



ERNST-HERBERT PFLEIDERER

Chairman of the Supervisory Board
of Pfeiderer AG

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

In compliance with its legal obligations, the Supervisory Board of Pfeiderer Aktiengesellschaft continuously supervised and advised the Company's management throughout fiscal 2006. The Supervisory Board was always kept fully informed of all major developments as well as of the general course of business. Where approval by the Supervisory Board for decisions and measures taken by the Executive Board was required – in particular relating to financial, capital expenditure and personnel planning – the Supervisory Board members carefully examined the relevant documents and adopted resolutions based on the written and oral information provided.

During the fiscal year, the Supervisory Board held four ordinary meetings. In these meetings, held in March, June, September and December 2006, the Executive Board reported comprehensively on the state of the Company and current business developments. In accordance with Clause 3.3.6 of the German Corporate Governance Code, in separate meetings the Executive Board consulted with the representatives of the shareholders and the employees and prepared the meetings of the Supervisory Board.

The Working Committee of the Supervisory Board convened four times during the reporting year – in March, June, September and December 2006. The Audit Committee met on March 16, 2006, and March 20, 2007. The Supervisory Board met on March 21, 2007 to discuss the financial statements for fiscal 2006. In addition to these meetings, a regular exchange of information took place between myself as Chairman of the Supervisory Board and the Speaker of the Executive Board. The Mediation Committee convened under Section 27, Subsection 3 of the German Codeterminations Act did not meet in the last fiscal year.

In accordance with Section 161 of the German Stock Corporation Act, the Executive Board and the Supervisory Board of Pfeleiderer AG issued a Declaration of Conformity stating the extent to which the Company complied with the recommendations of the Government Commission on the German Corporate Governance Code and the extent to which it will comply in the future. Where exceptions to and deviations from the recommendations occur, we have given full reasons (see below, "Corporate Governance Report"). Following the amendments made to the German Corporate Governance Code on June 12, 2006, no changes were necessary to the Principles of Corporate Governance of Pfeleiderer AG. Our Company's Principles have been published on our website (<http://www.pfleiderer.com>).

In accordance with the resolution adopted by the Annual Shareholders' Meeting on June 13, 2006, the Chairman of the Audit Committee, Dr Manfred Scholz, commissioned KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin/Frankfurt, to audit the financial statements of Pfeleiderer AG for 2006, including its accounts and Management Report, as well as its consolidated financial statements and Group Management Report. During the audit, particular attention was given to the start-up of the particleboard plant in Russia, the acquisition of minority interests in MDF La Baie Inc., Canada, the presentation of the capital increase in the consolidated financial statements, and the consolidation of the newly acquired companies.

On March 15, 2007, Dr Manfred Scholz wrote to inform us about his resignation as Member and Chairman of the Audit Committee with immediate effect due to health reasons. The Supervisory Board elected on March 16, 2007, in succession of Dr Scholz, Mr. Wolfgang Haupt as Member and Chairman of the Audit Committee.

The annual financial statements of Pfeleiderer AG and the consolidated financial statements for the year ending December 31, 2006, as well as the Group Management Report and the Management Report for Pfeleiderer AG, were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin/Frankfurt, and were all unreservedly approved in the opinion given by the auditors. The Supervisory Board also reviewed the financial statements and consolidated financial statements, as well as the Management Report and Group Management Report, as drawn up by the Executive Board. The audit report by the external auditors was made available to all members of the Supervisory Board in good time. The external auditors participated in the meeting held by the Audit Committee and informed it of the main results of the audit.

No objections were raised by the Supervisory Board following its review of the financial statements of Pfeleiderer AG, the Company's consolidated financial statements, Group Management Report and Management Report. The Supervisory Board concurs with the results of the audit by the external auditors, and duly approves the consolidated financial statements and financial statements for fiscal 2006. Accordingly, the financial statements have been approved pursuant to Section 172 of the German Stock Corporation Act.

Dr Jürgen Koch left Pfeleiderer AG on March 31, 2006 to take up other duties outside the Group. The Supervisory Board expresses its thanks to Dr Koch for his expertise and personal commitment. Following a resolution adopted by the Supervisory Board on March 8, 2006, Mr. Derrick Noe, formerly Chief Finan-

cial Officer on the Executive Board of Klöckner & Co. AG, Duisburg, was appointed to the Executive Board of Pfeiderer AG to serve as its Chief Financial Officer with effect from March 15, 2006. In accordance with a resolution adopted by the Supervisory Board on June 12, 2006, the Executive Board of Pfeiderer AG was extended to include the new function Technology, Operations/Plants. This function was then fulfilled by Dr Robert Hopperdietzel with effect from September 1, 2006. Prior to his appointment, Dr Hopperdietzel worked for Rehau AG & Co., Rehau, where he was a member of the Executive Board with responsibility for operations from 2002 onwards.

During fiscal year 2006, the Pfeiderer Group achieved several major milestones in its more than 100-year history. Apart from successfully integrating the Kunz Group into the Pfeiderer Group, the Company disposed of the Business Unit track systems, allowing Pfeiderer to focus entirely on its engineered wood activities. A further milestone was the start-up of our state-of-the-art particleboard plant in Novgorod, Russia, an important step forward in this future growth market. This will provide the Pfeiderer Group with additional opportunities for growth, alongside its important growth regions of Eastern Europe and North America. The Company has vigorously strengthened its market position and achieved a sustained increase in the Group's earnings power by successfully entering new, dynamic growth markets and gaining new, high-earning product and customer segments. This also includes the start of construction work to build a new MDF plant in Poland, due to commence production in the second half of 2007. A further important milestone is the forthcoming purchase of Pergo AB, Sweden. This acquisition will greatly strengthen Pfeiderer AG's position in the laminate flooring segment, especially in the United States.

The Supervisory Board agrees with the proposal made by the Executive Board to the Annual Shareholders' Meeting to effect a moderate increase in the dividend payment for fiscal 2006 over the previous year, taking it to a reasonable level of 0.25 euros. In accordance with Section 171 (2) of the German Stock Corporation Act, the Supervisory Board wishes to make reference to those explanations given pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code ("HGB") in the Management Report.

On behalf of the Supervisory Board, I would like to thank the Executive Board, the employee representatives and all employees of the Pfeiderer Group within and outside Germany for their hard work, personal commitment and loyalty. They again made the decisive contribution, enabling the Pfeiderer Group to have a highly successful fiscal 2006.

Neumarkt, March 2007



Ernst-Herbert Pfeiderer
Chairman of the Supervisory Board