

Nine-Month Report 2006

January 1 – September 30



Nine-Month Report as of September 30, 2006

- EBITDA margin increases to 15 percent in Q3 2006: Pfeiderer posts all-time record earnings for summer quarter
- Continuous rise in gross margin to 28.8 percent in Q3 2006
- Significantly improved structural costs: selling expenses down to 12.2 percent, administration expenses of only 7.1 percent of revenue during Q1-Q3 2006
- Positive outlook - Pfeiderer's Board of Management confirms guidance for 2006

Pfeiderer Group: Key Figures as of September 30, 2006

(according to IFRS)

million euros	01.01. – 30.09.06	01.01. - 30.09.05	Change in %	01.07. – 30.09.06	01.07. – 30.09.05	Change in %
Revenue	1,041.5	582.3	+ 78.9	362.3	199.6	+ 81.5
EBITDA	144.3	72.2	+ 99.9	54.2	27.7	+ 95.7
EBIT	89.1	38.8	+129.6	35.6	16.3	+ 118.4
EBT continuing operations	54.1	28.4	+ 90.5	28.8	13.2	+ 118.2
EBT total	106.7	33.8	+ 215.7	28.8	14.1	+ 104.3
Basic earnings per share continuing operations (euros)	0.52	0.18	--	0.31	0.10	--
Basic earnings per share (euros)	1.24	0.24	--	0.31	0.07	--

million euros	30.09.06	31.12.05	30.09.05
Balance sheet total	1,398.3	1,442.3	819.1
Equity	517.2	275.1	245.9
Equity ratio (in percent)	37.0	19.1	30.0
No. of employees in continuing operations ¹⁾ (persons)	5,134	4,931	3,467
• of which in Germany (persons)	2,568	2,604	2,274
• of which outside Germany (persons)	2,566	2,327	1,193

¹⁾ excluding trainees and apprentices

Profitability reaches new record high in third quarter – EBITDA margin of 15 percent in Q3 2006, nine-month revenue exceeds one billion euros

Pfleiderer significantly improved its profitability once again in the third quarter of this year. The Group posted an EBITDA margin of 15.0 percent and revenue of 362.3 million euros in Q3 2006 (Q3 2005: 199.6 million euros). Looking at the first nine months of 2006, consolidated revenue rose by 78.9 percent, reaching 1,041.5 million euros (582.3 million euros). Earnings rose even faster. EBITDA doubled in the first three quarters of 2006 to 144.3 million euros (72.2 million euros). The EBITDA margin for Q1-Q3 2006 amounted to 13.9 percent - well in excess of last year's figure (12.4 percent). These are the best nine-month figures in the company's history. All the segments of the Pfleiderer Group contributed to this result. These interim financial statements are in full compliance with International Financial Reporting Standards (IFRS).

Greater profitability was driven by upward trends in the Group's three major markets in Western Europe, Eastern Europe and North America. Earnings before interest and taxes (EBIT) rose by 129.6 percent after three quarters to 89.1 million euros (38.8 million euros), with the EBIT margin at 8.5 percent (6.7 percent). Likewise, earnings before taxes (EBT) of the continuing operations improved significantly by 90.5 percent. EBT rose to 54.1 million euros (28.4 million euros) in the first nine months of fiscal 2006 - despite higher financing expenses due to the acquisition of Kunz in December 2005.

The Group's strong operating performance also offset increases in the cost of raw materials. That aside, active cost management, integrating Kunz and more improvements to structural costs in sales and administration all made their mark. All these factors have further increased the Group's profitability. As a result, Pfleiderer anticipates further improvements in earnings. In North America, the EBITDA margin rose to 18.1 percent in Q3 2006. That compares to 14.5 percent in the second quarter of 2006. In Eastern Europe, the EBITDA margin reached 20.5 percent in the summer quarter (19.9 percent). The Business Center Western Europe also greatly boosted its earnings power, posting an EBITDA margin of 12.0 percent in Q3 2006 (10.3 percent).

Net profit after minority interest increased to 61.7 million euros in the first nine months of fiscal 2006 (10.1 million euros). Net profit therefore increased more than six-fold compared to the same period last year. As a result, earnings per share rose to 1.24 euros (0.24 euros). Of this, 0.52 euros comes from continuing operations (0.18 euros). In other words, earnings per share for the continuing operations almost tripled. This is despite the much high number of shares outstanding due to the capital increase in April 2006.

In the third quarter of 2006, apart from the Group's strong operative performance, other major project milestones were passed, all of which are of major importance for the future development of the Pfleiderer Group:

- **Start-up of particleboard plant in Novgorod, Russia**
 As of July this year, the new particleboard plant in Russia has been in production. Initial surface finishing activities started in February 2006. Right now, Pfleiderer operates the most modern particleboard plant in the Russian market. This is a highly attractive region, with plenty of opportunity and potential for future growth and earnings. Novgorod is an ideal location to supply the local market, as well as serving as a springboard for exports. This site has the potential for further capacity expansion, both for existing and new products.
- **Organizational restructuring of Business Center Western Europe on track**
 Now that Kunz has been integrated, operations in Western Europe are being organized into a business center organization. This will create even more hard-hitting organizational units with decentralized responsibility for decision-taking, operating locally as individual business units. Implementation is progressing on schedule.
- **Expansion of Pfleiderer's Board of Management**
 Dr. Robert Hopperdietzel joined the Board of Management on September 1, 2006. Dr. Hopperdietzel has particular responsibility for the newly created executive area of technology, operations/parts at Pfleiderer AG. His duties cover overseeing production and technology at the Group's twenty international plants, as well as environmental protection and work safety.

**Current Economic Situation:
 Global economy growing dynamically – strong demand in engineered wood markets**

The global economy continued to grow dynamically during the first half of 2006. Early indicators compiled by the Organization for Economic Cooperation and Development (OECD) show that this trend continued in the third quarter. The growth of the global economy has been broad-based. In view of this, the International Monetary Fund (IMF) revised its forecast for global economic growth upwards in September 2006 to 5.1 percent for 2006 and 4.9 percent for 2007.

The IMF expects positive growth in both the United States (2.9 percent) and Canada (3.0 percent) in 2007. Regarding Eastern European states (including Central Europe), IMF forecasts substantially higher growth of 5.0 percent in 2007. As far as Russia is concerned, growth is expected to reach 6.5 percent already next year.

Looking at Western Europe (euro zone), growth is forecast to reach 2.0 percent in 2007. The German economy picked up well during the current year. In their autumn reports, the six leading German economics institutes forecast a real increase in GDP of 1.4 percent for 2007. The main driver is expected to come from further capital investment.

The engineered wood markets in North America are in the process of consolidation, with good prices reported during 2006 (source: RISI September 2006). In Poland, the engineered wood industry has been profiting from a sustained good furniture industry since the beginning of the year. This is being favored by an increase in local consumer purchasing power, together with a further drop in unemployment (source: German Federal Agency for Foreign Trade, September 2006).

Overall, the engineered wood market in Western Europe has profited from an upward trend in Germany, the largest engineered wood market in Western Europe. The Association of German Woodworking Industries (HDH), reports that the business climate improved significantly in September 2006. Now, 40 percent of wood-sector companies see business as good, 42 percent as satisfactory and only 18 percent as poor. In other words, this sector of the economy has improved greatly, nearly matching the peak it reached in July 2006. As a result, revenues reported by the German furniture industry have risen strongly since the beginning of the year. Revenue growth of almost 6 percent was reported for the period January through July 2006, mainly driven by the office and kitchen furniture sectors.

On balance, the Pfeleiderer Group's major engineered wood markets have developed well since the beginning of the year, despite the continuing hike in raw-material costs.

Business in the Pfeleiderer Group: Clear improvement in profitability

Pfeleiderer's business development was very positive in the first nine months of 2006. Apart from strong revenue growth, the Group substantially increased its earnings power, posting record results. Consolidated revenue amounted to 1,041.5 million euros (582.3 million euros), exceeding the billion euro threshold for the first time. Consolidated earnings before taxes, interest, depreciation and amortization (EBITDA) reached 144.3 million euros (72.2 million euros). The EBITDA margin improved accordingly to 13.9 percent (12.4 percent). In fact, the EBITDA margin was even higher during the summer quarter, normally a weaker period due to seasonal fluctuations. In Q3 2006, Pfeleiderer Group reported consolidated revenue of 362.3 million euros (199.6 million euros), with EBITDA at 54.2 million euros (27.7 million euros). The EBITDA margin increased accordingly to 15.0 percent (13.9 percent) for Q3 2006.

The major increase in earnings power comes from strong growth in the Group's core markets of Western Europe, Eastern Europe and North America. But it also reflects a policy of tough cost management coupled with a range of efficiency-enhancing programs and an active pricing policy against the backdrop of anticipated rises in material and energy costs during the year.

Pfleiderer Group: Key Figures

(according to IFRS)

'000 euros	01.01. – 30.09.2006	01.01. – 30.09.2005	01.07. – 30.09.2006	01.07. – 30.09.2005
Revenue	1,041,534	582,343	362,278	199,570
thereof Business Center Western Europe	574,838	406,171	192,892	133,217
thereof Business Center Eastern Europe	206,728	176,284	75,264	66,776
thereof Business Center North America	273,450	0	97,859	0
EBITDA	144,299	72,247	54,237	27,744
thereof Business Center Western Europe	72,036	39,967	23,167	13,754
thereof Business Center Eastern Europe	40,709	35,740	15,412	13,296
thereof Business Center North America	41,324	0	17,717	0
Basic earnings per share of continuing operations, in euros	0.52	0.18	0.31	0.10

Contributions from all business centers to strong profitability improvement

All business centers contributed to the Group's significant increase in earnings power. The market for raw particleboard and surface-finished products in North America was very healthy during the reporting period. Prices moved up due to strong demand from the North American furniture industry. Following the recommissioning of the second press line at the Sayabec plant in Canada, all production sites in North America operated at full capacity. During the reporting period, revenue rose to 273.5 million euros, with 97.9 million euros posted for Q3 2006. Earnings power in North America clearly increased during the reporting period. EBITDA rose to 41.3 million euros in the first nine months of fiscal 2006 (margin: 15.1 percent) and the EBITDA margin climbed to 18.1 percent in Q3 2006 (EBITDA: 17.7 million euros). That puts the Q3 margin significantly above all previous quarters. The Flooring product segment could not yet make a significant contribution to this development, as capacity increasing investments made in the first half of the year only started to have an effect as of July. The company assumes that already in the course of 2007, capacity will be fully taken up and thus result in additional earnings.

During the reporting period, the Business Center Eastern Europe profited from growth in the domestic furniture industry, resulting in good sales and prices continuing to rise. Revenue in the full nine-month period amounted to 206.7 million euros (176.3 million euros) and 75.3 million euros (66.8 million euros) for Q3 2006 alone. EBITDA rose to 40.7 million euros (35.7 million euros) with an aggregate margin of 19.7 percent. The margin for Q3 2006 alone was 20.5 percent. Markets in Eastern Europe have been prepared for further price increases in anticipation of further rises in the cost of raw materials (wood, glue and energy). That means that rising input costs can be compensated in the foreseeable future. With the production at the new particleboard plant in Russia having started and the three-shift operation initiated in September, the Business Center Eastern Europe expects margin and earnings contribution already within the next quarters.

Kunz sites set standard for profitability in Western Europe

The Business Center Western Europe also reported better business. This was triggered by positive developments in the furniture industry in Western Europe, especially in Germany. Year-on-year revenue rose significantly, reaching 574.8 million euros (406.2 million euros) during the reporting period. Positive effects have already been achieved by integrating the Kunz Group. Measures already introduced to ensure sustainable growth in earnings power in Western Europe are also having a beneficial effect. Thanks to a series of optimization measures, the new Kunz sites are already posting EBITDA margins of 15 percent and higher, which make them more efficient than the "old" Pfeleiderer sites. In the course of integrating Kunz, a series of bench mark analyses were performed. The results obtained are now in the final implementation phase. This leads to future additional potential for higher earnings within the Business Center Western Europe, especially with regard to personnel and material costs at the "old" Pfeleiderer sites. By the end of 2007, the Business Center Western Europe is looking forward to achieving total EBITDA target margin of 15 percent. Overall, the Business Center Western Europe posted an EBITDA of 72.0 million euros (40.0 million euros) for the first nine months of fiscal 2006. As a consequence, the EBITDA margin rose into double digits, reaching 12.5 percent during the reporting period (9.8 percent).

The Group's gross margin improved to 64.1 percent during the nine-month reporting period, thus putting it well above last year's figure. The gross margin also improved for Q3, especially due to price rises imposed to offset cost increases for input material. At the same time, rationalization measures resulted in considerably lower personnel expenses compared to last year. The gross margin, which was 25.7 percent at the half-year, rose by more than one percentage point to 26.8 percent for the first nine months of 2006. Taking Q3 2006 alone, this figure increased to 28.8 percent, compared to 27.4 percent for the previous quarter.

Even though structural costs within the Group improved significantly within the reporting period, they do not yet meet the Group's goal of sustainable competitiveness. Selling expenses increased at a lower rate than revenue, accounting for 12.2 percent of revenue for the first nine months (13.7 percent). As of June 30, 2006, this figure was 12.4 percent, and 12.5 percent as of March 31, 2006. The downward trend in the aggregate figure comes from a substantial improvement in the individual quarter Q3 2006, when selling expenses came to 11.7 percent. Administrative expenses of the Pfeleiderer Group also developed very positively. As of September 30, 2006, these expenses

amounted to 74.2 million euros (49.2 million euros). That translates into a real reduction in the ratio of administrative expenses. In the year-on-year comparison, they fell from 8.4 percent in the prior-year period to 7.1 percent of revenue in the first nine months of this year.

Stable markets and a major improvements in structural costs had a positive effect on earnings. Consolidated earnings before interest and taxes (EBIT) rose at a higher rate than revenue, reaching 89.1 million euros for the nine-month period (38.8 million euros). Over the comparative period, the EBIT margin increased from 6.7 percent to 8.5 percent.

Financial result greatly improved in third quarter of 2006

Interest expenses for the Group rose as scheduled following the acquisition of the Kunz Group on December 1, 2005, and amounted to 38.3 million euros (14.1 million euros). In the reporting period, the Pfeiderer Group posted a financial result of minus 34.8 million euros (minus 10.4 million euros). As announced, the quarterly financial result improved substantially to minus 6.7 million in Q3 2006 compared to minus 14.3 million euros for Q2/2006 and minus 13.9 million euros for Q1/2006. The financial result is expected to continue improving, especially as net corporate debt has significantly reduced since the beginning of the year resulting from the successful implementation of a capital increase in April 2006, together with additional income and capital gains generated from the sale of the Pfeiderer track systems business segment.

Overall, the Group posted earnings before income taxes (EBT) for continuing operations of 54.1 million euros (28.4 million euros) in the reporting period. That represents a year-on-year increase of 90.5 percent. For the third quarter of 2006 alone, EBT amounted to 28.8 million euros (13.2 million euros) for Q3 2006 –even higher than the cumulative figure for first three quarters of 2005.

The Group's tax ratio, including deferred taxes, is significantly lower than last year. It now stands at 29.4 percent (33.7 percent) for the first nine months of fiscal 2006 and thus was significantly lower than for the same period of the previous year. However, the effective tax burden for the Group is substantially below this figure. Due to the utilization of tax loss carryforwards, the tax burden stands at 15.0 percent for the first three quarters of the current year.

Earnings from discontinued operations in the reporting period of 52.6 million euros (5.3 million euros) were largely the result of income generated from the sale of Pfeiderer track systems in April 2006. After deducting income taxes of 17.0 million euros (2.7 million euros), earnings from discontinued operations after taxes for the period January to September 2006 amounted to 35.6 million euros (2.7 million euros). That includes a marginal activity involving the supply of wood to third parties, no longer part of the Group's core activities. This activity was included under discontinued operations during the second quarter. Net earnings for the reporting period before minority interests amounted to 73.8 million euros (21.5 million euros).

Net profit attributable to the minority interest, i.e. shares in the Polish subsidiary Pfeiderer Grajewo S.A. held by third parties, amounted to minus 12.2 million euros (minus 11.4 million euros) for the first three quarters of the current fiscal year. Of this figure, minus 4.9 million euros (minus 4.4 million euros) accrued to Q3 2006 alone.

Net income after income taxes and minority interests amounted to 61.7 million euros (10.1 million euros) for the reporting period - more than six times higher compared to last year.

Basic earnings per share for the Group rose to 1.24 euros (0.24 euros). Of this, 0.52 euros per share come from continuing operations during the reporting period. This compares to 0.18 euros for the same period last year. In other words, earnings per share from continuing operations more than quadrupled - despite the much larger number of shares in circulation after the capital increase.

Gross cash inflow for the Pfeiderer Group increased during the nine-month period in 2006 to 109.3 million euros (61.8 million euros). Free cash flow amounted to 46.4 million euros (7.6 million euros). For the first nine months of 2006, the cash flow from operating activities amounted to 70.1 million euros, which is significantly higher than in the same period last year (56.7 million euros).

Equity capital increased to 517.2 million euros (245.9 million euros). This is the result of good operating results, together with cash inflows/ capital gains generated by the sale of Pfeiderer track systems and a highly successful capital increase. The Group's equity ratio improved significantly, reaching 37.0 percent of the balance sheet total at closing on September 30, 2006. This figure was 19.1 percent at the end of 2005.

As expected, net debt was much higher at 354.1 million euros as of September 30, 2006 compared to the same period last year (189.3 million euros). This is due to the acquisition of the Kunz Group. However, the latest figure must be contrasted with consolidated net debt of 627.5 million euros as it stood at the end of fiscal 2005.

All these major improvements in balance sheet ratios underline the sound financial foundation on which the Pfeiderer Group now stands. This is a strong basis for further earnings-led expansion in its relevant growth markets.

Workforce

As a result of integrating the Kunz Group's operations, the headcount in the Pfeiderer Group (continuing operations) increased to 5,134 as of September 30, 2006 (3,467; all figures excluding trainees). Of this total, 2,566 employees are based outside Germany (1,193). The headcount in Germany for the "old Pfeiderer" sites (i.e., excluding Kunz) fell by around 3 percent from 2,274 to 2,210 employees during the reporting period. Following the integration of Kunz, the headcount in Germany increased by 358 at the closing date. Currently, the Group is providing training in commercial and manufacturing occupations to 150 young people.

Capital Expenditure

In fiscal 2006, total capital expenditure in the Pfeleiderer Group amounted to 62.9 million euros as of closing on September 30, 2006. This scheduled volume of spending highlights the Company's determination to push forward with its strategy of earnings-led growth.

During the reporting period, 12.7 million euros was invested in the Business Center North America. Apart from the complete overhaul of an MDF plant, spending was also directed at expanding production capacity for laminate flooring at the Laval site in Canada. As a result, annual production capacity of laminate flooring increased from 8 million square meters to 18 million square meters of finished product.

Significant spending was also channeled into expansion in the Business Center Eastern Europe. Here, the Pfeleiderer Group has invested 36.7 million euros since the beginning of the year. Of this total, 20.7 million euros were directed at the final phase of construction of the new particleboard plant in Novgorod, Russia. Additionally, a significant investment of 10.7 million euros went into the construction of the new MDF plant in Grajewo, Poland during the reporting period. The new plant will be completed in the second quarter of next year.

In the Business Center Western Europe, some 13.5 million euros was invested during the reporting period. This covers rebuilding the energy plant at Baruth, expansion of the cogeneration plant in Neumarkt and extensive optimization of the wood drying plant in Leutkirch, part of the Group's wood supply network.

Outlook: Expectations Good for 2006

The disposal of residual non-core activities has marked the end of the Pfeleiderer Group's turnaround to focus entirely on its international engineered wood operations. Pfeleiderer expects business to continue improving in the fourth quarter of 2006 based on the expected good development in all of its sub-markets, further positive effects from efficiency-enhancing programs, finalizing the integration of Kunz and the now fully operational particleboard plant in Russia.

The Board of Management confirms its targets for the full-year 2006, with revenue expected to reach 1.4 billion euros and an EBITDA of at least 200 million euros. Thus, an average EBITDA margin of 14.3 percent is aimed at.

Consolidated Statement of Income For the 9-Month Period ended September 30, 2006

(according to IFRS)

'000 euros	01.01. – 30.09.2006	01.01. – 30.09.2005	01.07. – 30.09.2006	01.07. – 30.09.2005
Revenue	1,041,534	582,343	362,278	199,570
Cost of sales	-762,265	-412,177	-257,915	-140,312
Gross profit	279,269	170,166	104,363	59,258
Selling expenses	-126,608	-79,922	-42,355	-25,734
Administrative expenses	-74,182	-49,193	-28,421	-16,093
Research and development costs	-728	-664	-203	-129
Other operating income and expenses	11,157	-1,546	2,071	-1,027
Operating result	88,908	38,841	35,455	16,275
Interest income	3,182	3,808	608	1,010
Interest expense	-38,298	-14,130	-7,378	-4,090
Investment income	217	-3	133	0
Other financial expense, net	75	-86	-21	-20
Financial result, net	-34,824	-10,411	-6,658	-3,100
Earnings from continuing operations before income taxes	54,084	28,430	28,797	13,175
Income taxes	-15,887	-9,577	-8,379	-4,628
Earnings from continuing operations	38,197	18,853	20,418	8,547
Earnings from discontinued operations	52,631	5,320	0	886
Income taxes on discontinued operations	-16,987	-2,662	0	-2,222
Net earnings before minority interests	73,841	21,511	20,418	7,211
Minority interests	-12,176	-11,401	-4,892	-4,380
Net earnings for the period	61,665	10,110	15,526	2,831
Earnings per share (basic) in euros	1.24	0.24	0.31	0.07
Earnings per share (diluted) in euros	1.23	0.23	0.31	0.07
Earnings per share from continuing operations in euros	0.52	0.18	0.31	0.10
Earnings per share from discontinued operations in euros	0.72	0.06	0.00	-0.03
Average number of outstanding shares (basic)	49,706,501	42,685,000	49,706,501	42,685,000

Consolidated Balance Sheet as of September 30, 2006

(according to IFRS)

'000 euros	30.09.2006	31.12.2005	30.09.2005
ASSETS			
Liquid funds	86,754	74,290	66,487
Securities	0	0	1,236
Receivables and other assets	131,115	99,007	52,300
Inventories, net	151,749	154,133	84,115
Income tax receivables	2,938	4,182	494
Sundry assets	13,235	5,577	5,145
Assets of discontinued operations	14,055	102,300	109,469
Current assets	399,846	439,489	319,246
Property, plant and equipment, net	654,875	648,068	356,542
Intangible assets, net	272,757	276,113	79,370
Financial assets	8,794	9,321	27,681
Deferred taxes	60,877	66,329	26,237
Other assets	1,197	2,937	10,053
Non-current assets	998,500	1,002,768	499,883
Total assets	1,398,346	1,442,257	819,129
'000 euros	30.09.2006	31.12.2005	30.09.2005
LIABILITIES AND EQUITY			
Current liabilities and other liabilities	200,678	220,182	125,715
Financial liabilities	71,192	346,068	31,081
Other provisions	53,408	43,521	22,632
Income tax liabilities	1,017	2,195	3,560
Sundry liabilities	2,505	2,206	2,097
Liabilities from discontinued operations	64,267	64,992	77,239
Current liabilities	393,067	679,164	262,324
Financial liabilities	369,657	355,716	225,988
Pension provisions	64,462	62,727	45,331
Deferred taxes	31,320	45,657	22,786
Other liabilities	2,029	883	1,174
Other provisions	20,610	22,969	15,608
Non-current liabilities	488,078	487,952	310,887
Capital contributions and subscribed capital	136,515	109,274	109,274
Additional paid-in capital including loss carryforward and net earnings	279,757	61,948	43,057
Treasury stock	-1,222	-2,399	-2,399
Other comprehensive income	3,699	6,264	-3,072
Minority interests	98,452	100,054	99,058
Equity	517,201	275,141	245,918
Total liabilities and equity	1,398,346	1,442,257	819,129

Consolidated Statement of Cash Flows as of September 30, 2006

(according to IFRS)

'000 euros	01.01. – 30.09.2006	01.01. – 30.09.2005
Earnings before interest and taxes (EBIT)	89,125	38,838
Net income taxes paid	-7,487	-3,247
Depreciation and amortization of fixed assets	54,780	33,431
Gain / loss on disposal of fixed assets	-2,559	231
Changes in pension provisions	2,110	2,506
Changes in current assets	-32,169	-11,933
Changes in sundry non-current assets	3,309	-6,871
Changes in current liabilities excluding financial liabilities	-14,839	8,347
Changes in non-current liabilities excluding financial liabilities	-7,617	-5,116
Other non-cash expenses and income	-14,516	-517
Cash flow from operating activities	70,137	56,703
Purchase of intangible assets	-409	-855
Purchase of property, plant and equipment	-62,266	-52,553
Purchase of financial assets	-217	-7,092
Acquisition of consolidated companies and repurchase of treasury stock	-10,385	0
Proceeds from sale of intangible assets	3,132	0
Proceeds from sale of property, plant and equipment	2,907	1,775
Proceeds from sale of financial assets	675	74
Cash flow from investing activities	-66,563	-58,651
Cash flow from operating activities and investing activities	3,574	-1,948
Changes in financial liabilities	-268,126	-2,274
Changes in externally factored receivables	1,245	17,619
Dividend to minority shareholders	-6,223	-8,228
Dividend payment	-7,981	0
Capital increase	191,961	0
Purchase of treasury stock	0	-2,399
Interest paid	-25,375	-11,753
Interest received	3,182	2,745
Other financing activities	158	2
Cash flow from financing activities	-111,159	-4,288
Changes in cash and cash equivalents from cash-relevant transactions	-107,585	-6,236
Changes in cash and cash equivalents from exchange rate fluctuations	-1,825	1,455
Changes in cash and cash equivalents from discontinued operations	120,897	-7,624
Changes in cash and cash equivalents from first-time consolidation	977	0
Cash and cash equivalents as of January 1	74,290	80,128
Cash and cash equivalents as of September 30	86,754	67,723

Consolidated Statement of Changes in Equity as of September 30, 2006

(according to IFRS)

	Capital contributions and subscribed capital	Additional paid-in capital including loss carry-forward and net earnings	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		-346	1,177				831
Change in adjusting item from currency translation				-3,220		-2,515	-5,735
Change in adjusting item from valuation- of financial derivatives					655		655
Net earnings before minority interests		61,665				12,176	73,841
Dividend		-7,981				-6,223	-14,204
Capital increase	27,241	169,697					196,938
Change in scope of consolidation						-5,040	-5,040
Impact of stock option plans		-5,226					-5,226
As of Sept. 30, 2006	136,515	279,757	-1,222	3,044	655	98,452	517,201

Consolidated Statement of Changes in Equity as of September 30, 2005

(according to IFRS)

	Capital contributions and subscribed capital	Additional paid-in capital including loss carryforward and net earnings	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			-2,399				-2,399
Change in adjusting item from currency translation				-7,406		4,114	-3,292
Change in adjusting item from valuation- of financial derivatives					10,022		10,022
Net earnings before minority interests		10,110				11,401	21,511
Dividend						-8,228	-8,228
Change in scope of consolidation		-847				-297	-1,144
Impact of stock option plans		-990					-990
As of Sept. 30, 2005	109,274	43,057	-2,399	-6,683	3,611	99,058	245,918

Consolidated Segment Reporting as of September 30, 2006

(according to IFRS)

Pfleiderer Group	01.01. – 30.09.2006	01.01. – 30.09.2005	01.07. – 30.09.2006	01.07. – 30.09.2005
'000 euros				
Revenue	1,041,534	582,343	362,278	199,570
• foreign share (percent)	67.2	57.9	68.8	59.6
EBITDA	144,299	72,247	54,237	27,744
• EBITDA margin (percent)	13.9	12.4	15.0	13.9
EBIT	89,125	38,838	35,588	16,275
EBT of continuing operations	54,084	28,430	28,797	13,175
EBT of discontinued operations	52,631	5,320	0	886
EBT total	106,715	33,750	28,797	14,061
Business Center Western Europe	01.01. – 30.09.2006	01.01. – 30.09.2005	01.07. – 30.09.2006	01.07. – 30.09.2005
'000 euros				
Revenue	574,838	406,171	192,892	133,217
EBITDA	72,036	39,967	23,167	13,754
• EBITDA margin (percent)	12.5	9.8	12.0	10.3
EBIT	42,418	23,075	13,108	8,132
EBT	25,786	15,665	7,711	5,999
Business Center Eastern Europe	01.01. – 30.09.2006	01.01. – 30.09.2005	01.07. – 30.09.2006	01.07. – 30.09.2005
'000 euros				
Revenue	206,728	176,284	75,264	66,776
EBITDA	40,709	35,740	15,412	13,296
• EBITDA margin (percent)	19.7	20.3	20.5	19.9
EBIT	30,237	26,278	11,807	10,076
EBT	29,494	26,761	12,070	9,888
Business Center North America	01.01. – 30.09.2006	01.01. – 30.09.2005	01.07. – 30.09.2006	01.07. – 30.09.2005
'000 euros				
Revenue	273,450	0	97,859	0
EBITDA	41,324	0	17,717	0
• EBITDA margin (percent)	15.1	0.0	18.1	0.0
EBIT	27,525	0	13,321	0
EBT	17,261	0	10,256	0

Notes to Nine-Month Report as of September 30, 2006

1. General Principles

The interim consolidated financial statements as of September 30, 2006, of Pfeiderer AG have been drawn up in accordance with IAS 34 (interim financial 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 information required for the full year financial statements and should therefore be regarded in connection with the consolidated financial statements as of December 31, 2005 (www.pfeiderer.com).

The requirements of the standards applied were fulfilled in full and give a true and fair view of the net assets, financial position and results of operation of the Pfeiderer Group.

2. Summary of significant accounting policies

Accounting and valuation 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. For further principles beyond the principles given below we therefore refer to the consolidated financial statements as of 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 its majority-owned subsidiaries in which it had a controlling interest as of September 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 percent 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 for the first time. Furthermore, the operating parts of the Business Center Infrastructure Technology were sold in the second quarter of

2006 and thus deconsolidated. In the third quarter of 2006, Pfeleiderer Engineering International GmbH, Neumarkt, was consolidated for the first time, as was 40 percent of Kunz Informatik GmbH, Unterensingen. 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 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 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 interim 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 of the reporting period. 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 premises 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 interim 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 in the following quarters significant adjustments will be required to the carrying amounts of the assets and liabilities reported in the interim consolidated balance sheet.

Foreign currency translation

The interim financial statements of the subsidiaries of Pflaederer 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 exchange rates in force as of the end of the reporting period. Income and expense accounts were translated at weighted average rates for the first nine 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 otherwise liquidated.

Revenue recognition

Revenue is 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 under IFRS they are deemed to be realized. This is generally the case when persuasive evidence of an agreement exists, delivery has occurred or service has been rendered, the price is fixed or clearly determinable and collectability is reasonably assured.

Income taxes

Income tax expense comprises both the actual income tax payable 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 interim consolidated balance sheet and the tax accounts 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 September 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 are those 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 bank deposits at call 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 nonrecoverable or if it is probable that they will not be recovered, and the nonrecoverable 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, Pfeiderer 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 debtors' insolvency (nonrecourse factoring). This is accounted for as described above.

Inventories

Inventories are measured at the lower of cost or net realizable value on the basis of individual values or the weighted average cost 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 are valued at cost and depreciated systematically using the straight-line method over the estimated 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. Administration costs are only capitalized, if they are directly related to the construction process. Expenses for repair and maintenance are recognized, 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 individual 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 leased item 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 leased item (finance lease), the lessee must capitalize the leased item. The leased item is measured with its fair value at the inception of the lease or at the lower present value of the future lease payments and is depreciated over its estimated useful life or the shorter term of the lease contract. 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 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 using the straight-line method. 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 German Commercial Code accounting rules. The emission certificates are shown under intangible assets. Emission certificates which have been obtained either by consideration 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 emission certificate. When emission certificates are sold, the profit or loss is shown in the income statement. In the first nine months of fiscal 2006, Pfleiderer realized earnings totalling 3.0 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 asset.

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 could be impaired. Valuableness 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 Pfeleiderer Group are used as cash generating units. They represent the reporting level below the reporting segments ("Business Centers").

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 the 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 financial assets between financial assets held for trading, securities 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 noncollectability.

Liabilities and financial liabilities

Current and non-current liabilities are recognized at their face value or settlement amount. Non-current 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 remaining period of service of the entitled employees. The net amount of the pension costs including interest expense is recorded as personnel 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, i.e. a legal or de facto liability exists. The settlement amount is determined on the basis of the best estimate. In the case of the provisions for a large number of circumstances, this is the expected amount. Provisions with a remaining term of over one 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 item. In the third quarter of 2006, non-current personnel-related liabilities were transferred from other provisions to non-current and other liabilities. The comparison period has been adjusted accordingly.

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 Pfeiderer. 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 were offered to members of the Board of Management and to top executives of the Pfeiderer Group in Germany and Stock Appreciation Rights were 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 predetermined 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 fair value at the time they are granted. 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 predetermined 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 stock, in that the total cost of the treasury stock 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 represent 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 outstanding during the year. Securities equivalent to shares for compensation in stock options can result in a so-called dilution. If a diluting effect arises, earnings per share must also be presented diluted.

Statement of Cash 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 -7,940 thousand euros (-6,345 thousand euros); cash flows from investing activities to 131,394 thousand euros (-384 thousand euros) and cash flows from financing activities - 2,557 thousand euros (-895 thousand euros).

Segment reporting

Segment reporting is presented observing IAS 14, Segment Reporting. In the Pfeiderer Group, the primary segment reporting format is defined in accordance with the Business Centers, which are classified by the regions in which the services are performed. The secondary reporting format 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. Notes to significant changes to the net assets, financial position and results of operations

The increase in interest expenses is particularly due to the completely changed financing structure of Pfeleiderer compared to the previous year's period. The increase in other operating income is in particular due to the assumption of bad will from the first-time 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, Pfeleiderer Grajewo S.A. – a subsidiary of Pfeleiderer AG – acquired 99 percent of the shares in the Polish glue manufacturer Silekol Sp.z o.o. As a result, Pfeleiderer Grajewo S.A. now holds 100 percent 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 first-time consolidation, other operating income was generated to the amount of 96 thousand euros. Other details – such as would apply under IFRS 3.66 to IFRS 3.73 – were waived as this information was practically impossible to obtain.

In accordance with a notification made on February 21, 2006, Pfeleiderer AG via its subsidiary Uniboard Canada Inc., Canada, has acquired the minority interests (just under 50 percent) of the previous co-owners SGF and Amisk 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 8.5 million CAD (6.0 million euros). The transaction closed on February 21, 2006. At first-time 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 – such as would apply under IFRS 3.66 to 3.73 – were waived as this information was practically impossible to obtain.

Jura Polska Sp. z o.o., Dabrowa Górnicza, Poland, Pfeleiderer 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 therefore deconsolidated. There were 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 the 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 nine months of fiscal 2006 primarily relate to payments made for the construction of the new particleboard plant in Novgorod, Russia, payments for real estate and plant acquired by Pfeleiderer Holzwerkstoffe GmbH & Co. KG., additions to assets relating to the production plant at Uniboard Canada Inc. additions to assets in connection with an optimization programme at Unitherm Baruth GmbH, and initial consolidation of the assets 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. Additionally, the Group has entered into contracts for the maintenance of property, plant and equipment and for various services.

7. Dividends

Pfeleiderer AG paid a dividend for fiscal 2005. The dividend was 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. Related party disclosures

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 as well as 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 granted stock option rights in 2006.

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

As of September 30, 2006, members of the Board of Management of Pfeiderer AG held a total of 275,000 shares and 714,830 options. Members of the Supervisory Board held a total of 21,515 shares and 20,880 options.

In the third quarter of 2006, members of the Board of Management were granted 233,160 options to subscribe to shares against a personal contribution in conjunction with the Pfeiderer AG's Stock Option Plan.

At the Annual 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 Annual General Meeting.

Following approval by the Supervisory Board, since 2001 Pfeiderer AG has granted nontransferable 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. The reference price is based on the average share price whereby the option may be exercised at 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 September 30, 2006 a total of 481,670 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 hurdle is 120 percent of the reference price. The lock-up period ends on October 31, 2006. As of September 30, 2006, the share price of Pfeiderer Grajewo S.A. stood at 46.00 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 Annual 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 own shares. Pfeiderer AG has made no use of this authorization in the first nine 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, 2006, and closed on April 11, 2006. The capital increase was entered into the Commercial Register on April 10, 2006. The new shares were included in the existing price fixing of 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

No major reportable events occurred since September 30, 2006.

Important note:

The Nine-Month Report 2006 will be published on November 8, 2006.

The Pfleiderer Share

XETRA closing price on Sept. 30, 2006:	18.94 euros
High / Low in 3rd Quarter 2006:	22.46 euros / 16.11 euros
Average daily trading:	5.6 million euros
Index:	MDAX
Segment:	Industrial Products and Services
No. of shares as of Sept. 30, 2006:	53,326,100 units
Market capitalization as of Sept. 30, 2006:	1.01 billion euros
Exchange code:	PFD4
ISIN:	DE0006764749
Designated Sponsor:	Bayerische Landesbank
Dividend 2005:	0.15 euros

Financial Calendar 2007

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

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