

ERNST-HERBERT PFLEIDERER

Chairman of the Supervisory Board
of Pfeiderer AG



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

The Supervisory Board of Pfeiderer AG diligently performed its duties and responsibilities in accordance with the law and the Company's Articles of Incorporation and Rules of Procedure in fiscal year 2009. We dealt with the Company's situation in detail in the year under review and advised and supervised the Executive Board. The Supervisory Board was involved in good time in all decisions of fundamental importance to the Company and was continuously and comprehensively informed of the Company's business and strategic development. The Executive Board provided the Supervisory Board with detailed information on all relevant aspects of strategy and management, the financial situation, as well as on business development. The information was provided in a timely manner, both verbally and in writing. Deviations of business development from plans were explained to the Supervisory Board in detail, especially given the impact of the financial and economic crisis on various markets and on the Group's financial position. The Chairman of the Supervisory Board and the Audit Committee were fully informed about the findings reached in the audit of the internal control system and those findings were dealt with by that Committee with the goal of making continuous improvements to the systems. In all meetings of the Supervisory Board and its committees, the rescheduling of the Pfeiderer Group's financing was continually discussed in detail. 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 and received information about the development of business and of the Group's financing situation. The Chairman of the Supervisory Board in particular was in close contact with the Chairman of the Executive Board and the entire Executive Board.

In the past financial year, there were four regular meetings of the Supervisory Board and one extraordinary meeting. The regular meetings were held in March, June, September and December 2009, and the extraordinary meeting in November 2009. With the exception of one excused absence, all members attended all of the meetings. The Executive Board prepared the Supervisory Board meetings in separate meetings with the employees' and shareholders' representatives.

The extraordinary meeting held on November 9, 2009, dealt, inter alia, with the change in the composition of the Executive Board, the new financing, and the restructuring measures necessitated by the recession.

In the meeting on March 18, 2009, the 2008 financial statements of Pfeleiderer AG were approved after prior extensive consultation and upon the recommendation of the Audit Committee, as were the consolidated financial statements and the combined management report. In addition, the Agenda of the 2009 Annual Shareholders' Meeting was approved and the dividend proposal to be made at the Annual Shareholders' Meeting was discussed. In addition, a resolution was passed which had been prepared in the Working Committee concerning the contract of service of the Chief Executive Officer, Mr. Hans H. Overdiek. Finally, the results of the self evaluation of the work of the Supervisory Board were presented. With regard to Item 7 of the Agenda of the Annual Shareholders' Meeting (convertible bond/changes to the Articles of Incorporation), a resolution was passed giving it a more concrete form in April 2009.

The meeting on June 23, 2009, dealt with the business situation. In addition, a declaration of compliance by the Supervisory Board and the Executive Board of Pfeleiderer AG with regard to the recommendations and suggestions of the "Government Commission German Corporate Governance Code" was approved in accordance with Section 161 of the German Stock Corporation Act (AktG). Finally, a report on the preliminary investigations by the Federal Cartel Office was dealt with.

The Supervisory Board meeting on September 30, 2009, dealt with the current business situation. Furthermore, the effects of the Act on the Appropriateness of Management Board Remuneration (VorstAG) on the Supervisory Board activity were explained and the resulting need for action was defined. In this context, the Rules of Procedure of the Supervisory Board were adapted in the effect that the remuneration of the members of the Executive Board will in future only preparatory be dealt with by the Working Committee, the decision-making, however, has to take place in the Supervisory Board plenum. Finally, the introduction of a deductible for members of the Executive Board and the Supervisory Board within the D&O insurance policy was discussed.

On November 9, 2009, the Supervisory Board approved the cancellation of the contract of service of Dr. Robert Hopperdietzel and the acceptance of his resignation.

In the meeting on December 10, 2009, the budget for 2010 was discussed in detail and the declaration of compliance by the Supervisory Board and the Executive Board of Pfeleiderer AG with regard to the recommendations and suggestions of the "Government Commission German Corporate Governance Code" was approved in accordance with Section 161 of the German Stock Corporation Act (AktG). In addition, the

modification of the corporate governance principles of Pfeleiderer AG was approved to reflect the amendments to the German Corporate Governance Code that came into effect in 2009. Finally, diverse restructuring measures were presented with the aim of reducing costs.

In the meetings of November 9, and December 10, 2009, the Supervisory Board accepted the waiver by the Executive Board of 10% of its basic remuneration and itself waived 15% of its fixed remuneration. These measures are to be seen against the background of the restructuring and cost-reducing project decided upon by the Working Committee on October 7, 2009.

For the full performance of its duties, four committees are available to the Supervisory Board: the Working Committee – which also acts as the Human Resources Committee –, the Audit Committee, the Nomination Committee and the Mediation Committee.

In the year under review, the Working Committee convened ten times: in February, March, April, June, September, October (three times), November and December 2009; four of the meetings were held in the form of a telephone conference. The focus of the meetings of the Working Committee included rescheduling the Pfeleiderer Group's financing, the stock option plan for the year 2009, the transfer of the plant in La Baie (Canada) to Moncure (USA), the investment project in Novgorod (Russia) and the investigations of the Federal Cartel Office. Furthermore, discussions were held and decisions were taken on contractual and remuneration issues of the Executive Board, in particular the agreement with Dr. Hopperdietzel to terminate his contract, and on the distribution of responsibilities in the Executive Board following the departure of Dr. Hopperdietzel. Finally, a project for the reorganization and standardization of the Pfeleiderer Group's IT structure and various restructuring measures for the reduction of costs were presented. In October, a restructuring and cost-reducing program was decided upon and initiated.

COMMITTEE MEMBERS

	Working and Human Resources Committee	Audit Committee	Nomination Committee	Mediation Committee
E.-H. Pfeleiderer	C	M	M	M
Dr. H. Burmester		M		
H. Fiedler	M		M	M
W. Haupt		C	M	
Ch. von Hugo	M		M	
F. Bergmann ¹⁾		M		
A. Dennenmoser ¹⁾	M			
W. Rhode ¹⁾	DC	M		M
M. Schmidt ¹⁾				M

¹⁾ Employee representative

C = Chairman, DC = Deputy Chairman, M = Member

The Audit Committee held six meetings, two of which were by telephone. The meetings took place in March, April, May, August, September and November 2009 and were attended by the Executive Board. The Audit Committee dealt with the 2008 annual financial statements, the audit focus for the 2009 annual financial statements or well as with the financial statements for the first three, six and nine months of 2008, the investigations of the Federal Cartel Office, internal auditing, risk management and with compliance.

In 2009, there was no reason to convene the Mediation Committee, which was formed in accordance with Section 27 Paragraph 3 of the German Co-Determination Act (MitbestG). Neither did the Nomination Committee convene last year.

The annual financial statements of Pfeiderer Aktiengesellschaft and of the Pfeiderer Group as of December 31, 2009, and the combined management report of the single entity and of the Group were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin/Frankfurt/M., formerly KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, and issued with an unqualified auditors' opinion in each case. The Audit Committee met on March 17, 2010, in the presence of the auditors and the Executive Board. The auditors reported to the Committee on the key findings of their audit.

In its meeting on March 18, 2010, the Supervisory Board also reviewed the 2009 annual financial statements of Pfeiderer AG and the consolidated financial statements, as well as the combined company management report and Group management report, as submitted by the Executive Board. The auditors' report was made available to the Supervisory Board in good time. The detailed audit did not result in any objections and the Supervisory Board concurs with the results of the audit. The Supervisory Board approves the consolidated financial statements and the company financial statements for financial year 2009. The annual financial statements of Pfeiderer AG are thereby adopted in accordance with Section 172 of the German Stock Corporation Act (AktG). The Supervisory Board concurs with the Executive Board's proposal for the appropriation of the unappropriated retained earnings and concurs with the Executive Board's proposal that the loss be carried forward.

The Executive Board and the Supervisory Board report separately on the standards of good corporate management in the "corporate governance" section of this Annual Report.

The composition of the Supervisory Board did not change in the course of 2009.

Following the departure of Dr. Robert Hopperdietzel, responsibilities are distributed within the Executive Board as follows:

Name	Regional responsibility	Functional responsibility
Hans H. Overdiek	Western Europe	<ul style="list-style-type: none"> ■ Strategy ■ Internal Auditing ■ Human Resources ■ IR/Communications ■ IT Strategy ■ Group Technology
Heiko Graeve	-	<ul style="list-style-type: none"> ■ Finance ■ Taxes ■ Legal Affairs ■ Compliance ■ Accounting ■ Controlling ■ Risk Management ■ Data Protection
Pawel Wyrzykowski	Eastern Europe, North America	<ul style="list-style-type: none"> ■ Strategic Purchasing ■ Marketing ■ Product Strategy ■ Sales ■ Production ■ Research & Development

On behalf of the entire Supervisory Board, I would like to thank the Executive Board, the employees and the employee representatives of all Group companies for their commitment and work in the past year. They successfully supported our company also in difficult times.

Neumarkt, February 2010



Ernst-Herbert Pfeleiderer
Chairman of the Supervisory Board