

**ERNST-HERBERT PFLEIDERER**

Chairman of the Supervisory Board
of Pfeiderer AG

*Dear Shareholders,
Friends and Partners of Pfeiderer AG,*

In fiscal year 2007, the Supervisory Board of Pfeiderer AG performed its duties and responsibilities in accordance with the law and the Articles of Association. The Supervisory Board addressed the Company's position in detail in the year under review and advised and monitored the Executive Board and the Company's management. The Supervisory Board was included in all decisions of fundamental importance to the Company in good time and was continuously and comprehensively informed of the Company's business development. The Executive Board informed the Supervisory Board in a timely manner, both verbally and in writing, of all relevant aspects of strategy and management, as well as of business development and deviations from the Company's plans. In addition to the meetings of the Supervisory Board and its committees, the members of the Supervisory Board were in regular contact with the Executive Board.

In the past fiscal year, the Supervisory Board met regularly on a total of four occasions. The meetings took place in March, June, September, and December 2007. The Executive Board prepared the Supervisory Board meetings in separate meetings with the employee and shareholder representatives. A key focus of the Supervisory Board's deliberations was the acquisition of the Pergo Group and its integration into the Pfeiderer Group.

In order to perform its duties in full, three committees are available to the Supervisory Board: a Working Committee, an Audit Committee, and a Conciliation Committee. The Working Committee met four times in the year under review in March, July, September, and October 2007. Among other things, the key focuses of the Working Committee's meetings included the resolution of the Western Europe Business Center's "Future West" project, the acquisition of shares in the Polish company Prospan S.A., and the investment in the construction of a further MDF production facility in Novgorod, Russia.

The Audit Committee met in March and September 2007. In its first meeting, it dealt with the 2006 annual financial statements. The agenda for the second meeting covered the focus of the audit of the 2007 annual financial statements, as well as the risk management report and the focus of activities by the Internal Audit department. The Conciliation Committee in accordance with section 27(3) of the Mitbestimmungsgesetz (MitbestG – German Co-Determination Act) was not required to meet in fiscal year 2007.

The annual financial statements of Pfeiderer Aktiengesellschaft and the Pfeiderer Group as of December 31, 2007, and the combined management report of the single entity and of the Group were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin/Frankfurt am Main, and issued with an unqualified auditors' opinion in each case. The auditor was present at the Audit Committee meeting on March 18, 2008, and reported to the Committee on the key results of its audit.

In its meeting on March 19, 2008, the Supervisory Board also reviewed the annual financial statements of Pfeiderer AG and the consolidated financial statements, as well as the combined management report and Group management report, submitted by the Executive Board. The auditors' report was made available to the Supervisory Board in good time. The detailed audit raised no objections and the Supervisory Board concurs with the results of the audit. The Supervisory Board approves the consolidated financial statements and the annual financial statements for fiscal year 2007. The annual financial statements are thereby adopted in accordance with section 172 of the Aktiengesetz (AktG – German Stock Corporation Act). The Supervisory Board concurs with the Executive Board's proposal for the appropriation of the net retained profit and concurs with the Executive Board's proposal to increase the dividend to 0.30 euros per share.

The Executive Board and the Supervisory Board have reported separately on the standards of good corporate management in the Corporate Governance section of this annual report.

The composition of the Supervisory Board changed over the course of the year as a result of new members being elected at the Annual General Meeting 2007. Dr. Manfred Scholz retired from the Supervisory Board as a shareholder representative on June 19, 2007, for reasons of age. Mr. Klaus M. Bukenberger was elected as his successor. Mr. Frank Kratzsch, Mr. Josef Rügge-Fechtelpeter, and Mr. Rainer Stracke

left the Supervisory Board in the course of the election of employee representatives. Mr. Frank Bergmann, Mr. Alfred Dennenmoser, and Dr. Melanie Tuchbreiter were elected as new members on June 19, 2007. The Annual General Meeting elected Mr. Hans Theodor Pfeleiderer and Mr. Michael L. Martell as alternate members.

On January 22, 2008, One Equity Partners Europe GmbH informed Pfeleiderer AG that it had acquired a package of 15.02 percent of the shares of Pfeleiderer AG. One Equity Partners Europe GmbH intends to be a core investor of Pfeleiderer AG.

Mr. Derrick Noe left the Company's Executive Board with effect from January 14, 2008. The Supervisory Board began to look for a successor immediately and has arranged an interim solution for the time being.

On behalf of the entire Supervisory Board, I would like to thank the members who have left the Supervisory Board, the Executive Board, and all employees of the Pfeleiderer Group for their commitment and successful work in the past fiscal year. They contributed significantly to the Group's continuing development.

Neumarkt, March 2008

A handwritten signature in black ink, appearing to read 'Ernst-Herbert Pfeleiderer', written in a cursive style.

Ernst-Herbert Pfeleiderer
Chairman of the Supervisory Board