Dr. Rolf Kunisch
Chairman of the Executive Board
Beiersdorf AG, Hamburg

Report to the Annual General Meeting of Beiersdorf AG, Hamburg, on May 18, 2005
(directional English)

Dear Shareholders,
Ladies and Gentlemen,

On behalf of the Executive Board of Beiersdorf AG, I would like to welcome you to the Annual General Meeting of our Company.

We are pleased that you have come to the Congress Centrum in Hamburg to hear about the Beiersdorf Group's business and its strategic plans, and to adopt a number of important resolutions.

To start with, the Executive Board will report on the year 2004. This will cover the annual and consolidated financial statements, and the combined management report for the Beiersdorf Group and for Beiersdorf AG.

Secondly, I will say a few explanatory words about today’s agenda.

And thirdly – and I think after 11 years in the job I may permit myself to do so – I will share a few visions with you, in addition to reviewing the past.

A. Developments in 2004

2004 was another successful year for Beiersdorf. In fact, it was the most successful year in our 123-year history. In more detail, we achieved the following results:

1. Sales by the Beiersdorf Group rose by 4.5% to €4,546 million, adjusted for currency translation effects and consolidation changes. Sales rose by 2.5% at current exchange rates.

2. EBIT (earnings before interest and taxes) grew faster than sales and rose by 6.2% to a record €483 million. This corresponds to an operating return on sales of 10.6%, which thus stayed in the double digits we achieved for the first time two years ago.

3. Profit after tax of the Beiersdorf Group rose to €302 million. Although that is also another record in our history, it is only €1 million above the previous year. We therefore propose to leave the dividend unchanged at €1.60 for each share entitled to dividends.

4. Free cash flow rose by an extremely positive 48% to €447 million, and this has allowed us to drastically reduce debt.

5. Based on the current share price of around €85 per share, Beiersdorf AG has a market capitalization of more than €7 billion (on the basis of total share capital). We therefore continue to be one of the heaviest-weighted German stocks in the MDAX.

For many years, we have been focusing on positioning Beiersdorf as a reliable growth stock. We believe that this is also in your best interests as our shareholders.

The annual report, together with the consolidated financial statements, the combined management report, and the annual financial statements of Beiersdorf AG, which were published separately, are available to you in accordance with item 1 on the agenda. As always, the annual and consolidated financial statements have been granted an unqualified audit opinion by the auditors, BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

In terms of quality, we also made good progress in 2004:

1. For the 6th time, NIVEA became the most trusted skincare brand in Europe – an unprecedented endorsement returned by all 14 countries in which the study was carried out by “Reader´s Digest”.

2. A quality highlight in 2004 was the opening of our newly expanded research building in Troplowitzstrasse. This makes us the largest research company in Eimsbüttel – and probably also one of the largest in the world for skincare. Innovation on the basis of science is the driving force for Beiersdorf.

3. Our annual report 2003 was awarded first prize among MDAX companies by *manager magazin*.

4. We also scored the highest rating for our investor relations work. For our press activities, Professor Klaus-Peter Nebel received the award as best company spokesperson in Germany. Margret Buhse was named Media Personality of the Year.

Good brand support, scientific innovation, and the pride of our employees are and will remain the quality prerequisites for Beiersdorf as a reliable growth stock.

B. Agenda of the AGM

In agenda items 2 – 5, we are asking at today’s Annual General Meeting, as every year, to approve the appropriation of profits, to formally approve the actions of the members of the Executive Board and Supervisory Board, and to appoint the auditors.

Once again, the Supervisory Board has proposed BDO Deutsche Warentreuhand as the auditors for 2005. BDO issued a declaration of independence – as required by the German Corporate Governance Code – before the Supervisory Board made its proposal.

In addition, in agenda item 6, the Supervisory Board is proposing the election of a supplementary member of the Supervisory Board. My Hanseatic restraint prevents me from disclosing further details. The Chairman of the Supervisory Board will do that later.

Items 7–10 comprise the revocation and creation of various legal options to allow us to implement capitalization measures in concert with the Supervisory Board. All of these are authorization requests; they refer to possible options, not specific projects. They are intended to continue to enable the Company to implement measures quickly and flexibly, to support growth and expand our business, when needed.

The currently approved capitalization measures expire in the middle of the year. For this reason, we are seeking to renew them almost unchanged for another five years, making reasonable use of the possibilities offered by the law. The details are as follows:

- In agenda item 7: Creation of new Authorized Capital I of up to €45 million,

- In agenda item 8: Creation of new Authorized Capital II of up to €21 million – or less than 10 percent of share capital – taking advantage of the simplified option of disapplying shareholders' pre-emptive rights, as allowed by law, for capital increases against cash contributions,

- In agenda item 9: Creation of new Authorized Capital III of up to €21 million – or again less than 10 percent of share capital – with the option of disapplying shareholders' pre-emptive rights for capital increases against non-cash contributions, and

- In agenda item 10: Renewed authorization to issue convertible bonds and bonds with warrants and to create new contingent capital of up to €40 million.

In agenda item 11, we are also asking for renewed authorization to purchase and utilize our own shares, as has been routine practice for years at nearly all large listed companies, since the current authorization also expires this year.

Details of agenda items 7–11 can be found on pages 4-11, and the relevant reports by the Executive Board on pages 12–16 of the invitation to the Ordinary AGM.

This concludes the Report of the Executive Board on the annual and consolidated financial statements for 2004 and on the agenda of this Annual General Meeting.

We will, of course, be available to deal with any specific questions that you may have during the next hours.

C. <u>Review and outlook</u>

Since I will leave the Executive Board at the end of this Annual General Meeting, I would like to take the opportunity to present a brief review, as well as an outlook on the future of the Beiersdorf Group.

The last 15 years have seen continuous growth in both key economic indicators, sales and after-tax profit. Both sales <u>and</u> profit rose in each single year.

Such steady performance does not just happen. It has to be planned with care and implemented with precision. This steady performance is the cornerstone of the strength of Beiersdorf AG. We will continue to strive at being a reliable growth stock for our shareholders.

This has not always been easy. For example, in the days of the new economy, we were regarded as a child of the old economy, and consequently got poor ratings from analysts. In particular, we lacked the ability to dangle the prospect of excellent future results in response to poor actual performance. As a result, we were berated as lacking imagination, or worse.

In the early 1990s, our philosophy of preferring a small number of strong brands over a large number of small brands met with condescending smiles. At that time, it was common practice in the consumer goods industry to shop for brands and to collect them, no matter whether they were strong or weak. Many of these brands no longer exist.

It was not until the end of the 90s that companies came to realize that less is more, and today all competitors agree with us that portfolio streamlining is an essential part of successful brand management.

Over many years it was also fashionable to focus exclusively on earnings growth, which usually had to be in double figures. Sales did not seem to matter much. But recent findings in the United States have shown that a good company increases both the top line and the bottom line, in other words, both sales and profits. And that is exactly what we have done successfully in the last 15 years.

Currently, shares of branded goods companies are under discussion. There are four so-called headwinds:

1. The strong power of retailers,
2. The increase in private labels,
3. Increasing commodity prices, and
4. Increasing marketing costs.

All these threats are real, but not entirely new. The only effective countermeasure is to strengthen strong brands further through innovation. They enable price increases and thus an improvement in gross returns. They alone can force retailers to list our products, or not to unlist them.

Secondly, a successful brand strategy requires continuous cost reductions. This means never taking your eyes off the ball.

You can only afford to increase the research and development and marketing investments if you continuously reduce costs. And this is another traditional strength of our organization.

For example, our cost per unit for Nivea today is 30% below the unit cost 15 years ago. This development has taken place continuously, year by year, step by step. It is an essential component of brand growth.

Expressed in figures, the development of the key indicators over the last 15 years has been as follows:

1. Sales by the Beiersdorf Group rose from just under €2 billion in 1989 to €4.5 billion in 2004. On the basis of comparable consolidation, i.e. if 50% of BSN medical is included, the sales figure would be €4.8 billion, representing an increase of 147%, and an index of 247. In other words, our sales are 2 ½ times higher today than 15 years ago.

2. In the same period, after-tax profit grew from €52 million to €302 million – nearly a six-fold increase.

3. Beiersdorf's share price has also performed rather well over the past 15 years. In 1989, share price was €15.60. Today you have to pay €85 for the same share, or more than 5 times the price back then.

   Turned around, it looks even more impressive. If you invested DM100 in Beiersdorf shares in 1989, you will today own shares worth DM550, or €280. Very good appreciation, indeed.

   As we all know, the share price shot up in the period 2001 – 2004, at times reaching €135 per share. But we also know that this had little to do with the business performance of our Company, but was artificially fueled by speculative purchases as the result of takeover rumors. From a long-term perspective, the current price of €85 is fully within the range that reflects the excellent long-term performance of our Company. There are few companies in Germany that can look back on a similar positive performance over such a sustained period.

This positive long-term performance, for both the Company and its shareholders, fully complies with the German Corporate Governance Code. With regard to the role of the Executive Board, the Code states: "The Management Board is responsible for independently managing the enterprise. In doing so, it is obliged to act in the enterprise's best interests and undertakes to increase the sustainable value of the enterprise." And that is precisely what the Executive Board has done over the past 15 years.

Let's look at a few more figures that highlight the growth power of our Company. Since 1990, our main global brands have performed as follows:

1. Sales of Eucerin have risen from €61 million to €206 million today. That is a three-and-a-half-fold increase and represents a compound annual

growth rate of 9%.

2. We did not acquire la prairie until 1991. At the time, the brand generated sales of €15 million. Last year, its sales were €144 million, and this year they are expected to significantly exceed €150 million. This means that sales of the brand have increased tenfold in the past 14 years. This represents a compound annual growth rate of 17%.

3. In 1990, the Hansaplast brand generated sales of €89 million. Today, the plaster brands generate sales of €234 million, or two and a half times more than 15 years ago. This corresponds to a compound annual growth rate of 7%.

4. NIVEA sales increased fivefold, from €545 million in 1990 to €2.7 billion in 2004. This represents a compound annual growth rate for sales of 12% per year.

This shows that big brands grow faster than the market and faster than small brands. It also shows that brand growth of over 8% is realistically achievable.

Beiersdorf now only has big strong brands, because we have let small brands disappear in the past years.

In the early 1990s, for example, our range included brands such as Lian, a face care brand, Limara, a deodorant brand, and Doppeldusch, a major range of bath products in Germany. We have discontinued all these brands. As one large competitor has had to find out recently, portfolio streamlining does not necessarily promote sales growth.

In spite of streamlining its portfolio, Beiersdorf has achieved significant sales increases every year, and I am convinced that by focusing on a small number of strong brands in the future, we will be able to grow at least as fast in the future as we have done in the past.

By the way, tesa has had a limiting effect on our growth over the past 15 years. In 1990, sales of tesa amounted to €638 million. In 14 years, they have grown by only 11%, to €706 million, an average of less than 1% per year. As you know, that included a period of massive consolidation.

But now tesa also contributes to growth, and above all, it is a profitable brand. Its future growth is likely to continue to be more moderate than that of the consumer brands, but its contribution to earnings will increase significantly, as it did in the past 3 years. This means that tesa is now also creating value for you, our shareholders.

And this brings us to the future. In spite of all the headwinds, my belief in the future of the Beiersdorf Group is unshakable. Why?

1. As in the past, the world's markets for body care products will continue to grow, in the order of 5% worldwide. The reason is simply the increasing aging of the population and growing prosperity. Both are megatrends that

have been confirmed, irrespective of the countries concerned, over the last 50 years. It is not without reason that conglomerates such as Procter & Gamble and Unilever are specifically trying to enter the market for body care products, because its long-term growth prospects are significantly better than for, say, toilet paper and margarine.

2. Beiersdorf's global market share of around 5% is quite respectable. 15 years ago we were not represented in the global arena. To double our market share to 10% seems within reach, because we already exceed this figure in many countries.

   Even in young countries, i.e. countries where we were not represented 15 years ago, such as Australia, South Africa or the United Kingdom, we have reached market shares of over 10%, due to our compelling product range and our marketing expertise.

   This demonstrates that our growth strategy works, and we are confident therefore that we can double our market share in the next 15 years. In addition to the market trend, this continuous improvement in market share will enable us to achieve significant sales growth in the future.

   There are companies, for example Colgate, that have achieved market shares of 20% or more in their segments, and there is no reason why Beiersdorf should not be able to do the same in the long term. Provided we have the appropriate focus on skincare in product development and maintain the necessary cost discipline and aggressive marketing methods, that is.

I have probably taken my visions a little too far by now. Let's return to 2005, which is much closer: It will be a difficult year. You know that sales in the first quarter were almost unchanged from the record level of the previous year. We are encouraged that all earnings figures are 5% above the previous year, in spite of flat sales growth, which means that our cost programs are working.

This latest improvement in results is most definitely due to the initial success of the new Supply Chain function, meaning the work of the new CEO, Thomas-Bernd Quaas.

When I take my leave from you today, I do that with a smile, because I know that in Thomas Quaas, Beiersdorf will have a CEO who will use his good judgment and energy to work on and hone Beiersdorf as a reliable growth stock, and even introduce radical change if necessary. He will have the full support of new Board members Pieter Nota and Markus Pinger, as well as of Peter Kleinschmidt and Rolf-Dieter Schwalb, who at the tender age of 50 are still in possession of their full powers.

Let me make one thing absolutely clear: The concept of handing over well ordered houses does not exist in business. There are untidy houses, for sure, and that Beiersdorf is not. But there can never be well ordered ones in the sense that they are calm or stand still. Beiersdorf needs new energy, new stimulus, new goals. I am positive that the new Executive Board knows that, and that it has the will and the ability to achieve it.

We old ones, Uwe Wölfer and I, made a good team, I think, and we are sure that the new Board will also produce good teams.

After 35 years in the consumer goods industry, I retire happy, confident and grateful. It is an honor to be allowed to serve Beiersdorf, its brands, its employees, and our shareholders. I have enjoyed this honor for 14 years, and before I go, I want to thank you for your trust in me and in our Company.