

Report of the Executive Board to the Annual Shareholders' Meeting regarding Item 9 of the Agenda pursuant to Section 71, Subsection 1 No 8 and Section 186, Subsection 4, Sentence 2 German Stock Corporation Act (AktG)

According to the resolution proposed under Item 9 of the Agenda of the Annual Shareholders' Meeting on June 19, 2007, Pfeleiderer Aktiengesellschaft is to be reauthorized pursuant to Section 71, Subsection 1, No. 8 German Stock Corporation Act (AktG) to purchase its own shares (treasury stock) of up to 10 % of the capital stock. In accordance with Section 71, Subsection 1, No. 8 German Stock Corporation Act (AktG), the previous authorization granted by the Annual Shareholders' Meeting on June 13, 2006, was limited to no more than 18 months and expires on December 12, 2007. Therefore, the authorization shall now be renewed until December 18, 2008.

The renewed authorization will enable Pfeleiderer Aktiengesellschaft to acquire treasury stock by purchasing its own shares and so to realize associated advantages in the interests of Pfeleiderer Aktiengesellschaft and its shareholders, in particular with regard to serving its Stock Option Plan. The legal framework prescribed by Section 71, Subsection 2, Section 71d and Section 71e German Stock Corporation Act (AktG) sets limits on this authorization. In particular, it means that the new authorization does not apply if and to the extent to which existing or earlier authorizations to acquire own shares have been executed to acquire treasury stock up to the permissible limit and shares acquired in this manner have neither been sold nor retired and cancelled.

When acquiring treasury stock, the Company is obliged to comply with the doctrine of equal treatment as laid down by the German Stock Corporation Act. Acquisition of treasury stock can only be made via the stock exchange or via a public offer to buy such stock addressed to all shareholders. This means that all shareholders have an equal opportunity to sell shares to the Company, should it decide to make use of its authorization to purchase own shares.

According to the proposed authorization, shares purchased in this manner by the Company can be retired and cancelled without any further resolution by the Annual Shareholders' Meeting. As a result, the capital stock of Pfeleiderer Aktiengesellschaft will be reduced or the other shares' proportion of the capital stock will be increased accordingly. Furthermore, treasury stock can be sold by a public offering to all shareholders or via the stock exchange. The methods of selling treasury stock permitted ensure that shareholders are treated equally when treasury stock is reissued.

The proposed resolution authorizes the Executive Board to use treasury stock, thereby excluding shareholders' subscription rights.

- a) Pursuant to Section 71, Subsection 1 No. 8, Sentence 5 German Stock Corporation Act (AktG), the proposed authorization under Letter b) enables the Executive Board, subject to approval of the Supervisory Board, to sell treasury stock other than via the stock exchange or through an offer to all shareholders. This is conditional on the Pfeleiderer shares being sold at a price that conforms to

Section 186, Subsection 3, Sentence 4 German Stock Corporation Act (AktG), whereby the selling price must not be significantly lower than the price quoted on the stock exchange at the time of sale. The proposed resolution defines the relevant stock exchange price in question to be the weighted average closing price in Xetra trading of the Company's share over the last three days of trading prior to sale of the Pfeiderer shares. This ensures that the interests of the shareholders of Pfeiderer Aktiengesellschaft are not negatively affected by random prices.

Authorization to sell treasury stock other than via the stock exchange or by offer to all shareholders is in the best interests of the Company and the shareholders. Enabling treasury stock to be sold while excluding shareholders' subscription rights pursuant to Section 186, Subsection 3, Sentence 4 German Stock Corporation Act (AktG) is to the advantage of Pfeiderer Aktiengesellschaft, for example if Pfeiderer shares can be sold to institutional investors in suitable cases, or in order to list Pfeiderer shares on foreign stock exchanges. Such a share listing on foreign stock exchanges where they were not previously traded can serve to broaden the shareholder base outside Germany. Excluding shareholders' subscription rights provides Pfeiderer Aktiengesellschaft with the necessary means to react both quickly and flexibly, as well as economically, to favorable stock exchange scenarios without having to pursue the expensive and time-consuming process of introducing a rights issue.

Authorization is limited to a maximum of 10 % of the Company's capital stock. This restriction complies with legal requirements to protect shareholders from a dilution of their investment. By taking into account shares already issued under Section 186, Subsection 3, Sentence 4 German Stock Corporation Act (AktG) under other authorizations excluding shareholders' subscription rights when treasury stock is sold, no treasury stock can be sold under exclusion of shareholders' subscription rights pursuant to Section 71, Subsection 1, No. 8 and Section 186, Subsection 3, Sentence 4 German Stock Corporation Act (AktG) if this resulted in shareholders' subscription rights being excluded in respect of more than 10 % of the capital stock without adequate reason.

- b) On account of the authorization proposed under Letter c), Pfeiderer treasury stock can also be used as payment when acquiring enterprises or parts thereof, or participations in enterprises. This enables Pfeiderer Aktiengesellschaft in suitable cases to acquire enterprises or parts thereof, or participations in enterprises not by paying cash, but by assigning treasury stock. Thus, the Company's cash liquidity remains unaffected, at the same time reducing the extent of financing needed to cover the purchase price. International competition and globalization of the economy make this form of payment increasingly relevant. No specific plans exist to use the authorization. The Executive Board will report to the Annual Shareholders' Meeting in each case if the authorization has been used.
- c) Furthermore, under Letters d) and e) of the proposed resolution, the Executive Board, and in the case of shares being issued to members of the Executive Board, the Supervisory Board, shall be authorized to use Pfeiderer Aktiengesellschaft treasury stock to serve option rights under the Pfeiderer Stock Option Plan 2001

as approved by the Annual Shareholders' Meeting on July 10, 2001, or under the Pfeiderer Stock Option Plan 2006 for senior management as approved by the Annual Shareholders' Meeting on June 13, 2006, under Item 8 of the Agenda, to the extent that such options have been or are to be issued; in addition, the Executive Board respectively the Supervisory Board shall be authorized to sell Pfeiderer Aktiengesellschaft treasury stock to participants in Stock Option Plans insofar as participants are obliged to acquire Pfeiderer shares in order to be eligible for the granting of stock options. In this case, the issue price may not be significantly lower than the quoted stock exchange price. This authorization to reissue treasury stock exclusively sets out to whom Pfeiderer shares can be sold. Shareholders' statutory subscription rights are excluded on account of this regulation.

In the Annual Shareholders' Meeting of 2001, the Pfeiderer Stock Option Plan 2001 for senior management was explained and subsequently adopted by the Meeting. The Pfeiderer Stock Option Plan 2006 for resolution under Item 8 of the Agenda of the Annual Shareholders' Meeting on June 13, 2006, has been explained in a report prepared by the Executive Board. The possibility of granting Pfeiderer Aktiengesellschaft treasury stock in order to fulfil subscription rights of those entitled arising from the issue of stock options is a suitable mechanism by which to counteract dilution of the capital assets and voting rights which would occur when covering subscription rights by creating new shares issued under conditional capital. Whether, and to what extent, the authorization to issue treasury stock to cover subscription rights is used, or whether and to what extent they are rather covered by issuing new shares from conditional capital, is decided by the Executive Board or, in the case of subscription rights pertaining to a member of the Executive Board, by the Supervisory Board, whereby both Boards must primarily bear in mind the best interests of shareholders and Pfeiderer Aktiengesellschaft alike.

- d) Furthermore, under Letter f), the Executive Board shall be authorized to use treasury stock acquired on the basis of the authorization in order to serve subscription rights and conversion rights arising from the exercise of option rights or conversion rights or the fulfilment of conversion obligations by holders of option bonds and/or convertible bonds issued by Pfeiderer Aktiengesellschaft as authorized by the Annual Shareholders' Meeting of June 19, 2007, under Item 8 of the Agenda. If the Company chooses to make use of this possibility it is not necessary to call up conditional capital under Article 4, Paragraph 3 of the Articles of Incorporation. Accordingly, this additional possibility does not impinge on shareholders' interests.

Overall, the interests of the shareholders are not unreasonably affected by the authorization to preclude subscription rights.

Neumarkt in May 2007

Pfleiderer AG
The Executive Board

Convenience Translation