

Declaration of Compliance 2004

Under Sec. 161, Aktiengesetz (German Stock Corporation Act), the Board of Management and the Supervisory Board of a joint stock company traded on the stock market must issue an annual Declaration of Compliance. In this declaration, they must disclose to what extent they have complied and shall comply with the Recommendations of the Government Commission on the German Corporate Governance Code. In December 2003, the Board of Management and the Supervisory Board published this declaration on the Company's website, stating that they are complying with the Recommendations of the Government Commission on the German Corporate Governance Code, with the following exceptions:

Article 4.2.3:

Compensation of the Board of Management

Compensation received by the members of the Board of Management of Pfeleiderer AG comprises a fixed component and variable components. As a long-term incentive component, in 2001 the General Meeting adopted a stock option scheme which runs until June 30, 2006. The stock option scheme is not capped. No changes are envisaged to the current Scheme as this would require a new resolution by the General Meeting.

Article 4.2.4:

Publication of individual compensation received by members of the Board of Management

Compensation received by members of the Board of Management of Pfeleiderer AG comprises a fixed component, variable performance-linked components and components with a long-term incentive (= stock options). Compensation received by members of the Board of Management is not reported individually, only the total amount received by the board as a whole. In our opinion, only the total amount received by the Board of Management is relevant to shareholders making an assessment. In order to protect the private sphere, the Board of Management and the Supervisory Board have decided not to report individual amounts of compensation or remuneration.

Article 5.4.1:

Age limit on membership of the Supervisory Board

At present, the Articles of Association of Pfeleiderer AG set no age limit on membership of the Supervisory Board. It is intended that a change to the Articles of Association be made, setting an age limit of 70 years.

Article 5.4.5:

Publication of individual compensation received by members of the Supervisory Board

At present, remuneration of the members of the Supervisory Board is a fixed fee. Remuneration received by members of the Supervisory Board is also not reported individually. Those interested can see the amount of remuneration as laid down in Article 15 of the Company's Articles of Association. This information is published on the website of Pfeleiderer AG. Apart from reimbursement of out-of-pocket expenses, including VAT when incurred in the course of duty, members of the Supervisory Board receive payment each of 10,500 euros. This amount is payable after the end of the fiscal year. In the case of the Chairman, this figure is doubled, while Deputy Chairmen and Chairmen of the Committees receive 1.5 times this amount and members of the Committees 1.25 times this amount.