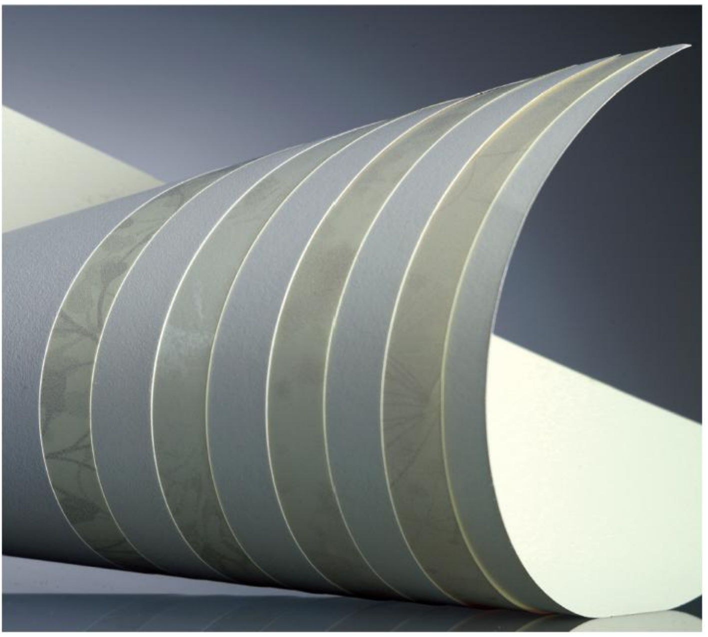

DECOR PRESS RELEASE

January 2011

Decor Marketing Department

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- **EUWID Wood & Panels n°1/2 – 12/01/2011**
- **EUWID Wood & Panels n°3 – 19/01/2011**
- **EUWID Wood & Panels n°4 - 26/01/2011**

p.3: EPLF members increase sales again in 2010

p.4: Melamine prises go on raising

p.5: Impregnating firms are under price pressure

p.6: BMK buys stake in Interprint Samara Russia

p.7: Egger : Financial informations

p.8: Kronospan : Production informations

p.9: Pfleiderer : Agreement with banks

p.10: Schattdecor : New printing plant in Turkey and investments in Poland, USA and Italy

EPLF members increase sales again in 2010 to 479m m^2

Germany and Poland show slight year-on-year decline

The 21 companies represented in the association of European Producers of Laminate Flooring (EPLF), Bielefeld, Germany, sold a cumulative total of 479.4m m^2 of laminate flooring in 2010, equivalent to an increase of 8.3% over the sales of 442.6m m^2 achieved in 2009. The sales volume of 462.4m m^2 determined by EPLF for 2008 was therefore exceeded by 3.2%. Only in 2007, with a sales volume of 507.4m m^2, did EPLF members exceed last year's selling performance. This emerges from the quarterly statistics drawn up by the EPLF for sales volumes from European production. The 2010 figures were presented at the Domotex trade fair held in Hannover from 15 to 18 January 2011.

Following the losses sustained in the last two years, almost all EPLF members were also able to show growth in the individual sales regions. In Western Europe, sales volumes were up by 4.9% to 298.6m (2009: 284.7m) m^2, exceeding the hitherto highest level of 295.4m m^2 achieved in 2007. In 2008, sales in Western Europe had declined to 269.9m m^2, but recovered again in 2009. In Eastern Europe, following a sharp decline in 2009, sales were up again in 2010 to 104.4m (97.5m) m^2, equivalent to a rise of 7.1%. However, these latter values are still far below those achieved in 2007 (128.8m m^2) and 2008 (130.2m m^2).

In spite of a slight decrease in sales to 83.4m (84.6m) m^2, Germany easily remained the biggest single market in 2010. Turkey moved into second place with another big rise of 46.1% to 52.9m (36.2m) m^2, while France, where EPLF members sold 40.6m (38.6m) m^2, almost matched its record result of 2007 (41.5m m^2). In contrast, the downward trend on the British market continued, and 2010 saw EPLF members only supplying 28.6m (32.5m) m^2 to the British market, where 40.3m m^2 were sold in 2006. In contrast, the trend in the Netherlands has been very steady over the same period. Sales by EPLF members in the period between 2006 and 2010 were between 20.8m m^2 and 22.3m m^2. The EPLF statistics showed a sales volume for 2010 of 21.1m (21.4m) m^2.

In Eastern Europe there was a slight decline in sales in 2010 in Poland, the biggest sales market, to 28m (29.3m) m^2, while Russia showed an increase to 24.7m (17.7m) m^2, almost reaching the levels seen in 2007 and 2008 of 27.2m m^2 and 27.8m m^2 respectively. Sales to Rumania, which had bought 19.3m m^2 and 18.2m m^2 in 2007 and 2008 respectively, stagnated in 2010, at 12.2m (12.5m) m^2. The next-biggest markets also showed opposite year-on-year trends, with the Ukraine at 5.8m (4.7m) m^2 and Hungary at 5.6m (6.1m) m^2.

Deliveries to North America had already virtually halved in 2007 and 2008. EPLF statistics for 2006 showed sales on that market of 67.8m m^2. In 2007 sales reached 53.6m m^2 and 2008 showed an even sharper decline to 36.4m m^2. Following a slight stabilisation in 2009 (35.6m m^2), deliveries to North America by EPLF members in 2010 rose again by 15.7% to 41.2m m^2. Of that amount, 24.4m (20m) m^2 were accounted for by the USA and 16.8m (15.6m) m^2 by Canada. Even stronger growth was achieved with exports to South America. In 2006 (11.7m m^2), 2007 (11.9m m^2) and 2008 (11.8m m^2), deliveries were maintained at virtually the same level. 2009 showed a slight decline to 10.6m m^2, while 2010 showed EPLF members exporting 15.7m m^2 to South America, a year-on-year increase of 48.1%.

The Asian market again showed growth in 2010, by 33.7% to 10.3m (7.7m) m^2, considerably exceeding the levels seen in 2006 (8.2m m^2) and 2007 (8.3m m^2). In 2008, EPLF members sold roughly 7m m^2 in Asia. In contrast, from the EPLF point of view, the markets in Australia/Oceania have still not recovered properly. At roughly 2m m^2, delivery volumes were only slightly higher than in 2008 (1.9m m^2) and 2009 (1.8m) m^2. In contrast, in 2006 and 2007, EPLF members sold 2.6m m^2 and 3m m^2 respectively in those markets.

With final figures now published for 2010, the forecasts made on the basis of the first three quarters have been largely confirmed (s. EUWID Holz special 2/2010). □

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Melamine prices continue spiralling upwards

European raw melamine manufacturers intend to bump up their prices by an additional €200/t in first-quarter contract talks that are in many instances still underway. Producers had raised the prospect of even larger mark-ups of up to €300/t in the run-up to talks, with supply relatively tight on European raw melamine markets in the final quarter of 2010 and thus a sharp increase in spot prices. Buyers did not rule out the possibility of contract prices leaping to up to €1,800/t at that time, either. Most of the first contracts contained prices that had risen by around €200/t. Insiders anticipated that ongoing talks would produce similar price increases. Contract prices for the first quarter will thus rise on average to €1,600-1,700/t from the average fourth-quarter level of €1,400-1,550/t. A few major buyers might still secure prices below €1,600/t. Raw melamine prices have thus virtually doubled within almost 18 months, with contract prices having bottomed out at an average of €800-900/t and occasionally even less than €800/t in the third quarter of 2009.

Most of Europe's raw melamine converters and even some suppliers believe that the growth in prices that has now reached its sixth quarter will ground to a halt in the foreseeable future. This upturn had gained pace in the second half of 2010 due to production stoppages, the constant rise in demand and delivery delays experienced by new suppliers. Availability has gradually improved since December after having previously been tight. Supply bounced back on the European market as production resumed at the Polish manufacturer Zaklady Azotowe Pulawy S.A., based in Puławy, whose output had plunged significantly in October and November. OCI Melamine, which is owned by OCI Nitrogen B.V. of Geelen in the Netherlands, will shut down for inspections lasting around four weeks in Feburary, but wants to continue supplying its customers with melamine made in advance for the most part. Unconfirmed reports indicate that Borealis Agrolinz Melamine GmbH, based in Linz, Austria, briefly shut down one plant in December. The company is possibly going to close an older production line in Linz during 2011.

Demand for raw melamine has slipped a little over the past few weeks. This slowdown was triggered partly by decreased demand from the adhesive and impregnating resins sector and wood-based panels and surfaces industry over the Christmas and New Year period and partly by precautionary purchases made by a number of buyers during the fourth quarter. These additional orders already provided some clients with the amounts of melamine that they needed for January and February.

Raw melamine imports from China play virtually no role in Europe at present after previously plunging amid production cutbacks over the winter and provisional anti-dumping duties that have been in place since mid-November 2010. European raw melamine suppliers estimated that a total of just 10,000 t of raw melamine were shipped from China to Europe in 2010 as a whole. On the other hand, deliveries from two new plants in Qatar and Trinidad and Tobago, which are well behind schedule, are set to swell considerably in the near future. The plant in Qatar was offline for some three weeks in November due to problems with its reactor, preventing most deliveries in the penultimate month of 2010. Shipments have since returned to normal now that production has resumed. Melamine made in early December is presently arriving in Europe. On the other hand, the quantities delivered from Trinidad and Tobago are still modest. Furthermore, quality problems continue to crop up. Nonetheless, on-spec products have been available since the fourth quarter. The supply situation is expected to improve with the anticipated increase in shipments from both new plants during the first quarter. As a result, raw melamine prices might face a turnaround possibly from March, but probably from the second quarter at the latest. Spot prices, which had risen sharply during the fourth quarter due to the shortage and currently stand at roughly €1,600-1,800/t, will likely be the first to dip. Insiders believe that contract prices might perhaps decline again in the second quarter, too. □

Spiralling costs put impregnating firms under even greater pressure

Demand for melamine film has softened in the past few weeks

Impregnating companies have had to swallow additional hikes in raw melamine and impregnating resin costs in the first quarter of 2011 despite seeing supply improve compared with the final quarter of 2010. Most costs increases proved to be larger than had been expected in December. Moreover, decor and backer paper suppliers have also instituted long-announced price rises for first-quarter deliveries. Backer paper sometimes became significantly more expensive as a few long-running contracts expired at the year's end. The situation for overlay papers was a little more mixed. A few manufacturers have announced dramatic price hikes for certain grades, but other suppliers and grades offered rather steady prices.

Suppliers and a number of impregnating businesses noted that the shortages of raw melamine, impregnating resins, decor and backer paper that had existed in the fourth quarter had now evaporated for the most part. Therefore, impregnating resin suppliers had stopped limiting deliveries, as they had in November and December. The availability of a few paper grades had improved as the end of 2010 drew near. Most treater operators anticipate that supply will continue to ease as 2011 progresses. Therefore, the upward spiral in raw materials prices will likely slow and may even halt altogether.

However, impregnating businesses made it clear that last year's cost hikes have not yet been fully passed on to their sales prices during talks to hammer out deliveries in January 2011, some of which have been underway for quite a while. Moreover, the latest upswing in costs at the start of this year had slimmed their margins again. Consequently, almost all impregnating firms have called for additional price rises. A few companies had already announced such initiatives back in December in an effort to charge more as soon as the start of January. However, most impregnating companies had waited for the start of talks to discuss raw materials deliveries and thus did not firm up their asking prices until sometime in the first half of January. A number of buyers also wanted to await the end of raw material negotiations and have thus delayed talks with their melamine film suppliers.

The price increases, which are now in the pipeline or have already taken effect in some instances, aim to put up prices for melamine film by an average of €0.02/m². A few companies have even announced mark-ups of up to €0.03/m². Most of these hikes should take effect in one instalment. Several impregnating companies had split their fourth-quarter increases into two parts that took effect in October and then in November.

Demand for melamine film has softened again over the past few weeks. Order intake had also been rather slow after the turn of the year. A number of impregnating companies said that demand from the laminate flooring industry had fallen particularly strongly. Yet, ordering from most other sales sectors had also dropped off in the recent past. Exports had been more stable. On the whole, impregnating companies had seen their capacity utilisation rates worsen a little in the recent past. A variety of companies shut down briefly at the year's end. Nonetheless, a few impregnating firms are already finding it harder to keep their plants busy again.

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BMK buys stake in OOO Interprint Samara

The impregnating firm Bröckinger Möbel Komponenten GmbH (BMK), based in Gaildorf-Bröckingen, Germany, acquired a minority stake in its Russian competitor OOO Interprint Samara of Samara from Interprint GmbH & Co. KG of Arnsberg, Germany, with effect from 1 January 2011. Interprint and BMK had been in talks about this possibility since the third quarter of 2010 and put pen to paper in the middle of December. BMK holds more than 25% of the shares in the Russian firm and will chiefly be responsible for technology and innovation within the new joint venture. However, Interprint will retain responsibility for commercial issues and sales. OOO Interprint Samara's management team will not change, either, at least for the time being.

A third treater that BMK brought to the joint venture has already been installed in Samara over the past few weeks. This line was originally part of the assets of Berry Décor S.A.S., based in Bousbecque, France, which BMK acquired in the third quarter of 2010. Berry Décor ran two treaters, one of which handled decor film and the other backer and overlay films. However, the firm ceased production at the end of 2009. The treater reassembled in Samara was originally supplied by Tocchio s.r.l. of Vigevano, Italy and started operating in 2001. This 2,700mm-wide machine was equipped with four coating heads at Berry Décor that enabled a variety of additional features such as applying corundum and varnishing. However, just three coating heads were reassembled in Samara. Work to rebuild the machinery was largely completed during the fourth quarter. The control system is now being installed. Start-up is scheduled for the second quarter of 2011. The additional treater should initially be used to produce melamine films for coating applications, like the two existing facilities. At a later point in time, its product range should be expanded to flooring films, as well. The line will likely have a production capacity of around 50m m² per year. OOO Interprint Samara will thus see its overall annual capacity rise to around 120m m². The two existing lines, both 7ft wide, were delivered by Tocchio, too, and started operating in March 2005 and September 2006 respectively. However, the group did not follow through with plans to invest in additional production lines to expand its product range to include phenol films, among other projects.

Interprint acquired all shares in the firm then known as OOO Coveright Rus from the joint venture partners Coveright Surfaces Beteiligungsgesellschaft mbH of Frankfurt and Jacobs Trading Ltd. of Samara in July 2010. The transaction closed in October once the Russian competition authority FAS had given the green light. The company was subsequently renamed OOO Interprint Samara. Interprint entered the treating business with this transaction. Under the terms of the deal, Interprint and Coveright also inked a long-term licence agreement involving the transfer of production and product data. This move should ensure that the Russian complex could continue to offer its range of products without disruptions after the take-over. BMK's addition to its shareholders will further enhance the site's technological capabilities. For instance, the firm plans to train OOO Interprint Samara's staff members at BMK's plant in Gaildorf-Bröckingen. In return, BMK will provide technological support to the Samara site.

BMK had repeatedly explored opportunities to gain a foothold on the Russian market in recent years without reaching a positive conclusion. At that time, the focus was on a joint venture with a Russian company. At the same time, the firm gradually increased its capacity in Gaildorf-Bröckingen. The firm operates a total of four treaters at this complex, achieving an output of around 68m m² in the 2009 financial year. The company, which originally entered the business with a 2,200mm-wide plant, added a second and third line with the same width in June 1999 and again in November 2004. The German company commissioned a 2,700mm-wide line in December 2007 that BMK purchased second-hand from Glunz AG, based in Meppen, and which it expanded and modernised as part of the transfer. At that time, the company raised the prospect of installing a fifth treater. According to BMK, the necessary space and permits were already in place at that time. However, this investment was not made. BMK can also use the second treater acquired from Berry Décor in future projects. Berry Décor purchased and overhauled this 2,200mm-wide plant, which was originally supplied by the firm then known as Vits Maschinenbau GmbH of Langenfeld, in the late 1990s from Dekor-Kunststoffe GmbH (DKB), which at that time had its headquarters in Bad Berleburg. □

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Egger: Revenues improved but EBITDA dipped in H1

Egger-Gruppe, based in St. Johann, Austria, delivered an 18% increase in revenues during the first half of its 2010/2011 financial year ending 30 April. Turnover reached €871.3m (May-Oct. 2009: 741m), a level that was significantly higher than in the 2008/2009 financial year, as well. The company posted revenues of €824m for the period from May to October 2008. However, EBITDA has headed in the opposite direction to revenues over the past two years. EBITDA improved last year to €127.7m last year despite falling deliveries and revenues from the level of €100.3m reached in the first half of 2008/09. However, EBITDA slipped 5% to €121.3m in the first six months of the current financial year. Egger blamed this downturn on rising raw materials prices. The EBITDA margin thus tumbled to 14 (17) %.

Egger upped its investments in the first half of 2010/2011 to €64m (49m). The largest projects involved the completion of an energy and environment project at its main plant in St. Johann that began back in 2008, the installation of a waste wood processing plant at its raw particleboard mill in Barony in the UK as well as initial work to build an adhesives manufacturing plant in Radauti, Romania. At the end of July 2010, Egger also finalised the purchase of a 71.5% stake in the Turkish edgebanding producer Roma Plastik Sanayi ve Ticaret A.S., headquartered in Gebze-Kocaeli, the paperwork for which was signed in mid-June. This transaction took effect retroactively to 1 May, the first day of its financial year.

Egger posted group turnover of €1.478bn (2008/2009: 1.503bn) and EBITDA of €236m (178m) in the 2009/10 financial year; its EBITDA margin thus strengthened to 16 (12) %. The equity ratio leapt to 36 (34) % at the end of the 2009/10 financial year as profits improved, even with a higher balance sheet total than the prior year. This upward spiral continues in the current financial year: The equity ratio stood at 37% at the end of October 2010. □

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Kronospan's Bischweier mill offline since 20 December

Kronospan group ceased particleboard production in Bischweier on the morning of 20 December 2010. The company has since reduced the workforce noticeably. The lack of working hours is being offset using leftover holidays, overtime entitlements or redundancies. The mill will likely not restart operations in 2011, either. However, the machinery will remain in Bischweier for the time being. Dismantling was not scheduled for the foreseeable future. The company had raised the prospect of ceasing output before the end of 2010 when it announced the decision to close the plant on 11 and 12 November. However, the firm had subsequently anticipated that production would halt briefly at the year's end and recommence for a few weeks in January to process remaining orders. These plans had apparently been dropped.

Kronospan's management team was due to inform around 190 people employed at the Bischweier site about the next steps at a meeting due to take place on 17 January. Kronospan and the works council met to discuss the closure of the Bischweier plant in a first round of talks held on 17 December. The works council and the trade union IG Metall had proposed an "intensive period of short-time work" to bridge the tough market climate and so that the firm would be in a position to resume particleboard production in the event that the environment improved. IG Metall noted, however, that Kronospan's management team rejected its proposal. Instead, the company confirmed its intention to shut the Bischweier plant for good for financial reasons. Information provided by Kronospan about the financial calamities facing the Bischweier site were largely confirmed by an expert called in by IG Metall, Carsten Czeppel from the IMU Institute in Stuttgart. The works council and IG Metall were thus planning to enter firm talks about a redundancy package over the coming weeks. □

Kronospan halting OSB output for two weeks

Kronospan is halting OSB production at its mills in Bourgas, Bulgaria, Jihlava in the Czech Republic, Riga, Latvia and Brasov, Romania for a fortnight at the start of January 2011. A mill in Sanem, Luxembourg doing business as Kronospan Luxembourg S.A. would also be offline for around three weeks from the second week of January for long-planned work to overhaul a multi-opening press that started operating in 1996. However, the fundamental plant design and its annual production capacity, which had risen to around 200,000m³ in recent years thanks to a variety of expansions and optimisations, will not alter.

Kronospan's five OSB mills have a combined capacity of around 1.84m m³ per year. The scheduled market-induced stoppages and the overhaul in Sanem would reduce its output by an estimated 70,000m³ or so. The firm blamed the stoppages on the early and severe onset of winter, which triggered a further slowdown in European OSB demand, which had already been in a downward slide since the end of the third quarter. □

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Pfleiderer enters into standstill deal with banks

The German wood-based panels firm Pfleiderer AG, headquartered in Neumarkt, signed a standstill agreement with its banks in mid-December that will remain in effect until 31 March 2011. During this period, the banks would suspend contractual amortisation of these loans and also agreed not to exercise any right to terminate their credit lines. In return, Pfleiderer will develop a new plan focusing on corporate restructuring and reorganising its finances. This strategy should allow the firm to move ahead with the necessary restructuring. Pfleiderer also hopes to make funds available for investments in what it described as "key growth markets."

At a meeting on 15 December 2010, Pfleiderer's supervisory board approved a proposal made in early November by the management team of its Western Europe business centre to close a particleboard mill doing business as Bau- und Holztechnik Thüringen GmbH (BHT) in Ebersdorf-Friesau and an MDF mill run by Pfleiderer Holzwerkstoffe Nidda GmbH & Co. KG in Nidda. Pfleiderer's executive board had previously given its consent to the divestments.

The raw particleboard mill in Ebersdorf-Friesau will close on 28 January 2011. Deliveries to customers were due to end as soon as late December. In January, the BHT mill would make products to be placed on inventory to bridge the period until current investments at the plant III in Neumarkt have been completed. These investments involved adapting the continuous particleboard line, commissioned in 1997, to make the products produced by BHT including lightweight, denser and PDMI-glued particleboard. The Neumarkt site will be able to handle PMDI resins, too, following work to convert its gluing stations, in particular, which was due to be completed by late March. The manufacturing of PMDI-bound particleboard had previously taken place solely in Ebersdorf-Friesau.

The MDF mill in Nidda was slated to close in late June 2011. However, investments in the MDF/HDF facility in Baruth must first be completed. Pfleiderer said that it was in the planning phase and would next order the necessary machinery and plants. These investments should allow the Baruth mill to manufacture speciality MDF grades currently made in Nidda, like MDF fronts, flexible MDF, board coloured black all the way through and single or double-sided board coated with priming film or melamine. Pfleiderer Holzwerkstoffe GmbH will thus pool its MDF/HDF production at the Baruth facility, which had specialised in making HDF.

The closure of the mill will cost around 300 jobs in Ebersdorf-Friesau and Nidda and at offices in Neumarkt and Gütersloh. The Nidda site currently employs around 140 workers, with BHT having a staff of roughly 115. Some 40 positions will be eliminated in Neumarkt and Gütersloh. Pfleiderer announced that these closures would result in a one-time charge of approximately €42m, of which some €25m would have a cash effect. These exceptional charges were booked in the fourth quarter of 2010, but the majority of this amount would not be reflected in Pfleiderer's financials until the first or second quarters of 2011. Pfleiderer noted that the sale of plants and property should yield some €25m. For instance, Pfleiderer had been in talks for some time about selling BHT's production line and had already reached an agreement in principle according to unconfirmed reports. Possible strategies to retain the Ebersdorf-Friesau site had previously been rejected. BHT's works council had raised the idea of retrofitting the plant to make OSB, but Pfleiderer's supervisory board ruled out this possibility due to the necessary investments. Echoing a move made when Pfleiderer permanently closed its site in Gschwend in October 2010, a pellet producer also signalled an interest in building a pellet production plant in Ebersdorf-Friesau. Pfleiderer was in talks with possible strategic investors regarding alternative uses for the Nidda site. An insulated board producer was apparently among the parties involved. □

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Schattdecor commissions printing plant in Gebze

Schattdecor AG, based in Thansau, Germany, started operating a new facility in Gebze near the Turkish city of Istanbul at the start of December. A printer in St. Louis, Missouri and a varnishing plant in Glucholazy, Poland, were also scheduled to begin production in January 2011. Its site in Rosate, Italy, was due to gain a third treater during 2011, as well. The next phase will see the group increase capacities at a mill in Shatura, Russia that specialises in making melamine films and post-impregnates. In the medium term, Schattdecor has its eyes on making additional investments in the Glucholazy and São José dos Pinhais (Paraná, Brazil) plants. The company is also planning to build a new hall in Thansau that will mainly be used to expand research and development, cylinder engraving and galvanising operations and for the long-planned installation of a digital printing plant. The investment in digital printing is behind schedule following delays in delivering the machinery.

The printing plant in Gebze was installed in a new hall that the property's previous owner had built according to Schattdecor's specifications. Schattdecor has since taken ownership of both the property and the building. The first reel was made on 3 December and the firm expected to have produced roughly 400 tonnes by the end of 2010. Depending on how the market evolved, Schattdecor was planning to install a second printer in Gebze some time in 2011, with start-up following in early 2012. Final assembly work was underway for the St. Louis printing machine, leading the firm to expect that it would meet its January 2011 date.

A second new varnishing plant was also due to start operating in Glucholazy in the first month of 2011. However, the other, older plants would largely be taken out of service in return. These machines would be kept in stand-by condition so that they could handle special orders. Schattdecor wants to install a third varnishing plant at the Polish site in the medium term. An old production line will then end operations and be disassembled. A new treater in Rosate should make both melamine films and post-impregnates, like the two existing machines. Preliminary planning work was underway in Shatura for further investments. Schattdecor now runs three treaters at this location. The oldest line was modernised in 2010.

Schattdecor will commission a third printing machine in São José dos Pinhais in Brazil in 2011. In addition, the firm was looking into offering treating services at this site. The company had already been involved in talks over Coveright group's sale of its North and South American operations in recent months, but withdrew from these negotiations in October. □