

PFLEIDERER AG

ANNUAL REPORT 2000

SUCCESS IN PROGRESS

ANNUAL REPORT 2000

Group Figures

		1. 6. – 31. 12. 2000	1. 6. – 31. 12. 1999	Calendar Year 2000 ¹	Fiscal Year 99/00
Sales	(euro in millions)	830.3	840.5	1,427.7	1,437.8
EBITDA	(euro in millions)	107.0	96.8	175.5	165.3
EBIT	(euro in millions)	55.3	47.7	79.7	72.1
Net income					
– before taxes	(euro in millions)	38.3	30.1	11.1	3.0
– after taxes	(euro in millions)	23.5	17.8	– 2.0	– 8.6
DVFA/SG earnings	(euro in millions)	14.4	14.4	24.8 ⁴	15.7
DVFA/SG cash flow	(euro in millions)	69.5	62.5	119.1 ⁴	121.5
Equity	(euro in millions)	223.4	272.7 ²	223.4	244.7
Total assets	(euro in millions)	1,185.6	1,198.2 ²	1,185.6	1,249.9
Subscribed capital	(euro in millions)	109.3	109.1 ²	109.3	109.3
Investments ¹	(euro in millions)	59.3	128.4	146.1	215.2
Personnel expenses	(euro in millions)	192.8	194.1	336.8	339.4
Employees	(balance sheet cut-off date)	9,755	10,737	9,755	10,238

Key Figures per Share

		1. 6. – 31. 12. 2000	1. 6. – 31. 12. 1999	Calendar Year 2000 ⁴	Fiscal Year 99/00
DVFA/SG earnings ³	(euro)	0.34	0.34	0.58	0.37
DVFA/SG cash flow ³	(euro)	1.63	1.46	2.79	2.85
Cash dividend	(euro)	0.20	–	–	0.30
Dividend including tax credit	(euro)	0.20	–	–	0.43

¹ Statistically determined, basis for current fiscal 2001

² As of 30.11.1999/figures for half-year

³ Based on a total share issue of 42,685,000

⁴ Results for short year extrapolated for 12 months

Divisions 1. 6. – 31. 12. 2000

		Wood-Based Panels	Doors/ Windows	Insulation Technology	Infra- structure Technology
Sales	(euro in millions)	455.5	106.4	111.1	159.1
EBITDA	(euro in millions)	75.2	0.6	12.7	26.0
EBIT	(euro in millions)	47.9	– 2.8	0.8	21.0
Financial expenditure	(euro in millions)	29.6	5.1	11.4	6.9
Employees	(average)	4,295	1,844	1,493	1,929

WOOD-BASED PANELS DIVISION

- PFLEIDERER Holzwerkstoffe GmbH & Co. KG, Neumarkt
- Thermopal Dekorplatten GmbH & Co. KG, Leutkirch
- PFLEIDERER Industrie Schweiz AG, St. Gallen/Switzerland
- Zaklady Plyt Wiorowych S.A. w. Grajewie, Grajewo/Poland
- Zaklady Plyt Wiorowych Prospan S.A., Wieruszow/Poland

DOORS/WINDOWS DIVISION

- PFLEIDERER Bauelemente GmbH & Co. KG, Neumarkt
- PFLEIDERER Türen GmbH & Co. KG, Neumarkt
- PFLEIDERER Fenster GmbH & Co. KG, Gütersloh
- Lentá-93 Épületesztalosipari Kft. Lenti/Hungary

PFLEIDERER AG

THE PFLEIDERER GROUP IS AN INTERNATIONALLY ORIENTATED CONCERN WITH A LEADING COMPETITIVE POSITION IN EUROPE AND ESTABLISHED BRANDS SUPPLIED THROUGH ITS WOOD-BASED PANELS, DOORS/WINDOWS AND INSULATION TECHNOLOGY DIVISIONS. THE GROUP'S FOURTH DIVISION – INFRASTRUCTURE TECHNOLOGY – ADDS FOUR DYNAMICALLY GROWING MARKETS TO THIS PORTFOLIO: RAIL TRAFFIC, ENERGY, TELECOMMUNICATIONS AND WIND POWER. PFLEIDERER HAS 38 PRODUCTION SITES IN 9 COUNTRIES AND EMPLOYS AROUND 9,500 PEOPLE.



INNOTEC
HOLZWERKSTOFFE

DUROPAL
SCHICHTSTOFFE

thermopal

WIRUS
TÜREN

MORALT
TÜREN

WIRUS
FENSTER

PINGO
EXTRUDERSCHAUM

URSA
GLASWOLLEDÄMMSTOFFE

MULTIBRID
Technology

WOOD-BASED PANELS DIVISION

- Pfeiderer is a leading producer of wood-based panels and related materials in Europe, with this division currently employing around 4,000 people over eight production sites.
- Pfeiderer's product ranges cover chipboard and decorative panels – including such well-know brands as INNOTEC® and DUROPAL® – as well as MDF panels, blockboard and special items used in furniture manufacture and interior outfitting. Innovative market research, progressive decors and outstanding designer competence in decorative surfaces have made Pfeiderer a recognized trendsetter in its field.
- Pfeiderer is continually working to expand its international business, particularly in Eastern Europe.

DOORS/WINDOWS DIVISION

- With its established brands MORALT® and WIRUS®, Pfeiderer is by far Germany's leading manufacturer of interior doors. A total of 1,500 employees are involved in the production of doors and frames in Mittweida (Saxony), Oettingen (Bavaria) and Lenti (Hungary), with WIRUS® plastic windows produced in Mastholte.
- Ranges include high-quality interior doors, as well as technical doors used during building. Pfeiderer's doors comply with strict fire-protection and sound insulation requirements, offering architects a wide degree of design freedom. Sophisticated quality assurance guarantees the highest technical standards, ensuring Pfeiderer's products maintain their position at the top end of the market.

INSULATION TECHNOLOGY DIVISION

- Within just six years, the Pfeiderer Group has become the second biggest producer in Europe of glass wool insulation material. Spread over seven sites in Europe, some 1,500 employees are currently producing URSA® brand insulation material.
- The Insulation Technology division offers a range of products for housing and industrial construction that lower energy consumption, but with the added advantage of providing a high degree of fire protection. With its PINGO® brand extruded foam insulation material, Pfeiderer also offers special products for use in pressure or damp environments.
- Pfeiderer sees the further internationalization of its insulation business as an important strategy. Eastern Europe, in particular, is a market with above-average potential for growth, and the Group is strengthening its logistics chain, which now stretches from Belgium to Russia.

INFRASTRUCTURE TECHNOLOGY DIVISION

- The Infrastructure Technology division bundles the segments Rail Traffic, Energy, Telecommunications and Wind Power. With over 2,000 employees in 16 production sites around the world, Pfeiderer has already established a comprehensive market presence.
- As technology and market leader, Pfeiderer's Rail Traffic segment offers a broad spectrum of products for modern track systems.
- Pfeiderer's Telecommunications segment provides full turnkey services for the construction of mobile phone networks.
- With its Wind Power segment, Pfeiderer has also become a turnkey supplier of wind power plants – both onshore and offshore. In this field, the Group sees its innovative Multibrid technology as having a particularly high market potential.
- Pfeiderer's Energy segment is a leading producer of concrete and steel masts and towers, used mainly for electricity distribution grids.

INSULATION TECHNOLOGY DIVISION

PFLEIDERER Dämmstofftechnik International
GmbH & Co. KG, Neumarkt

PFLEIDERER Technika Izolacyjna Polska
Sp.z.o.o., Dabrowa Gornicza/Poland

PFLEIDERER S.A.
Rambervillers/France

PFLEIDERER Belgium
B.V.B.A., Desselgem/Belgium

PFLEIDERER Novoterm
d.o.o., Novo mesto/Slowenia

PFLEIDERER Salgótarjáni Üveggyapot Rt.
Salgótarján/Hungary

OAo PFLEIDERER Tschudowo
Tschudowo/Russia

INFRASTRUCTURE TECHNOLOGY DIVISION

PFLEIDERER Infrastrukturtechnik
GmbH & Co. KG, Neumarkt

PFLEIDERER Lábatlani,
Vasbetonipari Rt.
Lábatlan/Hungary

Betonschwellenwerk Coswig
GmbH & Co. KG, Coswig

Newmark International
Inc., Birmingham/USA

PFLEIDERER España
S.A., Constanti/Spain

Travipos S.A.
Constanti/Spain



REVIEWING THE FISCAL YEAR

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CHAIRMAN'S INTRODUCTION



WE HAVE CHANGED MUCH, MOVED THINGS FORWARD – AND ACHIEVED A GREAT DEAL.

RESTRUCTURING IS AN OPPORTUNITY

Dr. Wolfgang Pinegger

responsible for Infrastructure Technology and Insulation Technology.
Member of the Executive Board of Pfeleiderer AG since October 1, 1999

Helmut Rauscher

responsible for finance.
Member of the Executive Board of Pfeleiderer AG since February 3, 1997.

Dr. Ralf H. Bufe

Chairman of the Executive Board. Responsible for Doors/Windows Division.
Chairman of the Executive Board of Pfeleiderer AG since April 1, 2000.

Hans H. Overdiek

responsible for Wood-Based Panels.
Member of the Executive Board of Pfeleiderer AG since January 1, 2001.

Michael Ernst

responsible for personnel.
Member of the Executive Board of Pfeleiderer AG since May 15, 2000.

Ladies and gentlemen,

The short fiscal year 2000 represents an important stage in the development of Pfeiderer AG, which is now well on the way to becoming a hard-hitting internationally operating Group, with value orientated growth its foremost goal. During fiscal 1999/2000 we successfully continued our course of radical restructuring, putting major measures in place by the end of the year.

This concentration of forces was necessary to achieve a sustained increase in competitive ability. That it has involved far-reaching measures, of that there can be no doubt. These included adjusting production capacity to meet market conditions, as well as the introduction of more cost-effective and efficient management structures. For the Group as a whole, this has meant a 13 percent reduction in the workforce. Naturally, these decisions have not been taken lightly. But bearing in mind the poor performance of the economy again in the domestic building and construction sector – affecting our Insulation Technology and Doors/Windows Divisions – the decision has proved the right one.

The first positive effects of this new strategic direction and corporate restructuring are already visible. Pfeiderer AG has strengthened profitability, with earnings before interest and tax (EBIT) up 16 percent to euro 55.3 million compared to the same period in the previous year. Adjusted for divestitures, sales have increased from euro 794.9 million to euro 808.7 million. We have also increased return on capital employed (ROCE) – from 8 percent in fiscal 1999/2000 to 11.7 percent. This shows that we are on the right track to achieving our 15 percent target by 2004. And we have also improved the balance sheet structure, greatly reducing corporate debt by euro 73.2 million. The increasingly international orientation of the Group is also evidenced by the increase in foreign sales, which rose from 40.8 percent to 43.7 percent of total sales.

Major measures introduced during the reporting period will only take full effect during the course of fiscal 2001 – for example, production capacity adjustment in our Doors segment. This also applies to finalizing new

TO ATTAIN QUALITATIVE GROWTH.

corporate and organisational structures, including a lean management holding company, and aggressive business units which we introduced on August 1, 2000. The changes in corporate culture that this will bring about will not happen in a day. Nevertheless, we do expect to see the new structure in the Group start to take effect during the current fiscal year. Restructuring offers the best conditions for further, above all qualitative, growth. This we are achieving by strengthening our core areas of activity, as well as by dynamically developing our still young and particularly high-potential segments Telecommunications and Wind Power. Over the last few months we have not only tightened up operations, we have also gained exciting new markets. As a result, we expect Pfeiderer AG to close the current fiscal 2001 with far better earnings.

We have changed much, moved things forward – and achieved a great deal. I must therefore express my particular thanks to all Pfeiderer employees. It is they who have supported the needed and extensive changes to the Group and created the basis for Pfeiderer's future success.



Dr. Ralf H. Bufe

Chairman of the Executive Board of Pfeiderer AG

REPORT OF THE SUPERVISORY BOARD



THE SUPERVISORY BOARD HAS ACTIVELY SUPPORTED AND ACCOMPANIED THE RAPID IMPLEMENTATION OF THE RESTRUCTURING MEASURES.

Ernst-Herbert Pfeleiderer
Chairman of the Supervisory Board

The Supervisory Board performed its duties during the short fiscal year 2000 in accordance with German legal requirements and the Company's statutes. It has actively advised Executive Management on a continuous basis. The Supervisory Board held two ordinary meetings during which the Executive Board provided a comprehensive picture of the Group and current developments. The Working Committee met three times during the reporting period. This was supported by regular consultations between the Chairman of the Supervisory Board and the Chairman of the Executive Board. The Mediation Committee, which exists in accordance with Section 27(3) of the German Codetermination Law, did not meet during the last fiscal year.

The Supervisory Board was provided with detailed information on corporate planning, especially in the areas of finance, capital expenditure and personnel planning. Where the Executive Board required the approval of resolutions and actions, the Supervisory Board examined the proposed drafts during their meetings, and approved them on the basis of the data provided.

The main focus of consultations during the reporting period was directed at the rapid implementation of restructuring measures during fiscal 1999/2000 in order to make a long-term improvement to the Pfeleiderer Group's ability to compete. The Supervisory Board played an active part in this process, including taking major decisions approving the closure of the Doors plants at Gütersloh and the termination of chipboard production in Peitling.

Apart from that, the Supervisory Board made a personnel decision concerning Group senior management, appointing Hans H. Overdiek to the Executive Board with responsibility for the Wood-Based Panels division, to take effect from January 1, 2001. To this date, this division had been under the caretakership of the Chairman of the Executive Board, Dr. Ralf H. Bufe.

The Chairman of the Supervisory Board appointed Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Stuttgart to audit the financial statements for 1999/2000 of the Pfeleiderer AG and the Pfeleiderer Group. A major aspect of the assessment with regard to the financial statements was directed at the creation of provisions for the Pfeleiderer Group in order to implement restructuring measures in fiscal 1999/2000.

The financial statements and the consolidated financial statements as of December 31, 2000, as well as the management report for the Pfeleiderer Group and for Pfeleiderer AG were audited by Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Stuttgart and have been given an unreserved opinion.

The Supervisory Board examined the financial statements presented by the Executive Board for the holding company (AG) and the Group. The audit report was presented to all members of the Supervisory Board. The auditor also participated in consultations with the standing committees and reported on the main results of the audit. The Supervisory Board discovered no irregularities during its examination of the financial statements, consolidated financial statements and the management report. The Supervisory Board concurs with the results of the audit as presented. Accordingly, we have duly approved and ratified the financial statements in accordance with Section 172 (1) of the German Joint Stock Companies Law.

The Supervisory Board endorses the Executive Board's proposed appropriation of profits and will be proposing to the General Meeting on July 10, 2001 that payment of a dividend of 0.20 euro per share be made to all authorized shareholders.

Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Stuttgart has audited the management report pursuant to Section 312 of the German Joint Stock Company Law with respect to relationships maintained with affiliated companies (dependence report). The auditors have issued the following opinion:

“Within the terms of our statutory audit and assessment of the Company, we hereby confirm that

1. The information and data contained in the report are correct,
2. Payments made by the Company for legal transactions, as specified in the Report, were not inappropriately excessive.”

The Supervisory Board has examined the report issued by the Executive Board with regard to relations with affiliated companies. The Supervisory Board raised no objections to the Executive Board's concluding statements in the report, nor with regard to the results of the audit of the report.

We would like to thank the Executive Board and all Pfeleiderer employees for their hard work on behalf of the Company, as well as our customers and shareholders.

Neumarkt, May 2001



Ernst-Herbert Pfeleiderer,
Chairman of the Supervisory Board, Pfeleiderer AG

MANAGEMENT REPORT

- QUALITATIVE GROWTH STRATEGY SUCCEEDS
- RESTRUCTURING TAKES EFFECT
- GROUP PRE-TAX EARNINGS TARGET OF EURO 50 MILLION

Preliminary Remarks

As a result of moving the balance sheet cut-off date from May 31 to December 31, the Pfeleiderer Group is reporting exceptionally for a seven-month short (abbreviated) fiscal year covering the period June to December 2000. As of January 1, 2001, Pfeleiderer's fiscal year will be identical with the calendar year. This brings us closer in line with the demands of the capital market for more transparency and better comparability.

In accordance with legal requirements, the short fiscal year has been compared with the full fiscal year 1999/2000 (from June 1 to May 31). The period June to December 1999 has been used as a basis for comparison in order to make changes in business more understandable during the short fiscal year. The figures used for the comparison period are those of the published, non-audited half-year financial statements of Pfeleiderer AG as of November 30, 1999. These statistics have been expanded to December 31, 1999 using data from the Company's internal accounting system.

General Synopsis

The strong economic upswing has past its peak. From mid-2000, the global economy entered a transition phase, moving towards more moderate expansion. The pace has largely been set by developments in the USA, where the economy has slowed down as a result of tighter monetary policy and an increasing propensity of private households to save. In the light of this, leading economic research institutes expect gross domestic product (GDP) to grow by just 2.6 percent in the USA during 2001 – contrasting starkly with 5.1 percent in 2000.

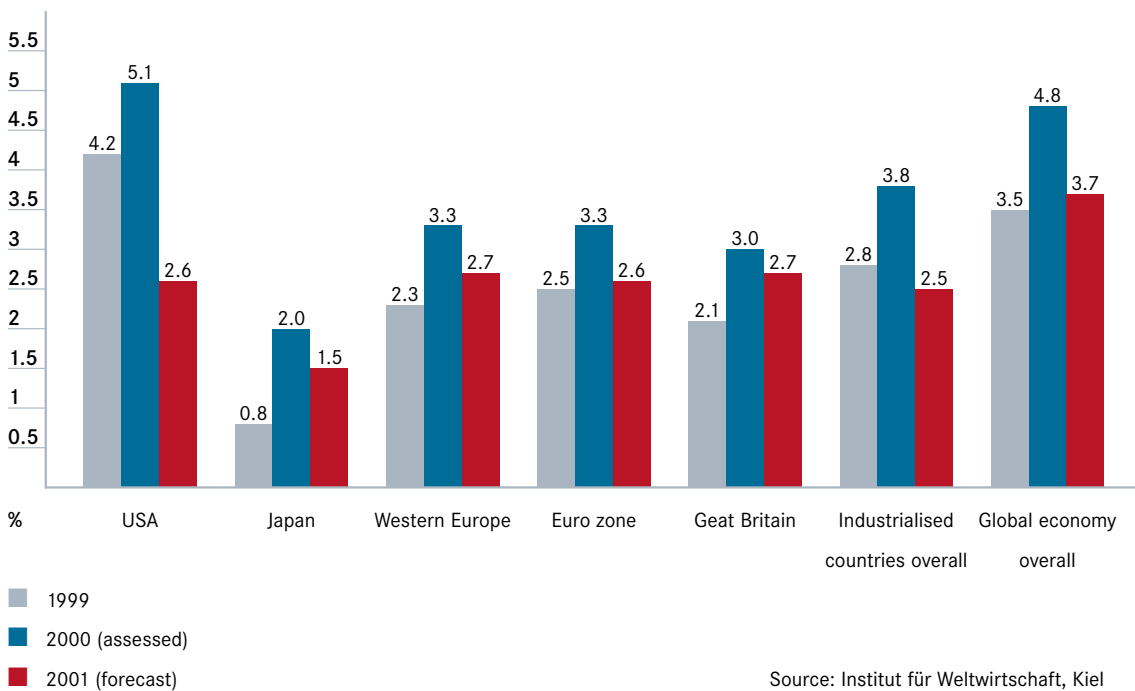
In Western Europe, the economy weakened only slightly due to positive stimulation from an expansionary monetary policy and a strikingly weak euro. This should buoy up exports well into 2001, keeping them at a high level despite the expected devaluation of the euro. GDP is expected to increase within the euro zone by around 2.6 percent during the current year. In the previous year growth came to 3.3 percent.

The economic slowdown in the industrialised countries has led to a cooling of growth in developing countries and the emerging economies. Following a strong increase in global production of 4.8 percent in 2000, the current year is likely to result in growth of around 3.7 percent. The recovery of world trade is expected to move down from around 12 percent to some 8 percent.

A variety of trends have affected those sectors of the economy relevant to the Pfeleiderer Group. For example, the German furniture industry, a core target market for our Wood-Based Panels division, saw sales increase by 2.6 percent in 2000 compared to the previous year. Examined more closely, the office and shop outfitting segment – the most important market for surface-treated products from Pfeleiderer – experienced good growth at 3.7 percent. In the living room, dining room and bedroom segments, sales increased by 3.0 percent, while the market for kitchen furniture was regressive at 1.5 percent.

Private consumption is forecast to increase by a real 2.5 percent, so that the industry expects sales increases of around 3 percent in the current year.

The German construction sector remained in a slump, holding back growth in the our Doors/Windows and Insulation Technology divisions. The level of building permission in the private housing sector

Economic Growth (GDP in percent)

declined sharply in the second half of 2000. Overall, sales in the building and construction industry were 5 percent lower in 2000 over the previous year. A closer breakdown shows that demand was considerably weaker in the new Federal states in Eastern Germany, with sales down by 12.2 percent, whereas the old Federal states in the West of the country only fell by 2.4 percent. Only the commercial construction sector in the old Federal states proved positive in the two-year comparison.

On the other hand, economic conditions for our Infrastructure Technology division were much more favourable, especially with regard to its Telecommunication and Wind Power segments. During the reporting period, leading mobile network providers made initial investments in infrastructure, as they started to set up new UMTS networks. Capital expenditure in this area is expected to expand dynamically, with the number of transmission sites in Germany to double from its present 45,000 to 80,000 by the year 2005. In Europe, the awarding of 60 UMTS licences by the year 2002 has also resulted in a strong increase in demand for mobile network infrastructure.

With an installed capacity of around 6,100 megawatt, Germany remains the biggest wind energy market in the world. In 2000, new capacity amounting to 1,665 megawatts was added to the grid – more than ever before. Over the next few years, experts expect an average market growth of over 15 percent in this sector. Even higher growth rates are forecast internationally, in view of the increasing share of regenerative energy as a percentage of total energy generation. For example, installed capacity in the USA is expected to increase by as much as

Key Data, Pfeleiderer Group (in euro million)

	1.6. – 31.12. 2000	1.6. – 31.12. 1999	+/- in %
Sales	830.3	840.5	- 1.2
DVFA/SG earnings	14.4	k. A.	k. A.
DVFA/SG cash flow	69.5	k. A.	k. A.
Capital expenditure	59.5	128.4	- 53.7
Employees (31.12.)	9,755	10,737	- 9.2

20 percent by 2004, while in Europe this figure is 25 percent and in China a massive 40 percent.

Pfleiderer Group EBIT up by 16 Percent

Despite these conflicting, and sometimes unfavourable market conditions, Pfleiderer continued its pattern of qualitative growth started in April 2000, achieving sales of euro 830.3 million in short fiscal 2000. This comes in the wake of restructuring which has now been successfully completed. This compares with a statistically calculated euro 840.5 million for the same period in the previous

year. Adjusted for divestitures, this represents an increase in sales from euro 794.9 million to euro 808.7 million. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by euro 10.2 million to euro 107.0 million, while earnings before interest and taxes (EBIT) were up by nearly 16 percent from euro 47.7 million to euro 55.3 million. Group earnings before taxes (EBT) improved from euro 30.1 million to euro 31.2 million. This does not include a positive balance of euro 7.1 million arising from the extraordinary income and depreciation accounts.

Sales (in euro million)

	1.6. – 31.12. 2000	1.6. – 31.12. 1999	+/- in %
Wood-Based Panels	455.5	405.0	+ 12.5
Doors/Windows	106.4	134.8	- 21.1
Insulation Technology	111.1	127.4	- 12.8
Infrastructure Technology	159.1	165.1	- 3.6
Total	830.3	840.5	- 1.2
Of which foreign	362.5	303.4	+ 19.5

Capital expenditure (in euro million)

	1.6. – 31.12. 2000	1.6. – 31.12. 1999	+/- in %
Wood-Based Panels	29.6	101.8	- 70.9
Doors/Windows	5.1	7.8	- 34.6
Insulation Technology	11.4	15.1	- 24.5
Infrastructure Technology	6.9	3.7	+ 86.5
Total	59.5	128.4	- 53.7

EBITDA (in euro million)

	1.6. – 31.12. 2000	1.6. – 31.12. 1999	+/- in %
Wood-Based Panels	75.2	36.7	+ 104.9
Doors/Windows	0.6	8.4	- 92.9
Insulation Technology	12.7	16.6	- 23.5
Infrastructure Technology	26.0	35.1	- 25.9
Total	107.0	96.8	+ 10.5

EBIT (in euro million)

	1.6. – 31.12. 2000	1.6. – 31.12. 1999	+/- in %
Wood-Based Panels	47.9	11.6	+ 312.9
Doors/Windows	- 2.8	4.6	- 160.9
Insulation Technology	0.8	5.3	- 84.9
Infrastructure Technology	21.0	29.9	- 29.8
Total	55.3	47.7	+ 15.9

After deducting municipal taxes and taxes levied against business units based outside Germany, the Pfeleiderer Group achieved net profits of euro 23.5 million for the short fiscal year 2000.

DVFA/SG cash flow for the reporting period was euro 69.5 million, with DVFA/SG cash flow per share at euro 1.63. Extrapolated to 12 months this represents euro 2.79. By way of comparison: in fiscal 1999/2000 DVFA/SG cash flow per share was euro 2.85.

With DVFA/SG earnings of euro 14.3 million, Pfeleiderer AG achieved a result within the short fiscal year nearly equal to the whole of fiscal 1999/2000 (euro 15.7 million). DVFA/SG earnings per share for the 7-month reporting period came to euro 0.34, which equals euro 0.58 when extrapolated to 12 months. DVFA/SG earnings per share in fiscal 1999/2000 came to euro 0.37.

Pfeleiderer made extensive provisions in its balance sheet during the reporting period, taking into account its trimmed portfolio of products and the vigorous expansion of highly profitable segments. Of the extraordinary income from divestitures amounting to euro 19.9 million, a total of euro 12.8 million was set aside for revaluation of MDF Hallein GmbH & Co. KG.

Group Assets

The balance sheet total of the Pfeleiderer Group in short fiscal 2000 decreased by euro 64.3 million to euro 1,185.6 million compared to fiscal 1999/2000. A good 58 percent of the balance sheet total is derived from tangible assets, while the remaining 42 percent comes from other assets.

The equity ratio has fallen from 20 percent to 19 percent. This decline is due to the offsetting of goodwill of euro 31.3 million with reserves.

At the same time, the Group was able to considerably reduce debt during short fiscal 2000. Financial debt fell by euro 73.2 million to euro 573.1 million as at balance sheet cut-off date of May 31, 2000. This reduction is due to the repayment of loans, as well as the removal of companies from the consolidated group.

AG Assets

Pfeleiderer AG showed a balance sheet profit of euro 18.4 million at the balance sheet cut-off date of December 31, 2000. Compared to fiscal 1999/2000 this is a reduction of around euro 11.4 million. The balance sheet profit is based on a net loss on year of euro 7.66 million offset against profit carried forward of euro 26.0 million. The net loss on year is due to converting the Pfeleiderer AG fiscal year to run concurrently with the calendar year. Due to the different fiscal years of the affiliated companies (balance sheet cut-off date: May 31, 2001) no income from holdings were posted during the reporting period.

During the reporting period, the AG's balance sheet total grew from euro 547.3 million to euro 713.5 million. This increase is due to a near doubling of current assets from euro 151.7 million to euro 325.9 million. The large increase in current assets results from one-off rescheduling of credits within the Group, itself resulting from the change in the balance sheet cut-off date.

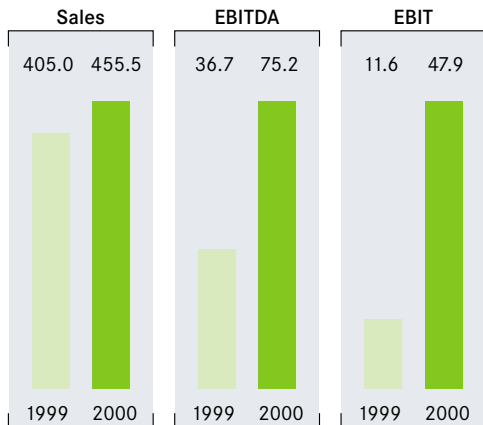
Dividend of euro 0.20 for All Shareholders

Pfeleiderer bases its dividend policy on continuity and will be paying a dividend to all entitled shareholders in the wake of the successful completion of restructuring during short fiscal 2000.

At the General Meeting on 10 July 2001, the Executive and Supervisory Boards will propose paying out euro 8,537,000 from balance sheet profit, resulting in a dividend of euro 0.20 per share based on a dividend-entitled capital stock of euro 109,273,600. As the dividend payment will be taken from non-taxed net equity, no tax coupon will be issued.

WOOD-BASED PANELS

Short fiscal 2000 proved to be one of intense competition for the Wood-Based Panels division. At the same time, the move towards better prices continued during the course of the year, a development that first became noticeable during the first half of 2000. On the other hand, this was offset by higher material costs compared to the previous year.



Figures in euro million (from 1.6. – 31.12.)

Bearing this in mind, Pfeleiderer can look back on a successful business cycle. With sales up by 12.5 percent at euro 455.5 million, the Group improved EBITDA from euro 36.7 million to euro 75.2 million. In the case of EBIT, the figures achieved during the previous year of euro 11.6 million more than quadrupled to euro 47.9 million.

This means that the company has further strengthened its lead position in the strong sales regions of Central Europe and stabilised its market share in Germany at over 20 percent.

This positive turnaround confirms Pfeleiderer's strategy of targeted investment in international growth markets. Together, our two Polish production sites in Grajewo and Prospan recorded sales of euro 113.6 million, now that they are running at full capacity with increased productivity. A simple comparison makes this clear: in the whole fiscal year 1999/2000 these two chipboard factories in Poland had total sales of euro 130.4 million.

At the same time, Pfeleiderer managed to sustainably increase the number of products with higher value added. As a result, the company is profiting from above-average growth in the office and shop segment, with 3.7 percent growth recorded here in 2000 by far outstripping the market's performance overall. Accordingly, this segment has become a prime target market for Pfeleiderer's decorative panels and HPL elements. This is reflected in the good results achieved with the Duropol brand of HPL products manufactured at Arnsberg in North-Rhine Westphalia, as well as by the figures for Thermopal Dekorplatten GmbH & Co. KG at Leutkirch, a 100-percent affiliate of Pfeleiderer AG. This company specialises in decorative panels and has further strengthened its lead position in the market, contributing euro 60 million to total sales.

Now MDF boards have been added to the wide range of products manufactured and marketed by Pfeleiderer together with chipboard, decorative panels, worktops and HPL elements. Unfortunately, the joint venture MDF Hallein GmbH & Co. KG, set up with the Austrian company Franz Binder Ges.m.b.H., failed to live up to expectations during the reporting period. Pfeleiderer has consequently re-valued this position in the balance sheet, creating the potential for a strategic repositioning here if necessary.

As part of the measures to create a sustained increase in profitability and competitive ability, Pfeleiderer sold its 50 percent holding in the French chipboard producer Pannovoges S.A. to the Swiss HIAG Group with effect from August 31. At the same time, Pfeleiderer has strengthened its presence on the French market by setting up its own local market-

ing organisation. Pfleiderer sees this move as a way of building on its brand products Thermopal and Duropal.

Pfleiderer made targeted investments to expand capacities in product areas with high value added. This reflects on forecast market growth of around 3 percent in this segment, and further improvements in sales and earnings can be expected in the Wood-Based Panels division during fiscal 2001.

Wood-Based Panels Market

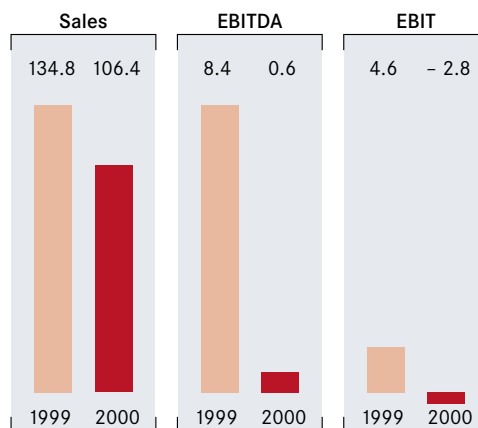
Sales Growth in Furniture Industry* (in percent)

	2001 +/- in %	2000 +/- in %
Living, dining, bedroom	↗	3.0
Kitchen	↘	- 1.5
Office and shop	↗	3.7
Total	3.0	2.6

* Source: Press Conference, International Furniture Fair on 5.12.2000, EUWID

DOORS/WINDOWS

Pfleiderer’s Doors/Windows division has been particularly affected by the downturn in building activity in Germany, with this sector of the economy slowing even further and less building permission in the private housing sector recorded in the last months of 2000. These conditions led to further overcapacities in what proved to be a bitterly fought over market, increasing the already very high pressure on prices.



Figures in euro million (from 1.6. - 31.12.)

This being the case, this division was faced with a difficult operating environment, with the Pfleiderer Group recording a downturn in sales of euro 28.4 million to euro 106.4 million in this segment. Windows contributed euro 15.6 million to sales, so that this segment nearly achieved the previous year’s results (euro 17.9 million) despite these adverse conditions.

EBITDA fell from euro 8.4 million to euro 0.6 million, while EBIT was down from euro 4.6 million to euro - 2.8 million.

When reviewing these results, it must be borne in mind that restructuring measures taken during the reporting period will only start to take effect towards the end of 2001.

In anticipating this large fall in demand, Pfleiderer concentrated its forces in good time, closing door production at Gütersloh on December 31, 2000. This reduction in production capacity, with concentration now on the three plants at Oettingen

(Bavaria), Mittweida (Saxony) and Lenti (Hungary), will be completed during the course of the year, taking into account additional expenses.

This notwithstanding, Pfeleiderer has made it its goal to recapture market shares during fiscal 2001 – despite a further downturn in demand. This will be achieved by greater production flexibility and further optimisation of customer service, including a considerable improvement in supply quality. More cost effective and higher performance structures will make a sustained improvement to the unsatisfactory earnings situation in the Doors/Windows division.

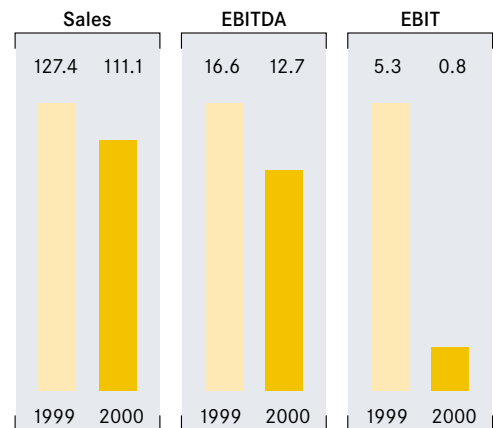
Developments in the German Construction Industry (in euro million)

	2000	1999
Construction sector, total sales	9,863.0	10,356.1
– Old German states (west)	7,470.1	7,649.4
– New German states (east)	2,392.9	2,706.7
Orders taken, total	5,895.3	6,407.0
– Old German states (west)	4,484.1	4,802.5
– New German states (east)	1,411.2	1,604.5

INSULATION TECHNOLOGY

Sales eased back from euro 127.4 million to euro 111.1 million in the Insulation Technology division as a result of weaker demand in this sector in Germany compared to the previous year. However, part of this decline can be explained by the closure of the Hamburg plant, a move prompted by the general economic trend in Germany.

Although the Group recorded successful foreign business, this did not prove enough to compensate for the considerable fall in demand in Germany. EBITDA fell by euro 3.9 million to euro 12.7 million, EBIT declined from euro 5.3 million to euro 0.8 million. However, comparison with the full fiscal year 1999/2000 (June 1 to May 31) shows that concentration and optimisation measures introduced in April 2000 are now beginning to take effect.



Figures in euro million (from 1.6. – 31.12.)

Whereas the Group recorded negative EBIT of euro 4.2 million in the Insulation Technology division as of May 31, considerable growth in sales and earnings are expected here during the current fiscal 2001. This forecast is based on the dynamic growth Pfeleiderer is experiencing in its international business, particular in Eastern Europe. Pfeleiderer is market leader in Russia, Hungary and Yugoslavia, as well as being well positioned in Poland. Above average growth is expected in all these markets over the next few years.

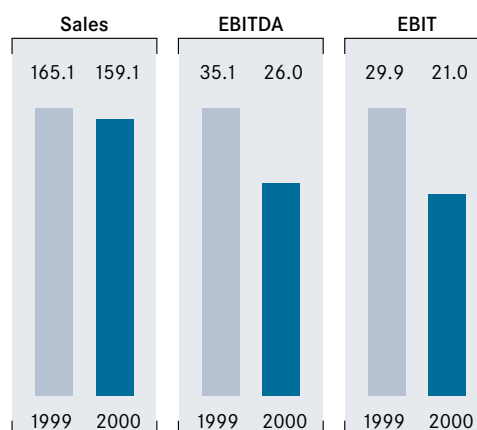
With market growth currently at around 6 percent in France and the Benelux regions, the tripling of production capacity at the Desselgem plant (Belgium) is also expected to result in further growth in sales and earnings. This outlook also takes into account the delayed start-up of full production following extensions made to the Desselgem plant.

Despite continued weakness in the construction sector, over the medium term the Group expects to profit in Germany from the amended Heat Insulation Law which demands thicker insulation materials.

Existing disputes over patent rights with competitors were resolved out of court during the short fiscal year.

INFRASTRUCTURE TECHNOLOGY

The Infrastructure Technology division, comprising the segments Rail Traffic, Energy, Telecommunication and Wind Power recorded a downturn in sales of euro 6.0 million to euro 159.1 million during short fiscal 2000, compared to the previous year. EBITDA was down from euro 35.1 million to euro 26.0 million, while EBIT fell by euro 8.9 million to euro 21.0 million. However, these results must be seen in the light of what was exceptionally strong demand for Pfleiderer's Rail Traffic segment during the second half of 1999, contrasting strongly with the large cutback in investment by German Rail during the current reporting period. The disposal of Katz Werke GmbH also had a negative effect on sales and earnings.



Figures in euro million (from 1.6. – 31.12.)

Pfleiderer expects dynamic sales and earnings growth in the Infrastructure Technology division in future. As technology and market leader, this division is expected to profit strongly from further investment activity by German Rail – particularly with regard to track maintenance. Pfleiderer is now in an excellent position to cover increased demand, having completed extensions to its plant in Langen (Rhein-Main) adding a further sleeper production unit. Production is due to start there in August 2001.

Apart from that, the Group sees considerable potential for growth for the Telecommunication and Wind Power segments over the short and medium term. Pfeleiderer is Germany's biggest producer of mobile network transmission masts, as well as offering full turnkey services as a main contractor for UMTS and GSM networks. The development of new mobile networks and the refitting and extension of existing infrastructure means that the number of transmission sites in Germany alone will have nearly doubled from its present 45,000 to around 80,000 by the year 2005. On an international scale, around 60 UMTS licences in Europe alone will be awarded by 2002, ensuring a dynamic upturn in investment activity in mobile networks. During the reporting period, Pfeleiderer signed master agreements for turnkey services with the leading mobile network providers and producers.

In the Wind Power segment, Pfeleiderer has created all the conditions to enter the market as a manufacturer of full-blown wind power generation units. This applies to both land-based onshore units, as well as to off-shore units situated in coastal waters.

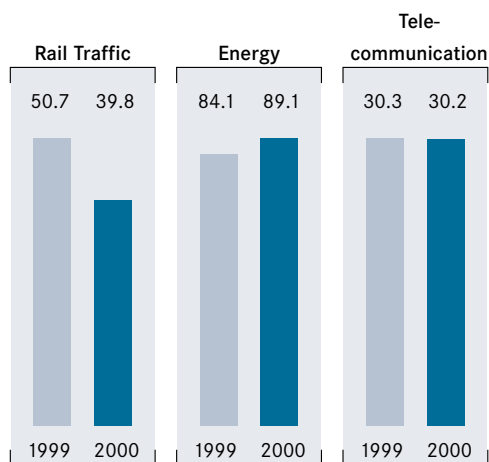
Following the takeover of the Austrian Wintec Anlagengerichtungs- und Consulting GmbH in the summer of 2000, Pfeleiderer acquired all the patents, licences and proprietary rights to the highly innovative Multibrid technology from aerodyn Engineering GmbH. Multibrid is the world's first systems solution conceived exclusively for offshore plants. Once development and testing have been completed successfully, Pfeleiderer intends to set up a Multibrid prototype in 2002 and to start series production with offshore plants from 2004.

In the onshore area, the Pfeleiderer Group intends to produce plants with a capacity of 600 kilowatt and 1.5 megawatt by 2004, increasing sales to around euro 160 million. An important part of this strategy involves the expansion of international business. The target markets in Europe are Spain, Italy, Greece and Turkey, with entry onto the markets in the USA and Asia planned.

In order to create a legal entity more in keeping with the future size of the Wind Power segment, Pfeleiderer has decided to place these activities under one roof in a newly formed 100-percent affiliate, Pfeleiderer Wind Energy AG.

In the Energy segment, Pfeleiderer is concentrating on the further expansion of its operations in the USA. Deregulation of the US power supply grid has led to a sustained increase in demand for steel and concrete power grid masts. In order to be ready for this dynamic growth, the Group has boosted the local production capacity of its concrete masts by 25 percent during the reporting period. Additionally, the steel mast plant in Dallas/Texas is to be extended. Pfeleiderer will profit from this investment in current fiscal 2001.

Having gained a foothold in the South and South-East of the USA, Pfleiderer is now planning to take on the market in the South-West – a growth region for energy distribution. This year, the Group starts construction of a new concrete mast plant in California.



Sales, Infrastructure Technology

Figures in euro million (from 1.6. – 31.12.)

Holdings and Services

Jura-Spedition is a freight forwarding operation offering a whole range of services for Pfleiderer, including consulting on transportation logistics. The 100-percent affiliate operates a fleet of 650 vehicles, 50 of which belong to the company itself.

Work performed by JURA Spedition on behalf of third parties accounts for 15 percent of sales. During the reporting period, the company employed 120 people, including its foreign-based dependencies JURA Polska Sp.z.o.o. and Jura Belgique B.V.B.A.

Information Technology

Since the introduction of a new organisational structure in August 1, 2000 Pfleiderer has divided all information technology activities into two central units. The corporate unit Organisation and IT supports all main operational structures and processing paths of the Group. The service unit IT Services provides all business units throughout the Group with IT services for end users. This includes everything from operating and controlling local networks to the purchasing of any necessary peripherals.

During short fiscal 2000, Pfleiderer placed emphasis on implementing SAP R/3 business software as standard software throughout the Group. Following the example of the controlling, material flows, personnel and finance departments, Insulation Technology moved over to this software in June 2000. With effect from January 1, large parts of Infrastructure Technology also went on line.

Implementation of the new Group software is expected to be completed for all German sites by mid-2001. Introduction is planned for the European affiliates for the end of the year.

Pfleiderer sees SAP R/3 as a making a major contribution towards improving all operational processes. The uniform and comprehensive database management system will improve data security and offer a platform for providing optimal customer service. Apart from that, the new software gives the Group cost and logistics advantages.

Associated Companies

In its report on dealings with associated companies, Pfleiderer made the following statement for short fiscal year 2000: "Taking into account all circumstances known to us when the transactions were reported, appropriate compensation was received in all cases. No measures were taken at the instruction or on behalf of Pfleiderer Unternehmensverwaltung GmbH & Co. KG or companies associated with Pfleiderer Unternehmensverwaltung GmbH & Co. KG."

Capital Expenditure

During short fiscal 2000, Pfleiderer made investments totalling euro 59.5 million. Most of this expenditure was used to replace existing assets. Nearly half of all capital expenditure – euro 29.6 million – was made by the Wood-Based Panels division. Here Pfleiderer invested particularly heavily in the new combined heat-power (CHP) unit at Gütersloh and the unit at Neumarkt, now in commission, both being financed through a sale and lease-back deal worth euro 61.4 million.

The acquisition of all patents, licences and proprietary rights to the Multibrid technology from aerodyn GmbH, Rendsburg was another major investment aimed at strengthening the Infrastructure Technology division.

In fiscal 2001, Pfleiderer will be directing a large part of its capital expenditure towards the activities of the Infrastructure Technology division. For example, a new concrete mast plant in California will help the Group's Energy segment gain a foothold in the South-West of the USA, a growth market. And in order to further bolster the Rail Traffic segment, Pfleiderer is investing in a sleeper plant in Langen, a sleeper and points sleeper plant in Spain, as well as a sleeper plant in Rumania.

Apart from these areas, regular investments are planned as our pioneering Wind Power segment continues to expand.

In the Wood-Based Panels division, a new press is being installed which will enable continuous production of Duropal brand HPL elements at the Arnsberg plant.

Long-term Financing of Capital Expenditure Secure

Binding long-term credit assurances of sufficient volume have been given by German and international banks in order to secure the financing of planned capital expenditure projects.

Currency and Interest Management

The introduction of the euro in the main regions where the Pfleiderer Group trades internationally has eliminated currency exchange risks in large parts of Europe. Where risks in other currencies exist, the company has either taken hedging positions or made adequate provisions for the risks involved.

Liabilities are re-financed during their currency or hedged against changes in interest rates.

Risk Management

Pfleiderer's risk management system complies with all requirements of the German Law for Corporate Control and Transparency (KonTraG). KonTraG lays down a system of monitoring which ensures that events which could put the existence of the company at risk, or lead to losses, are identified at an early stage. Pfleiderer's risk management system also includes measures to overcome risk and their implementation. The system ensures that any new risks are brought to the attention of the Executive Board without delay – as well as to the responsible units within the company. The system covers all companies, functions and locations within the Group, both in Germany and abroad.

Appropriate guidelines and procedures have been set up for the risk management system and are binding for the Group. Group headquarters has supported and coordinated the conducting of a risk analysis assessment and has set out appropriate measures for the individual divisions. The results are summarised in the Risk Report 2000 which has been made available to the Executive Board and all senior management.

Pfleiderer's risk management system has also been examined by the auditor. The system complies with the concepts and rulings of the law.

EMPLOYEES

As of December 31, 2000 the Pfleiderer Group employed 9,755 people worldwide. This is 483 less than at the end of fiscal 1999/2000. The number of employees in Germany fell from 6,877 to 6,520 and outside Germany from 3,361 to 3,235.

This decline takes into account changes in manning levels as of December 31, 2000 following extensive restructuring carried out during the reporting period. These measures were particularly directed at divestitures and the optimisation of production plants, leading to a reduction in the number of people employed. The remaining changes to the workforce necessary in order to ensure a sustained increase in Pfleiderer's competitive ability will not become effective until the first half of 2001.

The number of training places within the Pfleiderer Group in Germany also increased during short fiscal 2000 from 325 to 350.

Employee Orientation

Pfleiderer sees close cooperation with its employees as the basis for sustained corporate success. In line with its strategic goals, Pfleiderer has introduced a range of measures and programmes to develop employee skills and to maintain and channel employee loyalty.

As well as introducing a new variable compensation system based on economic value added – in other words, on the rate at which the company increases in value – senior management was able to take part in the first stage of a long-term incentive programme at the end of 2000. This scheme enables qualifying employees to participate in the company's success through the acquisition of stock appreciation rights. Around 80 percent of those entitled to take part made use of this opportunity. In a second stage, the Group will introduce a stock option plan, provided agreement is given by the General Meeting on July 10, 2001. Over the medium term, Pfleiderer plans to

set up a general employee participation programme in which all staff will have the chance to participate in the increase in corporate value.

More specific plans for personnel development designed to strengthen skills at the individual level have been planned for this fiscal year in the form of a Business Campus. The Pfeleiderer Business Campus will offer a range of training and qualification programmes and courses, not just aimed at junior management, but also with something to offer for skilled workers, too. Pfeleiderer intends to use the opportunities of the new media – many of the courses on offer can be accessed through the Internet.

Pfeleiderer sees its Business Campus as a way of establishing a positive culture of learning and change, providing an active contribution on the way to a knowledge-based society.

The importance of encouraging young potentials has a long tradition at Pfeleiderer, as the Group demonstrated once again in short fiscal 2000 with its Internal Junior Consultants Programme – a continuing success story. This programme is directed specifically at university and technical college graduates, with the objective of preparing talented young men and women for future management responsibilities. Now the company plans to upgrade the programme, giving participants more opportunities to take on an appropriate job within the Pfeleiderer Group on completion.

Pfeleiderer also supports the development of young people outside the company. Once again, Pfeleiderer sponsored the Federal Young Talent Competition “Young People Research” through a regional partnership during short fiscal 2000.

Research and Development

During short fiscal 2000, the Pfeleiderer Group spent around euro 3.5 million on research and development projects. Basic research and the specific development of proven materials and products has extended know-how among all the Group’s divisions, built up over the years.

Most funding – around euro 1.1 million – went to the Infrastructure Technology division with its segments Rail Traffic, Energy, Telecommunication and Wind Power.

In the Rail Traffic segment, main attention was directed at the further development of the “hard-track” systems technology. Pfeleiderer’s products for this innovative rail technology accounted for an over-proportionate share in sales in the Rail Traffic segment during the reporting period. In order to strengthen its leading position in this segment, new variants of the two types “RHEDA 2000” and “GETRAC” were developed. The “RHEDA 2000” track system is specially developed for high-speed sections – its predecessor, the “RHEDA Berlin” was used on the new Cologne – Rhine/Main ICE stretch. The advantage of this system is the ease with which it can be fitted to different types of sub-construction.

The “Getrac Fixed Track System” aims to improve the life-cycle costs of rail traffic. This technology needs very little maintenance and can be built quickly, giving it important advantages in the maintenance and improving performance in the existing track network.

The Pfeleiderer Group has strengthened its technology and market leadership in its mast segment, too, thanks to new user-oriented solutions. The development of special joining and foundation technology has further increased the universal application of slung concrete masts. This involves specialist know-how in avalanche prevention when building the foundations to anchor masts on steep inclines – for example as supports for transmission aerials.

Pfleiderer has also developed a new mast design for series production. Based on three concrete legs to which billboards can be fixed, this design has already been taken up by an internationally active retail chain.

In Telecommunication, the Group has developed glass fibre reinforced plastic masts (glass fibre masts) in lengths up to 10 metres for use as aerial supports on rooftops. The glass fibre masts are a maintenance-free alternative to normal steel constructions and much easier to fit.

In Wind Power, main attention has been directed towards the Multibrid technology for offshore plants. Multibrid is the world's first systems solution exclusively conceived for offshore wind power generation plants. Using this technology, Pfleiderer is working on a pilot project with a capacity of 5 megawatts.

Pfleiderer is also active in the field of environmental protection, and is currently developing innovative filter technology which can be used to purify water. The development project with the filter system, first started in fiscal 1999/2000, has now been improved through a newly developed granulate and is in series production for aquaria. The ceramic granulate has a varying surface structure which promotes the formation of bacteria, thereby biologically purifying the water. A second stage involving a larger surface area for use with stored water in desert regions is currently being developed as part of a joint research project with the Alexander-von-Humboldt University in Berlin.

Wood-Based Panels is also playing its part in the environmentally responsible use of resources. Together with an institute in Göttingen, Pfleiderer is developing a thermohydrolytic separation method for used wooden materials. This process separates glue from wooden parts which can then be reused in the production process.

Pfleiderer's affiliate Thermopal GmbH & Co. KG also made important progress in the optimisation of its product range during the reporting period. For example, new ranges include metallic-coated chipboards and a new material for worktops which enables seamless fitting and joints.

Active noise insulation is a major area of research and development activity for the Insulation Technology divisions. As part of a long-term European research project, studies are being currently underway to establish how best to eliminate transmission sound waves as an additional measure to insulate against noise.

Environmental and Quality Management: Power from Regenerative Energy

Sustainable environmental protection and high product quality are central to Pfleiderer's corporate philosophy. The Group is making a contribution to environmental protection through efficient use of resources, by innovative product development and production processes, as well as in the way it markets its products and disposes of wastes.

Group-wide certification of Pfleiderer's international environmental and quality management systems are a part of this process. For example, the Doors plants in Mittweida (Saxony) and Oettingen (Bavaria) have been validated according to the UMS Eco Audit Ordinance, with Chipboard Plant No. 3 in Neumarkt (Bavaria) about to be validated. Certification of the insulation plants in Delitzsch (Saxony) and Wesel (North-Rhine Westphalia) according to environmental management system DIN EN ISO 14.001 has also been renewed. Apart from this, the quality management systems of all business units in the Pfleiderer Group have been certified to ISO 9001.

The chipboard plants in Neumarkt and Gütersloh (North-Rhine Westphalia) are outstanding examples of how regenerative energy and resource-friendly production can work. Leftover wood is used for the production of chipboard, while electricity is generated exclusively from biomass. The amended Federal Emissions Ordinance applies to the generators of both plants – this demands compliance with emission levels considerably lower than previous operating levels. The Pfeleiderer Group has also committed itself to applying so-called precautionary levels in relation to dioxin and heavy metal emissions. These levels are 50 percent lower than Federal thresholds laid down in the amended Federal Emissions Ordinance.

In the course of further capacity expansion in its chipboard plant in Rheda (North-Rhine Westphalia), Pfeleiderer plans not only to increase productivity, but also to improve the environmental impact of this site. In a first step, Pfeleiderer intends to erect a higher chimney to further reduce odours, as well as introducing an efficient filter system to separate off dusts. In line with the Neumarkt and Gütersloh plants, a newly conceived energy generation units will be set up based on renewable energy producing electricity from biomass.

Following the enactment of the Biomass Ordinance in March 2001 as an addition to the German Renewable Energies Law, generating power from natural energy sources is not only ecologically meaningful, it has now become economically attractive. Under the new law, electricity produced from biomass is subsidised by 17 Pfennig pre kilowatt hour.

Transparent, relevant and comprehensive information is essential in all environmental matters. Pfeleiderer believes in direct dialogue with political representatives and the general public, initiating and organising environmental discussion forums at its major locations of production.

Pfeleiderer is making greater use of the Internet as a fast information medium for communicating corporate information about the environment. For example, daily emission levels from Chipboard Plant No. 3 in Neumarkt can be seen at www.pfleiderer.com. This services is being continually expanded.

Outlook

With the introduction of a new management and organisation model on August 1, 2000, the Pfeleiderer Group has created the right conditions for sustained qualitative growth. Hard-hitting business units, directed by regions and markets, are now running our daily operations. Not only does this give us greater flexibility, it also ensures we maintain close contact with our markets and customers. The newly created lean management holding ensures that corporate strategy is all embracing, as well as looking after certain cross-functional areas.

Pfeleiderer has become far more streamlined and effective as it faces the competition. This is the result of successfully implementing restructuring and concentration measures which will take full effect during fiscal 2001. These measures have provided ideal conditions for all divisions to participate in further growth – with the potential in some areas very considerable.

With the German market forecast to grow by around 3 percent, and with expanding foreign business, Pfeleiderer's Wood-Based Panels division can expect further improvements in sales and earnings during fiscal 2001. This prognosis is based on targeted capital expenditure to expand capacity in those product areas with higher value added.

In the Doors/Windows division, the decision to concentrate forces has proved right in view of the cooling down of the economy in this segment. The positive effects of concentrating and re-locating door production capacity to three sites, together with some further spending, will make itself felt during the course of fiscal 2001. As a result, Pfeleiderer expects to re-gain market shares, even though demand will continue to slow down.

The Group is also moving in the right direction with its Insulation Technology division, further correcting the slide in earnings in the first half of 2000, with definite growth in sales and earnings forecast for the current fiscal year. Here, Pfeleiderer sees the dynamic growth of international business, especially in Eastern Europe, but also in France, as a hopeful sign. In Germany, too, the amended Heat Insulation Ordinance, which stipulates the use of thicker insulation materials, is expected to result in improvements despite the ongoing weakness of the construction sector.

In Infrastructure Technology, all segments are set for further growth. In the Rail Traffic segment, the company is market and technology leader, and expects to profit further as German Rail increases its capital expenditure activity. Additionally, the expansion of our international activities is creating further sales and earnings.

Meanwhile, Pfeleiderer is well prepared for strong national and international growth in the Telecommunication segment, which will have a decisive share in this development. During the reporting period, the Group extended its lead position as Germany's biggest producer of mobile network transmission masts. It has also made targeted expansion to its service and engineering products, as well as intensifying its international activities. In view of this, Pfeleiderer expects sustained positive growth in this segment, and is forecasting a 50 percent sales increase to around euro 80 million in fiscal 2001.

In the Wind Power segment, the Pfeleiderer Group is establishing itself on the market as a producer of turnkey wind power generation plants – in both the onshore and offshore fields. Over the medium term, the company expects dynamic growth in business in both areas. Regarding the onshore market, Pfeleiderer intends to increase sales to around euro 160 million by 2004, particularly by vigorously expanding its international business.

Following successful prototype testing and development, the Group is planning to start series production of offshore generators by 2004.

In the Energy segment, the US market offers good prospects. Deregulation of electricity will result in a continued increase in demand for steel and concrete power grid masts. By extending its existing production capacity in the South and South-East of the USA, as well as the planned erection of a new concrete mast plant in California, the Pfeleiderer Group is excellently positioned to make optimal use of this potential.

In view of these opportunities, Pfeleiderer expects Group earnings of at least euro 50 million in current fiscal 2001. This prognosis is based on the Group's determined efforts to steer towards more qualitative growth. This is being achieved through a new organisational structure, together with successful restructuring and concentration measures, which are already making a sustained improvement to the Group's competitive ability.

THE PFLEIDERER SHARE

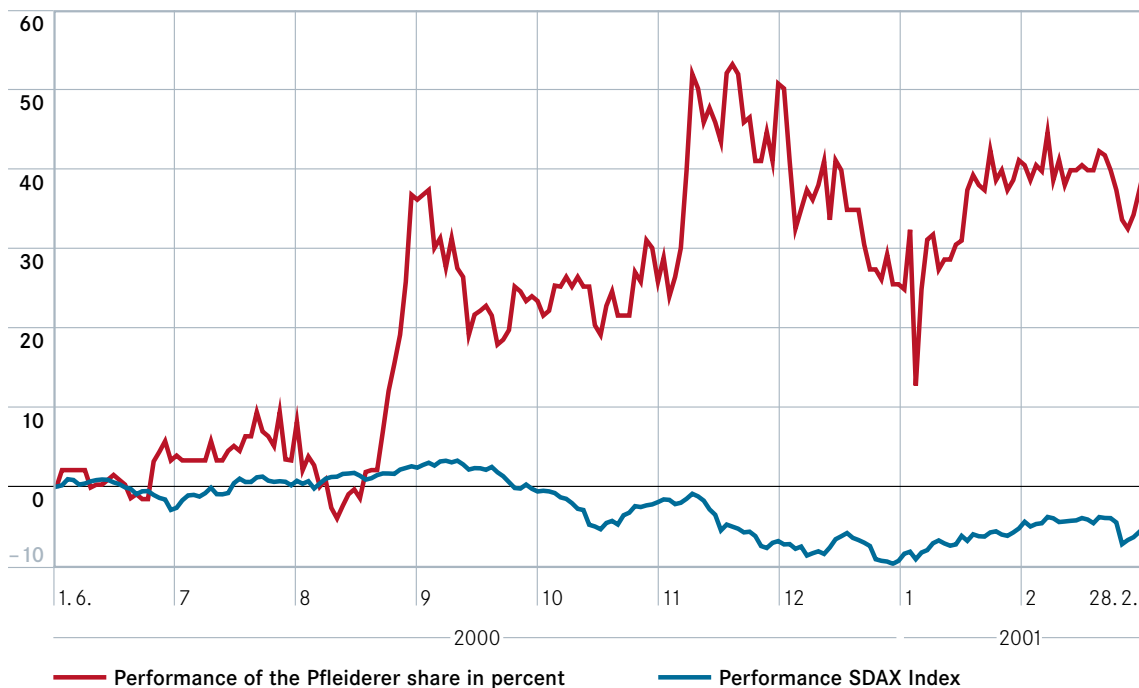
- GREATLY IMPROVED PERFORMANCE
- SHARE PRICE UP BY 25 PERCENT
- INVESTOR RELATIONS STRENGTHENED

The Pfeleiderer share moved positively during short fiscal 2000. On June 1, 2000 the share was being traded at euro 8.0, moving up to euro 10.00 by the last day of trading of the fiscal year on December 29, 2000. This corresponds to a 25 percent increase in price.

While the Pfeleiderer share was still standing in the shadow of the booming New Market section of the Frankfurt exchange during the first half of 2000, it later managed to liberate itself from the generally weak trading pattern in the second half, finishing the year well. This is borne out by looking at the SDAX index of the German exchange where the Pfeleiderer share is traded. Calculating performance of the Pfeleiderer share from the start of the short fiscal year 2000 (June 1, 2000) shows an increase of more than

20 percent over the SDAX, which itself performed negatively, down 2 percent during the period (see graph). This overall strengthening in the Pfeleiderer share confirms the Group's policy of rapid restructuring. It is also the pay-off for Pfeleiderer's hard-nosed new strategy to direct all activities towards value-orientated growth. The Executive Board were able to announce initial successes in this direction in a balance sheet conference in Munich on October 4, where increased earnings were forecast for the next fiscal year. Q1 reports for the short fiscal year 2000 (June 1 to August 31 2000) presented on October 31 confirm this turnaround in hard figures. During this period, Pfeleiderer managed to increase pre-tax earnings by a good 16 percent over the previous year, with sales up 12 percent.

Pfleiderer Share Performance (base: June 1, 2000)



More Investor Relations Activities

Continued stable growth in the price of the Pfeleiderer share is also an expression of the company's greatly improved communications policy. The Executive Board has not only managed to inform the public and the capital markets much faster, and in more detail, about current business developments, it has also held in-depth meetings with analysts, investors and financial journalists. The main focus of these meetings has been to communicate the Group's future strategy and new developments in the Telecommunication and Wind Power segments. Within the space of the last short fiscal year, Pfeleiderer held three roadshows, three investors' meetings, two telephone conferences and an analysts' conference. During the first months of the current fiscal year 2001, the company maintained regular contacts with the capital market. For example, during the BAU 2001 trade exhibition in Munich, analysts and investors learned about the latest developments within the Group. In future, Pfeleiderer intends to intensify its contacts with international analysts and investors. Further steps in this direction were taken during a presentation on wind energy, held for the first time at an environmental conference in London. For the current year, Pfeleiderer has planned three roadshows outside Germany in Europe.

DVFA/SG Cash Flow (in euro '000)

	31.12.2000	31.05.2000
Cash flow	88,357	91,198
Minority interests	- 7,351	- 6,130
Cash flow less minority interests	81,006	85,068
DVFA/SG adjustments	- 11,498	36,414
DVFA/SG cash flow	69,508	121,482

Key Share Data (in euro)

	31.12.2000	31.05.2000
Earnings per share ²	0.34	0.37
Price-earning ratio ¹	17.2	22.8
Cash flow per share ²	1.63	2.85
Price-cash flow ratio ¹	3.58	2.96
Dividend per share	0.20	0.30
Dividend yield in % ¹	2.0	5.1
High	12.89	12.65
Low	7.80	9.95
Price at year end	10.00	8.45
Exchange capitalisation in euro million ¹	426.8	360.7
Number of shares in million	42,685	42,685

¹ Based on price at end of fiscal year

² DVFA/SG figures

DVFA/SG Results (in euro '000)

	31.12.2000	31.05.2000
Net income	23,481	- 8,584
Minority interests	- 7,351	- 6,130
Net income less minority interests	16,130	- 14,714
Elimination of extraordinary items	- 7,060	34,450
Tax-effective adjustments	9,106	1,646
Tax-neutral adjustments	- 3,760	- 5,696
DVFA/SG earnings after adjustment for goodwill	14,416	15,686

Proposed Dividend of euro 0.20 per Share

The Executive Board and the Supervisory Board of Pfeleiderer AG will propose at the General Meeting on July 10, 2001 to pay a dividend of euro 0.20 per share. No tax coupon will be issued as the dividend will be paid from non-taxed net equity.

WOOD-BASED PANELS



INDUSTRIAL PRODUCTION AND NATURE CONSERVATION ARE NOT CONTRADICTIONS IN TERMS FOR OUR WOOD-BASED PANELS OPERATIONS. BECAUSE PFLEIDERER USES WOOD OBTAINED FROM FOREST THINNING OPERATIONS FOR ITS PRODUCTS, HELPING TO ALLEVIATE CO₂ EMISSIONS. BECAUSE WE USE RECYCLED WOOD AND USED FURNITURE, CREATING REAL MATERIAL CYCLES. BECAUSE OUR ENERGY-INTENSIVE PRODUCTION PROCESSES ARE NOT AT THE EXPENSE OF THE ENVIRONMENT – PFLEIDERER COVERS ALL ITS ENERGY NEEDS FROM BIOMASS FUELS. WITH THE ADDED ADVANTAGE OF GREATLY REDUCING ENERGY COSTS.

WE'RE PUTTING ALL OUR ENERGY INTO IT.



SUSTAINABILITY



AND SAVING ENERGY, TOO.

WOOD-BASED PANELS

■ SALES AND EARNINGS GREATLY IMPROVED

■ DYNAMIC GROWTH IN BUSINESS IN EASTERN EUROPE

■ FURTHER IMPROVEMENTS IN SALES AND EARNINGS TARGETED

Intensive competition is the most apt description of the conditions under which the Wood-Based Panels division operated during the short fiscal 2000, with market growth running at a good two percent. At the same time, there was a noticeable trend towards better prices, a development that made itself felt in the first half of 2000, and continued as the year progressed.

This, then, was the environment in which the Pfeleiderer Group strengthened its lead position in the strongest growth regions of central Europe. At the same time, the Group stabilized its market share in Germany at over 20 percent.

With uptake lively, sales increased by 12.5 percent to euro 455.5 million compared to the same period last year. More than half of sales (51 percent) came from foreign business. Earnings before interest, tax, depreciation and amortization (EBITDA) improved by euro 38.5 million to euro 75.2 million, while earnings before interest and taxes (EBIT) quadrupled, rising from euro 11.6 million to euro 48.0 million.

Market Leadership in Poland Extended

This welcome development confirms Pfeleiderer's strategy of targeted capital expenditure in international growth markets. With capacity running at full speed and productivity up, our two Polish sites of Grajewo and Prospan reported sales of euro 113.6 million. By way of comparison: in the whole of fiscal 1999/2000 Pfeleiderer's chipboard plants reported sales of euro 130.4 million. This surge has been accompanied by above-average market growth of 5 percent and better price levels. Pfeleiderer exploited these conditions and further bolstered its market leadership in Poland. By

streamlining its organisation – for example, by centralising administration – the Group has also created the structural conditions for qualitative growth in future.

This fact aside, Pfeleiderer has succeeded in continually increasing the percentage of its products with high value added. For example, the company is profiting from above-average growth in the office and shop-outfitting segment, which increased in 2000 by 3.7 percent – outstripping the market as a whole.

This is the target market for Pfeleiderer's surface-treated boards and HPL elements. Similar successes were achieved with Duropal brand HPL elements produced at Arnsberg in North-Rhine Westphalia and with Thermopal Dekorplatte GmbH & Co, KG in Leutkirch.

This 100-percent affiliate of Pfeleiderer specialises in decorative surfaces, and has strengthened its lead position on the market, contributing euro 60.6 million to Group sales overall.

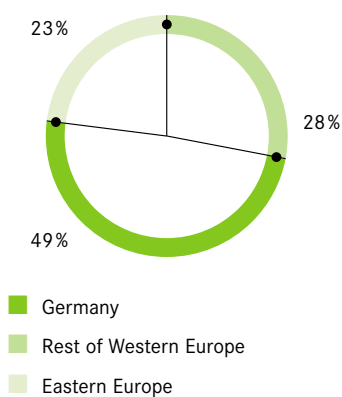
Concentration Completed Successfully

Pfleiderer undertook major restructuring during the reporting period in the Wood-Based Panels division.

With effect from August 30, the company sold its 50-percent holding in the French chipboard producer Pannovosges S.A. to the Swiss HIAG Group, previously the other partner in this joint venture. At the same time, Pfleiderer's presence on the French market has been lent further weight by the setting up of a local sales and marketing organisation. In this move, Pfleiderer is placing particular emphasis on its Thermopal and Duropal brand products.

Production was terminated at Peiting (Bavaria) on schedule at the end of 2000, with production of direct-coated panels now concentrated at Neumarkt (Bavaria) and Gütersloh (North-Rhine Westphalia) – a move that further increases capacity utilization in these plants. By selling our component production in Peiting to Grotex-Holzwerkstoffe around 55 jobs could be saved.

In revaluing the joint venture with the Austrian company Franz Binder Ges.m.b.H., Pfleiderer has made extensive provisions in its balance sheet to strengthen profitability. The joint venture, started in April 2000 to produce and market MDF boards, has not lived up to sales and earnings expectations. In revaluing this position, Pfleiderer has set course for a possible strategic repositioning in this high-growth product segment.



Distribution of Sales for Wood-Based Panels division, by region

Further Plant Optimisation Measures Planned

During the current year, Pfleiderer plans to implement major measures with the goal of further optimising production. One particular aspect of this will be to increase the capacities of those product areas with higher value added.

In the autumn of 2001, a new CPL pressing machine will start up in Arnsberg. This machine can manufacture HPL products in continuous production. The CPL press offers a high level of economy and productivity compared to more traditional pressing machinery. Another advantage of this new machine is its ability to produce HPL in a new format, opening the way to new markets and product segments.

Pfleiderer is also planning an investment programme at the Leutkirch plant to extend production capacity, thus making a sustained improvement to the competitive ability of the Thermopal affiliate overall.

Pfleiderer is also planning to boost capacity of its Rheda chipboard plant (North-Rhine Westphalia). Part of this will include modernisations to improve the environmental situation, as well as a new energy generation unit which will produce power from renewable energy sources – in this case biomass. This move has been stimulated by the new combined heat-power plants in Neumarkt and Gütersloh. The latter unit went on stream during short fiscal 2000.

Bearing these target investments in mind, with market growth forecast at around 3 percent, Pfleiderer expects further improvements in sales and earnings in its Wood-Based Panels division during fiscal 2001.

DOORS/WINDOWS

SECURITY

SECURITY CREATES TRUST, AND TRUST MUST BE EARNED. WITH PRODUCTS THAT MEET THE MOST DEMANDING REQUIREMENTS, AND SERVICE WHICH PLACES RELIABILITY AT THE TOP OF THE LIST. PFLEIDERER'S DOORS AND WINDOWS LIVE UP TO THIS CHALLENGE, SATISFYING EVERY POSSIBLE NEED. LIKE OUR INTERIOR DOORS, DESIGNED TO MEET THE MOST DISCERNING INDIVIDUAL TASTES. OR OUR ANTI-BURGLAR FIRE-RESISTANT AND SOUND-PROOF DOORS. FOR YOUR PERSONAL SECURITY. ACCOMPANIED BY THE SORT OF SERVICE AND SUPPLY QUALITY YOU WOULD EXPECT FROM A RELIABLE PARTNER. THAT'S A PROMISE.

ONE THING WE'RE CERTAIN ABOUT.



RELIABILITY.

DOORS / WINDOWS

■ WEAKER CONSTRUCTION SECTOR AFFECTS SALES AND EARNINGS

■ CONCENTRATION MEASURES SLOWLY TAKING EFFECT

■ GOAL TO REGAIN MARKET SHARE

Growth in the Doors and Windows division was greatly impeded by the continuing slackness of the German construction sector during the reporting period. These poor operating conditions became exacerbated in the last few months of 2000. The level of building permission for private housing was 25 percent lower, with demand down by 15 percent overall compared to the previous year. Seen more closely, the building sector in the new Federal states in the East had a fall in sales of 12.2 percent, comparing unfavourably against the downturn in the old Federal states of -2.4 percent. Similarly, the renovations market, which had created some positive drive during fiscal 1999/2000, also stagnated. The commercial building segment in the old Federal states was the only area showing positive growth. This naturally had an effect on our doors and windows business, operating in an environment marked by intensive competition and over-capacity - leading in turn to pressure on prices.

Bearing this in mind, Pfleiderer managed to maintain its lead as Germany's biggest producer of doors by far, and one of the most important national producers of windows. At the same time, the company reported a downturn in sales of euro 28.4 million to euro 106.4 million in short fiscal year 2000, compared to the same period last year. Windows contributed euro 15.6 million to sales, thus remaining stable compared to the previous year (euro 17.9 million) despite such difficult market conditions.

Earnings before interest, tax, depreciation and amortization (EBITDA) fell from euro 8.4 million to euro 0.6 million, with earnings before interest and tax (EBIT) down from euro 4.6 million to minus euro 2.8 million.

Restructuring to Take Effect by the End of 2001

In assessing these results, it should be remembered that restructuring measures introduced during the reporting period will only start to take effect towards the end of the current fiscal 2001.

In foreseeing a fall in demand, Pfleiderer concentrated its forces in good time, with ranges streamlined considerably and door production now cut back to three locations. These tough measures will set us on course for qualitative growth in future.

Following the scheduled closure of the doors plant in Gütersloh on 31.12.2000, concentration and reallocation of capacity to the three sites of Oettingen (Bavaria), Mittweida (Saxony) and Lenti (Hungary) is expected to be completed during the course of 2001.

Each of these three plants has a different production role to play: in Mittweida, doorframes will be manufactured, as well as this site housing our new logistics center. In Oettingen, Pfleiderer will be producing industrial and special doors, while Lenti will take over production of standard doors.

Pfleiderer is combining these far-reaching optimisation measures with tighter cost budgeting, at the same time strengthening its top end door business by investing specifically in products with higher value added. The BAU 2001 trade show in Munich saw this new policy put into action for the first time, with Pfleiderer showing a much broader range of special fire-resistant doors for construction sites, a range that is expected to generate more sales and earnings over the medium term.

Big Improvement in Service Quality

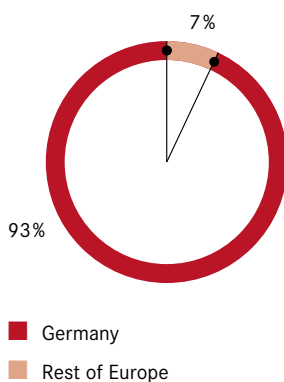
Despite the weak state of construction and a further slide in demand expected, Pfleiderer intends to regain market shares in fiscal 2001. Greater cost efficiency and higher-performing structures will help to make a sustained improvement to the unsatisfactory earnings position in the Doors/Windows division.

This outlook is based on the effects of restructuring which the company will start to feel during the current fiscal year. This will be matched by greater production flexibility and a big improvement in order processing. Supply and service quality in the Doors segment had been partially impaired during concentration and the relocating of production capacity to the three locations mentioned. Delays in commissioning the high-bay warehouse in Mittweida also caused problems with order processing. These initial difficulties have now been solved and measures to increase

the competitive ability of the Group almost completed – this means that we can now provide customers with the optimal service they expect and deserve.

Another part of Pfleiderer's strategy has been to strengthen its marketing activities. This has involved re-locating a team of specialists, previously part of the HQ central marketing function, to provide the trade with the greater depth of consulting in door products that it needs. At the same time, the company expects its proven WIRUS® and MORALT® brands to play a leading part in this offensive. Both products are highly regarded by the industry and by tradesmen and architects alike.

In the Windows segment, too, Pfleiderer is making great efforts to improve the quality of its marketing and services, creating conditions which will enable it to profit as a producer of plastic windows as demand moves in this direction. The market share of wooden windows is decreasingly annually by around 2 to 3 percent.



Distribution of Sales for Doors/Windows division, by region



EFFICIENCY

WE WORK STRAIGHT TOWARDS ONE GOAL.



A woman with short dark hair, wearing a purple button-down shirt, is sitting at a desk. She is looking up and to the right with a slight smile, holding a stack of white papers. The background is a large window with a view of a city skyline under a blue sky.

THAT'S THE MOST EFFICIENT WAY.

ENERGY IS PRECIOUS. THAT'S WHY WE USE IT IN WELL-AIMED PORTIONS AND DON'T WASTE IT MEANINGLESSLY. THAT NOT ONLY APPLIES TO THE ENERGY OF OUR EMPLOYEES, IT ALSO APPLIES TO HOW WE APPROACH THE NATURAL RESOURCES OF OUR PLANET. PFLEIDERER'S INSULATION MATERIALS ENSURE THAT ENERGY IS NOT WASTED UNNECESSARILY BY HELPING REDUCE ITS CONSUMPTION. THROUGH SOLUTIONS THAT WORK WHERE THEY ARE BEST APPLIED. WHETHER IN ROOFS, WALLS OR FLOORING – OUR PRODUCTS ALSO PROVIDE FIRE-PROTECTION AND SOUND INSULATION. THAT'S EFFICIENCY.

INSULATION TECHNOLOGY

INSULATION TECHNOLOGY

■ WEAK GERMAN CONSTRUCTION SECTOR AFFECTS RESULTS

■ FOREIGN BUSINESS MARKEDLY BETTER

■ OUTLOOK – STRONG INCREASES IN SALES AND EARNINGS

During short fiscal 2000, the market environment for the Insulation Technology division was marked by diverging trends. While the construction sector in Germany experienced a further downturn, leading to over-capacity and affecting growth, demand in Western, and particularly Eastern, Europe continued to improve. Pfeleiderer is excellently positioned in this growth region with four production sites and is profiting from this development. Nevertheless, successful foreign business could not compensate for weaker demand in Germany compared to the same period last year.

During the reporting period, Pfeleiderer recorded a decline in sales from euro 127.4 million to euro 111.1 million. This downturn is also due to the closure of the insulation plant in Hamburg, which previously contributed euro 10.3 million to sales in the year before. Earnings before interest, tax, depreciation and amortization (EBITDA) fell by euro 3.9 million to euro 12.7 million while earnings before interest and tax (EBIT) were down from euro 5.3 million to 0.8 million. However comparison with the whole of fiscal 1999/2000 (June 1 to May 31) shows that Pfeleiderer is on the right road to correcting this dip in earnings. As of May 31 1999, the company had a negative EBIT of 4.2 million.

This positive turnaround is also the result of measures introduced in April 2000 to concentrate production and optimise locations. By closing the insulation plant in Hamburg, Pfeleiderer withdrew over-capacity from the market as a logical answer to the poor construction sector economy in Germany.

Internationalisation Speeds up Dynamically

More than half of Pfeleiderer's sales – 55 percent – comes from outside Germany. By way of comparison: during fiscal 1999/2000 foreign sales accounted for 45 percent. This increase is largely due to higher productivity in the company's East European plants. With its plants in Tschudowo (Russia), Salgótarján (Hungary) and Novo mesto (Slovenia), Pfeleiderer is market leader in regions now enjoying above average market growth.

Russia, above all, offers the Group excellent perspectives, with a forecast market share of 15 percent. Pfeleiderer is the only well-known producer of glass wool in Russia and it intends to build on this lead. In 2002, the company is planning a large extension to its production plant in Tschudowo.

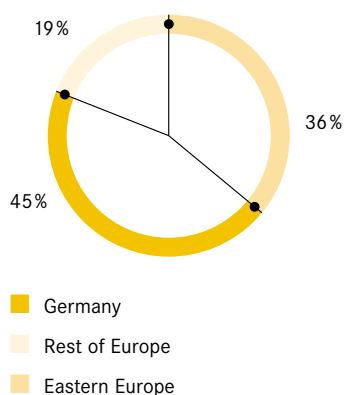
In Poland, Pfeleiderer has stabilised its position as one of the leading suppliers of insulation material. Following the successful start to production in 1999 in Dabrowa Gornicza (near Katowice), the company has increased productivity during the reporting period, with sales in Poland moving strongly upwards. Pfeleiderer plans to extend this capacity by 30 percent during 2001, thus creating the means to exploit this potential market expansion. Poland is a market with 40 million inhabitants, with a 5 percent annual growth in demand for insulation materials. Pfeleiderer

is already serving the markets in the Czech Republic and Slovakia from Dabrowa Gornicza, and now plans to enter the Ukrainian market.

It is also planned to extend the capacity of the Salgótarján site. Here Pfeleiderer will be expanding production capacity by 20 percent from 2002 in order to cover demand which is rising at a stable 5 percent, as well as enabling us to serve the Rumanian market.

In Western Europe, the Group has strengthened its capacity in the Desselgem plant (Belgium) three-fold. The good location of this plant offers ideal conditions for efficiently supplying the French market and Benelux regions. Forecasts for these regions see demand increasing annually by 6 percent, with equally good opportunity for growth.

In Germany, Pfeleiderer has undertaken vigorous measures to optimise its plants, in particular investing in further modernisation. The regular maintenance of the melting bath in Delitzsch was seen as an opportunity to improve quality assurance and environmental protection. The new bath has been fitted with a special filter unit, resulting in statutory emission levels being undercut by an average 80 percent. The company is also greatly reducing its energy consumption through an electric heater unit, which has the added advantage of not producing pollutants.



Distribution of sales for Insulation Technology division, by region

Higher Sales and Earnings Forecast for Fiscal 2001

In view of further dynamic international growth in business – also being driven by the EU Fire-Protection Directive – Pfeleiderer expects strong increases in sales and earnings in the Insulation Technology division during current fiscal 2001. Despite continued weakness in the construction sector, over the medium term, Pfeleiderer expects to profit in Germany from the amended Heat Insulation Law which stipulates thicker insulation materials.

Existing disputes over patent rights with competitors were resolved out of court during short fiscal 2000.



RESPONSIBILITY

INFRASTRUCTURE TECHNOLOGY

WE'RE A COMPANY WITH FUTURE.



THAT'S WHY THE FUTURE'S SO IMPORTANT FOR US.

ACTING RESPONSIBLY MEANS THINKING ABOUT THE FUTURE AND COMING GENERATIONS. PFLEIDERER'S INNOVATIVE TECHNOLOGY AND COMPREHENSIVE SERVICES HELP CONSERVE THE ENVIRONMENT FOR THE DECADES AHEAD. FOR EXAMPLE, THROUGH WIND POWER GENERATORS WHICH USE NATURE'S OWN ENERGY, REDUCE ENVIRONMENTAL POLLUTION AND SAVE RESOURCES. OR NEW RAIL SLEEPER SYSTEMS MAKING RAIL TRAFFIC MORE ATTRACTIVE AND THUS GREATLY REDUCING HARMFUL EMISSIONS. OR THE PROVISION OF FULL-SCALE INFRASTRUCTURE SERVICES FOR MODERN MOBILE NETWORKS. BECAUSE THE FUTURE DEPENDS ON COMMUNICATION.

INFRASTRUCTURE TECHNOLOGY

■ EARNINGS HIT BY FALL IN DEMAND IN RAIL TRAFFIC SEGMENT AND DIVESTITURE

■ ENERGY SEGMENT CONTINUES TO GROW

■ DYNAMIC INCREASE IN SALES AND EARNINGS EXPECTED

Figures for the Infrastructure Technology division can only be partly compared with those of the previous period – the second half of 1999 brought record results – whereas this period has been affected by the divestiture of Katz Werke GmbH and weak demand in the Rail Traffic segment. Sales fell by euro 6.0 million to euro 159.1 million despite positive growth recorded in the Energy segment. EBITDA was down from euro 35.1 million to euro 26.0 million, while EBIT declined by euro 8.9 million to euro 21.0 million.

However, Pfeleiderer still expects dynamic growth in sales and earnings in the Infrastructure Technology division. As technology and market leader, the Group will profit from the healthy renewal of investment activity by German Rail, as well as profiting from the considerable potential offered by its Telecommunication and Wind Power segments.

In the Rail Traffic segment, Pfeleiderer recorded sales of euro 39.8 million in short fiscal 2000. This corresponds to a decline of 21.7 percent compared to the same period last year. However, it should be remembered that Pfeleiderer experienced above-average high demand in 1999 from German Rail, while capital expenditure by this customer was considerably down in the reporting period.

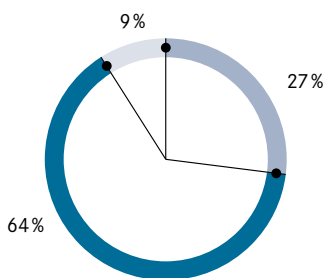
Despite these somewhat unfavourable conditions, Pfeleiderer strengthened its leading position as the biggest producer of concrete sleepers in Europe, at the same time extending its technology leadership through innovative systems concepts and modules. In Germany, the company remains involved in major track projects for new stretches and extensions to the existing network carried out by German Rail and its project companies. During the reporting period Pfeleiderer managed to establish itself as the systems manufacturer for hard-track surface technology. This ballast-free and nearly maintenance-free track system is used on the new ICE stretch Cologne – Rhine/Main and on the stretch Leipzig – Halle. The latter link was fitted with a dual-block sleeper system developed and patented by Pfeleiderer.

A stretch of the new RHEDA 2000 hard-track streetcar system – another innovative development by Pfeleiderer engineers – has been constructed as a working prototype and is proving highly successful. This reference project means that Pfeleiderer has a good chance in becoming a major supplier of pioneering track systems for the construction of the Nürnberg – Ingolstadt link.

Pfeleiderer greatly reinforced its international business during the reporting period. In Spain, the Group is profiting from the fast-moving extension to high-speed links currently under way, for example the Madrid-Barcelona section, and links to the French border. As rising demand is expected in future, Pfeleiderer is expanding production capacity at its Constanti plant in 2001.

Following an order for 300,000 sleepers from Rumania, the Group is also planning to set up a joint venture in that country, with a view to building a production plant to take up demand on that market.

Expansion of international business is not the only reason why Pfeleiderer expects above-average growth in the Rail Traffic segment over the coming years. In Germany, too, all signs point once again to growth. German Rail intends to heavily increase its capital expenditure – particularly with regard to track maintenance, in turn increasing demand for concrete sleepers. Pfeleiderer is ready for this and is enlarging its production capacity at Langen (Rhine-Main) through a new track sleeper unit. Production in the new unit is planned to start in August 2001. This strategic move places Pfeleiderer in an ideal position to make the best in the regional shift in demand. The focus of investment, with large amounts of money previously spent on the sleeper market in the North and East of Germany, is now shifting towards the South-West and the Rhine-Main link. Apart from our new production unit in Langen, our Gernsbach site (in Baden-Württemberg) means that the concrete sleepers, which are sensitive to being transported, only have to be moved short distances.



- Germany
- Rest of Europe
- USA

Distribution of sales for Infrastructure Technology division, by region

Business remains stable in Pfeleiderer's **Telecommunication** division. During the reporting period, sales of euro 30.2 million were recorded, nearly reaching the previous year's level (euro 30.3 million). Pfeleiderer has profited from the award of the UMTS licences, above all as a result of initial capital expenditure which mobile network providers are putting into their infrastructures. On the other hand, the construction and expansion of existing GSM networks has temporarily slowed.

Nevertheless, during short fiscal 2000 Pfeleiderer continued to build on its lead position as Germany's biggest producer of mobile network transmission masts. Pfeleiderer has also carefully expanded its service and engineering products. As a general contractor, Pfeleiderer now offers full turnkey services for the construction of UMTS and GSM networks. This range of services includes acquiring sites and the complete construction of mobile network transmission stations, as well as network planning and the setting up and commissioning of systems technology. Pfeleiderer also offers this breadth of service in the field of professional mobile radio (PMR) and wireless local loop technology. Wireless local loop is a special fixed-line network access technology, which connects language and data communication with data networks using directed radio relay between large commercial buildings.

During the reporting period, Pfeleiderer considerably expanded its branch network in a policy aiming at closer customer orientation. The Group now has seven service units throughout Germany.

Internationally, too, Pfeleiderer intensified its business activities. In Poland, an important growth market for telecommunication, the Group is also providing turnkey services for the construction of mobile networks, alongside its transmission mast business. The service unit in France has also been strengthened, with mast business expanding. And for the first time, Pfeleiderer is represented in Turkey. Here, Pfeleiderer hopes to utilize the large potential in the

field of mobile networks through its complete turnkey services. Initial contracts with systems technology producers have already been signed. Pfeleiderer also plans to enter the Spanish market with a local branch during 2001. Here, Pfeleiderer will be providing a wide range of engineering services, as well as transmission masts.

Through the creation of six new UMTS mobile networks and the expansion and conversion of the existing GSM infrastructure, Pfeleiderer expects to nearly double the number of its sites in Germany from 45,000 to around 80,000 by 2005. Internationally, the awarding of around 60 UMTS licences in Europe alone by the year 2002 will lead to a dynamic increase in investment activity in mobile network infrastructure. In view of this, and the increasingly international nature of its business, Pfeleiderer expects its Telecommunication segment to experience sustained growth. The company expects an increase in sales of around 50 percent to some euro 80 million in 2001. This prognosis is based on outline agreements for turnkey services that Pfeleiderer has already signed with leading mobile network providers and manufacturers of systems technology.

In the **Energy** segment, the Pfeleiderer Group experienced positive business, with sales up by around 6 percent to euro 89.1 million during short fiscal 2000. A decisive part of this has come from concrete and steel power grid masts in the USA, as well as from wind power.

Market for Wind Power Continues to Boom

With an installed capacity of around 6,100 megawatt, Germany remains the world's biggest wind power market in the world. In 2000 alone, 1,665 megawatt was newly installed in Germany – more than ever before. As a result, around 2 percent of total energy generation in Germany comes from wind power. Nor does the boom appear to be ending. Experts have forecast an average market growth of over 15 percent over the next few years. Seen internationally, the total amount of power generated from renewable energy sources is expected to reach even higher rates of growth. Installed capacity in the USA is predicted to rise annually by 20 percent up to 2004, while in Europe experts are forecasting 25 percent increases, and in China as much as 40 percent.

Pfeleiderer will be participating heavily in this enormous growth potential. As the world's leading producer of wind power towers, Pfeleiderer has created conditions during the reporting period so that it can now enter the market as a manufacturer of complete wind power generator plants – both for onshore, as well as for offshore production at sea.

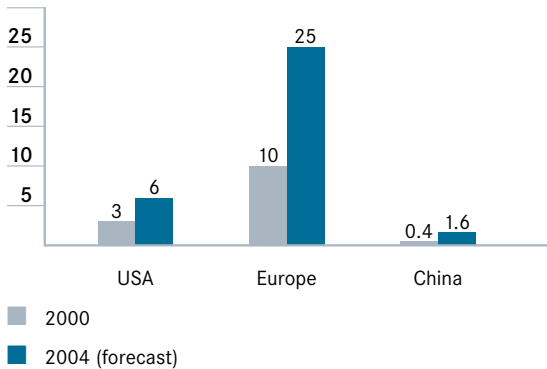
Following the takeover of the Austrian Windtec Anlagenerrichtungs- und Consulting GmbH in the summer of 2000, Pfeleiderer has secured all patents, licences and proprietary rights for the pioneering Multibrud technology from aerodyn Engineering GmbH, Rendsburg. Multibrud is the world's first systems solution conceived solely for onshore plants. Following a successful development and testing phase, Pfeleiderer will be erecting a Multibrud prototype in 2002. It then hopes to go into series production with offshore plants by 2004.

Over the medium term, offshore wind power generators are expected to make an increasing contribution towards installed generation capacity in Europe. The market volume for offshore plants is calculated to be between euro 10 to euro 15 billion up to the year 2010.

Wind Power a Growth Market

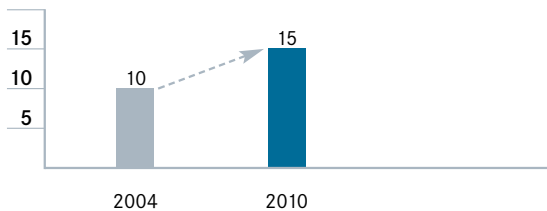
Onshore – installed capacity

(in '000 megawatt)



Offshore – installed capacity

(in '000 megawatt)



The Pfleiderer Group intends to produce onshore plants with capacities of 600 kilowatt and 1.5 megawatt, increasing sales to around euro 160 million by the year 2004. International business is being particularly targeted for expansion. The European markets aimed at are Spain, Italy, Greece and Turkey, with initial market appearances in the USA and Asia also planned.

In order to better deal in commercial terms with the future size of the wind power segment, Pfleiderer has decided to bundle all its future activities in this area under one roof in the form of a 100-percent affiliate, Pfleiderer Wind Energy AG.

USA an Expanding Market

In the USA, the market for concrete and steel power grid masts continues to grow dynamically. Deregulation of the US power grid is leading to a sustained increase in demand. These are the conditions in which Pfleiderer increased sales in the USA by a good 16 percent to around euro 42.5 million. All five concrete mast production plants in the southeast of the USA are running at full capacity.

In order to be ready to cover a further increase in demand, the Group has increased production capacity by 25 percent in plants involved in concrete masts. Additionally, steel mast production plant in Dallas, Texas has been extended. Pfleiderer expects to profit from these investments during current fiscal 2001.

Having gained access to the market in the South and South-East of the USA, Pfleiderer is now aiming to hit the South-West – a growth region for energy distribution. This year, the Group starts construction on a concrete mast plant in Barstow in California.

The German market for concrete and steel masts for the electricity power grid continued to decline in short fiscal 2000. This is the result of an ongoing process of concentration in the energy supply industry. Over the medium term, Pfleiderer sees stable business growth in this product segment, especially in view of the investments needed to maintain the power distribution network.

Pfleiderer managed to boost results yet again in the advertising and street lighting mast segment, further extending its market leadership in Germany.

Pfleiderer continues to strengthen its international business particularly with regard to street lighting masts, and following Austria, has now entered the French market. In Germany, the company expects strong growth from the floodlight mast segment and will profit from extensive investments being made over the coming years in Germany in the run-up to the Football World Cup in 2006.

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Assets	Notes	31.12.2000 '000 euro	31.05.2000 '000 euro
Assets			
Intangible assets		89,929	52,072
Tangible assets		594,632	656,819
Financial assets		5,480	42,860
	(1)	690,041	751,751
Current assets			
Inventories		171,067	175,842
Receivables and other assets		286,159	283,018
Other securities		4,314	2
Checks, cash and bank balances		30,110	36,937
	(2)	491,650	495,799
Prepaid expenses	(3)	3,891	2,348
		1,185,582	1,249,898
Equity and liabilities			
	Notes	31.12.2000 '000 euro	31.05.2000 '000 euro
Equity			
Subscribed capital		109,274	109,274
Capital reserves		29,347	60,611
Earnings reserves		29,239	3,619
Consolidated balance sheet result		18,397	29,786
Minority interests		37,145	41,390
	(4)	223,402	244,680
Accruals			
Accruals for pensions and similar obligations		55,247	58,154
Other accruals		121,907	137,329
	(5)	177,154	195,483
Liabilities			
Financial debt		573,082	646,294
Other liabilities		211,069	161,394
	(6)	784,151	807,688
Deferred income		875	2,047
		1,185,582	1,249,898

	Notes	1.6.–31.12.00 '000 euro	1999/2000 '000 euro
Sales	(10)	830,350	1,437,800
Increase/decrease in finished goods, inventories and work in progress		– 4,843	12,827
Own work capitalized		3,242	4,824
Total		828,749	1,455,451
Other operating income	(11)	23,804	28,162
Cost of materials	(12)	– 433,068	– 776,838
Personnel expenses	(13)	– 192,940	– 339,412
Depreciation on tangible and intangible assets	(14)	– 51,715	– 93,202
Other operating expenses	(15)	– 117,537	– 196,265
		57,293	77,896
Results from investments and associated companies	(16)	– 2,038	– 3,470
Income from other investments and lending of financial assets		23	419
Other interest and similar income	(17)	2,922	5,460
Depreciation on financial assets and short term investments		0	– 2,287
Interest and similar expenses	(17)	– 26,992	– 40,579
Financial results		– 26,085	– 40,457
Results from ordinary business activities		31,208	37,439
Extraordinary income	(18/19)	7,060	– 34,450
Taxes on income	(20)	– 14,787	– 11,573
Net income		23,481	– 8,584
Minority interests in profits		9,447	6,130

	1. 6. 2000 – 31. 12. 2000 '000 euro	1. 6. 1999 – 31. 5. 2000 '000 euro
EBIT	55,278	72,138
Interest	– 24,070	– 34,699
Extraordinary loss	7,060	– 34,450
Taxes on income	– 14,787	– 11,573
Loss on year	23,481	– 8,584
Depreciation on assets	64,549	97,637
Changes in accruals for pensions	327	2,145
Cash flow	88,357	91,198
Decrease (previous year: increase) in accruals	– 14,058	47,881
Expenses and income having no effect on solvency	2,353	3,552
Profits from disposal of assets	– 19,467	– 861
Decrease (previous year: increase) in inventories	2,290	– 16,299
Increase in receivables	– 24,273	– 27,073
Decrease in liabilities	– 29,012	– 17,683
Changes in other assets and liabilities	– 2,722	3,053
Cash flow – from current activities	– 84,889	– 7,460
Disposal of tangible assets	75,136	18,896
Payments for investments in tangible assets	– 54,270	– 131,126
Disposal of intangible assets	506	350
Payments for investments in intangible assets	– 2,124	– 9,073
Disposal of financial assets	23,438	651
Payments for investment in financial assets	– 1,298	– 22,426
Income from disposal of assets	11,739	861
Payments for the acquisition of consolidated companies	– 1,752	– 52,497
Receipts from the disposal of consolidated companies	12,663	–
Exchange-rate related changes in assets	– 5,148	– 3,527
Cash flow – from investment activities	58,890	– 190,837
Dividend payments by Pfeleiderer AG	– 3,787	– 26,189
Payment to improve exchange rate ratio	–	– 418
Dividend payments to minority interests	– 5,889	– 1,300
Cash inflows from loans	12,175	181,288
Cash outflow for repayment of loans	– 67,815	– 33,267
Cash flow – from financial activities	– 65,316	120,114
Changes to financial fund having an effect on solvency	– 2,958	13,015
Amounts as of start of fiscal year	36,937	16,645
Additions from initial consolidations and exchange-rate related changes to financial fund	445	7,277
Amounts as of end of fiscal year	34,424	36,937

Additional information

The financial fund comprises amounts shown in the balance sheet under “Checks, cash and bank balances” and “Other securities“. Results from associated companies are shown as expenses and incomes having no effect on solvency.

A total of euro 1,752,000 was paid to acquire fully consolidated companies and minority interests of companies already consolidated. The main effects of changes in the consolidated companies are shown in the annex under III Consolidated Companies.

Development of Consolidated Equity

	Subscribed capital	Capital reserves	Earnings reserves	Consolidated balance sheet profit	Minority interests	Total
	'000 euro	'000 euro	'000 euro	'000 euro	'000 euro	'000 euro
As of 1 June 2000	109,274	60,611	3,619	29,786	41,390	244,680
Dividends of Pfeleiderer AG				- 3,787		- 3,787
Change in investment relations			754		- 7,803	- 7,049
Differences from capital consolidation		- 31,264				- 31,264
Distributions to minority interests					- 5,889	- 5,889
Differences from currency conversion			3,230			3,230
Net income			21,636	- 7,602	9,447	23,481
As of 31 December 2000	109,274	29,347	29,239	18,397	37,145	223,402

At cost

	01.06.2000	Currency conversion	Change in the scope of consolidation	Additions	Disposals	Transfers	31.12.2000
	'000 euro	'000 euro	'000 euro	'000 euro	'000 euro	'000 euro	'000 euro
Intangible assets							
Concessions, trademarks and similar rights and licenses	26,077	121	- 3,588	1,773	575	3,763	27,571
Goodwill	41,765	20	1,632	65,931	31,264	0	78,084
Prepayments	5,006	0	0	50	0	0	5,056
	72,848	141	- 1,956	67,754	31,839	3,763	110,711
Tangible assets							
Land, land right and buildings including buildings on third party land	459,703	2,659	- 4,919	9,099	3,844	1,324	464,022
Machinery and technical equipment	899,639	9,012	- 13,921	16,019	53,168	20,177	877,758
Other equipment, fixtures fittings and equipment	99,310	416	- 1,637	2,585	2,916	351	98,109
Prepayments and construction in progress	89,511	1,175	0	32,566	49,656	- 25,615	47,981
	1,548,163	13,262	- 20,477	60,269	109,584	- 3,763	1,487,870
Financial assets							
Shares in affiliated companies	2,206	0	- 25	487	42	0	2,626
Investments in associated companies	23,094	0	0	0	10,259	0	12,835
Participating rights	156	0	0	115	0	0	271
Loans to companies in which participations are held	20,930	0	0	0	20,930	0	0
Securities held as assets	0	0	4	0	0	0	4
Other loans	1,890	- 7	- 23	1,054	223	0	2,691
	48,276	- 7	- 44	1,656	31,454	0	18,427
	1,669,287	13,396	- 22,477	129,679	172,877	0	1,617,008

Accumulated depreciation

01.06.2000	Currency conversion	Change in the scope of consolidation	Additions	Disposals	Transfers	31.12.2000
'000 euro	'000 euro	'000 euro	'000 euro	'000 euro	'000 euro	'000 euro
16,087	96	- 3,348	2,697	49	0	15,483
4,689	0	1	609	0	0	5,299
0	0	0	0	0	0	0
20,776	96	- 3,347	3,306	49	0	20,782
151,245	683	- 3,114	7,809	139	0	156,484
657,893	4,436	- 13,705	36,123	31,974	0	652,773
80,673	306	- 1,440	4,477	1,568	0	82,448
1,533	0	0	0	0	0	1,533
891,344	5,425	- 18,259	48,409	33,681	0	893,238
0	0	0	0	0	0	0
0	0	0	12,835	0	0	12,835
71	0	0	0	0	0	71
5,304	0	0	0	5,304	0	0
0	0	0	0	0	0	0
41	0	0	0	0	0	41
5,416	0	0	12,835	5,304	0	12,947
917,536	5,521	- 21,606	64,550	39,034	0	926,967

Net book value

31.12.2000	31.05.2000
'000 euro	'000 euro
12,088	9,990
72,785	37,076
5,056	5,006
89,929	52,072
307,538	308,458
224,985	241,746
15,661	18,637
46,448	87,978
594,632	656,819
2,626	2,206
0	23,094
200	85
0	15,626
4	0
2,650	1,849
5,480	42,860
690,041	751,751

Assets	Notes	31.12.2000	31.05.2000
		'000 euro	'000 euro
Assets			
Intangible assets		11,738	9,248
Tangible assets		107	149
Financial assets		375,792	386,205
	(1)	387,637	395,602
Current assets			
Inventories		23	26
Receivables and other assets		287,274	131,039
Checks, cash and bank balances		38,606	20,672
	(2)	325,903	151,737
		713,540	547,339
Equity and liabilities			
	Notes	31.12.2000	31.05.2000
		'000 euro	'000 euro
Equity			
Subscribed capital		109,274	109,274
Capital reserves		201,503	201,503
Earnings reserves		51,129	51,129
Net income		18,397	29,786
	(4)	380,303	391,692
Accruals			
Accruals for pensions and similar obligations		5,611	6,483
Other accruals		16,534	21,136
	(5)	22,145	27,619
Liabilities			
Financial debt		66,580	26,616
Other liabilities		244,512	101,412
	(6)	311,092	128,028
		713,540	547,339

	Notes	1.6.-31.12.00 '000 euro	1999/2000 '000 euro
Income from investments	(16)	0	25,186
Income from profit-and-loss transfer agreements		0	1,114
Income from the lending of financial assets		120	363
		120	26,663
Other interest and similar income	(17)	4,477	9,441
Interest and similar expenses	(17)	- 4,220	- 8,753
Holding performance		377	27,351
Other operating income	(11)	33,068	46,415
Personnel expenses	(13)	- 5,392	- 11,815
Depreciation on intangible and tangible assets	(14)	- 1,086	- 592
Other operating expenses	(15)	- 34,569	- 31,084
Results from ordinary business activities		- 7,602	30,275
Extraordinary result	(19)	0	- 5,271
Taxes on income	(20)	0	- 6,415
Net income		- 7,602	18,589
Profit carried forward		25,999	11,197
Balance sheet profit		18,397	29,786

At cost

	01.06.2000	Additions	Disposals	Transfers	31.12.2000
	'000 euro	'000 euro	'000 euro	'000 euro	'000 euro
Intangible assets					
Concessions, trademarks and similar rights and licenses	4,587	249	0	3,321	8,157
Prepayments	5,139	3,268	0	- 3,321	5,086
	9,726	3,517	0	0	13,243
Tangible assets					
Other equipment, fixtures fittings and equipment	508	47	67	0	488
	508	47	67	0	488
Financial assets					
Shares in affiliated companies	365,850	0	10,432	0	355,418
Loans to affiliated companies	20,286	0	0	0	20,286
Participations	29	26	0	0	55
Other loans	40	0	7	0	33
	386,205	26	10,439	0	375,792
	396,439	3,590	10,506	0	389,523

Accumulated depreciation

01.06.2000	Additions	Disposals	Transfers	31.12.2000
'000 euro	'000 euro	'000 euro	'000 euro	'000 euro
478	1.027	0	0	1,505
0	0	0	0	0
478	1.027	0	0	1,505
359	58	36	0	381
359	58	36	0	381
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
837	1,085	36	0	1,886

Net book value

31.12.2000	31.05.2000
'000 euro	'000 euro
6,652	4,109
5,086	5,139
11,738	9,248
107	149
107	149
355,418	365,850
20,286	20,286
55	29
33	40
375,792	386,205
387,637	395,602

Preliminary remarks

The Financial Statements of the Pfeleiderer Group and Pfeleiderer AG are shown below. Where not otherwise stated, the notes apply to both sets of statements.

I. General information

The Financial Statements of the Pfeleiderer Group and Pfeleiderer AG have been drawn up in accordance with the requirements of the German Commercial Code and the German Joint Stock Companies Law (AktG). In accordance with a resolution of the General Meeting on December 6, 2000, the fiscal year has been transferred to run parallel with the calendar year. A short fiscal year (abbreviated) was drawn up for the period June 1 to December 31 2000. The Financial Statements of the Pfeleiderer Group and Pfeleiderer AG are shown in '000 euro. The previous year's figures have been taken from the Financial Statements of the Pfeleiderer Group and Pfeleiderer AG as of 31 May 2000. Due to the change in fiscal year, the figures in the income statement for the previous year are not comparable.

The Income Statement has been drawn up using the cost of production method. All information that requires commentary in the Balance Sheet and Income Statement is included in these corporate notes. Additionally, some positions in the balance sheet and income statement have been summarized and commented on in the notes.

Due to the holding function exercised by Pfeleiderer AG, the breakdown of the Annual Financial Statements differs from that described in Section 275 (2) of the German Commercial Code.

The Financial Statements of Pfeleiderer AG are consolidated into the Financial Statements of Pfeleiderer Unternehmensverwaltung GmbH, Nürnberg, and have been drawn up and audited in accordance with the laws applicable to joint stock companies pursuant to the German Commercial Code. The Financial Statements have been deposited with the Commercial Register of the District Court (Amtsgericht) Nürnberg.

Pfeleiderer Unternehmensverwaltung GmbH & Co KG maintains a majority holding in Pfeleiderer AG.

II. Exemption rule of Section 264(3) and Section 264b German Commercial Code

Companies which have applied the exemption rule are shown accordingly in the list of companies consolidated in the Group.

III. Consolidated companies

Those companies consolidated into the Group Financial Statements are listed separately.

32 companies with registered offices in Germany, and 27 companies with registered offices abroad, have been consolidated into the Group Financial Statements for the year, alongside Pfeleiderer AG. Of these, two companies have been consolidated using the equity method. Two companies were fully consolidated for the first time during the short fiscal year 2000.

Four companies, one of which had been consolidated at equity, were disposed of during the reporting period. Five smaller companies are not consolidated due to their relative insignificance.

Effect of changes to the number of companies consolidated:

The effect on assets can be seen in the analysis of Group assets.

De-consolidation of companies changed revenue by euro - 62,205, 000 and material expenses by euro - 47,605,000.

IV. Principles of consolidation

The cut-off dates for the Group Financial Statements are based on the cut-off date for Pfeleiderer AG's Financial Statements. Where balance sheet cut-off dates of fully consolidated affiliates differ from that of the holding company, appropriate interim financial statements have been prepared for the reporting period.

Capital consolidation is shown at book value, with the capital held by the holding company adjusted at the time of purchase or first date of consolidation by the purchase cost of the participating companies. Capitalised differences are shown under the relevant assets or liabilities where real value exceeds book value. Remaining capitalised lower amounts have been adjusted according to schedule with reserves under goodwill. Lower amounts falling under liabilities are shown under revenue or other reserves, depending on their balance sheet character.

Sales, charges and profits, interim results, as well as accounts receivable and liabilities, have all been eliminated from the consolidated companies. Amounts to cover latent liabilities are carried at the required legal levels.

Minority interests have been determined according to the existing shareholder's capital as at balance sheet cut-off date, and are shown in the Group Financial Statements, together with profit and loss components, as adjustments for minority interests in accordance with Section 307, German Commercial Code.

For the first time, the Group balance sheet profit shows the same amount as the balance sheet profit of Pfeleiderer AG. The balance sheet results of other fully consolidated companies in the Group are shown under Group reserves. The previous year's figures have been adjusted accordingly.

Participation in associated companies is valued using the equity method (book value at time of first inclusion). These positions are not adjusted according to uniform group valuation principles. No adjustments for tax reserves for latent taxes were necessary in the Group Financial Statements.

V. Currency translation

Annual Financial Statements drawn up in foreign currency for consolidated foreign subsidiaries (with the exception of shareholder's capital, which is translated at the historic rate) are translated at the average rate of exchange prevailing at cut-off date. Changes in the exchange rate arising from capital consolidation are adjusted neutrally with shareholders' capital.

Foreign currency receivables and liabilities are valued at purchase price. Falls in the exchange rate which occurred by cut-off date have been taken into account.

VI. Principles of accounting and valuation

The Annual Financial Statements of consolidated companies were drawn up according to uniform principles of accounting and valuation laid down by Pfeleiderer AG.

Intangible assets are shown at purchase price, less scheduled straight-line depreciation.

Fixed assets are carried at the lower of purchase or production cost, less scheduled and extraordinary depreciation and investment grants received.

Buildings are written down according to scheduled straight-line depreciation.

Scheduled depreciation is performed using the declining balance method, based on the useful life of the asset in question, as defined by German tax law. Additions to tangible assets in the first half of the fiscal year are written down by the full annual amount, while additions made in the second half of the fiscal year are written down at half the annual rate. Low-value assets are completely written off and shown as disposals in their year of acquisition.

Apart from holdings in associated companies which are included using the equity method, **financial assets** are shown at the lower of acquisition cost or market value.

Inventories are shown at either acquisition or production cost. Apart from those costs directly attributable to production, the latter valuation method also includes pro-rata overheads, taking the lower of cost or market into account. Sufficient deductions for reduced salability have been made for stocks and inventories which are no longer fully usable. Some inventory groups have been valued according to the LIFO method, while other products are valued according to the inverse principle, with some values fixed.

Accounts receivable and other assets are shown at nominal value. Perceptible individual risks have been taken into reasonable account through individual adjustments, while general credit risks are provided for through a lump sum adjustment. Reasonable reserves have been set up for anticipated discounts, reductions in proceeds, and bonuses not yet accounted for.

Differences between outgoing payments and higher repayments of loans are capitalized as **discounts** under pre-paid expenses and deferred charges. **Discount** is written off during the term of the underlying liability.

The adjustment item for minority interests includes shares in equity held by third party companies and profits of subsidiaries fully consolidated into the Group. **Accruals for pensions and similar obligations** mainly relate to German companies and are shown according to the actuarial value pursuant to Section 6a, German Income Tax Act, and are based on an interest rate of 6 percent. The calculations are based on the mortality tables of 1998 from Dr. Klaus Heubeck.

In calculating **tax accruals** and **other accruals**, all recognizable risks to the extent of expected claims have been taken reasonably and sufficiently into account.

Liabilities are stated at repayment amount.

Deferred income comprises income accounted before cut-off date, in so far as this represents income actually earned after this date.

VII. Balance sheet notes

(1) Assets

	Group		Pfleiderer AG	
	31.12.2000 '000 euro	31.05.2000 '000 euro	31.12.2000 '000 euro	31.05.2000 '000 euro
Intangible assets				
Concessions, trademarks and similar rights and licences to such rights	12,088	9,990	6,652	4,109
Goodwill	72,785	37,076	0	0
Prepayments	5,056	5,006	5,086	5,139
	89,929	52,072	11,738	9,248
Tangible assets				
Land, land rights and buildings, including buildings on third-party land	307,538	308,458	0	0
Machinery and technical equipment	224,985	241,746	0	0
Other equipment, fixtures, fittings and equipment	15,661	18,637	107	149
Prepayments and construction in progress	46,448	87,978	0	0
	594,632	656,819	107	149
Financial assets				
Shares in affiliated companies	2,626	2,206	355,418	365,850
Loans to affiliated companies	0	0	20,286	20,286
Holdings in associated companies	0	23,094	0	0
Holdings	200	85	55	29
Loans to companies in which participations are held	0	15,626	0	0
Securities	4	0	0	0
Other loans	2,650	1,849	33	40
	5,480	42,860	375,792	386,205
	690,041	751,751	387,637	395,602

Changes in tangible assets during short fiscal 2000 are shown in the analysis of assets in the chart below.

Intangible assets

Disclosed goodwill originates from Financial Statements and initial consolidation of individual companies. Goodwill from capital consolidation is either completely offset in the first year of consolidation, or written down against reserves. In the reporting year total goodwill of euro 65,631,000 originated from the acquisition of existing minority rights in companies which had already been consolidated as well as from initial consolidation. In the reporting period euro 31,264,000 was written down against capital reserves. The positive balance of euro 826,000 resulting from the acquisition during the reporting period of existing minority rights in a company which had already been consolidated is shown under capital reserves.

Financial assets

Holdings in associated companies have decreased through the sale of the holding in Pannovosges S.A., Rambervillers as well as the writing off of the holding in Mitteldichte Faserplatten Hallein GmbH & Co KG.

Loans to companies in which participating rights are held were posted to current assets by way of novation.

Holdings are shown in a separate list deposited with the Commercial Register of the District Court of Nürnberg.

(2) Current assets

	Group		Pfleiderer AG	
	31.12.2000 '000 euro	31.05.2000 '000 euro	31.12.2000 '000 euro	31.05.2000 '000 euro
Inventories				
Raw material and supplies	78,355	76,410	23	26
Work in progress	26,566	23,180	0	0
Finished goods and merchandise	64,447	75,386	0	0
Prepayments on inventories	1,699	866	0	0
	171,067	175,842	23	26
Receivables and other assets				
Receivables from non-Group shareholders	558	1,687	0	0
Trade accounts receivable	210,029	216,777	1,233	1,805
Accounts receivable from affiliated companies	15,042	9,309	259,389	102,376
Accounts receivable from companies in which participations are held	2,174	7,543	0	4,217
Other assets	58,356	47,702	26,652	22,641
	286,159	283,018	287,274	131,039
Securities (other)	4,314	2	0	0
Checks, cash and bank balances	30,110	36,937	38,606	20,672
	491,650	495,799	325,903	151,737

Inventories

LIFO reserves created in individual financial statements (Wood-Based Panels and Doors/Windows) have been maintained in the Group Financial Statements.

Other assets

	Group		Pfleiderer AG	
	31.12.2000 '000 euro	31.05.2000 '000 euro	31.12.2000 '000 euro	31.05.2000 '000 euro
Corporation tax and other tax credits	24,523	25,727	18,992	15,445
Investment grants and similar	0	2,280	0	0
Lendings	17,554	5,858	0	0
Other	16,279	13,837	7,660	7,196
	58,356	47,702	26,652	22,641

Under other assets, euro 7,488, 000 in the Group Financial Statements, and euro 323,000 in the Pfleiderer AG Financial Statements, have a remaining currency of more than one year.

(3) Prepaid expenses

	Group		Pfleiderer AG	
	31.12.2000 '000 euro	31.05.2000 '000 euro	31.12.2000 '000 euro	31.05.2000 '000 euro
Discount	566	662	0	0
Other prepaid expenses	3,325	1,686	0	0
	3,891	2,348	0	0

(4) Equity

Changes in Group shareholders' capital in the short fiscal year 2000 are shown in the Management Report, prior to the Notes.

Subscribed capital

Subscribed capital remains unchanged at euro 109,273,600 and is distributed in 42,685,000 bearer shares. According to the resolutions of the shareholders' meeting of 10 December 1997, the Executive Board is authorized until December 1, 2002 subject to approval by the Supervisory Board, to increase capital once or in stages to maximum euro 51,129,000 by issuing new shares in exchange for cash contributions (authorized capital).

In addition to this, contingent authorized capital of euro 20,452,000 has been approved and can be issued until 1 December 2002.

Capital reserves

Capital reserves in the Group Financial Statement declined mainly through offsetting goodwill.

Earnings reserves

	Group		Pfleiderer AG	
	31.12.2000	31.05.2000	31.12.2000	31.05.2000
	'000 euro	'000 euro	'000 euro	'000 euro
Total	29,239	3,619	51,129	51,129

Minority interests

The decrease in this adjustment item is mainly due to acquisition of minority interests in company which have consolidated.

(5) Accruals

	Group		Pfleiderer AG	
	31.12.2000 '000 euro	31.05.2000 '000 euro	31.12.2000 '000 euro	31.05.2000 '000 euro
Pension accruals	55,247	58,154	5,611	6,483
Tax accruals	16,011	16,818	9,697	12,891
Other accruals	105,896	120,511	6,837	8,245
	177,154	195,483	22,145	27,619

Accruals take into account all recognizable risks as at balance sheet cut-off date.

Pension accruals

The reduction in pension accruals is due to the disposal of Katz Werke GmbH and the Umbach-Walkemühle Untersetzerwerke GmbH.

Tax accruals

Tax accruals show reserves for current income taxes such as corporation tax including solidarity tax, municipal tax and foreign income taxes, as well as expected taxes liable after inspection.

As before, euro 4,000,000 has been put aside in the Financial Statement of Pfleiderer AG to cover deferred taxes.

Other accruals

	Group		Pfleiderer AG	
	31.12.2000 '000 euro	31.05.2000 '000 euro	31.12.2000 '000 euro	31.05.2000 '000 euro
Personnel	47,736	67,729	1,822	3,089
Production	13,460	13,334	0	0
Sales	21,409	13,377	0	0
Other	20,933	23,713	5,015	5,156
Risk provision for affiliates	2,358	2,358	0	0
	105,896	120,511	6,837	8,245

Pension accruals for the Group show accruals for vacation and vacation pay, overtime, as well as special payments, including obligations arising from social plans. An accrual of euro 5.5 million was set up to cover omitted maintenance in the production area.

All reductions in earnings and warranty claims in sales have been taken into account. Other accruals mainly refers to reserves set up to cover outstanding receivables. Provision for risk among subsidiaries relates to the Russian insulation material plant.

Other accruals carried by Pfeleiderer AG include reserves set up to cover open accounts, currency changes, unresolved legal matters and liabilities to third parties.

(6) Liabilities

Group Analysis of Liabilities	Remaining term		31.12.2000	31.05.2000
	up to 1 year '000 euro	more than 5 years '000 euro	Total '000 euro	Total '000 euro
Liabilities to banks	207,686	259,468	571,405	631,639
Loans	1,677	0	1,677	14,655
Financial debt	209,363	259,468	573,082	646,294
Liabilities to minority interests	1,526	0	1,526	4,146
Payments on account received	4,490	0	4,492	2,654
Trade accounts payable	71,791	0	71,796	101,573
Liabilities due to affiliated companies	302	0	302	3,908
Liabilities due to companies in which participations are held	4,864	0	4,864	10,451
Other liabilities	128,018	0	128,089	38,662
of which from taxes	19,207		19,207	7,589
of which for social security	7,512		7,512	7,368
Other liabilities	210,991	0	211,069	161,394
	420,354	259,468	784,151	807,688

The reduction in liabilities to banks is due to repayment of loans as well as the de-consolidation of companies. Please refer to the cash flow statement for more information.

Pfleiderer AG Analysis of Liabilities	Remaining term		31.12.2000	31.05.2000
	up to 1 year '000 euro	more than 5 years '000 euro	Total '000 euro	Total '000 euro
Liabilities to banks	66,580	0	66,580	26,616
Financial debt	66,580	0	66,580	26,616
Trade accounts payable	2,675	0	2,675	4,982
Liabilities to affiliated companies	235,331	0	235,331	87,446
Liabilities due to companies in which participations are held	3,897	0	3,897	3,553
Other liabilities	2,609	0	2,609	5,431
of which for taxes	1,461		1,461	598
of which for social security	45		45	219
Other liabilities	244,512	0	244,512	101,412
	311,092	0	311,092	128,028

The increase in liabilities to affiliated companies follows capital investment by Pfleiderer AG in its subsidiaries.

(7) Contingent liabilities

Liabilities exist within the Group from the issuance and transfer of bills of exchange to the amount of euro 314,000.

Pfleiderer AG has assumed guarantees in total of euro 541.9 million. Of these, euro 71.6 million relate to a joint and several liability resulting from the acquisition of existing minority rights of a company already completely consolidated.

Pfleiderer Finance B.V. has conducted interest rate swaps totaling euro 129.0 million. Pfleiderer AG has assumed a guarantee for these swap transactions.

Liabilities from warranties came to euro 2.9 million for Pfleiderer AG and euro 0.1 million for the Group.

(8) Other financial liabilities

Liabilities from leasing and renting by Pfleiderer AG came to euro 4.4 million (annual amount) as of cut-off date. For the Group these amounted to euro 13.6 million.

(9) Derivative financial instruments

Derivative instruments were only used within the Pfleiderer Group to secure risks from currency and interest items arising from business operations, and were based on the underlying transaction. These tasks are primarily performed centrally for the whole Group by Pfleiderer AG and Pfleiderer Finance B.V..

VIII. Information and Notes on the Income Statement

(10) Group revenue

Group revenue by region	1.6.–31.12.00	1999/2000
	'000 euro	'000 euro
Domestic	467,826	850,798
Foreign	362,524	587,002
	830,350	1,437,800

The percentage of foreign revenue was 43.78 percent
(previous year: 40.8 percent).

Group revenue by division	1.6.–31.12.00	1999/2000
	'000 euro	'000 euro
Wood-Based Panels	449,818	735,622
Doors/Windows	106,435	215,030
Insulation Technology	111,272	201,874
Infrastructure technology	156,610	264,194
Services	6,215	21,080
	830,350	1,437,800

(11) Other operating income

	Group		Pfleiderer AG	
	1.6.-31.12.00 '000 euro	1999/2000 '000 euro	1.6.-31.12.00 '000 euro	1999/2000 '000 euro
Administration	596	716	2	7
Sales and marketing, distribution	358	212	0	0
Non-period amounts	13,244	13,479	86	127
Disposal of assets	798	2,307	7,256	0
Exchange gains	4,301	4,226	749	592
Other	4,507	7,222	24,975	45,689
	23,804	28,162	33,068	46,415

Non-period amounts refers specifically to amounts relating to payments for accidents, the elimination of valuation adjustments to trade receivables, as well as to income from the consumption of reserves.

Other amounts of operating income for Pfleiderer AG refer mainly to arms-length trading within the Group.

(12) Cost of materials

	Group	
	1.6.-31.12.00 '000 euro	1999/2000 '000 euro
Expenses for raw materials, supplies and purchased goods	397,147	716,078
Expenses for outside services	35,921	60,760
	433,068	776,838
As % of gross performance	52.3 %	53.4 %

(13) Personnel expenses

	Group		Pfleiderer AG	
	1.6.-31.12.00 '000 euro	1999/2000 '000 euro	1.6.-31.12.00 '000 euro	1999/2000 '000 euro
Wages and salaries	158,198	280,278	4,391	9,517
Social security and pension expenses	34,742	59,134	1,001	2,298
of which for pensions	3,430	7,504	425	993
	192,940	339,412	5,392	11,815
As % of gross performance	23.3 %	23.3 %		

Average number of employee during the year	Group		Pfleiderer AG	
	1.6.-31.12.00	1999/2000	1.6.-31.12.00	1999/2000
Wages earners	6,744	6,999	0	0
Salaried employees	2,817	2,788	144	157
Trainees	322	328	0	0
of which part-time	179	174	8	8
	9,883	10,115	144	157

Number of employees as of balance sheet cut-off date	Group		Pfleiderer AG	
	31.12.2000	1999/2000	31.12.2000	1999/2000
Wage earners	6,614	7,021	0	0
Salaried employees	2,791	2,892	45	221
Trainees	350	325	0	0
of which part-time	173	169	2	11
	9,755	10,238	45	221

(14) Depreciation

	Group		Pfleiderer AG	
	1.6.-31.12.00 '000 euro	1999/2000 '000 euro	1.6.-31.12.00 '000 euro	1999/2000 '000 euro
Normal depreciation	51,715	93,202	1,086	592
As % of gross performance	6.2 %	6.4 %		

Depreciation by division

	Group	
	1.6.-31.12.00 '000 euro	1999/2000 '000 euro
Wood-Based Panels	27,280	48,443
Doors/Windows	3,432	6,616
Insulation Technology	11,929	21,430
Infrastructure Technology	5,007	8,885
Services	4,067	7,828
	51,715	93,202

(15) Other operating expenses

	Group		Pfleiderer AG	
	1.6.-31.12.00 '000 euro	1999/2000 '000 euro	1.6.-31.12.00 '000 euro	1999/2000 '000 euro
Maintenance	17,860	44,151	119	340
Production	8,295	13,527	0	0
Administration	35,229	54,402	9,745	9,417
Personnel	3,053	4,650	976	1,680
Sales and marketing, distribution	24,134	48,674	273	931
Other	28,966	30,861	23,456	18,716
	117,537	196,265	34,569	31,084
As % of gross performance	14.2 %	13.5 %		

(16) Income from investment

	Group		Pfleiderer AG	
	1.6.-31.12.00 '000 euro	1999/2000 '000 euro	1.6.-31.12.00 '000 euro	1999/2000 '000 euro
Earnings from investment in affiliated companies	673	11	0	25,186
Earnings from associated companies	- 2,711	- 3,481	-	-
	- 2,038	- 3,470	0	25,186

(17) Interest income

	Group		Pfleiderer AG	
	1.6.-31.12.00 '000 euro	1999/2000 '000 euro	1.6.-31.12.00 '000 euro	1999/2000 '000 euro
Income from other securities and loans under financial assets	23	419	120	363
of which from affiliated companies	0	0	120	362
Other interest and similar earnings	2,922	5,460	4,477	9,441
of which from affiliated companies	385	182	4,255	9,079
Interest and similar expenses	26,992	40,579	4,220	8,753
of which from affiliated companies	24	196	2,169	6,174

(18) Extraordinary income

Extraordinary income for the Pfleiderer Group during short fiscal 2000 resulted from the disposal of the companies PANNO International S.A., Pannovosges. S.A., Katz Werke GmbH and Umbach-Walkemühle Untersetzerwerke GmbH.

(19) Extraordinary expenses

Extraordinary expenses for the Pfeleiderer Group refer to the write-off of the participating rights in Mitteldichten Faserplatten Hallein GmbH & Co. KG.

(20) Taxes on income

	Group		Pfeleiderer AG	
	1.6.-31.12.00 '000 euro	1999/2000 '000 euro	1.6.-31.12.00 '000 euro	1999/2000 '000 euro
Current taxes on income				
Domestic corporate income and solidarity tax	3,114	- 366	0	- 541
Domestic municipal tax	2,839	5,876	0	750
Reimbursements	0	0	0	2,206
Foreign income tax	8,834	6,063	0	0
	14,787	11,573	0	2,415
Latest taxes	0	0	0	4,000
	14,787	11,573	0	6,415

(21) Segment report

The segment report provides annual financial data for each of Pfeleiderer's divisions: Wood-Based Panels, Doors/Windows, Insulation Technology and Infrastructure Technology. The Group overview in the annex shows which members of the Group belong to which divisions. Pfeleiderer AG, as well as those Group companies particularly involved in freight forwarding and other services, including financial services, as well as consolidations overlapping more than one division, are all shown under Consolidation/Other. Data for the reporting period

in euro million	Wood-Based Panels		
	1.6.–31.12.00	1999/2000	1998/1999
Group sales to third parties	449.8	735.6	
Inter-Group sales	5.7	17.2	
Revenue from divisions	455,5	752,8	584.9
of which domestic	221.5	388.5	373.3
foreign	234.0	364.3	211.6
foreign share as %	51.4	48.4	36.2
Gross performance	453.0	760.9	588.6
Cost of materials	230.1	414.9	303.4
as % of gross performance	50.8	54.5	51.5
Personnel expenses	87.4	152.2	139.6
as % of gross performance	19.3	20.0	23.7
Other	57.9	97.8	78.7
as % of gross performance	12.8	12.9	13.4
Investment income	– 2.4	– 3.6	1.2
EBITDA	75.2	92.4	68.1
as % of sales	16.5	12.3	11.6
Depreciation	27.3	48.4	43.3
EBIT	47.9	44.0	24.8
as % of sales	10.5	5.8	4.2
Net interest expenses			
Extraordinary earnings			
Extraordinary expenses			
Results from ordinary business operations			
Taxes			
Net income			
Capital expenditure	29.6	142.5	109.3
Average number of employees	4,295	4,286	3,268
Segment assets	461.1	543.2	349.8
ROCE in %	17.8	8.1	7.1
Financial liabilities netted against liquid resources*			
Long-term equity including pension accruals			

* Bank debts, less liquid assets adjusted for other investments

Note: Segment assets (working capital less financing) are calculated by adding fixed and current assets less accruals (excluding pension accruals) as well as liabilities (excluding financial liabilities)

fiscal year show payments for all assets, including companies consolidated for the first time this year and minority interests acquired from companies already consolidated. Investments in the comparison period 1998/1999 include additions as shown in the list of assets. Segment assets (working capital, less financing) is calculated by adding fixed and current assets, less accruals (excluding accruals for pensions) and liabilities (excluding financial liabilities). ROCE was extrapolated to 12 months to enable comparison.

Consol./Other			Total		
1.6.-31.12.00	1999/2000	1998/1999	1.6.-31.12.00	1999/2000	1998/1999
- 1.8	- 15.5	11.9	830.3	1,437.8	1,224.1
			467.8	850.8	854.0
			362.5	587.0	370.1
			43.7	40.8	30.2
6.2	- 15.2	12.0	828.7	1,455.5	1,230.9
			433.1	776.8	626.5
			52.3	53.4	50.9
			192.9	339.4	307.3
			23.3	23.3	25.0
			93.7	170.4	152.1
			11.3	11.7	12.4
			- 2.0	- 3.6	1.3
- 7.5	3.4	- 0.8	107.0	165.3	146.3
417.8	- 21.9	- 6.9	12.9	11.5	12.0
4.1	7.8	1.6	51.7	93.2	76.8
- 11.6	- 4.4	- 2.4	55.3	72.1	69.4
644.6	28.4	- 19.8	6.7	5.0	5.7
			24.1	34.7	18.0
			19.9	2.6	0.0
			12.8	37.0	0.0
			38.3	3.0	51.4
			14.8	11.6	16.6
			23.5	- 8.6	34.8
6.5	17.4	4.6	59.5	215.2	237.3
322	312	256	9,883	10,115	8,658
30.0	45.3	19.7	806.9	906.6	725.3
			11.7	8.0	9.6
			528.3	603.8	401.8
			278.6	302.8	323.5

IX. Other information

1. Compensation of existing and former company organs

Payments made to the Supervisory Board during the fiscal year came to euro 86,000. Compensation of the Executive Board in the fiscal year, including one-off expenses, came to euro 1,627,000.

Full provision to cover the pensions of former members of the Executive Board and their dependents has been made and stands at euro 1,360,000 as of December 31, 2000.

2. Proposed appropriation of earnings

The Executive and Supervisory Boards recommend that balance sheet profits for the fiscal year from June 1, 2000 to December 31, 2000 amounting to euro 18,397,305.05 be appropriated as follows:

Payment of a dividend of euro 0.20 per share for a total of 42,685,000 dividend bearing shares.

	8,537,000.00 euro
Profit carried forward	9,860,305.05 euro
	18,397,305.05 euro

Neumarkt, March 2001

The Executive Board



Dr. Ralf H. Bufe
- Chairman (CEO) -



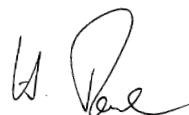
Michael Ernst



Hans H. Overdiek



Dr. Wolfgang Pinegger



Helmut Rauscher

X. Governing Organs

1. Additional mandates held by members of the Supervisory Board of Pfeleiderer AG

Ernst-Herbert Pfeleiderer

Chairman of the Supervisory Board

Member of the following domestic control committee, comparable with a German supervisory board:

Control Committee of the Pfeleiderer Unternehmensverwaltung GmbH & Co. KG, Neumarkt (Chairman)

Wolfgang Rhode*

1st Deputy Chairman of the Supervisory Board

Executive Member of the Governing Board of IG Metall

Dr. Manfred Scholz

2nd Deputy Chairman of the Supervisory Board

Managing Director, Haindl Papier GmbH, Augsburg

Member of the supervisory boards in the following companies:

Bayerische Handelsbank AG, Munich

Drei Mohren AG, Augsburg

Gothaer Lebensversicherung a.G., Göttingen

Gothaer Versicherungsbank VvaG, Cologne

Viscardi AG, Munich

Parenco B.V., Renkum/Netherlands

Steyrermühl AG, Steyrmühl/Austria

Member of the following domestic control committee, comparable with a German supervisory board:

Control Committee of the Pfeleiderer Unternehmensverwaltung GmbH & Co. KG, Neumarkt (Deputy-Chairman)

N. Erich Gerlach

Member of the Supervisory Board of the following company:

Pilkington Deutschland GmbH, Gelsenkirchen (until July 21, 2000)

Member of the following domestic control committees, comparable with a German supervisory board:

Control Committee of the Pfeleiderer Unternehmensverwaltung GmbH & Co. KG, Neumarkt;

Control Committee of the Taunus-Sparkasse, Bad Homburg/Frankfurt/Main-Höchst

Member of the following foreign control committees, comparable with

a German supervisory board:

Global Clay Products LCC, Roswell, GA/USA (Non-Executive Chairman)

Hans Dieter Gerstner* (until September 30, 2000)

Fitter

Gregor Haupelthofer* (from October 1, 2000)

Training supervisor, industrial

Frank Kratzsch*

Chairman, Works Council of Pfeiderer Holzwerkstoffe GmbH & Co. KG
Business Unit Duropal

Hans Theodor Pfeiderer

Member of the Board of Management of P&V Holding Aktiengesellschaft, Vienna

Member of the following domestic control committee, comparable with a German supervisory board:

Control Committee of the Pfeiderer Unternehmensverwaltung
GmbH & Co. KG, Neumarkt

Siegfried Pirzer*

Construction Manger, Service

Johann Schredl*

District Secretary, IG Metall, Bavarian District

Dr. Hanns-Helge Stechl

Member of the Supervisory Board of the following company:

MAN AG, Munich

Member of the following domestic control committee, comparable with a German supervisory board:

Control Committee of the Pfeiderer Unternehmensverwaltung
GmbH & Co. KG, Neumarkt

Rainer Stracke*

Plant Manager

Horst Weitzmann

Chairman of the Board of Management of Südweststahl GmbH,
Kehl am Rhein

Member of Supervisory Board of the following company:

PHB Weserhütte Aktiengesellschaft, Eberach (Chairman)

BCT Technology AG, Willstätt (Chairman)

Member of the following domestic control committee, comparable with a German supervisory board:

Control Committee of the Pfeiderer Unternehmensverwaltung
GmbH & Co. KG, Neumarkt

* Employees' representative

2. Mandates held by Members of the Board of Management

Dr. Ralf H. Buße

Chairman of the Executive Board

Wood-Based Panels (caretaker until December 31, 2000),

Doors/Windows

Michael Ernst

Member of the Executive Board

Personnel

Association of Bavarian Industry, Munich

(Member in Executive Board)

Hans H. Overdiek

Member of the Executive Board (from January 1, 2001)

Wood-Based Panels

Dr. Wolfgang Pinegger

Member of the Executive Board

Infrastructure Technology,

Insulation Technology

Member of the following domestic control committee, comparable with a German supervisory board:

Control Committee of Dachser GmbH & Co. KG, Munich

Helmut Rauscher

Member of the Executive Board

Finance

Member of the following domestic control committee, comparable with a German supervisory board:

Advisory Committee of Palm Papierfabrik GmbH & Co. KG, Aalen

We have issued the following auditor's unreserved opinion on the individual and group Financial Statements and Management Report:

"We have audited the Financial Statements of Pfeleiderer Aktiengesellschaft, Neumarkt, including the bookkeeping and group Financial statements prepared by the company, as well as its report on the company's and group's situation (Management Report) for the short fiscal year of 1 June 2000 to 31 December 2000. According to German commercial law, preparation of these documents is the responsibility of the company's legal representatives. Based on the findings of our audit, our task was to assess the individual Financial Statements, including the bookkeeping, as well as the Group Financial Statements and the Management Report.

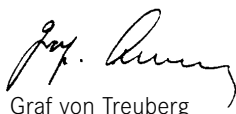
We conducted our audit of the individual and group Financial Statements according to Section 317 of the German Commercial Code (HGB), and in observance of the principles of generally accepted audit procedures laid down by the Institute of German auditors. According to these principles, the audit must be planned and carried out so that inaccuracies and violations such as may have a material impact on the presentation of the individual and group Financial Statements in observance of generally accepted accounting principles, and thus on the presentation of the net assets, financial, and earnings situation presented by the management report, can be identified with reasonable certainty. During the performance of the audit procedures, information on the business activities, the company's economic and legal operating conditions, as well as the expectation of possible errors, were taken into account. Within the scope of the audit, the effectiveness of the internal control system and substantiation of the bookkeeping information in the individual and group Financial Statements and management report were primarily assessed on the basis of random samples. The audit includes assessment of the accounting and consolidation principles, the legal representatives' material estimates, as well as addressing the overall presentation of the individual and group Financial Statements and the Management Report. We believe that our audit embodies a well-grounded basis for our assessment.

Our audit did not reveal any irregularities.

It is our view that the individual and group Financial Statements, in observance of generally accepted accounting principles, provide a true and fair view of the company's and group's net assets, including its financial and earnings situation. The Management Report provides an accurate overall presentation of the company's and group's situation and properly presents any risks facing the company in future."

Stuttgart, April 27, 2000

Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft



Graf von Treuberg
Certified Auditor



Th. Müller
Certified Auditor

Pfleiderer AG	Neumarkt		
Wood-Based Panels division			
Pfleiderer Holzwerkstoffe GmbH & Co. KG	Neumarkt	*)	100.00%
Pfleiderer Holzwerkstoffe Verwaltungs-GmbH	Neumarkt		100.00%
Eltec Elemente-Technik für Möbel- und Innenausbau GmbH	Arnsberg		100.00%
Pfleiderer Holzwerkstoffe GmbH	Peiting	*)	100.00%
Pfleiderer Industrie Beteiligungsgesellschaft mbH	Regensburg		100.00%
Pfleiderer Industry Limited	Gerrads Cross (GB)		100.00%
Wirus-Werke W. Ruhenstroth GmbH & Co. KG	Gütersloh	*)	100.00%
Thermopal Dekorplatten Verwaltungsgesellschaft mbH	Leutkirch		100.00%
Thermopal Dekorplatten GmbH & Co. KG	Leutkirch	*)	100.00%
Pfleiderer Industrie Schweiz AG	St. Gallen (CH)		100.00%
Mitteldichte Faserplatten Hallein GmbH	Bad Großpertholz (A)		100.00%
PANNO International S.A. (until September 30, 2000)	Rambervillers (F)		62.50%
Pfleiderer B.V.	Deventer (NL)		100.00%
Zakłady Plyt Wiorowych S.A. w. Grajewie	Grajewo (PL)		85.65%
Zakłady Plyt Wiorowych Prospan S.A.	Wieruszow (PL)		48.61%
Fols. Sp.z.o.o.	Warsaw (PL)		100.00%
Companies posted under the equity method:			
Mitteldichte Faserplatten Hallein GmbH & Co. KG	Hallein (A)		50.00%
Doors/Windows division			
Pfleiderer Bauelemente GmbH & Co. KG	Neumarkt	*)	100.00%
Pfleiderer Fenster GmbH & Co. KG	Gütersloh	*)	100.00%
Pfleiderer Fenster Verwaltungs-GmbH	Gütersloh		100.00%
Pfleiderer Türen Verwaltungs-GmbH	Neumarkt		100.00%
Pfleiderer Türen GmbH & Co. KG	Neumarkt	*)	100.00%
Wirus Servicegesellschaft mbH (prev. GSQ Gesellschaft für Service und Qualifikation mbH)	Gütersloh		100.00%
Lentá-93 Épületesztalosipari Kft.	Lenti (H)		100.00%
Insulation Technology division			
Pfleiderer Dämmstofftechnik International GmbH & Co. KG	Neumarkt	*)	100.00%
Pfleiderer Dämmstofftechnik Verwaltungs-GmbH	Neumarkt		100.00%
Mehr & Held GmbH	Wesel	*)	100.00%
Pfleiderer Dämmstofftechnik GmbH	Neumarkt		100.00%
Pfleiderer Insulation Holding GmbH	Neumarkt	*)	100.00%
Pfleiderer Novoterm d.o.o.	Novo mesto (SLO)		100.00%
Isoglass N.V.	Desselgem (B)		100.00%
Pfleiderer-Bausysteme Hungária Kft.	Labatlan (H)		100.00%
OAo Pfleiderer Tschudowo	Tschudowo (RUS)		82.33%
Pfleiderer Technika Izolacyjna Polska Sp.z.o.o.	Dabrowa Gornicza (PL)		100.00%
Pfleiderer S.A.	Rambervillers (F)		100.00%

Pfleiderer Belgium B.V.B.A.	Desselgem (B)	100.00%
Pfleiderer Salgótarjáni Üvegyapó Rt.	Salgótarjáni (H)	95.39%

Companies posted under the equity method:

Pfleiderer Izolacioni Technika Praha s.r.o.	Prague (CZ)	100.00%
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Companies not consolidated under Section 296(2) German Commercial Code:

OA0 Pfleiderer Tschudowo Kiew	Kiew (UKR)	75.00%
Pfleiderer Dämmstofftechnik Slovensko s.r.o.	Nitra (SR)	100.00%

Infrastructure Technology division

Pfleiderer Infrastrukturtechnik GmbH & Co. KG	Neumarkt	*)	100.00%
Pfleiderer Infrastrukturtechnik Verwaltungs-GmbH	Neumarkt		100.00%
Pfleiderer Energietechnik Verwaltungs-GmbH	Dinkelsbühl		100.00%
Betonschwellenwerk Coswig GmbH & Co. KG	Coswig	*)	100.00%
Betonschwellenwerk Coswig Verwaltungs-GmbH	Coswig		100.00%
Pfleiderer Consulting GmbH	Neumarkt		100.00%
MULTIBRID Entwicklungsgesellschaft mbH	Neumarkt		100.00%
Pfleiderer Windenergy GmbH	Neumarkt		100.00%
Pfleiderer España S.A.	Constanti (E)		100.00%
Travipos S.A.	Constanti (E)		51.00%
Pfleiderer Lábattlani Vasbetonipari Rt.	Labatlan (H)		86.00%
Newmark International Inc.	Birmingham (USA)		100.00%
WINDTEC Anlagenerrichtung und Consulting GmbH	Völkermarkt (A)		100.00%

Companies not consolidated under Section 296(2) German Commercial Code:

Pfleiderer Technika Infrastrukturalna Polska Sp.z.o.o.	Warsaw (PL)	100.00%
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Others

Pfleiderer Finance B.V.	Deventer (NL)		100.00%
Pfleiderer Service GmbH (prev. Pfleiderer Informatik GmbH)	Neumarkt		100.00%
JURA-Spedition GmbH & Co. KG	Neumarkt	*)	100.00%
JURA-Spedition Verwaltungs-GmbH	Neumarkt		100.00%
Jura Belgium B.V.B.A.	Hoogstraaten (B)		100.00%
Pannotrans S.a.r.l.	Rambervillers (F)		100.00%
Pfleiderer Leasing Verwaltungs-GmbH	Neumarkt		100.00%
Pfleiderer Leasing GmbH & Co.	Neumarkt	*)	100.00%
Pfleiderer Leasing USA Inc.	Wilmington (USA)		100.00%

Companies not consolidated under Section 264(2) German Commercial Code:

Jura Polska Sp.z.o.o.	Dabrowa Gornicza (PL)	100.00%
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*) Companies applying exemption rule under Sections 264(3) and 264b German Commercial Code

■ BALANCE SHEET TOTAL

Total shown on the assets and liabilities sides of a balance sheet. The total of both sides of the balance sheet must be the same.

■ CASH FLOW

A figure used in financial statement and share analysis which shows the financial and earnings power of a company. Cash flow (surplus on sales or finances) shows the movement of liquid assets into a company as a result of sales and from other sources over a specific period of time.

■ EBITDA

Earnings before interest, taxes, depreciation and amortisation.

■ EBT

Earnings before taxes

■ GDP

Value of all economic agents within a certain period of time including the sum of goods and services, less goods consumed in production.

■ LONG-TERM INCENTIVE PROGRAMME

A long-term program to motivate employees, including models for participating in the company's success.

FINANCIAL TERMS

■ DVFA/SG METHOD

A recommendation produced jointly by the Deutsche Vereinigung für Finanzanalyse und Anlageberatung e.V. and the Schmalenbach-Gesellschaft Deutsche Gesellschaft für Betriebswirtschaft (SG) on how to calculate share earnings in a joint stock company.

■ EBIT

Earnings before interest and taxes.

■ ROCE

Return on capital employed.

■ SHORT FISCAL YEAR

Also known as abbreviated fiscal year. Pfeleiderer has moved its fiscal year, previously running from June 1 to May 31. The fiscal year now runs parallel with the calendar year. This change has resulted in a short fiscal year, running from June 1 to December 31. This is the period in 2000 which is referred to in this report.

■ STOCK APPRECIATION RIGHTS

The right to participate in any value increase of a share. Pfeleiderer AG's top executives were enabled at the end of 2000 to acquire such rights in the company's success.

■ CHP

Combined heat-power. A decentralised power generation system used by Pfeleiderer to provide wood-based panels production with both electricity and processing heat.

■ GSM

Global System for Mobile Communication – the current worldwide standard used in mobile telephone technology.

■ HPL

High pressure laminate. A plastic surface used in wood-based panels.

■ REGENERATIVE ENERGY

Use of natural energy sources available for unlimited use. For example, sun, wind, geothermal power.

■ SURFACE-TREATED PANELS

Wood-based panels with decorative surfaces. The surface can consist of various materials such as plastic produced from decorative pressed paper layers.

■ THERMOHYDROLYTICAL SEPARATION

A technically sophisticated method of recycling used furniture using humidity and heat. The method separates used furniture into re-usable fractions.

■ TONGUED AND GROOVED PANELS

Chipboard with a tongue and groove for laying as flooring.

TECHNICAL TERMS

■ MDF

Medium Density Fiberboard. Wood-based panels manufactured from glue impregnated wooden fibres subjected to heat and pressure. Often used for creating three-dimensional furniture facings.

■ ONSHORE/OFFSHORE PLANTS

This refers to wind power generation plants based on land and at sea.

■ TURNKEY SERVICES

Supply of a system completely finished and ready to operate. For example, in the Telecommunication division Pfeleiderer not only produces the transmission masts for the mobile network transmission stations, it also acquires the site, procures and assembles the transmission technology and maintains the station. In other words, Pfeleiderer produces an all-round supply service.

■ UMTS

Universal Mobile Telecommunication System. This 3rd generation mobile communication represents a giant stride forward in terms of data transmission, with speeds up to 2 megabits per second. The technology includes new application areas for mobile telecommunications such as transmission of photos, cards or even films.

JULY 10, 2001	General Meeting in Neumarkt
AUGUST 31, 2001	Figures for first half as per June 30, 2001
NOVEMBER 30, 2001	Nine-month figures as per September 30, 2001
FEBRUARY 28, 2002	Provisions financial statements as per December 31, 2001

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THOSE TAKING PART ...

THE PEOPLE ILLUSTRATING THIS ANNUAL REPORT – LIKE LAST YEAR – ARE ALL PFLEIDERER EMPLOYEES.

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