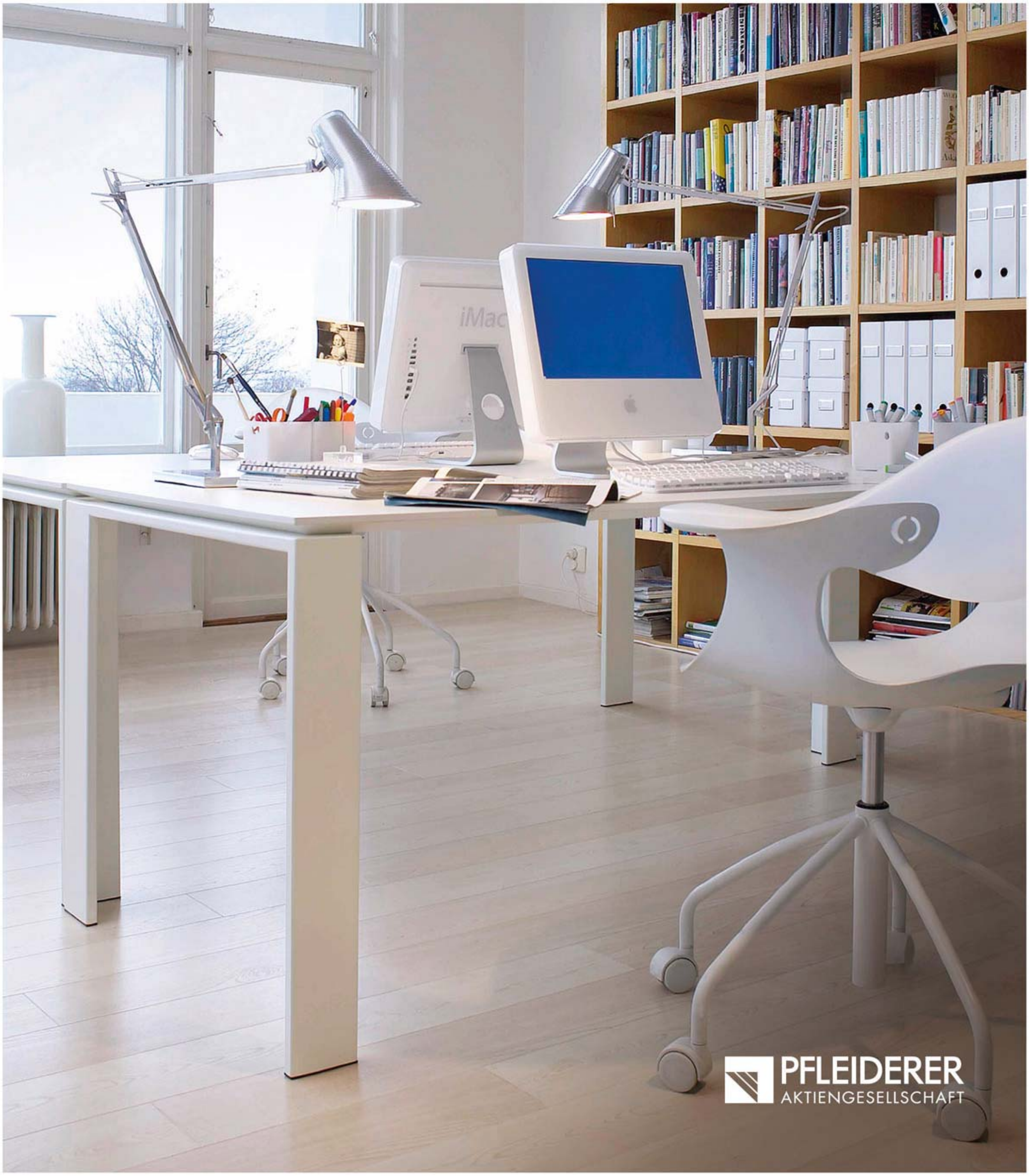
NINE MONTHS REPORT

JANUARY 1 – SEPTEMBER 30, 2008



PFLEIDERER AKTIENGESELLSCHAFT

Interim report on the nine months ended September 30, 2008

- Revenue up by 1% compared with prior-year period to €1,353 million
- EBITDA of €180 million at prior-year level (€184 million)
- Significantly higher cash inflow from operating activities of €143 million (9M 2007: €110 million)
- One-time impact on effective tax rate from partial elimination of tax-loss carryforwards
- Earnings per share of 32 euro cents
- Economic slowdown also in Western Europe
- Strong revenue growth in Eastern Europe
- North American business holds up in a difficult environment
- Additional cost-reduction programs initiated in all regions
- No foreseeable financing requirement for 2009

Pfleiderer Group: key figures at September 30, 2008

€ million	Jan. 1 – Sept. 30, 2008	Jan. 1 – Sept. 30, 2007	July 1 – Sept. 30, 2008	July 1 – Sept. 30, 2007
Revenue	1,353.3	1,340.9	436.4	454.7
International share (%)	72.0	70.6	72.1	71.0
EBITDA	179.7	183.9	60.2	62.9
Margin (%)	13.3	13.7	13.8	13.8
EBIT	87.4	102.7	32.6	32.1
EBT from continuing operations	51.0	68.5	28.1	20.5
Profit for the period	32.6	47.1	16.3	13.9
Profit attributable to Pfleiderer shareholders	16.5	29.2	11.2	6.4
Earnings per share, basic (€)	0.32	0.55	0.22	0.12
Earnings per share, diluted (€)	0.32	0.55	0.22	0.12
Number of employees at end of period	5,926	5,851	5,926	5,851
Germany	2,588	2,555	2,588	2,555
Outside Germany	3,338	3,296	3,338	3,296
Average number of shares outstanding	50,814,054	52,782,818	50,814,054	52,782,818

€ million	Sept. 30, 2008	Dec. 31, 2007	Change (%)
Total assets	2,017.5	1,921.3	5.0
Equity	773.2	801.0	-3.5
Equity ratio (%)	38.3	41.7	-8.2
Net debt	701.8	618.2	13.5

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Foreword by the Executive Board

Ladies and Gentlemen, dear Shareholders,

During the third quarter of this year, the financial market crisis increasingly affected the real economy in all of the regions where the Pfleiderer Group is active. Particularly at the beginning of the quarter, the economic environment continued to be impacted by increases in raw-material prices, although this has meanwhile subsided in some areas. However, the economic situation made it nearly impossible to raise the prices of our products. Due to weak economic developments, in some cases we actually had to reduce our prices. Nonetheless, in the first nine months of 2008, we succeeded in increasing our revenue by approximately 1% to €1,353.3 million. But we were only able to offset the above-average increase in our cost of sales resulting from higher raw-material costs by making substantial cost reductions in the areas of distribution and administration. EBITDA for the first nine months of 2008 fell slightly to €179.7 million (9M 2007: €183.9 million), resulting in a slight decrease in the EBITDA margin from 13.7% to 13.3%.

Although the economic slowdown became noticeable during the third quarter for the first time also in Western Europe, we were still able to achieve slight revenue growth of 1% to €749.4 million in the first nine months of this year. Due to a repeated improvement in our product portfolio and various cost-optimizing programs, EBITDA increased by a strong 9% to €126.3 million. This represents an EBITDA margin of 16.9%, compared with 15.6% in the prior-year period. In Western Europe, we applied an innovative technology in the production of MDF for the first time, enabling us to increase plant productivity by 30% and reduce costs by 10%. We plan to make use of this technology also at other sites.

As a result of the new MDF plant in Grajewo, Poland, and the expansion of our activities in Novgorod, Russia, revenue in Eastern Europe increased significantly in the first nine months of the year 2008. In this region, we posted 13.5% revenue growth to €318.6 million in the reporting period. As in the previous quarters, growth was disproportionately strong in Russia, while business in Poland continued to be affected by the strong zloty and overcapacity. Due to the particularly sharp increase in raw-material prices in this region, EBITDA for the first nine months fell to €43.1 million from €51.3 million in the prior-year period, with a corresponding drop in the EBITDA margin from 18.3% to 13.5%.

The North America market continues to be firmly in the grip of the US real-estate crisis with consequential low levels of demand. Revenue in this region in the first nine months of 2008 decreased compared with the prior-year period – due also to the plant closure in La Baie and currency translation – by 6.9% to €311.2 million. EBITDA of €21.1 million was only slightly lower than for the first nine months of 2007, while the EBITDA margin remained constant at 6.8%. In a generally declining market for laminate flooring, Pergo once again took market share from the importers. The panels business was more difficult: the economic situation made it impossible to raise prices any further, although it would actually have been necessary due to the increased cost of raw materials.

For the last quarter of 2008 and for next year, we do not anticipate any improvement of the overall market; on the contrary, we will prepare for difficult times. Against this backdrop, we have decided to temporarily suspend our growth policy in favor of strict cost management to be implemented in all areas and regions. For example, before the end of this year, we will review and adjust our planned capital expenditure. We expect another substantial contribution towards reduced costs from the various measures we have taken to optimize production processes. The cost situation will also be positively affected by lower raw-material prices in some areas. In view of the difficulty of assessing the general economic situation, specific forecasts are connected with great uncertainty. In a market that will present great challenges for us all, we will make all efforts to perform better than our competitors and to emerge stronger from the coming economic crisis.

Neumarkt, October 31, 2008

Hans H. Overdiek
CEO

Group management report

Economic environment

The massive price corrections in some countries' real-estate markets and the resulting worldwide financial market crisis are increasingly affecting the real economy. None of the world's regions seems to be spared the downturn. As a consequence, economic growth is likely to weaken all over the world in 2008 and 2009; some countries are in danger of slipping into recession. However, this drop in demand is accompanied by falling raw-material prices, which should have a positive impact on our material costs, probably as soon as the fourth quarter of 2008.

After surprisingly strong economic developments in the first quarter of 2008 in Germany, our most important market, gross domestic product (GDP) fell in the second quarter by 0.5% (compared with Q1 2008). The autumn report of the leading economic-research institutes assumes that GDP remained flat at best in the third quarter, and anticipates another drop in the fourth quarter. For the euro zone, following a fall in GDP in the second quarter of this year, the autumn report foresees further falls in the remaining quarters of 2008 (quarter-on-quarter).

In its October report, the IMF expects GDP growth to fall in Eastern Europe, but still to be at a level of more than 4% for 2008 and a good 3% for 2009. In the United States, there are increasing signs that the economy slipped into recession in the third quarter. However, the Canadian economy is still relatively robust, although its growth rates are also falling.

The situation in the engineered-wood markets of Western Europe has deteriorated since the beginning of this year. On the one hand, there is the burden of rising raw-material and energy costs; on the other hand, demand has weakened, in particular for raw particleboard and raw MDF, thus placing price pressure on these product segments. According to the Association of the German Engineered Wood Industry, demand for particleboard in Germany fell by 5.8% in the first half of this year compared with the prior-year period. Demand for surface-finished board and HPL remains strong, but the first signs of weakening are apparent. According to the Association's figures, demand for fiberboard has fallen by 6.3%. In Eastern Europe, we see ongoing flat demand in Poland due to the strong Polish zloty. Growth continues undiminished in Russia, however. The market situation in North America remains difficult as a result of the mortgage crisis.

Revenue and earnings – comparison of Q3 2008 with Q3 2007

In the third quarter of 2008, the worldwide economic slowdown was felt also by the Pfleiderer Group. But despite the deteriorating environment, the Group continued to perform well. Compared with the prior-year quarter, revenue decreased by 4% to €436.4 million. This was partially due to the maintenance-related longer summer break. In addition, the closure of the plant in La Baie, Canada – related to raw-material supplies and production costs – led to a drop in revenue of approximately €11 million, despite partial compensation from the Mont Laurier plant. But the fall in some of our sales prices compared with the prior year was also a burden on revenue. The effects of currency translation increased our revenue by €9.6 million, and the new plant in Moncure, USA, contributed revenue of €5 million. Whereas Eastern Europe delivered a strong boost to revenue due to the ramp-up of the MDF plant, lower revenue was posted in both Western Europe and North America.

Despite generally declining revenue, cost of sales increased, because we were not able to pass on the increased cost of raw materials to our customers in the form of price increases. However, this effect was offset by significant savings in selling and administrative expenses. Profit from operations of €32.5 million was thus slightly higher than the result for the prior-year period (€32.1 million) and the operating margin increased from 7.1% to 7.4%. Due to the drop in revenue, third-quarter EBITDA also fell to €60.2 million, from €62.9 million in Q3 2007. EBITDA for the third quarter of 2008 includes not only the closure costs for the La Baie plant, but also bad will of €5.4 million from the purchase-price allocation for the plant in Moncure, USA, which was recognized in profit and loss. The EBITDA margin remained unchanged compared with the prior-year period at 13.8%.

The net financial result improved to an expense of €4.4 million, compared with an expense of €11.7 million in the prior-year period. The drop was primarily the result of currency gains from the measurement on the balance sheet date of receivables denominated in dollars. Whereas the depreciation of the dollar placed a significant burden on our financial result in the first half of 2008, the renewed strength of the dollar in the third quarter fully compensated for that negative effect. Other financial income amounted to €9.2 million, mainly as a result of the valuation of balance sheet items at the exchange rates valid on the balance sheet date, especially regarding the US dollar.

The effective tax rate increased to 42% in the third quarter, mainly because tax-loss carry forwards at Pfleiderer AG and other German companies of the Group decreased during the third quarter following the increase in the stake held by One Equity Partners (OEP). Pursuant to Section 8c of the Corporation Tax Act (KStG), non-utilized losses are no longer deductible if, within a period of five years, more than 25% of a company’s share capital is transferred to a buyer or a party closely related to a buyer. One Equity Partners (OEP) fulfilled this condition when it increased its shareholding in Pfleiderer AG to 26.9% in September 2008, so 26.9% of all tax-loss carry forwards in Germany are no longer effective. The deferred tax assets recognized in connection with these tax-loss carry forwards therefore had to be derecognized in the third quarter, leading to a deferred tax expense of €9.6 million.

Of the profit for the period in the amount of €16.3 million, €0.4 million is attributable to minority interests and €4.7 million is attributable to the hybrid-bond holders, so the remaining €11.2 million is attributable to the Pfleiderer shareholders. This is equivalent to 22 euro cents per share (diluted), compared with 12 euro cents per share in the prior-year period.

Segment report for the third quarter

Segment overview

	Western Europe		Eastern Europe		North America		Group*	
€ million	Q3 08	Q3 07	Q3 08	Q3 07	Q3 08	Q3 07	Q3 08	Q3 07
Revenue	233.4	250.5	112.5	95.3	100.8	113.3	436.4	454.7
EBITDA	37.4	41.4	15.0	17.0	11.1	6.6	60.2	62.9
Margin (%)	16.0	16.5	13.3	17.9	11.0	5.8	13.8	13.8
EBIT	24.5	27.6	6.2	11.4	5.0	-4.7	32.6	32.1
EBT total	15.0	17.4	1.6	9.1	-1.1	-8.9	23.1	20.5
Capital expenditure	15.9	9.7	18.5	24.0	32.8	3.1	65.0	37.2
Number of employees	2,994	2,956	1,753	1,705	1,179	1,190	5,926	5,851

* Figures for the Group differ from the totals for the regions due to consolidation adjustments.

Western Europe

Western Europe proved to be the Group's most profitable region once again in the third quarter, although the economic slowdown started to be felt for the first time also in this region. Accounting for 53% of third-quarter revenue, Western Europe actually contributed an even bigger share of earnings. Revenue of €233.4 million was 6.8% lower than in the prior-year quarter, due to falling prices – especially of raw particleboard and HDF/MDF, as well as lower demand for laminate flooring. The main reason for the fall in prices was the generally weak demand for raw board. However, all business units except Flooring Europe succeeded in increasing their unit sales. The wholesale and project business continued its stable development. The revenue trend varied in the regions: Unit sales decreased in the United Kingdom as a result of the slump in the real-estate market, but increased in France. In Germany, unit sales increased in the decorative market segment once again.

The EBITDA margin fell slightly to 16.0% from 16.5% in the prior-year quarter. This reflects the weaker market prices in the raw-board business as well as down times due to maintenance and holidays. In order to further extend our cost and technology leadership, several rationalization investments were made in the Western Europe region during the third quarter. We are particularly proud of an innovative and unique technology that has increased the output of our plant in Nidda by 30% while reducing production costs by 10%. We intend to install this technology in other production facilities next year.

We expect the market environment to become more difficult during the rest of the year also in Western Europe, as the region's economy is increasingly affected by the consequences of the financial market crisis. Strict cost management will therefore play an even more important role.

Eastern Europe

As in the second quarter of 2008, business in the Eastern Europe region developed very differently in the two markets of Russia and Poland. Whereas the situation of demand and earnings is still excellent in Russia, the Polish plants are operating in a difficult market environment. The strong Polish zloty continues to adversely affect our customers' export opportunities, despite a recent slight fall of the currency. The Polish furniture industry's demand for particleboard in the third quarter was about 15% lower than in the prior-year period. Another problem is that overcapacity in the Polish market is depressing prices for particleboard and MDF. Our activities in Russia are making extremely positive progress, however. During the period under review, we significantly increased unit sales and were able to fully pass on the higher raw-material costs to our customers by raising our prices.

Despite the generally difficult market situation in Poland, we still succeeded in raising revenue in the region by 18% compared with the prior-year period to €112.5 million, equivalent to 25.8% of the Group's total revenue. The growth resulted from the new MDF plant in Poland as well as capacity expansion in Russia. A new press plant went into operation in Novgorod during the third quarter, but the weakness of the ruble nearly completely offset that growth when revenue in Russia is converted to euros.

Due to the significant increase in raw-material costs and the unsatisfactory capacity utilization at the MDF plant in Grajewo, Poland, EBITDA decreased from €17.0 million to €15.0 million. This represents a fall in the EBITDA margin from 17.9% to 13.3%. Contrary to the trend in other regions, timber prices have not fallen during the year to date and are now actually higher than in Germany. Glue and energy prices have also risen by approximately 20% compared with the third quarter of 2007. In order to counteract the increased costs and price pressure, we have initiated a cost-cutting program that will lead to savings of around €27 million this year. The market situation in Poland is not expected to improve in the short term.

North America

Our sales markets in North America are still in a downturn phase. The 11.0% drop in revenue to €100.8 million was nearly solely due to the closure of the La Baie plant. Furthermore, exchange-rate changes reduced revenue by €4.2 million. On the other hand, the newly acquired facility in Moncure contributed revenue of €5 million.

The market for raw particleboard shrank by 15% compared with the prior-year period, while demand for surface-finished board was down by 11% and for MDF by 10%. In this weak market, it was barely possible to pass on the higher cost of raw materials to our customers. The fact that revenue developed better than the market as a whole was due to our success with new sales channels and our good positioning with surface-finished board.

The market for laminated flooring in North America has shrunk by about 25% in the past one and a half years, but mainly at the expense of the importers. In this environment, Pergo has expanded its market share since the acquisition from 16% to just over 30%. Measured in local currency, revenue increased by 12.2% compared with the prior-year period and unit sales actually rose by 18.4%. The price increases we carried out in the third quarter will have a positive effect on revenue in the following quarters.

Compared with the third quarter of 2007, EBITDA increased from €6.6 million to €11.1 million, equivalent to a margin improvement from 5.8% to 11.0%. However, this EBITDA includes €5.4 million of bad will from the acquisition in Moncure.

As we do not expect the overall market to improve in the near future, further measures will be taken to compensate for the increased costs at all of our sites in the coming quarters.

Revenue and earnings – comparison of 9M 2008 with 9M 2007

In the first nine months of 2008, we succeeded in raising our total revenue by about 1% compared with the prior-year period to €1,353.3 million. The growth drivers were on the one hand the acquisition of Pergo, which had an impact on revenue for only seven months of the prior-year period, and the acquisition of the plant in Moncure, as of August 1, 2008. On the other hand, revenue was also boosted by the new MDF plant in Grajewo and by productivity advances. There was an opposing effect from the closure of the plant in La Baie, which caused revenue to fall by €30.7 million in the nine-month period, although some of those customers were supplied from the plant in Mont Laurier. Exchange-rate movements of the currencies relevant to Pfleiderer reduced revenue by another €4 million.

Due to the disproportionately high increase in cost of sales, EBITDA fell to €179.7 million, compared with €183.9 million in the first nine months of 2007. EBIT for the first three quarters of 2008 was reduced by €9.8 million because of higher regular depreciation caused by capacity expansion and the anticipated expenses for the plant closure in La Baie. EBIT therefore decreased from €102.7 million to €87.4 million.

The financial expense increased slightly from €34.1 million to €36.2 million in the two comparative periods, due to higher interest costs.

Nine-month earnings from continuing operations before taxes of €51.0 million were subject to an effective tax rate of 36.2%, compared with 29.8% in the prior-year period. This increase was primarily due to the fact that tax-loss carry forwards at Pfleiderer AG and other companies of the Group in Germany became proportionately smaller in the third quarter following the increase to 26.9% in the stake held in Pfleiderer AG by One Equity Partners (OEP).

After the deduction of profits attributable to minority interests and the hybrid-bond holders, the profit attributable to Pfleiderer shareholders amounts to €16.5 million. This is equivalent to earnings per share of 32 euro cents (diluted), compared with 57 euro cents in the prior-year period.

Segment report for the first nine months

Segment overview

	Western Europe		Eastern Europe		North America		Group*	
€ million	9M 08	9M 07	9M 08	9M 07	9M 08	9M 07	9M 08	9M 07
Revenue	749.4	741.9	318.6	280.7	311.2	334.3	1,353.3	1,340.9
EBITDA	126.3	115.9	43.1	51.3	21.1	22.9	179.7	183.9
Margin (%)	16.9	15.6	13.5	18.3	6.8	6.8	13.3	13.7
EBIT	88.3	78.2	18.2	34.5	-8.2	-3.6	87.4	102.7
EBT total	61.0	53.2	3.0	29.6	-25.8	-15.1	51.0	68.5
Capital expenditure	42.5	18.8	55.2	87.2	41.7	13.0	137.8	120.2
Number of employees	2,994	2,956	1,753	1,705	1,179	1,190	5,926	5,851

* Figures for the Group differ from the totals for the regions due to consolidation adjustments.

Western Europe

Revenue in the Western Europe region grew by 1% compared with the first nine months of last year to €749.4 million. As Pergo was not consolidated until March 1, 2007, most of this growth resulted from the increased contribution from Flooring Europe in the first two months of the year. As the year progressed, price pressure increased on raw particleboard and HDF/MDF, due to weak demand in the area of flooring. On the other hand, prices of HPL and surface-finished board remained stable.

We further improved the cost situation by means of continuous production optimization and rationalization within the BC West Plus program. EBITDA increased at a disproportionately high rate of 9.0% to €126.3 million. As a result, the EBITDA margin for the first three quarters of the year improved from 15.6% to 16.9%.

Eastern Europe

In the first nine months of the year 2008, the market situation in Eastern Europe was significantly different from the prior-year period. Whereas revenue growth continued in Russia in combination with higher profit margins, customer demand in Poland suffered from the strong zloty. The output of the Polish furniture industry, which is highly dependant on exports, decreased by approximately 15% in the first nine months of 2008 compared with the prior-year period. Furniture buyers in Western Europe are cautious in placing long-term orders due to the financial market crisis. Due to increased capacities in the region, prices of particleboard and MDF have also come under pressure. Despite this headwind, we increased our revenue in the region by 13.5% to €318.6 million. Contributions to this growth came from the new MDF plant in Grajewo, exchange-rate movements, and capacity expansion for raw and surface-finished particleboard in Russia.

EBITDA fell compared with the prior-year period from €51.3 million to €43.1 million, representing a decline in the EBITDA margin from 18.3% to 13.5%. The profit margin came under pressure primarily due to sharp increases in raw-material prices and falling sale prices in Poland. We have initiated a comprehensive cost-cutting program in order to counteract this cost and price pressure.

North America

The consequences of the US real-estate crisis had a negative impact also on our business in the North America region in the first nine months of 2008. Revenue for the period fell by €23.1 million (6.9%) to €311.2 million. This was partially due to a loss of revenue of €30.7 million caused by the closure of our plant in La Baie, which the plant in Mont Laurier was only partially able to offset, but also to exchange-rate effects in an amount of €26.4 million. The new site in Moncure, which was acquired as of August 1, 2008, contributed revenue of €5.0 million. Pergo was consolidated as of March 1, 2007 and thus contributed additional revenue of €18.4 million in the first nine months of 2008.

In a weak market environment, Flooring continued to gain market share, mainly at the expense of the importers. Increased costs were partially offset by slight price increases. The sale of our products by major retail chains was satisfactory, whereby there is a trend towards products in the low-price segment. Measured in local currency, revenue increased by 26% (increase of 16% on an adjusted basis). Panels' share of revenue in North America of 56.6% was lower than in the prior-year period due to exchange-rate effects and the termination of production in La Baie. Measured in local currency, revenue decreased by 4% (increase of 1% on an adjusted basis).

Due to the continuation of very limited scope for price increases for our products combined with sharp increases in our purchasing prices, profitability in the North America region is still dissatisfactory. Our substantial cost reductions have in the main only compensated for the latest price increases for raw materials. EBITDA of €21.1 million was close to the figure for the prior-year period (€22.9 million). It was negatively affected by restructuring expenses of €1.5 million for the relocation of production from La Baie and positively affected by bad will of €5.4 million recognized on the acquisition of the plant in Moncure.

Following the relocation of the La Baie plant entailing investment of some €80 million, we expect the new facility in North Carolina to be able to go into production in the third quarter of 2009. Due to timber prices being only about half as high, much lower transport costs and with the integrated production of particleboard and MDF, the site will have significant cost advantages and will substantially improve profitability in the North America region. The start of production will depend on the market situation in North America.

Assets situation – comparison of September 30, 2008 with December 31, 2007

Due to the plant expansion in Russia and the acquisition of the plant in Moncure the balance sheet total increased by 5% compared with the end of 2007 to €2,017.5 million at September 30, 2008. On the assets side of the balance sheet, current assets increased by 20.0% compared with the end of 2007. The growth in current assets was partially due to an increase of €36.4 million in cash and cash equivalents to €53.6 million. On the other hand, trade receivables increased by €45.6 million. There was an opposing effect from the deliberate reduction in inventories by €22.8 million or 9.9%. Non-current assets increased by 1.1% to €1,539.4 million.

At June 30, 2008, we issued a Schuldschein in an amount of €165 million. The Schuldschein serves to optimize the maturities of the Group's debt. We were able to secure this financing with maturities of three, five and seven years at investment-grade conditions.

On the other side of the balance sheet, in view of the financial market crisis we reduced current debt in favor of long-term financing and thus secured reliable financing for the coming years at very favorable conditions. Current liabilities decreased by €39.7 million to €484.5 million. Within this balance sheet item, trade liabilities increased by €39.3 million, while current financial liabilities fell by €37.7 million. Non-current liabilities increased by €163.8 million compared with December 31, 2007 to €759.8 million. The increase in non-current financial liabilities was largely the result of new plant construction in Russia, the acquisition of the plant in Moncure, and the buyback of own shares and part of the hybrid bond.

Net debt increased compared with December 31, 2007 by €83.6 million to €701.8 million. On the basis of net debt, the gearing ratio as of September 30, 2008 was therefore 90.8%, compared with 77.2% at the end of 2007.

Equity decreased from €801.0 million to €773.2 million, primarily due to the dividend payment of €15.3 million, the reduction in hybrid capital of €10.7 million, and the dividend payment of €16.9 million to other shareholders (Pfleiderer Grajewo). Due to the slight fall in equity on the one hand and the increase in total assets on the other, the equity ratio fell from 41.7% to 38.3%.

Cash flows

In the first nine months of 2008, the cash inflow from operating activities amounted to €167.3 million, which is €7.2 million less than in the prior-year period. The slight reduction was caused by the lower EBIT than in the first nine months of last year. However, the cash inflow from continuing operations reached €142.9 million, which was substantially higher than the prior-year figure of €109.9 million. This increase was primarily due to a reduction in inventories compared with the end of 2007.

Capital expenditure

The Group's capital expenditure in the first nine months of 2008 rose by €18.5 million compared with the prior-year period to €137.8 million. A large part of the total (€55.2 million) was invested in Eastern Europe for the establishment of the new MDF plant in Novgorod and for the installation of a third short-tact press at the same site. In North America, €41.7 million was invested in the acquisition of the plant in Moncure, while the focus of the investment of €42.5 million in Western Europe was on rationalization.

Workforce

The number of persons employed at the Group increased slightly – according to plan – by 1.3% compared with September 30, 2007 to 5,926 at September 30, 2008. There was slight workforce expansion in both Western Europe and Eastern Europe. 50.5% of our employees are employed in Western Europe, 29.6% in Eastern Europe and 19.9% in North America.

Events after the balance sheet date

There have been no occurrences of major significance for Pfleiderer since the balance sheet date.

Report on opportunities and risks

The tasks and organization of risk management at Pfleiderer and the risks to which the Group is exposed were described in detail in the Group's 2007 management report, which is part of Annual Report 2007. The document can be viewed on the website of Pfleiderer AG in the "Investor Relations/Reports" section, and can be downloaded if required.

On the basis of the currently available information, there were no material changes to the risk situation described in Annual Report 2007 during the first three quarters of 2008. No risks have been identified that could jeopardize the continued existence of Pfleiderer Group.

Risks for the Group may arise from a worsening of the economic environment. Opportunities might be offered due to falling raw-material prices, which would reduce the pressure on the cost side.

Report on expected developments

Against the backdrop of the economic slowdown and the current weakening of engineered-wood markets in Europe, Pfleiderer anticipates a more moderate development of unit sales in Western Europe. We will counteract weaker demand by continuing our investment in rationalization and productivity improvements. This should result in higher output volumes combined with lower production costs. We intend to compensate for the weak demand in some parts of our markets by increasing our exports to growth markets.

In Eastern Europe, we do not anticipate any improvement of the market situation in Poland as a result of the strong zloty. The Russian market should continue to grow, however. Additional cost-cutting measures in Poland should compensate for the effects of weaker demand and cost increases.

North America will continue to be a great challenge for all market players during the rest of 2008. It is only possible to a limited extent to pass on the increases in raw-material prices to our customers in the form of higher sale prices. Product innovations, cost reductions and productivity improvements must be implemented to improve our earnings. Due to our good competitive position, we assume that we will continue to gain market share.

We must adapt to the fact that the consequences of the financial-market crisis for the real economy may also affect our business.

Our investment planning calls for Group-wide capital expenditure of a good €200 million in full-year 2008. Most of that amount will be invested in setting up the new MDF plant in Novgorod, as well as in the relocation of the MDF plant from La Baie to Moncure and the modernization of that plant. In our production facilities, we will continue to reduce production costs at all sites in 2008 and 2009. One focus of these efforts is the transfer of best practices on the basis of our Global Pfleiderer Production System (GPPS).

In the year 2009, our business will still be affected by the economic situation, with hardly any growth likely from today's perspective. In North America, we aim to gain additional market share and to improve the profitability of our activities in that region. In Eastern Europe, we will expand our market presence in particular as a result of the second plant in Novgorod. In Western Europe, the focus will be on expanding the export business from Germany. Furthermore, cost-cutting efforts will be intensified in all regions.

Disclaimer

This report contains forward-looking statements that are based on current assessments by the Pfleiderer management and on specific assumptions concerning future developments. 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 may lead to actual developments differing substantially from our assessments. Among other things, such risks and uncertainties include the future market environment and economic conditions, the behavior of other market players, the successful integration of new acquisitions, and the realization of expected synergy effects.

Neumarkt, October 31, 2008

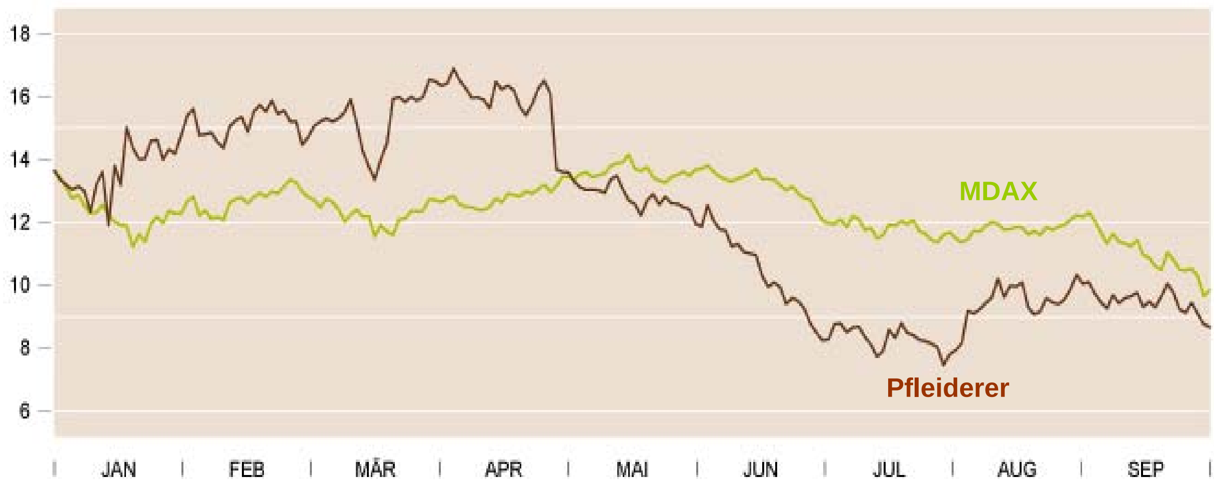
Hans H. Overdiek Michael Ernst Dr. Robert Hopperdietzel Heiko Graeve

Pfleiderer shares

In a market environment affected by fear of recession, the Pfleiderer share price held stable in the third quarter of 2008, while the relevant index, Germany's MDAX, fell by 23%. Over the first nine months of the year, our stock lost approximately 40% of its value, while the MDAX fell by about 30%. The average trading volume in Pfleiderer shares on Xetra in the third quarter of 2008 was almost 310,000 shares traded each day.

On September 10, 2008, the private equity firm One Equity Partners (OEP) increased its shareholding in Pfleiderer to 26.9%. As a result, the free float was reduced to 67%. In September, our position in the MDAX improved to rank 57 based on market capitalization, whereas we fell to 41st in terms of trading volume.

Pfleiderer and MDAX, indexed
December 31, 2007 = 100



Key figures

		9M 2008	FY 2007
Share price			
lowest price	€	7.33	12.77
highest price	€	16.91	25.61
closing price	€	8.56	14.24
Number of shares at end of period	shares	53,326,100	53,326,100
Market capitalization at end of period	€ million	456	752
Earnings per share (continuing operations)	€	0.32	1.00
Average daily trading volume [1]	shares	459,364	532,700

German securities identification number (WKN)	676474
International securities identification number (ISIN)	DE0006764749
Reuters symbol	PFDGn.DE
Bloomberg symbol	PFD4 GY
Stock exchanges	Xetra, Frankfurt am Main, regional stock exchanges
Free float at September 30, 2008	67%
MDAX weighting at September 30, 2008	57%
Stock-exchange segment	Prime Standard

1 per day on Xetra

Interim consolidated financial statements

Consolidated income statement (IFRS)

€ thousand	**Jan. 1 - Sept. 30, 2008**	Jan. 1 - Sept. 30, 2007	**July 1 - Sept. 30, 2008**	July 1 - Sept. 30, 2007
Revenue	1,353,284	1,340,868	436,424	454,706
Cost of sales	-1,006,491	-961,581	-325,523	-322,824
Gross profit	**346,793**	**379,287**	**110,901**	**131,882**
Selling expenses	-174,136	-187,888	-54,583	-64,551
Administrative expenses	-90,605	-90,347	-24,864	-32,677
Research and development expenses	-3,118	-2,097	-1,036	-798
Other operating income and expenses	8,239	3,710	2,094	-1,732
Profit from operations	**87,173**	**102,665**	**32,512**	**32,124**
Interest income	4,783	5,482	1,337	89
Interest expense	-42,273	-39,734	-14,824	-11,723
Net income from investments	0	0	-93	0
Other financial income/expense	1,309	116	9,209	-23
Financial expense, net	**-36,181**	**-34,136**	**-4,371**	**-11,657**
Profit from continuing operations before income taxes	**50,992**	**68,529**	**28,141**	**20,467**
Income tax expense	-18,461	-20,443	-11,828	-6,569
Profit from continuing operations	**32,531**	**48,086**	**16,313**	**13,898**
Loss from discontinued operations	-132	-360	-27	-178
Income tax gain/expense on discontinued operations	151	-666	0	210
Profit for the period	**32,550**	**47,060**	**16,286**	**13,930**
thereof attributable to minority interest	1,713	9,506	423	2,667
thereof attributable to hybrid bondholders	14,374	8,374	4,694	4,891
thereof attributable to shareholders of Pfleiderer AG	**16,463**	**29,180**	**11,169**	**6,372**
Earnings per share, basic (€)	0.32	0.55	0.22	0.12
Earnings per share, diluted (€)	0.32	0.55	0.22	0.12
Earnings per share from continuing operations (€)	0.32	0.57	0.22	0.12
Earnings per share from discontinued operations (€)	0.00	-0.02	0.00	0.00
Average number of shares outstanding, basic	50,814,054	52,782,818	50,814,054	52,782,818

Consolidated balance sheet (IFRS)

€ thousand	Sept. 30, 2008	Dec. 31, 2007	Sept. 30, 2007
ASSETS			
Cash and cash equivalents	53,558	17,197	14,603
Receivables and other assets	189,035	120,608	182,319
Inventories, net	206,942	229,693	227,698
Income tax receivables	6,036	4,672	4,881
Other current assets	12,205	11,371	15,893
Assets classified as held for sale	10,351	14,814	7,153
Current assets	**478,127**	**398,355**	**452,547**
Property, plant and equipment	871,389	869,078	846,669
Intangible assets	574,258	563,616	549,245
Financial assets	4,598	4,511	5,410
Deferred tax assets	75,025	61,227	60,789
Other non-current assets	14,147	24,497	7,527
Non-current assets	**1,539,417**	**1,522,929**	**1,469,640**
Total assets	**2,017,544**	**1,921,284**	**1,922,187**

€ thousand	Sept. 30, 2008	Dec. 31, 2007	Sept. 30, 2007
EQUITY AND LIABILITIES			
Payables and other debt	272,269	267,088	262,158
Financial liabilities	133,275	170,925	195,749
Provisions	48,104	61,347	41,100
Tax liabilities	10,562	6,731	2,700
Other liabilities	8,200	2,018	6,049
Liabilities directly associated with assets classified as held for sale	12,111	16,129	25,097
Current liabilities	**484,521**	**524,238**	**532,853**
Financial liabilities	622,114	464,453	495,440
Retirement benefit obligation	17,543	17,843	19,280
Deferred tax liabilities	75,025	58,954	73,185
Other liabilities	14,343	25,796	108
Provisions	30,809	28,961	28,267
Non-current liabilities	**759,834**	**596,007**	**616,280**
Capital contributions and subscribed capital	136,515	136,515	136,515
Reserves including retained earnings and profit for the period	380,531	379,875	345,834
Treasury shares	-43,073	-43,432	-32,131
Other comprehensive income	-7,638	-1,891	5,450
Hybrid capital	260,203	270,915	270,915
Minority interest	46,651	59,057	46,471
Equity	**773,189**	**801,039**	**773,054**
Total equity and liabilities	**2,017,544**	**1,921,284**	**1,922,187**

Consolidated cash flow statement (IFRS)

€ thousand	Jan. 1 - Sept. 30, 2008	Jan. 1 - Sept. 30, 2007
Earnings before interest and taxes (EBIT)	87,407	102,677
Net income taxes paid	-10,118	-9,669
Depreciation, amortization and impairments	92,281	81,180
Gain/loss on the disposal of non-current assets	-2,445	-1,023
Change in pension provisions	224	1,374
Net cash inflow from operations	**167,349**	**174,539**
Change in current assets	-10,682	-65,235
Change in other non-current assets	13,407	-1,309
Change in current liabilities excluding financial liabilities	-7,274	-5,793
Change in non-current liabilities excluding financial liabilities	-13,981	6,743
Other non-cash expenses and income	-5,898	941
Net cash inflow from operating activities	**142,921**	**109,886**
Payments for intangible assets	-3,516	-1,362
Payments for property, plant and equipment	-107,684	-117,428
Payments for financial assets	0	-430
Payments for the acquisition of and proceeds from the sale of consolidated companies and other corporate entities	-30,624	-392,129
Proceeds from the sale of intangible assets	495	9
Proceeds from the sale of property, plant and equipment	5,744	1,076
Proceeds from the sale of financial assets	269	585
Net cash outflow from investing activities	**-135,316**	**-509,679**
Net cash outflow from operating and investing activities	**7,605**	**-399,793**
Change in financial liabilities	104,108	172,552
Change in externally factored receivables	1,066	31,423
Dividend payment to minority shareholders	-16,887	-5,799
Dividend payment to hybrid bondholders	-19,407	-5,851
Dividend payment to shareholders of Pfleiderer AG	-15,290	-13,217
Proceeds from the issuance of hybrid bond	0	269,517
Payment for share buyback	-4,994	-33,301
Sale of treasury shares	3,188	0
Interest paid	-34,614	-34,011
Interest received	4,783	5,481
Other financing activities	7,682	114
Net cash inflow from financing activities	**29,635**	**386,908**
Net change in cash and cash equivalents	37,240	-12,885
Effects of exchange rate changes on cash held in foreign currencies	-1,355	-7
Change in cash and cash equivalents from discontinued operations	465	-16,428
Change in cash and cash equivalents from additions to the consolidated group	23	8,518
Change in cash and cash equivalents from the deconsolidation of companies	-12	0
Cash and cash equivalents at January 1	**17,197**	**35,405**
Cash and cash equivalents at September 30	**53,558**	**14,603**

Consolidated statement of changes in equity (IFRS)

€ thousand	Share capital	Reserves, including retained earnings and profit for the period	Treasury shares	Other comprehensive income	Hybrid capital	Minority interest	Total
Balance at January 1, 2007	**136,515**	**302,309**	**-1,222**	**-1,737**	**0**	**106,443**	**542,308**
Treasury shares	0	-1,414	-30,909	0	0	0	-32,323
Change in adjustment item for foreign currencies	0	0	0	7,187	0	-2,009	5,178
Profit for the period	0	29,180	0	0	0	9,506	38,686
Issuance/redemption of hybrid capital	0	0	0	0	270,915	0	270,915
Profit attributable to hybrid bondholders	0	0	0	0	8,374	0	8,374
Deferral of distribution to hybrid bondholders	0	0	0	0	-2,523	0	-2,523
Dividends paid	0	-13,217	0	0	-5,851	-5,799	-24,867
Dividends approved	0	0	0	0	0	0	0
Change in consolidated group	0	29,410	0	0	0	-61,670	-32,260
Effect of stock option plans	0	-434	0	0	0	0	-434
Balance at September 30, 2007	**136,515**	**345,834**	**-32,131**	**5,450**	**270,915**	**46,471**	**773,054**

€ thousand	Share capital	Reserves, including retained earnings and profit for the period	Treasury shares	Other comprehensive income	Hybrid capital	Minority interest	Total
Balance at January 1, 2008	**136,515**	**379,875**	**-43,432**	**-1,891**	**270,915**	**59,057**	**801,039**
Treasury shares	0	-2,164	359	0	0	0	-1,805
Change in adjustment item for foreign currencies	0	0	0	-5,737	0	2,768	-2,969
Profit for the period	0	16,463	0	0	0	1,713	18,176
Issuance/redemption of hybrid capital	0	0	0	0	-10,712	0	-10,712
Profit attributable to hybrid bondholders	0	0	0	0	14,374	0	14,374
Deferral of distribution to hybrid bondholders	0	0	0	0	5,033	0	5,033
Dividends paid	0	-15,290	0	0	-19,407	-16,887	-51,584
Dividends approved	0	0	0	0	0	0	0
Change in consolidated group	0	126	0	-10	0	0	116
Effect of stock option plans	0	1,521	0	0	0	0	1,521
Balance at September 30, 2008	**136,515**	**380,531**	**-43,073**	**-7,638**	**260,203**	**46,651**	**773,189**

Consolidated segment report (IFRS)

Pfleiderer Group € thousand	**Jan. 1 - Sept. 30, 2008**	Jan. 1 - Sept. 30, 2007	**July 1 - Sept. 30, 2008**	July 1 - Sept. 30, 2007
Revenue	1,353,284	1,340,868	436,423	454,706
international share (%)	72,0	70,6	72,1	71,0
EBITDA	179,688	183,852	60,232	62,870
margin (%)	13.3	13.7	13.8	13.8
EBIT	87,407	102,677	32,591	32,136
EBT from continuing operations	50,991	68,529	28,141	20,467
EBT from discontinued operations	21	-360	-27	-178
EBT total	51,012	68,169	28,114	20,289

Western Europe € thousand	**Jan. 1 - Sept. 30, 2008**	Jan. 1 - Sept. 30, 2007	**July 1 - Sept. 30, 2008**	July 1 - Sept. 30, 2007
Revenue	749,380	741,858	233,420	250,494
EBITDA	126,333	115,897	37,354	41,433
margin (%)	16.9	15.6	16.0	16.5
EBIT	88,264	78,213	24,537	27,637
EBT	61,038	53,224	15,047	17,372

Eastern Europe € thousand	**Jan. 1 - Sept. 30, 2008**	Jan. 1 - Sept. 30, 2007	**July 1 - Sept. 30, 2008**	July 1 - Sept. 30, 2007
Revenue	318,568	280,666	112,526	95,318
EBITDA	43,124	51,284	14,962	17,034
margin (%)	13.5	18.3	13.3	17.9
EBIT	18,209	34,513	6,188	11,410
EBT	2,987	29,565	1,615	9,128

North America € thousand	**Jan. 1 - Sept. 30, 2008**	Jan. 1 - Sept. 30, 2007	**July 1 - Sept. 30, 2008**	July 1 - Sept. 30, 2007
Revenue	311,198	334,289	100,829	113,308
EBITDA	21,132	22,852	11,116	6,587
margin (%)	6.8	6.8	11.0	5.8
EBIT	-8,170	-3,604	5,021	-4,699
EBT	-25,830	-15,123	-1,134	-8,929

Notes to the interim consolidated financial statements as of September 30, 2008

1. Basis of presentation

The interim consolidated financial statements and the interim group management report have been prepared in accordance with “German Accounting Standard No. 16” (DRS 16). Please refer to our Annual Report 2007 for further information. The consolidated financial statements and the group management report for the year ended December 31, 2007, as published in our Annual Report 2007, form the basis for these interim consolidated financial statements.

The interim consolidated financial statements have been prepared in compliance with the International Accounting Standards / International Financial Reporting Standards (IAS/IFRS) and their interpretations, which have to be applied according to Regulation No. 1606/2002 of the European Parliament and Council on the application of international accounting standards in the EU.

The consolidation methods have not changed compared with December 31, 2007.

The interim consolidated financial statements do not contain all of the notes and disclosures that are required for annual 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 notes or disclosures have been made in this nine-month report, no material changes have occurred compared with the notes and disclosures contained in the consolidated financial statements for the year ended December 31, 2007.

2. Accounting principles

Recognition and measurement, as well as the notes and disclosures, are based on the same accounting policies and calculation methods that were applied in the preparation of the consolidated financial statements for the year 2007. Please therefore refer to Annual Report 2007. Unlike in the previous year, prepayments made for non-current assets are no longer reported under property, plant and equipment, but under other current assets. Also unlike in the previous year, gains and losses on the measurement on the balance sheet date of foreign-currency loans are reported under other financial income/expense. In addition, the restructuring expenses reported separately in the previous year are now allocated to the individual functional areas.

3. Acquisitions

On February 4, 2008, Pfleiderer AG reached an agreement with decopa industries GmbH, a German manufacturer of edging, to take over that company's business operations. The acquisition of decopa industries GmbH, which reported revenue of €2.0 million in 2007, took effect as of February 1, 2008. Pfleiderer acquired all of the company's material assets.

The purchase price including transaction costs amounted to €2.0 million. The allocation of the purchase price resulted in a negative goodwill amount ("bad will") of €2.7 million, which was immediately recognized as a gain in the income statement in accordance with IFRS 3.56.

On July 31, 2008, Uniboard USA LLC, Delaware (USA), a 100% subsidiary of Pfleiderer AG, acquired the material operations of the plant in Moncure, North Carolina (USA) of ATC Panels Inc. in the context of an asset deal taking effect as of August 1, 2008. The plant reported revenue of €39.7 in the previous year.

Because of the short time between the acquisition and the preparation of the interim consolidated financial statements, the initial accounting for the asset deal is classified as provisional, in accordance with IFRS 3.62. The purchase price including transaction costs amounted to €26.7 million (€16.9 million). The preliminary allocation of the purchase price resulted in a negative goodwill amount ("bad will") of USD 8.2 million (€5.4 million), which was immediately recognized as a gain in the income statement in accordance with IFRS 3.56.

4. Earnings per share

	Jan. 1 - Sept. 30, 2008	Jan. 1 - Sept. 30, 2007
Profit for the period (€ thousand)	32.550	47.060
Less profit attributable to minority interest (€ thousand)	-1.713	-9.506
Less profit attributable to hybrid bondholders (€ thousand)	-14.374	-8.374
Profit attributable to shareholders of Pfleiderer AG (€ thousand)	**16.463**	**29.180**
Average number of shares outstanding, basic	50.814.054	52.782.818
Average number of shares outstanding, diluted	50.943.307	53.063.428
Earnings per share, basic (€)	**0.32**	**0.55**
Earnings per share, diluted (€)	**0.32**	**0.55**

5. Dividends

During the first nine months of 2008, Pfleiderer AG paid a dividend for the 2007 financial year. The amount of the dividend was €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

At September 30, 2008, the members of the Executive Board of Pfleiderer AG held 225,580 shares and 675,432 share options. The members of the Supervisory Board held 105,533 shares and 6,216 share options.

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

129,253 share options were "in the money" at September 30, 2008, and therefore resulted in an arithmetical dilution of earnings per share.

7. Treasury shares

In the first nine months of the year 2008, Pfleiderer AG acquired 589,543 of the company's own shares. During the period of January 1 to September 30, 2008, 34,534 shares were issued to participants in share-based payment plans after they exercised their stock options. Furthermore, 300,000 treasury shares were sold.

Neumarkt, October 31, 2008

Hans H. Overdiek   Michael Ernst   Dr. Robert Hopperdietzel   Heiko Graeve