

KNIFF – PROGRESS THROUGH CREATIVE NEW IDEAS

People who work closely with processes know best how to improve them. We launched the KNIFF initiative in 2007 to ensure that all the ideas and suggestions submitted by our employees on the shopfloor and in offices get to those who take the decisions. Our ideas management is a quick, uncomplicated system all employees can use to pass on tips or propose specific solutions.

If the Company saves costs, finds more efficient ways of working, or improves quality as a result of KNIFF, we pay a bonus to reward personal commitment. To date, we have evaluated around 1,800 ideas, of which we implemented more than 600 in 2007. The many suggestions our employees have submitted are a sign that they are highly motivated and identify strongly with Pfeleiderer AG.

PARTIAL RETIREMENT AND ANNIVERSARIES

92 employees are currently included in partial retirement arrangements. In the past fiscal year, 14 employees celebrated 25 years and five employees celebrated 40 years of service with the Company.

Disclosures in accordance with sections 289(4) and 315(4) of the Handelsgesetzbuch (HGB – German Commercial Code)

Composition of subscribed capital

As of December 31, 2007, the subscribed capital of Pfeleiderer AG totaled 136,514,816 euros. The share capital is composed of 53,326,100 no-par value registered shares with a notional interest in the share capital of 2.56 euros each. The shares are fully paid up. All shares entitle their holders to the same rights and obligations. Each no-par value share grants one vote at the Annual General Meeting and determines the shareholders' interest in the profits of Pfeleiderer AG. This excludes treasury shares held by Pfeleiderer AG, which do not convey any rights to the Company.

Restrictions affecting the voting rights or the transfer of shares

Employees who participate in the Company's stock option plan and, as a condition for the grant of stock options, have made a personal investment in shares of Pfeleiderer AG, can only sell the shares bought as a personal investment after a lock-up period of three years. If an entitled employee sells the locked shares prematurely, the stock options expire without replacement.

The Executive Board of Pfeleiderer AG is not aware of any other restrictions affecting the voting rights or the transfer of shares.

Interests in the share capital exceeding 10 percent of the voting rights

As of December 31, 2007, the Pfeleiderer family held a total of around 10.6 percent of Pfeleiderer AG through various companies.

On January 22, 2008, One Equity Partners Europe GmbH informed the Company that it had acquired a package of approximately 15.02 percent of the shares of Pfeiderer AG.

Shares with special control rights

The Company has not issued any such shares with special rights.

System of the control of voting rights if employees are shareholders and do not exercise their control rights directly

Employees who participate in the Company's stock option plan and have made a personal investment in shares of Pfeiderer AG can exercise the control rights conveyed by these shares directly in accordance with the Articles of Association and the law.

Statutory provisions and provisions of the Articles of Association governing the appointment and dismissal of members of the Executive Board and amendments to the Articles of Association

Sections 84 and 85 of the Aktiengesetz (AktG – German Stock Corporation Act) and section 31 of the Mitbestimmungsgesetz (MitbestG – German Codetermination Act) govern the appointment and dismissal of members of the Executive Board. Under these rules, the Supervisory Board appoints members of the Executive Board for a maximum period of five years. In accordance with article 6(1) of the Articles of Association, the Executive Board must have at least two members. In all other respects, the Supervisory Board determines the number of Executive Board members in accordance with article 6(2) of the Articles of Association.

In accordance with section 179 of the AktG, amendments to the Articles of Association require a resolution by the Annual General Meeting. Article 16 of the Articles of Association gives the Supervisory Board the right to make amendments to the Articles of Association if they affect only the wording. In addition, the Supervisory Board is authorized by resolutions of the Annual General Meeting of June 19, 2007, and June 13, 2006, to amend the wording of the Articles of Association to reflect the implementation of the increase in share capital by utilizing the authorized capital and to reflect the volume of new shares issued and after expiry of the respective authorization period.

Laminate floors make up 20 percent of consolidated revenues and meet the highest standards for durability, noise insulation, and handling.



Unless required otherwise by law, article 21(3) of the Articles of Association stipulates that resolutions of the Annual General Meeting require a simple majority of the votes cast or a simple majority of the share capital represented at the time of resolution.

Powers of the Executive Board to issue or repurchase shares

Authorized capital

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period up to June 18, 2012, by up to 68,257,408.00 euros against cash and/or noncash contributions (authorized capital). The shareholders must generally be granted preemptive rights to the new no-par value shares. However, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' statutory preemptive rights in certain cases.

To date, the Executive Board has not made use of this authorization. Further details are stipulated in article 4(2) of the Articles of Association.

Contingent capital

The Annual General Meeting on June 19, 2007, resolved to authorize the Executive Board, with the approval of the Supervisory Board to issue bonds with warrants and/or convertible bonds on one or more occasions up to June 18, 2012, with a volume of up to 200,000,000.00 euros and to grant the shareholders or creditors option and conversion rights to new shares in Pfeleiderer AG with a notional interest in the share capital of up to 25,600,000.00 euros.

These bonds are issued subject to shareholders' statutory preemptive rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' statutory preemptive rights in certain cases.

To date, the Executive Board has not made use of this authorization.

To this end, the share capital has been contingently increased by up to 25,600,000.00 euros by the issue of up to 10,000,000 new shares (contingent capital).

Further details are governed by the authorization resolved on June 19, 2007, and article 4(3) of the Articles of Association.

The Company's share capital has additionally been contingently increased by up to 1,989,836.80 euros (contingent capital). The contingent capital increase through the issue of up to 777,280 new no-par value shares of the Company will only be implemented provided that stock options were granted under the authorization issued until June 30, 2006, and the Pfeleiderer 2001 Stock Option Plan, that the holders of these stock options exercise these rights to subscribe for shares of the Company, and that Company does not settle the stock options by issuing treasury shares or by way of cash compensation.

In addition, the Company's share capital has been contingently increased by up to 11,661,644.80 euros (contingent capital). The contingent capital increase of up to 4,555,330 new no-par value shares will only be implemented to the extent that stock options have been granted under the

authorization granted until May 31, 2001, and the Pfeleiderer Stock Option Plan 2006, that the holders of these stock options exercise their rights to subscribe for shares of the Company, and that the Company does not settle the stock options by issuing treasury shares or by way of cash compensation.

Purchase of treasury shares

The Annual General Meeting on June 19, 2007, authorized the Company in accordance with section 71(1) no. 8 of the AktG to buy own shares in the period up to December 18, 2008, with a notional interest in the current share capital of up to 10 percent, subject to legal restrictions. The shares may be brought through the stock exchange or on the basis of a public offer addressed to all shareholders.

The Executive Board was authorized, with the approval of the Supervisory Board, to sell own shares acquired while disapplying shareholders' preemptive rights in a way other than through the stock exchange or on the basis of an offer to all shareholders, if the own shares acquired are introduced at a foreign stock exchange where they are not listed or offered at a price that does not fall materially below the market price of the same class of shares of the Company at the time of sale. This disapplication of preemptive rights is restricted to a total of no more than 10 percent. The Executive Board was also authorized, while disapplying shareholders' preemptive rights, to (i) sell own shares acquired in conjunction with the purchase of companies, parts of companies, or interests in companies, (ii) use own shares to service stock options that have been or will be issued under the Pfeleiderer stock option plan, (iii) sell own shares to participants in the Pfeleiderer stock option plan to the same extent as these participants are obliged, under the plan's terms and conditions, to buy shares of the Company as a personal investment to satisfy the conditions for being granted stock options, or (iv) use own shares to settle subscription or conversion rights arising from the exercise of conversion or option rights, or as a result of compliance with conversion obligations. With the approval of the Supervisory Board, the Executive Board is additionally authorized to retire own shares acquired without any further resolution of the Annual General Meeting.

Further details are stipulated by the authorization resolved on June 19, 2007.

The Executive Board of Pfeleiderer AG resolved on August 20, 2007, to acquire up to 4,872,610 own shares of the Company in the period up to December 31, 2007. The Company thus made use of the authorization resolved by the Annual General Meeting on June 19, 2007, to acquire own shares and purchased a total of 2,415,444 shares of the Company via on-exchange Xetra trading by December 31, 2007.

Material agreements of the Company that are subject to a change of control upon a takeover bid

In the event of a change of control upon a takeover bid, loans provided under agreements with the syndicate of banks financing the Pfeleiderer Group can be made immediately repayable. In the event of a change of control, the hybrid bond issued in 2007 can either be repurchased by the issuer or alternatively continue to be serviced with add-on interest.

Compensation arrangements agreed by the Company with the members of the Executive Board or employees in the event of a takeover bid

There are no arrangements with members of the Executive Board or employees that become effective in the event of a takeover bid.

Report on post-balance sheet date events

Pfleiderer AG reached an out-of-court settlement with Kunz Holding GmbH & Co. KG and the other sellers of Kunz-Holzwerkstoff-Gruppe (Engineered Wood Group) on January 28, 2008. This settled the parties' dispute relating to mutual claims arising from the purchase agreement dated July 15, 2005, which provided for a second purchase price installment of 23.8 million euros, among other things. This amount was reduced to 11.25 million euros.

On January 22, 2008, the private equity company, One Equity Partners Europe GmbH reported that it had acquired 15.02 percent of Pfleiderer AG's shares.

Pfleiderer AG has reached an agreement with German company decopa industries GmbH to take over the edge manufacturer's activities. This acquisition expands Pfleiderer AG's position as one of the top three leading manufacturers of engineered wood products in the world. The Group can now manufacture furniture edges and soft-forming films itself for the first time, thus expanding its existing product range. decopa industries, which generated revenues of 2.02 million euros in 2007, was acquired as of February 1, 2008, with Pfleiderer acquiring all material assets.

Whether classically ageless or young and trendy, as in this bedroom in popular light colours: wood materials are individual, can be combined in many different ways, and are extremely easy to look after.

