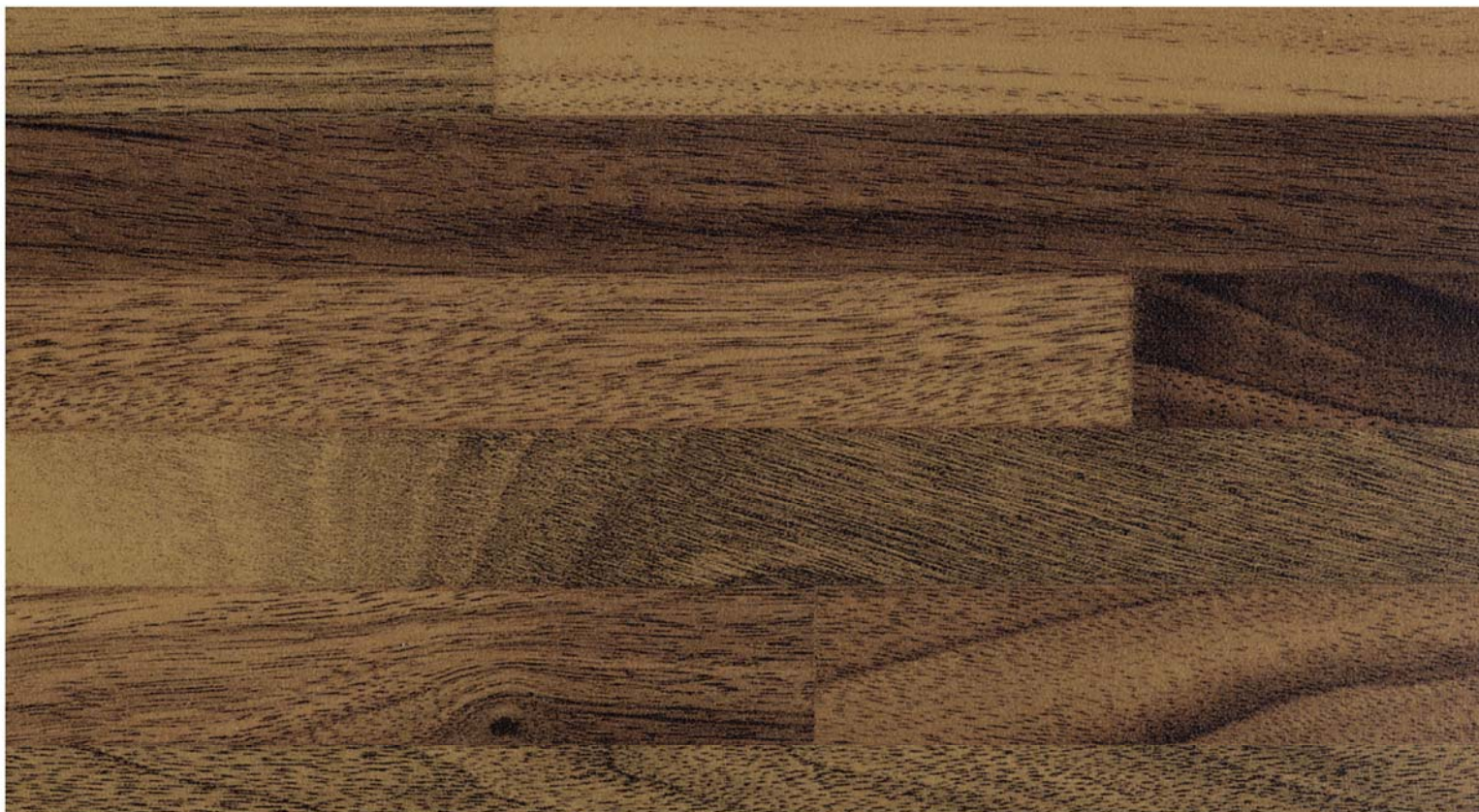


Six-Months-Report 2006

January 1 – June 30



Six-Months-Report as of June 30, 2006

- **Pfleiderer achieves best half-year results: EBITDA more than doubles to 90.1 million euros – margin of 14.1% for Q2/06**
- **Excellent financial basis for further growth: equity ratio increases to 35.1 percent after capital increase and sale of track systems**
- **Integration of Kunz creates further potential for results – clear improvement to cost structures already achieved in first half**

Pfleiderer Group: Summary of key figures as of June 30, 2006

(According to IFRS)

million euros	01.01. - 30.06.06	01.01. - 30.06.05	Change in %	01.04. - 30.06.06	01.04. - 30.06.05
Revenues	679.3	382.8	+ 77.5	344.4	190.2
EBITDA	90.1	44.5	+ 102.4	48.4	22.7
EBIT	53.5	22.6	+ 137.3	30.9	12.0
EBT continued operations	25.3	15.3	+ 65.8	16.6	7.7
EBT discontinued operations	52.6	4.4	--	52.9	3.7
EBT total	77.9	19.7	--	69.5	11.4
Earnings per share continued operations (undiluted) (euros)	0.22	0.08	--	0.13	0.04
Earnings per share (basic) (euros)	0.96	0.17	--	0.89	0.10
Employees ¹⁾ (persons)	5,023	3,574	+ 40.5	5,023	3,574
• in Germany (persons)	2,583	2,381	+ 8.5	2,583	2,381
• outside Germany (persons)	2,440	1,193	+ 104.5	2,440	1,193

million euros	30.06.06	30.06.05	Change in %	31.03.06	31.03.05
Balance sheet total	1,414.4	796.2	+ 77.6	1,476.1	799.4
Equity	497.1	231.0	+ 115.2	274.2	234.2
Equity ratio (percent)	35.1	29.0	--	18.6	29.3

1) Excluding trainees; only relates to continued operations

Pfleiderer reports strong growth in revenue and earnings in second quarter as well as for the first six months of 2006

As of end of quarter June 30, 2006, the Pfleiderer Group is reporting on the best half-yearly results in the company's history. At around 90.1 million euros, the Group more than doubled its EBITDA in the year-on-year comparison, with EBITDA for the first half of 2006 nearly equalling the figure for the full year 2005. All areas of the Pfleiderer Group have contributed to this increase in earnings power. The EBITDA margin rose to 14.1 percent during the period April to June 2006 after 12.2 percent in the first three months of the current year. In the first half of this fiscal year, the EBITDA margin rose to 13.3 percent.

This clear improvement in operative activities is mainly due to stable markets in the Groups three sales regions Western and Eastern Europe and North America. Added to this, and in no small part due to the take over of Kunz, the first marked improvement to operating structures are becoming visible in terms of selling and administrative costs. This is due both to ongoing efficiency improvement programs and the integration of Kunz. Most of these effects will not make themselves felt until the second half of 2006. Alongside the fact that sales markets in Germany and Western Europe are developing well, another important factor resulting in an increase in earnings power is the very positive course of business in the second quarter of 2006 in Eastern Europe and North America. In these Business Centers, the EBITDA margin improved over-proportionately. In North America, the margin rose from 12.2 percent in Q1/06 to 14.5 percent in the second quarter. In Eastern Europe, the margin rose progressively from 16.4 percent for the period January to March 2006 to 22.2 percent in the second quarter. In Western Europe, too, the EBITDA margin greatly improved over the last quarter, reaching 12.8 percent in Q2/2006.

Apart from the substantial improvement in earnings power in operative business, projects completed since April 2006 have given the Pfleiderer Group a strong capital base and are thus of major importance to its future strategic development. These include:

- **Sale of Pfleiderer track systems to AXA Private Equity**

Following signing of the contract in March 2006, the deal was subsequently closed in April 2006. This means that focussing the Group entirely on its international engineered wood activities has now been successfully concluded.

- **Capital increase with subscription rights**

As part of its further earnings-led expansion of its engineered wood activities, the Pfleiderer Group increased its share capital by a total of 10.6 million non-par value shares. This has created a strong foundation from which the company will continue to build on its successful course of growth. On completion of this transaction, in which shareholders were entitled to subscribe to four new Pfleiderer shares for every share held, the company generated a gross amount of 205.4 million euros. As of June 30, 2006, the equity ratio stood at around 35 percent, an indication of the company's strongly strengthened equity basis and its significantly improved financial structure.

- **Renegotiation of financing terms**

Following its successful capital market measures, Pfeleiderer AG renegotiated its financing terms during the last months. The initial outcome is a credit line of 600 million euros, will be available for further growth measures. The conditions attached to this line are at least 1.25 percentage points lower than the interest terms of the previous line.

- **Production start-up of new particleboard plant in Novgorod in Russia**

Following the rollout of surface finishing activities in February 2006, full particleboard production started in the new plant at the beginning of June 2006. Constructed during the last 18 months, Pfeleiderer's new plant in Novgorod comprises the most up-to-date particleboard production and surface finishing available in the Russian market - a market that is particularly attractive due to its high growth and earnings potential.

Targets of the Pfeleiderer Group's long-term, earnings-based corporate strategy

The Pfeleiderer Group's strategic targets for further development are clearly defined:

- **Expansion in the attractive growth markets of Eastern Europe and North America**

In Eastern Europe, Pfeleiderer is concentrating on further growth and is participating in the dynamic development that these markets are showing. This is clearly shown by the EBITDA margins achieved in the second quarter, with Eastern Europe reporting 22.2 percent and North America 14.5 percent. The new particleboard plant in Novgorod in Russia - which went into full production in July - is just one step in the Group's efforts to expand its presence in Eastern Europe. In November 2005, the foundation stone was laid for a new MDF plant in Poland due to start production in the second quarter of 2007 - a further milestone for earnings-led growth.

In North America, the effects of restructuring in the Panel segment, now completed, are particularly noticeable. Here, EBITDA margins have risen markedly since the beginning of the year, and are now into clearly double-digit figures. In the Flooring segment, where the Group is a leading integrated supplier of laminate flooring, production capacity was increased in the reporting quarter from 8 million to 18 million cubic meters of finished product. Full rollout of the new production capacity took place in the second half of 2006. This will give further scope and opportunity for increased revenues and profits. Plans for a further site in the south of the United States will be concluded and a decision taken in this year.

- **Further development of business in regional and higher-margin product segments**

Following its successful acquisitions and investments over the last two years, Pfeleiderer is now a well-known supplier of MDF. Through intensive technology and know-how transfer, both the earnings power and the capacity of the Kunz sites have been considerably increased following the takeover by Pfeleiderer AG. One example of this is the MDF plant in Baruth, Germany, where production capacity is about to be increased from 420 to 460 thousand cubic meters in 2006. Similar increases in volumes have been achieved over the last six months in the particleboard plants taken over in Germany and Canada.

By entering the laminate flooring segment in North America, Pfleiderer has gained a new high-margin growth segment which will gain in importance in future through acquisitions in Western Europe, as well as in Eastern Europe. Here, corporate development will be driven forward by investing in new plants, as well as by acquiring existing sites.

- **Strengthening earnings power and expanding domestic competitive position in Western Europe**

The current course of business clearly shows how much earnings power has improved. One indicator of this is the EBITDA figure in the Business Center Western Europe, which has risen from 26.2 million to 48.9 million euros. In the mean time, the Pfleiderer Group has also reached a double-digit EBITDA margin for Western Europe. The Kunz business units especially are showing strong growth and better productivity. Comparison of the "old" Pfleiderer sites with the recently acquired Kunz sites shows that there is room for further increases in earnings from savings in both asset and personnel costs. This potential will be fully utilized by the end of 2007 so that the target margin will be in excess of 15 percent in this area overall.

Current economic situation

The global economy continues its apparently robust upturn. Confirmation of this comes from the Munich-based ifo economic research institute, which states that sentiment in the global economy in the spring of 2006 improved for the third time running, and is well above the long-term average. Other studies remain equally optimistic as far as expectations for the next six months are concerned. The OECD also expects the global upswing to continue. According to this organization, over the last few years regional differences in the speed of growth have attenuated, with the 30 OECD countries in 2006 now showing real growth of 3.1 percent, with 2.9 percent expected for 2007.

Economic expansion of the euro zone is described by the "Euro-Zone Economic Outlook" as "strong". Gross domestic product is stated to have increased noticeably as a result of improved private consumption. This would mean that the prospects for economic growth continue to look favourable. Positive expectations also apply to Eastern Europe with the Danzig Institute for Market Economy Research forecasting GDP growth of 4.5 percent. A study by the World Economic Survey is also positive about the current economic situation in North America, which is at its highest point since 2001. Overall, the economic expectations for North America are even more positive than in the previous year.

According to the latest monthly report published by the German Federal Bank, the upward movement in the German economy continues. The Bank expects that seasonally adjusted real GDP in the second quarter will lie well above the figure for the first quarter (0.4 percent), propelled by positive developments in German industry. According to the ifo economic survey, the economy in June 2006 is estimated to be stronger than the previous month for the seventh time running, with assessments for the coming six months also positive. The majority of companies surveyed by this study are currently reporting better business. This would support the expectation that the economic upturn will turn out to be robust.

The German furniture industry is also showing positive signs. According to the Central Association for German Wood and Plastics (HDH) and the Association of the German Furniture Industry (VDM), nearly all segments of the furniture industry have reported growth since the beginning of the year.

According to a report by "Handelsblatt" on June 19, 2006, this spring the furniture industry reported the best quarterly results for eight years, thanks to the improved climate for investment and consumption. Kitchen manufacturers have particularly profited, with sales up by 15.6 percent, followed by manufacturers of office and shop furniture, up 14.1 percent. This positive development is also being driven by positive developments in exporting activity by the German furniture industry. Furniture exports were up by 15.4 percent this spring, compared to the same period last year.

In its July publication this year, the Association of the German Kitchen Furniture Manufacturers states that business for the German kitchen furniture industry continues to run at a high level. The Association expects results for the full year 2006 to be positive, finishing at around 4 to 5 percent. This is supported by the latest study by the GfK in Nuremberg on the climate of consumption, which points to higher consumer spending before the higher VAT rate takes effect in Germany on January 1, 2007.

Parallel to positive developments in the furniture industry, the end price for raw particleboard also improved since the beginning of the year. According to a report by the industry service EUWID, particleboard manufacturers in Germany announced further price rises in the summer quarter, and were able to realize increases without difficulty due to the continued stable market situation in Central Europe.

Business in the Pfleiderer Group

Pfleiderer AG is reporting very positive business results for the second quarter of 2006 as well as for the last six months. During the reporting period, the company achieved record results. With revenues at 344.4 million euros (+81.1 percent, y-o-y) in the period April to June, the Group reported an EBITDA of 48.4 million euros, around 113.5 percent up on the figure for the previous year. The EBITDA margin rose correspondingly, at 14.1 percent for Q2/2006, an increase of 2.2 percent compared to the same period last year. Overall, the Group has greatly increased its profitability in the first half of 2006, with revenues at 679.3 million euros (+ 77.5 percent, y-o-y). EBITDA rose by 102.4 percent to 90.1 million euros. The EBITDA margin climbed in the first six months of 2006 to 13.3 percent (H1/05: EBITDA 44.5 million euros, margin 11.6 percent).

Pfleiderer Group: Key figures for first half of 2006

'000 euros	01.01. - 30.06.2006	01.01. - 30.06.2005	01.04. - 30.06.2006	01.04. - 30.06.2005
Revenues	679,256	382,773	344,417	190,224
of which Business Center Western Europe	381,946	272,954	190,031	138,124
of which Business Center Eastern Europe	131,463	109,508	65,246	52,378
of which Business Center North America	175,591	--	94,363	--
EBITDA	90,062	44,503	48,390	22,664
of which Business Center Western Europe	48,869	26,213	24,278	12,186
of which Business Center Eastern Europe	25,297	22,444	14,468	11,214
of which Business Center North America	23,607	--	13,687	--
Earns per share of continued operations, basic, in euros	0.22	0.08	0.13	0.04

Apart from the market developing well in Germany and Western Europe, the marked improvement in results over the previous year and compared to the previous quarter is due to continuing very strong business in the growth markets of North America and Eastern Europe. In the Business Center Eastern Europe, in Q2/2006 the EBITDA margin rose clearly compared to the first quarter, ending at 22.2 percent, so that the margin for the first six months of the current year increased to 19.2 percent. The Business Center North America profited in the last quarter from the positive effects following the conclusion of restructuring in the Panels segment. These measures had led to an adjustment in capacity on the supply side and considerably better costs structures. In line with this, the EBITDA margin increased in the second quarter 2006 to 14.5 percent. Good use was also made in the last quarter of additional revenue opportunities which resulted when a competitor in North America stopped production for a protracted period following an explosion. Pfleiderer was able to react to the changed market situation in North America at short notice, with production capacity in the Panel segment increased at one Canadian site. During the period January to June 2006, the EBITDA margin in North America increased to 13.4 percent in the second quarter, despite a stoppage in the Flooring segment due to investment in new plant. In the Business Center Western Europe, the EBITDA margin in the period April to June 2006 moved up from single figures in the comparable period of the previous year to 12.8 percent. Greatly improved costs structure in the area of administration and distribution are having an effect. The newly acquired Kunz sites in Germany are doing very well and are reporting EBITDA margins in excess of 15 percent, considerably more profitable than the "old" Pfleiderer sites. Bench mark comparisons concluded over the last few months show that there is further potential for improving results at these latter plants, both in terms of operating and personnel costs. These sites will reach their target margins of 15 percent by the end of 2007.

Gross profit greatly improved in the second quarter of 2006 compared to the same quarter of the previous year and compared to the last quarter. Coming to 94.4 million euros in Q2/2006 (+66.2 percent y-o-y) gross profit rose to 174.9 million euros (H1/05: 110.9 million euros) in the reporting

period. Those measures introduced in Q1/06 to improve gross revenue are already bearing fruit in the second quarter of this year.

Since the beginning of the second quarter, Pfeleiderer has also managed to minimize the time lag between when higher sales prices take effect in the engineered wood segment and the higher input costs for wood and energy, which made them selves felt in the first quarter of 2006. The positive trend that higher input costs were passed on fully without delay to Pfeleiderer's customers will continue in the second half of the year.

Administrative and selling costs rose lower than proportionately in the Pfeleiderer Group in the course of integrating Kunz and due to the effect of efficiency improvement programs, both on the quarterly and half-yearly basis, with cost structures being improved on a sustained basis. Administrative costs rose very moderately by +38.3 percent y-o-y in the first six months of the year and by +36.6 percent y-o-y in the second quarter of 2006.

EBIT in the Pfeleiderer Group also developed positively. In the period April to June 2006, EBIT for the Group rose by 158.1 percent y-o-y to 30.9 million euros (Q2/05: 12.0 million euros). The EBIT margin in the second quarter of 2006 is now standing at 9.0 percent (Q2/05: 6.3 percent). During the six-month reporting period EBIT rose to 53.5 million euros, compared to 22.6 million euros in the same period of the previous year. The EBIT margin came to 7.9 percent in the first half of 2006.

As expected, the financial result due to increased interest paid following the acquisition of the Kunz Group came to -14.3 million euros in the second quarter of 2006 (Q2/05: -4.3 million euros). For the first six months of 2006 the cumulative financial result stands at -28.2 million euros. The financial result is expected to further improve in the second half of 2006. This is due to the successful completion of the capital increase as well as the sale of Pfeleiderer track systems. Both measures led to a significant reduction in net corporate indebtedness in the second quarter of 2006 as well as a much improved finance structure. At present we are at an advanced state of negotiations to considerably increase our credit line as well as to greatly improve the conditions attached. As a result, we expect to reduce the average interest rate by at least 1.25 percent

The operating result for continued operations before taxes in the Pfeleiderer Group (EBT) for the period April to June 2006 has also improved significantly, rising by 116 percent over the previous year to close at 16.6 million euros. During the first six months of the year, for its continued operations Pfeleiderer AG achieved a pre-tax profit (EBT) of 25.3 million euros, compared to 15.3 million euros for the same period of the previous year.

The tax rate for the Pfeleiderer Group including deferred taxes came to 29.7 percent for the first six months of fiscal 2006, compared to 32.4 percent for the comparative period last year. However, the effective tax rate for the Group is well below this. Related to the first six month of fiscal 2006, the tax rate came to 22.3 percent.

The result for discontinued operations during the reporting period of 52.6 million euros is due to income from the sale of Pfeleiderer track systems in April this year. Excluding taxes of 17.0 million euros liable from the result from discontinued operations, the result for discontinued operations for the period January to June 2006 came to 35.6 million euros. This includes an insignificant activity of wood procurement for third parties which no longer belongs to the core activities of the Pfeleiderer Group. This particular operation was included in discontinued operations in the second quarter. For

the reporting period net income before minority interest came to 53.4 million euros, compared to 14.3 million euros for the previous reporting period.

The percentage of minority interest in net income - this covers third party holdings in the Polish subsidiary Pfeiderer Grajewo - came to 4.7 million euros in the second quarter of fiscal 2006. This compares with 3.0 million euros in the comparable period of the previous year. Minority interest for the first six months of 2006 came to 7.3 million euros.

In total, net income after taxes and minority interests increased to 46.1 million euros in the reporting period, compared to 7.3 million euros for the first six months of the previous year. Basic earnings per share for the Group rose to 96 eurocents (previous year: 17 eurocents), of which 22 eurocents per shares came from continued operations in the first half of the current fiscal year, compared to 8 eurocents in the comparable period of the previous year. That represents an increase of 175 percent compared to the same period in previous year - and this despite the fact that the number of shares in circulation increased by 25 percent following the capital increase. Earnings per share from continued operations actually tripled in the quarter taken alone, rising from 4 eurocents in Q2/05 to 13 eurocents per share in the second quarter of 2006.

The consolidated operating cash flow rose strongly in the second quarter of 2006 by + 70 percent q-o-q compared to the first quarter of 2006 (16.9 million euros). Cumulative operating cash flow for the Pfeiderer Group increased during the reporting period to 45.2 million euros, compared to 35.8 million in the comparative period of the previous year.

Following the successful sale of Pfeiderer track systems and the resulting cash flow in, as well as the successful capital increase, equity rose as expected to 497.1 million euros (274.2 million in the previous quarter). The equity ratio for the Group also improved significantly as a result, rising to 35.1 percent of the balance sheet total as of June 30, 2006. This figure still stood at 19.1 percent at the end of the last year. This underlines just how much the Pfeiderer Group's financial basis has since improved.

In line with the greatly improved equity ratio, net corporate indebtedness also fell to a total of 341.5 million euros (Q1/06: 651.6 million euros) as of balance sheet closing on June 30, 2006. As expected, the equity basis greatly strengthened in the period April to June 2006, with the Group's financial structure undergoing a sustained improvement, creating the basis for further earnings-led expansion.

Employees

Following integration of the Kunz Group's engineered wood operations, the headcount in the Pfeiderer Group (continued operations) rose to 5,023 as of June 30, 2006 (previous year: 3,574 employees). Of these, 2,440 persons are employed outside Germany. At the same time, the number of persons employed in Germany by the "old" Pfeiderer (i.e., excluding Kunz) fell from 2,381 as of June 30 of the previous year to 2,216 employees during this reporting period. As a result of taking over Kunz, 367 new employees were added to the payroll in Germany during the reporting period. At present, 116 young people in the Pfeiderer Group are receiving training in commercial and skilled trades.

From September 1, 2006 Pfeiderer AG extends its Board of Management by an additional member responsible for technology, operations/plants. The new member of the Board of Management is Dr. Robert Hopperdietzel, who takes over responsibility for all the Group's technical operations in around 20 plants worldwide.

Capital expenditure

As of the quarterly closing date of June 30, 2006, expenses for capital expenditure in the Pfeiderer Group came to 42.5 million euros in fiscal 2006. Capital expenditure is supporting the determined earnings-led growth path being pursued by the Company.

In North America, alongside a major overhaul of an MDF plant, annual laminate flooring production capacity has also been increased at the Laval plant from 8 million to eighteen million square meters of finished laminate flooring products. Another main focus of capital expenditure is the Business Center Eastern Europe. Here, some 24.5 million euros were invested, mainly in the final phase of construction of the new particleboard plant in Novgorod in Russia. Among others, in the coming quarters the company will be expending significant funds in the new construction of the MDF plant in Grajewo. Completion is planned for Q2/07.

Regarding the Business Center Western Europe, capital expenditure came to 7.2 million euros during the reporting period. This was directed, among others, at reconditioning the energy generation unit in Baruth.

Annual General Meeting

Pfeiderer AG's annual general meeting took place in Munich on June 13, 2006. In addition to ratifying the actions of the Board of Management and the Supervisory Board, shareholders adopted various amendments to the Articles of Association, an authorization to issue options and or convertible bonds and authorization to make a dividend payment for fiscal 2005. The Board of Management and the Supervisory Board of Pfeiderer AG had proposed to make a dividend payment of 15 eurocents per share. Payment was made accordingly on the day after the General Meeting on June 14, 2006.

Further information and documents on the annual general meeting 2006 can be found in the Internet under www.pfeiderer.com.

Post-closure events

Following the start of surface finishing in February 2006 in Novgorod in Russia, earlier than expected, the new particleboard plant took up full operations. The plant was constructed during the last 198 months. As things stand, with its Novgorod plant Pfeiderer is operating the most up-to-date particleboard and surface finishing production unit in the Russian market.

Outlook

The Pfeleiderer Group has now sold its remaining discontinued operations and is fully focussed on its international engineered wood activities. Thanks to good prospects in all its markets, the company expects further positive effects from its efficiency improvement programs and the integration of Kunz. Beyond this, additional contributions from the now completed plant in Russia will give further impetus to business in the second half of the year. This, together with the stable rollout of expanded capacities in Russia should ensure that business continues to develop strongly and positively during the second half of 2006.

The Board of Management is confirming its targets for the full fiscal year 2006 of revenues of 1.4 billion euros and an EBITDA of at least 200 million euros. An average EBITDA margin of 14.3 percent is being targeted.

Consolidated Income Statement From January 1 to June 30, 2006

(According to IFRS)

'000 euros	01.01. – 30.06.2006	01.01. – 30.06.2005	01.04. – 30.06.2006	01.04. – 30.06.2005
Revenues	679,256	382,773	344,417	190,224
Cost of sales	-504,350	-271,865	-250,025	-133,394
Gross profit	174,906	110,908	94,392	56,830
Selling expenses	-84,252	-54,188	-42,185	-27,478
Administrative expenses	-45,761	-33,100	-23,160	-16,956
Research and development costs	-525	-536	-200	-286
Other operating income and expenses	9,085	-519	2,009	-148
Operating result	53,453	22,565	30,856	11,962
Interest income	2,574	2,798	1,468	1,261
Interest expense	-30,920	-10,040	-15,858	-5,484
Investment income	83	-3	7	-3
Other financial income	95	-65	132	-44
Financial result	-28,166	-7,310	-14,251	-4,270
Earnings from continued operations before income taxes	25,287	15,255	16,605	7,692
Taxes on income	-7,508	-4,950	-5,534	-3,131
Earnings from continued operations	17,779	10,305	11,071	4,561
Earnings from discontinued operations	52,631	4,434	52,883	3,735
Taxes on income from discontinued operations	-16,987	-440	-16,665	-956
Net income before minority interests	53,423	14,299	47,289	7,340
Minority interests	-7,284	-7,020	-4,688	-3,034
Net earnings for the group	46,139	7,279	42,601	4,306
Earnings per share (basic)	0.96	0.17	0.89	0.10
Earnings per share (diluted)	0.95	0.17	0.88	0.10
Earnings per share continued operations	0.22	0.08	0.13	0.04
Earnings per share discontinued operations	0.74	0.09	0.76	0.06
Average number of issued shares (basic)	47,912,679	42,511,720	47,912,679	42,511,720

Consolidated Balance Sheet as of June 30, 2006

(According to IFRS)

'000 euros	30.06.2006	31.12.2005	30.06.2005
ASSETS			
Liquid funds	87,702	74,290	63,661
Securities	7,393	0	365
Receivables and other assets	126,532	99,007	87,684
Inventories, net	146,576	154,133	100,515
Income tax receivables	3,873	4,182	977
Other assets	12,544	5,577	7,743
Assets of discontinued operations	13,968	102,300	4,553
Current assets	398,588	439,489	265,498
Property, plant and equipment, net	647,949	648,068	376,804
Intangible assets, net	274,619	276,113	92,666
Financial assets	8,971	9,321	25,528
Deferred taxes	83,307	66,329	31,728
Other non-current assets	960	2,937	3,971
Non-current assets	1,015,806	1,002,768	530,697
Total assets	1,414,394	1,442,257	796,195
'000 euros	30.06.2006	31.12.2005	30.06.2005
Liabilities and shareholders' equity			
Liabilities and other liabilities	192,836	191,673	128,187
Financial liabilities	63,918	346,068	43,816
Other provisions	85,986	72,030	57,620
Income tax liabilities	1,057	2,195	4,241
Other payables	3,123	2,207	1,861
Liabilities of discontinued operations	66,030	64,992	11,773
Current liabilities	412,950	679,165	247,498
Financial liabilities	372,693	355,716	209,779
Provisions for pensions	63,456	62,727	62,412
Deferred taxes	45,752	45,657	25,511
Other liabilities	2,004	883	2,784
Other provisions	20,452	22,968	17,240
Long-term liabilities	504,357	487,951	317,726
Capital contributions and subscribed capital	136,515	109,274	109,274
Capital reserve including loss carryforward and net income	264,258	61,948	40,999
Treasury stock	-1,614	-2,399	-4,245
Other income	5,953	6,264	-6,634
Minority interests	91,975	100,054	91,577
Shareholders' equity	497,087	275,141	230,971
Total liabilities and shareholders' equity	1,414,394	1,442,257	796,195

Consolidated Statement of Cash Flows as of June 30, 2006

(According to IFRS)

'000 euros	01.01. – 30.06.2006	01.01. – 30.06.2005
Earnings before interests and taxes (EBIT)	53,537	22,563
Net income taxes paid	-4,905	-2,585
Depreciation and amortization of fixed assets	36,521	21,939
Gain / loss on disposal of fixed assets	-2,235	513
Changes in pension provisions	1,125	1,374
Changes in current assets	-21,652	-10,632
Changes in sundry non-current assets	2,719	-1,241
Changes in current liabilities excluding financial liabilities	1,393	6,607
Changes in long-term liabilities excluding financial liabilities	-6,136	-2,473
Other non-cash expenses	-15,120	-216
Cash flow from operating activities	45,247	35,849
Purchase of intangible assets	-357	-139
Purchase of property plant and equipment	-42,523	-31,248
Purchase of financial assets	-143	-4,827
Acquisition of consolidated companies and purchase of treasury stock	-10,172	0
Proceeds from sale of intangible assets	2,667	0
Proceeds from sale of property, plant and equipment	2,904	875
Proceeds from sale of financial assets	418	58
Cash flow from investing activities	-47,206	-35,281
Cash flow from operating activities after investing activities	-1,959	568
Change in financial liabilities	-268,719	-7,319
Changes in externally factored receivables	3,798	13,953
Dividends to minority shareholders	-7,981	0
Proceeds from capital increase	191,961	0
Purchase of treasury stock	0	-4,245
Interest paid	-20,491	-8,799
Interest received	2,574	2,798
Other financing activities	157	2
Cash flow from financing activities	-98,701	-3,610
Changes in cash and cash equivalents from cash relevant transactions	-100,660	-3,042
Changes in cash and cash equivalents from exchange rate fluctuations	-4,139	218
Changes in cash and cash equivalents from discontinued operations	124,629	-13,724
Changes in cash and cash equivalents from first-time consolidation	975	0
Cash and cash equivalents as of January 1, 2006	74,290	80,128
Cash and cash equivalents as of June 30, 2006	95,095	63,580

Consolidated Statement of Changes in Shareholders' Equity as of June 30, 2006

(According to IFRS)

	Subscribed capital	Additional paid-in capital including balance sheet loss and net income	Treasury stock	Other comprehensive income		Minority interests	Total
				Currency translation	Valuation of financial derivatives		
'000 euros							
As of Jan 1, 2006	109,274	61,948	-2,399	6,264	0	100,054	275,141
Treasury stock		-234	785				551
Change in adjusting item from currency translation				-5,814			-5,814
Change in adjusting item from measurement of financial derivatives					5,503		5,503
Profit attributable to minority interests in change in adjusting item from foreign currency translation						-8,079	-8,079
Profit attributable to minority interests		46,139					46,139
Dividend		-7,981					-7,981
Capital increase	27,241	169,786					197,027
Change in scope of consolidation							
Impact of stock option plans		-5,400					-5,400
As of June 30, 2006	136,515	264,258	-1,614	450	5,503	91,975	497,087

Consolidated Statement of Changes in Shareholders' Equity as of June 30, 2005

(according to IFRS)

	Subscribed capital	Additional paid-in capital including balance sheet loss and net income	Treasury stock	Other comprehensive income		Minority interests	Total
				Currency translation	Valuation of financial derivatives		
'000 euros							
As of Jan 1, 2005	109,274	34,784	0	723	-6,411	92,068	230,438
Treasury stock			-4,245				-4,245
Change in adjusting item from currency translation				374			374
Change in adjusting item from measurement of financial derivatives					-1,320		-1,320
Profit attributable to minority interests in change in adjusting item from foreign currency translation						-491	-491
Profit attributable to minority interests		7,279					7,279
Change in scope of consolidation		-848					-848
Impact of stock option plans		-216					-216
As of June 30, 2005	109,274	40,999	-4,245	1,097	-7,731	91,577	230,971

Consolidated Segment Reporting as of June 30, 2006

(According to IFRS)

Pfleiderer Group	01.01. - 30.06.2006	01.01. - 30.06.2005	01.04. - 30.06.2006	01.04. - 30.06.2005
'000 euros				
Revenues	679,256	382,773	344,417	190,224
• foreign share (percent)	67.2	57.9	67.8	57.7
EBITDA	90,062	44,503	48,390	22,664
• EBITDA margin (percent)	13.3	11.6	14.1	11.9
EBIT	53,537	22,563	30,863	11,959
EBT continued operations	25,287	15,255	16,605	7,692
EBT discontinued operations	52,631	4,434	52,883	3,735
EBT total	77,918	19,689	69,488	11,427

Business Center Western Europe	01.01. - 30.06.2006	01.01. - 30.06.2005	01.04. - 30.06.2006	01.04. - 30.06.2005
'000 euros				
Revenues	381,946	272,954	190,031	138,124
EBITDA	48,869	26,213	24,278	12,186
• EBITDA margin (percent)	12.8	9.6	12.8	8.8
EBIT	29,309	14,943	14,551	8,543
EBT	18,075	9,666	9,028	5,895

Business Center Eastern Europe	01.01. - 30.06.2006	01.01. - 30.06.2005	01.04. - 30.06.2006	01.04. - 30.06.2005
'000 euros				
Revenues	131,463	109,508	65,246	52,378
EBITDA	25,297	22,444	14,468	11,214
• EBITDA margin (percent)	19.2	20.5	22.2	21.4
EBIT	18,430	16,202	11,074	8,177
EBT	17,424	16,873	10,491	8,375

Business Center North America	01.01. - 30.06.2006	01.01. - 30.06.2005	01.04. - 30.06.2006	01.04. - 30.06.2005
'000 euros				
Revenues	175,591	--	94,363	--
EBITDA	23,607	--	13,687	--
• EBITDA margin (percent)	13.4	--	14.5	--
EBIT	14,204	--	9,626	--
EBT	7,005	--	5,625	--

Notes to Six-Months-Report as of June 30, 2006

1. General Principles

The interim consolidated financial statements as of March 31, 2006 of Pfeiderer AG have been drawn up in accordance with IAS 34 (interim reporting), in conjunction with the currently applicable International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) and their interpretation by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC). The interim consolidated financial statements do not include all the notes and detailed required for the full year financial statements, and should therefore be regarded in connection with the full financial statements for year-ending December 31, 2005 (www.pfeiderer.com).

The requirements of the standard applied were fulfilled in full and were used to determine the actual situation of the Pfeiderer Group, as reflected in the state of its assets, and its financial and earnings positions.

2. Summary of significant accounting policies

Accounting and valuations as well as the notes and information are based on the same accounting and valuation methods applied to the consolidated financial statements for fiscal 2005. Regarding the principles given below we therefore refer to the consolidated financial statements as of year-ending December 31, 2005.

Prior year comparative figures

To improve the comparability, the prior year comparative data in the income statement and the cash flow statement relating to the discontinued operations were adjusted in accordance with IFRS 5. In accordance with IFRS 5.40, no adjustment to the prior year comparative figures was carried out in the balance sheet. Operations that were already disposed of and deconsolidated during the reporting period are reported in the income statement for the previous year under discontinued operations

Scope of consolidation

The interim financial statements include the financial statements of Pfeiderer AG and all majority-owned subsidiaries in which it had a controlling interest as of June 30, 2006. All significant subsidiaries, in which the Company had a direct or indirect controlling interest, are consolidated. In the first quarter of 2006, Silekol Sp. z o.o., Kedzierzyn-Kozle, Poland was included in the consolidated financial statements for the first time. Apart from that, the remaining 50% minority holding in MDF La Baie Inc., La Baie, Canada were acquired. In the second quarter of 2006 Pfeiderer MDF Sp. z o.o., Grajewo, Poland, Unifloor Sp. z o.o., Wieruszów, Poland, and Jura Polska Sp. z o.o., Dabrowa Górnicza, Poland were consolidated. Furthermore, the operative parts of the Business Center Infrastructure Technology were sold in the second quarter 2006 and thus deconsolidated. No other changes to the scope of consolidation have occurred compared to the last financial statements for 2005.

Principles of consolidation

The capital consolidation is carried out by the purchase method. In accordance therewith, the acquisition costs of the acquired interests are set off against the share of the equity that is attributable to the parent company as of the acquisition date. The difference is assigned in accordance with the investment holding to the assets and liabilities of the subsidiary up to their fair value (complete revaluation method). Any remaining debit difference is recognized as goodwill and is tested regularly for impairment in accordance with IAS 36, Impairment of assets.

All receivables and liabilities, revenues, expenses and income, and profits and losses between entities included in the consolidated financial statements are eliminated on consolidation.

Minority interests are determined on the basis of the equity as of the balance sheet date, and are reported in the consolidated balance sheet, together with the shares of profits and losses, within equity.

Use of estimates

The preparation of the consolidated financial statements requires to a certain degree the use of assumptions and estimates, which affect the reported amounts of assets, liabilities, revenues and expenses in the consolidated financial statements and the disclosure of contingent liabilities. The assumptions and estimates primarily relate to the assessment of the recoverability of intangible assets, the uniform definition within the Group of economic useful lives for property, plant and equipment, the collectability of receivables and the recognition and measurement of provisions. The assumptions and estimates are based on premisses that are dependent on current information available at the time. Reference was made in particular with regard to the expected future development of the business to the circumstances prevailing at the time of preparation of the consolidated financial statements and the assumed future development of the industry-related environment. The actual results may vary from these estimates as a result of developments in these basic circumstances that deviate from the assumptions and that are beyond the control of management. If the actual development deviates from the expected development, the premises and, where necessary, the carrying amounts of the affected assets and liabilities are adjusted accordingly.

At the time of preparation of the consolidated financial statements, the underlying assumptions and estimates were not affected by any special circumstances, so that it is not assumed, from the present day point of view, that significant adjustments will be required to the carrying amounts of the assets and liabilities reported in the consolidated balance sheet.

Foreign currency translation

The financial statements of the subsidiaries of Pflöiderer AG were prepared in their functional currency, which was generally their local currency. With the exception of equity, which was translated at the exchange rate valid at the time of the respective transaction, all balance sheet accounts were translated to the reporting currency (euros) applying the exchanges rates in force as of the end of the reporting period. Income and expense accounts were translated at weighted average rates for the first six months of 2006. Any differences resulting from the foreign currency translation are recorded in a separate item under equity ("Other comprehensive income/adjustment item from foreign currency translation") until the group company is sold or liquidated.

Revenue recognition

Revenues are mainly generated from the supply of products and to a minor extent from services. These revenues are recognized net of sales deductions, such as bonuses, cash discounts or rebates, at the date at which they are deemed under IFRS to be realized. This is generally the case when persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, the price is fixed or clearly determinable and collectability is reasonably assured.

Income taxes

Income tax expense comprises both the current tax payable in respect of the taxable profit for the period and deferred taxes. Deferred taxes on matters included in other comprehensive income are recognized directly in equity. Income taxes on discontinued operations are reported as income taxes on discontinued operations.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts in the consolidated balance sheet and the tax base at the end of the quarter, as well as for tax loss carryforwards, provided their utilization will probably result in tax benefits in future periods. The regulations that are applicable or have been enacted as of June 30, 2006 are used for the measurement of the deferred taxes. A tax rate of 37.5 percent is used to compute domestic deferred taxes. The tax rates for the specific countries provide the basis at the foreign companies.

Research and development costs

Research costs are generally recognized as expense when they arise. An exception is development costs, which fulfill the criteria defined in IAS 38, Intangible Assets, and have to be recognized as an asset. Capitalized development costs are amortized over their expected useful lives.

Liquid funds

Liquid funds comprise cash on hand and at banks, including current deposits with banks with original maturities of up to three months.

Receivables

Receivables are stated at fair value, i.e. at their face value less specific and general allowances for doubtful accounts and less impairments in their value (bonuses, cash discounts and sales deductions). Specific allowances are recorded if receivables are entirely or partly non-recoverable or if it is probable that they will not be recovered, and the non-recoverable amount can be determined with sufficient accuracy. Value adjustments are made at an appropriate amount for bonuses and cash discounts.

Sales of receivables are treated within the Group in accordance with IAS 39, Financial Instruments: Recognition and Measurement. In accordance with this accounting standard, the financial assets have to be derecognized if the contractual right to cash flows resulting from these expire or if the financial asset is transferred.

Since July 2004, Pfeleiderer AG has been participating in a factoring program, under which the factor purchases the Group's receivables up to an individual or total limit, and assumes the risk for the debtor's insolvency (nonrecourse factoring). This is accounted for as described above.

Inventories

Inventories are measured at the lower of the costs of purchase or conversion and net realizable value on the basis of individual values or the weighted average method. FIFO is also used in justified individual cases. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs of conversion comprise direct material and production costs and an adequate portion of the material and production overheads resulting from the production process.

All foreseeable risks in the inventories resulting from reduced saleability or obsolescence are reflected by appropriate provisions. Markdowns are recorded for slow-moving items.

Property, plant and equipment

Property, plant and equipment is valued at either cost of purchase or manufacture and depreciated systematically using the straight-line method over the normal useful lives of the assets for the business. In addition to direct material and production costs, the production costs of assets constructed by the Company itself also include an appropriate portion of the allocable material and production overheads and, if construction takes place over a longer period of time, interest on borrowings from third parties during the construction period. Repairs and maintenance are only capitalized if they are directly related to the construction process, unless they are capitalized applying the component approach.

Systematic depreciation is based on the following useful lives:

Buildings	14 – 25 years
Technical plant and machines	8 – 21 years
Other equipment, furniture and fixtures	3 – 11 years

Where an asset carried under property, plant and equipment comprises several different components with different useful lives each individual component is depreciated over its useful life.

The component approach is applied when determining the depreciation term.

Leasing

Leasing transactions are classified either as finance leases or as operating leases. Economic ownership of the assets is assigned to the contractual partner that bears the significant rewards and risks associated with the leased item.

If the lessor bears the main risks and rewards (operating lease), the leased item is recognized by the lessor. The lease payments are recognized as income. In an operating lease, the lessee recognizes lease payments made during the term of the lease as expenses.

If the lessee bears the main risks and rewards incidental to ownership from the finance lease, the lessee must recognize the leased item as an asset. The leased item is measured with its fair value at the inception of the lease, or at the lower present value of the minimum lease payments, and depreciated over its estimated useful life or the shorter term of the lease. The lessee recognizes a leasing liability in the same amount at the inception of the lease. The leasing liability is amortized and rolled forward applying the effective interest rate method.

Intangible assets

Intangible assets acquired for a consideration are capitalized at acquisition cost and amortized systematically straight-line over their useful lives.

Expenses incurred in connection with the purchase and own development of computer software used by the Company, including the costs incurred to enable this software to be operated in the manner intended, are capitalized and amortized systematically over its estimated useful life. The estimated useful life of software, patents, licenses and similar rights is generally three to five years. Other useful lives can arise on first-time consolidation of intangible assets that are acquired as part of a business combination.

Capitalized development costs include costs for materials and services and costs for employee benefits arising from their generation and other directly attributable costs. They are amortized over their expected useful lives. Research costs are reported as current expenditure.

In the absence of an IFRS ruling, emission certificates are mainly carried in accordance with the usual German accounting rules. The emission certificate is shown under intangible assets. Certificates which have been obtained either by cash payment or free of charge are shown at cost of acquisition. In the case of certificates which have been granted free of charge, a liability is created to the amount of the capitalized fair value of the certificate. When certificates are sold, the profit or loss is shown in the income statement. In the first six months of fiscal 2006, Pfeiderer realized earnings totalling approx. 2.6 million euros from the sale of emission certificates.

Impairment of property, plant and equipment and intangible assets (excluding goodwill)

An assessment is made as of every balance sheet date as to whether there are indications for the impairment of an asset. If indications exist for the impairment of property, plant and equipment or intangible assets, the carrying amount of an asset is compared with its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal transacted at arm's length transaction between knowledgeable, willing and independent parties.

Value in use is the present value of the future cash flows expected to be derived from an assets.

If the carrying amount exceeds the higher of the two amounts (fair value less costs to sell or value in use), an impairment loss is recognized to the lower realizable value.

If the reason for an earlier impairment loss recognized in prior periods on property, plant and equipment and intangible assets (excluding goodwill) no longer exists, the impairment loss is reversed up to its amortized cost.

Goodwill

Goodwill acquired for a consideration is capitalized and in accordance with IAS 36, subjected to an impairment test at least yearly or whenever there is an indication that the unit is impaired. Impairment of the goodwill is tested in a single step procedure at the level of the cash-generating unit to which it is assigned. In accordance with the definition of a cash-generating unit, the strategic business units of the Pfeiderer Group are used as cash-generating units. They represent the reporting level below the Business Center.

Thereby, the carrying amount of the cash-generating unit is compared with its recoverable amount. If the carrying amount exceeds the recoverable amount, impairment has occurred and an impairment loss must be recognized down to its recoverable amount.

The recoverable amount of a cash-generating unit is the higher of fair value less costs to sell and its value in use.

Subsequent reversal if the reason for an earlier impairment loss ceases to exist is not permissible in the case of goodwill.

Financial assets

In particular securities and other investments are reported under the financial assets.

Financial instruments are generally recognized in the case of a normal purchase or sale as of the settlement date, i.e. on the date on which the asset is delivered.

A distinction is made in accordance with IAS 39 under the financial assets between financial assets at fair value through profit and loss, securities that are held to maturity, loans and receivables and available-for-sale assets.

The financial assets reported under the long-term loans are governed by IAS 39 and are classified as loans and receivables. They are measured at amortized cost. Amortized cost is the amount at which the asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or non-collectability.

Liabilities and financial liabilities

Current and non-current liabilities are recognized at their face value or settlement amount.

Noncurrent financial liabilities are measured at amortized cost using the effective interest method.

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are measured in accordance with the projected unit credit method. Thereby, both the pensions and acquired expectancies known about at the balance sheet date and expected future increases in salaries and pensions are taken into account.

Differences between the systematically determined pension obligations and the actual projected benefit obligation (actuarial gains and losses) are only recognized within profit or loss if they are outside a range of ten percent of the total obligation. In this case, they are allocated from the following year over the average periods of service of the entitled employees. The net amount of the pension costs including interest expense is recorded as pension expense. Effects from adjustments to the discounting rate are also personnel expenses.

Other provisions

Provisions, including provisions for environmental protection, that result from obligations to third parties due to legal claims, local authority regulations or another basis are set up at the date when it is probable that they have been incurred and their amount can be reasonably estimated. The settlement amount is determined on the basis of the best estimate. In the case of the provision for a large number of circumstances, this is the expected amount. Provisions with a remaining term of over a year are discounted applying market interest rates that reflect the risk and the time period, provided the effect of this is material. The related expense is recorded under the respective expense caption.

Use of financial instruments

Financial instruments are contractual arrangements that include rights to cash and cash equivalents. In accordance with IAS 32 and IAS 39, these include both primary and derivative financial instruments. Primary financial instruments include especially cash at banks, all receivables, liabilities, securities, credits and loans. Derivative financial instruments comprise for instance options or swaps.

Pfleiderer reduces various market risks such as the interest rate risk and the foreign currency risk through the use of derivative financial instruments. An interest rate risk results from changes in the interest rate level of financial assets and financial liabilities. Through the use of interest derivatives such as interest swaps, Pfleiderer AG pursues the aim of limiting the risk of a change in the interest rates. A foreign currency risk exists for transactions settled in a foreign currency. Cash flows are hedged at head office through forward exchange contracts.

Derivative financial instruments that have been concluded are reported in accordance with IAS 39 at their market value as of the balance sheet date like the hedged item. Financial instruments are recognized on a normal purchase or sale as of the settlement date, i.e. on the date on which the asset is delivered.

The market value of a financial instrument is the price at which a party would take over the rights and/or obligations under these financing instruments from another party. The Company has the measurement of the financial instruments carried out by the respective contracting partners, which are generally banks.

The carrying amount of liabilities under finance leases roughly corresponds with the fair value, based on the market value for similar financing transactions. The same also applies to the other financial instruments.

Depending on the nature of the hedged item, a distinction is made between a fair value hedge, a cash flow hedge and a hedge of a net investment in a foreign operation. The latter is not used at Pfleiderer. A fair value hedge is used to hedge the fair value of assets or liabilities recognized in the balance sheet or of firm obligations that have not yet been recognized in the balance sheet. Every change in the fair value of the derivative employed as a hedging instrument has to be recognized as profit or loss in the income statement. The hedged item also has to be measured with regard to the hedged risk at fair value, recognizing profits or losses in the income statement. Future cash flows from assets and liabilities recognized in the balance sheet or from planned transactions that are highly likely to occur are hedged with the help of a cash flow hedge. If a cash flow hedge exists, the effective portion of the gain or loss on the derivative is recognized directly in equity (other comprehensive income/measurement of financial derivatives) until the result of the hedged item is recorded. The ineffective portion of the gain or loss on the derivative is always recognized in profit or loss.

Share-based compensation

Two different share-based compensation models have been established in the Group. Stock options are offered to members of the board of management and top executives of the Pfeiderer Group in Germany and Stock Appreciation Rights are offered to top executives of the Polish companies, Pfeiderer Grajewo S.A. and Pfeiderer Prospan S.A.

Stock options allow Pfeiderer shares to be purchased at a certain pre-determined exercise price following a waiting period of three years. The purchase of stock options is linked to a personal contribution. Stock options (share-based transactions with compensation through equity instruments) are measured at the time they are granted with the fair value. The fair value is recorded in profit and loss as personnel expenses over the period until they are exercised. Fair value is determined by internationally acknowledged measurement methods (Black-Scholes method).

Stock Appreciation Rights (SARs) entitle the holders, following a waiting period, to cash compensation for the difference between a certain pre-determined exercise price and the share price as of that date. The proportionate fair value is recorded in profit and loss. Fair value is determined by internationally acknowledged measurement methods (Black-Scholes method).

Treasury stock

The shares were recognized applying a moving average price. The total amount of the shares acquired was deducted from equity. The applicable option still available at the time under SIC-16-10 was used for the deduction of the treasury shares, in that the total cost of the treasury shares was deducted from equity in a single amount.

The shares were repurchased for the sole purpose of using the acquired treasury stock to fulfil subscription rights for shares in the Company for stock options issued in conjunction with the Pfeiderer 2001 and 2002 stock option plans. The shares were acquired in XETRA trading by the Dresdner Bank and the repurchasing action has since been concluded.

Earnings per share

Earnings per share were calculated in accordance with IAS 33, Earnings per Share. The accounting standard prescribes the presentation of the earnings per share for all companies that have issued ordinary shares. Basic earnings per share represents the earnings for the period from continuing operations that are attributable to the parent company less minority interests, divided by the weighted average number of ordinary shares in circulation during the year. Securities equivalent to shares for compensation in stock options can result in so-called dilution. If a diluting effect arises, earnings per share must also be presented diluted.

Consolidated Capital Flows

Cash and cash equivalents in the cash flow statement comprise the sum of the balance sheet item „Liquid funds and securities“. In the previous year, there is a difference between cash and cash equivalents and the respective balance sheet item due to the separate presentation of the discontinued operations.

Cash flows attributable to the discontinued operations are as follows: cash flow from operating activities amounted to -3,467 thousand euros (2005: -13,211 thousand euros; cash flows from investing activities to 130,279 thousand euros (2005: 44 thousand euros) and cash flows from financing activities -2,183 thousand euros (2005: -557 thousand euros)

Segment reporting

Segment reporting is presented observing IAS 14. In the Pfeiderer Group, the primary segment is defined in accordance with the Business Centers, which are classified by the regions in which the services are performed. The secondary reporting is based on the Panel and Flooring product segments. Earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings before interest and taxes (EBIT) are disclosed as the segment results.

3. Significant changes to the Company's assets, financial and earnings position

The increase in interest expenses is particularly due to the completely changed financing structure of Pfeiderer compared to the previous quarter. The increase in other operating income is in particular due to the assumption of bad will from the initial consolidation of MDF La Baie, Canada (see item 4), having an effect on profits and losses as well as from income arising from the sale of emission certificates.

4. Acquisitions and discontinued operations

In a contract signed on December 30, 2005 Pfeiderer Grajewo S.A. – a subsidiary of Pfeiderer AG – acquired 99% of the shares in the Polish glue manufacturer Silekol Sp.z o.o. As a result, Pfeiderer Grajewo S.A. now holds 100% of the shares in Silekol. The acquisition was closed on January 2, 2006. The purchase price came to around 23.2 million PLN (6.0 million euros) including ancillary costs. At initial consolidation, other operating income was generated to the amount of 96 thousand euros. Other details were waived – such as would apply under IFRS 3.66 to 3.73 – as this information was practically impossible to obtain.

In accordance with a notification made on February 21, 2006, via its subsidiary Uniboard Canada Inc., Canada, Pfeiderer AG has acquired the minority interests (just on 50%) of the previous co-owners SGF and Amsik of the company MDF La Baie, Canada. As a result, Uniboard Canada Inc., is the sole owner of MDF La Baie. The purchase price (fair value) of the acquisition including ancillary costs came to 8.6 million CAD (6.0 million euros). The transaction closed on February 21, 2006. At initial consolidation, other operating income (bad will) was generated to the amount of 5.4 million CAD (4.2 million euros). Apart from that tax income of 10.4 million euros applied. Other details were waived – such as would apply under IFRS 3.66 to 3.73 – as this information was practically impossible to obtain.

Jura Polska Sp. z o.o., Dabrowa Górnicza, Poland, Pfeiderer MDF Sp. z o.o., Grajewo, Poland, as well as Unifloor Sp. z o.o., Wieruszów, Poland, were consolidated for the first time. All three companies were formed over the last few years and took up their operative activities in the second quarter of 2006.

Apart from that, the operative parts of the Business Center Infrastructure Technology were sold in the second quarter of 2006 and deconsolidated. There were otherwise no further changes to the scope of consolidation compared to the last financial statements for 2005.

Due to the sale of major parts of the Business Center Infrastructure Technology in the second quarter of 2006, the remaining activities for this Business Center are now summarized under "discontinued operations" in the Balance Sheet and Income Statement.

Additionally, a marginal activity in wood procurement within the Business Center Western Europe was reported under discontinued operations for the first time.

5. Significant additions to assets

Additions to assets in the first three months of fiscal 2006 relate to payments made for construction of the new particleboard production plant in Novgorod, Russia, as well as payments for real estate and plant acquired by Pfeleiderer Holzwerkstoffe GmbH & Co. KG.

Additions to assets in the second quarter of 2006 refer to a production plant at Uniboard Canada Inc., in Canada as well as assets relating to the initial consolidation of Pfeleiderer MDF Sp. z o.o., Grajewo, Poland.

6. Other financial commitments

The Group is leasing property, plant and equipment under rental and leasing agreements that do not qualify under IFRS as finance leases, but as operating leases. Additionally, the Group has entered into contracts for the maintenance of property, plant and equipment and for various services.

7. Dividends

Pfeleiderer AG will pay a dividend for fiscal 2005. The dividend will amount to 0.15 euros for every no-par-value share entitled to dividends. No dividend was paid by Pfeleiderer AG in the corresponding prior year period.

8. Transactions with related entities and persons

All delivery and service transactions within the framework of the normal business activities are performed in accordance with the terms and conditions normal in the market as also customary with third parties.

Transactions with related entities

Pfeleiderer Unternehmensverwaltung GmbH & Co. KG held a substantial investment in Pfeleiderer AG (subsidiary) until March 22, 2004. Business relations existed with this company and its subsidiaries during the previous fiscal year. Business relations continued in 2006.

Transactions with related persons

In accordance with IAS 24, Pfeleiderer AG is also reporting on transactions between Pfeleiderer AG and related persons or close members of their families. Related persons are defined as members of the Board of Management and the Supervisory Board and their families.

In addition to their salaries, members of the Board of Management are also granted other benefits. These primarily comprise the use of company cars, the reimbursement of travelling expenses and

the refund of telephone expenses. The Board of Management was not granted any new stock option rights in 2006.

9. Shares held by members of the Board of Management and the Supervisory Board and stock options

As of June 30, 2006 members of the Board of Management of Pfeiderer AG held a total of 263,280 shares and 511,820 options. Members of the Supervisory Board held a total of 11,556 shares. No options are held by members of the Supervisory Board.

In the first two quarters of 2006, members of the Board of Management were not granted options to subscribe to shares against a personal contribution in conjunction with the Pfeiderer Stock Option Plan.

At the General Meeting of June 13, 2006, the Board of Management and the Supervisory Board proposed the creation of Conditional Capital to service the Pfeiderer Stock Option Plan 2006, as well as a new authorization to grant subscription rights in order to perform the above mentioned Stock Option Plan. This proposal was adopted by the General Meeting.

Following approval by the Supervisory Board, since 2001 Pfeiderer AG is entitled to grant non-transferable options to acquire Company shares annually to the Board of Management and members of senior management. Participation in the Stock Option Plan is conditional on the beneficiary making an own personal investment in the Company. The reference price is based on the average share price whereby the option may first be exercised when the share price has reached 110-125 percent of the reference price.

As a result of the increase in the price in the Pfeiderer share during the past months, as of June 30, 2006 a total of 214,332 stock options were in the money and thus resulted in a dilution in earnings per share.

In the case of the Polish subsidiaries Pfeiderer Grajewo S.A. and Pfeiderer Prospan S.A. a bonus scheme has been in existence since 2004 for senior management. As a result, 55,776 stock appreciation rights for the Pfeiderer Grajewo S.A. share have been issued. The reference price is 167 PLN. The exercise price is 120% of the reference price. The lock-up period ends on October 31, 2006. As of June 30, 2006, the share price of Pfeiderer Grajewo S.A. stood at 36.00 PLN. Accordingly, no dilution occurred. With effect from September 30, 2005 a share split in the ratio 1:8 was carried out.

10. Repurchase of own shares to service subscription rights arising from stock options

Due to the authorization granted by the General Meeting on June 15, 2004 to acquire own shares in accordance with Sec. 71 (1) No. 8 of the German Stock Corporation Act ("AktG"), Pfeiderer AG is entitled to acquire its own shares. No use was made of this authorization in the first six months of fiscal 2006.

11. Capital increase

With the approval of the Supervisory Board, the Board of Management resolved to increase the registered capital of Pfeiderer AG by a total of 27,241,216 euros divided into 10,641,100 no-par value shares. The subscription price was 19.30 euros. The subscription period for the new Pfeiderer shares started on March 29 and closed on April 11, 2006. The capital increase was entered into the Commercial Register on April 10, 2006. The new shares started trading with existing Pfeiderer shares on April 12, 2006. As a result of the capital increase total funds of around 205.4 million euros flowed into the Company. Following the capital increase registered capital of Pfeiderer AG now stands at 136,514,816 euros, divided into 53,326,100 no-par value shares. The new shares led to a dilution in earnings per share.

12. Post-closure events

On July 10, 2006 the Company announced that raw particleboard production had begun in its new plant in Novgorod in Russia, earlier than expected. Following the start of surface finishing in February 2006, the new plant, constructed during the last 18 months, is now in full operation.

Important Note:

The Six-Month Report 2006 will be published on August 8, 2006.

The Pfeiderer Share

XETRA closing price on June 30, 2006:	21.95 euros
High / Low in 2nd Quarter 2006:	27.25 euros / 17.15 euros
Average daily trading:	8.06 million units
Index:	MDAX
Segment:	Industrial Products and Services
No. of shares as of June 30, 2006:	53,326,100 units
Market capitalization as of June 30, 2006:	1.17 billion euros
Exchange code:	PFD4
ISIN:	DE0006764749
Designated Sponsor:	Bayerische Landesbank
Dividend 2005:	0.15 euros

Financial Calendar 2006

Wednesday, November 8, 2006:	Nine-Months-Report 2006
Thursday, March 29, 2007:	Balance Sheet Press Conference
Friday, March 30, 2007:	DVFA Analysts' Conference
Wednesday, May 9, 2007:	Three-Months-Report 2007
Tuesday, June 19, 2007:	Annual General Meeting
Thursday, August 2, 2007:	Six-Months-Report 2007
Thursday, November 8, 2007:	Nine-Months-Report 2007

Contact

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