

## **INFORMATION PURSUANT TO SECTION 289 (4) GERMAN COMMERCIAL CODE (HGB)**

### **Subscribed capital**

As of the balance-sheet date, the Company's subscribed capital amounted to 136,514,816 euros, divided into in 53,326,100 no-par shares, each having a parley arithmetical value of 2.56 euro. All shares have been issued and are in circulation. Each share carries one vote. As of December 31, 2006, Pfeleiderer Aktiengesellschaft held 90,450 own shares (treasury stock).

With the approval of the Supervisory Board, in March 2006, the Executive Board resolved to increase the capital stock of Pfeleiderer AG by a total of 27,241,216 euros divided into 10,641,100 no-par value shares. The subscription price was 19.30 euros. The subscription period for the new Pfeleiderer shares started on March 29, 2006, and closed on April 11, 2006. The capital increase was recorded in the Commercial Register on April 10, 2006. The new shares started trading together with existing Pfeleiderer shares on April 12, 2006. As a result of the capital increase, total gross proceeds of around 205.4 million euros flowed into the Company. Following the capital increase, the capital stock of Pfeleiderer AG now stands at 136,514,816 euros, divided into 53,326,100 no-par value shares. The new shares resulted in a dilution of earnings per share.

### **Conditional capital**

In accordance with a resolution adopted by the Annual Shareholders' Meeting on June 13, 2006, and subject to approval by the Supervisory Board, the Executive Board is authorized until May 31, 2011, to issue conditional capital totalling 11.7 million euros. In addition to this, further conditional capital totalling 2.0 million euros was also created in conjunction with the Pfeleiderer AG stock option plan.

Furthermore, pursuant to a resolution adopted by the Annual Shareholders' Meeting on June 13, 2006, the Executive Board is authorized to issue 8 million new shares until June 12, 2011, thereby creating conditional capital totalling 20.5 million euros to cover the issue of options and convertible bonds.

### **Regulations concerning the appointment and dismissal of members of the Executive Board and changes to the Articles of Incorporation**

The rules of procedure that apply to the Supervisory Board do not include any rules beyond those in Section 84 of the German Stock Corporation Act (AktG). According to Sec. 179 German Stock Corporation Act (AktG), all changes made to the Company's Articles of Incorporation must be adopted by resolution by the Annual Shareholders' Meeting. The Supervisory Board is only entitled to made copy-editing changes to the Articles of Incorporation. In order to be adopted, a resolution of the Annual Shareholders' Meeting requires a three-quarters majority of the votes cast of the total capital stock present.

### **Authorization of the Executive Board regarding the issue or re-purchasing of Company shares**

On February 5, 2007, the Executive Board resolved to acquire 460,000 of the Company's own shares in the open market in the period March 1, 2007, to April 30, 2007. Pfeleiderer AG is thus making use of the authorization granted by the ordinary Annual Shareholders' Meeting on June 13, 2006, to acquire own shares. The own shares (treasury stock) to be purchased are to be used to fulfil subscription rights for shares in the Company's stock options issued in conjunction with Pfeleiderer stock option plans. The shares will be purchased entirely via XETRA

trading in the open market. The acquisition price for shares shall exceed by no more than 10 percent and be no more than 10 percent below the average closing price of the Company's shares in the XETRA trading on the last three days of trading before the purchase is made. No more than 75,000 shares may be acquired per trading day. The strike price should be as low as possible, and in the Company's best interest, but no higher than 27.50 euros per share. Shares shall not be acquired at a price higher than the last independently strike price on XETRA trading – or where the latter is higher – no higher than the last offer to sell in XETRA trading at that point in time. The repurchase action will be carried out through a bank which will decide independently and free from influence by the Company as to the point in time at which to acquire the shares.

**Significant agreements relating to a change of control following a takeover.**

Where a change of control occurs in the course of a takeover bid, loans agreed with the bank consortium financing the Pfeleiderer Group may be subject to direct repayment.

**Major shareholders in the Company**

As of December 31, 2006, the Pfeleiderer family held around 10.3 percent of the shares in Pfeleiderer AG through other companies.

**Further information pursuant to Section 289 (2) No. 5 of the German Commercial Code (HGB)**

Compensation received by the members of the Executive Board is based on fixed and performance-related components. The non-performance related components include a fixed compensation and benefits in kind. The performance-related components are linked directly to the Company's success, with further components acting as a long-term incentive. They involve subscription rights to Company stock awarded as part of the Company's Long-term Incentive Plan. Furthermore, members of the Executive Board and former Executive Board members have rights to company pensions. More information about the Company's compensation system is provided in the Corporate Governance Report on pages 9 – 13 of this Annual Report.