PONGS & ZAHN

AKTIENGESELLSCHAFT

3-month report

January - March 2007

Published on August 10, 2007

3-month report
January – March 2007

1. Group management report for the first quarter of 2007

Overview of the first quarter in 2007

- Continued growth in sales and income from raw materials trading
- Net income of EUR 86,000
- 6.5% equity capital base improvement

Key performance indicators for the Pongs & Zahn Group

A necessary extension of the basis of consolidation at December 12, 2006, particularly as the result of the inclusion of several SPEs pursuant to SIC 12, puts limitations on the comparability of the results for the first quarters of 2007 and 2006. It is impossible to reconstruct the first quarter 2006 result on the basis of the group structure at March 31, 2007. In order to provide a realistic picture of the group's development, we have obtained the comparison figures by dividing the net profit for the year 2006 by 25%. Unless otherwise specified, this procedure was applied to all disclosures on group development in the following sections of this report.

KPI	**1/1/ – 3/31/2007**	***25% of net profit for the year 2006***			**1/1/ – 3/31/2006** (as published)
Operating result	**EUR '000**	**EUR '000**	**Change EUR '000**	**Change in %**	**EUR '000**
Total operating revenue	32,555	*29,767*	2,787	9.4	20,786
Sales revenue	31,197	*29,488*	1,709	5.8	19,362
Gross revenues	7,136	*6,304*	832	13.2	2,541
EBIT[1)]	211	*-1,228*	1,439		734
EBITDA[2)]	1,549	*490*	1,060	216.5	974
Financial result	-137	*-1,660*	1,523	91.7	-362
Net income	86	*-2,866*	2,952	103.0	307
Balance sheet	**3/31/2007**	**12/31/2006**			
Total assets	106,290	102,912	3,378	3.3	
Equity	18,332	17,216	1,116	6.5	
Equity ratio	17.25 %	16.73%			

1) EBIT = Earnings before interest and taxes
2) EBITDA = Earnings before interest, taxes, depreciation and amortization

Economic framework

Macroeconomic framework

- The world economy continued to develop positively in spring 2007. This was accompanied by a phase of sustained recovery in the Germany market which is still having a positive impact on the group's business development.
- Oil prices continued to rise in the first quarter. This has driven up the prices for our raw materials and pricing pressure is now an increasingly significant consideration in our business decisions.

Chemicals industry

- Continuation of the positive sector business trend in the first quarter of 2007.
- Greater impact from raw material and energy price increases.

Performance of the Pongs & Zahn Group

Operating result

Development of sales revenue and order levels

Sustained market and economic growth have had the desired positive impact on net income at the majority of group entities. Consolidated sales revenue of EUR 31,197,000 was realized in the first quarter. A comparison of this figure with the pro rata net profit for the prior year, as described above, shows an increase of around 5.8%, which reflects the sustained growth in raw materials trading business. All sales revenues in the raw materials business segment are generated with plastics trading activities.

The first quarter 2007 result of one group company has markedly improved as a result of the extensive optimization measures which were implemented last year, and we are expecting this company to approach break even this year.

We were able to considerably reduce the substantial net loss reported in the annual financial statements for 2006 as a result of one-off effects of depreciation and finance costs in the first quarter of 2007. The consolidated net income of EUR 86,000 is mainly due to the positive development of raw materials business.

Group EBITDA and operating profit (EBIT)

The net income generated in the first quarter of 2007 provided the group with an operating profit following the net loss in 2006. This net income of EUR 211,000 is slightly lower than the operating profit reported for the same quarter of 2006 since the basis of consolidation has been extended and single entity net income and losses are included in the consolidated net income or loss. Overall, this confirms the success of our efforts to optimize our production facilities.

The increase in earnings before interest, taxes, depreciation and amortization (EBITDA) was even greater, advancing from EUR 575,000 in the first quarter 2006 to

EUR 1,549,000 in the first quarter of 2007. The high one-off effects in the prior year resulted in EUR 1,060,000 growth in EBITDA compared with the adjusted net profit for the year 2006.

The financial result for the first quarter of 2007 is far more positive than the pro rata result for the same quarter in 2006 (+ 91.7%). We closed at March 31, 2007 with a financial loss of EUR 137,000. The financial result in 2006 was depressed by high interest expenses in connection with the subsequent payment of profit participation certificate dividends for 2005. The financial profit is EUR 225,000 (62.1 %) lower than it was in the first quarter of 2006, which is also due to the extension of the basis of consolidation and the associated higher financing interest.
The financial result includes the group portion of income from the quarterly profits of entities which are reported at equity in the balance sheet of EUR 1,602,000. In the operating result, however, this income is exceeded by necessary depreciation on financial assets of EUR 2,000,000.

Net income effects and development

Comprehensive income is only depressed by a current income tax of EUR 5,000 because the net income for the quarter reported by several group entities is offset by loss carryforwards at other group entities. Deferred tax liabilities and assets in the first quarter of 2007 are netted to EUR 17,000.

In the period under review, the group reported a profit of EUR 86,000 (Q1 2006: EUR 307,000). A loss of EUR 42,000 is attributable to minority shareholdings, which increases the portion of net income attributable to the group to EUR 128,000.

Performance of Pongs & Zahn AG

The holding company, Pongs & Zahn AG, reported a profit of EUR 1,700,000 in its single-entity financial statements for the first quarter of 2007. This amount includes components from profit transfer agreements. Strong raw materials trading business and income from the adjustment of an impairment loss in the prior year had a positive impact on the company's performance.

Development of financial and asset position

Investments

No appreciable investments in tangible or intangible assets were made in the first quarter. The changes to assets mainly relate to financial assets. Additional goodwill of EUR 5,390,000 was reported as a result of Pongs & Zahn AG's strategic decision to increase its shareholding in Verion Filaments AG.

Terra Silesia GmbH of Heidelberg was divested on January 1, 2007 at its carrying amount without any capital gains or losses.

Cash flow, liquidity and capital structure

The cash inflow from operating activities in the first quarter of 2007 was EUR 1,060,000 compared with a cash outflow of EUR 1,634,000 in the same quarter of 2006.

There was a cash outflow from financing activities of EUR 830,000 (Q1 2006: cash inflow of EUR 3,178,000). The high cash inflow in the same quarter last year was due to the take-up of new profit sharing certificates.

Liquid funds have declined since the balance sheet reporting date by EUR 2,599,000 (57.2 %) to EUR 1,943,000. This development is mainly due to the acquisition of shareholdings.

Further options rights in the amount of EUR 117,000 were exercised, and the positive first quarter result has further consolidated our equity base. A reduction in treasury stock held by Pongs & Zahn AG led to an 0.5% increase in the equity ratio to 17.3% between the balance sheet reporting date on December 31, 2006 and the end of the first quarter of 2007. Equity increased in absolute terms by EUR 1,116,000 (6.5 %) to EUR 18,332,000.

The portion of liabilities due to banks (loans, finance leases) which are attributable to the group increased slightly as a result of current account overdrafts to EUR 528,000 or 27.2 % at 31 March, 2007 (12/31/2006: 27.5%). The portion of non-current financial liabilities (bonds, profit sharing certificates, loans and finance leases) declined by 0.27%, despite a slight increase in bonds and profit sharing certificates, as a result of the scheduled amortization of other bank loans.

The group's total assets increased after December 31, 2006 by around EUR 3.4 million (3.3 %) to EUR 106.3 million at the end of the first quarter of 2007. This increase is mainly due to the above-mentioned increase in the goodwill of Verion Filaments AG and the acquisition and capitalization of a limited partnership interest in ISARIOS Industriekapital Opportunity One AG & Co. KG, which is reported at a carrying amount of around EUR 2 million.

The net income of the at equity shareholding Quintos Bau + Boden AG resulted in its carrying amount being written up from EUR 0 to EUR 1,650,000.

On March 31, 2007, the portion of funds tied up in non-current assets increased to 67.0 % or EUR 71.2 million. (12/31/2006: 61.5 % or EUR 63.2 million).

Trade accounts receivable and receivables from associated companies were reduced by a total of EUR 6,783,000, largely as a result of the partial settlement of a receivable from Quintos Bau + Boden AG.

Opportunity and risk report

Company-specific potential risks in the first quarter of 2007 and in the remainder of this fiscal year relate, in the main, to the development of the US dollar and the sustained high prices of raw materials. A real estate crisis in the USA is associated with the latent risk of declining consumer demand - including demand for carpets - in this market. This could have an impact on our group's spinning mill business operations.

Please also refer to the comprehensive information pertaining to opportunities and risks which is contained in the 2006 annual financial statements. No significant changes were made to the group's opportunity and risk management system, nor did the opportunities and risks described in annual financial statements for 2006 change in the period under review.

Events of significance after the reporting date

Further option rights were exercised in the second quarter of 2007, which increased Pongs & Zahn Aktiengesellschaft's share capital by EUR 193,380 to EUR 36,643,510 between the reporting date at December 31, 2006 and June 30, 2007.

The managing board of Pongs & Zahn AG made the strategic decision to dispose entirely of the shareholding in Quintos Bau + Boden AG in the second quarter of 2007. The company is currently reported in the annual financial statements at equity as a 50% holding. Its carrying amount was written down to EUR 0 last year as a result of losses in the previous years. In the first quarter of 2007, it was written back up to a carrying amount of EUR 1,650,000, which corresponds to its pro rata net income for the quarter.

The availment of VERION Filaments AG's authorized capital on several occasions increased the company's share capital to EUR 14,000,000. The premium from these capital increases was transferred to the capital reserve.

Outlook

Development forecast

We expect the positive macroeconomic development to continue throughout the remainder of 2007. Growth is, however, likely to be slightly less dynamic than it was last year. In this framework, the upswing in chemicals sector will lose momentum and slow growth in the market. The international markets offering the highest growth potential in the forecast period are on the Asian continent, with China as one of the most significant markets. We are expecting the chemical raw materials markets which are relevant for Pongs & Zahn AG to develop in line with the world economy. We believe that there will be sustained, though slower growth in all sectors.

The positive sector outlook for the second six months of the year has been downwardly revised after a survey by the KI magazine, though stabilization at the current level is thought to be probable. This is supported by the historical high level of

scheduled investments at the beginning of the year. Over the course of this year, 30% of the companies have revised their forecasts again to a more positive outlook.
The only problematic development concerns raw material and energy costs. Almost two-thirds of all market players surveyed by KI anticipate further increases in polymer prices over the remaining months of the year.

Group business development forecast

The positive business development in the first quarter of 2007 gives us every reason to be optimistic about the remaining quarters and provides us with an excellent basis for driving growth in business operations.

We will continue to focus our activities on the consolidation and extension of our operating companies' business base in 2007. No major investments in tangible or financial assets are scheduled for the immediate future.

We are still optimistic about the growth tend in our market and are currently building up our national and international business operations, which means we are no longer focusing on plastic raw materials trading.

In the remainder of 2007, we expect economic developments to continue having a positive impact on the development of our business and that our operating result will further improve. We also anticipate further growth in plastics trading over the course of the year.

Berlin, August 2007

The Managing Board

2. Consolidated financial statements

2.1 Consolidated balance sheet at 3/31/2007

ASSETS	Annual financial statements 2006 12/31/2006	3-month report 2007 3/31/2007
Non-current assets	**EUR**	**EUR**
Goodwill	10,254,714	15,644,724
Other intangible assets	1,706,930	1,623,389
Property, plant and equipment	43,652,672	44,253,300
Shares in associates	4,724,110	4,915,184
Investments	0	2,010,702
Other assets	317,903	197,269
Deferred taxes	2,589,279	2,541,149
	63,245,609	**71,185,717**
Current assets		
Inventories	10.987,091	12,884,797
Trade accounts receivable	8,174,405	6,048,779
Accounts receivable from companies in which participations are held	0	2,369,795
Accounts receivable from associates	9,597,667	4,940,789
Securities	1,274,792	562,352
Other assets	4,622,713	5,813,710
Income tax liabilities	467,693	540,821
Cash holdings and bank balances	4,542,260	1,943,247
	39,666,621	**35,104,290**
TOTAL ASSETS	**102,912,230**	**106,290,007**
EQUITY AND LIABILITIES		
Equity accounted for by shareholders in the parent company		
Paid-up capital	36,333,330	36,450,150
Treasury stock	-3,860,176	-2,427,039
Capital reserves	10,310,714	10,310,714
Other reserves	179,870	0
Revenue reserves	-34,933,857	-34,847,525
	8,029,881	**9,486,300**
Minority interests	**9,185,851**	**8,845,265**
Total equity	**17,215,732**	**18,331,565**
Non-current liabilities		
Profit participation certificates	20,356,000	20,406,000
Bonds	19,680,747	19,746,567
Provisions	429,409	429,409
Interest-bearing loans	13,826,661	14,196,261
Deferred taxes	1,911,051	1,831,488
	56,203,869	**56,609,725**
Current liabilities		
Bonds	12,708	12,708
Provisions	126,500	126,500
Interest-bearing loans	14,530,888	14,689,936
Trade accounts payable	9,659,769	11,182,572
Accounts receivable from companies in which participations are held	0	1,015,000
Income tax liabilities	360,430	345,957
Other liabilities	4,802,335	3,976,044
	29,492,630	**31,348,717**
	85,696,498	**87,958,442**
TOTAL LIABILITIES	**102,912,230**	**106,290,007**

2.2 Consolidated income statement for the period 1/1/2007 to 3/31/2007

	3-month report 2006* 1/1/2006-3/31/2006	25% of net profit in 2006*	3-month report 2007 1/1/2007-3/31/2007
	EUR	EUR	EUR
Sales revenue	**19,361,846**	**29,488,250**	**31,197.360**
Inventory changes	360,132	53.552	671.269
Other operating income	1,063,687	225,628	686.022
Cost of materials	-18,245,068	-23,463,037	-25,418.689
	2,540,597	**6,304,393**	**7,135.962**
Personnel expenses	-471,727	-2,557,090	-2,569.096
Depreciation on fixed assets and intangible assets	-240,454	-1,717,166	-1,338.241
Other operating expenses	-1,094,704	-3,257,777	-3,017.623
Result from operating activities	**733,713**	**-1,227,640**	**211.002**
Share of profits from associates	0	12,175	1,601.957
Interest income	526,461	260,239	372.797
Interest expenses	-888,884	-1,456,887	-1,071.401
Income from securities transactions	0	-482,548	959.514
Other financial items	0	6,673	-2,000.001
Earnings before taxes	**371,289**	**-2,887,988**	**73.868**
Income tax	-64,668	22,065	12.464
CONSOLIDATED NET INCOME/LOSS FOR THE QUARTER	**306,621**	**-2,865,923**	**86,332**
Thereof attributable to shareholders in the parent company	319,121	-2,445,502	127,874
Minority interests	12,500	-420,422	-41,542
Earnings per share			
Undiluted / diluted	0.01	-0.41	0.02

**Note*

The following information is important and relates to the comparability of the aforementioned development and key performance indicators. Due to the extension of the basis of consolidation during the audit of the Pongs & Zahn Group's consolidated financial statements at December 31, 2006 and the inclusion of so-called special-purpose entities (SPEs pursuant to SIC 12), the figures for the first quarter of 2007 and the figures published for the same period in 2006 are only comparable to a limited extent. In order to provide a realistic picture of group developments, we divided the net profit for the year 2006 by 25% to obtain a figure for the first quarter of 2006 and included it in the income statement for information purposes.

2.3 Consolidated cash flow statement for the period 1/1/2007 to 3/31/2007

	25% of net profit for 2006* EUR '000	2007 EUR '000
Cash flow from operating activities		
Consolidated net income for the year before tax	-2,888	86
Adjustments for:		
Depreciation of and write-downs on property, plant and equipment	1,036	807
Depreciation of and write-downs on intangible assets	682	2,531
Changes to:		
Trade accounts receivable	-1,100	2,125
Receivables from associates (changes to the basis of consolidation)	-2,400	0
Inventories	-481	-1,898
Trade accounts payable	220	1,523
Provisions	33	-14
Other assets	484	-748
Other liabilities	538	715
Other non-cash transactions	1,000	-4,765
Interest income	-260	-373
Interest expenses	1,457	1,071
Income taxes received/paid	45	0
	-1,634	1,060
Cash flow from investment activities		
Cash inflow from the disposal of shares in associates	99	0
Cash outflow for investments in associates	0	-1,000
Cash outflow in connection with the disposal of shares in a subsidiary and its deconsolidation	-66	0
Cash inflow from the disposal of treasury stock	106	0
Cash outflow for investments in treasury stock	0	0
Cash inflow from the disposal of tangible assets	3	5
Cash outflow for investments in tangible assets	-729	-1,794
Cash outflow for investments in intangible assets	-557	-40
Cash inflow from the disposal of intangible assets	10	0
	-1,134	-2,829
Cash flow from financing activities		
Cash inflow from options being exercised	421	117
Cash inflow from capital increases at subsidiaries	241	0
Redemption of profit participation certificates	-57	0
Cash inflow from the issuance of profit participation certificates	5,000	50
Cash outflows for the repayment/ raising of interest-bearing loans and bonds	-1,349	-299
Profit distributed to minority interests	0	0
Interest paid	-1,410	-1,071
Interest received	332	373
	3,178	-830
Net change in cash holdings and bank balances	410	-2,599
Cash holdings and bank balances at the beginning of the period	2,907	4,542
CASH HOLDINGS AND BANK BALANCES AT THE END OF THE PERIOD	**3,317**	**1,943**

**Note*

The following information is important and relates to the comparability of the aforementioned development and key performance indicators. Due to the extension of the basis of consolidation during the audit of the Pongs & Zahn Group's consolidated financial statements at December 31, 2006 and the inclusion of so-called special-purpose entities (SPEs pursuant to SIC 12), the figures for the first quarter of 2007 and the figures published for the same period in 2006 are only comparable to a limited extent. In order to provide a realistic picture of group developments, we divided the net profit for the year 2006 by 25% to obtain a figure for the first quarter of 2006 and included it for information purposes in the cash flow statement.

2.4 Changes in group equity in the interim period ending 03/31/2007

	Equity accounted for by shareholders in the parent company							
	Paid-up capital EUR '000	Treasury stock EUR '000	Capital-reserve EUR '000	Profit reserves EUR '000	Other reserves EUR '000	Total EUR '000	Minority interests EUR '000	Total equity EUR '000
1/1/2006	**34,650**	**-4,285**	**10,311**	**-25,152**	**0**	**15,524**	**6,348**	**21,872**
Net profit from disposals of available-for-sale financial assets	0	0	0	0	180	180	0	180
Total net income recognized directly in equity	0	0	0	0	180	180	0	180
Consolidated net loss for the period	0	0	0	-9,782	0	-9,782	-1,682	-11,464
Total net loss for the period	0	0	0	-9,782	180	-9,602	-1,682	-11,284
Stock options exercised	1,683	0	0	0	0	1,683	965	2,648
Transactions between shareholders	0	0	0	0	0	0	3,555	3,555
Disposal of treasury stock	0	425	0	0	0	425	0	425
12/31/2006	36,333	-3,860	10,311	-34,934	180	8,030	9,186	17,216
1/1/2007	**36,333**	**-3,860**	**10,311**	**-34,934**	**180**	**8,030**	**9,186**	**17,216**
Net profit from disposals of available-for-sale financial assets	0	0	0	0	-180	-180	0	-180
Total net income recognized directly in equity	0	0	0	0	-180	-180	0	-180
Consolidated net profit or loss for the first quarter of 2007	0	0	0	128	0	128	-42	86
Total net profit or loss for the period	0	0	0	128	-180	-52	-42	-94
Stock options exercised	117	0	0	0	0	117	0	117
Transactions between shareholders	0	0	0	0	0	0	-341	-341
Disposal of treasury stock	0	1,433	0	0	0	1,433	0	1,433
3/31/2007	**36,450**	**-2,427**	**10,311**	**-34,806**	**0**	**9,528**	**8,804**	**18,332**

3. Share data at 3/31/2007

WKN (German securities identification no.)	695 400
ISIN	DE 0006954001
Ticker symbol	PUZ
Average shares outstanding at 3/31/2007	6,071,780 bearer shares
EBIT per share	EUR 0.02
Equity per share	EUR 3.02
3-month high 2007 (XETRA closing price)	EUR 2.48
3-month low 2007 (XETRA closing price)	EUR 2.40

4. Notes to the consolidated financial statements at 3/31/2007

Object of the company and reporting principles

Pongs & Zahn Aktiengesellschaft, Friedrichstrasse 90, 10117 Berlin, Germany and its subsidiaries ("Pongs & Zahn") comprise a group of companies which manufacture, process and sell plastic raw materials.

The holding company is headquartered in Berlin. It is entered in the commercial register at the Charlottenburg local court under HRB 59329.

Accounting and valuation methods

The consolidated financial statements were prepared in accordance with the International Accounting Standards Board (IASB)'s International Financial Reporting Standards (IFRS), including the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), as applicable on the reporting date.

The accounting and valuation methods which were applied to the consolidated financial statements for financial year 2006 were also applied to these unaudited interim financial statements at March 31, 2007. The interim financial statements were prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and in accordance with the International Financial Reporting Standards (IFRS) which are now mandatory for companies in the European Union, as applicable on the reporting date. A detailed description of these methods was published in the Notes to the Consolidated Financial Statements at December 31, 2006. It can be downloaded from www.pongsundzahn.de.

The interim financial statements are presented in an abbreviated format of the annual financial statements and should therefore be read in conjunction with the consolidated financial statements at December 31, 2006.

Basis of consolidation

The consolidated financial statements are prepared in respect of Pongs & Zahn AG and all entities which are under its control ("control concept") pursuant to IAS 27 in conjunction with SIC 12 (Consolidation - Special Purpose Entities).

Nine group entities were included in the interim financial statements according to the full consolidation method as a result of a direct or indirect shareholding of Pongs & Zahn AG, and 2 entities were included according to the equity method. Three further entities were consolidated according to the full consolidation method pursuant to SIC 12.

Terra Silesia GmbH, Heidelberg, was divested and deconsolidated with effect from January 1, 2007. There were no proceeds from the divestment and the effect of the disposal of the divested company's assets and liabilities has no significant impact on the Pongs & Zahn Group's asset position.

Notes to significant disclosures in the financial statements

(1) Intangible assets, property, plant and equipment

Intangible assets and property, plant and equipment developed as follows in the first quarter of 2007:

	3/31/2007 EUR '000	12/31/2006 EUR '000
Intangible assets	17,268	11,962
Property, plant and equipment	44,253	43,653
	61,521	55,615

The change in intangible assets since the reporting date on December 31, 2006 is the result of changes in goodwill after the shareholding in Verion Filaments AG was increased. We deliberately did not recognize impairment on the resulting new goodwill of EUR 5,390,000, analogue to the impairment loss recognized at December 31, 2006, due to the very positive development of the company's business operations. We do not believe that there is any reason to recognize any impairment loss on this shareholding.

(2) Shares in associates

The shares in associates reported in the interim financial statements correspond to those reported in the year-end financial statements. They pertain to the shareholding in AXG Investment Bank AG. The group's shareholding has decreased from 42.8 % at December 31, 2006 to 32.9 %. On March 31, 2007, this holding corresponded to a carrying amount of EUR 3,265,000. The portion of AXG Investment Bank AG's net loss for the first quarter which is attributable to the group is reported at EUR 48,000.

The group still has a 50% shareholding in Quintos Bau + Boden AG. On the basis of the portion of Quintos Bau + Boden AG's net income for the first quarter which is attributable to the group, the company's carrying amount was written up from EUR 0 to EUR 1,650,000 on March 31, 2007.
The net income and losses from shareholdings which are attributable to the group are reported under shares in associates.

(3) Investments

The reported limited partnership interest in ISARIOS Industriekapital Opportunity One AG & Co. KG was acquired in the first quarter of 2007.

(4) Accounts receivable and other assets

The account receivable from Quintos Bau + Boden AG in respect of a short-term loan was repaid in installments in 2007. The amount outstanding on March 31, 2007 was EUR 4,440,000 (12/31/2006: EUR 9,596,000).

The receivable from a company in which a participation is held relates to ISARIOS Industriekapital Opportunity One AG & Co. KG in connection with intercompany transactions.

(5) Equity

- Paid-up capital

Option rights were exercised in connection with the contingent capital I and II increases in the first quarter of 2007, as a result of which Pongs & Zahn Aktiengesellschaft's share capital increased by EUR 116,820.00 to EUR 36,450,150.00 between December 31, 2006 and May 31, 2007.

- Treasury stock

On March 31, 2007, Pongs & Zahn AG held 296,640 shares of treasury stock for the planned acquisition of another shareholding. A further 300,000 Pongs & Zahn AG shares are held by a subsidiary. The group's treasury stock has therefore been reduced by EUR 1,433,000 (37.1 %) to EUR 2,427,000.

(6) Non-current financial liabilities

The non-current financial liabilities have developed since December 31, 2006 as follows:

	3/31/2007 EUR '000	**12/31/2006 EUR '000**
Bonds	19,747	19,681
Profit participation certificates	20,406	20,356
Liabilities due to banks	14,151	13,768
Finance lease liabilities	45	58
Total non-current financial liabilities	54,349	53,863

(7) Current financial and other liabilities

Current financial liabilities and other liabilities has developed since December 31, 2006 as follows:

	3/31/2007 EUR '000	**12/31/2006 EUR '000**
Bonds	13	13
Liabilities due to banks	14,355	14,101
Finance lease liabilities	335	430
Other liabilities	3,976	4,802
Total current financial liabilities	18,679	19,346

(8) Sales revenue

The EUR 31,197,000 consolidated sales revenue in the first quarter of 2007 was generated exclusively by trading in plastic raw materials (polyamide). Sales revenue in the first quarter of 2007 was 5.8% higher than the pro rata sales revenue for the first three months of last year (EUR 29,488,000). This development reflects our effective growth strategy and our continued efforts to expand our production operations.

(9) Expense/income from financial assets

	1/1/ – 3/31/2007 EUR '000	1/1/ – 3/31/2006 EUR '000	25% of net profit for 2006 EUR '000
Net profit or loss from investments in associates	1,602	0	12
Other financial items	-2,000	0	7
Investment result	-398	0	19
Other interest and similar income	373	526	260
Interest and similar expenses	-1,071	-889	-1,457
Interest result	-698	-363	-1,197
Income from securities transactions	959	0	-483
Financial result	-137	-363	-1,661

EUR 1,650,000 of the net profit or loss from investments in associates in the first quarter of 2007 pertains to Quintos Bau + Boden AG and EUR -48,000 to AXG Investmentbank AG. The loss reported under other financial items is due to necessary consolidated depreciation on financial assets.

(10) Income taxes

Current income taxes of EUR 5,000 are reported because the net income for the quarter reported by several group entities is offset by loss carryforwards at other group entities. The positive balance of EUR 12,000 is the result of the netted positive effect on net income from deferred tax liabilities and assets of EUR 17,000 in the first quarter.

(11) Earnings per share

The diluted and undiluted earnings per share are shown in the table below. There were no dilutive instruments in the reporting period or in the fiscal year 2006, and the exercise price of unexercised options was higher than the average share price throughout the period, as a result of which the diluted earnings per share is equal to the undiluted earnings per share.

	1/1/ – 3/31/2007 EUR '000	**1/1/ – 3/31/2006 EUR '000**	**25% of net profit for 2006 EUR '000**
Comprehensive income after tax	86	307	-2,866
Profit due to minority shareholders	-42	13	-420
Profit due to Pongs & Zahn AG shareholders	128	294	-2,446
Weighted average number of outstanding shares (units)	6,071,780	5,133,333	5,933,817
Earnings per share in the period (in EUR)	**0.02**	**0.01**	**-0.41**

The average number of outstanding shares changed after the interim financial statement reporting date due to further option rights being exercised in the second quarter of 2007. They increased the share capital of Pongs & Zahn Aktiengesellschaft by EUR 193,380.00 to EUR 36,643,530.00 between the reporting date on March 31, 2007 and May 29, 2007.

(12) Transactions with related parties which are not reported in the annual financial statements as consolidated entities

Please refer to our annual report 2006 for a definition of related parties and business transactions pursuant to IAS 24.
In the first three months of the fiscal year, Xenia AG acquired a total of 19,470 shares in Pongs & Zahn AG when it exercised options in conjunction with contingent capital I and II increases. This provided the company with a cash inflow of EUR 117,000. No accounts receivable from or liabilities to Xenia AG were reported at March 31, 2007.

A liability of EUR 1,000 to Holi Hanseatische Objekt und Liegenschaftsverwaltung GmbH existed at March 31, 2007.

There were no other significant transactions with related parties in 2007.

(13) Employees

The number of persons employed by the group in the period January 1 to March 31, 2007 remained unchanged since balance sheet reporting date. The average number of employees at the Pongs & Zahn Group was 259; 174 are production workers and 85 salaried employees.

(14) Events after the balance sheet date

Further option rights were exercised in the second quarter of 2007, which increased Pongs & Zahn Aktiengesellschaft's share capital by EUR 193,380 to EUR 36,643,510 between the reporting date on March 31, 2006 and June 30, 2007.

(15) Corporate Governance Code

The managing board and supervisory board of Pongs & Zahn AG have issued a declaration of conformity with the Corporate Governance Code pursuant to section 161 of the German Corporation Law (*Aktiengesetz, AktG*). It has been published for the information of shareholders at the Pongs & Zahn AG website since December 12, 2006.

Pongs & Zahn AG
Friedrichstraße 90
10117 Berlin

Tel. +49 (0)30 20253502
Fax +49 (0)30 20253537

office@pongsundzahn.de
www.pongsundzahn.de

Executive bodies

Supervisory Board: Hermann Hönig, Jürgen Behrenz, Dr. Manfred Braun
Managing Board: Joachim Schlennstedt