

Three-Month-Report
January 1 - March 31

2005



THREE-MONTHS-REPORT AS OF MARCH 31, 2005

- Improvement to results in what remains a difficult market in Germany. Consolidated EBT from 6.1 million euros to 8.3 million euros.
- Further expansion of international share in sales up to 59 percent.
- Low net corporate indebtedness and high equity ratio open exciting new perspectives
- Business during 1st quarter underpins forecast for full fiscal year 2005.

Pfleiderer Group: Key Figures as of March 31, 2005

In million euros	01/01 – 03/31/2005	01/01 – 03/31/2004	Change in %
Sales revenues	217.9	224.8	- 3.1
EBITDA	24.0	21.3	+ 12.7
EBIT	11.7	11.3	+ 3.5
EBT continued operations	8.3	6.1	+ 36.1
EBT discontinued operations	0.0	- 0.8	--
EBT	8.3	5.3	+ 56.6
Earnings per share, basic (in euro)	0.07	0.01	--
Employees ¹⁾ (persons)	4,551	4,341	+ 4.8
• in Germany (persons)	2,810	2,876	- 2.3
• outside Germany (persons)	1,741	1,465	+ 18.8

In million euros	03/31/2005	12/31/2004	Change in %
Balance sheet total	800.9	786.6	+ 1.8
Equity ²⁾	239.1	235.4	+ 1.6
Equity ratio ²⁾ (in percent)	29.9 %	29.9 %	--

¹⁾ Exclusive trainees

²⁾ Inclusive minority interests

Pfleiderer AG: Core Businesses and Growth Potential

Following its successful implementation of several major measures in 2004, Pfleiderer AG is focusing on its core competences in its Business Segments Engineered Wood and Infrastructure Technology (Pfleiderer track systems). Now Pfleiderer intends to use its newly gained financial freedom in the current fiscal year. This it will do by

- strengthening its market position and earnings power in what remains a difficult operating environment, especially in Germany,
- increasing profitable international business, especially for Pfleiderer Engineered Wood in Eastern Europe,
- gaining new markets and sales routes through targeted acquisitions and projects.

The major focal point here is the planned takeover of the Kunz Group. The due diligence, arranged under an exclusivity agreement, has largely been completed. Agreement has been reached on central issues relating to the conditions of the takeover. Both sides now assume that the negotiations will be concluded successfully in the coming weeks and that Pfleiderer AG will takeover the Kunz Group.

Apart from this milestone project, Pfleiderer AG is putting every effort into expanding its market presence in the dynamically growing markets of Eastern Europe. The new particle-board plant currently under construction in Novgorod in Russia is moving ahead on schedule. The decision to build a new MDF/HDF plant has been taken and will be built on the existing site in Grajewo in Poland.

In order to increase competitive ability and earnings in Germany, Pfleiderer Engineered Wood has introduced its "PHW 2006". "PHW 2006" is an initiative which aims to find further ways of optimizing structures and processes, thereby achieving a sustained improvement in earnings. The same goal lies behind efforts to increase normal working hours in Germany, with a first stage introduced on May 1, 2005.

General Economic Developments

After getting off to a good start at the beginning of 2005, the German economy began to flatten out from March onwards. The process of recovery, started in the first half of 2004, broke off again in the second half. While GDP growth showed some signs of picking up again in the first quarter of 2005, this has been very largely supported by foreign demand (see Monthly Report 04-2005 by the Federal Ministry of Economics and the Monthly Report 2005 of the German Federal Bank). Current indicators for the economy such as the ifo Business Mood Index, are on a downward path at present. Recently, both the German Government and the leading economic research institutes had to correct their forecasts on economic growth for 2005 in Germany downwards.

Tentatively optimistic forecasts on growth for the furniture industry and the engineered wood sector made at the start of 2005 have now been replaced by more cautious assessments. At present, there appears to be no clear trend one way or the other. While the HDH/VDM announced that manufacturers of office and shop furniture had reported a clear increase of

8.4 percent in sales for January, manufacturers of kitchen, dining room, living room and bedroom furniture reported a downturn in sales of 3.4 percent and 2.8 percent respectively.

Business Developments within the Pfeleiderer Group: Better Results in Difficult Conditions

The Pfeleiderer Group improved its key figures during the first three months of fiscal year 2005, despite slightly lower sales. The 3.1 percent downturn in sales revenues to 217.9 million euros (2004: 224.8 million euros) is mainly due to three factors:

- As the Easter holidays fell in March this year (last year in April), the furniture industry appears to have delayed ordering. However, this will probably be compensated for during the course of the year.
- The long winter, with its heavy snowfalls, delayed public and private sector construction activities in many regions in Germany. This led to a lower call-off of sleepers from Pfeleiderer track systems. Bad weather also meant greater energy consumption in the Business Segment Engineered Wood, especially for wood drying. As a result, less power could be sold back into the public power grids.
- Sales of engineered wood products at the Rheda-Wiedenbrück plant, which came to 11.7 million euros in the 1st quarter of 2004, are no longer included, as this plant has since closed down. These losses were not completely offset during the 1st quarter of 2005 by new MDF production at the Nidda site where sales came to around 7.5 million euros. This led to a slightly lower gross operating margin.

In the 1st quarter of 2004, Pfeleiderer Engineered Wood Poland profited from very high ordering on the eve of Poland's accession to the EU on May 1, 2004, with very heavy purchasing by the Polish furniture industry in particular. In terms of quantity and prices, sales in the 1st quarter of 2005 were down over the same period of the previous year. However, this was over-compensated in the consolidated figures due to more favorable currency exchange rates.

The foreign share of sales in the Pfeleiderer Group rose from 52 percent in the 1st quarter of 2004 to 59 percent in the 1st quarter of 2005.

The improvement to EBITDA (earnings before interest, taxes, depreciation and amortization) in the Pfeleiderer Group of + 12.7 percent to 24.0 million euros (2004: 21.3 million euros) is due to better operative figures in the Business Segment Engineered Wood.

EBT for continued operations increased by over 35 percent in the 1st quarter of 2005 to 8.3 million euros. This compares against 6.1 million euros in the 1st quarter of 2004. Positive developments in finances played a major part here. In particular, much less interest was paid in the 1st quarter of 2005 compared to the same quarter of the previous year.

Overall, the Pfeleiderer Group achieved a total EBT for the first three months of fiscal 2005 of 8.3 million euros - more than 50 percent higher than the same period of the previous year.

The increase in minority interests, which grew from 2.5 million euros in the 1st quarter of 2004 to 4.0 million euros in the 1st quarter of 2005, is due to the Company's changed holdings in its subsidiary Pfeleiderer Grajewo S.A. Following an increase in capital in the 3rd quarter 2004 by Pfeleiderer Grajewo S.A., Pfeleiderer AG reduced its shareholding in the latter last year to around 60 percent.

Earnings per share in the 1st quarter of 2005 increased to 7 Cents (2004: 1 Cent).

The equity ratio for the Group remains stable at a high level of 29.9 percent. Net corporate indebtedness increased to 135.7 million euros as of March 31, 2005 - a slight increase of 5.5 percent over December 31, 2004 - but nearly halved when compared to the previous year's figure (295.1 million euros).

Employees and Working Hours

As of March 31, 2005, the Pfeleiderer Group employed 4,551 people (2004: 4,341). The number of people employed in Germany fell by 2.3 percent to 2,810. This compares to 1,741 employees based in Pfeleiderer companies and plants outside Germany, an increase of 18.8 percent.

136 young people were in training during the 1st quarter of 2005 in the Pfeleiderer Group, in both the commercial and production areas (2004: 169 trainees).

A total of 3,597 people were employed in the Business Segment Engineered Wood (2004: 3,415 people). Of these, 2,405 were employed in Germany (2004: 2,446) and 1,192 outside Germany (2004: 969). A further reduction of around 200 jobs is planned in Germany during the course of 2005.

In the Business Segment Infrastructure Technology, Pfeleiderer track systems employed 865 people as of March 31, 2005 (2004: 810 employees), of which 318 (2004: 316) were based in Germany and 547 (2004: 494) outside Germany.

Talks with IG Metall on a general increase in weekly working hours at Pfeleiderer Engineered Wood plants in Germany broke down in February 2005. As a result, management decided to offer non-collective agreements to individual employees. In the second half of March 2005, a total of 908 employees at the Engineered Wood plants in Neumarkt and Gütersloh, as well as staff at Pfeleiderer sales, logistics and service companies, were offered additional agreements to their existing contracts. The key point in the new contract is a commitment to work an additional 5 hours per week as part of normal working hours. This is linked to a job guarantee until the end of 2007. At Gütersloh, at least 70 percent of employees took up the offer, which also involved further capital expenditure on the plant of around 7 million euros.

By the April 2005 deadline for agreeing to the new contract, 95 percent (= 868) of employees had signed up. The new contract, which upholds major collective agreements and rules, comes into effect on May 1, 2005. For Pfeleiderer Engineered Wood, this means savings in the double-digit millions (full year effect), thereby improving productivity and the competitiveness of Pfeleiderer Engineered Wood Germany, both nationally and internationally. Management is seeking uniform agreements for all its employees and sites within Pfeleiderer Engineered Wood. Fresh talks with IG Metall are already pointing to a possible solution.

Capital Expenditure

In the 1st quarter of 2005, the Pfeleiderer Group expended some 13.3 million euros on assets, of which 12.7 million euros were directed at the Business Segment Engineered Wood. Of these, 4.2 million euros related to the new particleboard plant in Novgorod in Russia, while around 1.0 million euros were invested in optimizing the processing of HPL production at the Arnsberg plant.

Procurement came to around 66 million euros by the end of March 2005, of which some 55 million euros related to the new plant in Novgorod

Share and Dividends

Following a decision taken by the German Stock Exchange, Pfeleiderer AG moved up from SDAX to MDAX listing on March 21, 2005. This is the result of the Pfeleiderer share becoming much more attractive to the international capital markets, as reflected in the share's higher price and the Company's increasing market capitalization. Belonging to the "mid caps" inevitably means that the financial community is paying more attention to how the company develops and expects it to address the capital markets more clearly.

In adopting the Company's Financial Statements for 2004, the Board of Management and Supervisory Board of Pfeleiderer AG are proposing to the General Meeting on June 14, 2005 that no dividend be paid for fiscal 2004. Net corporate indebtedness has been reduced over the last few years, and now the Company's financial resources are to be used to strengthen and expand its operative and market positions in Germany.

Business Segment Engineered Wood

The Business Segment Engineered Wood reported sales revenues of 192.0 million euros for the 1st quarter of 2005, not quite reaching the previous year's figure of 195.8 million euros. Closing the Rheda-Wiedenbrück plant has resulted in lower sales figures, and this was not completely offset by the MDF plant in Nidda acquired at the end of 2004. This result illustrates the unchanging weak level of demand in the German furniture industry. While things picked up in January and February 2005, in March sales dropped back again in Germany. The fact that the Easter holidays fell during March doubtless played a role here (April last year). Several companies in the furniture industry used the holiday period for extended works holidays or short-working.

In view of this, the fact that Pfeleiderer Engineered Wood managed to increase prices for its products in the 1st quarter of 2005 is all the more pleasing - while planned sales continued to remain stable at high levels. Only laminates and worktops saw falls in sales levels, mainly due to the weakness of the German kitchen furniture industry. In the surface-finished segment, in particular, the Company found it difficult to pass on increased costs for raw materials and pre-products when pricing its finished products.

Results in the Business Unit East (Poland) also experienced a slight decline in terms of volumes and prices. Final optimization work in modernizing and extending the production lines at Grajewo had a negative effect on results of around 1 million euros. This was exacerbated by currency exchange rates (1st quarter 2004: 4.8 PLN/euro - 1st quarter 2005: 4.0 PLN/euro) which affected exports of Polish engineered wood and furniture - although they did make imports from Poland's neighbors cheaper.

With sales of 57.1 million euros (2004: 55.4 million euros), the Business Unit East accounted in the 1st quarter of 2005 for around 30 percent of total sales (2004: 28 percent) in the Business Segment Engineered Wood.

Material costs for the whole of the Business Segment Engineered Wood accounted for around 51 percent (2004: 48.6 percent). This is mainly due to the cost of wood, both in Germany and in Poland, but the long winter also played a part, resulting in higher energy costs for wood processing.

Nevertheless, the Business Segment Engineered Wood improved EBITDA (earnings before interest, taxes, depreciation and amortization) by 27 percent to 25.0 million euros (2004: 19.6 million euros). EBIT (earnings before interest and taxes) increased by 25 percent to 14.1 million euros (2004: 11.2 million euros).

As of March 31, 2005, the Business Segment Engineered Wood employed a total of 3,597 people (2004: 3,415 employees). While the number of people employed in Germany fell from 2,446 to 2,405, those employed outside Germany rose from 969 to 1,192 people.

Work on the new particleboard plant in Novgorod in Russia continues on schedule. Production lines from the Rheda-Wiedenbrück plant have since been dismantled and shipped to Russia, and must now be overhauled and re-assembled in the new plant. Production is expected to start at the end of 2005.

The new MDF/HDF plant planned will be built at Grajewo in Poland. Production is expected to start up in two stages - at the end of 2006 and then during 2007.

Pfleiderer Engineered Wood expects sales and results to increase during the rest of the fiscal year, as forecast. As the market situation in Germany remains difficult, further internal optimization measures are necessary in order to strengthen competitiveness and productivity. The "PHW 2006" initiative has led to 76 projects in nearly all plants and area being re-defined. Concrete concepts have been drawn up which should result in sustained improvements to results as early as the end of 2005. During fiscal 2006, at least 30 million euros will be gained from further costs savings and improvements to results.

Business Segment Infrastructure Technology

Following the sale of Pfleiderer Poles & Towers in 2004, the Business Segment Infrastructure Technology is now concentrating solely on Pfleiderer track systems. Due to weak domestic demand, sales fell to 25.9 million euros, a decline of 2.2 million euros on the previous year.

Bad weather, with a long and tough winter, resulted in the call-off of sleepers for construction sites in Germany being well down on the previous year. However, lower deliveries in Germany were nearly completely offset by higher sales in international business. Sales of

sleepers to Turkey, as well as project participation in the new high-speed links under construction in the Netherlands and Taiwan, had a positive effect on results for Pfeiderer track systems.

The foreign share of sales in Pfeiderer track systems, which came to 39 percent in the 1st quarter of 2004, rose to over 65 percent during the first quarter of 2005. For the whole of fiscal 2005, the domestic market is expected to contribute around 40 percent of sales, with around 60 percent from outside Germany.

In the interim, the construction project in Taiwan has been completed, with around 110,000 sleepers produced locally. The production plant has since been dismantled and will be used for a new project in the Asian continent.

Lower sales in the 1st quarter of 2005 resulted in the Business Segment Infrastructure Technology reporting a slight downturn in EBITDA at 3.4 million euros (2004: 3.9 million euros) and with EBIT also down at 2.3 million euros (2004: 3.1 million euros).

As of March 31, 2005, 865 people were employed (2004: 810 employees), of which 318 were based in Germany (2004: 316) and 547 outside Germany (2004: 494).

Together with a major international construction company, Pfeiderer track system is currently making a bid in China to participate in the building of test tracks for the country's new high-speed rail links. The Chinese Government plans to construct around 12,000 kilometers of new high-speed links over the next 10 - 15 years using monolithic ballastless track. With its worldwide leading know-how, Pfeiderer track systems sees of major development potential for it here.

Outlook 2005:

Progress towards more growth and a sustained increase in earnings power.

For the current fiscal year 2005, the Board of Management of Pfeiderer AG is making the following year-ending forecasts for the Pfeiderer Group in its current structure:

- Sales volume well exceeding 900 million euros
- Sustained double-figure EBITDA margin
- Operative result of over 40 million euros

Planned cost savings and improved productivity through better processing and longer normal working hours at Pfeiderer Engineered Wood in Germany provide potential for further improvements to profits and earnings per share.

Pfeiderer's continuing expansion of business in Eastern Europe will be reflected in increased sales and better results in 2006.

Should the intended take-over of the Kunz Group proceed as planned, the Pfeiderer Group will be in a completely different constitution by the end of 2005, with new attractive market opportunities. Entry into new markets and the targeted extension of its own product portfolio will result a sustained strengthening of its operative and financial power.

Pfleiderer consolidated statement of income as of March 31, 2005

'000 euros	01/01/ – 03/31/2005	01/01 – 03/31/2004
Sales revenues	217,889	224,812
Cost of sales	- 157,258	- 161,791
Gross margin	60,631	63,021
Selling expenses incl. freights	- 30,719	- 28,813
Administrative expenses	- 17,643	- 19,225
Research and development costs	- 584	- 463
Other operating income and expenses	- 157	- 3,111
Operating result	11,528	11,409
Net interest	- 3,414	- 5,236
Investment income	168	1
Other financial income / loss	3	- 61
Financial result	- 3,242	- 5,296
Earnings of continued operations before taxes on income and minority interests	8,285	6,113
Taxes on income	- 1,434	- 1,328
Earnings of continued operations before minority interests	6,851	4,785
Earnings of discontinued operations	0	- 772
Taxes on income of discontinued operations	0	- 953
Earnings before minority interests	6,851	3,060
Minority interests	- 4,010	- 2,541
Earnings after minority interests	2,841	519
Earnings per share, basic (in euro)	0.07	0.01
Earnings per share, diluted (in euro)	0.06	0.01
Earnings of discontinued operations per share (in euro)	0.07	0.01
Average number of shares outstanding	42,637,469	42,685,000

Pfleiderer consolidated Balance Sheet as of March 31, 2005

'000 euros	03/31/2005	12/31/2004	03/31/2004
Assets			
Cash and cash equivalents	62,987	57,663	51,911
Securities classified as current assets	19,330	25,065	5,325
Receivables and other assets	80,468	79,660	89,830
Inventories, net	104,331	103,858	102,416
Prepaid expenses	8,981	1,734	8,763
Assets of discontinued operations	4,745	4,916	105,380
Current assets	280,842	272,896	363,625
Property, plant and equipment, net	370,271	369,531	341,832
Intangible assets, net	93,228	93,751	91,966
Financial assets	21,347	21,025	5,365
Deferred tax assets	32,204	27,328	25,961
Other fixed assets	2,962	2,117	6,135
Fixed assets	520,012	513,752	471,259
Total assets	800,854	786,648	834,884
Liabilities and shareholders' equity			
Short-term liabilities	133,187	125,151	115,676
Financial liabilities	43,519	13,640	85,265
Other short-term accruals	56,330	58,779	34,541
Deferred income	1,870	1,793	2,133
Liabilities of discontinued operations	13,181	16,932	60,749
Short-term liabilities	248,087	216,295	298,363
Long-term financial liabilities	174,536	197,731	267,093
Accruals for pensions	62,198	61,981	60,054
Deferred tax liabilities	23,677	19,561	21,272
Other long-term liabilities	193	1	0
Other long-term accruals	16,467	16,230	12,885
Deferred income	36,621	39,466	48,028
Long-term liabilities	313,692	334,970	409,331
Minority interests (IFRS)	98,276	93,090	43,037
Subscribed capital	109,274	109,274	109,274
Additional paid-in capital	13,516	13,325	12,585
Revenue reserves	150,185	150,185	150,185
Treasury stock	- 2,117	0	
Retained earnings / accumulated loss	- 124,264	- 124,803	- 164,873
Other comprehensive income	- 5,795	- 5,688	- 23,039
Shareholders' equity	239,075	235,383	127,189
Total liabilities and shareholders' equity	800,854	786,648	834,884

Pfleiderer consolidated statement of cash flow as of March 31, 2005

'000 euros	01/01 – 03/31/2005	01/01 – 03/31/2004
Earnings before interests and taxes (EBIT)	11,697	11,344
Cash paid for taxes on income	- 1,376	- 3,462
Depreciations and amortization of fixed assets	12,287	9,907
Proceeds / losses from disposal of fixed assets	525	- 52
Change in accruals for pensions	217	497
Change in current assets	- 17,399	- 12,732
Change in fixed assets	- 845	- 672
Change in short-term liabilities excluding financial debt	5,550	- 1,306
Change in long-term liabilities excluding financial debt	- 3,379	- 5,918
Change in adjustment item for minority interests (before current earnings and distribution)	- 279	- 4,692
Other expenses not affecting liquidity	198	183
Cash flow from operating activities	7,196	- 6,903
Cash paid for investments in intangible assets	- 46	- 437
Cash paid for investments in property, plant and equipment	- 13,373	- 3,096
Cash paid for investments in financial assets	- 433	- 205
Cash received for disposal of intangible assets	2	110
Cash received for disposal of property, plant and equipment	696	215
Cash received for disposal of finance assets	43	205
Cash flow from investing activities	- 13,111	- 3,208
Cash flow from operating activities after investing activities	- 5,915	- 10,111
Change in financial liabilities	6,683	23,981
Change in externally factored receivables	8,472	- 3,256
Cash paid for the purchase of treasury stock	- 2,117	0
Cash paid for interest	- 4,651	- 6,886
Cash received for interest	1,237	1,650
Other financing activities	3	5
Cash flow from financing activities	9,627	15,494
Change in cash and cash equivalents	3,712	5,383
Change in cash and cash equivalents due to exchange rate fluctuations	- 544	- 3,007
Change in cash and cash equivalents due to discontinued operations	- 3,579	- 12,397
Change in cash and cash equivalents due to purchase accounting	0	103
Cash and cash equivalents as of January 1	82,728	67,154
Cash and cash equivalents as of March 31	82,317	57,236

Pfleiderer consolidated statement of changes in Shareholders' Equity as of March 31, 2005

`000 euros	Subscribed capital	Minority interests	Additional paid-in capital	Revenue reserves	Treasury stock	Comprehensive income				Total
						Retained earnings of the Group	Other comprehensive income			
							Currency translation	Valuation of financial derivatives	Valuation of pensions	
As of 01/01/2005	109,274	93,090	13,325	150,185	0	-124,803	723	- 6,411	0	235,383
Treasury stock					- 2,117					- 2,117
Change in adjustment item from currency translation							- 163			- 163
Change in adjustment item from valuation of financial derivatives								56		56
Minority items and minority interests in changes of adjustment item from currency translation		3,731								3,731
Earnings after minority interests						2,842				2,842
Adjustment of profit carry forward from reclassification of holdings in P.Lease		1,455				- 1,455				0
Effects from offsetting deferrals GTS						- 848				- 848
Balance Stock Option Program			191							191
As of 03/31/2005	109,274	98,276	13,516	150,185	- 2,117	- 124,264	560	- 6,355	0	239,075

Pfleiderer consolidated statement of changes in Shareholders' Equity as of March 31, 2004

	Subscribed capital	Minority interests	Additional paid-in capital	Revenue reserves	Treasury stock	Comprehensive income				Total
						Retained earnings of the Group	Currency translation	Valuation of financial derivatives	Valuation of pensions	
^{000 euros}										
As of 01/01/2004	109,274	45,209	12,402	150,185	0	- 165,372	- 11,727	- 7,731	0	132,240
Change in adjustment item from currency translation							- 1,359			- 1,359
Change in adjustment item from valuation of financial derivatives								- 2,222		- 2,222
Minority items and minority interests in changes of adjustment item from currency translation		- 2,172								- 2,172
Earnings after minority interests						519				519
Balance										
Stock Option Program			183							183
As of 31/03/2004	109,274	43,037	12,585	150,185	0	- 164,853	- 13,086	- 9,953	0	127,189

Pfleiderer Group Segment Report as of March 31, 2005

Pfleiderer Group <i>in million euros</i>	01/01 – 03/31/2005	in % of sales	01/01 – 03/31/2004
Sales revenues	217.9	100.0 %	224.8
• Foreign share	59.1 %		52.4 %
EBITDA	24.0	11.0 %	21.3
EBIT	11.7	5.4 %	11.3
EBT continued operations	8.3	3.8 %	6.1
EBT discontinued operations	0.0	--	- 0.8
EBT	8.3	3.8 %	5.3
Employees ¹⁾ (persons)	4,551		4,341
• in Germany	2,810		2,876
• outside Germany	1,741		1,465

Engineered wood <i>in million euros</i>	01/01 – 03/31/2005	in % of sales	01/01 –03/31/2004
Sales revenues	192.0	100.0 %	195.8
• thereof BU West	135.0	70.3 %	141.0
• thereof BU East	57.0	29.7 %	55.4
EBITDA	25.0	13.0 %	19.6
EBIT	14.1	7.3 %	11.2
Employees ¹⁾ (persons)	3,597		3,415
• in Germany	2,405		2,446
• outside Germany	1,192		969

Infrastructure Technology <i>in million euros</i>	01/01 – 03/31/2005	in % of sales	01/01 –03/31/2004
Sales revenues	25.9	100.0 %	28.1
EBITDA	3.4	13.1 %	3.9
EBIT	2.3	8.9 %	3.1
Employees ¹⁾ (persons)	865		810
• in Germany	318		316
• outside Germany	547		494

¹⁾ Exclusive trainees

Notes on Three-Month Report as of March 31, 2005

1. Transition from US-GAAP to IFRS

As from January 1, 2005, Pfeiderer AG has moved over from US-GAAP to IFRS and is reporting for the current year in accordance with the new standard. Comparative figures from the previous reporting period have been adjusted accordingly. This is in line with the EU Directive of 2002 on international financial reporting standards under which all capital market companies listed at stock exchanges within the EU must present their financial statements according to IFRS as from January 1, 2005. IFRS 1 "First-time Adoption of International Financial Reporting Standards" was applied when drawing up the IFRS financial statements for the first time. The date of transition was the opening balance sheet date of January 1, 2004. All assets and liabilities as of March 31, 2005 are classified in accordance with IFRS. Transition to IFRS resulted in only minor changes in the income statement. In the case of the balance sheet, the balance sheet total is higher as a building leasing company is carried for the first time. Equity carried in the balance sheet following transition backdated to January 1, 2003 was - 7.8 million euros before minority interests.

2. Exercise of options on transition

The Group has elected to exercise the following options as permitted under IFRS 1: Where businesses have been combined, classifications and consolidation methods used under US-GAAP for the Financial Statement of 2003 remains unchanged in the ISFR opening balance sheet. IFRS 3 "Business Combinations" adopted in March 2004 and which prohibits regular amortization of goodwill, has no effect on the Group's Financial Statements. Pfeiderer AG has not been amortizing goodwill since fiscal 2002 in order to comply with US-GAAP, but has subjected goodwill to annual impairment testing. Under accruals for pensions, Pfeiderer AG has accounted all actuarial gains and losses from performance-oriented liabilities under the rules applicable as a "first-time adopter".

3. Main effects of transition

Compared to the classification, valuation and consolidation methods used under US-GAAP as stated in the Notes to the Annual Report 2003, and to which we refer here, differences under IFRS accounting had the following main effects on the Consolidated Financial Statements of Pfeiderer AG:

Re-valuation of costs of acquisition or sales

Pfeiderer AG has elected to exercise its right to revalue costs of acquisition or sales in accordance with IFRS 1. Accordingly, revaluations were carried out for selected assets.

Impairment testing of fixed and intangible assets, excepting goodwill

Under US-GAAP, impairment testing is performed in two stages. In the first stage, a comparison is made between book value and the calculated, non-discounted cash flow. Where book value is higher than the cash flow value, the next step is performed, whereby actual depreciation is calculated based on the discounted cash flow. Under the impairment test laid down under IFRS, the book value of an asset is compared with the higher of "net selling price" and "value in use". "Value in use" is determined using the discounted cash flow

method. This difference in methodology has led to revaluations to fixed assets by Pfeiderer. Revaluations are not permitted under US-GAAP. IFRS allows revaluation when grounds for an extraordinary value adjustment no longer apply.

Stock options

IFRS 2 regulates the treatment of equity-based compensation models. Under US-GAAP, Pfeiderer elected to apply APB 25 and shows expenses pro forma in the Group Notes. IFRS 2 stipulates that the effects of equity-based compensation must be reflected in the results and financial position of the company. This includes expenses incurred in issuing stock options to employees.

Accruals for part-time pre-retirement work

IFRS requires that when determining accruals all employees be taken into account who are likely to opt for part-time pre-retirement work. Amounts carried must be discounted when determining accruals to be made. Under US-GAAP, employees were only taken into account when they had signed a corresponding contractual agreement. Accruals are put aside in installments during the active period. Differences in classification between IFRS and US-GAAP led in Pfeiderer's case to a slight increase in accruals for part-time pre-retirement working.

Other accruals

With regard to accruals made to cover restructuring, the rules which apply under IFRS differ to those of US-GAAP mainly in terms of how detailed the restructuring plan must be, and the time frame in which the restructuring plan is implemented. Values carried under other accruals also differ due to the probability thresholds laid down by IFRS. This differences leads to higher accruals being carried under IFRS.

Accruals for pensions

When discounting accruals for pensions, IFRS requires that interest rates be adjusted to the balance sheet closure date. Under US-GAAP, the interest rate in force at the date on which pension assessment is applied. As interest rates can change between these two dates, pension assessment has been recalculated according to IFRS.

Inclusion of a building leasing company

Under IFRS, "Special Purpose Entities" (SPE) must be consolidated in accordance with IAS 27 (rev. 2003) when fair economic assessment shows that the reporting company dominates the SPE, or where the activities of the SPE are performed to the benefit of the reporting company. In view of this, a building leasing company has been included in the consolidated financial statements for the first time. Forfeited leasing amounts are carried under deferred income.

Reconciliation of equity from US-GAAP to IFRS as of January 1, 2004

Pfleiderer Group

'000 euros

Equity as of January 1, 2004 according to US-GAAP	94,893
Minority interests (shown under equity in IFRS)	45,209
Revaluation of assets	3,753
Impairment tests	- 3,444
Share options	1,475
Part-time pre-retirement working	- 1,732
Other accruals	- 1,308
Accruals for pensions	- 1,925
Inclusion of building leasing company	- 4,586
Other adjustments	- 95
Equity as of January 1, 2004 according to IFRS	132,240

Reconciliation of equity from US-GAAP to IFRS as of December 31, 2004

Pfleiderer Group

'000 euros

Equity as of December 31, 2004 according to US-GAAP	150,896
Minority interests (shown under equity in IFRS)	93,090
Revaluation of assets	620
Impairment tests	- 5,631
Share options	2,398
Part-time pre-retirement working	- 1,561
Other accruals	- 1,480
Accruals for pensions	- 1,998
Inclusion of building leasing company	- 89
Other adjustments	- 862
Equity as of December 31, 2004 according to IFRS	235,383

Reconciliation of results after minority interests for the period January 1 to December 31, 2004 from US-GAAP to IFRS

Pfleiderer Group

'000 euros

Results after minority interests as of December 31, 2004 according to US-GAAP	33,860
Impairment tests	427
Share options	- 923
Accruals for pensions	171
Other accruals	- 1,959
Inclusion of building leasing company	816
Other adjustments	0
Results after minority interests as of December 31, 2004 according to IFRS	32,392

4. Discontinued operations

Residual activities from operations disposed of in 2004 are summarized under "Discontinued operations" in the balance sheet and the income statement. Expenses incurred are offset against provisions made in the previous year.

5. Comparative figures from previous year

In order to make comparison easier, comparable figures from the previous year have been adjusted under "discontinued operations" in accordance with IFRS. Under this procedure, activities which have been disposed of and deconsolidated during the reporting period are shown in the comparative figures for the previous year under "discontinued operations".

6. Consolidated companies

As of January 1, 2005, the company German Track Systems mbH GTS, Neumarkt has been consolidated into the Group. Apart from that, the building leasing company P.Lease GmbH & Co. KG, Mannheim has also been included in the consolidated group for the first time in order to comply to IFRS rules. Consolidation of this company, which mainly consists of balance sheet entries for co-generation plants at German engineered wood sites, was backdated to January 1, 2004. Consolidation of P.Lease GmbH & Co. KG has been backdated to January 1, 2004.

No further changes to the consolidated group of companies occurred since reporting in Consolidated Financial Statements 2004 drawn up in accordance with US-GAAP.

7. Dividends

No dividends were paid within the first three months of 2005, nor in the same period in 2004.

8. Share ownership by members of the Board of Management and the Supervisory Board and share options

As of March 31, 2005 members of the Board of Management of Pfeleiderer AG held 442,680 shares. Members of the Supervisory Board held 26,283 shares. Under Pfeleiderer AG's Stock Option Plan, no options were granted to members of the Board of Management against a personal investment during the first quarter of 2005

As a result of an increase in the price of the Pfeleiderer share during the last few months, 1,479,900 share options were in the money as of March 31, 2005, resulting in a dilution in earnings per share.

9. Acquisition of own shares to fulfill subscription rights arising from stock options

Following the resolution taken by the Board of Management on March 21, 2005 to acquire up to 271,000 of the Company's own shares during the period March 22 to April 30, 2005, Pfeleiderer AG acquired a total of 266,876 own shares in the period from March 22, 2005 to April 26, 2005. Pfeleiderer AG is electing to use the authorization granted by the General Meeting on June 15, 2004 to acquire own shares in accordance with Sec. 71 (1) No. 8 Aktiengesetz (German Stock Corporation Act).

The acquisition of own shares is solely for the purpose of fulfilling subscription rights to the Company's own shares arising from stock options granted within the framework of the Pfeiderer Stock Option Program 2001. Acquisition of the shares was performed by the Dresdner Bank from the stock exchange in XETRA trading and has since been completed.

Note: The Three-Months-Report is not audited.

The Pfeiderer Share

Closing quotation as of 03/31/2005:	12.70 euros
High / low in Q1 2005:	13.90 euros / 8.30 euros
Average daily turnover:	1,198,560.25 euros / 101,589 shares
Index:	MDAX
Segment:	Industrial Products and Services
Number of shares as of 03/31/2005:	42,685,000 pieces
Market capitalization as of 03/31/2005:	542.1 million euros
Company abbreviation:	PFD4
Share ID:	676 474
ISIN:	DE0006764749
Designated Sponsor:	Bayerische Landesbank
Dividend 2004:	None

Important dates 2005

Tuesday, June 14, 2005:	Annual General Meeting, Munich
Tuesday, August 2, 2005:	Six-Months-Report 2005
Tuesday, November 8, 2005:	Nine-Months-Report 2005

Contact

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