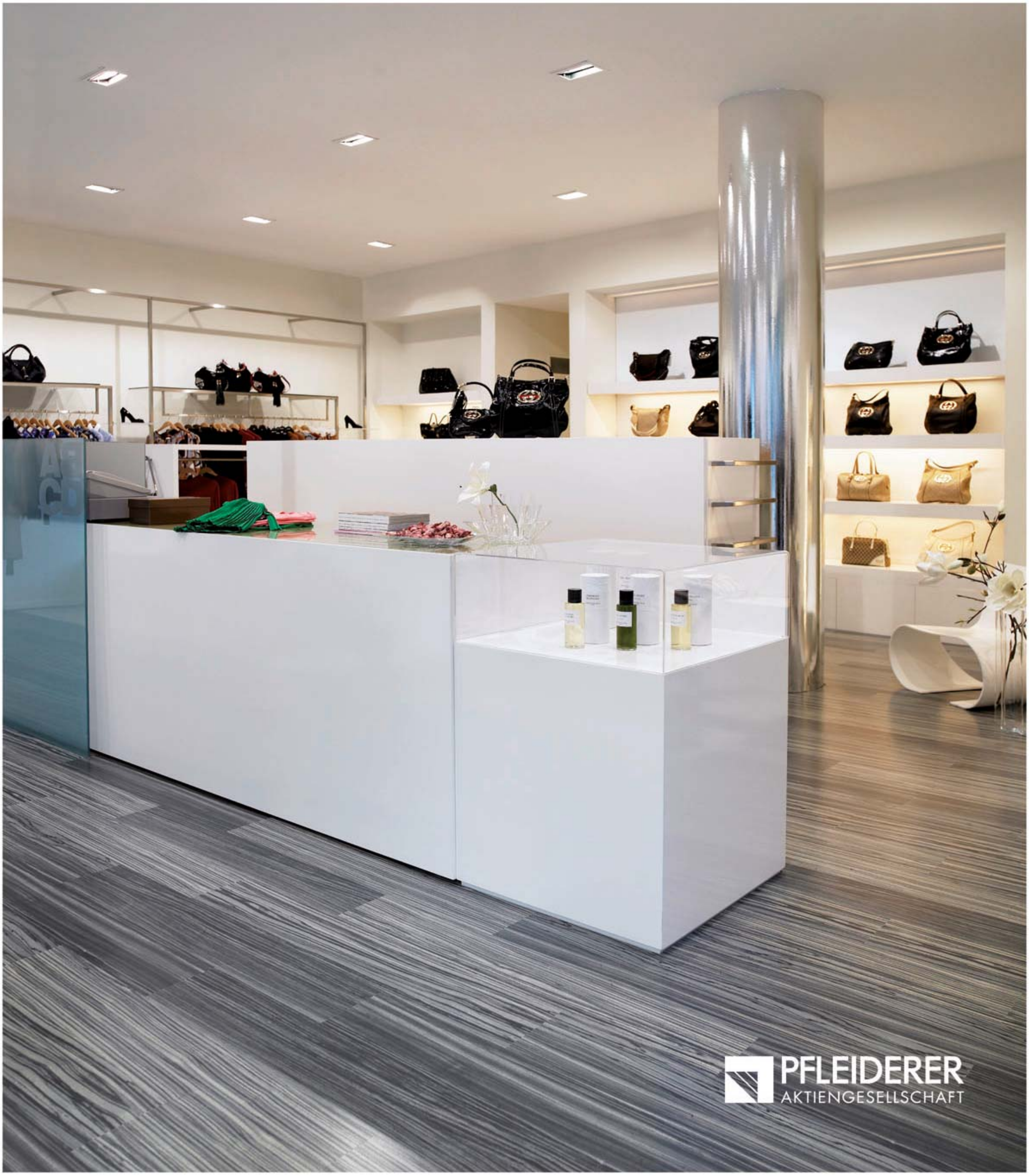
# THREE MONTHS REPORT

JANUARY 1 – MARCH 31, 2008



PFLEIDERER
AKTIENGESELLSCHAFT

# Report on the First Three Months Ended March 31, 2008

- Revenues up 9% year-on-year to €468 million
- EBITDA climbs by 7% year-on-year to €60.4 million
- Net financial expenses impacted by €5.7 million from marking-to-market
- Slump in North American market bottomed out – revenues in North America increase by 15.8% year-on-year, adjusted for exchange rate effects
- Margin growth in Eastern Europe expected to continue throughout 2008 due to falling procurement prices and cost-cutting program
- EBITDA in Western Europe increases by 33.5% year-on-year
- Outlook for full-year 2008 reiterated

## The Pfleiderer Group: Key figures as of March 31, 2008

| €m | Jan. 1 – Mar. 31, 2008 | Jan. 1 – Mar. 31, 2007 | Change in % |
|---|---|---|---|
| Revenues | 467.7 | 427.6 | 9.4 |
| International share (in percent) | 72.2 | 68.1 | |
| EBITDA | 60.4 | 56.4 | 7.1 |
| EBITDA margin (in percent) | 12.9 | 13.2 | |
| EBIT | 32.2 | 34.1 | -5.5 |
| EBT from continuing operations | 14.4 | 24.9 | -42.1 |
| Profit for the period | 10.9 | 17.5 | -37.8 |
| Consolidated profit | 5.3 | 12.4 | -57.8 |
| Earnings per share (basic) (€) | 0.10 | 0.24 | -58.3 |
| Earnings per share (diluted) (€) | 0.10 | 0.23 | -56.5 |
| Employees | 5,866 | 5,810 | 1.0 |
| Germany | 2,581 | 2,572 | 0.3 |
| Outside Germany | 3,285 | 3,238 | 1.5 |
| Average number of shares outstanding | 50,938,862 | 52,752,806 | -3.4 |

| €m | Mar. 31, 2008 | Dec. 31, 2007 | Change in % |
|---|---|---|---|
| Total assets | 1,949.8 | 1,921.3 | 1.5 |
| Equity | 801.4 | 801.0 | 0 |
| Equity ratio (%) | 41.1 | 41.7 | |
| Net debt | 652.4 | 618.2 | 5.5 |

# Contents

# Foreword by the Executive Board

## Ladies and gentlemen, Dear Shareholders,

Although the Pfleiderer Group continued to grow in the first quarter of 2008, earnings remained behind our expectations. While revenues rose by 9% year-on-year to €468 million, EBITDA increased at a lower rate by 7.1% to €60 million. All regions contributed to this revenue growth. When evaluating the results, it should be taken into account that the first quarter is typically the weakest in our business owing to seasonal factors, and that the Easter holidays fell in March this year, which was not the case in 2007. In addition, earnings were impacted by the weak dollar and interest rate hedges.

Once again, especially encouraging growth of 8.7% was recorded in the Western Europe region across virtually all products and markets. The EBITDA margin was also increased substantially again as a result of additional improvements to the product mix and further productivity enhancements. At 17.1%, it not only exceeded the prior-year quarter margin of 14.0%, but also the average for 2007 as a whole. This demonstrates yet again that we are very well positioned in Western Europe, and that this region is the most profitable pillar of the Group. We also expect this positive trend to continue in the current quarter.

In Eastern Europe, with 12.9% we outpaced market growth again, although earnings were less than satisfactory. Performance varied between the individual markets of Eastern Europe. While growth in Russia continued unabated with steadily increasing margins, demand on the Polish market lost substantial momentum, particularly in March. Major customers ordered less than predicted, sales of MDF boards were hampered by technical problems and fell short of expectations, and the sharp rise in the cost of wood and glue could not be offset by price increases. This put considerable pressure on the EBITDA margin, which fell from 19.1% to 12.6%. We took immediate action and initiated a cost-cutting program that is set to generate savings of €20 million in the course of 2008. The effects of this on raw material costs were already evident in April.

In North America, the economic environment remained extremely difficult as a result of the crisis on the U.S. mortgage market. In spite of this, we held our own very well in this environment, gaining additional market share in laminate flooring and particleboard. Despite the downturn in the market, the plants were operating at full capacity and there was a trend reversal towards slightly higher prices. The year-on-year increase in revenues of approximately 10% would have been significantly higher were it not for the unfavorable changes in exchange rates. Earnings in the first quarter were also impacted by measurement losses in the amount of €5.1 million from interest rate hedges and currency forwards as of the reporting date. We expect the difficult market conditions in this region to continue in 2008; however, owing to our strong cost and market positions, we will be able to outperform the market.

At Group level, losses on the measurement of interest rate hedges and currency forwards at the reporting date impacted net financial expenses by €5.7 million in the past quarter. These costs resulted from changes in interest and exchange rates and are not possible for us to predict. However, if interest and exchange rates remain stable, we do not expect any more losses of this magnitude and have already noted a positive development in euro swaps again.

As regards the current quarter, we assume that growth will continue and that there will be a further improvement in EBITDA. Despite the unsatisfactory development of earnings in the first quarter of 2008, we believe that there is a realistic opportunity of generating consolidated revenue in the order of €2 billion and an EBITDA margin of approximately 15% for the entire fiscal year.

# Interim Group Management Report

## Business environment

The economic environment in Europe remained positive in the first quarter of 2008, although the pace of growth slowed somewhat in individual regions. While GDP growth in the euro zone was 2.6% last year, the IMF is expecting this to fall to 1.4% in 2008. Growth prospects for Germany have also been dampened. While GDP in Germany grew by 2.5% in 2007, estimates for 2008 point to a lower level of 1.4%-1.8%.

In 2008, the IMF expects GDP growth rates to drop from 5.8% to 4.4% in Central and Eastern Europe, and from 6.5% to 4.9% in the case of Poland. In Russia, growth rates are expected to fall from 8.1% to a still impressive 6.8%.

In the U.S.A., growth prospects have been dampened considerably in recent months, with some experts even predicting a recession in the course of this year. The IMF expects GDP growth to fall from 2.2% to 0.5%. Canada fares somewhat better in this regard, with GDP growth decreasing from 2.7% to 1.3%.

Demand has been cooling off on Western European engineered wood markets since the beginning of the year, resulting in downward pressure on prices, particularly in the area of raw particleboard. Demand for melamine-faced particleboard continues to be robust. In Eastern Europe, demand varies very widely from country to country. While growth continues uninterrupted in Russia, it has weakened noticeably in Poland, as can be seen above all from the prices for raw particleboard. In North America, the mortgage crisis is continuing to curb demand both for laminate flooring and for particleboard.

## Revenues and earnings

The first quarter of 2008 brought both positive and negative developments for the Pfleiderer Group. On the one hand, Western Europe continued its strong performance with a marked increase in margins. In spite of the difficult market conditions, North America fulfilled our expectations and recorded an increase in revenues and EBITDA. On the other hand, Eastern Europe fell well short of our expectations as regards earnings.

The Pfleiderer Group continued its growth course in the first quarter of 2008, too, increasing revenues by 9.4% year-on-year to €467.7 million. This was primarily a result of the full consolidation of Pergo. Pergo only contributed to revenues in one month of the prior-year quarter. The international share of the Group’s revenues increased from 68.1% to 72.2%, also due to the acquisition of the Swedish Pergo Group. Year-on-year changes in relevant exchange rates virtually cancelled each other out, only impacting revenues by just over €1 million.

EBITDA increased by 7.1% to €60.4 million compared with the same period in 2007. Earnings increased at a slower rate than revenues, which is attributable in part to further rises in the cost of raw materials, energy, transportation, and personnel. Another reason for this is the sharp rise in administrative expenses, due in part to the payment of bonuses for the excellent fiscal year 2007, but also to wage increases and changes in the regional personnel structure. The lower number of working days in the first quarter of 2008 compared with the previous year had the effect of reducing the quarter's contribution to earnings by approximately €3-4 million.

EBIT declined slightly year-on-year to €32.2 million. This was due in part to the higher level of depreciation and amortization expenses, particularly as a result of investments in Eastern Europe. Depreciation and amortization expenses increased from €22.3 million to €28.2 million in the first quarter of 2008.

Net financial expenses (€–17.8 million) were impacted by non-operating effects from the marking-to-market of interest rate hedges (€–4.5 million) and currency forwards (€–1.2 million) at the reporting date. By contrast, the same items made a positive contribution of €1.6 million in the prior-year period. Overall, these one-time factors resulted in a year-on-year difference of €7.3 million in net financial expenses.

Tax expenses fell to €3.4 million year-on-year owing to the lower pre-tax earnings of €14.4 million and the reduced corporate income tax rate of 15% that has been in place in Germany since January 1, 2008. The total tax rate was 23.9%, compared with 29.6% in the same period in 2007.

At €10.9 million, profit for the period remained 38% below the prior-year level because of the aforementioned one-time factors. Of this figure, €0.7 million is attributable to minority shareholders and €4.9 million to hybrid capital investors. As a result, earnings of €5.3 million were attributable to shareholders of Pfleiderer AG, as against €12.4 million in the year-ago period. This resulted in basic earnings of €0.10 per share, compared with €0.24 in the previous year.

## Net assets and financial position

Total assets increased by 1.5% to €1,949.8 million compared with the end of 2007. On the assets side of the balance sheet, this was due in particular to current assets, which increased substantially by 14.2% to €454.8 million, primarily because receivables and other assets rose by 36.0% to €164.0 million. However, cash and cash equivalents also increased by just under 39% to €23.9 million.
The 1.8% decrease in noncurrent assets to €1,495.0 million had an offsetting effect. Property, plant, and equipment contributed to this development with a 3.9% reduction and intangible assets with a 2.0% reduction.

On the liabilities side, growth was driven by a 5.7% increase in current liabilities, itself largely attributable to financial liabilities, which increased by over 35% to €230.9 million. Noncurrent liabilities and equity remained virtually unchanged. Owing to the increase in total assets and liabilities, the equity ratio fell slightly to 41.1%.

Compared with the end of 2007, the Group's net debt increased marginally to €652.4 million. As a result, gearing (the ratio of net debt to equity) also increased slightly to 0.81.

## Cash flow

In the past quarter, cash flow from operating activities was temporarily negative. The cash outflow of €12.3 million is due to a decrease in current liabilities and other debt compared with the end of 2007, and to an increase in receivables and other assets.

## Capital expenditure

Investments including prepayments amounted to €20.6 million in the reporting period, as against €38.4 million in the same period in 2007. Of this figure, €8.4 million was attributable to the Western Europe region, €9.2 million to the Eastern Europe region, and €2.9 million to North America.

## Employees

The Group's workforce increased by 1.0% year-on-year to 5,866. While the number of employees in Eastern Europe increased by 12% following the construction of the MDF plant in Grajewo and the expansion of production capacity in Russia, it fell by the same figure in North America owing to the Pergo integration and the closure of the production facility in Lac-des-Iles. In Western Europe, the size of the workforce remained virtually unchanged.

## Segment report

**Segment overview**

| | Western Europe | | Eastern Europe | | North America | | Group* | |
|---|---|---|---|---|---|---|---|---|
| €m | Q1 08 | Q1 07 | Q1 08 | Q1 07 | Q1 08 | Q1 07 | Q1 08 | Q1 07 |
| Revenues | 260.2 | 239.3 | 105.3 | 93.3 | 110.9 | 101.0 | 467.7 | 427.6 |
| EBITDA | 44.6 | 33.4 | 13.3 | 17.8 | 8.8 | 7.8 | 60.4 | 56.4 |
| – Margin in % | 17,1 | 14.0 | 12.6 | 19.1 | 7.9 | 7.7 | 12.9 | 13.2 |
| EBIT | 32.0 | 22.7 | 5.3 | 12.3 | 1.0 | 1.8 | 32.2 | 34.1 |
| EBT | 22.4 | 17.9 | 1.3 | 11.2 | -8.6 | -1.2 | 14.4 | 24.9 |
| Capital expenditure | 8,4 | 2.4 | 9.2 | 31.7 | 2.9 | 4.3 | 20.6 | 38.4 |
| Employees | 2,862 | 2,861 | 1,770 | 1,576 | 1,116 | 1,264 | 5,866 | 5,810 |

* Figures for the Group differ from the total for the Regions due to consolidation adjustments

**Western Europe**
In the first quarter of 2008, the Western Europe region remained the Group's main earnings driver, with revenue increasing by 8.7% year-on-year to €260.2 million. We recorded growth across all product areas and markets with the exception of the Spanish and U.K. export markets, where demand was subdued. In Germany, demand continued to grow again following a brief lull at the turn of the year. Growth was driven by the Pergo acquisition but also by demand for melamine-faced particleboard, which increased in the wake of the new sales strategy and strong export performance. However, performance was also boosted by the introduction of new colors, e.g., for the Duropal brand, and of a new black HDF for office furniture production.

From an earnings perspective, the Western Europe region once again demonstrated its profitability with substantial growth. EBITDA for the region increased by 33.5% to €44.6 million, rising faster than sales. This is attributable above all to an improved product mix with continued growth in high-margin products. The EBITDA margin improved from 14.0% to 17.1%. EBIT for the region increased by 41.0% to €32.0 million.

For the Western Europe region, we expect healthy demand to continue among furniture manufacturers, particularly from the office furniture and kitchen furniture segments, and from our export business. We intend to maintain and boost our earnings power by means of the "Future BC West" program. This program will bring about a marked increase in productivity at our Arnsberg, Gschwend, Nidda, and Leutkirch locations in 2008 and 2009.

**Eastern Europe**
Our performance in Eastern Europe, particularly in Poland, was disappointing. Although Eastern Europe still recorded year-on-year growth of 12.9% in the first quarter of 2008 – higher than any other region – earnings in Poland fell well short of our expectations.

Revenues increased to €105.3 million due to the commissioning of the new MDF plant in Grajewo, and also to the sustained high level of demand in Russia. The plant in Novgorod is operating at full capacity and we were able to impose additional price increases on the market. On the other hand, MDF sales did not fulfil expectations and production was also hampered by technical problems in the first quarter, which have since been resolved. Demand for raw particleboard also fell short of planned levels. On the one hand, the appreciation of the Polish zloty made it more attractive for Polish customers to import particleboard from neighboring countries; on the other, the sales of Polish furniture manufacturers with a high level of exports for their output were adversely impacted by the currency appreciation. Earnings were affected by the resulting slump in demand, particularly among major customers, and by the underutilization of the Grajewo plant.

EBITDA fell year-on-year by 25.7% to €13.3 million. This was due to several factors, some of which were temporary. For instance, we halted production at the Grajewo plant on certain days in order to avoid build-up of inventory. However, raw material prices also increased substantially in the first quarter and it was not possible to offset these through price increases. There are already clear indications that the price of glue and wood will fall again substantially in the second quarter. The EBITDA margin fell from 19.1% to 12.6%. EBIT in Eastern Europe contributed €5.3 million, compared with €12.3 million in the same period in 2007.

The cost reduction measures initiated in March are expected to improve earnings by €20 million before the end of 2008, thereby improving the margin accordingly in the course of the year.

**North America**

Although market conditions in North America remain difficult, the initial impact of our marketing and cost-cutting measures can now be seen. Revenues increased by 9.8% to €110.9 million year-on-year, bucking the general market trend. The main growth driver was the acquisition of Pergo.

The area of laminate flooring increased substantially year-on-year, reversing the fall in prices that occurred in the previous fiscal year. Prices in the first quarter were up slightly quarter-on-quarter and customers have been informed of further price increases for the second quarter 2008.

Particleboard production was at the limit of its capacity in the first quarter of 2008, meaning that it was generally possible to impose price rises to compensate for increases in the cost of raw materials. Owing to the difficulties in procuring raw materials and the lower export potential from Canada to the U.S.A. as a result of exchange rate developments, the MDF plant in La Baie was only in operation for just over two weeks in the first quarter of 2008. A decision on how to proceed with the La Baie plant is expected to be taken towards the end of the second quarter 2008.

In addition to the production halt at the plant, the decline in the dollar slowed revenue growth in the North America region. Without the negative exchange rate effects, year-on-year growth would be 15.8%. This revenue development is particularly encouraging in the light of the general downturn in the market. The market for laminate flooring is likely to have contracted by approximately 8-10% year-on-year in the same period. With the new national locations gained through the acquisitions of the Kunz and Pergo groups, we have an advantage over competitors without production bases in North America.

At €8.8 million, EBITDA was 12.4% up on the prior-year level (€7.8 million), in spite of the marketing and ramp-up costs that were incurred again in the first quarter in connection with the major order from The Home Depot. These will not affect earnings in the second quarter. The delivery of the merchandise began in March and will continue until May. The savings effects from the cost-cutting program initiated in 2007 contributed €5 million to earnings and will take full effect in the course of the year.

However, earnings in North America were also impacted by one-time costs in the amount of €5.1 million from interest rate hedges and currency forwards.

We expect earnings in the region to continue to improve in the second quarter.

## Report on post-balance sheet date events

On April 3, 2008, OEP Europe GmbH informed us that it had reduced its stake in Pfleiderer AG from 15.02% to 0%. At the same time, one of its subsidiaries – Wood Engineering L.P., based in George Town, Cayman Islands – increased its stake in Pfleiderer to 20.41%.

## Risk report

The tasks and organization of risk management at Pfleiderer and the risks to which the Company is exposed were described in detail in the 2007 Group Management Report. This document can be viewed on Pfleiderer AG's website under Investor Relations/Reports and downloaded if required.
On the basis of currently available information, there were no material changes to the risk situation described in these documents in the first quarter of 2008. No risks that could endanger the continued existence of the Group have currently been identified in the Pfleiderer Group.

## Report on expected developments

Pfleiderer expects its strong business performance in Western Europe to continue on the back of the current state of the engineered wood markets in Europe. This will reflect the Company's investments in enhancing productivity at its Arnsberg, Leutkirch, and Nidda plants in particular. In addition to increased output volumes, this will also result in lower production costs.

In Eastern Europe, by contrast, we expect revenue growth to weaken, particularly in Poland, while Russia is likely to continue its strong growth. Moreover, we are planning to put an additional laminating press into operation at our Russian location in 2008.

North America will again pose significant challenges to all market players in 2008. Contrary to the industry trend, however, Pfleiderer is expecting to moderately increase its business volume by gaining market share. The Company is well positioned to do this following the successful integration of Pergo and the implementation of its extensive restructuring program. Earnings in the BC North America will continue to improve in the current fiscal year because we have also significantly optimized our cost structure. One of our first successes is the new master agreement with U.S. home improvement chain "The Home Depot", which doubles our retail space in its American stores from the second quarter of 2008.

Despite the disappointing performance in the first quarter, we see a realistic opportunity of generating revenues in the region of €2 billion in fiscal year 2008 and of improving the EBITDA margin to 15%, provided the market situation does not deteriorate further.

Our investment planning provides for Group-wide investments of approximately €200 million in 2008, the majority of which will be used to construct the new MDF plant in Novgorod. An additional key project involves doubling the production capacity of glue resin at Silekol in Poland.

We will continue to optimize production costs at all of our locations in 2008, focusing on best practice transfer using our "Global Pfleiderer Production System" (GPPS).

We therefore expect continued positive business development in 2009 as well. We want to gain additional market share in North America and improve the profitability of our North American activities. We will expand our market presence in Eastern Europe, especially with our second plant in Novgorod, Russia. In Western Europe, we are focusing on expanding exports from Germany.

## Responsibility statement in accordance with section 37y of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with section 37w (2) no. 3 of the WpHG

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

## Disclaimer

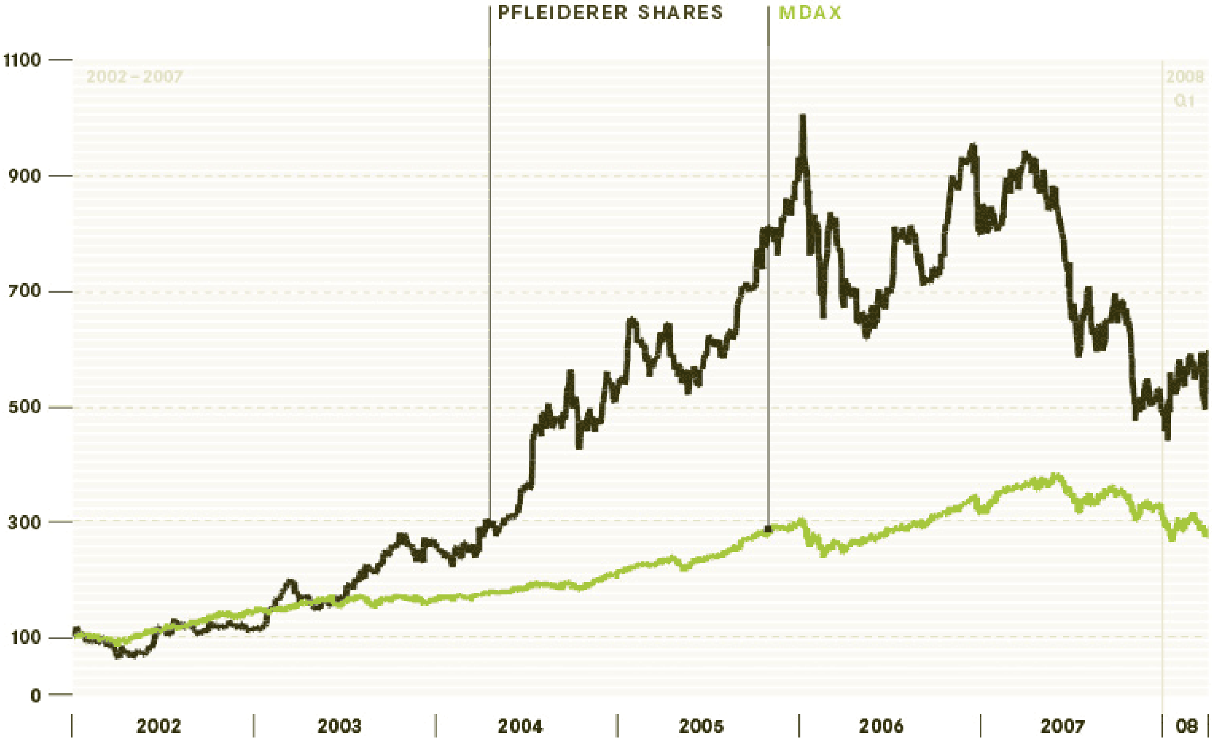
This Report contains forward-looking statements based on current assessments by Pfleiderer's management and on specific assumptions of the Company's future development. Such statements are subject to risks and uncertainties that are beyond Pfleiderer's ability to control and/or its sphere of influence and that therefore cannot be precisely assessed by Pfleiderer. These risks and uncertainties could lead to actual developments differing substantially from the assessments. Among other things, such risks and uncertainties include the state of future market and economic conditions, the behavior of other market participants, the successful integration of new acquisitions, and the realization of expected synergy effects.

# Pfleiderer shares

Our share price recovered in the first quarter of 2008. It increased by 12%, while the MDAX lost 11% of its value during the same period. The increase in the share price can be attributed, among other things, to the acquisition of shares by private equity fund One Equity Partners, a subsidiary of JP Morgan. This also led to a substantial increase in trading volume. While an average of approximately 532,700 shares were traded daily in 2007, this figure was just under 800,000 in the first quarter of 2008.

The OEP investment also had an impact on the free float. The shares held by OEP are not classified as free float by Deutsche Börse. As the complete shareholdings of OEP had not yet been reported by the index chaining date, the free float is still over 74%. In Deutsche Börse's March index of MDAX companies, our share reached number 32 in the liquidity ranking and number 47 in the market capitalization ranking. Our market capitalization was €853 million at the end of the reporting period.

**Pfleiderer and MDAX indexed**
**5 years; Dec. 31, 2002 = 100**



## Key Figures

| | | Q1 2008 | 2007 |
|---|---|---|---|
| Share price | | | |
| Low | € | 11.86 | 12.77 |
| High | € | 16.10 | 25.61 |
| Closing price | € | 16.00 | 14.24 |
| No. of shares at end of quarter / year | shares | 53,326,100 | 53,326,100 |
| Market capitalization as of Mar. 31 and Dec. 31 | €m | 853 | 752 |
| Earnings per share (continuing operations) | € | 0.10 | 1.00 |
| Average daily trading volume [1)] | shares | 795,944 | 532,700 |

| | | |
|---|---|---|
| German securities code number (WKN) | | 676474 |
| ISIN | | DE0006764749 |
| Reuters symbol | | PFDGn.DE |
| Bloomberg symbol | | PFD4 GY |
| Stock exchanges | | Xetra, Frankfurt am Main, regional stock exchanges |
| Free float as of Mar. 31 2008 | % | 74.3% |
| MDAX weighting as of Mar. 31 2008 | % | 0.83% |
| Exchange segment | | Prime Standard |

1) per day on Xetra

# Interim Consolidated Financial Statements

## Consolidated Income Statement (IFRSs) for the Period January 1 to March 31, 2008

| € thousands | Jan. 1 – Mar. 31, 2008 | Jan. 1 – Mar. 31, 2007 |
|---|---|---|
| Revenues | 467,721 | 427,614 |
| Cost of sales | -343,461 | -313,197 |
| **Gross profit** | **124,260** | **114,417** |
| Selling expenses | -62,503 | -56,302 |
| Administrative expenses | -33,235 | -26,803 |
| Research and development costs | -1,001 | -401 |
| Other operating income and expenses | 4,664 | 3,429 |
| **Profit from operations** | **32,185** | **34,340** |
| Interest income | 1,508 | 2,464 |
| Interest expense | -13,440 | -11,677 |
| Net income from investments | 0 | -282 |
| Other financial income/expenses, net | -5,859 | 5 |
| **Financial expenses, net** | **-17,791** | **-9,490** |
| **Profit from continuing operations before income taxes** | **14,394** | **24,850** |
| Income taxes | -3,440 | -7,357 |
| **Profit from continuing operations** | **10,954** | **17,493** |
| Loss from discontinued operations | -74 | -10 |
| Income taxes on discontinued operations | 0 | 0 |
| **Profit for the period** | **10,880** | **17,483** |
| of which attributable to minority interests | 742 | 5,041 |
| of which attributable to hybrid capital investors | 4,885 | 0 |
| **of which attributable to shareholders of Pfleiderer AG** | **5,253** | **12,442** |
| Earnings per share (basic) | 0.10 | 0.24 |
| Earnings per share (diluted) | 0.10 | 0.23 |
| Earnings per share from continuing operations | 0.10 | 0.24 |
| Earnings per share from discontinued operations | 0.00 | 0.00 |
| Average number of shares outstanding (basic) | 50,938,862 | 52,752,806 |

## Consolidated Balance Sheet (IFRSs) as of March 31, 2008

**Assets**

| € thousands | Mar. 31, 2008 | Dec. 31, 2007 | Mar. 31, 2007 |
|---|---|---|---|
| Cash and cash equivalents | 23,877 | 17,197 | 23,418 |
| Receivables and other assets | 164,018 | 120,608 | 207,998 |
| Inventories, net | 229,150 | 229,693 | 204,841 |
| Income tax receivables | 5,168 | 4,672 | 3,631 |
| Other current assets | 18,467 | 11,371 | 24,091 |
| Noncurrent assets held for sale | 14,070 | 14,814 | 3,388 |
| **Current assets** | **454,750** | **398,355** | **467,367** |
| Property, plant, and equipment | 835,564 | 869,078 | 812,838 |
| Intangible assets | 552,164 | 563,616 | 517,385 |
| Financial assets | 4,405 | 4,511 | 7,484 |
| Deferred tax liabilities | 77,624 | 61,227 | 63,107 |
| Other noncurrent assets | 25,256 | 24,497 | 6,036 |
| **Noncurrent assets** | **1,495,013** | **1,522,929** | **1,406,850** |
| **Total assets** | **1,949,763** | **1,921,284** | **1,874,217** |

**Liabilities and Equity**

| € thousands | Mar. 31, 2008 | Dec. 31, 2007 | Mar. 31, 2007 |
|---|---|---|---|
| Current liabilities and other debt | 235,618 | 267,088 | 279,422 |
| Current financial liabilities | 230,939 | 170,925 | 409,962 |
| Other current provisions | 60,242 | 61,347 | 54,394 |
| Income tax payables | 9,083 | 6,731 | 1,844 |
| Miscellaneous other current liabilities | 2,360 | 2,018 | 576 |
| Liabilities directly associated with noncurrent assets held for sale | 15,750 | 16,129 | 39,215 |
| **Current liabilities** | **553,992** | **524,238** | **785,413** |
| Noncurrent financial liabilities | 445,329 | 464,453 | 408,395 |
| Pension provisions | 16,046 | 17,843 | 16,992 |
| Deferred tax liabilities | 75,629 | 58,954 | 93,160 |
| Other noncurrent liabilities | 26,244 | 25,796 | 1,935 |
| Other noncurrent provisions | 31,165 | 28,961 | 23,699 |
| **Noncurrent liabilities** | **594,413** | **596,007** | **544,181** |
| Contributions and subscribed capital | 136,515 | 136,515 | 136,515 |
| Group reserves including retained earnings brought forward and consolidated profit | 385,345 | 379,875 | 314,859 |
| Treasury shares | -42,999 | -43,432 | -11,326 |
| Other comprehensive income | -8,416 | -1,891 | -6,614 |
| Hybrid capital | 270,915 | 270,915 | 0 |
| Minority interests | 59,998 | 59,057 | 111,189 |
| **Equity** | **801,358** | **801,039** | **544,623** |
| **Total liabilities and equity** | **1,949,763** | **1,921,284** | **1,874,217** |

## Consolidated Cash Flow Statement (IFRSs) for the Period January 1 to March 31, 2008

| € thousands | Jan. 1- Mar. 31, 2008 | Jan. 1- Mar. 31, 2007 |
|---|---|---|
| Earnings before interest and taxes (EBIT) | 32,185 | 34,057 |
| Net income taxes paid | -3,300 | -1,977 |
| Depreciation and amortization of noncurrent assets | 28,195 | 22,336 |
| Gain/loss on disposal of noncurrent assets | 9 | -1,105 |
| Change in pension provisions | -44 | 575 |
| Change in current assets | -51,976 | -57,592 |
| Change in other noncurrent assets | -390 | 1,368 |
| Change in current liabilities excluding financial liabilities | -18,755 | 15,436 |
| Change in noncurrent liabilities excluding financial liabilities | 3,358 | 458 |
| Other noncash income and expense | -1,594 | 343 |
| **Cash flow from operating activities** | **-12,312** | **13,899** |
| Purchase of intangible assets | -605 | -41 |
| Purchase of property, plant, and equipment | -16,660 | -38,254 |
| Purchase of noncurrent financial assets | 0 | 0 |
| Purchase of and proceeds from sale of companies and shares of consolidated entities | -14,444 | -306,199 |
| Proceeds from sale of intangible assets | 75 | 474 |
| Proceeds from sale of property, plant, and equipment | 1,847 | 2,036 |
| Proceeds from sale of noncurrent financial assets | 177 | 615 |
| **Cash flow from investing activities** | **-29,610** | **-341,369** |
| **Cash flow from operating activities after investing activities** | **-41,922** | **-327,470** |
| Change in financial liabilities | 58,754 | 318,951 |
| Change in externally factored receivables | 507 | 7,941 |
| Purchase of own shares | 0 | -10,104 |
| Interest paid | -11,779 | -9,833 |
| Interest received | 1,508 | 892 |
| Other financing activities | -190 | 1 |
| **Cash flow from financing activities** | **48,800** | **307,848** |
| Net change in cash and cash equivalents | 6,878 | -19,622 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 232 | -664 |
| Effect on cash and cash equivalents of discontinued operations | -453 | -219 |
| Effect of changes in reporting entity structure on cash and cash equivalents | 23 | 8,518 |
| **Cash and cash equivalents at January 1** | **17,197** | **35,405** |
| **Cash and cash equivalents at March 31** | **23,877** | **23,418** |

## Consolidated Statement of Changes in Equity (IFRSs) for the Period January 1 to March 31, 2008

| € thousands | Subscribed capital | Group reserves including retained earnings brought forward and consolidated profit | Treasury shares | Other comprehensive income | Hybrid capital | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| **Balance at Jan. 1, 2007** | **136,515** | **302,309** | **-1,222** | **-1,737** | **0** | **106,443** | **542,308** |
| Treasury shares | 0 | 0 | -10,104 | 0 | 0 | 0 | -10,104 |
| Change in foreign currency translation adjustment item | 0 | 0 | 0 | -4,877 | 0 | -753 | -5,630 |
| Profit for the period or consolidated profit | 0 | 12,442 | 0 | 0 | 0 | 5,041 | 17,483 |
| Change in basis of consolidation | 0 | 0 | 0 | 0 | 0 | 458 | 458 |
| Effect of stock option plans | 0 | 108 | 0 | 0 | 0 | 0 | 108 |
| **Balance at Mar. 31, 2007** | **136,515** | **314,859** | **-11,326** | **-6,614** | **0** | **111,189** | **544,623** |

| € thousands | Subscribed capital | Group reserves including retained earnings brought forward and consolidated profit | Treasury shares | Other comprehensive income | Hybrid capital | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| **Balance at Jan. 1, 2008** | **136,515** | **379,875** | **-43,432** | **-1,891** | **270,915** | **59,057** | **801,039** |
| Treasury shares | 0 | -262 | 433 | 0 | 0 | 0 | 171 |
| Change in foreign currency translation adjustment item | 0 | 0 | 0 | -6,525 | 0 | 199 | -6,326 |
| Profit for the period or consolidated profit | 0 | 5,253 | 0 | 0 | 0 | 742 | 5,995 |
| Change in basis of consolidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Effect of stock option plans | 0 | 479 | 0 | 0 | 0 | 0 | 479 |
| **Balance at Mar. 31, 2008** | **136,515** | **385,345** | **-42,999** | **-8,416** | **270,915** | **59,998** | **801,358** |

## Consolidated Segment Reporting (IFRSs) for the Period January 1 to March 31, 2008

| **Pfleiderer Group**<br>€ thousands | Jan. 1 –<br>Mar. 31, 2008 | Jan. 1 –<br>Mar. 31, 2007 |
|---|---|---|
| Revenues | 467,721 | 427,614 |
| - International share (in percent) | 72.2 | 68.1 |
| EBITDA | 60,380 | 56,394 |
| - EBITDA margin (in percent) | 12.9 | 13.2 |
| EBIT | 32,185 | 34,057 |
| EBT from continuing operations | 14,394 | 24,850 |
| EBT from discontinued operations | -74 | -10 |
| Total EBT from continuing and discontinued operations | 14,320 | 24,840 |

| **Western Europe**<br>€ thousands | Jan. 1 –<br>Mar. 31, 2008 | Jan. 1 –<br>Mar. 31, 2007 |
|---|---|---|
| Revenues | 260,172 | 239,345 |
| EBITDA | 44,587 | 33,410 |
| - EBITDA margin (in percent) | 17.1 | 14.0 |
| EBIT | 32,046 | 22,691 |
| EBT | 22,423 | 17,894 |

| **Eastern Europe**<br>€ thousands | Jan. 1 –<br>Mar. 31, 2008 | Jan. 1 –<br>Mar. 31, 2007 |
|---|---|---|
| Revenues | 105,290 | 93,267 |
| EBITDA | 13,255 | 17,828 |
| - EBITDA margin (in percent) | 12.6 | 19.1 |
| EBIT | 5,275 | 12,301 |
| EBT | 1,276 | 11,157 |

| **North America**<br>€ thousands | Jan. 1 –<br>Mar. 31, 2008 | Jan. 1 –<br>Mar. 31, 2007 |
|---|---|---|
| Revenues | 110,874 | 100,965 |
| EBITDA | 8,764 | 7,799 |
| - EBITDA margin (in percent) | 7.9 | 7.7 |
| EBIT | 1,090 | 1,762 |
| EBT | -8,612 | -1,212 |

# Explanatory Notes to the Interim Financial Statements as of March 31, 2008

## 1. Basis of preparation

This quarterly financial report replaces the interim management statement in accordance with section 37x of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act). For further information, please refer to our 2007 Annual Report. The consolidated financial statements as of December 31, 2007 published in our Annual Report form the basis for this quarterly report. This quarterly report and the related interim consolidated management report were neither reviewed by an auditor nor audited in accordance with section 317 of the Handelsgesetzbuch (HGB – German Commercial Code).

This quarterly report was prepared in accordance with International Accounting Standards/International Financial Reporting Standards (IASs/IFRSs). The Interpretations issued by the International Financial Reporting Committee/Standing Interpretations Committee (IFRIC/SIC) were complied with. All figures for the prior-year period were calculated using the same principles. All issued International Accounting Standards / International Financial Reporting Standards (IASs/IFRSs) as adopted by the EU were complied with in the quarterly financial statements.

The consolidation methods did not change as against December 31, 2007.

The condensed interim consolidated financial statements do not contain all the explanatory notes and disclosures required for consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2007 (www.pfleiderer.com). Where no explanatory notes and disclosures are made in this quarterly report, no significant changes have occurred as against the explanatory notes and disclosures in the consolidated financial statements as of December 31, 2007.

This interim report was prepared in accordance with German Accounting Standard No. 6 (GAS 6).

## 2. Accounting policies

Recognition and measurement, as well as the explanatory notes and disclosures, are based on the same accounting policies and calculation methods applied in the 2007 consolidated financial statements. Please therefore refer to the 2007 Annual Report. In contrast to the previous year, prepayments for noncurrent assets are no longer reported under property, plant, and equipment, but under other current assets.

## 3. Acquisitions

On February 4, 2008, Pfleiderer AG reached an agreement with German company decopa industries GmbH to take over the edge manufacturer's activities. The acquisition of decopa industries GmbH, which generated revenues of €2.0 million in 2007, took effect on February 1, 2008. Pfleiderer acquired all material assets.

Because of the short period between acquisition and preparation of the quarterly financial statements, initial accounting for the asset deal is classified as provisional in accordance with IAS 3.62. The purchase price including acquisition-related costs amounted to €2.0 million. Preliminary purchase price allocation resulted in negative goodwill of €2.1 million, which is recognized immediately in profit or loss in accordance with IFRS 3.56.

## 4. Earnings per share

| | Jan. 1 – Mar. 31, 2008 | Jan. 1 – Mar. 31, 2007 |
|---|---|---|
| Profit for the period (€ thousands) | 10,880 | 17,483 |
| less minority interests (€ thousands) | -742 | -5,041 |
| less profit attributable to hybrid capital investors (€ thousands) | -4,885 | 0 |
| **Profit from continuing operations attributable to shareholders of Pfleiderer AG (€ thousands)** | **5,253** | **12,442** |
| Average number of outstanding shares (basic) | 50,938,862 | 52,752,806 |
| Average number of outstanding shares (diluted) | 51,133,763 | 53,189,260 |
| **Earnings per share (basic) (€)** | **0.10** | **0.24** |
| **Earnings per share (diluted) (€)** | **0.10** | **0.23** |

## 5. Dividends

Pfleiderer AG will pay a dividend for fiscal year 2007. Subject to the approval of the Annual General Meeting, the dividend will amount to €0.30 per no-par value share carrying dividend rights. In the corresponding prior-year period, Pfleiderer AG paid a dividend of €0.25 per no-par value share carrying dividend rights.

## 6. Shareholdings of Executive Board and Supervisory Board members, stock option plans

As of March 31, 2008, members of Pfleiderer AG's Executive Board held a total of 212,580 shares and 675,432 stock options. Members of the Supervisory Board held a total of 25,533 shares and 6,216 stock options.

In the first quarter of fiscal year 2008, members of the Executive Board were not granted any options to subscribe for shares in return for a contribution of a personal investment as part of Pfleiderer AG's stock option plan.

194,901 stock options were "in the money" as of March 31, 2008, and therefore resulted in a notional dilution of earnings per share.

## 7. Treasury shares

Pfleiderer AG did not acquire any own shares in the first three months of the fiscal year. In the period from January 1 to March 31, 2008, 21,233 shares were issued to participants in share-based payment plans after they exercised their options.