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# *Press release*

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## THE EUROPEAN PARQUET INDUSTRIES IN 2008

### 2008 – A challenging year for the European Parquet Sector

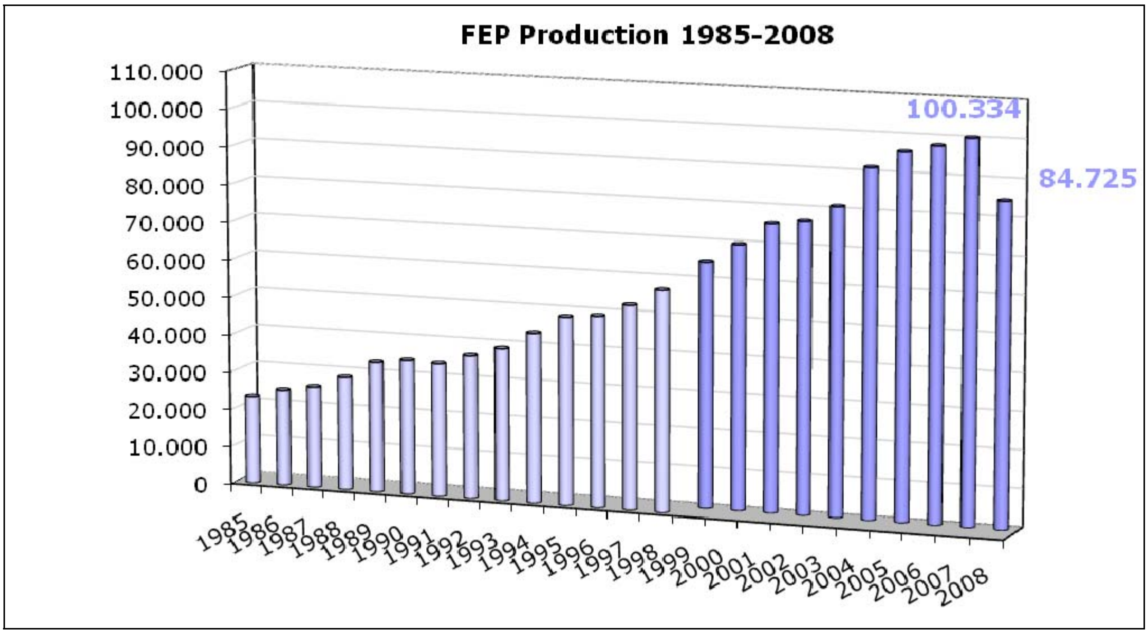
In line with the January forecast of FEP (European Federation of the Parquet Industry) and amplified by the further deteriorating market situation in the fourth quarter of 2008, the compiled figures provided by member companies and national associations indicate a decline in both parquet production volumes and consumption on the European market – this after years of steady growth that the sector has experienced.
The new development did not come unexpectedly, as the industry was confronted with steady business slowdown throughout last year. The weakening performance of the traditionally largest markets, as a consequence of the global economic crisis, the unprecedented turmoil in the financial sectors and the sharp drop in local construction activities, are undoubtedly crucial factors contributing to the general market decline. FEP nevertheless wants to underline that in some cases obtained data are provisional, hence variations cannot be excluded.

The total production in FEP territory fell by 15,56%, to a volume of 84.725 m², slightly above the level attained in 2003. Sharp declines witnessed in Sweden, France, Spain, the Nordic cluster and Germany had a major impact on the negative development of the entire sector.

**Parquet production in the FEP member countries**

| | 000 m² | +/- 000 m² | +/- % |
|---|---|---|---|
| **1985** | 23.300 | | |
| **1986** | 25.580 | 2.280 | 9,8% |
| **1987** | 26.991 | 1.411 | 5,5% |
| **1988** | 29.997 | 3.006 | 11,1% |
| **1989** | 34.566 | 4.569 | 15,2% |
| **1990** | 35.634 | 1.068 | 3,1% |
| **1991** | 35.294 | -340 | -1,0% |
| **1992** | 37.977 | 2.683 | 7,6% |
| **1993** | 40.396 | 2.419 | 6,4% |
| **1994** | 44.972 | 4.576 | 11,3% |
| **1995** | 49.798 | 4.826 | 10,7% |
| **1996** | 50.578 | 780 | 1,6% |
| **1997** | 53.836 | 3.258 | 6,4% |
| **1998** | 58.308 | 4.472 | 8,3% |
| **1999 (*)** | 64.774 | 6.466 | 11,09% |
| **2000** | 69.812 | 5.038 | 7,78% |
| **2001** | 75.621 | 5.809 | 8,32% |
| **2002** | 76.741 | 1.120 | 1,48% |
| **2003** | 81.039 | 4.298 | 5,60% |
| **2004** | 91.453 | 10.414 | 12,85% |
| **2005** | 95.977 | 4.524 | 4,95% |
| **2006** | 97.911 | 1.934 | 2,02% |
| **2007** | 100.334 | 2.423 | 2,47% |
| **Total FEP production 2008** | **84.725** | **-15.609** | **-15,56%** |

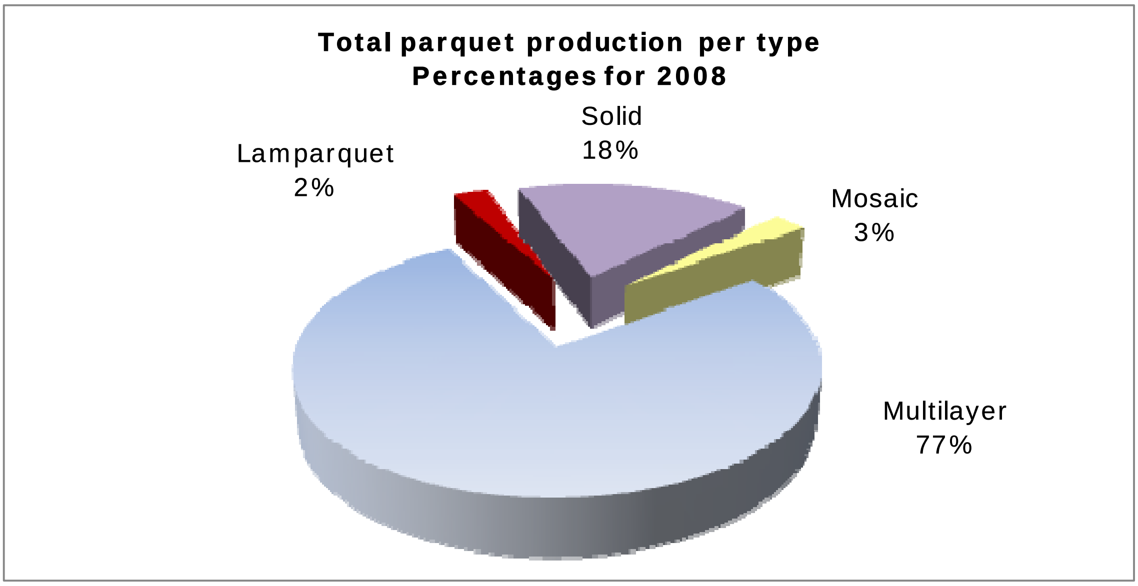
*(*) As of 1999, figures shown represent total market in FEP area. No distinction is made between "traditional" and "new" member countries.*



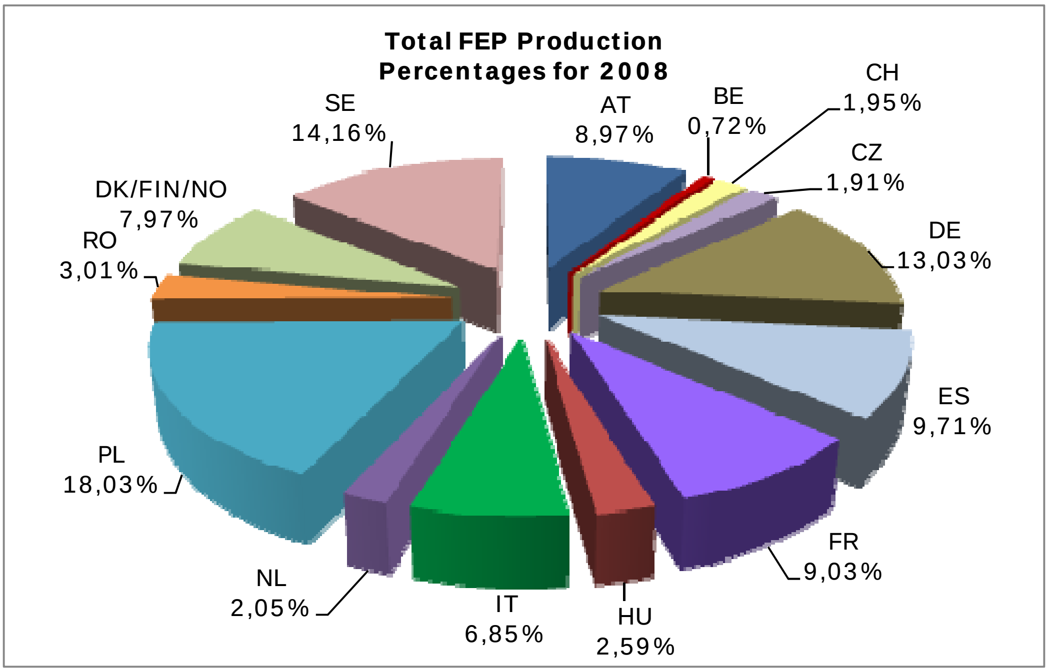

Consumption in the FEP area also regressed by 9,51%, to a level of 101.547 m². Important relapses are witnessed especially in Spain, France, Germany and the DK/FIN/NO area. It is interesting to observe, though, that some of the Eastern European countries and Switzerland succeeded in improving their consumption figures in these difficult times.

| **000 m²** | **Production development 2008/2007** | **Consumption development 2008/2007** |
|---|---:|---:|
| AT | -9,50% | -9,50% |
| BE | 1,49% | 0,24% |
| CH | -7,51% | 3,49% |
| CZ | -4,99% | 15,29% |
| DE | -15,05% | -13,63% |
| ES | -18,58% | -21,77% |
| FR | -20,00% | -15,00% |
| HU | -11,38% | 20,82% |
| IT | -3,33% | -4,48% |
| NL | -28,26% | -2,86% |
| PL | -8,38% | -0,44% |
| RO | 5,46% | 11,08% |
| SK | -25,51% | -9,18% |
| *DK/FIN/NO* | -17,40% | -11,82% |
| *SE* | -29,41% | -5,56% |
| **FEP** | **-15,56%** | **-9,51%** |

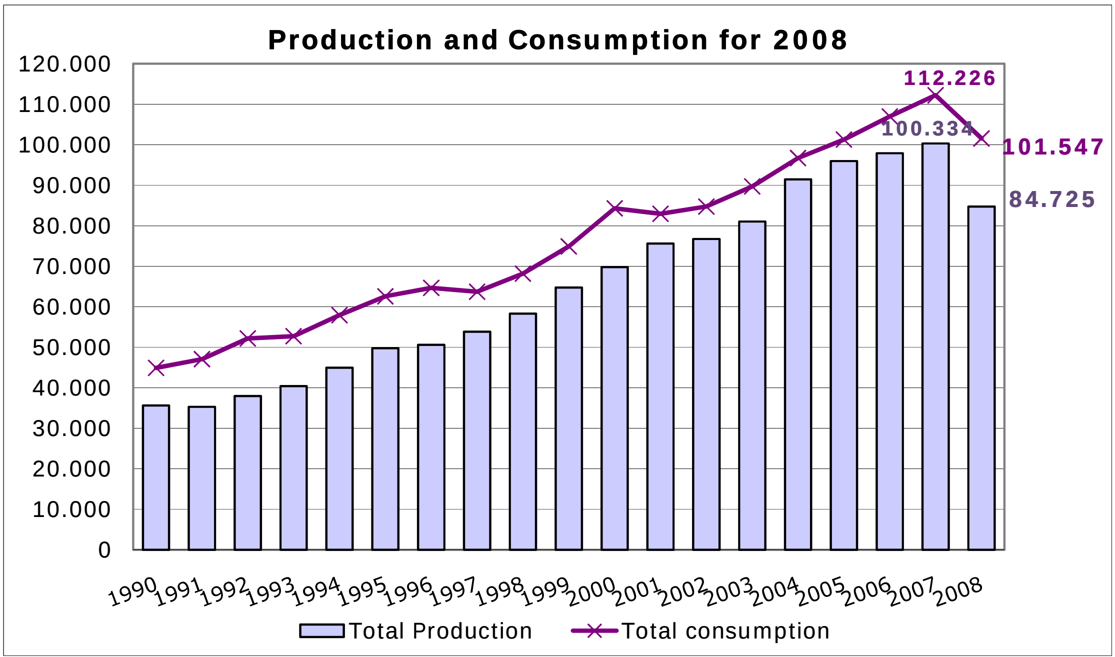
In general terms, the 2008 parquet production percentages per type are proportionally practically the same as last year with a 1% rise in multilayer and a 1% decline in solid, as depicted by the diagram below.



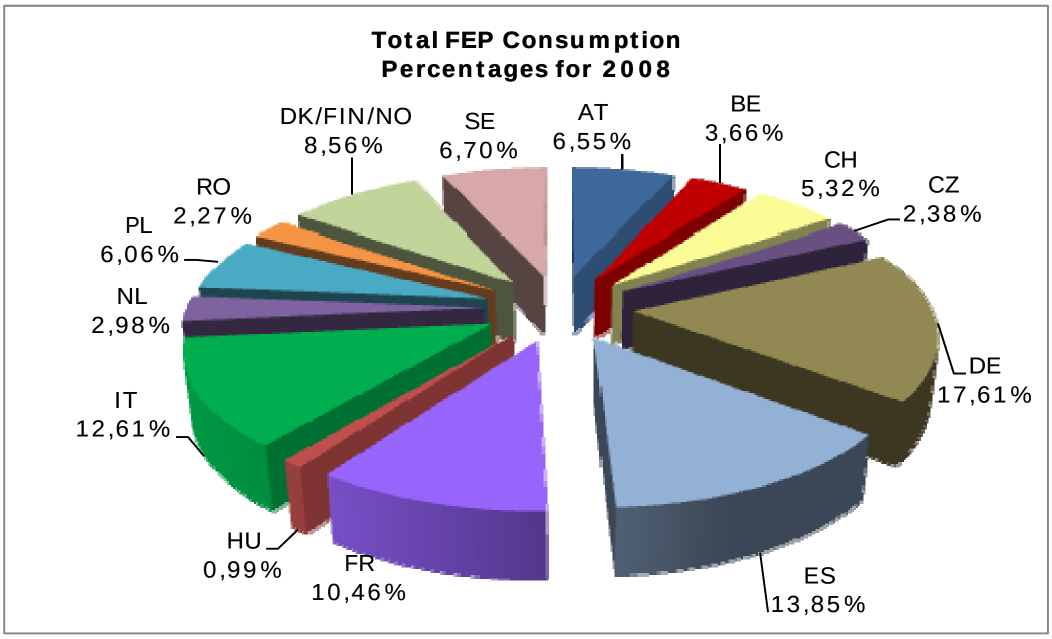

As regards the absolute production figures by country, Poland has now clearly taken the lead with an impressive 18,03%, followed by Sweden with 14,16%. Germany completes the top three ranking with 13,03%.



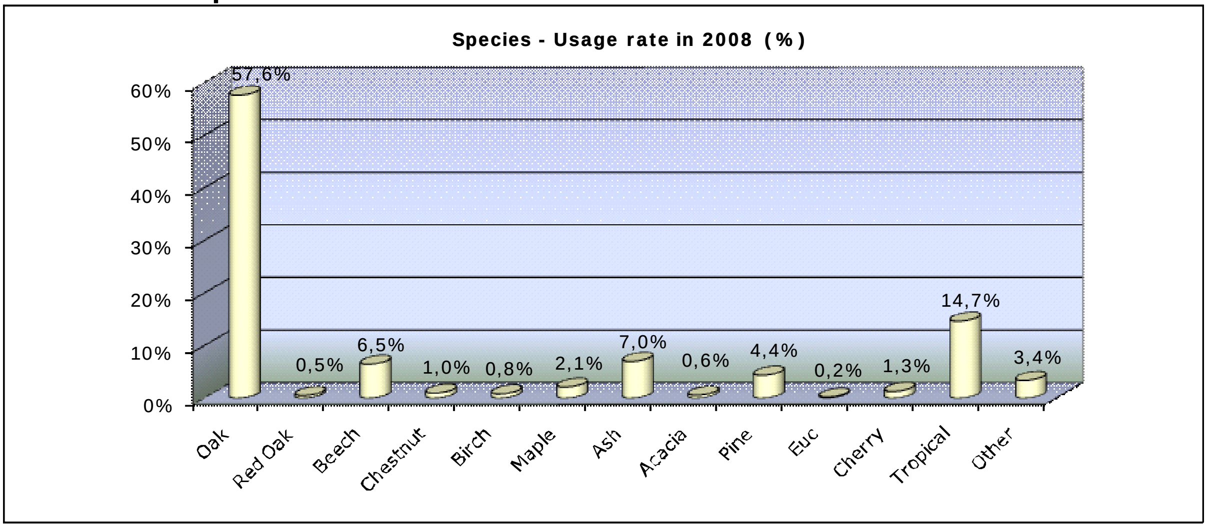
The backslide in consumption in the FEP member area is also evident; -9,51% to 101.547 m², though according to the figures received it is less harsh than the drop in production figures. The per capita parquet consumption is highest in Austria (0,81 m²), followed by Sweden (0,73 m²) and Switzerland (0,70). In the total FEP area, the consumption per inhabitant slightly drops as well, to 0,25 m² in 2008.




Europe's largest parquet market in spite of a slight relapse remains Germany with a consumption percentage of 17,61%; Spain is experiencing a considerable decline to 13,85% but still holding second position, whereas Italy is firmly third improving its market percentage to 12,61%.



### Use of wood species




The usage of wood species in 2008 as shown on the above graph indicates that oak is advancing further to reach 57,6% of the total, tropical wood species are regressing but only slightly compared to last year to 14,7%; ash is losing ground and falling to 7%, whereas beech remains stable at 6,5%.

### The share of parquet on the global European flooring market

Based on presently available data, FEP estimates the total market share of parquet slightly above 5%.

### Outlook for 2009

Based on reports from member companies, currently available economic indicators and ongoing consultations with the services of the European Commission in Brussels, FEP estimates that 2009 will remain a difficult year for the parquet manufacturers. The EC looks forward to an improvement of the global EU economy in the course of 2010 (recent developments in the US already provide some encouragement) and although the landing seems to be in sight, the ride is still bumpy. A brief analysis of the actual shape of the economy leads to the following basic conclusions:

- Need for confidence to be restored (especially industry);
- Need for improved credit facilities;
- Growth forecast 2009: probably -4% (EU);
- Increase of unemployment rate of ± 11% in 2010;
- Sharp rise in public deficit until 2010;
- Inflation temporarily very low (2$^{nd}$ & 3$^{rd}$ quarter), but will gradually pick up when the economy starts improving as well;

When exactly the long awaited rebound of the economy will concretely start taking shape is hard to tell, though at the same time it is certain that good times will return. How fast this will happen depends on several factors, one of which is the speed with which the European national banks will succeed to finish washing their laundry. Another is, however, the readiness of all of us to swiftly and pro-actively continue taking all appropriate initiatives to successfully face the multiple market challenges and do something about this rapidly changing environment. Difficult economic cycles are a reality, but for real entrepreneurs also an opportunity in disguise.
Parquet is and will remain a versatile, environmentally sustainable, often copied and always desired quality flooring alternative with a distinct future. At the side and in support of its members, FEP will remain fully engaged in jointly tackling the challenges our member companies are facing in these difficult times and continue its efforts and activities to bring down the barriers which are impeding the sound progress of our industry.

*More information on this issue is available from the FEP Secretariat in Brussels.*
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