

CONSOLIDATED FINANCIAL STATEMENTS OF PFLEIDERER AG

Consolidated Balance Sheet (IFRSs) as of 31 December 2009

ASSETS

'000 EUROS	NOTES	Dec. 31, 2009	Dec. 31, 2008
Cash and cash equivalents	IV.1	59,292	46,288
Receivables and other assets	IV.2/3	177,011	125,835
Inventories, net	IV.4	166,386	182,078
Income tax receivables		2,460	5,652
Other current assets		5,806	5,747
Assets from discontinued operations	IV.5	11,602	10,280
Current assets		422,557	375,880
Property, plant and equipment, net	IV.6	866,084	829,305
Intangible assets, net	IV.7	535,173	540,636
Financial assets	IV.8	4,888	4,665
Deferred tax assets	IV.9	128,862	123,171
Other non-current assets	IV.10	13,652	13,845
Non-current assets		1,548,659	1,511,622
Total assets		1,971,216	1,887,502

The accompanying notes are an integral part of the consolidated financial statements.

LIABILITIES AND EQUITY

'000 EUROS	NOTES	Dec. 31, 2009	Dec. 31, 2008
Liabilities and other debt	IV.11	234,834	278,956
Financial liabilities	IV.12	800,202	153,408
Other provisions	IV.13	46,880	52,155
Income tax liabilities		8,604	12,556
Other debt		468	1,019
Liabilities from discontinued operations	IV.5	14,331	18,032
Current liabilities		1,105,319	516,126
Financial liabilities	IV.15	113,294	528,362
Pension provisions	IV.16	15,800	14,983
Deferred tax liabilities	IV.9	81,761	86,167
Other debt	IV.17	5,684	11,306
Other provisions	IV.18	17,659	19,620
Non-current liabilities		234,198	660,438
Contributions and subscribed capital	IV.19	136,515	136,515
Group reserves including retained earnings brought forward and consolidated profit	IV.19	302,078	369,070
Treasury shares	IV.19	- 43,073	- 43,073
Other comprehensive income	IV.19	- 52,569	- 45,523
Equity of shareholders of Pfeleiderer		342,951	416,989
Hybrid capital	IV.19	260,204	260,204
Minority interests	IV.19	28,544	33,745
Total equity		631,699	710,938
Total liabilities and equity		1,971,216	1,887,502

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Income Statement (IFRSs) for the Fiscal Year 2009

'000 EUROS	NOTES	Jan. 1 – Dec. 31, 2009	Jan. 1 – Dec. 31, 2008
Revenues	V.1	1,381,534	1,735,900
Cost of sales	V.2	- 1,046,789	- 1,301,028
Gross profit		334,745	434,872
Selling expenses	V.3	- 199,961	- 223,334
Administrative expenses	V.4	- 121,314	- 122,388
Research and development costs	V.5	- 2,768	- 4,081
Other operating income and expenses	V.6	- 26,801	12,550
Profit from operations		- 16,099	97,619
Interest income	V.7	1,307	5,417
Interest expense	V.7	- 50,224	- 57,061
Other financial income, net	V.7	129	- 28,360
Financial income, net	V.7	- 48,788	- 80,004
Profit from continuing operations before income taxes		- 64,887	17,615
Income taxes	V.8	8,210	11,173
Profit from continuing operations		- 56,677	28,788
Profit from discontinued operations	IV.5	- 133	- 325
Income taxes on discontinued operations	IV.5	2,322	- 6,116
Profit/loss for the period		- 54,488	22,347
of which attributable to minority interests		- 3,190	- 2,445
of which attributable to hybrid capital investors		18,454	18,973
of which attributable to shareholders of Pfeiderer AG		- 69,752	5,819
Earnings per share (basic)	VI.4	- 1.38	0.11
Earnings per share (diluted)	VI.4	- 1.38	0.11
Earnings per share from continuing operations after minority interests	VI.4	- 1.42	0.24
Earnings per share from discontinued operations	VI.4	0.04	- 0.13
Average number of shares outstanding (basic)	VI.4	50,682,642	50,781,022

Consolidated Statement of Recognized Income and Expense

'000 EUROS	NOTES	Jan. 1 – Dec. 31, 2009	Jan. 1 – Dec. 31, 2008
Profit/loss for the period after taxes		- 54,488	22,347
Currency translation differences	IV.19	- 10,814	- 45,871
Derivative financial instruments	IV.19	1,757	- 3,793
Total of income and expense recognized directly in equity (after taxes)		- 9,057	- 49,664
Total of income and expense recognized in equity		- 63,545	- 27,317
Thereof attributable to:			
Minority interests		- 5,201	- 8,487
Hybrid capital investors		18,454	18,973
Shareholders of Pfeiderer AG		- 76,798	- 37,803
Total of income and expense recognized in equity		- 63,545	- 27,317

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement (IFRSs) for the Fiscal Year 2009

'000 EUROS	NOTES	Jan. 1 – Dec. 31, 2009	Jan. 1 – Dec. 31, 2008
Earnings before interest and income taxes (EBIT)	VI.6	- 16,099	97,619
Net income taxes paid		- 5,414	- 20,481
Depreciation and amortization of fixed assets		116,455	126,122
Gain/loss on the disposal of fixed assets		- 550	- 2,299
Change in pension provisions		- 821	- 221
Cash flow		93,571	200,740
Change in current assets		17,530	86,257
Change in other non-current assets		1,145	4,293
Change in current liabilities excluding financial debt		- 114,788	- 36,993
Change in non-current liabilities excluding financial debt		- 13,303	- 17,815
Other non-cash income and expense		2,105	- 8,061
Cash flow from operating activities		- 13,740	228,421
Purchase of intangible assets		- 813	- 4,061
Purchase of property, plant and equipment		- 138,202	- 162,852
Purchase of and proceeds from the acquisition and sale of companies and shares of consolidated companies		- 370	- 30,624
Proceeds from the sale of intangible assets		689	777
Proceeds from the sale of property, plant and equipment		2,421	6,147
Proceeds from the sale of financial assets		34	0
Cash flow from investing activities		- 136,241	- 190,613
Cash flow from operating activities after investing activities		- 149,981	37,808
Change in financial liabilities		208,561	84,167
Change in externally factored receivables		- 4,001	4,121
Dividend payments to minority shareholders		0	- 16,825
Dividend payments to hybrid capital investors		0	- 19,407
Dividend payments to shareholders of Pfeleiderer AG		0	- 15,290
Interest paid		- 42,943	- 49,095
Interest received		1,307	5,150
Other financing activities/finance leases		- 110	- 2,246
Cash flow from financing activities		162,814	- 9,425
Net change in cash and cash equivalents		12,833	28,383
Effect of exchange rate fluctuations on cash and cash equivalents		1,688	689
Change in cash and cash equivalents of discontinued operations	VI.6	- 1,513	- 4
of which from operating activities		- 1,513	- 4
Effect of first-time consolidation and of deconsolidation on cash and cash equivalents		- 4	23
Cash and cash equivalents at January 1	IV.1	46,288	17,197
Cash and cash equivalents at December 31	IV.1	59,292	46,288

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity (IFRSs) for the Fiscal Year 2009

'000 EUROS	NOTES	Subscribed capital	Group reserves, including retained earnings and pro- fit for the period
Balance at January 1, 2009	IV.19	136,515	369,070
Treasury shares			
Change in adjustment item from foreign currency translation			
Measurement of financial derivatives			
Profit for the period or consolidated profit			- 69,752
Hybrid bond buyback			
Deferred dividend payments to hybrid capital investors			
Dividends paid			
Change in scope of consolidation			
Effect of stock option programs			2,760
Balance at December 31, 2009	IV.19	136,515	302,078

'000 EUROS	NOTES	Subscribed capital	Group reserves, including retained earnings and pro- fit for the period
Balance at January 1, 2008	IV.19	136,515	379,875
Treasury shares			- 2,165
Change in adjustment item from foreign currency translation			
Measurement of financial derivatives			
Profit for the period or consolidated profit			5,819
Hybrid bond buyback			
Deferred dividend payments to hybrid capital investors			
Dividends paid			- 15,290
Change in scope of consolidation			- 46
Effect of stock option programs			877
Balance at December 31, 2008	IV.19	136,515	369,070

The accompanying notes are an integral part of the consolidated financial statements.

OTHER COMPREHENSIVE INCOME						
Treasury shares	Foreign currency translation	Measurement of financial derivatives	Hybrid capital	Subtotal	Minority interests	Total
-43,073	-41,730	-3,793	260,204	677,193	33,745	710,938
				0		0
	-8,803			-8,803	-2,011	-10,814
		1,757		1,757		1,757
			18,454	-51,298	-3,190	-54,488
				0		0
			-18,454	-18,454		-18,454
				0		0
				0		0
				2,760		2,760
-43,073	-50,533	-2,036	260,204	603,155	28,544	631,699

OTHER COMPREHENSIVE INCOME						
Treasury shares	Foreign currency translation	Measurement of financial derivatives	Hybrid capital	Subtotal	Minority interests	Total
-43,432	-1,891	0	270,915	741,982	59,057	801,039
359				-1,806		-1,806
	-39,829			-39,829	-6,042	-45,871
		-3,793		-3,793		-3,793
			18,973	24,792	-2,445	22,347
			-10,711	-10,711		-10,711
			434	434		434
			-19,407	-34,697	-16,825	-51,522
	-10			-56		-56
				877		877
-43,073	-41,730	-3,793	260,204	677,193	33,745	710,938

Consolidated Segment Report (IFRSs) for the Fiscal Year 2009

FISCAL YEAR 2009

'000 EUROS	External revenues	Intragroup revenues	Segment earnings (EBIT)
Region Western Europe	714,099	27,843	1,344
Region Eastern Europe	265,156	19,799	2,636
Region North America	401,768	0	4,277
Subtotal	1,381,023	47,642	8,257
Headquarters	0	68,776	- 33,933
Other	511	367	- 1,457
Discontinued activities	0	0	- 133
Consolidation	0	- 116,785	11,167
Pfizer Group	1,381,534	0	- 16,099

FISCAL YEAR 2008

'000 EUROS	External revenues	Intragroup revenues	Segment earnings (EBIT)
Region Western Europe	933,818	12,005	112,548
Region Eastern Europe	396,579	23,702	28,945
Region North America	404,945	0	- 20,217
Subtotal	1,735,342	35,707	121,276
Headquarters	0	48,540	- 14,341
Other	558	372	- 419
Discontinued activities	0	0	0
Consolidation	0	- 84,619	- 8,897
Pfizer Group	1,735,900	0	97,619

Segment reporting is part of the notes.

	Segment assets at Dec. 31	Segment liabilities at Dec. 31	Segment capital expenditure	Scheduled depreciation and amortization	Non-cash expenses
	647,884	158,440	16,617	49,518	15,200
	520,253	88,791	37,680	26,489	4,125
	554,523	77,099	101,113	31,615	1,801
	1,722,660	324,330	155,410	107,622	21,126
	50,514	75,420	2,267	1,079	5,918
	9,104	19,226	22	504	0
	11,602	14,331	0	0	0
	177,336	906,211	0	0	-63
	1,971,216	1,339,518	157,699	109,205	26,981

	Segment assets at Dec. 31	Segment liabilities at Dec. 31	Segment capital expenditure	Scheduled depreciation and amortization	Non-cash expenses
	769,636	195,920	58,681	50,932	9,747
	496,325	91,685	60,310	31,559	2,933
	419,247	94,326	37,437	28,453	20,739
	1,685,208	381,931	156,428	110,944	33,419
	19,389	41,976	2,247	861	1,476
	8,938	18,097	25	544	1,784
	10,280	18,033	0	0	0
	163,687	716,527	0	0	9,922
	1,887,502	1,176,564	158,700	112,349	46,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2009

I. Business areas and description of the Company

Pfleiderer Aktiengesellschaft (hereinafter also referred to as “Pfleiderer AG” or the “Company”) is a listed corporation domiciled in Neumarkt, Germany. The accompanying consolidated financial statements of Pfleiderer AG and its subsidiaries (referred to collectively as the “Group”) for fiscal year 2009 were approved for publication on March 17, 2010.

The Company focuses on the engineered wood segment and divides its activities into the Western Europe, Eastern Europe, and North America regions.

The assets, liabilities, and profit or loss remaining after the disposal of discontinued operations are reported separately in the balance sheet and the income statement.

A list of the Company’s shareholdings is accessible in the electronic German Federal Gazette.

II. Exemption in accordance with Section 264b and Section 264 (3) of the German Commercial Code (HGB)

The companies that have made use of the exemption are identified in the notes to the consolidated financial statements under VI. “Other disclosures” are represented under point 14 “Exemption in accordance with Section 264b and Section 264 (3) of the German Commercial Code”.

III. Summary of significant accounting policies

1. Basis of reporting

The accompanying consolidated financial statements have been prepared in accordance with Section 315a “Consolidated Financial Statements in Accordance with International Accounting Standards” of the German Commercial Code in compliance with International Financial Reporting Standards (IFRSs) and the related interpretations of the International Accounting Standards Board (IASB), as adopted by the EU in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standard in the EU. The requirements of the standards applied have been complied with in full and result in the presentation of a true and fair view of the net assets, financial position, and results of operations of Pfleiderer AG.

Standards and interpretations as well as amendments to standards and interpretations adopted for the first time in the fiscal year 2009

The amended and supplemented standards IAS 1, Presentation of Financial Statements (revised), IAS 23, Borrowing Costs, IFRS 2, Share-based Payment and IFRS 8, Operating Segments were applied for the first time in 2009. This has led to changes in presentation.

Change in IFRS 1, First-time Adoption of IFRSs and IAS 27, Consolidated and Separate Financial Statements in line with IFRSs

The changes in IFRS 1 and IAS 27 allow companies to determine the cost of an equity interest either at fair value or at the carrying amount in line with the previously applied national accounting regulations in their IFRS individual financial statements on first-time adoption of the International Financial Reporting Standards (IFRSs). This regulation applies both to jointly controlled entities and associated companies and also to subsidiaries. The changes must be applied to fiscal years beginning on or after January 1, 2009.

Change in IFRS 2, Share-based Payment (vesting conditions and cancellations)

In January 2008, the IASB passed IFRS 2. This addition outlines clearly that vesting conditions only include service conditions and performance conditions. Other elements of a share-based payment are not vesting conditions. This addition also specifies that cancellations by parties other than the company should be represented in the balance sheet in the same way as cancellations by the company. The addition must be applied to fiscal years beginning on or after January 1, 2009. The revised IFRS 2 did not lead to any significant changes when used for the first time by Pfeleiderer in the fiscal year 2009.

IFRS 8, Operating Segments

IFRS 8 replaces segment reporting using the risk and reward approach in accordance with IAS 14 by the management approach to segment identification. This is determined by the information regularly provided to the chief operating decision maker for decision-making purposes. At the same time, measurement of the segments using the financial accounting approach in accordance with IAS 14 is replaced by the management approach. IFRS 8 is required to be applied to fiscal years beginning on or after January 1, 2009. The first-time adoption of IFRS 8 by Pfeleiderer in fiscal year 2009 did not lead to any significant changes in segmentation.

Amendment to IAS 1, Presentation of the Financial Statements

In September 2008, the IASB published IAS 1 (revised). IAS 1 replaces the old IAS 1 in the 2005 version. The revision is intended to improve possibilities for analysis and the comparability of annual financial statements for users. IAS 1 regulates the principles for the presentation and structure of financial statements. It also contains minimum requirements for the content of annual financial statements. The new standard must be applied to fiscal years beginning on or after January 1, 2009.

Amendment to IAS 23, Borrowing Costs

The amendment to IAS 23 removes the option to recognize borrowing costs immediately as an expense using the benchmark method and requires borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset to be capitalized as part of the cost of this asset. The amendment to IAS 23 is required to be applied to fiscal years beginning on or after January 1, 2009. The implementation of the amendments to IAS 23 did not lead to any changes in the Company's accounting as this accounting option had already been utilized in the past.

Amendment to IAS 32, Financial Instruments: Disclosures and IAS 1, Presentation of Financial Statements (revised)

The amendments to IAS 32 and IAS 1 regarding puttable financial instruments and obligations arising on liquidation did not lead to any changes in the accompanying financial statements.

IFRIC 13, Customer Loyalty Programs

IFRIC 13 governs the recognition of award credits under customer loyalty programs, operated by manufacturers or service providers themselves or by third parties, from the perspective of the company granting the award credits; it thus standardizes the recognition of revenues attributable to the award credit as multicomponent transactions under IAS 18.13. IFRIC 13 is required to be applied to fiscal years beginning on or after July 1, 2009. The future adoption of this interpretation will not lead to any effects on the Pfleiderer Group's financial statements.

IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 provides information on how the limit in line with IAS 19 is to be determined for a surplus which can be recognized as an asset, and what effects a legal obligation to pay a minimum contribution has on the measurement of assets and obligations arising from defined benefit plans. The amendments to this interpretation must be applied for the first time in reporting periods of fiscal years beginning on or after January 1, 2009.

IFRIC 17, Distributions of Non-cash Assets to Owners

IFRIC 17 clarifies the following: A dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. An entity should measure the dividend payable at the fair value of the net assets to be distributed. An entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. An entity is also required to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. IFRIC 17 applies to pro rata distributions in kind except for business transactions under common control. IFRS 17 should be applied to fiscal years beginning on or after July 1, 2009. An earlier application is recommended. It is not expected that IFRIC 17 will affect future consolidated financials of Pfleiderer AG.

Newly issued accounting standards not adopted voluntarily prior to their effective date

The International Accounting Standards Board (IASB) has issued the following standards, interpretations, and amendments to existing standards that have already been adopted by the EU and that may be relevant to the Pfeleiderer Group. However, they are not yet required to be applied and will not be adopted prior to their effective date by Pfeleiderer AG:

Amendment to IAS 27, Consolidated and Separate Financial Statements in line with IFRSs

Material changes to IAS 27 affect the accounting of transactions in which a company retains control and transactions in which control is transferred. Transactions that do not lead to a loss of control should be recognized directly in equity as an equity transaction. The remaining shares should be measured at fair value from the date of loss of control. For minority interests, negative balances may be reported, which means that future losses will be attributed indefinitely according to the proportionate interest. The revised IAS 27 must be applied to fiscal years beginning on or after July 1, 2009. The amendments to IAS 27 will not lead to any changes.

Amendment to IAS 39, Financial Instruments: Recognition and Measurement

The amendments to IFRIC 9 and IAS 39 clarify how embedded derivatives must be dealt with if a hybrid contract is reclassified from the “at fair value through profit or loss” category. The first-time application of the amendment is for fiscal years beginning on or after January 1, 2009.

IFRS 3, Business Combinations

IFRS 3 gives revised specifications for application of the purchase method for business combinations. There are significant changes to the measurement of minority interests, reporting step acquisitions and treatment of conditional purchase price components and incidental costs of acquisition. According to the new regulation, minority interests can be measured either at fair value (full goodwill method) or at the fair value of the proportionate identifiable net assets. For step acquisitions there is to be a remeasurement at fair value in profit or loss of the shares already held when control is transferred. In future, an adjustment of conditional purchase price components classified as liabilities at the time of the acquisition are to be recognized in profit or loss. Incidental costs of acquisition are recorded as expenses when they are incurred. The revised IFRS 3 must be applied to business combinations for which the date of acquisition is in fiscal years beginning on or after July 1, 2009. The revised IFRS 3 will lead to changes in the event of acquisitions.

IFRIC 12, Service Concession Arrangements

IFRIC 12 governs the recognition of service concession arrangements between public authorities and private-sector operators under public-private partnership agreements – e.g. for infrastructure projects – by the private-sector operators as the contractor for a public-service entity. IFRIC 12 is required to be applied to fiscal years beginning on or after July 1, 2009. This will not lead to any effects on the Pfeleiderer Group’s financial statements.

IFRIC 15, Agreements for the Construction of Real Estate

IFRIC 15 deals with accounting for companies that develop land and sell units of this property, such as apartments or houses, before they are finished. IFRIC 15 defines criteria for accounting either in line with IAS 11, Construction contracts, or IAS 18, Revenue. IFRS 15 should be applied to fiscal years beginning on or after January 1, 2009. It is not expected that IFRIC 15 will affect future consolidated financial statements of Pfeleiderer AG.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation

IFRIC 16 deals with currency hedges of net investments in a foreign operation. The interpretation clarifies that hedge accounting is only possible between the functional currency of the foreign operation and the parent company's functional currency. The amount of the net assets of the foreign operation recognized in the consolidated financial statements can be hedged. The hedging instrument can then be held by any entity or entities within the group (with the exception of those whose exchange rate risks are hedged). In the case of disposal of the foreign operation from the consolidated group, the amount recognized directly in equity from changes in the value of the hedging instrument and the exchange rate gains or losses of the foreign operation recognized in the foreign currency reserve should be reclassified in current profit or loss. The amount of the cumulative exchange rate gains or losses arising from the departure of the foreign operation from the consolidated group can be calculated according to the step-by-step method of consolidation or the direct consolidation method. IFRS 16 should be applied to fiscal years beginning on or after October 1, 2009. An earlier application is recommended. It is not expected that IFRIC 16 will affect future consolidated financial statements of Pfeleiderer AG.

Foreign currency translation

The consolidated financial statements are prepared in euros, which is the functional and presentation currency of the Pfeleiderer Group. Each Group company determines its own functional currency. The assets and liabilities of Pfeleiderer AG's foreign subsidiaries are translated into the Group's reporting currency (euros) at the closing rate at the balance sheet date.

Scope of consolidation

The consolidated financial statements as of December 31, 2009, include the financial statements of Pfeleiderer AG and its majority-owned and controlled subsidiaries. All significant subsidiaries that are controlled directly or indirectly by the Company are included in the consolidated financial statements. In addition to Pfeleiderer AG, 29 (previous year: 31) German and 48 (previous year: 49) foreign subsidiaries were consolidated. One subsidiary – Pergo do Brazil Ltd., São Paulo, Brazil – was sold and therefore deconsolidated in the fiscal year. In the fiscal year, FH Frischholz GmbH was merged into

Heller Holz GmbH, and Kunz Informatik GmbH was merged into Pfeleiderer Holzwerkstoffe Gschwend GmbH; all of these companies are domiciled in Neumarkt.

The number of fully consolidated companies is calculated as follows:

	Dec. 31, 2009	Dec. 31, 2008
Germany	29	31
Outside Germany	48	49
Total	77	80

All fully consolidated companies are attributable to continuing operations.

Consolidation methods

Capital consolidation uses the purchase method, under which the cost of the interests acquired is netted against the parent's share of the subsidiary's equity at the acquisition date. Any difference is allocated to the assets and liabilities of the subsidiary up to the amount of their prorated fair values. Any remaining excess of acquisition cost over the fair value of identified net assets acquired is recognized as goodwill and tested regularly for impairment in accordance with IAS 36, Impairment of Assets. All receivables and liabilities, revenues, expenses, and income, as well as intercompany profits or losses between the entities included in the consolidated financial statements are eliminated in the course of consolidation. Minority interests are identified on the basis of the equity as of each balance sheet date and are presented within equity in the consolidated balance sheet, together with the attributable shares of profit or loss.

Acquisitions and sales as well as discontinued operations

Pergo do Brazil Ltd., São Paulo, Brazil, was sold in fiscal year 2009. There were no further changes in the scope of consolidation due to acquisitions, sales and discontinued operations as compared with the 2008 consolidated financial statements.

Use of estimates

Preparation of the consolidated financial statements requires management to apply certain assumptions and estimates that affect the reported amounts of assets, liabilities, income, expenses, and contingent liabilities for the reporting period. Such assumptions and estimates relate primarily to the assessment of the impairment of intangible assets, the uniform Group definition of useful lives for items of property, plant and equipment, the recoverability of receivables, and the recognition and measurement of provisions. The assumptions and estimates are based on presumptions that are dependent on the current information available at the time. In particular, the assumptions applied to the expected future development of business were based on the circumstances prevailing at the time of preparation of the consolidated financial statements and on an assessment of the future development of the industry environment that is presumed to be realistic. Developments in this environment that depart from the assumptions made and that are beyond management's control may lead to

the actual results varying from the original estimates. If actual developments depart from expected developments, the presumptions and, if necessary, the carrying amounts of the assets and liabilities affected will be adjusted accordingly. The estimates and assumptions that entail a significant risk in the form of a material adjustment of the carrying amounts of assets and liabilities during the next fiscal year are explained below.

No impairment of goodwill or of other intangible assets was identified on the basis of the impairment tests that were conducted using projections in accordance with the discounted cash flow method. Any future adverse change in these estimates could lead to the impairment of goodwill. The useful lives of fixed assets are estimated on the basis of the expected economic utility of the assets. Provisions are accounted for on the basis of estimates that utilization of the provisions is more likely than not. At the time of preparation of the consolidated financial statements, the underlying assumptions and estimates were not affected by any special circumstances so that, from the current perspective, it is assumed that no significant adjustments will be required in the coming fiscal year to the assets and liabilities reported in the consolidated balance sheet.

Foreign currency translation

The annual financial statements of the subsidiaries of Pfeleiderer AG have been prepared in their functional currencies, which are generally their local currencies. With the exception of equity, which is translated at the exchange rate prevailing at the transaction dates, all balance sheet accounts are translated into the reporting currency of the Group (euros) at the rates at the balance sheet date. Income and expense accounts are translated at the average rates for the fiscal year. Any differences resulting from foreign currency translation are recorded in a separate account in equity ("Other comprehensive income/foreign currency translation") until the Group company is sold or otherwise liquidated. The main foreign currencies used by the Group are as follows:

	AVERAGE RATES (1 EURO =)		CLOSING RATES (1 EURO =)	
	2009	2008	Dec. 31, 2009	Dec. 31, 2008
UK (GBP)	0.8912	0.7968	0.8881	0.9525
Canada (CAD)	1.5850	1.5595	1.5128	1.6998
Poland (PLN)	4.3292	3.5159	4.1045	4.1535
Romania (RON)	4.2399	3.6840	4.2363	4.0225
Russia (RUB)	44.1402	36.4233	43.1540	41.2830
Sweden (SEK)	10.6219	9.6193	10.2520	10.8700
Switzerland (CHF)	1.5098	1.5868	1.4836	1.4850
Czech Republic (CZK)	26.4528	24.9607	26.4730	28.8750
Hungary (HUF)	280.5032	251.7319	270.4200	266.7000
USA (USD)	1.3932	1.4711	1.4406	1.3917
Ukraine (UAH)	11.2558	7.7416	11.4969	10.8148

Revenue recognition

Revenues are generated mainly from the supply of products and, to a minor extent, from rendering services. These revenues are recognized net of VAT and sales deductions, such as bonuses, cash discounts, or rebates, at the date at which they are deemed by IFRSs to be realized. This is generally the case when the significant risks and rewards of ownership of the goods sold pass to the buyer, the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, the price is fixed or clearly determinable, and actual payment can be reasonably assured and the costs incurred or to be incurred by the sale are reliably determinable. There were no revenues from construction contracts as defined in IAS 11, Construction Contracts.

Income taxes

Income tax expense comprises both current income taxes payable and deferred taxes. Deferred taxes on items included in other comprehensive income are recognized directly in equity. Income taxes attributable to discontinued operations are reported as income taxes on discontinued operations. Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax base as well as for tax loss carryforwards whose utilization will probably result in tax benefits in future periods. The tax laws that have been enacted or substantively enacted as of the balance sheet date are used to measure deferred taxes. Current and deferred taxes are recognized on the basis of an aggregate tax rate of 28.29% (previous year: 28.29%). This is computed on the assumption of a corporate income tax rate (including the solidarity surcharge) for the German companies of 15.83% (previous year: 15.83%) and an average trade tax rate of 12.46% (previous year: 12.46%). The local country-specific tax rates are used for foreign companies.

Research and development costs

Research costs are generally recognized as expenses when they are incurred. Development costs that meet the criteria defined in IAS 38, Intangible Assets, are required to be capitalized. Capitalized development costs are amortized over their expected useful lives.

Inventories

Inventories are measured at the lower of cost and net realizable value on the basis of individual values or by applying the weighted average method. FIFO is also used in justified individual cases. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Costs of conversion comprise direct material and production costs and an appropriate share of the material and production overheads resulting from the production process. All foreseeable risks in the inventories resulting from reduced salability or obsolescence are reflected by appropriate value adjustments. Write-downs are charged for slow-moving items.

Property, plant and equipment

The amounts recognized for property, plant and equipment represent cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the standard useful lives of the assets concerned. In addition to direct materials and labor costs, the production costs of internally produced assets include an appropriate share of attributable materials and production overheads and, if construction takes place over a longer period of time, borrowing costs during the construction period. Administrative expenses are only capitalized if they are directly related to the construction process. Repair and maintenance expenditures are recognized as expenses unless they are capitalized when applying the component approach. Assets with a finite life are depreciated ratably using the straight-line method. If an item of property, plant and equipment has several components with differing useful lives, the individual components are depreciated separately over their individual useful lives. Thus, the component approach is applied when determining the depreciation period. The carrying amount of a non-current asset is derecognized when it is sold or scrapped, and the resulting gains or losses are recognized in profit or loss. Scheduled depreciation is based on the following useful lives:

	years
Buildings	14 - 25
Technical plant and machinery	8 - 21
Operating and office equipment	3 - 11

Leasehold improvements and leased items of property, plant and equipment are depreciated over the shorter of the standard useful lives of the assets concerned and the rental or lease period.

Government grants

Government assistance and grants are deducted on receipt from the recognized cost of the subsidized assets, provided that the corresponding investment conditions will be fulfilled. In fiscal year 2009, reported government grants amounted to 15,842 thousand euros (previous year: 17,426 thousand euros). 2,356 thousand euros (previous year: 1,648 thousand euros) was recognized in the income statement in the year under review. The sale of the emission rights granted by the government in 2009 generated 3,250 thousand euros (previous year: 8,442 thousand euros) for the Company in the year under review. In 2007, Pfeleiderer MDF Sp. z o.o. was granted tax relief on investments in a Polish special economic zone in the form of an exemption from the obligation to pay income taxes. The exemption from future tax payments, which was granted until September 1, 2016, is accounted for in

accordance with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance. An amount was accrued at the level of the expected future tax savings, and the same amount was deferred directly in equity representing future tax benefits. The amount accrued is amortized based on the future theoretical tax expenses that would have arisen if the exemption had not been granted. The deferred amount is also amortized, but on a straight-line basis depending on the average useful life of the subsidized investments. By contrast, the accrued amount is amortized as a hypothetical annual tax expense depending on the taxable income calculated for these purposes. In the reporting year, deferrals were adjusted to current corporate planning. The deferred assets item amounted to 2,090 thousand euros (previous year: 7,837 thousand euros), whilst the deferred liabilities totaled 5,348 thousand euros (previous year: 11,239 thousand euros).

Leases

Leasing transactions are classified either as finance leases or as operating leases. Beneficial ownership of the leased item is assigned to the contracting partner that has substantially all the rewards and risks incidental to ownership of the leased item. If the lessor has substantially all the rewards and risks (operating lease), the leased item is recognized as an asset by the lessor. The lease payments billed are recognized as income. The lessee in an operating lease recognizes the lease payments made during the term of the lease as expense. If the lessee has substantially all the rewards and risks incidental to ownership of the leased item (finance lease), the lessee recognizes the leased item as an asset. The leased item is measured at its fair value at inception of the lease or at the lower present value of the future lease payments, and depreciated or amortized over the shorter of its estimated useful life and the term of the lease. The lessee recognizes a leasing liability in the same amount at inception of the lease. The leasing liability is amortized in subsequent periods using the effective interest method.

Intangible assets

Purchased intangible assets are recognized at cost and amortized over their useful lives using the straight-line method. In addition to goodwill, the Company has other indefinite-lived intangible assets in the form of brand rights (as in the previous year, 72,217 thousand euros). Expenses incurred in connection with the purchase and internal development of internal-use computer software, including the costs incurred to bring the software to its working condition, are capitalized and amortized over the expected useful life of the software using the straight-line method. The expected useful life of software, patents, licenses, and similar rights is generally three to five years. Other useful lives may arise on the initial consolidation of intangible assets that are acquired as part of a business combination.

Capitalized development costs include the costs of materials and services and the costs of employee benefits incurred in the development of the assets, as well as other directly attributable costs. They are amortized over their expected useful lives. Research costs are reported as expenses in the period in which they are incurred. In the absence of specific IFRS guidance, emission rights are generally accounted for in accordance with the accounting provisions of German commercial law (IDW RS HFA 15). The rights are presented in intangible assets. Purchased emission rights and those issued free of charge are carried at cost. For rights issued free of charge, a liability is recognized in the amount of the capitalized fair value of the emission right. Gains or losses on the sale of emission rights are recognized in profit or loss. In fiscal year 2009, unlike in previous financial statements, income from the sale of emission certificates amounting to 4,213 thousand euros was classified as reducing cost of sales.

Impairment of property, plant and equipment and intangible assets (excluding goodwill)

An assessment is made at each balance sheet date as to whether there are indications that an asset might be impaired. If there are indications that an item of property, plant and equipment or an intangible asset is impaired, the carrying amount of that asset is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing, and independent parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset. If the carrying amount exceeds the higher of the two amounts (fair value less costs to sell or value in use), an impairment loss is recognized and the carrying amount of the asset is reduced to the recoverable amount. If the reason for an impairment loss recognized on property, plant and equipment and intangible assets (excluding goodwill) in prior periods no longer applies, the impairment loss is reversed up to the amount of the asset's amortized cost.

Goodwill

Purchased goodwill is capitalized and, in accordance with IAS 36, Impairment of Assets, tested for impairment at least once a year or whenever there are indications that the unit could be impaired. The recoverability of goodwill is tested in a single-step procedure at the level of the cash-generating units to which it is allocated. In accordance with the definition of a cash-generating unit, the strategic business units of the Pfeleiderer Group are generally deemed to be cash-generating units. They represent the reporting level below the reportable segments. The impairment test compares the carrying amount of the cash-generating unit with its recoverable amount. If the carrying amount exceeds the recoverable amount, the carrying amount is impaired and must be written down to the recoverable amount. Goodwill impairment losses recognized in previous periods may not be subsequently reversed if the reasons for impairment no longer apply.

Hybrid capital

Pfleiderer AG placed a hybrid bond on April 27, 2007. This bond is accounted for as an equity component in accordance with IAS 32 because it is a perpetual bond and its interest rate is tied to Pfleiderer AG's dividend distributions. For this reason, the tax-deductible interest payments are not included in interest expense, but accounted for in the same way as dividend obligations to shareholders.

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are measured using the actuarial projected unit credit method, which reflects both the pensions and acquired benefits known at the balance sheet date and expected future increases in salaries and pensions. Differences between the projected pension obligation and the actual defined benefit obligation (actuarial gains and losses) are only recognized in profit or loss at the balance sheet date if they lie outside a corridor of plus or minus 10% of the total obligation. In this case, they are allocated on a straight-line basis over the average remaining service lives of entitled employees, starting in the following year. The net pension costs including interest expenses are recorded as personnel expenses. Effects from adjustments to the discount rate are also recognized as personnel expenses. In accordance with IAS 19, Employee Benefits, plan assets used to fund and secure pension payments are offset against pension obligations in the consolidated balance sheet.

Other provisions

Provisions, including provisions for environmental protection, that represent obligations to third parties arising due to legal claims, official requirements, or for other reasons, are recognized once it is probable that they have been incurred and their amount can be reliably determined, i.e. there is a legal or constructive obligation. The settlement amount is determined on a best estimate basis. In a variety of provisions, this is the expected value. Where the effect of the time value of money is material, provisions with a remaining term of more than one year are discounted applying market interest rates that reflect matching risks and maturities. The related expense is recorded under the corresponding expense caption.

2. Financial instruments

Financial instruments are contractual arrangements that give rise to financial assets at one entity and at the same time financial liabilities or equity instruments at another entity.

2.1 Classes of financial instruments

Pfleiderer uses the following classes of financial instruments:

- Cash and cash equivalents
- Financial instruments classified using the measurement categories specified in IAS 39
- Derivatives that are designated as hedging instruments
- Leasing liabilities.

At Pfleiderer, the measurement categories on the assets side comprise:

- Loans and receivables
- Financial assets held for trading
- Available-for-sale assets.

On the liabilities side, a distinction is made between the measurement categories:

- Other financial liabilities measured at amortized cost
- Financial liabilities held for trading
- Derivatives that are designated as hedging instruments.

Pfleiderer AG did not exercise the option to designate financial assets as at fair value through profit or loss on initial recognition. There are no financial instruments of the category “held to maturity”. The Group also did not exercise the option to designate financial liabilities as at fair value through profit or loss on initial recognition.

“**Loans and receivables**” are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. They are recognized for the first time at fair value plus directly attributable transaction costs. Following initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less write-downs. They consist of trade receivables, other extended credits and receivables, and loans.

The assets assigned to the category of “**financial assets held for trading**” are those which are acquired principally with the intention of selling them in the short term or which on initial recognition were part of a portfolio of uniquely identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or which are derivatives, with the exception of those which were designated as financial guarantees or hedging instruments and are effective as such.

“**Available-for-sale assets**” are non-derivative financial assets which were determined as available for sale and which are not classified as “Loans and receivables”, as “Held-to-maturity investments” or as “Financial assets at fair value through profit or loss”. The assets assigned to this measurement category include equity interests and shares in affiliated companies.

“**Financial liabilities measured at amortized cost**”: Amortized cost refers to the amount at which a financial liability is measured on initial recognition, less repayments, plus or minus the cumulative amortization of any difference between the original amount and the amount to be repaid at maturity, using the effective interest method. The financial liabilities assigned to this measurement category comprise bonds and other securitized liabilities, trade payables, liabilities to banks, and bond loans (Schuldscheindarlehen).

The financial liabilities assigned to the category of “**financial liabilities held for trading**” are those which were incurred principally with the intention of selling or buying them back in the short term or which on initial recognition were part of a portfolio of uniquely identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or which are derivatives, with the exception of those which were designated as financial guarantees or hedging instruments and are effective as such. The category includes derivative financial liabilities that are not part of an effective hedging relationship in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

The category “**derivatives that are designated as hedging instruments**” are derivative financial instruments in the form of interest and currency hedging instruments that are in an effective hedging relationship with the underlying according to IAS 39.

Regular-way purchases or sales of financial instruments are recognized at the settlement date, which is the date that the asset is delivered.

2.2 Measurement of financial instruments

Cash and cash equivalents comprise cash on hand and at banks, as well as sight deposits with banks with original maturities of up to three months, and are measured at amortized cost.

Trade receivables and other current receivables are initially carried at fair value and subsequently measured at amortized cost less valuation allowances and impairment losses (bonuses, cash discounts, and other sales deductions). Valuation allowances are calculated on the basis of objective evidence, such as the expected or actual insolvency of a debtor. Valuation allowances are recognized if receivables become entirely or partly uncollectible, or if it is probable that they will not be collectible, and the amount of the valuation allowance can be determined sufficiently accurately. The basis for calculating valuation allowances is a regular analysis of customer relationships. In contrast to loans, valuation allowances on trade receivables are recorded in separate allowance accounts. Loans are directly written down.

Adequate deductions are recognized directly on the assets side of the balance sheet for bonuses and cash discounts.

Sales of receivables are accounted for within the Group in accordance with IAS 39, Financial Instruments: Recognition and Measurement. In accordance with this standard, financial assets must be derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset is transferred. The receivables sold are derecognized, except for deductibles, because Pfeiderer transfers all risks and rewards and therefore also transfers control of the receivables.

Pfeiderer AG has participated in a factoring program since July 2004, under which the factor purchases the receivables from the Group up to an individual or aggregate limit and assumes the risk for the debtors' insolvency (non-recourse factoring). This is accounted for as described above.

Other non-current financial assets are measured at amortized cost. Equity interests and shares in affiliated companies are accounted for at cost due to the absence of an active market, which means that their fair value cannot be reliably determined.

Financial assets held for trading are measured at fair value. At Pfeiderer, this category exclusively comprises derivative financial instruments that are not part of an effective hedging relationship in accordance with IAS 39 and therefore must be reported in this category. Gains and losses from subsequent measurement are recognized in the income statement.

Financial liabilities are initially recognized at fair value. Derivative financial liabilities that are not involved in an effective hedging relationship in accordance with IAS 39 must be classified as financial liabilities held for trading and are reported in profit or loss. Trade payables and other primary financial liabilities are subsequently measured at amortized cost using the effective interest method.

Pfeiderer uses **derivative financial instruments** to reduce various forms of market risk, such as interest rate risk and foreign currency risk. Interest rate risk results from changes in the market interest rates of financial assets and financial liabilities. By using interest rate derivatives, such as interest rate swaps, Pfeiderer AG's aim is to limit interest rate risk. Foreign currency risk applies to transactions settled in a foreign currency. Cash flows are hedged centrally by entering into currency forwards.

In accordance with IAS 39, Financial Instruments: Recognition and Measurement, agreed derivative financial instruments are carried at their fair value at the balance sheet date, in the same way as the hedged items. Regular-way purchases or sales of financial instruments are recognized at the settlement date, which is the date that the asset is delivered.

The fair value of a financial instrument is the price at which one party would assume the rights and/or the obligations under this financial instrument from another party. The Company engages the counterparties to the transactions, which are generally credit institutions, to measure the financial instruments. Interest rate swaps are measured at fair value by discounting the future expected cash flows, based on the market rates of interest applicable for the residual term of the contracts. Interest rate options are measured in a similar way to currency options using option pricing models. Cross-currency swaps are measured at fair value by discounting the future cash flows resulting from the contracts in a similar manner to the determination of the fair value of interest rate swaps. In addition to the relevant market interest rates applicable at the balance sheet date, measurement is based on the exchange rates for the relevant foreign currencies in which the cash flows will arise.

Depending on the nature of the hedged item, a distinction is made between a fair value hedge, a cash flow hedge, and a hedge of a net investment in a foreign operation. In fiscal year 2009, as in the previous year, hedge accounting was used to hedge cash flows from currency and interest hedges, provided the requirements for hedge accounting were met. This means that changes in value resulting from measurement of the hedges on the balance sheet date were recognized directly in equity (other comprehensive income).

3. Share-based payment

The Group has established a share-based payment model, under which stock options have been offered to members of the Executive Board and top executives of the Pfeiderer Group.

The stock options allow Pfeiderer shares to be purchased at a certain predetermined subscription price following a three-year respectively a four-year vesting period. The purchase of stock options is linked to a personal investment. Stock options (equity-settled share-based payment transactions) are measured at fair value at the grant date. The fair value is recognized in profit or loss as personnel expenses over the period until exercise of the stock options. Fair value is determined using internationally acknowledged valuation techniques (Black-Scholes method). Each stock option entitles the holder either to purchase one Pfeiderer share at a fixed subscription price or to cash compensation. The proportionate fair value is recognized in profit or loss. The Company is entitled to determine at its discretion whether shares of the Company or cash compensation will be granted to the beneficiaries for all or for a proportion of the stock options granted.

4. Treasury shares

Treasury shares are carried at their moving average price. The total amount of the shares acquired has been deducted from equity. The option under SIC-16.10 that was still available at the time to deduct the total cost of the treasury shares as a one-time adjustment of equity was applied. The shares were repurchased also for the purpose of using the acquired treasury shares to settle the options on the Company's shares issued in conjunction with the Pfeiderer 2004, 2006, 2007, 2008 and 2009 stock option programs. The shares were acquired on-exchange in Xetra trading.

5. Earnings per share

Earnings per share have been calculated in accordance with IAS 33, Earnings per Share. This standard requires the presentation of earnings per share for all companies that have issued ordinary shares. Basic earnings per share represent the profit or loss from continuing operations for the period attributable to the parent less minority interests, divided by the weighted average number of ordinary shares outstanding during the fiscal year. Equity-equivalent securities used for payment in stock options may result in dilution. If a dilutive effect occurs, diluted earnings per share must also be presented.

6. Segment reporting

Segment reporting is presented in compliance with IFRS 8, Operating Segments. In the Pfeiderer Group, segment reporting is defined by business centers, which are classified by the regions in which the goods and services are provided. The geographical segments therefore represent the reporting format for the segment reporting. Segment results are presented as earnings before interest and taxes (EBIT). Earnings from discontinued operations of – 133 thousand euros are attributable in full to the Western Europe region.

IV. Explanatory notes to the consolidated balance sheet

1. CASH AND CASH
EQUIVALENTS

Cash and cash equivalents of 59,292 thousand euros were reported as of December 31, 2009 (previous year: 46,288 thousand euros). They comprise cash at banks, cash on hand, as well as sight deposits with banks with original maturities of up to three months. Cash and cash equivalents are not exposed to credit risk as defined by IFRS 7, Financial Instruments: Disclosures.

2. RECEIVABLES AND
OTHER ASSETS

'000 EUROS	Dec. 31, 2009	Dec. 31, 2008
Trade receivables, net	71,478	72,941
Tax refund claims excluding income taxes	12,441	11,665
Receivables from affiliated companies	0	32
Other assets	51,170	11,338
Prepayments	41,922	29,859
Receivables and other assets	177,011	125,835

The tax refund claims relate primarily to VAT credits of 10,360 thousand euros (previous year: 10,370 thousand euros). Other assets comprise positive fair values for financial instruments of 261 thousand euros (previous year: 1,053 thousand euros). The increase in other assets is due to deposit payments for equipment to be delivered and already completed. The increase in prepayments results primarily from the new plant in Novgorod, Russia.

3. TRADE RECEIVABLES

'000 EUROS	Dec. 31, 2009	Dec. 31, 2008
Trade receivables	92,559	99,808
Less specific valuation allowances	-7,165	-6,617
Less collective valuation allowances	-270	-380
Less deductions for price reductions, sales bonuses, and cash discounts	-13,646	-19,870
Trade receivables, net	71,478	72,941

All receivables are due in less than one year. Adequate valuation allowances are recognized for bonuses and cash discounts.

The following table shows the development of the two allowance accounts:

'000 EUROS	Specific valuation allowances	Collective valuation allowances
January 1, 2009	6,617	380
Change in scope of consolidation/exchange differences	- 75	0
Brought forward	6,542	380
Additions	4,963	104
Utilization	2,619	15
Reversals	1,721	199
December 31, 2009	7,165	270

Receivables with a principal amount of 63,261 thousand euros were sold as of December 31, 2009 (previous year: 60,249 thousand euros). The increase is primarily due to the higher revenues year on year in December. Payments and purchase price retentions in the amount of 36,827 thousand euros (previous year: 44,163 thousand euros) resulted in net receivables sold of 26,434 thousand euros (previous year: 16,086 thousand euros). Under this arrangement, the Group retains insignificant risks and obligations ("pass-through arrangement"); these relate in particular to the rendering of settlement services. The Group only sells receivables that are covered by credit insurance. Expenses of 3,425 thousand euros (previous year: 4,659 thousand euros) were incurred in connection with the sale of receivables. These expenses relate primarily to interest and the cost of assuming the default risk reported in the income statement under "Financial expenses, net".

'000 EUROS	TRADE RECEIVABLES		RECEIVABLES FROM AFFILIATED COMPANIES		LOANS	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Receivables not past due and not impaired	103,620	83,946	0	32	4,873	4,649
of which low default risk	35,670	15,647	0	32	4,873	4,649
of which on watch list	270	6	0	0	0	0
Carrying amount of receivables not past due and not impaired	103,620	83,946	0	32	4,873	4,649
Age analysis of delinquency status (past due but not impaired)						
0 - 30 days	21,162	28,659	0	0	0	0
31 - 60 days	2,816	4,496	0	0	0	0
61 - 90 days	1,068	1,527	0	0	0	0
91 - 180 days	1,867	1,627	0	0	0	0
older than 180 days	4,206	7,414	0	0	0	0
Carrying amount of past due receivables	31,119	43,723	0	0	0	0

The default risk of the trade receivables varies from region to region. Approximately 95% of the receivables in the Business Center Western Europe are covered by credit insurance. At Pergo Europe and in the Eastern Europe region, credit insurance has been taken out for more than half of the receivables. In the USA, the proportion of receivables covered by credit insurance is lower than 10%, whilst no trade receivables have credit insurance in Canada. The maximum credit risk in the Group for the receivables

not sold and not covered by credit insurance corresponds to the gross carrying amount of the trade receivables less valuation allowances or the deductible and the gross carrying amount of the loans less recognized amortization.

4. INVENTORIES

Inventories comprise the following items:

'000 EUROS	Dec. 31, 2009	Dec. 31, 2008
Raw materials, consumables and supplies	93,809	94,821
Work in progress	7,179	9,972
Finished goods and merchandise	65,398	77,285
Inventories, net	166,386	182,078

The decrease in inventories is primarily due to targeted efforts relating to the optimization of working capital. In fiscal year 2009, writedowns of 19,059 thousand euros (previous year: 16,127 thousand euros) were recognized in profit or loss, and reversals of writedowns on inventories recognized in prior periods were performed in the amount of 277 thousand euros (previous year: 220 thousand euros). The reversals are the result of market price adjustments and better sales opportunities. The inventory expense reported under the cost of sales item in the income statement for the 2009 fiscal year amounted to 740,666 thousand euros (previous year: 948,767 thousand euros), thus decreasing more significantly than revenues.

5. DISCONTINUED OPERATIONS

Pfleiderer sold its track systems business unit and Interwood GmbH in the 2006 fiscal year. Significant amounts of the assets and liabilities reported in the consolidated balance sheet under discontinued operations are due to these sales. The operating business of the discontinued operations developed as follows:

'000 EUROS	2009	2008
Other income and expenses	- 133	- 325
EBIT	- 133	- 325
EBT	- 133	- 325
Income taxes	2,322	- 6,116
Profit/loss after income taxes	2,189	- 6,441

The following table shows the balance sheet items reported as assets and liabilities from discontinued operations:

Assets from discontinued operations:

'000 EUROS	Dec. 31, 2009	Dec. 31, 2008
Property, plant and equipment, net	9,893	8,571
Deferred taxes	1,709	1,709
Non-current assets	11,602	10,280
Assets from discontinued operations	11,602	10,280

Liabilities from discontinued operations:

'000 EUROS	Dec. 31, 2009	Dec. 31, 2008
Liabilities and other debt	0	2
Other provisions	10,331	10,330
Income tax payables	4,000	7,700
Current liabilities	14,331	18,032
Liabilities from discontinued operations	14,331	18,032

Property, plant and equipment principally comprises land and buildings as well as production facilities held for sale. The other provisions mainly relate to the winding-up of the Wind business segment and the track systems business unit.

6. PROPERTY, PLANT AND EQUIPMENT

'000 EUROS	Land, land rights, and buildings including buildings on third-party land	Technical plant and machinery	Other equipment, operating and office equipment	Assets under construction	Total property, plant and equipment
Cost as of Dec. 31, 2007	392,681	1,070,472	77,298	73,333	1,613,784
Currency translation	- 24,558	- 65,971	- 3,389	- 7,702	- 101,620
Acquisitions	3,123	16,805	317	0	20,245
Changes in accordance with IFRS 5	0	0	0	0	0
Other changes	0	0	0	0	0
Additions	3,575	32,125	10,923	82,668	129,291
Disposals	- 30,115	- 9,262	- 5,811	- 10,072	- 55,260
Reclassifications	22,949	27,510	2,222	- 57,632	- 4,951
Cost as of Dec. 31, 2008	367,655	1,071,679	81,560	80,595	1,601,489
Currency translation	4,615	11,197	789	- 124	16,477
Acquisitions	0	0	0	0	0
Changes in accordance with IFRS 5	0	0	0	0	0
Other changes	0	0	0	0	0
Additions	1,590	14,571	5,445	119,717	141,324
Disposals	- 1,779	- 3,199	- 1,938	- 190	- 7,106
Reclassifications	6,268	28,542	2,851	- 45,492	- 7,831
Cost as of Dec. 31, 2009	378,349	1,122,790	88,707	154,506	1,744,352
Cumulative depreciation as of Dec. 31, 2007	- 129,314	- 565,680	- 49,712	0	- 744,706
Currency translation	6,890	28,804	1,873	0	37,567
Acquisitions	0	- 84	- 112	0	- 196
Changes in accordance with IFRS 5	0	0	0	0	0
Other changes	0	0	0	0	0
Additions	- 22,644	- 75,715	- 11,908	0	- 110,267
Disposals	30,050	9,039	5,453	0	44,542
Reclassifications	- 12,507	12,711	672	0	876
Cumulative depreciation as of Dec. 31, 2008	- 127,525	- 590,925	- 53,734	0	- 772,184
Currency translation	- 2,063	- 6,761	- 426	0	- 9,251
Acquisitions	0	0	0	0	0
Changes in accordance with IFRS 5	0	0	0	0	0
Other changes	0	0	0	0	0
Additions	- 16,401	- 73,619	- 10,626	0	- 100,646
Disposals	157	2,470	1,166	0	3,793
Reclassifications	654	150	- 784	0	20
Cumulative depreciation as of Dec. 31, 2009	- 145,179	- 668,686	- 64,403	0	- 878,268
Carrying amount as of Dec. 31, 2008	240,130	480,754	27,826	80,595	829,305
Carrying amount as of Dec. 31, 2009	233,170	454,106	24,302	154,506	866,084

The main additions to property, plant and equipment in the fiscal year 2009 resulted from the construction of the MDF/HDF plant in Moncure, USA; in addition, investments for the Russian MDF plant "Pfleiderer MDF OOO" which is under construction also contributed to the additions. Borrowing costs of 2,735 thousand euros (previous year: 2,773 thousand euros) were capitalized. The underlying interest rate on borrowings was between 1.8% and 6.0%.

Of depreciation, 6,869 thousand euros (previous year: 11,153 thousand euros) relates to impairment losses for unused non-current assets in Western Europe and North America the decreased value in use. These impairment losses are mainly reported under other operating expenses. The decrease in depreciation compared to the previous year is principally due to the change in the above impairment losses.

Items of property, plant and equipment were recognized for finance leases in the amount of 320 thousand euros (previous year: 251 thousand euros).

As part of the project financing for the Podberezje particleboard plant and the Grajewo MDF plant, the material assets of these companies were pledged. Apart from this, no collateral was assigned and no other preferential rights in rem were created over individual fixed assets in the past fiscal year.

7. INTANGIBLE ASSETS

'000 EUROS	Concessions, industrial and similar rights and assets, and licenses in such rights and assets	Goodwill	Development costs	Total intangible assets
Cost as of Dec. 31, 2007	189,578	471,978	2,058	663,614
Currency translation	- 16,302	- 15,564	- 5	- 31,871
Acquisitions	13,018	0	0	13,018
Changes in accordance with IFRS 5	0	- 1,023	0	- 1,023
Other changes	0	0	0	0
Additions	7,229	0	3,436	10,665
Disposals	- 6,782	0	- 54	- 6,836
Reclassifications	6,715	0	- 1,764	4,951
Cost as of Dec. 31, 2008	193,456	455,391	3,671	652,518
Currency translation	5,931	- 4,409	0	1,522
Acquisitions	0	212	0	212
Changes in accordance with IFRS 5	0	0	0	0
Other changes	0	0	0	0
Additions	1,335	0	403	1,737
Disposals	- 1,028	0	0	- 1,028
Reclassifications	11,333	0	- 3,502	7,831
Cost as of Dec. 31, 2009	211,027	451,194	571	662,792
Cumulative depreciation/amortization as of Dec. 31, 2007	- 36,399	- 63,599	0	- 99,998
Currency translation	1,280	0	0	1,280
Acquisitions	- 31	0	0	- 31
Changes in accordance with IFRS 5	0	1,023	0	1,023
Other changes	0	0	0	0
Additions	- 15,855	0	0	- 15,855
Disposals	2,575	0	0	2,575
Reclassifications	- 876	0	0	- 876
Cumulative depreciation/amortization as of Dec. 31, 2008	- 49,306	- 62,576	0	- 111,882
Currency translation	- 653	406	0	- 246
Acquisitions	0	0	0	0
Changes in accordance with IFRS 5	0	0	0	0
Other changes	0	0	0	0
Additions	- 15,645	- 164	0	- 15,809
Disposals	339	0	0	339
Reclassifications	- 20	0	0	- 20
Cumulative depreciation/amortization as of Dec. 31, 2009	- 65,286	- 62,333	0	- 127,619
Carrying amount as of Dec. 31, 2008	144,150	392,815	3,671	540,636
Carrying amount as of Dec. 31, 2009	145,741	388,861	571	535,173

The main intangible assets reported under “concessions, industrial and similar rights and assets, and licenses in such rights and assets” are trademark rights, patents, and licenses as well as SAP licenses and emission rights.

Development costs (own work capitalized) of 225 thousand euros (previous year: 551 thousand euros) were capitalized in the fiscal year.

Of the goodwill reported, 171,752 thousand euros (previous year: 169,736 thousand euros) was attributable to the Business Center Western Europe, 95,651 thousand euros (previous year: 109,282 thousand euros) to the Business Center Eastern Europe, and 121,458 thousand euros (previous year: 113,797 thousand euros) to the Business Center North America. The changes are chiefly due to exchange rate fluctuations. The amount of 212 thousand euros reported under “acquisitions” results from the compensation payment made to former shareholders as part of the squeeze-out at Pergo AB.

Amortization of intangible assets totaled 15,645 thousand euros in the 2009 fiscal year (previous year: 15,855 thousand euros) and is mainly reported under the cost of sales item.

In 2009, the Company tested the goodwill reported in the consolidated financial statements for impairment. The impairment tests performed did not give rise to a need to recognize impairment losses in the Group. For the impairment test, the carrying amount was compared with the fair value less costs to sell at the level of the cash-generating units. The fair value less costs to sell was determined on the basis of comparable transactions. Capitalization rates of between 8.06% and 12.48% were taken as the basis for the impairment tests. If the weighted average cost of capital increased slightly, the carrying amount for a cash-generating unit with a capitalization rate used in discounting of 11.40% would exceed the calculated fair value less costs to sell. At the balance sheet date, the amount of the fair value less costs to sell corresponds to the carrying amount of this unit. If the borrowing rate in the region increased, the unit’s fair value less costs to sell would fall below its carrying amount. Fair value less costs to sell is determined on the basis of the five-year planning approved by the management of Pfeleiderer AG, from which the future cash flows after taxes were derived. Cash flows beyond the five-year period were determined in accordance with a perpetual annuity. Regionally adjusted growth rates of between 1.5% and 3.0% for extrapolating the perpetual annuity were factored in. The weighted average cost of total capital used in discounting includes an individual beta factor derived from the peer group, an individual tax rate, and an individual capital structure. The calculations performed did not result in the need to recognize an impairment loss.

8. FINANCIAL ASSETS

'000 EUROS	Shares in affiliated companies	Equity interests	Other loans	Total financial assets
Cost as of Dec. 31, 2007	40	9	4,468	4,517
Currency translation	- 2	0	- 12	- 14
Acquisitions	0	0	0	0
Changes in accordance with IFRS 5	0	0	0	0
Other changes	0	0	0	0
Additions	0	0	269	269
Disposals	- 25	0	- 76	- 101
Reclassifications	0	0	0	0
Cost as of Dec. 31, 2008	13	9	4,649	4,671
Currency translation	0	0	0	0
Acquisitions	0	0	0	0
Changes in accordance with IFRS 5	0	0	0	0
Other changes	0	0	0	0
Additions	0	0	261	261
Disposals	0	0	- 38	- 38
Reclassifications	0	0	0	0
Cost as of Dec. 31, 2009	13	9	4,872	4,894
Cumulative depreciation as of Dec. 31, 2007	0	- 6	0	- 6
Currency translation	0	0	0	0
Changes in accordance with IFRS 5	0	0	0	0
Other changes	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Cumulative depreciation as of Dec. 31, 2008	0	- 6	0	- 6
Currency translation	0	0	0	0
Changes in accordance with IFRS 5	0	0	0	0
Other changes	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Cumulative depreciation as of Dec. 31, 2009	0	- 6	0	- 6
Carrying amount as of Dec. 31, 2008	13	3	4,649	4,665
Carrying amount as of Dec. 31, 2009	13	3	4,872	4,888

The other loans include a loan of 4,864 thousand euros (previous year: 4,603 thousand euros) to the shareholder of a property leasing company included in the basis of consolidation.

9. DEFERRED TAXES

Deferred tax assets and liabilities are carried in accordance with IAS 12, Income Taxes if future tax effects can be expected from temporary differences between the carrying amounts of existing assets and liabilities and their tax bases on the one hand and loss carryforwards on the other. Deferred tax assets and liabilities arising from measurement differences on balance sheet items can be broken down as follows:

'000 EUROS	Dec. 31, 2009	Dec. 31, 2008
Receivables and other assets	20,531	18,254
Inventories, net	1,899	8,883
Property, plant and equipment, net	19,551	26,007
Intangible assets, net	1,465	1,563
Financial assets	52	2,158
Pension provisions	2,942	4,653
Other current and non-current liabilities	11,367	4,003
Other current and non-current provisions	8,586	10,770
	66,393	76,291
Tax loss carryforwards/interest carryforwards	150,641	118,564
	217,034	194,855
Valuation allowances/non-recognition in accordance with IAS 12.34	-49,717	-37,742
Netting	-38,455	-33,942
Deferred tax assets (after netting)	128,862	123,171
Receivables and other assets	18,044	9,357
Inventories, net	97	168
Property, plant and equipment, net	50,507	65,466
Intangible assets, net	39,041	40,847
Financial assets	1,122	1,462
Other current and non-current liabilities	11,294	2,502
Other current and non-current provisions	111	307
	120,216	120,109
Netting	-38,455	-33,942
Deferred tax liabilities (after netting)	81,761	86,167
Net amount of deferred taxes	47,101	37,004

The change in the deferred tax assets attributable to items that were not recognized in profit or loss in the 2009 fiscal year amounts to - 947 thousand euros (previous year: 8,989 thousand euros); this amount relates to the effects from foreign currency loans recognized directly in equity. No deferred taxes are recognized in profit or loss on the currency translation differences resulting from the consolidation of foreign subsidiaries. As in the previous year, no deferred taxes are recognized for changes resulting from financial derivatives recognized in profit or loss.

IO. OTHER NON-CURRENT ASSETS

Other non-current assets include the deferred tax benefit from future income tax savings of 2,090 thousand euros (previous year: 7,837 thousand euros). Pfeleiderer MDF Sp. z o.o. was granted tax relief on investments in a Polish special economic zone in the form of an income tax exemption until September 1, 2016. This tax relief is accounted for in accordance with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance. The recognition not affecting profit or loss of the tax benefit in the amount of the future tax savings is matched by an amount of 5,348 thousand euros (previous year: 11,239 thousand euros) reported under other non-current liabilities. In addition, deferred market entrance costs are also recognized (9,008 thousand euros).

II. CURRENT LIABILITIES AND OTHER DEBT

'000 EUROS	Dec. 31, 2009	Dec. 31, 2008
Payments received on account of orders	7,121	483
Trade payables	105,453	160,387
Other current debt	122,260	118,086
Current liabilities and other debt	234,834	278,956

Other current debt comprises:

'000 EUROS	Dec. 31, 2009	Dec. 31, 2008
Other employee liabilities	31,336	25,570
Collection liabilities for factoring	36,827	44,199
Liabilities from hybrid interest	25,481	7,028
Liabilities from wages and salaries	5,783	6,555
Other taxes	4,655	5,470
Social security contributions retained	2,234	2,470
Other	15,944	26,794
Other current debt	122,260	118,086

Other types of other current debt include negative fair values of hedging instruments (interest and currency hedges) of 8,665 thousand euros (previous year: 17,489 thousand euros).

12. CURRENT FINANCIAL LIABILITIES

The Company's current financial liabilities comprise the following items:

'000 EUROS	Dec. 31, 2009	Dec. 31, 2008
Other current liabilities and current portion of longer-term loans	800,137	153,408
Finance leases	65	0
Current financial liabilities	800,202	153,408

The increase in current financial liabilities is due to the fact that, as a result of the violation of the financial covenants of long-term loan agreements, the non-current portion of the financial liabilities concerned also had to be reported as current liabilities (425,827 thousand euros), since as at December 31, 2009, the Company did not have the unconditional right to defer its settlement for at least 12 months after the balance sheet date. This was no longer the case at the date of approval of the annual financial statements. For details on financial liabilities, please refer to IV.15, Non-current Financial Liabilities, and VI.15, Events After the Balance Sheet Date.

13. OTHER CURRENT PROVISIONS

'000 EUROS	Jan. 1, 2009	Additions	Utilization	Reversals	Currency differences	Dec. 31, 2009
Production	3,731	3,367	3,203	174	955	4,676
Sales and marketing	511	682	512	0	214	895
Other provisions	47,913	23,698	23,939	15,223	8,860	41,309
Other current provisions	52,155	27,747	27,654	15,397	10,029	46,880

Other provisions are recognized mainly for provisions for possible violations of license and patent rights agreements and for litigation risk. All current provisions are expected to be utilized in 2010. The reversal of other current provisions results primarily from the reversal of provisions for litigation of 12,915 thousand euros. As the material risks from the pending antitrust investigations cannot be assessed, it has not been possible to recognize a provision for legal risks.

14. FINANCE LEASES

A lease exists for an energy conversion plant in Garner, North Carolina, USA, which was reported under finance leases on account of its form. As of December 31, 2009, the future minimum lease installments from finance leases are 437 thousand euros (previous year: 350 thousand euros). The present value of minimum lease installments is 378 thousand euros (previous year: 308 thousand euros). The net carrying amounts of assets capitalized as part of finance leases total 320 thousand euros (previous year: 251 thousand euros).

15. NON-CURRENT FINANCIAL LIABILITIES

The Company finances itself mainly with long-term loans which generally bear interest rates based on variable EURIBOR, LIBOR, or WIBOR rates (plus an interest rate margin). Because the financial covenants for long-term loan agreements were not complied with, the non-current portions of the financial liabilities concerned also had to be reported as current liabilities. This was no longer the case at the date of approval of the annual financial statements. The average interest rate for these loans was just under 5.00% p.a. in the fiscal year 2009 (previous year: 5.75% p.a.).

'000 EUROS	Dec. 31, 2009		
	TOTAL	CURRENT PORTION (< 1 YEAR)	NON-CURRENT PORTION (> 1 YEAR)
Liabilities to banks	913,088	800,137	112,951
Finance leases	408	65	343
Financial liabilities	913,496	800,202	113,294

The syndicated loan taken out in December 2006 for an original sum of 400.0 million euros and 268.7 million CAD (177.6 million euros) amounted to 300.1 million euros and 216.5 million CAD (143.1 million euros) at the end of the year after the contractual repayments agreed for the fiscal year 2009 were made. The credit agreement was to be valid until the end of 2011/the beginning of 2012.

This financing and the bond loan (Schuldscheindarlehen) agreements concluded in 2008 with an original volume of 165.0 million euros and bilateral credit facilities with a volume of 350 million SEK (34.1 million euros) and 25.0 million euros were renegotiated during 2009. In January 2010, Pfeiderer reached an agreement with the roughly 30 banks involved regarding the conditions for long-term financing. In addition to the syndicated loan, the bilateral credit agreements (all terms extended until 2013) and the bond loans (155 million euros), funds of 140 million euros are also provided at market conditions by Germany's KfW (Kreditanstalt für Wiederaufbau) as part of the syndicated loan. These funds were granted from the "Germany fund" and originate from the special program "Large enterprises".

As part of this financing package of approximately 800 million euros, partial repayments during the term are planned. Furthermore, the loan agreements contain renegotiated financial covenants in line with standard market terms, which have to be complied with during the term of the loans.

Credit facility agreements for a total of 1,111.4 million PLN (270.8 million euros), 130.0 million RUB (3.0 million euros) and 26.8 million euros have been entered into for Pfeiderer's Eastern European Group companies Pfeiderer Grajewo S.A., Pfeiderer Prospan S.A., Pfeiderer MDF Sp. z o.o., Silekol Sp. z o.o., and Pfeiderer OOO. Financial covenants in line with standard market terms were also agreed under these loans. The subsidiary Pfeiderer Grajewo S.A, which is listed on the Polish stock exchange, also held discussions with banks until March 2010, independently of Pfeiderer AG. The financing volume involved corresponds to approximately 300 million euros. Here too, an agreement was reached with the five banks involved on financing to last until 2013.

As part of the project financing for the Grajewo MDF plant, the material assets of this company were pledged.

The Group companies have also entered into various leases.

Pfleiderer AG and Pfleiderer Grajewo S.A. have each entered into commercial paper programs. In December 2002, Pfleiderer AG entered into a placement agreement on the issuance of short-term bonds with a total principal amount of up to 200.0 million euros (commercial paper program) with Bayerische Hypo- und Vereinsbank Aktiengesellschaft as the arranger and various other banks as dealers. The bonds have a maximum term of one year starting from the value date. The program has no time limit.

In July 2003, Pfleiderer Grajewo S.A. entered into a similar agreement to issue such commercial papers with a principal amount of currently up to 400.0 million PLN (97.5 million euros) with the bank PEKAO S.A. Here too, the individual bonds have a maximum term of one year starting from the value date; the program currently expires in June 2012. The investors are Pfleiderer Prospan S.A. and Silekol Sp z o.o.

16. PENSIONS AND SIMILAR OBLIGATIONS

Pfleiderer grants its employees defined benefit pensions on a case-by-case basis. In addition, legacy commitments exist under various pension plans whose benefits comprise old age, disability, and surviving dependents' pensions. The pension plans were closed for new entrants at the latest as of May 31, 1986. Individual foreign companies have other post-employment benefit obligations involving claims for lump-sum payments that are also reported under pension provisions.

Pension provisions for the fiscal years ended December 31 are composed of the following items:

'000 EUROS	Dec. 31, 2009	Dec. 31, 2008
Pensions and similar obligations	15,800	14,983
Less similar obligations	- 2,044	- 1,644
Pension obligations	13,756	13,339

The present value of the defined benefit obligations as of the balance sheet date was 104,110 thousand euros in the year under review (previous year: 96,276 thousand euros); this is partially attributable to defined benefit obligations funded by plan assets.

The benefits under defined benefit pension plans primarily depend on the employee's length of service, age, and salary. The costs and obligations arising from defined benefit pension plans are calculated on the basis of actuarial opinions using the projected unit credit method. This method sets the employee's past service in relation to the measurement date and also includes estimates with regard to future salary and pension trends.

The following assumptions were made in the opinions prepared as of the measurement date of December 31, 2009:

%	GERMANY		CANADA	
	2009	2008	2009	2008
Discount factor	5.25	6.00	6.75	6.50
Salary increase rate	2.50	2.50	3.00	3.00
Return on plan assets	7.00	7.00	7.50	6.75
Fluctuation	1.50	1.50	2.00	2.00
Pension adjustments	1.80	1.80	2.50	2.50

Pension provisions are generally measured using the 10% corridor rule. Actuarial gains or losses are not recognized in profit or loss if they do not exceed 10% of the higher of the benefit obligation and the fair value of plan assets. The amount exceeding the corridor is recognized in profit or loss and spread over the average remaining working lives of the active employees using the straight-line method.

The discount factor applied roughly corresponds to the interest rate achievable on the market for prime-ranking fixed-interest corporate bonds with the same maturity as of the measurement date of the benefit obligation. The annual salary increase rate is used to calculate pension entitlements.

The Company's obligation under defined benefit plans is to fulfill its benefit commitments to active and former employees; a distinction is made here between provisions-based systems and externally funded pension systems.

In 2006, business assets were transferred to an asset trustee, HSBC Trinkaus & Burkhardt AG, and a down-stream collateral trustee, HSBC Trinkaus Sicherungstreuhänder e.V., under a two-tier contractual trust arrangement (CTA) in order to externally fund the Company's pension obligations in Germany. CTAs are modeled on Anglo-American pension trusts, taking into account the tax and labor law framework in Germany. In December 2008, the plan assets were transferred to an own asset trustee – Pfleiderer Treuhandverein e.V.

The Company also has externally funded pension plans in Canada. This means that the majority of Pfleiderer Group pensions are externally funded. Pension expenses for the fiscal years ended December 31 are composed of the following items:

'000 EUROS	2009	2008
Current service cost	1,721	3,208
Interest expense	6,089	5,683
Plan return on plan assets	- 8,128	- 6,443
Amortization of actuarial gains (losses)	2,082	- 120
Past service cost	- 159	42
Pension expenses	1,605	2,370

The following tables show the changes in the defined benefit obligations and plan assets, as well as the funding status of the defined benefit pension obligations for Germany and Canada as reported in the consolidated financial statements as of December 31, 2009, and December 31, 2008:

'000 EUROS	GERMANY			
	Defined benefit obligation 2009	Of which not covered by plan assets 2009	Of which covered by plan assets 2009	Plan assets 2009
Defined benefit obligation at beginning of year	59,782	55	59,727	- 32,849
Current service cost	419	0	419	0
Interest expense	3,471	3	3,468	0
Expected return on plan assets	0	0	0	- 5,809
Contributions by plan participants	0	0	0	0
Pensions paid	- 4,159	0	- 4,159	2,464
Actuarial gains/losses	4,627	11	4,616	0
Retrospective plan amendments	217	11	206	0
Past service cost	- 159	0	- 159	0
Disposals and transfers	156	7	149	0
Defined benefit obligation at end of year	64,354	87	64,267	- 36,194
Unrecognized actuarial gain (loss)	- 695	- 4	- 691	- 27,503
Unrecognized past service cost	- 27	0	- 27	0
Balance at December 31	63,632	83	63,549	- 63,697
Excess cover as of December 31				- 148

'000 EUROS	CANADA			
	Defined benefit obligation 2009	Of which not covered by plan assets 2009	Of which covered by plan assets 2009	Plan assets 2009
Defined benefit obligation at beginning of year	41,005	0	41,005	- 30,845
Current service cost	1,302	0	1,302	0
Interest expense	2,618	0	2,618	0
Expected return on plan assets	0	0	0	- 2,319
Contributions by plan participants	1,046	0	1,046	- 5,122
Pensions paid	- 3,055	0	- 3,055	3,055
Actuarial gains/losses	- 1,899	0	- 1,899	- 1,850
Retrospective plan amendments	0	0	0	373
Past service cost	0	0	0	0
Disposals and transfers	- 1,261	0	- 1,261	1,261
Defined benefit obligation at end of year	39,756	0	39,756	- 35,447
Unrecognized actuarial gain (loss)	0	0	0	8,429
Unrecognized past service cost	0	0	0	0
Balance at December 31	39,756	0	39,756	- 27,018
Underfunding as of December 31				12,738

The defined benefit obligation changed as follows year on year:

'000 EUROS	DEFINED BENEFIT OBLIGATION	
	2009	2008
Defined benefit obligation at beginning of year	100,787	106,259
Current service cost	1,721	2,923
Interest expense	6,089	5,683
Contributions by plan participants	1,046	962
Pensions paid	- 7,214	- 5,553
Actuarial gains/losses	2,728	- 14,141
Retrospective plan amendments	217	154
Past service cost	- 159	- 206
Disposals and transfers	- 1,105	195
Defined benefit obligation at end of year	104,110	96,276
Unrecognized actuarial gain (loss)	- 695	3,704
Unrecognized past service cost	- 27	- 46
Balance at December 31	103,388	99,934

The change in the Canadian defined benefit obligation of 4,511 thousand euros from the end of 2008 to the beginning of 2009 is largely due to using the exchange rate valid as at December 31, 2009, between the euro and the Canadian dollar for the opening balances.

The present value of the defined benefit obligation (DBO) changed as follows in the year under review and in the previous fiscal years as from the beginning of the transition to IAS/IFRS accounting in 2005:

'000 EUROS	
Defined benefit obligation	
2009	104,110
2008	96,276
2007	114,009
2006	114,925
2005	97,929

The expected return on plan assets of 8,128 thousand euros (previous year: 6,443 thousand euros) was calculated using an interest rate of 7.5% for Canada and 7.0% for Germany, and is netted against the pension expense. The actual returns and expenses from plan assets were 0 thousand euros (previous year: 2,097 thousand euros) and non-realized losses from the valuation of plan assets totaled – 19,074 thousand euros.

The portfolio structure of the plan assets is as follows:

%	GERMANY		CANADA	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Shares	26.4	11.9	53.5	53.5
Fixed-interest securities	73.6	88.1	46.3	46.2
Other	0.0	0.0	0.2	0.3
	100.0	100.0	100.0	100.0

No contributions or grants to the plan assets are expected for the coming fiscal year. The plan assets accrue interest and appreciate in value on an ongoing basis.

The following table shows the pensions paid and the statutory pension insurance contributions in the previous year, the year under review, and future years:

'000 EUROS	
Statutory pension insurance contributions	
2009	17,652
2008	15,077
Pension benefits paid	
2009	7,198
2008	5,553
Expected pension benefits	
2009	8,221
2010	8,403
2011	8,487
2012	8,622
2013	8,710
2009 - 2013	42,443

17. OTHER NON-CURRENT DEBT

Other non-current liabilities include the deferral of the tax benefit from future income tax savings of 5,348 thousand euros (previous year: 11,239 thousand euros). Pfeleiderer MDF Sp. z o.o. was granted tax relief on investments in a Polish special economic zone in the form of an income tax exemption until September 1, 2016. This tax relief is accounted for in accordance with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance. The future tax savings are deferred, while 2,090 thousand euros (previous year: 7,837 thousand euros) is reported under other non-current assets.

18. OTHER NON-CURRENT PROVISIONS

'000 EUROS	Jan. 1, 2009	Additions	Utilization	Reversals	Currency differences	Dec. 31, 2009
Restructuring measures	836	808	1,247	0	135	532
Environmental risks	6,137	2,813	3,398	0	585	6,137
Jubilee payments	3,788	226	719	12	12	3,295
Partial retirement	8,268	573	769	1,345	0	6,727
Other	591	377	0	0	0	968
Other non-current provisions	19,620	4,797	6,133	1,357	732	17,659

Provisions for restructuring measures are recognized if there is a constructive obligation for restructuring, i.e. if a detailed formal restructuring plan has been prepared and the employees concerned expect the restructuring measures to be implemented. Utilization of restructuring provisions occurred

primarily in the Western Europe region. Provisions for environmental risks relate mainly to potential environmental restoration liabilities and the cost of environmental remediation. Jubilee payments are calculated using actuarial principles in accordance with the relevant company agreements and are recognized as provisions. Provisions for partial retirement are recognized on the basis of individual agreements with employees, taking into account possible beneficiaries under collective bargaining agreements. Partial reimbursements may be made by the German Employment Office under certain circumstances. The amount received in the event of reimbursement is insignificant. Provisions for partial retirement are expected to be utilized in the coming five years. Payments under the recognized other non-current provisions will be made over the coming years; however, a precise allocation would involve an unreasonably high degree of effort. The interest effect of discounting non-current provisions results from an average rate of 4.97% (previous year: 5.75%).

19. EQUITY

The changes in equity are presented in the consolidated statement of changes in equity, which precedes the notes.

Share capital

Pfleiderer AG's subscribed capital amounts to 136,514,816 euros as of December 31, 2009. The share capital is composed of 53,326,100 registered no-par value shares with a notional value of 2.56 euros per share. The shares are fully paid up. All shares entitle their holders to the same rights and obligations. Each no-par value share grants one vote at the Annual General Meeting and determines the shareholders' interest in the profits of Pfleiderer AG. This excludes treasury shares held by Pfleiderer AG, which do not confer any rights to the Company. There were no changes to the subscribed capital in fiscal year 2009.

Authorized capital

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period up to June 18, 2012, by up to 68,257,408.00 euros against cash and/or non-cash contributions (Authorized Capital). The shareholders must generally be granted subscription rights to the new no-par value shares. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in certain cases. To date, the Executive Board has not made use of this authorization. Further details are stipulated in Article 4(2) of the Articles of Incorporation.

Conditional capital

On June 23, 2009, the Annual Shareholders' Meeting resolved to cancel the authorization issued by the ordinary Annual Shareholders' Meeting on June 19, 2007, regarding issuing bonds with warrants and/or convertible bonds and the conditional capital of 25,600,000.00 euros existing for this purpose, and to authorize the Executive Board, with the approval of the Supervisory Board, until June 22, 2014,

to issue bonds with warrants and/or convertible bonds on one or more occasions in a total volume of up to 200,000,000.00 euros and to grant the shareholders or creditors option and conversion rights to up to 21,330,440 new shares in Pfeleiderer AG with a notional interest in the share capital of up to 54,605,926.40 euros in close accordance with the conditions for the warrants/convertible bonds. These bonds are generally issued subject to shareholders' statutory subscription rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in certain cases. To date, the Executive Board has not made use of this authorization. For this purpose, the share capital has been conditionally increased by up to 54,605,926.40 euros by the issue of up to 21,330,440 new shares (Conditional Capital I). Further details are governed by the authorization granted on June 23, 2009, and by Article 4(3) of the Articles of Incorporation.

In addition, the Company's share capital has been conditionally increased by up to 1,989,836.80 euros (Conditional Capital). The conditional capital increase of up to 777,280 new no-par value shares will only be implemented to the extent that subscription rights were granted under the authorization applicable until June 30, 2006, and the Pfeleiderer Stock Option Plan 2001, that the holders of those subscription rights exercise their rights to subscribe for shares of the Company, and that the Company does not settle the subscription rights by issuing treasury shares or by way of cash compensation. Further details are stipulated in Article 4(4) of the Articles of Incorporation.

In addition, the Company's share capital has been conditionally increased by up to 11,661,644.80 euros (Conditional Capital). The conditional capital increase of up to 4,555,330 new no-par value shares will only be implemented to the extent that subscription rights were granted under the authorization applicable until May 31, 2011, and the Pfeleiderer Stock Option Plan 2006, that the holders of those subscription rights exercise their rights to subscribe for shares of the Company, and that the Company does not settle the subscription rights by issuing treasury shares or by way of cash compensation. Further details are governed by the authorization granted on June 13, 2006, and by Article 4(5) of the Articles of Incorporation.

Group reserves including retained earnings brought forward and consolidated profit/loss

The following overview shows the changes in Group reserves including the retained earnings and the consolidated profit:

'000 EUROS	2009	2008
January 1	369,070	379,875
Measurement of/change in stock option plans	2,760	877
Measurement of treasury shares	0	- 2,165
Change in scope of consolidation	0	- 46
Net profit/loss for the Group	- 69,752	5,819
Dividend	0	- 15,290
December 31	302,078	369,070

The capital reserve forms part of the above-mentioned Group reserves and corresponds to the amount of Pfeleiderer AG's capital reserve. Revenue reserves also form part of the above-mentioned Group reserves. They comprise the profits generated in the past by consolidated companies, insofar as they have not been distributed or carried forward to new account. Consolidated net retained profits comprise the profits generated in the past by consolidated companies that were carried forward to new account.



Hybrid capital

Pfleiderer AG placed a HYBRID BOND of 275.0 million euros on April 27, 2007. Transaction costs totaling 5.4 million euros and deferred tax assets of 1.4 million euros were incurred. The bond is structured as a perpetual bond and carries a fixed coupon of 7.125% in the first seven years. The hybrid bond is accounted for as an equity component in accordance with IAS 32, Financial Instruments: Disclosures and Presentation, due to its perpetual structure and the fact that its interest rate is tied to Pfleiderer AG's dividend distributions. For this reason, the tax-deductible interest payments are not included in interest expense, but accounted for in the same way as dividend obligations to shareholders. In previous years, part of this own hybrid bond was reacquired, so that the hybrid capital decreased to 260,204 thousand euros.

Treasury shares

Since 2007, Pfleiderer AG has acquired own shares on the basis of resolutions adopted by the Executive Board in 2007 and 2008. In doing so, Pfleiderer AG exercised the authorization by the ordinary Annual Shareholders' Meeting on June 19, 2007, and June 12, 2008, to acquire own shares in accordance with Section 71(1) Number 8 of the German Stock Corporation Act (AktG). The total amount for treasury shares deducted from equity was 43,073 thousand euros (previous year: 43,073 thousand euros).

Changes in other comprehensive income recognized directly in equity

Foreign currency translation items totaling – 8,803 thousand euros (previous year: – 39,829 thousand euros) were recognized directly in equity in other comprehensive income in the fiscal year 2009. The figures relate to after-tax amounts in each case. In addition, the change (after taxes) in the effective part of interest rate hedging instruments in other comprehensive income was recognized to the value of 1,757 thousand euros (previous year: –3,793 thousand euros).

Capital management

The goal of the Executive Board's capital management strategy is to ensure the Company's continued existence and a strong capital base and to maintain and further strengthen the confidence of investors, markets, business partners, and employees as well as to safeguard the Company's development and growth in a sustainable manner. Capital management is based on the ratio of net debt to equity (gearing). The numerator represents net debt, which is calculated as total financial liabilities less cash and cash equivalents. The denominator comprises the capital, which corresponds to the balance sheet equity; this includes the hybrid bond on the one hand and minority interests on the other. Please see the statement of changes in equity for a detailed calculation of the capital that forms the basis for capital management.

		Dec. 31, 2009	Dec. 31, 2008
Balance sheet equity	million euros	631.7	710.9
Financial liabilities	million euros	913.5	681.8
Cash and cash equivalents	million euros	59.3	46.3
Net debt	million euros	854.2	635.5
Gearing	%	135.2	89.4

The strategy with regard to the goals of the Company's capital management has not changed compared with the previous year. Neither Pfleiderer AG nor any of its subsidiaries are subject to external minimum capital requirements.

V. Explanatory notes to the consolidated income statement

1. REVENUES

Revenues almost exclusively comprise income from the sale of goods. Income from rendering services plays an immaterial role.

2. COST OF SALES

The cost of sales of 1,046,789 thousand euros (previous year: 1,301,028 thousand euros) primarily comprises the cost of materials of 733,826 thousand euros (previous year: 943,298 thousand euros) and employee benefits of 146,517 thousand euros (previous year: 158,697 thousand euros).

3. SELLING EXPENSES

The selling expenses of 199,961 thousand euros (previous year: 223,334 thousand euros) primarily comprise outward freight costs amounting to 88,950 thousand euros (previous year: 107,016 thousand euros) and employee benefits of 46,121 thousand euros (previous year: 44,355 thousand euros).

4. ADMINISTRATIVE EXPENSES

Administrative expenses of 121,314 thousand euros (previous year: 122,388 thousand euros) principally relate to employee benefits of 62,132 thousand euros (previous year: 54,363 thousand euros), depreciation of 11,341 thousand euros (previous year: 10,223 thousand euros), services of 9,457 thousand euros (previous year: 12,758 thousand euros), and legal and consulting costs of 9,018 thousand euros (previous year: 23,628 thousand euros).

The following fees were reported as expenses for services rendered in 2009 by the Group auditors KPMG AG Wirtschaftsprüfungsgesellschaft and its associated companies (KPMG Europe LLP):

'000 EUROS	Group parent	Subsidiaries	Total
Other confirmation services	76	245	321
Audit services for financial statements	159	193	352
Other services	37	0	37
Total	272	438	710

5. RESEARCH AND DEVELOPMENT COSTS

Research and development costs amounted to 2,768 thousand euros in 2009 (previous year: 4,081 thousand euros). They mainly comprise employee benefits in the amount of 1,797 thousand euros (previous year: 2,759 thousand euros).

6. OTHER OPERATING INCOME/OTHER OPERATING EXPENSES

'000 EUROS	2009	2008
Other operating income	28,973	48,118
Other operating expenses	55,774	35,568
Net amount	-26,801	12,550

Other operating income comprises income from the reversal of provisions of 5,334 thousand euros (previous year: 11,736 thousand euros) and reversals of impairment losses of 1,676 thousand euros (previous year: 3,346 thousand euros). Income from currency translation differences of 4,832 thousand euros (previous year: 6,817 thousand euros) and from insurance compensation of 1,634 thousand euros (previous year: 3,444 thousand euros) are also reported under this item. Other operating expenses comprise expenses including valuation allowances and loss of debts of 6,981 thousand euros (previous year: 4,211 thousand euros) as well as expenses resulting from exchange rate losses of 6,905 thousand euros (previous year: 1,966 thousand euros). In addition, impairments of land and buildings and of property, plant and equipment were recognized in the amount of 6,869 thousand euros (previous year: 10,927 thousand euros). Restructuring expenses, primarily resulting from staff measures, are also reported in the amount of 17,503 thousand euros.

7. FINANCIAL INCOME, NET

'000 EUROS	2009	2008
Interest income	1,307	5,417
Interest expense	-50,224	-57,061
Net interest income	-48,917	-51,644
Other financial income, net	129	-28,360
Financial income, net	-48,788	-80,004

Interest expense principally comprises interest costs on the syndicated loans and the bond loan (Schuldscheindarlehen) and deferred transaction costs on these loans. Interest income mainly includes income from interest rate swaps resulting from the difference between the variable and fixed interest payment obligations. In 2009, this income amounted to 357 thousand euros (previous year: 4,817 thousand euros). Other net financial income largely comprises the net measurement of foreign currency hedges on the balance sheet date at -7,115 thousand euros (previous year: -15,508 thousand euros), of interest rate hedging instruments at 1,693 thousand euros (previous year: -4,093 thousand euros), and from currency translation of foreign currency financial positions at 5,410 thousand euros (previous year: -5,618 thousand euros). Of the net financial income, the following income and expenses result from financial instruments of the measurement categories in IAS 39, Financial Instruments: Recognition and Measurement:

'000 EUROS	2009	2008
Loans and receivables	1,213	262
Financial assets held for trading	265	1,053
Financial liabilities held for trading	- 5,330	- 20,412
Financial liabilities carried at amortized cost	- 44,936	- 57,061
Total	- 48,788	- 76,158

The interest income from the fixed-interest loans is reported under income from loans and receivables. Changes in the fair value of interest rate and currency hedges, as well as the part of changes in the fair value related to the non-effective part of derivatives that is designated as a hedging instrument, are recognized under expenses for financial assets and liabilities held for trading.

8. INCOME TAXES

Income tax expense comprises both current income taxes payable and deferred taxes. The Group's income taxes on continuing operations are broken down as follows:

'000 EUROS	2009	2008
Current taxes		
Germany	72	- 15,475
Outside Germany	- 1,700	- 1,711
Deferred taxes		
Germany	- 4,355	10,048
Outside Germany	14,193	18,311
Tax expense (-)/tax income (+)	8,210	11,173

Deferred tax income comprises among others the recognition of additional deferred tax assets from the remeasurement of tax loss carryforwards outside Germany (6,259 thousand euros) and the opposing valuation allowance for loss carryforwards in Germany (6,937 thousand euros).

Tax income of 2,322 thousand euros (previous year: – 6,116 thousand euros) is attributable to the loss from discontinued operations before taxes of – 133 thousand euros (previous year: – 325 thousand euros). Current and deferred taxes are recognized on the basis of an aggregate tax rate of 28.29% (previous year: 28.29%). This is computed on the assumption of a corporate income tax rate (including the solidarity surcharge) for the German companies of 15.83% (previous year: 15.83%) and an average trade tax rate of 12.46% (previous year: 12.46%). The local country-specific tax rates are used for foreign companies.

The following table reconciles expected and reported tax expense. To calculate the expected tax expense, the consolidated profit before taxes is multiplied by the aggregate tax rate applicable for the fiscal year:

'000 EUROS	2009	2008
Profit from continuing operations before income taxes	– 64,887	17,615
Expected tax expense (-)/tax income (+) based on tax rate of 28.29%	18,357	- 4,983
Increase/decrease in tax expense resulting from:		
Differences in tax rates	305	– 3,542
Current taxes for prior-periods	– 2,690	8,897
Deferred taxes for prior-periods	– 2,569	– 6,671
Non-deductible operating expenses/permanent differences incl. domestic trade tax add-backs	– 2,572	– 1,299
Tax-free income	4,004	8,981
Valuation allowance on deferred taxes	– 6,926	9,752
Extraordinary effects from the deferral of continuing and discontinued operations	38	92
Extraordinary effects at consolidation level	796	– 227
Other	– 533	173
Actual tax expense (-)/tax income (+)	8,210	11,173

As of December 31, 2009, the Group had domestic corporate income tax loss carryforwards of 195,346 thousand euros (previous year: 162,914 thousand euros) and domestic trade tax loss carryforwards of 206,897 thousand euros (previous year: 174,413 thousand euros), and domestic non-tax-deductible interest expense (interest carryforward) of 12,193 thousand euros (previous year: 0 thousand euros) as well as foreign loss carryforwards of 375,921 thousand euros (previous year: 318,385 thousand euros) and foreign non-tax-deductible interest expense of 32,109 thousand euros (previous year: 21,063 thousand euros). In accordance with the legal regulations in force at the balance sheet date, domestic losses can be carried forward indefinitely and in unlimited amounts. The foreign loss carryforwards have the following expiration periods:

'000 EUROS	2009	2008
Expiring within		
1 year	1	500
2 years	0	1
3 years	14,765	0
4 years	1,644	0
5 to 9 years	96,112	104,474
10 years or more	154,364	135,125
Indefinite	109,035	78,285
Total international	375,921	318,385

Valuation allowances on or non-recognition of deferred tax assets on loss carryforwards are recorded in the total amount of 48,912 thousand euros (previous year: 37,742 thousand euros), because their realization within a foreseeable period of time is uncertain based on the circumstances, the legal situation, and the information available. The increase in written down and unrecognized deferred tax assets results from the remeasurement of tax-loss carryforwards. The current estimate of the recoverability of deferred tax assets may change depending on the results of operations in future years and may necessitate higher or lower valuation allowances. The provisions of German tax law on the utilization of loss carryforwards (minimum taxation) are taken into account in the estimate of the probability of the future realization of deferred tax assets on loss carryforwards.

VI. Other disclosures

I. CONTINGENT LIABILITIES

The following contingent liabilities are recognized at their nominal amounts:

MILLION EUROS	2009	2008
Guarantees and letters of comfort	92.8	80.2
Warranty obligations	2.8	3.3

Furthermore, credit institutions have issued guarantees in favor of the Group's customers, suppliers, and other contracting partners totaling 33.3 million euros (previous year: 29.5 million euros); corresponding guarantee lines are available. These primarily comprise performance guarantees, guarantees under warranties and guarantees in connection with contingent liabilities resulting from divestments.

In addition, business risks exist for Pfeleiderer AG that have not been disclosed in accordance with IAS 37.91 (detailed information on financial effects, uncertainties relating to the amount or timing, etc.) because it is not practicable to do so, as a reliable estimate is not possible on account of their nature and the improbability that they will occur.

The Group provides warranties for certain products. The size of potential warranty claims is calculated on the basis of sales of these products and records of past claims for similar warranties. The provisions for warranty obligations changed in the reporting period and the prior period as follows:

'000 EUROS	2009	2008
Opening balance at January 1	2,083	522
Warranties issued during the reporting period	1,278	2,083
Claims during the fiscal year	- 555	- 522
Reversals and currency effects during the fiscal year	- 184	0
Balance at December 31	2,622	2,083

2. OTHER FINANCIAL COMMITMENTS/CON- TINGENT LIABILITIES

The Group leases items of property, plant and equipment under rental and leasing agreements that do not qualify as finance leases under IFRSs, but as operating leases. Additionally, the Group has entered into contracts for the maintenance of property, plant and equipment, and for various services. Expenses relating to rental and leasing agreements reported in the income statement amounted to 20,611 thousand euros (previous year: 20,014 thousand euros). The minimum amount of undiscounted future payments under operating leases and under other financial commitments (such as service contract for hosting and support for SAP) was 145,810 thousand euros (previous year: 120,900 thousand euros). The corresponding payment obligations are due as follows:

'000 EUROS	2009	2008
up to 1 year	40,321	21,091
1 year up to 5 years	82,177	69,723
5 years or more	23,312	30,086
Total payment obligations	145,810	120,900

The increase in other financial commitments is primarily due to the conclusion of long-term power purchasing contracts totaling 30,633 thousand euros. No extension or purchase options and price adjustment clauses with a significant impact on the consolidated financial statements exist on a scale that is unusual for the business. No restrictions for Pfeleiderer AG result from operating leases. The future minimum lease payments inflows under subleases (all between one year and five years) amount to 2,816 thousand euros (previous year: 3,109 thousand euros). As of December 31, 2009, purchase commitments amounted to 58,851 thousand euros (previous year: 170,970 thousand euros). The decrease is chiefly due to capital expenditure for the new construction of the MDF plants in Moncure, USA, and Velikii Novgorod, Russia.

Pfeleiderer AG and its subsidiaries are involved in proceedings for alleged violation of antitrust regulations. Due to the current stage of the proceedings, no reliable estimate can be made of any possible damage. For this reason, in accordance with IAS 37.26, no provision has been recognized for this matter at December 31, 2009. A possible fine can amount to up to 10% of the consolidated revenue of the Pfeleiderer Group in the financial year prior to the authorities' decision in this matter.

3. LITIGATION

The Company is engaged in litigation from time to time. The Company is not aware of any legal proceedings that could have a material effect on its net assets, financial position, and results of operations.

4. EARNINGS PER SHARE

		2009	2008
Earnings after minority interests	euros	- 69,751,627	5,818,516
Average number of shares outstanding (basic)	units	50,682,642	50,781,022
Dilutive stock options	units	0	136,483
Average number of shares outstanding (diluted)	units	50,682,642	50,917,505
Earnings per share (basic)	euros	-1.38	0.11
Earnings per share (diluted)	euros	-1.38	0.11
Earnings per share from continuing operations after minority interests (basic)	euros	- 1.42	0.24
Earnings per share from continuing operations after minority interests (diluted)	euros	- 1.42	0.24
Earnings per share from discontinued operations (basic)	euros	0.04	- 0.13
Earnings per share from discontinued operations (diluted)	euros	0.04	- 0.13

Of the stock options granted to members of the Executive Board and employees under the 2004, 2006, 2007, 2008 and 2009 stock option programs, no shares (previous year: 136,483 shares) had a dilutive effect. Dilutive effects must be taken into account in calculating earnings per share.

5. DIVIDEND

Pfleiderer AG will not pay a dividend for fiscal 2009, subject to the approval of the Annual General Meeting. No dividend was distributed in the equivalent period of the previous year either.

6. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents analyzed in the consolidated cash flow statement correspond to the balance sheet item "cash and cash equivalents". In 2009, cash flow allocated to discontinued activities resulted exclusively from operating activities and amounted to - 1,513 thousand euros (previous year: - 4 thousand euros).

7. SEGMENT REPORTING**7.1. Structure of segment reporting**

In the Group's segment reporting, its activities are classified by geographical region in accordance with IFRS 8, Operating Segments. The reporting format is based on the structure of internal reporting to the chief operating decision maker (the Executive Board) in the Pfeiderer Group. The segment information is generally based on the same accounting policies as those used for the consolidated financial statements.

7.2. Segment amounts by geographical region

External revenues are the revenues of the regional segments with non-Group entities. Intragroup revenues between the segments are transacted on market conditions and on an arm's length basis. Depreciation and amortization relate to the segment assets allocated to the individual regional segments. Non-cash segment expenses mainly comprise additions to provisions, impairment losses and valuation allowances. Segment capital expenditure relates to additions to intangible assets and property, plant and equipment. Segment assets are calculated from fixed non-current assets (excluding financial assets) and non-interest-bearing current assets (excluding income tax receivables, deferred taxes, and cash and cash equivalents) that have contributed to profit before financial income, net. Segment liabilities do not include any financial liabilities and other interest-bearing liabilities (excluding income tax liabilities and deferred tax liabilities). Because neither interest expenses and income nor income tax expenses and income are included in calculating segment earnings, and these are not relevant as a basis for decision-making by the chief operating decision maker, they are not shown in segment reporting. The reported headquarters mainly consists of the holding companies Pfeiderer AG, Pfeiderer Service GmbH and Pfeiderer Schweiz AG as well as the finance company Pfeiderer Finance B.V. Headquarters performs financing, IT, commercial and legal advisory services for the entire Group. "Other" comprises companies which are neither attributable to the operating segments nor part of headquarters.

**8. DISCLOSURES ON
FINANCIAL
INSTRUMENTS AND
RISK INFORMATION****Derivative financial instruments**

Derivative financial instruments are used to hedge interest rate and foreign currency positions with the aim of minimizing risks resulting from fluctuations in exchange rates and market interest rates. The Company's guidelines on risk management policy and the use of hedging measures require that these types of risks always be hedged. Only marketable interest rate derivatives and currency forwards entered into with prime-rated institutions are used for this purpose. Derivative financial transactions are limited to hedging operating business and related financing. The Company does not enter into any derivative financial transactions for speculative purposes.

Interest rate swaps are used to hedge interest rate risk. These instruments serve to hedge variable-interest liabilities. Currency forwards are primarily used as economic hedges for exchange rate fluctuations in the following currency pairs: USD/CAD, USD/SEK, EUR/SEK, EUR/RUB, EUR/PLN, EUR/CHF, NOK/SEK, DKK/SEK, CHF/SEK, SEK/SGD and SEK/GBP.

Regular-way purchases or sales of financial instruments are recognized at the settlement date, which is the date that the asset is delivered. Interest rate derivatives are measured by the counterparties on the basis of the discounted cash flow that arises from the difference to the market interest rate (mark-to-market). The measurement of currency forwards corresponds to the income or expenses that would result from the settlement of these transactions at the balance sheet date.

Overall, the Company held the following positions in derivative financial transactions at the balance sheet date:

'000 EUROS	Dec. 31, 2009		Dec. 31, 2008	
	NOMINAL AMOUNT	FAIR VALUE	NOMINAL AMOUNT	FAIR VALUE
Interest rate derivatives	136,634	-4,444	259,166	-7,936
Currency derivatives	125,119	-3,960	146,210	-8,742
Other derivatives	0	0	242	242
Total	261,753	-8,404	405,618	-16,436

Derivative financial instruments are reported on the balance sheet at fair value under “Miscellaneous assets” and “Miscellaneous current debt”.

Those financial derivatives are recognized in profit or loss at the balance sheet date for which hedge accounting is not applied.

The Group’s risks from derivative financial instruments are mainly limited to defaults by counterparties (“counterparty risk”). The Group’s maximum default risk is the positive fair value of the derivatives. In the case of currency forwards, the maximum risk corresponds to the change in the exchange rate of the hedged amount.

Disclosures on the carrying amounts and fair values of financial instruments at December 31, 2009

ASSETS

'000 EUROS	NOMINAL	AMORTIZED COST				FAIR VALUE	
		LOANS AND RECEIVABLES		AVAILABLE-FOR-SALE FINANCIAL ASSETS		FINANCIAL ASSETS HELD FOR TRADING	
		Carrying amounts	Fair values	Carrying amounts	Fair values	Carrying amounts	Fair values
Cash and cash equivalents	59,292						
Receivables and other assets		71,733	71,733				
Derivatives without hedging relationship						261	261
Current assets	59,292	71,733	71,733	0	0	261	261
Financial assets				4,888	4,888		
Other assets		2,493	2,493				
Non-current assets	0	2,493	2,493	4,888	4,888	0	0
Carrying amounts by measurement category		74,226		4,888		261	
Fair values per class	59,292		74,226		4,888		261

EQUITY AND LIABILITIES

'000 EUROS	AMORTIZED COST		FAIR VALUE		LIABILITIES FROM FINANCE LEASES	
	FINANCIAL LIABILITIES AT AMORTIZED COST		FINANCIAL LIABILITIES HELD FOR TRADING			
	Carrying amounts	Fair values	Carrying amounts	Fair values	Carrying amounts	Fair values
Liabilities and other debt	142,511	142,511				
Financial liabilities	800,202	800,202				
Derivatives not including hedges			8,665	8,665		
Current liabilities	942,713	942,713	8,665	8,665	0	0
Financial liabilities	112,951	112,951			343	343
Non-current liabilities	112,951	112,951	0	0	343	343
Carrying amounts by measurement category	1,055,664		8,665		343	
Fair values per class		1,055,664		8,665		343

The fair value of financial assets and financial liabilities usually corresponds to their carrying amounts. The effective interest rate of variable-rate liabilities to banks is largely comparable with the market interest rate. The fair value is therefore equal to the carrying amount of the liabilities. If the fair values cannot be reliably determined – such as in the case of the Group's equity interests and shares assets in affiliated companies – these items are carried at amortized cost. The carrying amounts of recognized derivatives correspond to their fair value.

Cash and cash equivalents are accounted for at amortized cost. Trade receivables and other current receivables are initially carried at fair value and subsequently measured at amortized cost less valuation allowances and impairment losses (bonuses, cash discounts, sales deductions). Financial assets are accounted for at amortized cost due to the absence of an active market, which means that their fair value cannot be reliably determined. Other non-current assets are measured at amortized cost. Derivatives with positive or negative fair values which are measured by the respective counterparties (usually banks) are measured at fair value by discounting the future expected cash flows. Measurement is based on the market rates of interest applicable for the residual term of the contracts. If derivatives are in an effective hedging relationship with the underlying, changes in value are recognized directly in equity under other comprehensive income. Liabilities and other debt as well as financial liabilities (both current and non-current) are initially recognized at fair value. Trade payables and other primary financial liabilities are subsequently measured at amortized cost.

Presentation of net gains and losses by measurement category in fiscal year 2009

'000 EUROS	Net gains	Net losses
Loans and receivables	8,966	11,746
Financial assets held for trading	265	0
Financial liabilities held for trading	1,693	7,380
Financial liabilities measured at amortized cost	2,952	2,140
Total	13,876	21,266

Net gains or losses result from impairment losses and reversals of impairment losses on receivables through profit or loss, as well as from exchange rate gains or losses on the measurement of financial instruments denominated in foreign currencies, from book gains or losses on the sale of financial instruments, and from the fair value measurement of derivative financial instruments that are not part of an effective hedging relationship, and finally from the fair value measurement of derivative financial instruments recognized in profit or loss that are part of an effective hedging relationship according to IAS 39, Financial Instruments: Recognition and Measurement.

Risk information

The primary task of Pfleiderer AG's Group-wide risk management is to identify risks early and continuously, to monitor them, and to reduce them by systematically leveraging business opportunities. The Executive Board and the Supervisory Board are kept informed regularly about risks that could materially affect the operating development of the operating business segments and the Group as a whole. A risk management system that complies with the legal requirements, and that forms an integral component of the overall management and reporting process, is used for the early identification, analysis, and appropriate management of material risks and risks to the Company as a going concern. Risk management is coordinated by a central department and continuously enhanced. In addition to the risk management department, each operating business segment and the central functions have

risk managers to ensure compliance with the system by the various business units. Additionally, all Pfeiderer Group executives are called upon to promote a greater understanding of risk identification and prevention by each individual employee. In addition to reporting any sudden changes in the risk situation immediately, risk managers review existing risks on a monthly basis and identify other potential risks. The results are consolidated into quarterly reports and submitted to the Executive Board as well as the Chairman of the Supervisory Board and to the Audit Committee. The Internal Audit department regularly reviews the appropriateness and effectiveness of the current risk management system.

Pfeiderer defines financial risks as liquidity risks, default risks, and market risks arising in particular from operating business transactions and their hedging, as well as from Group financing. Managing all the Pfeiderer Group's financial risks by applying appropriate financial management tools is the responsibility of the central finance department of Pfeiderer AG.

Credit risk/default risk

The Group sells a wide range of products to a large number of industrial and commercial customers in Germany and abroad. Outside Germany, the Pfeiderer Group is mainly active in Europe and North America. Credit risk concentrations with regard to trade receivables are limited due to the Group's large customer base. Moreover, a substantial proportion of the receivables are covered by credit insurance. No single customer accounted for a significant proportion of total revenues in the year under review. Further information can be found under "Trade receivables" in Section IV.3 and "Derivative financial instruments" in Section VI.8. The Company invests cash reserves in current bank balances and other high quality investments that can be liquidated at short notice. The Company monitors its credit risk by regularly reviewing the credit ratings of its investments.

Liquidity risk

Liquidity risk in the narrower sense is the risk that the Company will not have sufficient funds to meet its payment obligations. Payment obligations result from interest and principal repayments. Liquidity risk also includes the risk that the Company cannot obtain sufficient liquidity at the expected conditions when required, or that transactions can only be unwound or settled by incurring losses.

The undiscounted contractual repayments for financial liabilities over the next five years and thereafter were as follows as of December 31, 2009:

'000 EUROS	Gross outflows	up to 3 months	from 3 months to 1 year	from 1 year to 2 years	from 2 years to 3 years	from 3 years to 4 years	from 4 years to 5 years	more than 5 years
Non-derivative financial liabilities								
Liabilities								
Trade payables	105,453	88,733	16,720	0	0	0	0	0
Liabilities to banks	1,001,317	321,774	148,617	290,654	45,063	132,844	20,082	42,283
Finance lease liabilities	437	14	53	68	5		0	297
Other liabilities/other debts	37,058	37,058	0	0	0	0	0	0
Total	1,144,265	447,579	165,390	290,722	45,068	132,844	20,082	42,580
Derivative financial liabilities								
Derivates classified as financial liabilities								
held for trading	8,665	8,665	0	0	0	0	0	0
Total	8,665	8,665	0	0	0	0	0	0

Due to the closing relating the new financing in January 2010, the maturity structur was newly arranged.

Market risk

Market risk denotes the possible change in risk factors that leads to a decline in the fair value of the transactions underlying these risk factors. Interest rate risk and currency risk in particular are the key groups of general risk factors affecting the Pfeleiderer Group. The following table shows the Group's quantitative disclosures on market risk:

Foreign currency risk

'000 EUROS	USD	CAD	SEK	RUB
Cash and cash equivalents	9,062	25	77	0
Trade receivables	3,365	1,127	13	0
Receivables from affiliated companies	193,425	1,177	300,608	30,215
Total assets	205,852	2,329	300,698	30,215
Liabilities				
Trade payables	- 1,916	- 2,677	- 1,066	0
Liabilities to affiliated companies	- 246	- 5,180	- 38,004	0
Other financial liabilities	- 38,526	0	0	0
Total liabilities	- 40,688	- 7,857	- 39,070	0
Total assets and liabilities, net	165,164	- 5,528	261,628	30,215
Positions economically hedged				
by derivatives	113,689	0	0	0
Net exposure	51,475	- 5,528	261,628	30,215

If the euro had appreciated by 10% against the USD, CAD, SEK, and the RUB as of December 31, 2009, equity and the profit/loss for the period would have changed as follows:

'000 EUROS	Equity Dec. 31, 2009	Profit/loss 2009
USD	- 9,168	4,489
CAD	0	503
SEK	- 22,520	- 1,265
RUB	- 2,045	- 702

Interest rate risk

At the Pfeleiderer Group, interest rate risk results primarily from financial liabilities and loans. The Group's finance department manages the Group's interest rate risk with the goal of optimizing interest income and expense and minimizing interest rate risk. Interest rate risk is measured on the basis of a cash flow sensitivity analysis.

As part of the calculation of the fair value sensitivity of financial instruments, the change in the fair value – defined as the present value – is simulated using a parallel shift in the yield curve by 100 basis points. The calculations are based on the generally recognized and published yield curves at the balance sheet date. Such risks usually result from the hedging of financial liabilities issued on a variable-rate basis; Pfeleiderer converts its variable-rate payment obligations into fixed-rate payment obligations by using interest rate swaps. The risk of an assumed increase in the relevant interest rates of 100 basis points amounted to 4,396 thousand euros as of December 31, 2009 (previous year: 3,273 thousand euros).

The net exposure relating to fixed- and variable-rate financial instruments is as follows:

'000 EUROS	Dec. 31, 2009	Dec. 31, 2008
Fixed-rate financial instruments		
Loans	4,872	4,649
Cash and cash equivalents	59,292	46,288
Financial liabilities	- 473,933	- 354,454
Net exposure of fixed-rate financial instruments	- 409,769	- 303,517
Variable-rate financial instruments		
Loans	0	0
Cash and cash equivalents	0	0
Financial liabilities	- 439,563	- 327,316
Net exposure of variable-rate financial instruments	- 439,563	- 327,316

9. RELATED PARTY DISCLOSURES

All deliveries of goods and rendering of services during the normal course of business are conducted on an arm's length basis.

Transactions with related party entities

As a result of the stake in Pfeleiderer AG which is attributed to it (26.9%), One Equity Partners Europe GmbH, Frankfurt am Main, (OEP) can exercise significant influence on the Company. OEP is therefore considered a related party.

There are no trade or other service relationships with OEP. As the largest shareholder, OEP appoints two Supervisory Board members. As part of these Supervisory Board duties, the Supervisory Board members receive the usual remuneration and reimbursement of expenses. There are no other additional relationships.

Transactions with related party individuals

In accordance with IAS 24, Related Party Disclosures, Pfeleiderer AG also reports on transactions between Pfeleiderer AG and related party individuals or their family members. Related party individuals are defined as members of the Executive Board and the Supervisory Board and their families. In addition to their compensation (cf. point VI.10., "Remuneration and shareholdings of executive bodies below"), members of the Executive Board are also granted other benefits. These primarily comprise the use of company cars, the reimbursement of traveling expenses, and the reimbursement of telephone costs.

10. REMUNERATION AND SHAREHOLDINGS OF EXECUTIVE BODIES

In 2009, the remuneration of the individual members of the Executive Board was as follows:

'000 EUROS	Fixed salary including non-cash benefits	Severance payments	Performance-related	Total
Hans H. Overdiek (Chairman)	788	0	596	1,384
Heiko Graeve	460	0	400	860
Pawel Wyrzykowski	439	0	336	775
Dr. Robert Hopperdietzel (until Nov. 15, 2009)	587	2,750	358	3,695
Michael Ernst (until Jan. 31, 2009)	125	0	29	154
Total	2,399	2,750	1,719	6,868

Total remuneration of the members of the Executive Board amounted to 6,868 thousand euros in the 2009 fiscal year (previous year: 4,534 thousand euros). Additions to pension provisions for the active members of the Executive Board amounted to 131 thousand euros for the 2009 fiscal year (previous year: 561 thousand euros). A stay-on bonus has been agreed with the Chairman of the Executive Board to bind him to the Company until the end of his contract. A provision of 203 thousand euros is recognized for this purpose. In the 2009 fiscal year, the members of the Executive Board were granted 101,560 new options (previous year: 491,176) to subscribe for shares in return for the contribution of a personal investment as part of Pfeleiderer AG's Stock Option Plan 2009. At the balance sheet date, members of the Executive Board held a total of 552,794 shares (previous year: 675,448), while members of the Supervisory Board held a total of 1,877,468 shares (previous year: 1,907,438).

Pension obligations to former Executive Board members and their surviving dependants amount to 6,389 thousand euros (previous year: 4,034 thousand euros). Compensation of 240 thousand euros was paid to former members of the Executive Board (previous year: 214 thousand euros) in 2009.

Members of the Supervisory Board received remuneration totaling 678 thousand euros for their activities in the 2009 fiscal year (previous year: 645 thousand euros).

II. SHARE-BASED PAYMENT

The Company decides each year at its own discretion whether to establish a stock option program (SOP), who is eligible to participate in it, and how many stock options each eligible participant will receive. The stock options are granted to eligible participants on the condition that they make a personal investment. The stock options have a six-year term. They may be exercised no sooner than three years after they have been granted. For the Executive Board, the stock options have a seven-year term starting from the SOP 2009 and they may be exercised no sooner than four years after they have been granted, in accordance with the German Law on Executive Board Remuneration. The number of stock options granted to eligible participants is calculated based on the amount of the personal investment divided by the strike price and multiplied by a factor of 12 for executives and a factor of 18 for members of the Executive Board. The strike price for the stock option programs is calculated based on the average of the closing prices of the Company's shares on the Frankfurt Stock Exchange in the last three months before the program is launched. Stock options may be exercised at a subscription price of between 110% and 125% of the strike price. Each stock option entitles the holder either to purchase one Pfeleiderer share at a fixed subscription price or to cash compensation, to the extent that the Company makes use of its right of substitution.

In order to implement a stock option plan, the ordinary Annual Shareholders' Meeting on July 10, 2001, authorized the Supervisory Board and/or the Executive Board to grant eligible participants up to a total of 4,286,500 non-transferable options to shares of the Company by June 30, 2006 (Stock Option Plan 2001). In continuation of the Stock Option Plan 2001, the ordinary Annual Shareholders' Meeting on June 13, 2006, authorized the Supervisory Board and/or the Executive Board to grant eligible participants up to a further 4,555,330 non-transferable options to shares of the Company by May 31, 2011, (Stock Option Plan 2006).

Stock Option Program 2004

On the basis of the stock option plan resolved in 2001 (Stock Option Plan 2001), the Stock Option Program 2004 (SOP 2004) was resolved by the Executive Board on August 10, 2004, and by the Working Committee of the Supervisory Board on August 23, 2004. A total of 24 Executive Board members and executives participated in SOP 2004 with 563,016 options. The strike price was 6.99 euros. The exercise prices were between 7.69 euros and 8.74 euros, with a weighted average exercise price of 8.22 euros. Options from the Stock Option Program 2004 were exercisable for the first time on September 1, 2007, and will be exercisable for the last time on August 31, 2010.

Stock Option Program 2006

On the basis of the stock option plan resolved in 2006 (Stock Option Plan 2006), the Stock Option Program 2006 (SOP 2006) was resolved by the Executive Board on August 8, 2006, and by the Working Committee of the Supervisory Board on August 31, 2006. A total of 40 Executive Board members and executives participated in SOP 2006 with 496,096 options. The strike price was 19.30 euros. The exercise prices were between 21.23 euros and 24.12 euros, with a weighted average exercise price of 22.68 euros. Options from the Stock Option Program 2006 were exercisable for the first time on September 1, 2009, and will be exercisable for the last time on August 31, 2012.

Stock Option Program 2007

On the basis of the stock option plan resolved in 2006 (Stock Option Plan 2006), the Stock Option Program 2007 (SOP 2007) was resolved by the Executive Board on March 13, 2007, and by the Working Committee of the Supervisory Board on March 21, 2007. A total of 78 Executive Board members and executives participated in SOP 2007 with 793,300 options. The strike price was 18.86 euros. The exercise prices were between 20.75 euros and 23.58 euros, with a weighted average exercise price of 22.16 euros. Options from the Stock Option Program 2007 will be exercisable for the first time on October 1, 2010, and will be exercisable for the last time on September 30, 2013.

Stock Option Program 2008

On the basis of the stock option plan resolved in 2006 (Stock Option Plan 2006), the Stock Option Program 2008 (SOP 2008) was resolved by the Executive Board on June 18, 2008, and by the Working Committee of the Supervisory Board on June 23, 2008. A total of 68 Executive Board members and executives participated in SOP 2008 with 1,387,744 options. The strike price was 8.96 euros. The exercise prices were between 9.86 euros and 11.20 euros, with a weighted average exercise price of 10.52 euros. Options from the Stock Option Program 2008 will be exercisable for the first time on October 1, 2011, and will be exercisable for the last time on September 30, 2014.

Stock Option Program 2009

On the basis of the stock option plan resolved in 2006 (Stock Option Plan 2006), the Stock Option Program 2009 (SOP 2009) was resolved by the Executive Board on June 17, 2009, and by the Working Committee of the Supervisory Board on June 23, 2009. A total of 40 Executive Board members and executives participated in SOP 2009 with 765,432 options. The strike price was 6.38 euros. The exercise prices were between 7.02 euros and 7.98 euros, with a weighted average exercise price of 7.50 euros. Options from the Stock Option Program 2009 will be exercisable for the first time on October 1, 2012, and will be exercisable for the last time on September 30, 2015.

The number of options developed as follows:

2008	SOP 2004 '000 Options	SOP 2006 '000 Options	SOP 2007 '000 Options	SOP 2008 '000 Options	SOP 2009 '000 Options
Outstanding at beginning of year	429	465	793	0	0
Granted				1,388	
Exercised	- 35				
Expired		- 182	- 370		
Outstanding at year end	394	283	423	1,388	0
Exercisable at year end	394	0	0	0	0

2009	SOP 2004 '000 Options	SOP 2006 '000 Options	SOP 2007 '000 Options	SOP 2008 '000 Options	SOP 2009 '000 Options
Outstanding at beginning of year	394	283	423	1,388	0
Granted					765
Exercised					
Expired	- 66	- 62	- 62	- 211	
Outstanding at year end	328	221	361	1,177	765
Exercisable at year end	328	221	0	0	0

The fair value of the subscription rights from the 2004, 2006, 2007, 2008 and 2009 stock option programs was estimated using the Black-Scholes method for valuing subscription rights using weighted averages. SOP 2009 was estimated on the basis of the following assumptions as to the valuation of subscription rights using weighted averages:

		2009
Fair value at balance sheet date	euros	5.04
Strike price	euros	6.38
Expected volatility	%	78.1
Term of the option	Years	6.0
Expected dividend yield	%	1.5
Risk-free interest rate	%	3.0

The expected volatility was determined on the basis of the historical volatility. Apart from the assumptions listed, no further features were included when determining the fair value. The share-based compensation models resulted in personnel expenses of 2,759 thousand euros (previous year: 928 thousand euros) for the Pfeleiderer Group in the reporting year. As in the previous year, no provisions were recognized in the consolidated financial statements for obligations under share-based compensation models.

12. CORPORATE GOVERNANCE

The Executive Board and the Supervisory Board have issued the declaration of conformity for 2009 in accordance with Section 161 of the German Stock Corporation Act (AktG) on the recommendations of the Government Commission of the German Corporate Governance Code and published it on the Company's website (www.pfleiderer.com/en/investor-relations). Pfeleiderer AG has reported in detail on corporate governance in the section of this Annual Report entitled "Corporate Governance Report".

13. PERSONNEL EXPENSES

Personnel expenses totaled 256,567 thousand euros in the fiscal year (previous year: 260,174 thousand euros).

The breakdown of the Company's workforce as of December 31, 2009, was as follows:

	2009	2008
Executive bodies	36	40
Employees	1,952	2,108
Industrial workers	3,604	3,629
Total	5,592	5,777

14. EXEMPTION IN ACCORDANCE WITH SECTION 264B AND SECTION 264 (3) OF THE GERMAN COMMERCIAL CODE (HGB)

The following companies made use of the exemption provision in accordance with Section 264b of the German Commercial Code (HGB):

- Pfeleiderer dritte Erwerbengesellschaft mbH & Co. Grundstücksverwaltungs KG
- Pfeleiderer Holzwerkstoffe Nidda GmbH & Co. KG
- Pfeleiderer Leasing GmbH & Co.
- Pfeleiderer Infrastrukturtechnik GmbH & Co. KG

The following companies made use of the exemption provision in accordance with Section 264 (3) of the German Commercial Code (HGB):

- BHT Bau- und Holztechnik Thüringen GmbH
- Duropal GmbH
- JURA-Spedition GmbH
- Kunz Faserplattenwerk Baruth GmbH
- Pfeleiderer Accessories and Services GmbH
- Pfeleiderer Europe GmbH
- Pfeleiderer Holzwerkstoffe GmbH
- Pfeleiderer Holzwerkstoffe Gschwend GmbH
- Pfeleiderer Industrie GmbH
- Thermopal GmbH
- Unitherm Baruth GmbH
- wodego GmbH
- Pfeleiderer erste Erwerbengesellschaft mbH

**15. EVENTS AFTER THE
BALANCE SHEET DATE**

The following significant events occurred in the period up to March 17, 2010 (date of approval of the financial statements for publication by the Executive Board):


On January 11, 2010, Pfeiderer AG announced that it had reached an agreement with the roughly 30 banks involved regarding the conditions for long-term, secure financing. This financing package is available in the amount of approximately 800 million euros until the end of 2013 and includes a loan from Germany's KfW (Kreditanstalt für Wiederaufbau) in the amount of 140 million euros, which was granted from the "Germany fund" at market conditions. The costs for financing will be higher than in the 2009 fiscal year by an amount in the low double-digit millions.

In February 2010, an out-of-court agreement was reached with a construction company in connection with the construction of the MDF plant in Novgorod, Russia.

On January 19, 2010, the Executive Board of Pfeiderer AG successfully concluded the sale of 2,643,458 treasury shares held by the Company, representing 4.96% of the share capital, through the stock exchange. The Company thereby sold all of its treasury shares and achieved a sale price of 18.5 million euros.

On February 4, 2010, Pfeiderer AG placed 5,332,600 new shares from the increase in the share capital by 13,651,456.00 euros from 136,514,816.00 euros to 150,166,272.00 euros in exchange for cash contributions from the authorized capital at a price of 6.50 euros per share, which was resolved by the Executive Board with the approval of the Supervisory Board. The shares were placed with qualified institutional investors in Germany and abroad by means of an accelerated book-building process. Shareholders' subscription rights were excluded here. The shares were significantly over-subscribed and were distributed widely among a large number of investors. There was particular interest from institutional investors in the UK and in Switzerland. The issue will bring gross proceeds of 34.7 million euros to Pfeiderer AG, which will be used to repay financial liabilities. Following the entry of the implemented capital increase into the Commercial Register, the new shares were admitted without a prospectus for trading on the regulated market (Prime Standard) on the Frankfurt Stock Exchange.

On March 17, 2010, Pfeiderer Grajewo S.A. announced that it reached an agreement with its banks regarding the conditions for long-term financing.

 see page 164

Details on the Management Board and the Supervisory Board (committees, additional mandates of Supervisory Board or Management Board members) can be found in the "At a glance" section of the Annual Report.

Neumarkt, March 17, 2010



Hans H. Overdick



Heiko Graeve



Pawel Wyrzykowski

Consolidated Companies as of December 31, 2009

PFLEIDERER AG

REGION WESTERN EUROPE

BHT Bau- und Holztechnik Thüringen GmbH	Saalburg-Ebersdorf	100.00%
Declam Holding AB	Trelleborg (SE)	100.00%
Duropal GmbH	Neumarkt	100.00%
FOLS Sp. z o.o.	Grajewo (PL)	99.60%
Guangzhou Free Trade Zone Pergo Trading Co. Ltd.	Guangzhou (CN)	100.00%
Heller Forstservice GmbH	Neumarkt	100.00%
Heller Holz GmbH	Neumarkt	100.00%
Jasmin Grundstücksverwaltungsgesellschaft mbH	Stuttgart	0.00%
JURA-Spedition GmbH	Neumarkt	100.00%
Kunz Faserplattenwerk Baruth GmbH	Baruth	100.00%
Pergo AB	Trelleborg (SE)	100.00%
Pergo AG	Baar (CH)	100.00%
Pergo AS	Hovik (NO)	100.00%
Pergo A/S	Kopenhagen (DK)	100.00%
Pergo Asia Co. Ltd.	Bangkok (TH)	100.00%
Pergo Asia-Pacific Pte. Ltd.	Singapur (SG)	100.00%
Pergo B. V.	Zoetermeer (NL)	100.00%
Pergo (Europe) AB	Trelleborg (SE)	100.00%
Pergo (France) S. A. S.	Rueil Malmaison (FR)	100.00%
Pergo GmbH	Neumarkt	100.00%
Pergo Golv AB	Trelleborg (SE)	100.00%
Pergo Holding B. V.	Zoetermeer (NL)	100.00%
Pergo Iberia SL	Madrid (ES)	100.00%
Pergo India Pvt. Ltd.	Neu Delhi (IN)	50.00%
Pergo Ltd.	Tamworth (GB)	100.00%
Pergo NV/SA	Antwerpen (BE)	100.00%
Pergo OY	Esbo (FI)	100.00%
Pergo Schweiz GmbH	Baar (CH)	100.00%
Pfleiderer Accessories and Services GmbH	Leutkirch	100.00%
Pfleiderer Benelux B. V.	Deventer (NL)	100.00%
Pfleiderer dritte Erwerbengesellschaft mbH	Neumarkt	100.00%
Pfleiderer dritte Erwerbengesellschaft mbH & Co.		
Grundstücksverwaltungs KG	Neumarkt	100.00%
Pfleiderer Europe GmbH	Neumarkt	100.00%
Pfleiderer France S. A. S.	Reims (FR)	100.00%
Pfleiderer Holzwerkstoffe GmbH	Neumarkt	100.00%
Pfleiderer Holzwerkstoffe Gschwend GmbH	Neumarkt	100.00%
Pfleiderer Holzwerkstoffe Nidda GmbH & Co. KG	Neumarkt	100.00%
Pfleiderer Holzwerkstoffe Nidda Verwaltungs-GmbH	Neumarkt	100.00%
Pfleiderer Holzwerkstoffe Verwaltungs-GmbH	Neumarkt	100.00%
Pfleiderer Industrie GmbH	Neumarkt	100.00%

NEUMARKT

Pfleiderer Industrie Ltd.	Macclesfield (GB)	100.00%
Pfleiderer Sweden AB	Trelleborg (SE)	100.00%
P.Lease GmbH & Co. KG	Mannheim	0.00%
Thermopal-Fiderisspan AG	St. Gallen (CH)	100.00%
Thermopal GmbH	Leutkirch	100.00%
Unitherm Baruth GmbH	Baruth	100.00%
wodego AG	St. Gallen (CH)	100.00%
wodego GmbH	Neumarkt	100.00%

REGION EASTERN EUROPE

Jura Polska Sp. z o.o.	Grajewo (PL)	60.27%
Pfleiderer Grajewo S.A.	Grajewo (PL)	60.27%
Pfleiderer MDF OOO	Velikii Novgorod (RU)	80.14%
Pfleiderer MDF Sp. z o.o.	Grajewo (PL)	80.14%
Pfleiderer OOO	Velikii Novgorod (RU)	60.27%
Pfleiderer Prospan S. A.	Wieruszów (PL)	60.27%
Silekol Sp. z o.o.	Kędzierzyn-Koźle (PL)	80.14%
Unifloor Sp. z o.o.	Wieruszów (PL)	60.27%

Nicht einbezogene Unternehmen:

Pfleiderer Service Sp. z o.o.	Grajewo (PL)	60.27%
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REGION NORTH AMERICA

Pergo Canada Inc.	Toronto (CA)	100.00%
Pergo LLC	Wilmington (US)	100.00%
Pfleiderer Canada General Partnership	Laval (CA)	100.00%
Pfleiderer Canada Holding Inc.	Laval (CA)	100.00%
Pfleiderer Canada Inc.	Fredericton (CA)	100.00%
SimpleSolutions USA LLC	Wilmington (US)	100.00%
Uniboard Canada Inc.	Laval (CA)	100.00%
Uniboard Fostoria Inc.	Baltimore (US)	100.00%
Uniboard Inc.	Wilmington (US)	100.00%
Uniboard USA LLC	Wilmington (US)	100.00%
433297-1 Canada Inc.	Laval (CA)	100.00%

OTHERS

Pfleiderer Dämmstofftechnik Verwaltungs-GmbH	Neumarkt	100.00%
Pfleiderer Engineering International GmbH	Neumarkt	100.00%
Pfleiderer erste Erwerbengesellschaft mbH	Neumarkt	100.00%
Pfleiderer Finance B. V.	Deventer (NL)	100.00%
Pfleiderer Infrastrukturtechnik GmbH & Co. KG	Neumarkt	100.00%
Pfleiderer Infrastrukturtechnik Verwaltungs-GmbH	Neumarkt	100.00%
Pfleiderer Leasing GmbH & Co.	Neumarkt	100.00%
Pfleiderer Leasing Verwaltungs-GmbH	Neumarkt	100.00%
Pfleiderer Schweiz AG	Baar (CH)	100.00%
Pfleiderer Service GmbH	Neumarkt	100.00%

Auditors' Report

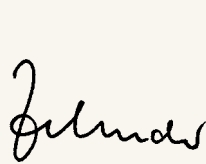
We audited the consolidated financial statements – comprising the consolidated balance sheet, consolidated income statement, statement of income and expenses recognized in Group equity, consolidated statement of changes in equity, consolidated cash flow statement, and the notes to the consolidated financial statements – and the Group management report prepared by Pfeleiderer Aktiengesellschaft, Neumarkt, for the fiscal year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under Section 315a(1) of the German Commercial Code is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used, and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under Section 315a (1) of the German Commercial Code and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group's position, and suitably presents the opportunities and risks of future development.

Nuremberg, March 17, 2010



Zehnder
Auditor



Rupprecht
Auditor