity shrank by nearly 500 million euros in the past three years. In other words: The slump in operating profitability meant that we were able to borrow half a billion euros less than before.

If you look at the development of EBITDA by region, you can see that approximately 100 million euros of the total drop of about 157 million euros was accounted for by the Western Europe region. EBITDA in Eastern Europe fell by more than 40 million euros. In absolute terms, the reduction in earnings was the smallest in North America; and in the laminate-flooring business, we improved our earnings outside Europe despite shrinking markets. There is no doubt that in absolute terms, the result of operations in North America was far too low and cannot be regarded as satisfactory. But it has to be stated that contrary to the common opinion, not just our North America business was responsible for the slump in earnings at the Pfeleiderer Group. We lost money above all in Western Europe and the slump in Eastern Europe also had a substantial impact.

Chart 5: EBITDA bridge Western Europe 2007 to 2010

Ladies and gentlemen,

In our business operations, we took decisive action against the market slump at a very early stage. To give you an idea of the magnitude: As a result of various actions in all areas, Pfeleiderer reduced its cost basis between 2008 and 2010 by a total of several hundred million euros.

However, the extent of the market upheaval was so great that the scope to take countermeasures by reducing costs and increasing efficiency were insufficient. I would like to explain this to you with the example of Business Center Western Europe: In the year 2007, operating profit before restructuring expenses was approximately 147 million euros; in the year 2008, it was 148 million euros. Solely the drop in margins cost us 40 million euros of earnings, the drop in volumes led to another reduction of 112 million euros. From the reconciliation, you can see that we prevented a further reduction in earnings totaling 55 million euros by saving in the areas of shipping, personnel, production, administration and miscellaneous – that's a lot, but insufficient in such a market environment. An addition factor is that we were able to pass on significant increases in material expenses to our customers only after a time lag.

Chart 6: EBITDA bridge Eastern Europe 2007 to 2010

The same picture applies to Business Center Eastern Europe: Here, it was necessary to offset an accumulated reduction in operating profit of approximately 46 million euros between 2007 and 2010. On the other hand, we achieved savings of approximately 22 million euros – nearly 30 percent of the gross profit of 2007, but still too little to compensate for the massive margin and volume effects.

Chart 7: Increase in debt

Ladies and gentlemen,

So you see how drastically the operating profitability of the Pfeleiderer Group worsened during the financial crisis and recession despite all of our countermeasures. The drop in earnings and thus also the reduction in our borrowing capability started at a time when we had already made all the main acquisitions, and when significant investments in new plants had been decided upon and were being implemented.

But it is not the case that the expansionary course of the previous years was financed solely by borrowing. Also in this context, it is important to differentiate in order to arrive at a fair judgment. For example, we financed a significant part of the acquisition of the Kunz Group in the year 2005 through a capital increase that we carried out in the year 2006. And the acquisition of the Swedish Pergo Group in the year 2007 with a purchase price of just over 300 million euros was largely financed through the issue of the hybrid bond in a volume of 275 million euros, which as you know counts as equity.

It is true that especially in the year 2007 and also in 2008, additional growth took place that had to be financed by borrowing and led to an increase in Group debt, especially after December 31, 2008. Above all, this includes the new construction of the plant for medium-density fiberboard in Novgorod, Russia, and of the US site in Moncure with the decision to set up the La Baie plant that had been closed in Canada. Due to the crisis, it was only possible to stop those two investments with a volume of more than 200 million euros by accepting losses. The purchase by the Polish government of shares in Pfeleiderer Prospan, which belongs to our subsidiary Pfeleiderer Grajewo, for a price of approximately 87 million euros, is also to be mentioned in this context. These investments had to be financed at a time when our operating cash flow fell significantly due to the worsening of our profitability, namely from plus 228 million euros in the year 2008 to minus 14 million euros in 2009. A further increase in borrowing was then inevitable.

Chart 8: Development of the Group's net debt

The next chart shows this development once again very clearly. You can see the development of our net financial debt from the end of 2007 until the end of 2010. In this period, there was an increase of approximately 350 million euros to 998 million euros. The main driver was capital expenditure, especially for the plants in Novgorod and Moncure, as well as interest payments.

The key question is now: In view of the Group's financing power and indebtedness, was our growth path too aggressive from the start? I think one has to differentiate also on this question. Until the year 2008, when we had already made major investments such as in Kunz and Pergo, the Group's debt ratio was below a factor of 3 times EBITDA and thus at a level appropriate to our financing power at that time. Only in 2009, with the drop in our cash flow, the factor rose to more than 7 times EBITDA, and last year it was above a factor of 10. So from today's perspective, we have to state that the economic crisis we have experienced in recent years had an existential impact on Pfeleiderer. Our expansion strategy had not counted on market upheaval of this magnitude.

It is necessary to mention in this context that in the year 2010, we were able to successfully slow down the increase in net debt by taking various measures. This includes the sale of treasury shares, a capital increase at the beginning of the year, the suspension of interest payments on the hybrid loan, and the sale of treasury hybrid bonds. In total, these measures led to cash generation of more than 75 million euros.

Chart 9: Structural problems and deficits in North America

Ladies and gentlemen,

When we analyze how Pfeleiderer got into these difficulties, it's certainly not enough to blame the economic crisis and the resulting turmoil in the engineered-wood industry. We certainly also have to be self-critical and ask about internal failings.

Pfeleiderer's acquisition strategy that was started in the middle of the past decade aimed to spread risks, generate growth and gain market share by expanding the Group's geographical presence and diversifying its products. And I must say that I still regard that strategy as right and necessary, and the strategy included our expansion in the North American market. This view is shared by the way also by Roland Berger in the turnaround expertise it prepared on Pfeleiderer.

Of course, it is always easier to assess decisions retrospectively. From today's perspective, we paid too much for Pergo, and also for the minority stake in the Polish plant in Wieruszow.

And: It is certainly also true that our activities in North America in the year 2010 were unsatisfactory in terms of both structure and operating performance – in many ways:

- Although Pergo is now well positioned as the biggest US producer of laminate flooring, it is still under cost pressure from Europe and China due to the development of currency exchange rates.
- The production basis in North America is still too diverse, also after the transfer of the no longer profitable plant in La Baie, Canada, to the US site in Moncure. The flooring plant in Laval, Canada, is no longer competitive due to the development of the US dollar exchange rate. This is resulting in lost synergies.
- Another challenge is that Pergo's markets are changing: For example, the importance of Internet sales is increasing with a negative impact on the business model, which still emphasizes traditional home-improvement stores as the prime sales channel.
- The plant for medium and high-density fiberboard in Moncure that went into operation in February 2010, and which belongs to our subsidiary Uniboard, was significantly more expensive than originally planned due to delays. There were a lot of problems in connection with the plant's production ramp-up, which resulted in quantity and quality deficits. To sum up: We had management problems there that we have meanwhile partially solved, however. The result is that the business development of Moncure is still below our expectations.

We have reacted to the structural problems in North America. In the past two years, unprofitable sites have been closed and capacities have been merged. And we have made changes in the management. But overall, I have to come to the conclusion: We did not do a good job with the expansion and integration of our North American operations!

Chart 10: Problems exacerbated by economic and financial crisis

Obviously, the financial crisis and recession worsened our operational problems. At the beginning of 2009, we had to stop the construction of the second plant in Novgorod, Russia, after high initial investment had already been made, due to construction delays and the massive worsening of the situation in the Russian market.

Another difficulty was that Pfeleiderer's core markets were hit particularly hard by the global market decline. They are now recovering with differing speeds and intensities. Eastern Europe seems to be the growth driver again, while North America continues to hold us back with its still-uncertain economic development.

Chart 11: Pfeleiderer's utilization of capacity 2008 through 2010

The sharp decrease in volumes of all product groups during the economic and financial crisis considerably exacerbated the problem of excess capacity in our industry. In Germany for example, unit sales fell by 19 percent during the crisis.

This chart shows the utilization of our plants' capacities in our three core regions. You can see that utilization of capacity in Western Europe fell constantly between 2008 and 2010 and was finally just 70 percent. In Eastern Europe, however, we succeeded last year in year reversing the trend. Utilization of capacity in North America slumped to 61 percent in 2010 as a result of the unchanged weak market.

When one knows that as a rule of thumb, a plant in our industry should have capacity utilization of a good 80 percent to be operated profitably, one has a good idea of how severe the impact was of the recession-related volume declines.

Chart 12: Development of raw-material prices in 2010

Raising prices in such a market environment is simply impossible, although it was urgently necessary – because prices of important raw materials increased significantly in the engineered-wood industry in 2010. For example, prices of wood increased by an average of 19 percent in Western Europe, by 9 percent in North America and by 31 percent in Eastern Europe. The situation with resin and glue was similar.

Chart 13: Extraordinary charges in the 2010 company financial statements

Ladies and gentlemen,

The negative market developments that I have described to you are not without effects on our income statement and balance sheet. This brings me to the description of the – preliminary – company financial statements of Pfeleiderer AG for the year 2010 in accordance with Item 1 of today's agenda.

With the preparation of the financial statements, we were obliged to critically review all the amounts and valuations in the balance sheet of Pfeleiderer AG, and to take over the losses of our subsidiaries due to existing profit-and-loss-transfer agreements. The basis for the valuation of subsidiaries and receivables is, as I explained at the beginning, the operational profit planning for the coming years. The turmoil in our markets that we have experienced since the year 2008 and the resulting operating losses of the Pfeleiderer Group necessitated the adjustment of our planning and the impairment of amounts shown in our balance sheet. To make clear the extent of the impairment losses: If one adds up the goodwill of all the companies in the Pfeleiderer Group, *after* the impairment losses we have an amount of approximately 1.4 billion euros. In the audited financial statements for the year 2009 we still had accumulated values of about 2.9 billion euros - and that was accurate at that time. In other words: The Pfeleiderer Group lost approximately 1.5 billion euros in value due to the crisis!

These, ladies and gentlemen, are the reasons that led to a large number of extraordinary items in the financial statements as of December 31, 2010, which had nearly completely consumed the company's equity already at the end of December 2010, as we found out in February 2011.

Chart 14: Extraordinary effects on the equity of the AG

Here you can see the reconciliation of the individual special items – once again, I have to remind you that all of the figures are preliminary:

- The impairment of subsidiaries and receivables led to a total charge of approximately 35 million euros.
- The impairments were substantial at subsidiaries with which we have a profit-and-loss-transfer agreement. They add up to 203 million euros and mainly relate to our North American activities. The unchanged weak markets, especially in the United States, led to a substantial adjustment of business expectations for the coming years.
- Another large extraordinary charge of approximately 108 million euros resulted from the restructuring of Business Center Western Europe. Charges of 100 million euros resulted solely from the closure of the three German plants in Gschwend, Ebersdorf and Nidda that was decided upon in the fourth quarter of 2009. The total amount includes the cash-effective closure costs as well as the non-cash-effective impairment of assets.

The extraordinary items add up to a total of 345 million euros, of which more than 300 million euros was not cash-effective. This was partially offset by the capital increase and sale of treasury shares in 2010, which increased equity by 37 million euros. On balance, therefore, the equity of Pfeleiderer AG was reduced from 308 million euros at the end of December 2009 to nearly 22 million euros at the end of last year. Due to the currently ongoing loss situation, more of our equity will be consumed in the first few months of this year.

Chart 15: AG balance sheet at December 31, 2010 – assets

In the balance sheet, these charges led to a drastic reduction in total assets to approximately 670 million euros, compared with 915 million euros at the end of 2009. You can see that the reduction mainly took place under the items of receivables and other assets, while non-current assets remained almost unchanged.

Chart 16: AG balance sheet at December 31, 2010 – liabilities

On the other side of the balance sheet, you can see the reduction in equity that I have just mentioned; equity was well below half of share capital of 150 million euros at the end of 2010. Pursuant to Section 92 Subsection 1 of the German Stock Corporation Act, this necessitated a so-called notice of a loss. Liabilities increased by approximately 76 million euros to 633 million euros, primarily due to taking over losses in connection with profit-and-loss-transfer agreements.

Chart 17: AG statement of income 2010

In the income statement of the company financial statements, the extraordinary charges are primarily reflected by the item “Expenses of loss transfers,” because the impairments largely affect companies with which Pfeleiderer AG has concluded profit-and-loss-transfer agreements. Accordingly, expenses from loss transfers increased from 36 million euros in the year 2009 to approximately 304 million euros last year. Other charges resulted from the impairment of financial assets (12 million euros) and of receivables from affiliated companies (23 million euros).

With regard to the net interest result, you can see increases in both income and expense. The increase in interest income of about 21 million euros to approximately 51 million euros is due to the generally higher levels of interest rates. The increase in the interest expense of approximately 18 million euros is the consequence of increased debt and higher interest costs.

Pfeleiderer AG reports a preliminary loss from ordinary operations of 347 million euros in 2010, compared with a loss of 57 million euros in 2009. After taxes, the loss for last year amounts to approximately 345 million euros.

Chart 18: Situation of operational restructuring

Ladies and gentlemen,

The combination of operating losses and impairment charges led to an overall loss of a shocking magnitude. I very much regret this development.

But at the beginning of my speech, I also said that we have made some important progress with the restructuring of the Pfeleiderer Group. Let's start with the measures we have taken in our business operations:

With the decision to close the German plants in Gschwend, Ebersdorf and Nidda, we have made an active contribution towards reducing the excess capacities in the market. This will allow us to achieve better capacity utilization at our other plants in Germany. Production in Gschwend was already discontinued at the end of 2009, Ebersdorf followed at the end of January 2011, and we assume that the closure date for Nidda will be at the end of June. Obviously, plant closures are always the last resort for any management.

In view of the substantial excess capacity in the market, making profitable business impossible, the decision to benefit our overall business in Germany was inevitable. Although these decisions were hard for you as shareholders, they were even harder for our employees who have lost their jobs. But without these closures, we would not have been able to return to capacity utilization of 85 percent and would not be able to report on a positive earnings trend.

The elimination of excess capacity was the precondition for us to achieve significant price increases for raw particleboard and surface-finished board at the beginning of this year. Together with the further improved capacity utilization, that led to a clear improvement in margins and thus in the earnings situation. We made a good start to the year 2011 in Western Europe; first-quarter revenue and earnings were better than in 2010. In plain language, this means that we have been in the black again at Business Center Western Europe since the beginning of this year.

Markets are slowly returning to a growth path also in Eastern Europe, and Pfeleiderer is meanwhile operating profitably again also in this important region.

The market situation is still worrying in North America, where there are still no signs of a clear recovery of engineered-wood markets. But also in that region, we will not passively wait for the upswing, but will work with all our efforts to eliminate structural and operating deficits. To these ends, we initiated far-reaching changes in the management of Moncure and Pergo, most of which have now been completed.

The operating restructuring of the Pfeleiderer Group is therefore in full swing, and – which is even more important: The measures are taking effect and the first success is already apparent!

Chart 19: The Group's gross debt at December 31, 2010

Ladies and gentlemen,

In recent weeks, however, one issue has dominated the headlines about Pfeleiderer: the financial restructuring, that is, the negotiations about the new financing for the Group.

These negotiations became necessary because we were no longer able to fulfill the financial covenants we had agreed upon with our banks due to the negative course of business last year. As you know, we concluded a major agreement with the banks concerning Pfeleiderer's long-term financing in January 2010. In negotiations with our creditors just before Christmas, we reached a standstill agreement until March 31 this year. Among other details, the banks agreed to suspend their right to call our loans due at that time.

The standstill agreement gave us time to enter into discussions about the Group's fundamental refinancing. The starting point of the negotiations was the gross debt of the Pfeleiderer Group of nearly one billion euros as of December 31, 2010. Of that total, 437 million euros was accounted for by the syndicated credit, 128 million euros by the loan from the bank Kreditanstalt für Wiederaufbau or KfW, 155 million euros by the promissory note loan and 53 million euros by other financial liabilities. An additional 225 million euros was accounted for by Eastern Europe. But our Business Center Eastern Europe forms a separate financing entity from the rest of the Group and is not part of the financial restructuring or the discussions with the banks.

Chart 20: Financial restructuring – key points

Ladies and gentlemen,

The negotiations with the banks were – as I am sure you can imagine – an enormous effort. They were complex, because more than 30 creditors were involved with quite different interests. Another aspect was that some of our existing banks had sold some or all of their receivables to other creditors, mainly to hedge

funds. Despite this difficult starting point, the discussions were always held constructively and featured a determination to achieve a fair compromise for all parties concerned. The goal of the Executive Board in the negotiations was always clear: We had to achieve a significant reduction in the debt of Pfeleiderer AG and of the Pfeleiderer Group, and to create a sound equity base in order to gain scope for operational freedom and to allow Pfeleiderer to participate in the capital market once again.

I am very glad that we succeeded in reaching fundamental agreement with the banks that achieved exactly those goals. On March 18, we announced that we had agreed with our creditors' negotiating committee on the key points of the financial restructuring and new financing. This negotiating result is the key to put Pfeleiderer on a stable and solid financial footing once again.

Part of the agreement is that Pfeleiderer AG will receive another credit line of 100 million euros from the banks and hedge funds. This secures the financing of the Pfeleiderer Group while the financial restructuring is being implemented, which will probably last until the end of 2011. In addition, the standstill agreement with the banks will be extended until May 9, 2011. This gives us time to contractually implement the agreed key points. Contractual implementation is a precondition for the banks and hedge funds to provide the additional credit line of 100 million euros.

What has happened since then? The key points agreed upon on March 18 have meanwhile been approved by the boards of all the creditors. As a result, the financial restructuring is progressing on schedule. The details of the new financing now have to be specified and set out in contractual form. In view of the complexity of the project and the large number of parties involved, this will take several weeks, if not months.

I completely understand that you, the shareholders, would like to have more details of the financial restructuring concept today. But I hope you will understand that today I can only give you a rough outline of the agreement with the banks. Firstly, a lot of details still have to be specified, concrete answers to many questions are not possible. Secondly, I deliberately do not want to anticipate or influence those discussions by now giving you an "interim report" which might be no longer valid in a few days.

The new financing is an existential issue for Pfeleiderer, and I therefore believe that it is in the interests of the company – our company! – for me to exercise some restraint today and restrict myself to the key points of the agreement:

- Our creditors are prepared to waive a significant part of their claims in order to give Pfeleiderer new scope to take action. This waiver includes interest and capital payments. In return, the creditors will receive an equity interest in Pfeleiderer, or rights similar to those attached to an equity interest.
- In order to restructure our capital base, a significant capital reduction is necessary, followed by a capital increase in cash. At present, a ratio of a single-digit percentage is under discussion. The capital increase is to amount to 100 million euros. The existing shareholders will be able to participate in this capital increase with a minority interest.
- The creditors of the hybrid bond, which is classified as equity, are to waive their investment in return for a minority interest in the share capital.

I must emphasize once again: These are the key points, but many details still have to be clarified and specified. We will inform you and the general public about the contents and system of the restructuring actions without delay as soon as the contracts have been signed.

Chart 21: Next steps

As we do not know how long it will take until the contracts are signed, it is also difficult to present to you today an adjusted schedule for the year 2011. It is certain that our auditors will not be able to report on the 2010 financial statements until the new financing contracts have been signed. That is a precondition for the publication of the financial statements and for them to be explained at the Annual Shareholders' Meeting. It is certain that there will be another Extraordinary Shareholders' Meeting before then, at which the capital changes will be decided upon in the context of the restructuring.

At present, it is only certain that we will only be able to conclude the financial restructuring late in the second half of this year, not least due to applicable law and organizational preparations.

Ladies and gentlemen,

Although a lot of work lies ahead of us, I am now significantly more optimistic about Pfeleiderer's future than I was a few months ago. For us in the Executive Board, there was never any doubt that our business was capable and worthy of being turned around, and I am grateful that all the parties involved are making a contribution so that we can put Pfeleiderer back on track for success; and that means our employees in Germany and abroad, our suppliers, our customers, our creditors, and of course you our shareholders. At this point, I would like to thank all of you wholeheartedly – also on behalf of my Executive Board colleagues – for your support during a very difficult phase for our company.

Despite the record loss, despite all the challenges that we could not influence, and also despite all the problems that we could have coped with better, we should not forget what Pfeleiderer has achieved in recent years.

We are not a minor player in the industry, but one of the world's biggest producers of engineered wood – with good prospects in the major world markets, with expertise accumulated over many decades, with innovative technologies and products, and with outstanding employees. Securing and strengthening this position is enough motivation for me to push forward vigorously with the restructuring and make sure it is successful.

Thank you for your attention, also on behalf of my Executive Board colleagues.