

**New Strengths.  
New Opportunities.  
New Goals.**

Statement

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Spokesman of the Board of Management

*Provisional Draft.*

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Good-day and a very warm welcome to you all ladies and gentlemen, and to our shareholders, guests and friends of Pfleiderer AG.

I am very pleased to welcome you all to this year's AGM, with which we officially close fiscal 2004.

And on behalf of my colleagues Michael Ernst and Dr. Jürgen Koch, too, a very warm welcome.

Nearly a year ago to the day, as Spokesman of the Board of Management, I was able to explain how the Company was progressing, and to report on the strategic direction of Pfleiderer AG. "On track for new growth and new strength" was the title I gave to our three main objectives, which were to serve as a guideline for how the company would develop. Let me just recall them for you:

1. Further reduction of corporate net indebtedness and the strengthening of our capital base
2. Expansion, consolidation and improvement of earnings power of our operative core businesses
3. Exploitation of profitable opportunities for growth in international markets.

Today I can confidently say that:

- \* We have achieved our goals.
- \* We have kept our promises.
- \* And we are right on track, leading Pfleiderer AG back to its old size and infusing it with new strength.

In fiscal 2004, we made further advances on the road to more growth and greater earnings power:

- \* Not only did we achieve clearly positive end-of-year results, we also significantly improved other key figures, such as net corporate indebtedness and our equity ratio.
- \* We pushed forward with restructuring of the Pfleiderer Group and focused our efforts on our core businesses.
- \* We made an active contribution to consolidating the engineered wood market in Germany - making a lasting improvement to the operating environment for our activities.
- \* We implemented further measures to close the strategic gap in our engineered wood portfolio, and continued our profitable growth in Eastern Europe.
- \* We intend to take over a competitor, which we believe will give us access to new lucrative regional markets and product segments. At the same time, we are in the process of internationalizing our Business Segment track systems, taking us to India and China.

Now, Pfleiderer AG today has the strong financial base it needs - giving us the freedom to seize commercial opportunities where they occur to secure long-term profitable growth.

But let me first cast back to the main events of the last fiscal year 2004:

- \* At the change-of-year 2003 - 2004, we disposed of our onshore and offshore wind energy activities. We believe that others stood a better chance of exploiting this segment. In taking this decision, we terminated what had been a loss-making part of our activities.
- \* In March 2004, our previous majority shareholder, Pfleiderer Unternehmensverwaltung, reduced its holding from 62 percent to around 14 percent. This it did by spreading its share capital broadly among German and international investors - increasing the free float of the Pfleiderer share to over 86 percent. This move made us much more attractive to the share markets and -

beside other factors - had a positive effect on the price of the Pfleiderer share.

Since then, Pfleiderer's share has almost tripled in value. And from March of this year, our company is listed in the MDAX, and is one of Germany's 80 largest stock market listed companies.

- \* In April 2004, we sold our US concrete and steel poles and towers business to an American competitor. The income and book profit were used to improve our capital base and to further reduce corporate debt.
  
- \* In May 2004, we laid the foundation stone for a new production plant for Pfleiderer Engineered Wood in Novgorod in Russia. This plant will start production on schedule at the end of 2005.
  
- \* In June 2004, our Polish affiliate carried out a highly successful capital increase. The issue, which was five-time over-subscribed, placed 1.6 million new no-par value shares on the Warsaw stock exchange. In total, the capital increase netted over 62 million euros in new equity capital. The Pfleiderer Group is using this fresh supply of capital to carry out quality improvement measures at its two sites in Poland, Grajewo and Wieruszów, as well as for the construction of the new Russian plant.
  
- \* In the summer of 2004, we made a major contribution to reducing excess capacity in the engineered wood industry in Germany. This involved closing down the Rheda-Wiedenbrück production site - a painful decision for us but which removed some 500,000 cubic meters of raw particleboard from the market. Since then, prices for raw particleboard in Germany have improved considerably - something that will benefit all suppliers who have had to weather the crisis in this segment in Germany.
  
- \* In November, we acquired the MDF production at Nidda from the insolvent Hornitex Group. This site has an annual capacity of

around 130,000 cubic meters. This move enabled Pfleiderer Engineered Wood to enter the profitable MDF product segment with its own production, closing a strategic gap in our portfolio.

- \* As a further step and in the same month, the Board of Management decided to build a new MDF/HDF plant in Poland, involving an investment of around 100 million euros.
- \* Finally, at the end of 2004, we sold Pfleiderer Poles & Towers Europe to a private equity consortium. This took us a further important step forward towards concentrating on our core activities.

Overall, our financial results for fiscal 2004 as a whole are pleasing. The figures - detailed results are available in your Annual Reports - also show those operations sold last year, and which are no longer consolidated into the Group. These are shown in the Financial Statements under "EBT discontinued operations."

**The Pfleiderer Group** with its Business Segments Engineered Wood and Infrastructure Technology posted sales in 2004 of 901 million euros - that is an increase of 6.2 percent on the previous year.

We are particularly happy with the increase in our foreign share of sales, which now stands at well over 50 percent. And this continues to grow, as you can see from our three-month report covering the 1st quarter of 2005. This takes us a further step forward, freeing us from dependence on the sluggish German economy.

Operative EBITDA came to 87.4 million euros - more than 21 percent up on the previous year's figure. EBIT for the Pfleiderer Group improved by nearly 44 percent compared to 2003.

Following a clearly negative overall EBT during the two previous years, the Pfleiderer Group finally returned positive results in 2004,

with pre-tax earnings coming to 58.9 million euros. This is a considerable achievement and a very welcome development indeed.

Positive income from the sale of discontinued operations contributed 27.3 million euros to this figures. However, continued operations also accounted for some 31.6 million euros - a clear step in the right direction. Key earnings figures for fiscal 2004 show

- \* an EBITDA margin of 9.7 percent
- \* a pre-tax return on sales of 3.5 percent

These we regard as just an interim step towards further improvements to earnings. The figures we are reporting for the 1st quarter 2005 confirm this. According to these figures, the EBITDA margin is already in excess of 11 percent.

We also greatly reduced corporate indebtedness and strengthened our capital base during the previous fiscal year, fulfilling our targets. Halving Group net indebtedness again to 122.9 million euros by the end of 2004 must be seen as a truly magnificent effort.

Naturally, the capital increase in Poland played a part in this, as did selling off discontinued operations. However, some 86 million euros also came from cash inflow from current operations.

At the same time, we have lastingly strengthened our capital base. In the course of fiscal 2004, the equity ratio for the Pfleiderer Group increased from 17.9 percent to 32.6 percent. In this respect, we now have a sound financial foundation on which to operate.

Let us now turn briefly to sales and earnings figures for 2004 in our two Business Segments.

Looking at the **Business Segment Engineered Wood**, during the last few years we reported a dramatic increase in competitive pressure and falling prices. This was due to

- \* excess capacity on the supply side
- \* declining demand in the furniture industry as our major customer
- \* Additional price pressure from our competitor Hornitex, who has been in a state of insolvency for more than three years.

During the last fiscal year, pressures from all three factors started to ease:

- \* Firstly, sales in the German furniture industry improved slightly for the first time in three years.
- \* Secondly, production capacity, especially for raw particleboard, was cut back in Germany. From the end of 2003 to the end of 2004, over 1 million cubic meters of production capacity were withdrawn from the market.
- \* In closing down our plant in Rheda-Wiedenbrück, we made a major contribution to reducing excess capacity. The production volume in Rheda equaled around 6 percent of total market capacity in Germany.
- \* As a result, we succeeded in turning around the negative price trend for raw particleboard recorded in 2002 and 2003 - while prices in the 2nd half of 2004 improved considerably.

As you can imagine, closing down a whole production plant was not an easy matter. My colleagues and I are well aware that every employee involved had a personal stake in the plant - people whose working lives had often been closely connected to Pfleiderer AG for many years.

However, when weighing up the pros and cons of closure, we had to take into account that this would safeguard the jobs of many other

employees at the Company's other sites. Later developments have proven us right.

Removing excess capacity resulted in the so urgently needed recovery of prices throughout the industry. At present, everything points to this recovery being sustained, as it has continued through the first six months of the current fiscal year.

Nevertheless, one must ask whether closing down such modern plants as ours in Rheda is sound general economic policy, especially when technologically outdated plants causing far more harm to the environment remain in operations under the pretext of "saving jobs" - as is the case of the still insolvent Hornitex Group.

The positive trend for raw particleboard also applies to MDF and melamine-faced chipboard - although we have yet to achieve satisfactory levels for all product ranges.

However, in view of the stagnating market in Central Europe one fact remains unchanged - there is still pressure to consolidate among the European competition. We believe that there is only room at most for 6-7 large producers of engineered wood over the long term.

Bearing that in mind, our challenge is to secure the leading market position that Pfleiderer Engineered Wood currently enjoys and to extend it.

During fiscal 2004, as we have shown, we have already taken the first major step in this direction:

- \* In fiscal 2004, Pfleiderer Engineered Wood posted total sales of 758.9 million euros - an improvement of six percent on the previous year. Our Business Unit East - Pfleiderer Engineered Wood Poland - increased sales by an enormous 20 percent, contributing 227.3 million euros to total sales.

- \* Pfleiderer Engineered Wood more than trebled its earnings before interest, taxes, depreciation and amortization to 78.9 million euros, compared to the previous year. EBT - earnings before interest and taxes - came to 48.4 million euros - up more than two-thirds on the previous year.

The **Business Segment Infrastructure Technology**, now mainly comprising Pfleiderer track systems, contributed a further 138.2 million euros to Group sales. That is the highest sales figure for Pfleiderer track systems in its corporate history, and represents an improvement of 10 percent on the previous year.

Management and employees have continued with the policy of strategic development on this side of the business, too - a policy that has now begun to pay off for Pfleiderer track systems. That strategy involves

- \* moving away from just being a national supplier of sleepers - and thus directly or indirectly dependent on orders from the Deutsche Bahn,
- \* at the same time evolving into a successful system supplier for major international rail infrastructure projects.

Pfleiderer track systems is not just involved in the ICE link between Nuremberg and Ingolstadt in Germany, due to start operating in time for the World Cup in 2006.

In the Netherlands, it is involved as a joint venture partner in the new Dutch high speed link HSL-Zuid, which runs from Amsterdam to the Belgian border and will later extend to Brussels.

In Taiwan, we worked on the new link built between the capital Taipei and the metropolis Kaohsiung in the south of the island. This project has now been largely completed, and the mobile production plant has been dismantled and is now ready for use in the next project.

Also last year, we received an order to supply 680,000 sleepers to Turkey. These are for the first section of the Ankara-Eskischir link - part of the "Ankara-Istanbul Rehabilitation Project" - currently receiving financial backing from the European Union.

This is the biggest single order in the history of Pfleiderer track systems, and means that production capacity at our sleeper plants in Hungary and Rumania is fully booked up for the next 15 months.

The Taiwan project helped Pfleiderer track systems gain a foothold in the Asian market. At the moment we are in the process of extending this presence through further joint ventures.

- \* One example is our joint venture with the biggest domestic producer of sleepers in India, Patil Rail Infrastructure Ltd. Currently we are involved in the construction of a 300-kilometer stretch of rail track in the Kashmir region.
- \* In China, Pfleiderer track systems is a partner in the "German High-Speed Initiative", a joint venture involving Siemens Transportation Systems and the turnout manufacturer BWG.

We also see attractive openings where we can develop our sleeper business in Eastern and South-Eastern Europe. Expanding rail infrastructure there is of existential importance for these economies.

And while we are still optimizing production capacity, our plants in Germany, Spain, Hungary and Rumania are excellently positioned for the European market.

The leading position that Pfleiderer track systems has gained against the competition has also awakened widespread interest in the market, including several enquiries from parties potentially interested in acquiring this business segment.

Ladies and Gentlemen, Dear Shareholders,

The satisfactory development of our business figures - bearing in mind changes to the shareholder structure - have made a major contribution to the positive price movement of the Pfleiderer share during 2004.

Based on our corporate planning, analysts who have been covering us with their studies for a long time now see room for further upward movement. Ladies and Gentlemen, your shareholding is benefiting directly from this increase in value.

As you can see in the Agenda for today's meeting, the Board of Management and the Supervisory Board propose that no dividend be paid this year, too. Now that we have succeeded in reducing corporate debt and improved our capital base, this fiscal year we want to concentrate resources fully on strengthening our operative market position. We want to use income from the previous year to increase the value of the company. We believe we can count on your support in this decision.

But let me make it clear that we certainly do intend to pay a dividend again soon. As shareholders, you have given us your money so that we can make a profit with it, in turn increasing your wealth. It is your legitimate right to expect a dividend from your company. We therefore intend to look at the possibility of paying a dividend next year for the current fiscal year.

Ladies and Gentlemen,

In the light of the market and business developments just outlined, the Board of Management of Pfleiderer AG has made a forecast for the current fiscal year 2005 based on our company in its current structure. We expect:

- \* Total sales to exceed 900 million euros,
- \* A lasting double-digit EBITDA margin,
- \* And an operative result - comparable with the EBT for continued operations in fiscal 2004 - of well over 40 million euros.

Current business in the first four or five months of 2005 confirm this forecast - even if the start into the new year was marked by

- \* negative seasonal effects
- \* and an unchanged difficult market, especially in Germany,

All this makes it by no means easy.

In our three-month report covering the 1st quarter 2005 we explained that the long, hard winter in Germany had also had a negative effect on sales in the first months of the current fiscal year.

- \* This applied to Pfleiderer track systems, as public and private track construction work was laid off for a long time due to exceptionally bad weather.
- \* However, the weather also affected Engineered Wood due to the higher cost of wood and higher energy prices.

Despite all this, we produced considerably better earnings figures for the 1st quarter of 2005. And we are determined to improve on these figures during the rest of this year.

Unfortunately, the general economic situation in Germany is not helping us much. While there was some cautious optimism at the beginning of the year, with GDP in Germany forecast to increase between one and two percent, the outlook for the economy has since turned gloomy.

Both the leading economic research institutes in Germany, as well as the Federal Government, have corrected their growth forecasts downwards for 2005. For the German furniture industry, too - the most important customer segment for our engineered wood products - the current market outlook is not good.

While January and February started well, the German furniture industry has since reported a downturn in sales for the first quarter of 2005, with figures down 1.2 percent on the previous year. That means that we can expect no help from the German market as far as our growth targets are concerned.

Demand in the kitchen furniture industry is particularly low, with sales for the first three months of 2005 six percent down on the previous year. HPL and worktops production in our Arnsberg plant is particularly feeling the pinch.

In principle, we see our assessment confirmed - as far as Germany is concerned, we can expect no sustained impetus for increased volumes and sales growth for our engineered wood activities. We will only achieve growth here by either pushing competitors from the market or by taking them over.

This makes it all the more important for us to use our own resources to improve the profitability of Pfleiderer Engineered Wood by

- \* lowering costs for materials and production,
- \* operating with lean structures and more efficient procedures,
- \* obtaining better prices for our products.

And if I look at current figures up to the end of April 2005, I can see that we are on the right track.

In the first four months of this year, the Pfleiderer Group achieved sales of 294.3 million euros in the continued operations of its Business Segments Engineered Wood and Infrastructure

Technology. That is just one percent down on the comparable period of the previous year - despite the loss of sales following closure of the Rheda plant. Nor does this take into account sales and income gained in April 2004 from the sale of our USA towers and poles business.

The way results are developing is looking good. Looking at earnings before interest, taxes, depreciation and amortization (EBITDA), the Pfleiderer Group is returning 33.3 million euros in its core areas - that corresponds to a margin of 11.3% and is over 13% up on the adjusted figure of 29.3 million euros for the previous year.

Our operative result EBT for continued operations came to 11.6 million euros for the first four months of the current fiscal year - that is a good 23 percent up on the comparative figure of the previous year, which stood at 9.4 million euros.

This positive development is being carried by both Business Segments.

While sales of 254.9 million euros for the first four months of the current fiscal year reported by Pfleiderer Engineered Wood were slightly down compared to the previous year, cumulative EBITDA shows a clear improvement of 27.7 million euros as of April 30, 2005. That corresponds to a margin of 13.1%

The Business Segment Infrastructure Technology - that is Pfleiderer track systems - was able to improve both its sales figures and EBITDA, and has already made good on the downturn in the first three months. Cumulative sales now stand at 39.4 million euros, with EBITDA at the end of April 2005 between 5.3 to 5.2 million euros.

While other companies, particularly in the engineered wood segment, have to correct their results forecasts for the current fiscal year downwards, we can confirm that Pfleiderer AG is on target and right on course for more growth and improved earnings.

This success, and the key to our achieving our targets, lies with our employees and their hard work and dedication. Let me therefore take this opportunity now to sincerely thank all colleagues and employees in the Pfleiderer Group

- \* for their efforts,
- \* their readiness to tackle challenges
- \* and their loyalty.

I would also like to say a word of thanks to the employee representatives and works councils for their good cooperation - not always free from conflict, due to differing interests.

The way the company has developed during the last year has placed its demands on all of us. But today, I believe in all modesty that we can say that the effort was worth while. We are now beginning to see the fruits of our work and can reap the first rewards. We are more competitive and that's good for jobs.

But there is still much to do. Nor can we slacken our efforts to achieve

- \* even greater customer and service orientation,
- \* even more cost awareness and efficiency,
- \* even more reliability, trust and willingness to take even greater responsibility for our actions.

In order to support our senior managers in assuming their leadership responsibilities, and in order to involve them directly in the company's success, the Board of Management and the Supervisory Board started up a Stock Option Program in 2001. Every year, this represents an opportunity to acquire options in Pfleiderer shares at the cost of a personal investment in the Company made by the beneficiary.

Detailed information on our stock option programs for the years 2001 to 2004 are shown in the Notes to our Annual Report.

As of December last year, the first options from 2001 were exercisable. Cash compensation was granted for Tranche A. Shares will be issued for the remaining tranches.

In order to service these options, in the spring of this year Pfleiderer AG repurchased some of its own shares. In the period mid-February to end of April some 390,342 no par value shares were acquired at an average price of 12.95 euros. In total, acquisition of these shares cost 5 million 560 thousand and 490 euros.

The shares were acquired solely to service stock options, as authorized by the General Meeting of June 15, 2004 in accordance with Section 71 of the German Stock Corporation Act. Further details were dealt with by resolutions adopted by the Board of Management and Supervisory Board. The largest part of repurchasing was performed in accordance with the "safe harbour" rules of the German Securities Trading Act and the relevant EU Directive. What that means is that we have documented all stages of share repurchasing through public notifications and our Internet site, where we have provided detailed information about the transactions.

Ladies and Gentlemen, for us this is an example of what we understand to be transparent and responsible management - a principle to which we are unequivocally committed. It also shows that we are prepared to apply a high level of cost and resources in order to fulfill the demands placed on a public stock corporation.

Ladies and Gentlemen, we have adopted three strategic thrusts which we believe will lead us to more growth and greater earnings power:

1. In Germany, we want to expand our market position and strengthen our earnings power in the face of continued consolidation competition.

2. In Eastern Europe, and especially in Russia, we want to participate in dynamic market growth, and to grow profitably in future, too.
3. In addition to this, we are looking at ways to access new markets - by gaining a foothold in new regions, but also by taking up new products and market segments.

Let us consider point 1 and the question: How can we further improve Pfleiderer Engineered Wood in Germany, bearing in mind that the market appears to be in stagnation or in a downturn?

Comparisons with our partners and competitors show that we certainly have potential for improvements - both in terms of personnel costs, as well as in processes, procedures and structures.

As early as autumn last year, we started a broad-based cost-savings package called "PHW 2006".

We have started over eighty individual projects - involving the direct active participation of employees. As a result, we have identified a savings potential of at least 30 million euros which should be realized fully in 2006. This year, we expect to save around 5 million euros. The merger with Kunz, which I will discuss later, should also lead to further cost savings.

Comparisons with other companies show that Pfleiderer Engineered Wood, particularly in terms of its personnel costs, is having to operate in the face of major competitive disadvantages - also because we only have sites in what was formerly "West Germany". For the last two years, we have been talking to the unions to try to achieve more flexible working hours - unfortunately without success to date.

After a new round of talks broke down in February this year, we decided to offer employees individual work time agreements. Initially, we wrote to more than 900 employees - firstly in Neumarkt and

Gütersloh - working in production, sales and administration. We offered a personal addition to their contracts of employment. In exchange for the readiness to extend weekly working hours by five hours - without additional pay - we offered protection from dismissal and a guaranteed job until 2008.

Within a short period of time, more than 95 percent of those employees written signed on. This overwhelming result, I believe, is unique in the German economy and an impressive expression of trust by our employees. Let me therefore warmly thank all employees at Pfleiderer AG once again right now.

The IG Metall took heed of this result, even if it did everything in its power to hold on to what we see as the nonsensical 35-hour working week. Over the last few weeks, new talks began between the trade unions and Pfleiderer management, as a result of which both sides have now agreed to the following compromise:

- \* Regular weekly working hours will increase at all sites of Pfleiderer Engineered Wood in Germany from 35 to 38 hours - without additional pay.
- \* More flexibility in working hours within a band of between 30 to 38 hours per week, depending on orders, with wages reduced where working hours fall under 35 hours.
- \* No wage increases in 2006 and 2007.
- \* In return, Pfleiderer AG has guaranteed the future existence of its production sites in Germany.

I welcome this new collective agreement that runs until the end of 2008, as it shows a large degree of common sense and responsibility, enabling us to maintain competitive jobs in Germany.

Let me make one thing quite clear, ladies and gentlemen. Neither I, nor my colleagues, are at all interested in getting rid of as many jobs in Germany as possible, or moving them abroad. On the contrary: we

want to keep as many jobs as possible here. We realize that we need more work in Germany if we are to maintain our high standard of living.

But at the same time we need jobs which can compete - not just in terms of other plants operating here in Germany. While Pfleiderer Engineered Wood is still bound to the union agreement of a 35-hour working week, its colleagues in the eastern parts of Germany are working three to five hours more per week. Even our insolvent competitor Hornitex is operating under much cheaper conditions than we, not to mention our foreign competitors in Germany who are not bound by such union agreements.

And we must also survive against the international competition - or regain our competitive position. With the foreign and export share of our products increasing, we are now facing competitors throughout Europe. Here we are not only extremely disadvantaged in terms of personnel costs, but also with regard to tax levels.

However, extending weekly working hours at all Pfleiderer Engineered Wood's sites is a major step forward that will lead to noticeable cost savings even during the current fiscal year.

How different then the situation in Eastern Europe and Russia! For the foreseeable future we can look forward here to

- \* population growth
- \* increasing purchasing power
- \* greater demand to furniture.

These are ideal conditions in which to make profitable investments.

That is why we expect the focal point of our growth to take place in these countries.

- \* Construction of the new engineered wood plant in Novgorod in Russia is on schedule, and we shall start production there at the end of this year. The plant will have an annual production capacity of around 500,000 cubic meters and will be able to produce faced board. When operating at full capacity, it should have sales in excess of 100 million euros.

I am also particularly pleased to report that we have already signed long-term supply agreements for 30 percent of our production there - and this before a single board has left the production line!

- \* The Russian market for engineered wood promises dynamic growth over a long period. According to our estimates, demand will increase by a further plant every year.

In Poland, positive developments last year have stabilized at a high level. Despite the strengthening of the Polish Zloty against the euro which

- \* Made exports from Poland more difficult
- \* and imports to Poland easier,

the market remains unchanged. Demand for engineered wood considerably exceeds local production capacities. And margins are still much higher than in Germany.

As well as intensifying our sales activities, our strategy now is to make the next step, moving to products with higher added value.

Last year, then, we decided that we would set up our own MDF/HDF production in Poland.

In doing so, we are extending our market position in Poland, continuing our success story, which started in 1999 when we first entered the Polish market. Our activities in Poland remain the highly lucrative centerpiece of our involvement in Eastern Europe ... and are creating the basis for further growth in other countries once part of the former "Soviet Bloc".

However, we intend to move forward with expansion carefully, and in full awareness of our corporate responsibilities. But when the opportunity arises, we shall pursue any chance of further growth energetically and with determination.

Ladies and Gentlemen,

In February this year, we informed you that we had entered into an exclusivity agreement with the Kunz Group to examine the possibility and conditions for a take-over.

Currently we are in the final stages of negotiating a contract. We have made progress, there is agreement in major points, but there are still some areas which must be further negotiated where we see need for clarification.

Should Pfleiderer AG acquire the engineered wood sites of the Kunz Group, this would provide it with three major steps towards further growth and greater earnings:

1. It would mean the sustained improvement in our market position in Germany and in Western Europe. The Kunz Group owns three profitable production sites in Germany, including the highly modern MDF/HDF plant in Baruth in Brandenburg. In taking over this plant, we would be strengthening our market position in this strategically important segment.
2. The product ranges of Pfleiderer Engineered Wood and the Kunz Group complement each other well, and there are hardly any

overlaps on the market side. The take-over would give us new distribution channels and customer groups.

The new size of our company would result in more efficient production, distribution and economies of scale when purchasing, in turn leading to higher earnings.

3. Taking over the Kunz Group, which posts three-thirds of its sales through its subsidiary Uniboard in North America, we would gain access to an attractive international market. And what is more - we would gain market leadership in the dynamically growing laminate flooring market on the North American continent.

The experience and know-how we gain in this new market segment we could quickly put to use in other regions, for example, in Eastern Europe, in order to extend our market position.

The bottom line is that after the take-over we would be a globally operating engineered wood corporation with sales of around 1.4 billion euros and EBITDA earnings of around 200 million euros.

The foremost strategic advantage of combining the engineered wood activities of Kunz and Pfleiderer we see in the Group becoming a globally leading supplier of engineered wood. As far as the core segments of particleboard and MDF are concerned, we could become number 2. At the same time for us it is not the volume of sales that counts, but the new earnings and financial power the merger brings.

Ladies and Gentlemen,

Over the last few years, Pfleiderer AG has made great efforts to reduce corporate indebtedness to an acceptable level. Today we have the room and freedom to finance our acquisition plans through new credit uptake. Our talks with the banks in this direction are moving forward pleasingly.

But one thing is certain - should we take over the Kunz Group we shall stand firm by our principle of ensuring that the ratio of EBITDA to corporate net indebtedness does not exceed a factor of 3 to 3.5 over the long term – this is a matter we shall be watching closely during our negotiations.

However, if we want to have room to act in future, in order to take up further smaller opportunities where necessary, we believe - and you will have heard about this in the media - that we should increase our capital during the autumn of this year.

Back in 2001, the General Meeting authorized the company to issue 20 million new shares. We believe that we will only need to take up 10 million of this, at the same time granting full subscription rights to existing shareholders.

Plans to increase equity capital are often regarded skeptically as they can lead to a dilution of the holdings of existing shareholders. But I can assure you, ladies and gentlemen - our plans to develop the company following a possible take-over of the Kunz Group are based on the premise that earnings per share will be at the current level - even after we have issued around 10 million new share certificates.

Our plans for growth lead incontrovertibly to the sustained improvement of earnings power and a marked increase in the value of the company - all of which will be to your benefit as shareholders.

Ladies and Gentlemen,

In fiscal 2004, Pfleiderer AG not only achieved a turnaround, it took a giant step forward on the way towards more growth and greater earnings.

The key features that resulted in this pleasing development were

- \* successfully focusing on our core businesses,
- \* strengthening our operating activities, at the same time optimizing cost structures,
- \* improving our capital base,
- \* increasing the free float of our share.

My colleagues and I are determined to continue this path. Based on sound finances, we shall use our newly gained freedom to act. We shall successfully implement our strategy for further growth and a sustained increase in earnings power.

Let me now invite you to come down this road with us, and give us your support and trust in future, too. Thank you.