PONGS & ZAHN

AKTIENGESELLSCHAFT

6-month report 2007

January – June 2007

Published on August 28, 2007

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1. Group management report for the first six months of 2007

Overview of the first six months of 2007

- Continued growth in sales and income from raw materials trading
- EUR 2,057,000 profit in the first six months of 2007 – special effect as a result of the sale of real estate property rights in the second quarter
- 25.1 % equity capital base improvement

Key performance indicators for the Pongs & Zahn Group

A necessary extension to the basis of consolidation at December 31, 2006, particularly as the result of the inclusion of several Special Purpose Entities (SPE) pursuant to SIC 12, puts limitations on the comparability of the results for the first six months of 2007 and 2006. It is impossible to reconstruct the six month result for 2006 on the basis of the group structure at June 30, 2007. In order to provide a realistic picture of the group's development, we have used the same procedure that we applied in the 3-month report 2007 and divided the net profit for the year 2006 by 50%. Unless otherwise specified, this procedure applied for all disclosures on group development in the following sections of this report.

KPI	1/1/ – 6/30/2007	*50% of net profit for the year 2006*	Change	Change in	1/1 – 6/30/2006 (as published)
Operating result	EUR '000	EUR '000	EUR '000	%	EUR '000
Total operating revenue	76,779	*59,535*	17,244	29.0	43,910
Sales revenue	67,447	*58,977*	8,471	14.4	41,104
Gross revenues	20,489	*12,609*	7,881	62.5	5,616
EBIT[1)]	3,190	*-2,455*	5,646		792
EBITDA[2)]	5,496	*979*	4,516	461.3	1,885
Financial result	-1,121	*-3,321*	2,199	66.2	-267
Net income	2,057	*-5,732*	7,789	135.9	974
Balance sheet	6/30/2007	12/31/2006			
Total assets	119,229	102,912	16,317	15.9	
Equity	21,544	17,216	4,328	25.1	
Equity ratio	18.07%	16.73%			

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

Economic framework

Macroeconomic framework

The state of the world economy remained robust in the first six months of 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.

The prices of raw materials – particularly oil prices – continued to rise in the first six months of the current fiscal year. As a result, pricing pressure is now an increasingly significant consideration in our business decisions.

We are assuming that the macroeconomic framework will remain positive in the remaining months of 2007 and that it will continue to have a positive impact on the Pongs & Zahn Group's business operations.

Chemicals industry

- Continuation of the positive sector business trend in the first six months 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 67,447,000 was realized in the first six months of 2007 (Pongs & Zahn AG single-entity sales revenue: EUR 30,718,000). A comparison of this figure with the pro rata net profit for the first six months of the prior year, calculated as described above, shows an increase of around 14.4 %, 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 six month result of one group company has markedly improved owing to the extensive optimization measures which were implemented last year. This development is being supported by the expiry of diverse finance leases in the current fiscal year. We are expecting this company to achieve an almost break even result in 2007.

In the second quarter of 2007, we were able to continue reducing the substantial net loss reported in the annual financial statements for 2006 as a result of one-off effects of depreciation and finance costs. We closed the first six months of 2007 with consolidated net income of EUR 2,057,000.

Group EBITDA and operating profit (EBIT)

The positive result in the first quarter of the year was followed by a group operating profit for the entire first six months of the 2007 fiscal year after an operating loss in 2006. At EUR 190,000 (EUR 3,190,000) after the deduction of the proceeds from the sale of real estate property rights (EUR 3,000,000) EBIT is slightly lower than the operating profit reported for the same quarter last year, although it is necessary to bear the limited comparability of figures due to the extension of the basis of consolidation in mind. Overall, this development 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 3,610,000 in the first six months of 2006 to EUR 5,496,000 in the first six months of 2007. The high one-off effects in the prior year resulted in EBITDA growth of EUR 4,516,000 compared with the pro rata net profit for the year 2006.

We closed the first six months of 2007 with a negative financial result, which was also the case in 2006. Due to the interest expense of EUR 1,374,000 which is reported in the 6-month report 2007 in connection with profit participation certificate dividends which were payable on June 30, 2007, we reported a negative financial result of EUR -1,122,000. The year-end financial result at December 31, 2006 was also depressed by interest expenses in connection with profit participation certificate dividends for 2005.

The financial result includes the group portion of income from the profits of entities which are reported at equity in the balance sheet of EUR 1,623,000. This income in the first quarter of 2007 led to a write-up of the divested shareholding in QUINTOS Bau + Boden AG in the second quarter 2007 .

Consolidated net income effects and development

Comprehensive income is only depressed by a current income tax liability of EUR 6,000 because the net income for the quarter reported by several group entities is offset by loss carryforwards at other group entities. The other income tax of EUR 360,000 pertains to capital gains tax in connection with profit participation certificate dividends.
Deferred tax liabilities and assets in the first quarter of 2007 are netted to EUR 355,000.

In the period under review, the group reported a profit of EUR 2,057,000 (H1 2006: EUR 974,000). A loss of EUR 178,000 is attributable to minority shareholdings, which increases the portion of net income attributable to the group to EUR 2,235,000.

Development of financial and asset position

Investments

No appreciable investments in tangible or intangible assets were made in the first six months of the year. The changes to assets mainly relate to financial assets as a result of the acquisition of an additional limited partnership interest in ISARIOS Industriekapital Opportunity One AG & Co. KG during the second quarter of the year. This limited partnership interest was reported under investments at June 30, 2007 with a carrying amount of EUR 10,200,000.

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

We divested our 50% shareholding in QUINTOS Bau + Boden AG at the end of the first six months of the year.

Cash flow, liquidity and capital structure

The cash inflow from operating activities in the first six months of 2007 was EUR 6,667,000 compared with a cash outflow of EUR 3,269,000 in the same period of 2006.

A cash outflow of EUR 1,312,000 relating to financing activities was reported for the first six months of the fiscal year 2007 (cash inflow in the same period of 2006: EUR 6,357,000) due to the payment of dividends on profit participation certificates in the second quarter of 2007. The high cash inflow in the same period last year was due to the issue of new profit sharing certificates.

Liquid funds have declined since the balance sheet reporting date by EUR 2,781,000 (61.2 %) to EUR 1,761,000. This development is mainly due to the acquisition of shares.

Further option rights in the amount of EUR 117,000 were exercised in the first quarter and EUR 193,000 in the second. This and the positive six month result have further consolidated our equity base. The group also reduced its Pongs & Zahn AG treasury stock holding in the second quarter. These effects increased absolute equity between the reporting date at December 31, 2006 and June 30, 2007 by 25.1 % to EUR 21,544,000. The concurrent increase in total assets increased the equity ratio by around 1.3 % to 18.1 %.

Liabilities due to banks (loans, finance leases) of EUR 28,322,000 were at around the same level, after scheduled amortization in H1 2007, on June 30, 2007 as they were at the 2006 end of year reporting date as a result of the use of current account overdraft facilities. The portion of the group's non-current financial liabilities (bonds, profit sharing certificates, loans and finance leases) declined, 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 have increased by around EUR 16.3 million (15.9 %) since December 31, 2006 to EUR 119.2 million. This increase is mainly the result of the acquisition disclosed under 'Investments' and the capitalization of the group's limited partnership interest in ISARIOS Industriekapital Opportunity One AG & Co. KG under financial assets.

The net income of the at equity shareholding QUINTOS Bau + Boden AG in the first quarter of 2007 resulted in its carrying amount being written up from EUR 0 to EUR 1,650,000 in the consolidated financial statements. The shareholding was completely divested in the second quarter. The agreed sale price was equivalent to the historical carrying amount, which leads to a loss of EUR 300,000 after the first-quarter write-up in the consolidated financial statements, which is not reported in the Pongs & Zahn AG single entity financial statements.

On June 30, 2007, the portion of funds tied up in non-current assets was 65.0 % or EUR 72.1 million, which is similar to the 2006 end-of-year level (61.5 % or EUR 63.2 million).

Trade accounts receivable and receivables from associated companies were reduced, as announced in the first quarter, by another EUR 8,617,000, largely as a result of the settlement of most of a receivable from QUINTOS Bau + Boden AG. The residual receivable from QUINTOS Bau + Boden AG (EUR 3,233,000) after the divestment in the second quarter is reported under other assets.

Performance of the holding company, Pongs & Zahn AG

The group holding company, Pongs & Zahn AG, closed the first six months of 2007 with a profit of EUR 2,670,000. This amount includes components from profit transfer agreements. Strong raw materials trading business and income from the adjustment of an impairment loss and the partial write-down of an undisclosed holding in the prior year had a positive impact on the company's performance. The six month result is still impacted by expenditures in connection with profit participation certificate dividend payments for 2006 of EUR 1,735,000.

The table on the next page shows the holding company's key performance indicators for the period under review and the prior year comparatives:

KPI	1/1/ – 6/30/2007	1/1/ – 6/30/2006	Change EUR '000	Change in %
Operating result	EUR '000	EUR '000		
Total operating revenue	32,985	32,504	481	1.5
Gross revenues	2,707	552	2,153	390.5
EBIT[1]	1,694	-343	2,037	
Net income	2,670[2]	1,318	1,352	102.6
Balance sheet	**6/30/2007**	**12/31/2006**		
Total assets	74,332	70,897	3,436	3.3
Equity	30,878	29,179	1,699	5.8
Equity ratio	41.5 %	41.2 %		

[1] EBIT = earnings before interest and taxes
[2] Including income from transferred profits of EUR 1,282,000

Events which are significant for the development of the holding company Pongs & Zahn AG's business in the first six months of 2007 include the divestment of the full subsidiary Value Plast AG to Verion Filaments AG, the divestment of the 50% shareholding in QUINTOS Bau + Boden AG and a further capital increase of EUR 310,000 to EUR 36,644,000 since December 31, 2006 as a result of stock options being exercised.

Opportunity and risk report

Company-specific potential risks in the first six months of 2007 and in the remainder of this fiscal year still relate 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.

Outlook

Development forecast

We expect the positive macroeconomic development to continue in the second half 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 also believe that there will be sustained, though slower growth in all sectors.

Although the positive sector outlook for the second six months of the year was revised after a survey by the KI magazine, stabilization at the current level is thought to be probable. Another indication of this is the historical high level of scheduled investments at the beginning of the year. Over the course of this year, 30% of the companies have increased their level of scheduled investments again.
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 six months of 2007 gives us every reason to be optimistic about the remaining months and puts us in an excellent position to drive growth in our 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 property, plant and equipment or financial assets are scheduled for the immediate future.

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

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

Berlin, August 2007

The Managing Board

2. Consolidated financial statements

2.1 Consolidated balance sheet at 6/30/2007

ASSETS	Year-end 12/31/2006	Six months 6/30/2007
Non-current assets	EUR	EUR
Goodwill	10,254,714	10,648,482
Other intangible assets	1,706,930	1,525,171
Property, plant and equipment	43,652,672	43,383,673
Shares in associates	4,724,110	3,312,837
Investments	0	10,200,702
Other assets	317,903	194,805
Deferred taxes	2,589,279	2,812,223
	63,245,609	72,077,893
Current assets		
Inventories	10,987,091	14,342,755
Trade accounts receivable	8,174,405	5,920,905
Accounts receivable from companies in which participations are held	0	1,347
Accounts receivable from associates	9,597,667	0
Securities	1,274,792	876
Other assets	4,622,713	24,533,629
Income tax liabilities	467,693	590,513
Cash holdings and bank balances	4,542,260	1,761,171
	39,666,621	47,151,196
TOTAL LIABILITIES	102,912,230	119,229,089

EQUITY AND LIABILITIES	Year-end 12/31/2006	Six months 6/30/2007
Equity accounted for by shareholders in the parent company		
Paid-up capital	36,333,330	36,643,530
Treasury stock	-3,860,176	-2,098,932
Capital reserves	10,310,714	10,310,714
Other reserves	179,870	0
Revenue reserves	-34,933,857	-32,599,328
	8,029,881	12,255,984
Minority interests	9,185,851	9,288,149
Total equity	17,215,732	21,544,133
Non-current liabilities		
Profit participation certificates	20,356,000	20,406,000
Bonds	19,680,747	19,609,095
Provisions	429,409	429,409
Interest-bearing loans	13,826,661	13,716,749
Deferred taxes	1,911,051	1,765,714
	56,203,869	55,926,967
Current liabilities		
Bonds	12,708	0
Provisions	126,500	126,500
Interest-bearing loans	14,530,888	14,605,332
Trade accounts payable	9,659,769	13,698,386
Accounts receivable from companies in which participations are held	0	4,750,000
Income tax liabilities	360,430	726,847
Other liabilities	4,802,335	7,850,925
	29,492,630	41,757,989
	85,696,498	97,684,956
TOTAL LIABILITIES	102,912,230	119,229,089

2.2 Consolidated income statement for the period 1/1/2007 to 6/30/2007 and 4/1/2007 to 6/30/2007

	Quarterly result			Cumulated result for the fiscal year		
	Reporting period 4/1/2006-6/30/2006*	25% of net profit in 2006*	Reporting period 4/1/2007-6/30/2007	6-month result 2006* 1/1/2006-6/30/2006	50% of net profit in 2006*	6-month result 2007 1/1/2007-6/30/2007
	EUR	EUR	EUR	EUR	EUR	EUR
Sales revenue	21,741,934	29,488,250	36,250,043	41,103,780	58.976.500	67.447.403
Inventory changes	-112,800	53,552	3,221,968	247,332	107.103	3.893.237
Other operating income	1,495,606	225,628	4,751,944	2,559,293	451.256	5.437.966
Cost of materials	-20,049,811	-23,463,037	-30,870,457	-38,294,878	-46.926.075	-56.289.146
	3,074,930	6,304,393	13,353,498	5,615,527	12.608.784	20.489.459
Personnel expenses	-556,437	-2,557,090	-2,697,263	-1,028,164	-5.114.179	-5.266.359
Depreciation on fixed assets and intangible assets	-853,009	-1,717,166	-967,112	-1,093,463	-3.434.332	-2.305.353
Other operating expenses	-1,607,254	-3,257,777	-6,709,906	-2,701,958	-6.515.555	-9.727.529
Result from operating activities	58,230	-1,227,640	2,979,217	791,943	-2.455.282	3.190.218
Share of profits from associates	0	12,175	20,617	0	24.349	1.622.574
Interest income	711,286	260,239	204,179	1,237,746	520.477	576.976
Interest expenses	-81,588	-1,456,887	-2,473,579	-970,472	-2.913.774	-3.544.981
Income from securities transactions	0	-482,548	-735,786	0	-965.095	223.727
Other financial items	0	6,673	2,000,000	0	13.346	-1
Earnings before taxes	687,928	-2,887,988	1,994,646	1,059,217	-2.887.988	2.068.514
Income tax	-20,288	22,065	-24,059	-84,956	44.127	-11.595
CONSOLIDATED NET INCOME/LOSS FOR THE QUARTER	667,640	-2,865,923	1,970,588	974,261	-5.731.852	2.056.919
Thereof attributable to shareholders in the parent company	667,640	-2,445,502	2,106,656	961,761	-4.891.006	2.234.530
Minority interests	0	-420,422	-136,068	12,500	-840.846	-177.610
Earnings per share						
Undiluted / diluted				0.16	-0,82	0,37

**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 six months of 2007, the second 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 50% (or 25% respectively) to obtain a figure for the first six months (second quarter) of 2007 and included it in the income statement for information purposes.

2.3 Consolidated cash flow statement for the period 1/1/2007 to 6/30/2007

	50% of CF for 2006* EUR '000	2007 EUR '000
Cash flow from operating activities		
Consolidated net income for the year before tax	-5,776	2,057
Adjustments for:		
Depreciation of and write-downs on property, plant and equipment	2,072	1,390
Depreciation of and write-downs on intangible assets	1,364	915
Changes to:		
Trade accounts receivable	-2,201	2,253
Receivables from associates (changes to the basis of consolidation)	-4,799	0
Inventories	-963	-3,356
Trade accounts payable	440	4,038
Provisions	66	367
Other assets	968	-12,678
Other liabilities	1,077	7,739
Other non-cash transactions	2,000	974
Interest income	-521	-577
Interest expenses	2,914	3,545
Income taxes received/paid	90	0
	-3,269	6,667
Cash flow from investment activities		
Cash inflow from the disposal of shares in associates	198	0
Cash outflow for investments in associates	0	-10,200
Cash outflow in connection with the disposal of shares in a subsidiary and its deconsolidation	-132	0
Cash inflow from the disposal of treasury stock	213	1,761
Cash outflow for investments in treasury stock	0	0
Cash inflow from the disposal of tangible assets	5	5
Cash outflow for investments in tangible assets	-1,458	-2,618
Cash outflow for investments in intangible assets	-1,114	-84
Cash inflow from the disposal of intangible assets	20	3,000
	-2,268	-8,136
Cash flow from financing activities		
Cash inflow from options being exercised	842	311
Cash inflow from capital increases at subsidiaries	483	0
Redemption of profit participation certificates	-114	0
Cash inflow from the issuance of profit participation certificates	10,000	50
Cash outflows for the repayment/ raising of interest-bearing loans and bonds	-2,699	-717
Profit distributed to minority interests	0	0
Interest paid	-2,820	-1,533
Interest received	665	577
	6,357	-1,312
Net change in cash holdings and bank balances	820	-2,781
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	3,727	1,761

**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 six months of 2007, the second 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 50% to obtain a figure for the first six months of 2007 and included it for information purposes in the cash flow statement.

2.4 Changes in group equity in the interim period ending 6/30/2007

	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 profit or 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**	**10,11**	**-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 six months of 2007	0	0	0	2,235	0	2,235	-178	2,057
Total net profit or loss for the period	0	0	0	2,235	-180	2,055	-178	1,877
Stock options exercised	310	0	0	0	0	310	0	310
Transactions between shareholders	0	0	0	99	0	99	280	380
Disposal of treasury stock	0	1,761	0	0	0	1,761	0	1,761
6/30/2007	36,644	-2,099	10,311	-32,600	0	12,255	9,288	21,544

3. Share data at 6/30/2007

WKN (German securities identification no.)	695 400
ISIN	DE 0006954001
Ticker symbol	PUZ
Average shares outstanding at 6/30/2007	6,093,267 bearer shares
EBIT per share	EUR 0.37
Equity per share	EUR 3.54
6-month high 2007 (XETRA closing price)	EUR 2.65
6-month low 2007 (XETRA closing price)	EUR 2.35

4. Notes to the consolidated financial statements at 6/30/2007

Object of the company and reporting principles

Pongs & Zahn Aktiengesellschaft, Friedrichstrasse 90, 10117 Berlin, Germany and its subsidiaries ("Pongs & Zahn") are 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 June 30, 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).

Ten 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 one entity was included according to the equity method. Four further entities were included in the consolidated financial statements according to the full consolidation method pursuant to SIC 12.

Terra Silesia GmbH, Heidelberg, was divested and deconsolidated with effect from January 1, 2007. The divestment did not result in any capital gains. The effect of the disposal of the divested company's assets and liabilities is not significant for the Pongs & Zahn Group's asset position.

As a result of the divestment of the 50% shareholding in QUINTOS Bau + Boden AG in the second quarter of 2007, the financial statements at June 30, 2007 deviate from those at March 31, 2007 and December 31, 2006 because QUINTOS Bau + Boden AG is no longer reported as an associated company. A consolidated loss of EUR 300,000 was incurred as a result of the divestment.

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:

	6/30/2007 EUR '000	12/31/2006 EUR '000
Intangible assets	12,174	11,962
Property, plant and equipment	43,384	43,653
	55,557	55,615

No appreciable investments were made in intangible assets or property, plant and equipment in the first six months of 2007. As a result of the impairment loss in previous years on the real estate property rights which were sold this year, the proceeds from the sale of EUR 3,000,000 were fully recognized in profit for the period.

(2) Shares in associates

As at the end-of-year reporting date, the shares in associates reported in the interim financial statements pertain exclusively to the shareholding in AXG Investment Bank AG. The group's holding decreased from 42.8 % at December 31, 2006 to 33.1 % at June 30, 2007. On June 30, 2007, the carrying amount of this holding was EUR 3,313,000. The portion of AXG Investment Bank AG's net operating loss for the first six months which is attributable to the group is reported at EUR 28,000.

Pongs & Zahn AG's holding in QUINTOS Bau + Boden AG (50 %) was divested in the second quarter of the 2007 fiscal year at its carrying amount of EUR 1,350,000. On the basis of the portion of QUINTOS Bau + Boden AG's net operating 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. A consolidated loss of EUR 300,000 was therefore incurred as a result of the divestment.

The net income and losses from shareholdings which are attributable to the group are reported under shares in associates.

(3) Investments

A limited partnership interest in ISARIOS Industriekapital Opportunity One AG & Co. KG, which was acquired in the first quarter of 2007, is reported under investments.

(4) Other assets

The account receivable from QUINTOS Bau + Boden AG in respect of a short-term loan was repaid in scheduled installments in 2007. The amount outstanding on March 31, 2007 was EUR 4,440,000 (12/31/2006: EUR 9,596,000). The company was divested in the second quarter of 2007, so the residual amount outstanding at June 30, 2007 is reported under other assets (at 12/31/2006, it was reported under receivables from associated companies).

(5) Equity

- Paid-up capital

As a result of option rights from contingent capital I and II being exercised in the first and second quarters of 2007, Pongs & Zahn Aktiengesellschaft's share capital increased by EUR 310,200.00 to EUR 36,643,530.00 between the reporting dates at December 31, 2006 and June 30, 2007.

- Treasury stock

Pongs & Zahn AG reduced treasury stock to 11,035 shares at June 30, 2007 for the planned acquisition of a further equity holding. A further 480,000 Pongs & Zahn AG shares are held by consolidated entities. The group's treasury stock has therefore been reduced by EUR 1,761,000 (45.61 %) to EUR 2,099,000.

(6) Non-current financial liabilities

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

	6/30/2007 EUR '000	**12/31/2006 EUR '000**
Bonds	19,609	19,681
Profit participation certificates	20,406	20,356
Liabilities due to banks	13,717	13,768
Finance lease liabilities	0	58
Total non-current financial liabilities	53,732	53,863

(7) Current financial and other liabilities

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

	6/30/2007 EUR '000	12/31/2006 EUR '000
Bonds	0	13
Liabilities due to banks	14,332	14,101
Finance lease liabilities	273	430
Trade accounts payable	13,698	9,660
Accounts receivable from companies in which participations are held	4,750	0
Income tax liabilities	727	360
Other liabilities	7,851	4,802
Total current liabilities	41,631	29,366

Accounts receivable from companies in which participations are held comprise outstanding contributions in respect of recently acquired limited partnership interests in ISARIOS Industriekapital Opportunity One AG & Co. KG.

(8) Sales revenue

The EUR 67,447,000 consolidated sales revenue in the first six months of 2007 was generated exclusively by trading in plastic raw materials (polyamide). Sales revenue in the first six months of 2007 was 14.4 % higher than the pro rata sales revenue for the first six months of last year (EUR 58,997,000). This development reflects our sustained growth and our continued efforts to expand our production operations.

(9) Expense/income from financial assets

	1/1/ – 6/30/2007 EUR '000	1/1/ – 6/30/2006 EUR '000	50% of net profit in 2006 EUR '000
Net profit or loss from investments in associates	1,623	0	24
Other financial items	-1	0	13
Investment result	1,622	0	37
Other interest and similar income	577	1,238	520
Interest and similar expenses	-3,545	-970	-2,914
Interest result	-2,968	-268	-2,394
Income from securities transactions	224	0	-964
Financial result	-1,122	-268	-3,321

EUR 1,650,000 of the net profit or loss from investments in associates in the first six months of 2007 pertains to QUINTOS Bau + Boden AG in the first quarter of 2007 and EUR -28,000 to AXG Investmentbank AG in the first six months of 2007. These amounts correspond to the portions of net profit or loss of these companies which were attributable to the group in the reporting period. EUR 1,374,000 of the interest expenses pertains to the interest portion of profit participation certificate dividends for 2006.

(10) Income taxes

The income tax payable in respect of the consolidated net income for the first six months of 2007 is reduced by loss carryforwards to EUR 6,000 at June 30, 2007. EUR 360,000 of income tax payments pertains to capital gains tax in connection with profit participation certificate dividends.
Deferred tax liabilities and assets in the first quarter of 2007 are netted to EUR 355,000.

(11) Earnings per share

The diluted and undiluted earnings per share are shown in the table on the next page. 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/ – 6/30/2007 EUR '000	1/1/ – 6/30/2006 EUR '000	50% of net profit in 2006 EUR '000
Comprehensive income after tax	2,057	974	-5,732
Profit due to minority shareholders	-178	13	-841
Profit due to Pongs & Zahn AG shareholders	2,235	961	-4,891
Weighted average number of outstanding shares (units)	6,093,267	5,347,833	5,933,817
Earnings per share in the period (in EUR)	**0.37**	**0.16**	**-0.82**

(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 six months of the fiscal year, Xenia AG acquired a total of 51,700 shares in Pongs & Zahn AG through exercising an option within the framework of the contingent capital I and II increases. This provided the company with a cash inflow of EUR 310,000. No accounts receivable from or liabilities to Xenia AG were reported at June 30, 2007.

A liability of EUR 269,000 to Holi Hanseatische Objekt und Liegenschaftsverwaltung GmbH existed at June 30, 2007 in connection with intercompany transactions.

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 June 30, 2007 has not changed since the 2006 end-of-year reporting date. An average of 259 people were employed at the Pongs & Zahn Group; 174 industrial workers and 85 salaried employees.

(14) Events after the balance sheet date

There have been no significant events since the June 30, 2007 reporting date.

(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 shareholder information on the Pongs & Zahn AG website since December 12, 2006.

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