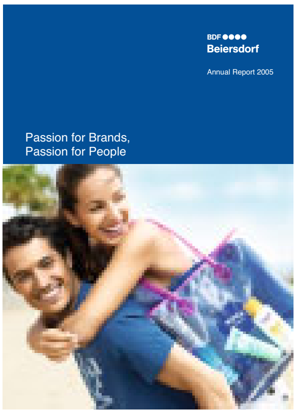
BDF ●●●●
Beiersdorf

Annual Report 2005

# Passion for Brands,
# Passion for People



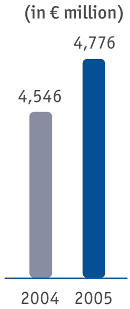

# « Passion for Brands, Passion for People »

## Our Goal: Close to Consumers – Everywhere

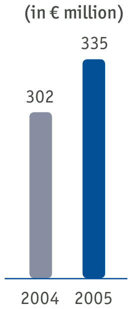
Consumer wishes and needs are the focus of our work. Since 2005, our "Passion for Success" strategy has enabled us to concentrate our activities more than ever on optimally meeting consumers' skin and beauty care needs. In this Annual Report, we will show you how we have begun executing this strategy worldwide.

# Beiersdorf at a Glance

Group sales
(in € million)




Group profit after tax
(in € million)




| in € million (unless otherwise stated) | 2004 | 2005 |
|---|---|---|
| **Sales** | **4,546** | **4,776** |
| Change in % (nominal) | 2.5 | 5.1 |
| Change in % (adjusted for currency translation effects) | 4.5 | 3.9 |
| Consumer | 3,840 | 4,041 |
| tesa | 706 | 735 |
| **EBITDA** | **656** | **693** |
| **Operating result (EBIT)** | **483** | **531** |
| **Profit after tax** | **302** | **335** |
| Return on sales (after tax) in % | 6.6 | 7.0 |
| Earnings per share in € | 3.88 | 4.36 |
| **Total dividend** | **121** | **129** |
| Dividend per share in € | 1.60 | 1.70 |
| **Gross cash flow** | **493** | **435** |
| **Capital expenditure** (incl. financial assets) | **165** | **128** |
| **Research and development expenses** | **101** | **109** |
| **Employees** (as of Dec. 31) | **16,492** | **16,769** |

# The Year in Review

## NIVEA: First place in "Reader's Digest Most Trusted Brands 2005"

No other skin care brand enjoys such great trust among European consumers as NIVEA. For the first time, NIVEA was voted the most trusted brand in all 14 participating countries – making it number one in Germany for the fifth consecutive year.

## atrix and Florena turn 50


Tins of atrix were available in a limited edition chamomile flower design to mark the 50th birthday of this popular and highly effective hand care product. atrix is the market leader in Portugal, Spain, and Sweden, and is number two in Germany and the United Kingdom.


Florena also celebrated its 50th birthday with a virtual online journey through time, featuring an entertaining look back on the various decades.

## NIVEA SUN offers immediate protection


The new NIVEA SUN products launched in 2005 guarantee a balanced UVA and UVB protection. They start working without delay, straight after application. The range was very well received by consumers.

## New warehouse in Hamburg

Beiersdorf's new fully automated warehouse in Hamburg successfully began operating on May 9, 2005 – after less than a year of construction and extensive testing. The warehouse enlarges the logistics center by 15,500 pallet spaces and is equipped with state-of-the-art safety technology.

## NIVEA Care Center opened in South Africa


In May 2005, the Beiersdorf affiliate in South Africa launched a new NIVEA Care Center in one of the biggest department stores nationwide. The concept offers consumers a pleasant shopping experience and allows them to rapidly find their way around.

## Eucerin Anti-Redness


In June 2005, Eucerin launched a care system for sensitive facial skin that visibly and sustainably reduces redness. Turning red, for example as a result of happiness, excitement, or heat, is a completely natural phenomenon. With some people, though, this redness persists and this is where Eucerin's Anti-Redness products come in. They are fragrance-free and their effectiveness and skin tolerance have been confirmed in clinical studies.

## Q3

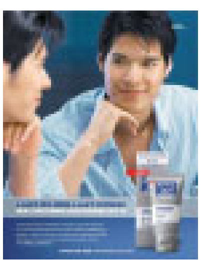
### Germany: NIVEA cooperates with SOS Children's Villages

NIVEA and SOS Children's Villages are cooperating on "NIVEA Moments of Bliss": an adventure village in which children and adults alike can experience unforgettable moments of joy. This exhibit is visiting ten German cities between August 2005 and July 2006.

### Inauguration: new headquarters for Andean Group

In August 2005, the Beiersdorf Andean Group inaugurated their new headquarters in Bogotá, the capital city of Colombia. In addition to the management, the new office also houses the marketing and controlling departments, and is used to manage national sales for Colombia. It is the strategic center of the Andean Group, which comprises Colombia, Venezuela, and Ecuador.

### Asia: NIVEA FOR MEN launches whitening range



NIVEA FOR MEN is the first brand in Asia to launch a complete whitening range for men, thus strengthening its market lead. The new products are tailored specially to the needs of men's skin. Up to now, Asian men have had to use women's products. The first launch took place in Thailand – and the range is performing extremely well after only a few months. More countries will follow.

## Q4

### la prairie enters Chinese market

Exclusive la prairie shop-in-shop systems opened in November 2005 in department stores in Beijing, Guangzhou, and Shanghai. la prairie's entry on the Chinese market was accompanied by extensive public relations activities and met with a considerable response from the press. Beiersdorf plans to open more shops in 2006.

### Passion for Success

Beiersdorf presented its new "Passion for Success" Consumer Business Strategy at its financial analyst meeting on November 10, 2005. You can find details on this strategy on pages 31 and 32 of the Annual Report and in a media-friendly format on our corporate website at www.Beiersdorf.com/strategy.

### Realigning the Consumer Supply Chain

Beiersdorf is planning to realign its Consumer Supply Chain as a result of changing market requirements and as part of its new corporate strategy. The main goal of the realignment is to develop a regionally optimized and therefore more efficient production and logistics network. Beiersdorf currently expects potential savings of around €100 million per year and predicts additional expenses of around €220 million from 2006 to 2008. The realignment of the supply chain is designed to help improve the Company's competitiveness and further increase growth through investment in its brands.

### Sale of BSN medical

Together with its partner Smith & Nephew plc, Beiersdorf AG announced the sale of its joint venture BSN medical to Montagu Private Equity for €1.030 billion. A sale and purchase agreement to this effect has been signed, subject to the usual antitrust approvals. BSN medical is a global company offering professional medical products that was established as a joint venture in April 2001 by merging the professional wound care, orthopedics, and phlebology activities of Beiersdorf AG and Smith & Nephew plc.

# The Beiersdorf Group Annual Report 2005

# How we manage our Company and execute our strategy

Thomas-B. Quaas
Chairman of the Executive Board

# Letter from the Chairman

Ladies and gentlemen,

2005 was an exciting and eventful year for Beiersdorf – one that was dominated by changes in the Executive Board, the development of a new corporate strategy, and new dynamic processes in a fiercely competitive environment.

We recorded a positive development in our key figures despite extremely mixed trends in consumption worldwide and a particularly tough economic environment in Western Europe. Group sales grew by 3.9 % worldwide adjusted for currency translation effects – enabling us to again substantially increase our profit after tax to €335 million. The Executive Board and Supervisory Board will be proposing a dividend of €1.70 for each share entitled to dividend to our shareholders at the Annual General Meeting. Another key figure that is particularly important to us relates to the significance of our brands: we are proud to be leaders with NIVEA in even more markets worldwide. Another extremely successful year for tesa AG and the positive conclusion of negotiations on the future of BSN medical round off the picture.

New Executive Board: for us the changes in the Executive Board were both a commitment and an opportunity. Together, we laid the foundations in 2005 for our Company's new strategy. We were able to build upon the achievements of our departing Executive Board members Dr. Rolf Kunisch and Uwe Wölfer. Many thanks to both of them.

New strategy: our global activities will focus even more strongly on consumers' skin and beauty care needs. Our "Passion for Success" Consumer Business Strategy is based on four cornerstones: superior brands, a superior supply chain, a clear geographical focus, and superior talent in lean organization. We will implement innovations and the necessary changes in all areas of our Company even more systematically than before.

New processes: Beiersdorf is a modern, successful, and international company, with a tradition that offers an excellent basis for the future. However, we do not intend to rest on our laurels – we want to be better, faster, and more innovative than our competitors. The process-oriented global organization of our Consumer Supply Chain and the related realignment in Europe that we have already announced are major initiatives for solidly securing our growth.

Lastly, in my first letter as Chairman, I would like to sincerely thank all our employees as well as our customers, shareholders, and business partners for our positive, trusting, and successful working relationship on behalf of the Executive Board.

Sincerely,

Thomas B. Quaas,

Thomas-B. Quaas

Chairman of the Executive Board

# The Executive Board of Beiersdorf AG

Rolf-Dieter Schwalb | Markus Pinger | Thomas-B. Quaas | Peter Kleinschmidt




## Thomas-B. Quaas

born in 1952 in Glauchau (Germany)

Member of the Executive Board since 1999

Chairman of the Executive Board since 2005

responsible for Strategic Corporate Development/Corporate Communication/Corporate Auditing

## Peter Kleinschmidt

born in 1950 in Rostock (Germany)

Member of the Executive Board since 2003

responsible for Human Resources: HR/Administration/Environmental Protection

## Pieter Nota

born in 1964 in Wageningen (The Netherlands)

Member of the Executive Board since 2005

responsible for Brands: Marketing/Research & Development/Sales

## Markus Pinger

born in 1963 in Leverkusen (Germany)

Member of the Executive Board since 2005

responsible for Supply Chain: Procurement/Production/Logistics/Quality Management

## Rolf-Dieter Schwalb

born in 1952 in Giessen (Germany)

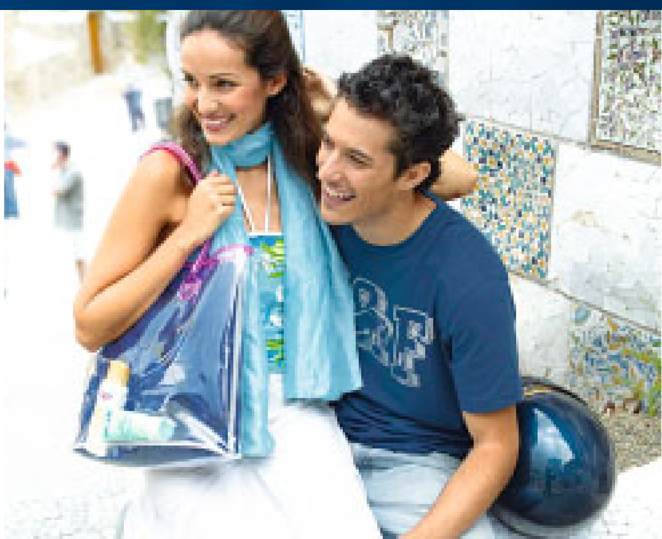
Member of the Executive Board since 2000

responsible for Finance: Finance/Controlling/IT

Pieter Nota

Teamwork: with a number of new members, Beiersdorf's Executive Board worked together constructively and closely in 2005 to redefine the Group's corporate strategy. The new strategy focuses even more strongly than before on the consumer, and prepares Beiersdorf for the challenges of the future.


Our consumers are at home all over the world. And so are our brands.



## Close to Consumers with Strong Brands – Everywhere

We have a clear goal: to meet consumers' skin and beauty care needs. Every day. Throughout the world.

We are devoting all our efforts to this goal. The basis for this is our "Passion for Success" strategy. We represent passion for success by rapid change and innovation at all levels of our Company. This claim expresses what matters more than ever to us in the future: speed, flexibility and new ideas. We provide an overview of our Consumer Business Strategy on pages 31 and 32.

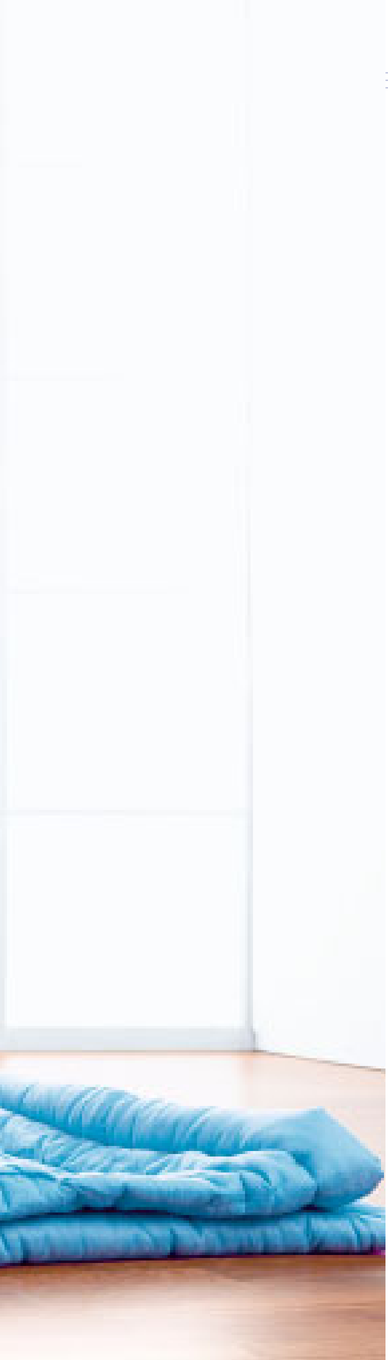
We target the current and future needs of consumers and offer them products of high quality tailored to their needs. We intensively analyze the behavior of our consumers and ask them what their habits, views, motives, and expectations are. These consumer insights are a key decision-making tool in the development of new products and marketing concepts.

With our innovations we fulfill consumer wishes and are extremely well positioned to compete internationally. On this foundation we will increase our market share and earnings in the future through continuous growth.

In this Annual Report we will show you more than the positive business developments in 2005. We will also show you how we put our strategy into practice by implementing our passion for consumers' needs and wishes – and therefore for brands and people – worldwide.

With international brands such as NIVEA, Eucerin, and la prairie, we meet consumers' skin and beauty care wishes and needs worldwide. In addition, tesa develops and markets adhesive applications for consumers and industrial customers.

« I want to feel good. So I am happy to know that I can rely on NIVEA. »



## Knowing Markets and People – to be Faster

We are active throughout the world. We have defined clear geographical priorities to accelerate our growth: in addition to Western Europe, our focus will be on China, Russia, Brazil, and India where we expect to achieve above average growth rates.

We work systematically to understand our consumers in every region and country. What do they want? How can we convince and delight them? We will only be successful if we address people's needs.

In Asia, for example, we generate a major proportion of our sales from whitening products. Paleness has been a beauty ideal in Asian countries for centuries. NIVEA FOR MEN was the first brand to launch a complete whitening range for men in Thailand, and its products have performed extremely well. More countries will follow.

In 2005, we set up a dedicated Asia laboratory at our research center to focus even more strongly on serving the Asian growth markets. The laboratory works closely with the relevant affiliates to develop products that are specially tailored to local consumer needs. Our employees in Asia have extensive knowledge of the local business, which means they are in tune with market developments. As a result, in China alone we achieved high double-digit growth each year from 2000 to 2005. Thanks to increasing consumption and a growing willingness to embrace a market economy, China offers major potential and will be a focus of our activities.

We will continue to systematically exploit the momentum of fast-growing markets to our advantage and further expand our business. Each member of Beiersdorf's Executive Board has a clearly defined regional responsibility and works closely with our local companies to optimally exploit synergies.

Our global presence and efficient organization enable us to transfer successful concepts and trends to other countries faster than others – provided the products suit the relevant market and meet the needs of local consumers. We aim to use our brands to continually increase this advantage.


China is an important growth market for us. We convince our consumers with products tailored to their individual needs – such as the new 18+ and 30+ whitening skin care ranges from NIVEA VISAGE, which are optimally geared to the needs of women in different age groups.


Eucerin
atrix
« For my sensitive skin I always carry
my favorite products with me. »

## Managing and Developing Brands with Innovations and Expertise

Our scope of business is skin and beauty care. With our international brands we will expand our leading market positions in both segments.

Innovation is our growth driver in this process, which is why we continuously invest in research and development – the foundation of our success. In the future, we will focus on fewer but more significant innovations by establishing improved innovation processes. This will set us apart in particular from the private label brands, whose increasing competition we are actively countering.

We consistently set new standards in our research and development. For example, the UVA measuring method developed by us has now been recognized as a German Industry Standard (DIN 67502). This method can be used to accurately prove whether sun care products have sufficient UVA filters and therefore protect against sunburn and premature skin aging.

The key property that all our products must offer is effectiveness. We conduct scientific research and extensive tests to ensure that the effects of our products are completely reliable – as with “Eucerin Anti-Redness”. Clinical studies show that skin redness or corresponding diseases improve substantially after four weeks of application.

In addition to intensive research and development, brand management requires the right marketing strategy. Optimally coordinating both areas with each other, enhancing the quality of our advertising in the long term and making marketing and sales investments even more efficient – these are the focuses we intend to use to differentiate ourselves more strongly and compellingly in the market.

Our Brands function enables us to better deploy and allocate our resources in the areas of research and development, marketing, and sales. We define a strategic role for each brand in our portfolio, thus systematically implementing our goal of optimally serving the skin and beauty care needs of consumers throughout the world.


Our products must meet the highest tolerance requirements and provide a scientifically proven benefit. For example, the Eucerin sun range offers products for sun sensitive and allergy prone skin based on the latest research findings providing safe and dermatologically proven UV-protection. Excellent quality and maximum benefits for the consumer are the benchmarks for our research and development work.

« My favorite color is blue.
I think Daddy's is too. »

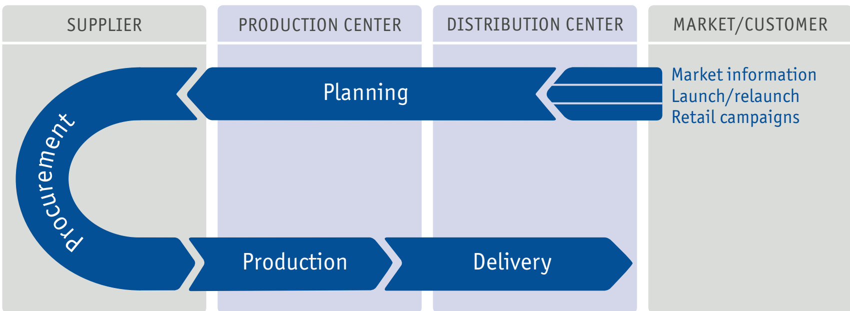

## Convincing our Consumers at the Point-of-Sale

We are present where our consumers are: in the shops, at the point-of-sale (POS). We are strengthening our presence and visibility at the POS so as to succeed together with our retail partners in an increasingly difficult, competitive environment. We create an impressive sales atmosphere and present our products innovatively, dynamically, and in a consumer-friendly manner.

The best examples are NIVEA's POS concepts, which we are implementing both in Germany and abroad – for example, in Austria, Sweden, and South Africa. We cooperate closely with our retail partners on planning and execution. The individual concepts are designed for various location sizes. For example, the NIVEA Blue Wall is designed for self-service block placement of the range, while NIVEA shop-in-shops present all 500 NIVEA products in one place, complete with professional support and eye-catching activities.

In addition to the shopping experience, the permanent availability of our products is of core significance. This is the task of our Consumer Supply Chain which is crucial for us. All our supply chain activities – from planning through procurement to production quality management and delivery – need to be centrally managed and continuously optimized. All manufacturing and production centers will be globally networked, the product range standardized in a rational manner, and synergies leveraged.

An optimally aligned, process-oriented supply chain provides us with high product and service quality, ties up as little capital as possible, and supports the rapid retail launch of innovative products. Above all, however, it enables us to offer our high-quality products at a fair price – another factor that convinces the consumer to consciously choose our products at the POS.




Many participants, one goal: our global process-oriented supply chain organization will ensure seamless processes from consumer needs through to sale.


Every retail concept that we implement is designed to make purchasing as simple and as pleasant as possible for our consumers. This enables us to step up our initial purchase rate, facilitate cross-selling, and increase the emotional relationship to the brand. These are decisive advantages – particularly compared with private label brands.

« I want to make things happen in my job.
Beiersdorf gives me the opportunity. »


## Driving Forward Corporate Success with Dedicated Employees

Our employees are proud of the Company's successes in their country. Their know-how helps us achieve our goal of reaching consumers everywhere. In summer 2005, for example, a survey of our employees in Germany confirmed their above-average commitment.

We use our global presence with about 100 Consumer affiliates worldwide to drive forward the exchange of experiences between countries and regions. International infodays are held for our product categories every year. For example, the 2005 "International Infoday Lipcare" took the slogan "Changes". Product managers from around the world discussed brand and price strategy, marketing activities, and growth targets. This global exchange of knowledge provides regional strength.

We compete successfully because we emphasize the will to change and to innovate at all levels of our Company even more strongly than in the past: we are active and we motivate others to be so, too. We demonstrate courage and are open to discovering and promoting talent. We resolve conflicts constructively. And we promote leadership skills. This is why we launched a new global process entitled "Leading for Success", which systematically identifies, develops, and challenges high potential employees with strong leadership skills.

However, we don't just demand expertise and high performance from each individual, but we also act responsibly as a company. Social commitment is very important to us, which is why we place a high value on corporate citizenship. We support almost 400 projects worldwide in this area.

Our activities are marked by responsibility for people. We have a duty to our employees. Beiersdorf stands for a fair and open corporate culture – a characteristic feature of our Company. And we have a duty to our consumers: we want to offer them products of high quality. We remain successful because we focus all our efforts on consumers and their skin and beauty care needs.

Our employees – like the ones here at our Spanish affiliate in Argentona – identify with our Company and our brands. They are committed to continuous professional development. This opens up career prospects and is the basis for putting our challenging goal of consumer orientation optimally into practice.

# The Beiersdorf Share

The year 2005 got off to a weaker start on the stock markets than had been expected: the majority of international stock indices only picked up in the course of the first quarter. This rise was due to soaring energy and commodities prices, despite weak economic data in some cases. Market indices moved sideways for much of the spring, with individual markets drifting apart: Europe and Japan marked time, while the US markets edged downwards. This was a surprise to many observers given the difference in economic momentum between Europe and the USA. As a result, stock market trends were not always in line with macroeconomic fundamentals in the first half of the year. For example, the international stock markets clearly recovered from May through the summer, although most economic indicators deteriorated at the same time and oil prices in excess of US $60 also had a dampening effect.

Consumer sector indices recorded a similar development over the year, showing clear signs of recovery towards the end of the first quarter of 2005. The HPC (Household and Personal Care) sector to which Beiersdorf belongs was still trending upwards overall towards the end of the second quarter. The reaction of the German stock markets to the outcome of the German elections in September was good; prices continued to rise and the DAX broke through the key 5,000-point barrier. In the fall, fears of interest rate hikes and inflation temporarily depressed the international stock markets, however, markets stabilized quickly and followed a constant positive trend until the end of the year. Equally, the upwards trend in the consumer sector continued through the third quarter, and after a short dip, kept rising until the end of 2005.

## Share Information

| | 2004 | 2005 |
|---|---|---|
| **Number of shares in millions** | 84 | 84 |
| **Market capitalization as of Dec. 31 in € million** | 7,190 | 8,736 |
| **Share price as of Dec. 31 in €** | 85.60 | 104.00 |
| (Relative index 2004 = 100) | (100) | (121) |
| **High in €** | 99.65 | 105.55 |
| **Low in €** | 70.28 | 82.91 |
| **Earnings per share in €** | 3.88 | 4.36 |
| (Relative index 2004 = 100) | (100) | (112) |
| **Dividend per share in €** | 1.60 | 1.70 |
| (Relative index 2004 = 100) | (100) | (106) |
| **DAX** | 4,256 | 5,408 |
| (Relative index 2004 = 100) | (100) | (127) |
| **MDAX** | 5,376 | 7,312 |
| (Relative index 2004 = 100) | (100) | (136) |

The stock markets rewarded Beiersdorf's business developments and the publication of the annual results for 2004 in March. The Company's strong corporate data also boosted its shares in May. The share price outperformed the DAX more or less consistently throughout the second quarter. In the second half of the year, it developed its own momentum: the announcement of the sale of BSN medical (professional woundcare, orthopedics, and phlebology) and the associated increased focus on the Consumer business were received positively, although the negative trend in the third quarter was not reversed. Not until the fourth quarter did the stock pick up again – due among other things to the publication of Beiersdorf's new corporate strategy. The news of Beiersdorf realigning its Consumer Supply Chain boosted the development of the stock and helped close the year on a friendly note.

Quarterly growth rates for Beiersdorf's business accelerated in 2005. The strong annual results for 2005 therefore enable us to propose the distribution of a dividend of €1.70 for each share entitled to dividend. Thanks to the high level of profit after tax, earnings per share increased to €4.36 (2004: €3.88).

## Beiersdorf's Share Price Performance in 2005

# Beiersdorf Investor Relations

Two events in particular dominated the work of Beiersdorf's Investor Relations department in 2005: the Annual General Meeting in May with the changes in the Executive Board, and the introduction of the new corporate strategy in November. Both events can be characterized by the phrase "Strong Basis and New Opportunities" which was the theme of the first Financial Analyst Meeting for the year held in March. This motto expresses both the continuation of our Company's tried and trusted philosophy and the chance of leveraging new opportunities and potential, both on the market and within our Company.

Dr. Rolf Kunisch handed over the Chairmanship of the Executive Board to Thomas-B. Quaas at the Annual General Meeting in May 2005. This transfer, together with the changes in responsibility at Executive Board level for the Brands and Supply Chain functions, attracted considerable interest from the press, financial analysts, and investors. The new Executive Board Chairman held in-depth discussions with investors as early as June, during a conference in Paris.

Thomas-B. Quaas had already introduced himself to the financial community at the first Financial Analyst Meeting in 2005, which was held in Beiersdorf AG's new Research Center. The second Financial Analyst Meeting in November offered an excellent opportunity to publish Beiersdorf's new corporate strategy outside the Company, and to explain the reasons for the new focus. The analysts attending were pleased by the joint presentation and explanation of the new strategy by the new Executive Board members and the CFO. Also in November, the realigning of the Consumer Supply Chain was announced and was taken by the financial community as the first step towards the implementation of Beiersdorf's new strategy.

Since December, communication of the changes at Beiersdorf has been strengthened by the optimized Investor Relations section of our Group website. A central download center and improved information on www.Beiersdorf.com enable anyone interested to find the information they are looking for even more rapidly. Our website will continue to be a central dialog tool in the future.

## Basic Share Data

| | |
|---|---|
| **Company Name** | **Beiersdorf AG** |
| **SCN** | **520000** |
| **ISIN** | **DE 0005200000** |
| **Stock Trading Places** | **Official Market in Frankfurt and Hamburg; Open Market in Berlin-Bremen, Düsseldorf, Hanover, Munich and Stuttgart** |
| **Number of Shares** | **84,000,000** |
| **Share Capital in €** | **215,040,000** |
| **Class** | **Bearer shares without par value** |
| **Market Segment/Index** | **Prime Standard/MDAX** |

# Report by the Supervisory Board

Dieter Ammer
Chairman of the Supervisory Board

The Executive Board kept us informed in fiscal year 2005 in a timely and comprehensive manner in our meetings and via written reports. We advised the Executive Board and supervised the management of the Company in accordance with the duties assigned to us by law, the Articles of Association, and the bylaws, and in compliance with the recommendations of the German Corporate Governance Code. The full Supervisory Board and the relevant committees of the Supervisory Board discussed major business transactions in detail on the basis of the reports by the Executive Board. The Chairman of the Supervisory Board was kept informed about all important matters. He also held regular discussions with the Chairman of the Executive Board regarding the Group's strategy, business development, and risk management.

Six Supervisory Board meetings were held in 2005. At these meetings, we discussed current business developments, important business transactions, and Executive Board measures requiring Supervisory Board approval; all necessary approvals were granted. For example, we approved the framework for the realignment of Beiersdorf's Consumer Supply Chain in the Supervisory Board meeting in November. Equally, we dealt in detail in several meetings with the sale of Beiersdorf AG's 50 % interest in the BSN medical joint venture, reviewed and approved the sale. In November, we reviewed in detail the Company's medium-term planning, including its financial, investment, and human resources planning, and approved the plans for fiscal year 2006 submitted by the Executive Board.

The Supervisory Board discussed in detail with the Executive Board the new Consumer Business Strategy and considers it a sound foundation for the Company's future development. In our September meeting, we resolved a new remuneration system for the Executive Board, which will come into effect as of fiscal year 2006. The basic principles underlying this new system have been published on the Company's website. To be able to perform our advisory and supervisory activities more efficiently, we resolved changes to the bylaws for the Supervisory Board in March 2005.

We issued the declaration of compliance with the German Corporate Governance Code for fiscal year 2005 at the end of December 2005 and made it accessible to shareholders on the Company's website. Additional information on corporate governance at Beiersdorf, including our response to the Code's new recommendations that were resolved on June 2, 2005, can be found in the joint report by the Executive and Supervisory Boards on the following pages.

The Executive Committee of the Supervisory Board met six times; in addition, two resolutions were adopted. The Executive Committee produced recommendations to the Supervisory Board regarding succession within the Executive Board and the revisions to Executive Board remuneration. In addition, the Executive Committee examined the Executive Board's new Consumer Business Strategy in detail and prepared an efficiency review of the Supervisory Board. It was not necessary for the Mediation Committee, set up in accordance with § 27 (3) *Mitbestimmungsgesetz* (German Co-Determination Act), to meet. The Audit and Finance Committee met three times, in March, September, and December 2005. It focused in particular on the annual and consolidated financial statements and risk management issues, as well as preparing the agreement with the auditors. In addition, for reasons of good corporate governance, the Audit and Finance Committee issued an international invitation to tender for the audit of the annual and consolidated financial statements for fiscal year 2006. The chairmen of the various committees reported regularly in detail to the full Supervisory Board about the work performed in the committees.

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which was appointed as the Company's auditors by the Annual General Meeting on May 18, 2005 and engaged by the Supervisory Board, audited the annual financial statements of Beiersdorf AG and the consolidated financial statements as of December 31, 2005, as well as the management report for Beiersdorf AG and the Group, and issued an unqualified audit opinion on them. In addition, they audited the report regarding dealings among Group companies drawn up by the Executive Board in connection with the majority interest held by Tchibo Holding AG, Hamburg, as required by § 312 *Aktiengesetz* (German Stock Corporation Act) for fiscal year 2005, and issued the following unqualified audit opinion:

"Following the completion of our audit, which was carried out in accordance with professional standards, we confirm: 1. that the information contained in this report is correct; 2. that the Company's compensation with respect to the transactions listed in the report was not inappropriately high; and 3. that there are no circumstances which would justify, in relation to the measures specified in the report, a materially different opinion than that held by the Executive Board."

The annual and consolidated financial statements, the management report for Beiersdorf AG and the Group, the report regarding dealings among Group companies, and the auditors' report were distributed to all members of the Supervisory Board immediately after their preparation. The Audit and Finance Committee of the Supervisory Board performed a preliminary review of the financial statements, the reports, and the proposal on the utilization of the net retained profits. In the meeting convened to adopt the annual financial statements on February 24, 2006, the above-mentioned financial statements and reports were discussed at length in the presence of the auditors, who reported on the key results of their audit, and reviewed by us. Our review of the above-mentioned financial statements, the management report for Beiersdorf AG and the Group, the report regarding dealings among Group companies including the concluding declaration by the Executive Board and the auditors' report did not raise any objections. Therefore, we concur with the auditors' findings and approve the annual financial statements of Beiersdorf AG and the consolidated financial statements as prepared by the Executive Board for the year ending December 31, 2005; the annual financial statements of Beiersdorf AG are thus adopted. We endorse the Executive Board's proposal on the utilization of the net retained profits.

Two long-standing members of the Executive Board resigned in the past fiscal year: Dr. Rolf Kunisch, Chairman of Beiersdorf's Executive Board, retired at the end of the Annual General Meeting on May 18, 2005. Mr. Uwe Wölfer, most recently responsible within the Executive Board for Brands, retired from the Company with the effect from May 31, 2005. We would like to thank both of them for their dedication to Beiersdorf and their outstanding achievements. They have decisively shaped the Company's development in the last decade. In its meeting in January 2005, the Supervisory Board appointed Mr. Thomas-B. Quaas to replace Dr. Kunisch as Chairman of the Executive Board. The Supervisory Board appointed Mr. Markus Pinger to the Executive Board with effect from April 1, 2005; he is Mr. Quaas's successor with responsibility for the Supply Chain function. The Supervisory Board appointed Mr. Pieter Nota as Mr. Wölfer's successor with effect from May 1, 2005.

The composition of the Supervisory Board also changed: Dr. Diethart Breipohl and Mr. Jürgen Krause resigned with effect from the end of the Annual General Meeting on May 18, 2005. We would like to thank Dr. Breipohl and Mr. Krause for their close and constructive collaboration over many years.

The Annual General Meeting on May 18, 2005, elected Dr. Kunisch to the Supervisory Board as a shareholders' representative. Mr. Thorsten Irtz joined the Supervisory Board as the elected replacement for Mr. Krause and was elected as the Deputy Chairman of the Supervisory Board.

We would like to thank the Executive Board and all employees for their hard work and achievements, which contributed to a successful fiscal year for Beiersdorf. We are confident about the future development of the Company on the basis of the Executive Board's new Consumer Business Strategy "Passion for Success".

Hamburg, February 24, 2006

On behalf of the Supervisory Board

Dieter Ammer

Chairman

# Corporate Governance at Beiersdorf

## Good Management has a Name: Corporate Governance

Beiersdorf welcomes the German Corporate Governance Code presented by the Government Commission and last updated in June 2005. The Code not only creates transparency with regard to the legal framework for corporate management and supervision in Germany, but also establishes generally accepted standards for good and responsible company management.

Good corporate governance was a high priority at Beiersdorf even before the publication of the Code. Close, efficient cooperation between the Executive and Supervisory Boards, a focus on shareholder interests, open corporate communication, proper accounting and auditing, and responsible risk management have always been the basis of the Company's success. As a result, compliance with the Code and its amendments did not necessitate any fundamental changes at Beiersdorf.

We consider corporate governance to be an ongoing process and will continue to track future developments carefully.

## Declaration of Compliance

At the end of December 2005, the Executive Board and Supervisory Board of the Company issued the declaration of compliance with the recommendations of the Code for fiscal year 2005 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act) and made it permanently available to the shareholders on the Company's website at www.Beiersdorf.com:

"In fiscal year 2005, Beiersdorf Aktiengesellschaft complied with, and continues to comply with, the recommendations of the 'Government Commission on the German Corporate Governance Code' in the versions dated May 21, 2003 and June 2, 2005 respectively, with the following exceptions:

An individualized breakdown of the compensation paid to our Executive and Supervisory Boards is not provided (sections 4.2.4 sentence 2 and 5.4.7 (3) sentence 1 of the Code)."

## The New Recommendations of the Code

We regard the new recommendations adopted by the Government Commission on June 2, 2005 as a meaningful further development of the Code and a further contribution to responsible corporate management and supervision in Germany. As indicated in the declaration of compliance issued by the Executive Board and Supervisory Board for fiscal year 2005, Beiersdorf also complied and continues to comply with these new recommendations:

For example, the declarations of compliance on the recommendations of the Code are made available on our website for five years. Dr. Mahlert, Chairman of the Supervisory Board's Audit and Finance Committee, has substantial knowledge of and experience with the application of accounting principles and internal control processes. Elections to the Supervisory Board are held on an individual basis; this procedure was already in place for the election of the current Supervisory Board at the 2004 Annual General Meeting. Applications for judicial appointment of Supervisory Board members are limited in time until the next Annual General Meeting to allow shareholders to make their own decision. Proposed candidates for the Chairman of the Supervisory Board are notified to shareholders before the Supervisory Board's resolution. Neither the Chairman of the Supervisory Board nor the Chairmen of the Supervisory Board's committees are former members of Beiersdorf's Executive Board.

## Remuneration of the Executive and Supervisory Boards

The remuneration of the Executive Board members for fiscal year 2005 consists of a fixed and a variable dividend-based component. In addition, all Executive Board members have been granted pension commitments. Each Executive Board member is also provided with a company car. Detailed information on the remuneration of Executive Board members in fiscal year 2005 is published in the notes to the consolidated financial statements on page 77.

The Executive Committee of the Supervisory Board, which is responsible for issues relating to the Executive Board, developed a new remuneration system for the Executive Board in the fall of 2005, effective beginning fiscal year 2006. This system was also discussed and approved by the Supervisory Board. The new remuneration system mainly reflects the respective Executive Board member's tasks and his personal performance, as well as the entire Executive Board's performance and the Company's economic situation, success, and future prospects, including in comparison with its peer group. As before, the fixed component will be paid in twelve equal installments as the basic remuneration. There is also a new performance-related variable remuneration that replaces the dividend-based bonus. The new variable remuneration is tied to the sustained increase in the value of the Company and depends on the achievement of specific corporate and personal objectives; it contains both a long-term and a short-term remuneration component. The remuneration of the Executive Board does not contain any stock option programs or comparable securities-based incentives. Further information on the new Executive Board remuneration can be found on our website at www.Beiersdorf.com.

According to Article 15 of the Articles of Association, the remuneration paid to the Supervisory Board members consists of a fixed and a variable dividend-based component. In addition, Supervisory Board members are reimbursed for cash expenses. The 2004 Annual General Meeting resolved to reduce the remuneration of the Supervisory Board: The fixed component was increased slightly, and the variable component was reduced substantially because the latter had risen significantly in recent years due to the dividend increases; the result was a more balanced mix of fixed and variable remuneration components. In line with the recommendation of the Code that the remuneration should reflect the responsibility assumed and scope of the duties performed by the respective member of the Supervisory Board, and that the Chairmanship of the Supervisory Board should be given special consideration, the Chairman of the Supervisory Board receives two-and-a-half times the standard Supervisory Board remuneration, and his two deputies receive one-and-a-half times the standard Supervisory Board remuneration. Members of the Executive Committee and the Audit and Finance Committee receive additional compensation for their work in these committees. More information on the remuneration of our Supervisory Board members can be found on page 77 of the notes to the consolidated financial statements, as well as on our website at www.Beiersdorf.com.

The German Corporate Governance Code recommends individualized breakdowns of Executive Board and Supervisory Board remuneration. In accordance with the *Gesetz über die Offenlegung der Vorstandsvergütungen* (German Act on the Disclosure of Executive Board Remuneration), Beiersdorf will disclose the remuneration of both Executive Board and Supervisory Board members on an individualized basis for fiscal year 2006. For fiscal year 2005, we intend to retain disclosure of the total amount of Executive Board remuneration – broken down into fixed and variable components – in accordance with the current statutory provisions, because the remuneration system for the Executive Board was revised at the beginning of fiscal year 2006.

## Directors' Dealings and Shareholdings of the Executive and Supervisory Boards

In accordance with § 15a *Wertpapierhandelsgesetz* (German Securities Trading Act), the members of the Company's Executive Board and Supervisory Board are legally obliged to promptly disclose the acquisition or disposal of shares in Beiersdorf AG to the Company. No such transactions were reported to Beiersdorf AG in the past fiscal year.

The members of the Executive Board of Beiersdorf AG hold no shares in the Company. Michael Herz, a member of the Supervisory Board of Beiersdorf AG, notified the Company in accordance with § 21 (1) *Wertpapierhandelsgesetz* that his share of voting rights in our Company has amounted to 50.46 % since March 30, 2004, and that these are fully attributable to him in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *Wertpapierhandelsgesetz* (indirect ownership of shares). The other members of the Supervisory Board hold no shares in the Company.

## Further Information on Corporate Governance at Beiersdorf

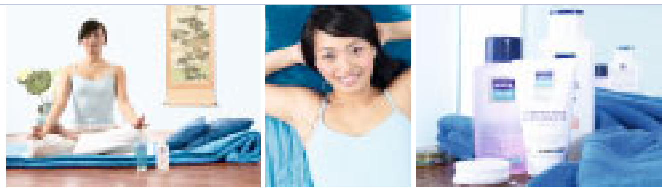
More detailed information on the duties of the Supervisory Board and its committees, as well as on the cooperation between the Executive Board and Supervisory Board, can be found in the Report by the Supervisory Board on the previous pages.

Transparency and our goal of informing our shareholders and the public quickly, comprehensively, and simultaneously are top priorities for us. That is why current developments and key Company information are announced on our website (www.Beiersdorf.com) as soon as possible. In addition to detailed disclosures on corporate governance at Beiersdorf, additional information on the Executive Board, Supervisory Board, and the Annual General Meeting, the Company's reports (annual and interim reports), as well as a financial calendar with all key events and publications, ad hoc disclosures, and directors' dealings, are published there.

Hamburg, February 24, 2006

Beiersdorf Aktiengesellschaft

The Supervisory Board The Executive Board



# Auditors' Report

We have audited the consolidated financial statements of Beiersdorf Aktiengesellschaft – comprising the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement, and notes to the financial statements – and the management report of the Company and the Group for the fiscal year from January 1, 2005 to December 31, 2005. The preparation of the consolidated financial statements and the management report of the Company and the Group in accordance with IFRS as adopted in the EU and the supplementary provisions of the *HGB* (German Commercial Code) to be applied under § 315a (1) of the *HGB* is the responsibility of the Company's management. Our task is to express an opinion on the consolidated financial statements and the management report of the Company and the Group based on our audit.

We conducted our audit in accordance with § 317 of the *HGB* and the German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (IDW, German Institute of Auditors), as well as in accordance with the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the accounting standards to be applied and in the management report of the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the amounts and disclosures in the consolidated financial statements and the management report of the Company and the Group are examined on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the management report of the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted in the EU and the supplementary provisions of the HGB to be applied under § 315a (1) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The management report of the Company and the Group is consistent with the consolidated financial statements. On the whole, it provides a suitable understanding of the Group's position and suitably presents the risks of future development.

Hamburg, February 9, 2006

BDO Deutsche Warentreuhand Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Rohardt | zu Inn- u. Knyphausen |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

# Facts and figures: our strategy at a glance and business developments in 2005

# Business and Strategy

## Consumer Business Strategy

As a leading international company of branded consumer products for skin and beauty care, Beiersdorf focuses on fulfilling consumer wishes. The basis of our success are our leading international brands like NIVEA, Eucerin, and la prairie, more than 100 years of experience in research and development, and our strong international presence.

Our goal is to increase our market share through qualitative growth. At the same time we want to further improve our sound earnings performance so that we can fulfill our consumers' wishes and needs with innovations today and in the future. This will give us a strong position within the global competitive environment.

Our **"Passion for Success"** strategy comprises four cornerstones:


- **Superior Brands:** We will develop superior consumer insights and find out how we can delight consumers and offer them superior-quality products. We will focus our innovation program on fewer but more significant innovations and deliver them to the market faster. We will show excellence at the point-of-sale by optimally exploiting the power of our brands and increasing the efficiency of marketing and sales investments. We will raise the bar in advertising to achieve stronger differentiation from competition.

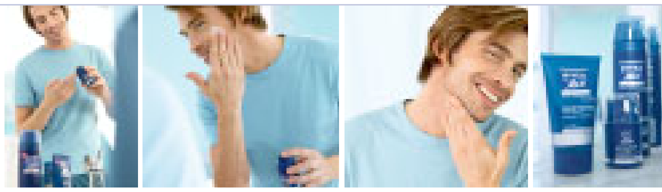
- **Superior Supply Chain:** We will balance world-class product quality and competitive service levels on one side and efficiency on the other side. We will have one global, process-oriented, and best-in-class supply chain organization which will be managed centrally and tailored to our business model, as well as to our markets and business partners. We will establish an efficient global supply chain network of our production and logistics centers. We will yield economies of scale by standardizing our product assortment and processes.
- **Clear Geographical Focus:** We compete globally. To accelerate growth, we will focus on clearly defined geographical priorities. Western Europe will remain in focus. China, Russia, Brazil, and India will be geographical priorities delivering superior growth. We will put more emphasis on regions: for sizeable regions, like Latin America and Asia, we will have dedicated solutions for some product categories to better address local consumer needs. For most of our other product categories we will have one global standard.
- **Superior Talent in Lean Organization:** We will compete more successfully because we will put more emphasis on performance orientation, promotion of change, and innovation at all levels of the organization. We will develop talent and leadership in lean and efficient structures. We will have clear central decision-making and direction with local top and bottom line responsibility.

We want to continuously increase our world market share. We will achieve this by consistent growth from within and by targeted acquisitions in line with our strategy.

## tesa Strategy

tesa is one of the world's leading manufacturers of technical adhesive tapes. Reliable quality, a strong track record for innovation, and the use of superior technology are core elements of our brand philosophy and our success.

Our activities are focused on our customers, for whom we develop effective solutions. These serve to optimize and increase the efficiency of industrial production processes, as well as improving the home and office environment.



The development of superior, market-driven product systems under the tesa brand name is focused on the following aspects:

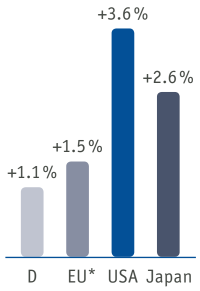
- extensive understanding of customer needs, production processes, market requirements, and industry trends,
- extensive understanding of the needs and requirements of our consumers and the demands of our retail partners, enabling us to realize these efficiently and ensure high shelf productivity, and
- sustainable qualification of our employees and continuous improvement of our business processes to ensure efficient, appropriate, and rapid execution.


Management of our business activities on an international level focuses on the following factors:

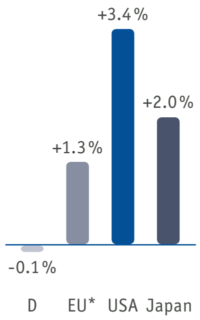
- expanding global structures in our industrial business with the aim of offering our customers across the world homogenous solutions of consistently high quality,
- expanding international structures in the consumer business with a focus on Europe, in particular Eastern Europe, to offer our retail partners internationally effective and market-driven assortments, and
- ensuring uniform global quality standards while also incorporating environmentally friendly technology components.

# Economic Environment

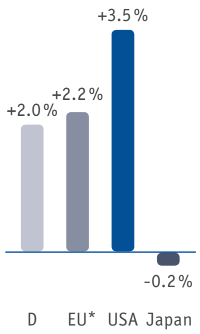
Growth in real gross domestic product in 2005 compared to previous year




Growth in private consumer spending in 2005 compared to previous year




Inflation in 2005 compared to previous year




*EU 12 euro zone

## General Economic Situation

The global economy continued to be dominated by the effect of rising energy prices in 2005. Global economic output grew by approximately 3% – almost at the same level as the previous year despite the rise in oil prices – and continued displaying a stable upward trend. Once again, the emerging markets were the main growth driver, with aggregate growth over the last three years totaling 15%.

Of the industrialized nations, the USA in particular exceeded expectations, recording growth of approximately 3.6%. However, negative factors impacting the US economy also increased. Productivity gains slowed, while the oil price rise led to a massive drop in market purchasing power.

In Latin America, the strong growth of the previous year continued at only a slightly more moderate pace.

The Japanese economy was in stable shape, recording moderate growth. The emerging economies in Asia maintained their strong growth rates, with China in particular recording extraordinarily high growth.

Trends in the euro zone were mixed. Overall, economic development was slightly positive due to restructuring and the tangible appreciation of the US dollar. Exports were the main beneficiary of this improvement, whereas domestic demand in the euro zone remained weak.

Economic developments in Central and Eastern Europe were characterized by robust growth in domestic demand.

## Sales Market Developments

The cosmetics market recorded average global growth last year of around 3 to 4%. However, developments differed greatly from region to region. Demand increased only slowly or stagnated in Western Europe and the USA, but showed above-average growth in Eastern Europe, Latin America, and Asia.

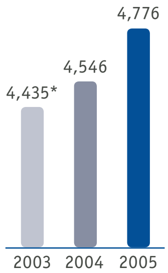
Growth in the adhesive tape sector was muted at under 2%. Good growth rates in the electronics sector, especially in Asia, were countered by a difficult automobile sector in the USA. Our consumer business was impacted by stagnating office supplies markets and for the first time, growth in the do-it-yourself markets could not be achieved in all countries.

## Procurement Market Developments

The dramatic development on the crude oil market and record high crude oil prices, coupled with the continued dynamic demand and in some cases even raw material shortages in Asia, led to increased pricing pressure on individual procurement markets. In addition, the relatively strong euro made imports from eurozone producers more expensive for our affiliates worldwide. Integrated supply chain activities, along with our proactive procurement strategy, helped us counter these increasing costs.

# Business Developments – Group

Group sales
(in € million)

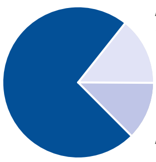



* restated to reflect the new structure

## Group Income Statement

| Jan. 1 – Dec. 31 (in € million) | 2004 | 2005 | % change |
|---|---|---|---|
| **Sales** | **4,546** | **4,776** | **5.1 %** |
| Cost of goods sold | -1,613 | -1,658 | 2.8 % |
| **Gross profit** | **2,933** | **3,118** | **6.3 %** |
| Marketing and selling expenses | -2,087 | -2,200 | 5.4 % |
| Research and development expenses | -101 | -109 | 8.1 % |
| General and administrative expenses | -233 | -235 | 0.9 % |
| Other operating result | -29 | -43 | 46.7 % |
| **Operating result (EBIT)** | **483** | **531** | **10.0 %** |
| Financial result | 9 | 4 | -53.6 % |
| **Profit before tax** | **492** | **535** | **8.8 %** |
| Taxes on income | -190 | -200 | 5.3 % |
| **Profit after tax** | **302** | **335** | **11.0 %** |

Group sales
by region

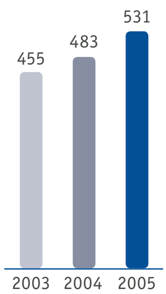



## Sales

Our sales grew by 3.9 % after adjustment for currency translation effects. The Consumer business segment grew by 4.0 % while tesa grew by 3.0 %. At current exchange rates, we achieved growth of 5.1 % to reach €4,776 million.

Group sales in Europe, which were dominated by the continued muted development on the consumer markets, grew by 2.7 % (adjusted for currency translation effects). At current exchange rates, we achieved growth of 3.3 % to €3,498 million. Developments in the Americas were dominated by the strong growth achieved in Latin America and by la prairie in the USA. In contrast, overall sales in North America declined due to the weak market environment and a rationalization of the Consumer product range. Growth in the Americas amounted to 3.4 % (adjusted for currency translation effects). At current exchange rates, this amounts to 8.2 %. Sales in the Americas totaled €687 million. Sales growth in Africa/Asia/Australia was highly satisfactory at 11.8 % (adjusted for currency translation effects). At current exchange rates, sales rose by 12.9 % to €591 million.

Operating result (EBIT)
(in € million)




## Operating Result (EBIT)

EBIT increased to €531 million (previous year: €483 million). The EBIT margin rose to 11.1 % (previous year: 10.6 %). The Consumer business segment generated EBIT of €470 million (previous year: €433 million). The EBIT margin was 11.6 % (previous year: 11.3 %). EBIT for the tesa business segment improved to €61 million (previous year: €50 million), and the return on sales to 8.4 % (previous year: 7.1 %).

In Europe we generated an operating result of €465 million (previous year: €426 million). The return on sales rose to 13.3 % (previous year: 12.6 %). The operating result in the Americas climbed to €21 million (previous year: €10 million). The return on sales amounted to 3.0 % (previous year: 1.5 %). EBIT in Africa/Asia/Australia totaled €45 million (previous year: €47 million). The return on sales amounted to 7.7 % (previous year: 9.1 %).

## Expenses/Other Operating Result

At 2.8 %, the cost of goods sold increased more slowly than sales. Increases in production efficiency, reduced purchase prices for raw materials and packaging, as well as an improved product range mix, all had a positive effect on costs.

The overproportional 5.4 % rise in marketing and selling expenses enabled us to further expand our market position. The expenditure on advertising, retail marketing, and similar items included in this line increased by 6.2 % to €1,417 million (previous year: €1,334 million).

We increased research and development expenses by 8.1 % to €109 million, in line with our increased level of activity. At 0.9 %, general and administrative expenses rose disproportionately slowly, thus reducing their share of sales.

Other operating result amounted to €-43 million (previous year: €-29 million). Other operating expenses decreased as a result of lower amortization of trademarks and similar intangible assets. Other income declined due to a reduction in the release of provisions.

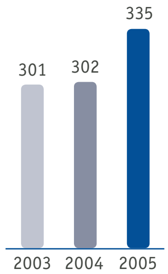
## Financial Result

The financial result decreased to €4 million (previous year: €9 million). Lower interest expenses on financial liabilities were offset by a higher interest component of pension expense. Income from BSN medical was reduced to €20 million (previous year: €22 million) as a result of effects in connection with the sale.

## Taxes on Income

Reductions in tax rates in several European countries caused income taxes to increase slower than earnings. As a result, the effective tax rate declined to 37.4 % (previous year: 38.7 %).

Group profit after tax (in € million)




## Profit after Tax

Despite the lower financial result, Group profit after tax rose to €335 million (previous year: €302 million). The return on sales after tax therefore increased to 7.0 % (previous year: 6.6 %).

## Earnings per Share/Dividends

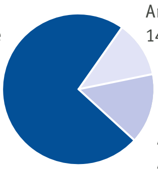
Earnings per share increased to €4.36 (previous year: €3.88). This figure was calculated on the basis of 75,606,328 shares outstanding.

The Executive Board and Supervisory Board will be proposing a dividend of €1.70 for each dividend-bearing share to shareholders at the Annual General Meeting.

# Business Developments – Business Segments

| **Consumer** (in € million) | Europe | Americas | Africa/ Asia/ Australia | **Total** |
|---|---|---|---|---|
| Sales 2005 | 2,953 | 602 | 486 | 4,041 |
| Change (adjusted for currency translation effects) | 3.0 % | 3.2 % | 11.6 % | 4.0 % |
| Change (nominal) | 3.6 % | 8.0 % | 12.6 % | 5.2 % |
| EBIT 2005 | 417 | 18 | 35 | 470 |
| EBIT margin 2005 | 14.1 % | 2.9 % | 7.3 % | 11.6 % |
| EBIT 2004 | 384 | 11 | 38 | 433 |
| EBIT margin 2004 | 13.5 % | 1.9 % | 8.9 % | 11.3 % |

Consumer sales by region



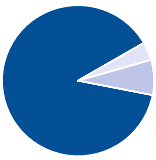

The Consumer division managed to increase sales, adjusted for currency translation effects, by 4.0 % despite the difficult market environment. At current exchange rates, sales rose by 5.2 % to €4,041 million.

EBIT increased to €470 million (previous year: €433 million). The EBIT margin was 11.6 % (previous year: 11.3 %).

Many large European markets continued to be characterized by subdued consumer spending. Competitive pressure increased on all fronts. Nevertheless NIVEA sales could be increased in all regions. Worldwide we achieved sales growth of 4.8 % adjusted for currency translation effects. In particular, the subbrands NIVEA FOR MEN, NIVEA Deo, and NIVEA Hair Care Styling performed very well.

Along with sales growth, the success of the brand is determined by the number of markets where NIVEA is the market leader. Once again, we were able to increase the number of market leadership positions in our target markets.

Consumer operating result (EBIT) by region




Eucerin again achieved strong growth, increasing sales by 10.1 %, adjusted for currency translation effects. The products in the dry skin segment were particularly successful. The relaunch of Eucerin Sensitive Skin in the fourth quarter of 2005 introduced a new look for the brand, and will provide further momentum in 2006.

In the area of high-end cosmetics, the La Prairie Group recorded an increase of 11.2 % (adjusted for currency translation effects). Particulary successful were products from the Skin Caviar range and the launch of the exclusive fragrance Silver Rain.

Despite a stagnant market, the plaster brands Hansaplast/Elastoplast achieved sales growth with new products such as liquid bandages, our silver plaster and the new Hansaplast Heat Pad. In contrast, sales of the base business declined. All in all, total sales were slightly below previous year's level.

## Consumer Sales in Europe

| (in € million) | Germany | Western Europe (excluding Germany) | Eastern Europe | **Total** |
|---|---|---|---|---|
| Sales in 2005 | 1,008 | 1,591 | 354 | 2,953 |
| Change (adjusted for currency translation effects) | 0.9 % | 2.6 % | 12.3 % | 3.0 % |
| Change (nominal) | 0.9 % | 2.5 % | 17.7 % | 3.6 % |

In **Europe,** sales in the Consumer business segment grew by 3.0 %, adjusted for currency translation effects. At current exchange rates, sales increased by 3.6 % to €2,953 million (previous year: €2,852 million).

In **Germany,** we increased sales by 0.9 %. Sales generated by customers in Germany were up 0.8 % on the previous year. NIVEA FOR MEN, NIVEA SUN (Immediate Protection launch), and NIVEA Deo (PURE launch) did particularly well in a market characterized by ongoing stagnation. Despite sustained muted consumer spending, we were successful with a large number of innovative product launches. Our Eucerin brand achieved good growth in the pharmacies business, particularly in the area of dry skin.

German exports to customers in countries in which Beiersdorf does not have its own affiliates increased by 1.8 %. Exports to the Middle East developed particularly well.

In **Western Europe (excluding Germany),** sales rose by 2.6 %. Sales in Spain developed extremely well at +9.5 %, which was driven by the strong growth of NIVEA body and NIVEA FOR MEN. We also recorded above-average growth in the Netherlands and Portugal.

In **Eastern Europe** we generated double-digit growth of 12.3 %. All major companies contributed to this, Russia with NIVEA FOR MEN, NIVEA Bath Care, and NIVEA Hair Care. In Poland, sales of NIVEA VISAGE contributed especially to growth.

EBIT for the Consumer business segment in Europe climbed to €417 million (previous year: €384 million), and the EBIT margin rose to 14.1 % (previous year: 13.5 %).

### Consumer Sales in the Americas

| (in € million) | North America | Latin America | Total |
|---|---|---|---|
| Sales in 2005 | 325 | 277 | 602 |
| Change (adjusted for currency translation effects) | -2.0 % | 10.7 % | 3.2 % |
| Change (nominal) | -0.8 % | 20.5 % | 8.0 % |

In the **Americas,** we achieved sales growth of 3.2 %, adjusted for currency translation effects. At current exchange rates, sales rose by 8.0 % to €602 million (previous year: €557 million).

In **North America** the market environment was difficult overall, with strong activity from competitors. Sales (adjusted for currency translation effects) were 2.0 % lower than the previous year. Sales of exclusive cosmetics by our affiliate La Prairie, Inc. increased by more than 11 % which was very pleasing.

Sales in **Latin America** climbed by 10.7 %. Almost all countries in the region contributed to this growth, in some cases with high double-digit growth. Only Mexican sales development was weaker due to the impact of the hurricane damages on market growth.

EBIT for the Consumer business segment in this region climbed to €18 million (previous year: €11 million). The EBIT margin totaled 2.9 % (previous year: 1.9 %).

### Consumer Sales in Africa/Asia/Australia

| (in € million) | Africa/Asia/ Australia |
|---|---|
| Sales in 2005 | 486 |
| Change (adjusted for currency translation effects) | 11.6 % |
| Change (nominal) | 12.6 % |

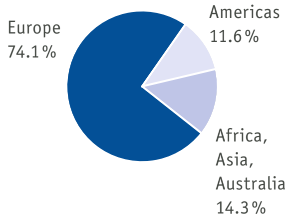
**Africa/Asia/Australia** continued to enjoy double-digit growth at 11.6 %, adjusted for currency translation effects. At current exchange rates, sales grew by 12.6 % to €486 million (previous year: €431 million).

Growth in China was again maintained at over 50 %. NIVEA FOR MEN and NIVEA VISAGE were particularly successful. Almost all other companies in this region achieved good growth. New product launches such as NIVEA body Q10 and NIVEA VITAL in Japan and NIVEA Deo in Singapore/Malaysia reinforced this growth.

Consumer EBIT in this growth region amounted to €35 million (previous year: €38 million) as a result of substantial marketing investments; the EBIT margin totaled 7.3 % (previous year: 8.9 %).

| **tesa** (in € million) | Europe | Americas | Africa/ Asia/ Australia | **Total** |
|---|---|---|---|---|
| Sales in 2005 | 545 | 85 | 105 | 735 |
| Change (adjusted for currency translation effects) | 1.1 % | 4.8 % | 12.3 % | 3.0 % |
| Change (nominal) | 1.6 % | 9.5 % | 14.5 % | 4.1 % |
| EBIT 2005 | 48 | 3 | 10 | 61 |
| EBIT margin 2005 | 8.8 % | 3.6 % | 9.9 % | 8.4 % |
| EBIT 2004 | 42 | -1 | 9 | 50 |
| EBIT margin 2004 | 7.8 % | -0.9 % | 9.8 % | 7.1 % |

tesa sales by region

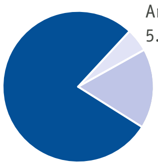



tesa sales rose by 3.0 %, adjusted for currency translation effects. At current exchange rates, sales increased by 4.1 % to €735 million (previous year: €706 million). Despite the ongoing difficult market environment, tesa increased its EBIT to €61 million (previous year: €50 million). The EBIT margin rose to 8.4 % (previous year: 7.1 %).

In the industrial segment, business with direct customers and our distribution business developed equally positive. In our direct business activity we continued to record substantial growth with our successful ranges for the paper and printing industries and the electronics sector. We expanded our assortment with new specialty products for the electronics sector. Also, product variants that were developed in tesa's facility in China were added to the range of die-cuts for the bonding of electronic components in cell phones, digital cameras, and LCD screens among others.

In the area of our direct business with end-users, innovative solutions for the automotive industry provided new momentum. We were able to increase our share of the cable bundling and fixing solutions market with new system variants that offer production cost advantages over traditional felt and foam products.

tesa operating result (EBIT) by regions




In the security technologies area, we successfully established our Holospot counterfeiting protection system with well-known customers. The focus is on applications for automotive spare parts, for the cosmetics and pharmaceuticals industry, and for luxury goods manufacturers. A new laser-based system for counterfeit-proof windshield labelling was introduced in serial production at automotive producers. Our security business also benefited from customer-specific solutions with tamper evident-packaging tape and labels. In addition, new transportation protection products for securing movable parts of electronic devices received strong acceptance.

In our industrial distribution business segment, sales were particularly enhanced by our new masking tapes for painting and various other applications. We could increase our market share in the segment significantly. We also successfully launched a new high performance masking tape for particularly sensitive surfaces and clean, sharply defined point edges.

The retail consumer business performed satisfactorily despite ongoing low levels of consumer spending, recording a slight increase in sales. Eastern Europe again recorded double-digit sales growth. We extended our successful range of fixed-mounted aluminum fly screens to include an innovative, easy-to-mount shutter system for doors and windows. In addition, we provide support for consumers in the form of a broad-based service offering such as online mounting instructions and a telephone hotline.

The launch of new, highly decorative metal hooks, hook racks, and plastic hooks based on tesa's Powerstrip technology, which can be removed without leaving a trace, was extremely successful.

We rolled out the range of adhesive and correction rollers that we launched in 2004 throughout Europe, generating strong demand among both retailers and consumers. The packaging tape range recorded particularly dynamic growth due to realignment and a number of innovations.

## Business Developments – BSN medical GmbH & Co. KG

BSN medical GmbH & Co. KG is a global joint venture between Beiersdorf AG and Smith & Nephew plc. Its main areas of business are professional wound care, orthopedics, and phlebology. Sales totaled €526 million in 2005 (previous year: €504 million). Profit after tax totaled €40 million (previous year: €45 million) reflecting charges of about €10 million as a result of measures taken in connection with the sale.

The agreement to sell the Company to Montagu Private Equity was signed on December 16, 2005. The sale will probably become effective in the first quarter of 2006. The Company is reported under non-current assets held for sale in the Group balance sheet.

# Balance Sheet Structure – Group

## Balance Sheet

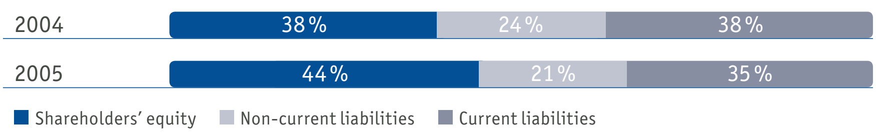
| **Assets** (in € million) | Dec. 31, 2004 | Dec. 31, 2005 |
|---|---|---|
| Non-current assets | 1,062 | 962 |
| Inventories | 558 | 536 |
| Other current assets | 791 | 926 |
| Cash and cash equivalents | 290 | 483 |
| | 2,701 | 2,907 |

| **Shareholders' Equity and Liabilities** (in € million) | Dec. 31, 2004 | Dec. 31, 2005 |
|---|---|---|
| Shareholders' equity | 1,033 | 1,293 |
| Non-current provisions | 489 | 430 |
| Non-current liabilities | 155 | 171 |
| Current provisions | 357 | 407 |
| Current liabilities | 667 | 606 |
| | 2,701 | 2,907 |

Non-current assets declined mainly as a result of the following developments: intangible assets decreased as a result of amortization, investments in and depreciation of property, plant, and equipment offset each other almost completely, and non-current financial assets were sold. As a result of the imminent sale, our investment in the joint venture BSN medical was reclassified to current assets. Higher trade receivables and the reclassification of our investment resulted in an increase in other current assets. Cash and cash equivalents increased significantly. Net liquidity (cash and cash equivalents less current financial liabilities) rose from €105 million to €409 million.

The decline in non-current provisions is particularly due to the partial funding of tesa's pension obligations. Non-current liabilities increased as a result of new loans to finance the new tesa production facility in China. Of the current provisions, income tax provisions and other operational provisions both increased. Current liabilities declined corresponding to the reduction in financial liabilities. The equity ratio increased to 44 % (previous year: 38 %). The share of non-current liabilities decreased to 21 % (previous year: 24 %); the share of current liabilities increased to 35 % (previous year: 38 %).

## Financing Structure



# Financial Position – Group

## Cash Flow Statement

| (in € million) | 2004 | 2005 |
|---|---|---|
| **Cash and cash equivalents at the beginning of the year** | **828** | **290** |
| Gross cash flow | 493 | 435 |
| Change in working capital | 58 | 59 |
| Net cash flow from operating activities | 551 | 494 |
| Net cash flow from investing activities | -104 | -52 |
| Free cash flow | 447 | 442 |
| Share buyback | -955 | - |
| Change in other financing activities | -24 | -265 |
| Other changes | -6 | 16 |
| Net change in cash and cash equivalents | -538 | 193 |
| **Cash and cash equivalents at the end of the year** | **290** | **483** |

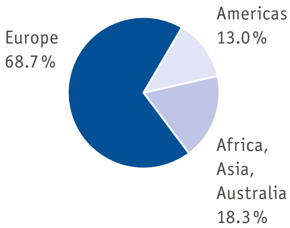
Despite higher EBIT, gross cash flow decreased by €58 million to €435 million due to the partial funding of pension obligations by tesa companies in Germany. Net working capital also decreased significantly through reductions in inventories and an increase in liabilities, continuing the trend of the previous year. Net cash flow from operating activities totaled €494 million, down €57 million on the previous year. Net cash flow from investing activities was €52 million below that of the previous year as a result of lower investment spending and higher proceeds from the sale of fixed assets. As a result, at €442 million, free cash flow almost reached that of the previous year. Cash flows from the reduction of financial liabilities and the dividend payment totalled €265 million. Prior year figures also contain cash flows from the share buyback. Cash and cash equivalents climbed to €483 million in 2005.

### Financing and Liquidity Provisions

The primary goal of financial management at Beiersdorf is to safeguard liquidity. The type and volume of transactions are in line with the Group's basic operating and financial business. Scenarios and rolling 12-month cash flow planning are used to establish liquidity requirements. The funds borrowed in connection with the share buyback in 2004 were redeemed in full in the course of the year from free cash flow. A syndicated loan in the amount of €500 million in the form of a club deal involving eight syndicate banks, which matures in 2009, is available to provide liquidity. In addition, the Company has a €200 million multicurrency commercial paper program.

# Capital Expenditure – Group

Group capital expenditure by region




We invested €126 million (previous year: €163 million) in intangible assets and property, plant, and equipment in 2005. €91 million of this amount was attributable to the Consumer business segment (previous year: €134 million) and €35 million to tesa (previous year: €29 million).

The construction of our new skin research center in Hamburg, which was initiated in past years, was completed in 2005. Total investment volume for this project amounted to €38 million. A new fully automated warehouse at our logistics center in Hamburg began operating in 2005. The warehouse enlarges the logistics center by 15,500 pallet spaces and is equipped with state-of-the-art safety technology to enable storage of hazardous materials. €2 million were invested in environmental protection and security measures at our production site in Hamburg. The total volume of these investments amounted to €7 million. These investments help us secure compliance with the highest environmental and security standards.

The remaining investment activities were focused on projects for streamlining and renewing the supply chain. For example, in Argentona, Spain, €1 million was invested in a new packaging line for plaster products.

The initial construction phase of tesa's new production facility in China was completed in 2005. This facility will manufacture specialty products for the Asian electronics and automotive industries. The total cost of the project is around €20 million, €14 million of which was invested in 2005. A total of €13 million was invested in tesa's German locations. Replacement investments and investments in measures to increase capacity were made at tesa's Hamburg and Offenburg facilities. At the tesa labeling facility in Switzerland, a new printing and die-cutting machine for around €4 million began operation.

The financial investments amounting to €2 million relate primarily to capitalization at unconsolidated affiliates.

We are planning total capital expenditure of about €100 million for fiscal year 2006.

The drop in total capital expenditure in 2006 is also a reflection of our efforts to focus our activities, adapt capacity, and improve efficiency as part of the realignment of our Consumer Supply Chain.

Along with the projects started in 2005, we will focus capital expenditure even more strongly on the continued rationalization of our production and logistics activities in 2006. This expenditure will be financed in full from operating cash flow.

Financial investments and investments in trademarks will be made whenever opportunities arise that fit in with our corporate strategy.

# Research and Development

Research and development expenses (in € million)


We invested €109 million (previous year: €101 million) in research and development in 2005. This corresponds to 2.3 % of sales (previous year: 2.2 %).

## Consumer

Our research, advanced, and product development focus on the following core areas:

- Cosmetics and body care,
- Wound care and health.

Within these segments, we provide our consumers with compelling products that are extremely effective and that meet the highest tolerance standards.

To develop innovative, forward-looking products, we focus on skin aging and sensitization and on chrono- and photobiological skin processes. We gain insights into structural relationships and identify active ingredients that can restore the skin's natural balance. For example, the new NIVEA VISAGE Sensitive Balance product line is the first to incorporate an active skin calming complex that also has a protective function.

More and more consumers now regard applying moisturizer as more than just a necessary routine – rather, they want to pamper themselves. The new NIVEA body Smooth Sensation Lotion fulfills this consumer need. Natural ingredients such as ginkgo, shea butter, and vitamin E provide in-depth skin care and all-around protection, as well as a smooth, velvety feel.

With NIVEA SUN, we have implemented a completely innovative concept: Immediate Protection. The range offers full protection from the sun immediately after application – thanks to a special combination of UV filters, emulsifiers, and a lipid care complex – and reliably protects consumers against sunburn and premature skin aging.

We introduced the new NIVEA Hair Care Colour Shine range. The combination of a color protection system and a UV filter prevents colored hair from fading and provides effective care, visibly prolonging its freshness and shine.

With the launch of NIVEA Deo PURE we developed a product which does not leave unwanted white residue on clothing or on the skin. The clear, innovative product provides protection for 24 hours. It offers an optimal combination of NIVEA's mild care with a highly effective antiperspirant.

The innovative alcohol-free and color-free emulsion is based on our patented PIT micro-emulsion technology. The exclusive production method incorporates lipid microparticles that are invisible to the naked eye and that prevent white residue from forming. The deodorant's mild care is due to the fact that it contains no alcohol, which may irritate the skin.

In the area of wound care, the new liquid plaster, Hansaplast Liquid Bandage, is an innovative product featuring a particularly user-friendly one-hand applicator. This offers an entry onto this new and rapidly growing market.

## tesa

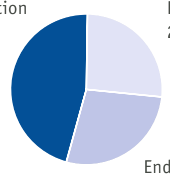
Our focus continues to be on developing environmentally friendly coating technologies for adhesive tape production, such as the eco-friendly acrylate-based fabric tapes for the automotive industry. The tapes offer a particularly strong bond on polyolefin substrates. tesa was awarded the 2005 B.A.U.M. Environmental Prize by the German Ministry for the Environment for successfully introducing such processes, among other things. In the electronics sector, we developed ultra-thin double-sided adhesive tapes for use in flat screens. These special products support light management and offer superior bonding strength.

Another new development are special adhesive systems for use on low-energy surface substrates such as plastics, which are being deployed more and more frequently in the production of electronic devices. Our new high-temperature adhesive transfer tapes can be used to attach flexible circuits in cell phones. For our flexoprint products, we are focusing on the development of new adhesive foam tapes whose customized foam profile supports the trend towards more and more detailed raster printing images.

For flying splices of paper rolls in offset printing, we offer an induction-detection splicing tape that can also be processed automatically. We developed new products in our security technologies range to the point of market readiness, including tamper-proof security labels for counterfeiting and gray market protection, as well as special anti-theft labels.

# Environmental Protection and Occupational Safety

Group environmental protection and occupational safety expenditure




We spent a total of €54 million worldwide (previous year: €46 million) on environmental protection and occupational safety in 2005. The focus of our work is on:

- reducing the consumption of resources,
- reducing the number of accidents at the workplace,
- reducing the amount of waste and cutting waste management costs, and
- facilitating the cross-border exchange of experiences.

Our tried and trusted three-tier environmental protection and occupational safety concept is integrated in all business processes from product development through production to environmentally friendly waste management. It complies with the principles of "responsible care" and is the basis for implementing our vision of "zero accidents at work".

Our online sustainability report, which was updated in 2005 and can be downloaded from www.Beiersdorf.com/Sustainability, represents another important contribution to communication on economic, ecological, and social issues. We will actively continue our dialog with customers, suppliers, public authorities, our neighbors, and other stakeholders.

The newly formed "Sustainability Advisory Board" will help us ensure our responsibility for an effective sustainable corporate policy. It coordinates all topics relating to sustainability – from environmental protection and occupational safety through social responsibility to sustainable business development. The Board is responsible for developing a Group-wide sustainability strategy, as well as setting concrete goals; in addition, it is responsible for their execution and internal and external communication.

In 2005, we also continued expanding our internal system of environmental protection and occupational safety audits, and successfully audited sites in the USA, Mexico, Thailand, and Malaysia. In addition to continuously improving our standards, we use these audits to improve our processes and workflows by organizing the in-depth global exchange of experiences between our affiliates.

The new fully automated warehouse in Hamburg, which was completed in 2005, meets the highest standards of safety technology and complies with the provisions of the *Bundes-Immissionsschutzgesetz* (*BImSchG* – Federal Immission Control Act). In addition, we started making structural alterations to our Logistics Center Hamburg (LCH) with the aim of further improving safety levels. We added our management responsibility matrix, an essential element of the environmental protection and occupational safety management system used in our Hamburg production facilities and the logistics area. The additional transparency will significantly facilitate legal certainty.

# Business Developments Beiersdorf AG

The Beiersdorf Group prepares the reports on its business developments in accordance with International Financial Reporting Standards (IFRS). However, Beiersdorf AG's annual financial statements as shown below, which are prepared in accordance with the provisions of the *Handelsgesetzbuch* (German Commercial Code), are decisive for proposal of the dividend.

## Income Statement of Beiersdorf AG

| (in € million) | 2004 | 2005 |
|---|---|---|
| **Sales** | **1,247** | **1,278** |
| Operating income | 78 | 63 |
| Cost of materials | -400 | -428 |
| Personnel expenses | -225 | -228 |
| Depreciation and amortization of property, plant, and equipment and intangible assets | -51 | -42 |
| Other operating expenses | -516 | -502 |
| **Operating result** | **133** | **141** |
| Financial result | 230 | 243 |
| **Result from ordinary activities** | **363** | **384** |
| Taxes on income | -73 | -74 |
| **Profit after tax** | **290** | **310** |

Sales by Beiersdorf AG rose by €31 million to €1,278 million (previous year: €1,247 million). The operating result also increased by €8 million to €141 million. The previous year's financial result contained special effects comprising a €234 million increase in income from affiliated companies as well as write-downs of own shares in the amount of €89 million. In 2005, the reversal of the write-downs of own shares contributed €155 million to the financial result. The result from ordinary activities was €384 million, and profit after tax amounted to €310 million.

## Balance Sheet of Beiersdorf AG

| **Assets** (in € million) | Dec. 31, 2004 | Dec. 31, 2005 |
|---|---|---|
| **Fixed assets** | **1,267** | **1,242** |
| Inventories | 81 | 84 |
| Trade receivables | 86 | 95 |
| Other receivables and other assets | 220 | 139 |
| Cash and cash equivalents | 767 | 966 |
| **Current assets** | **1,154** | **1,284** |
| | **2,421** | **2,526** |

| **Shareholders' Equity and Liabilities** (in € million) | Dec. 31, 2004 | Dec. 31, 2005 |
|---|---|---|
| **Shareholders' equity** | **1,321** | **1,510** |
| Provisions for pensions and other employee benefits | 345 | 355 |
| Other provisions | 221 | 221 |
| **Provisions** | **566** | **576** |
| Trade payables | 48 | 53 |
| Other liabilities | 486 | 387 |
| **Liabilities** | **534** | **440** |
| | **2,421** | **2,526** |

The cash and cash equivalents item includes own shares of Beiersdorf AG amounting to €873 million. As a result of the increase in the share price, the write-down of own shares was reversed in the amount of €155 million.

The €110 million credit line under a syndicated loan that was reported in the other liabilities item last year was repaid in full during 2005.

The Executive Board and Supervisory Board will be proposing a dividend for fiscal year 2005 of €1.70 for each share entitled to dividend to the shareholders at the Annual General Meeting.

# Risk Management Report

Beiersdorf is exposed to a wide variety of risks that are inextricably linked with its entrepreneurial activities as part of its global business. Our risk policy therefore aims to maximize existing opportunities and to incur risks only if they offer the prospect of a corresponding increase in value. Part of our fundamental risk policy is that we only take risks that can be managed using established methods and measures within our organization.

Risk management is thus an integral part of company management and business process design at Beiersdorf. Management of operating risks is largely decentralized. Cross-functional international risks associated with brand management, production and safety standards, financing, and value development within the Group are monitored centrally. Integrated controlling and regular strategy reviews ensure that opportunities and risks are well balanced when entrepreneurial decisions are made, and that they are identified in good time. Our internal audit department monitors compliance with the internal control system and ensures the integrity of our business processes. The risk management system is examined as part of our annual financial statement audit.

Maintaining and increasing the value of our major consumer brands – especially NIVEA – is of central importance for Beiersdorf's business development and continued existence. We have therefore geared our risk management system towards protecting the value of our brands with their broad level of acceptability while utilizing the associated opportunities.

Our new strategy creates the preconditions for being able to align our Company even more systematically with consumer needs and hence to limit our strategic risk.

Our compliance with high standards of product quality and safety is the basis for our customers' continued trust in our brands. We therefore perform in-depth safety assessments when developing new products. Our products are subject to the strict criteria of our quality assurance system throughout the entire procurement, production, and distribution process.

We counter procurement risks relating to the availability and price of raw materials, merchandise, and services by continuously monitoring the relevant markets, ensuring a proactive control of our supplier portfolio as well as an adequate contract management. Occupational safety, environmental, and business interruption risks in our production and logistics activities are minimized by process control checks. We also transfer selected risks to insurance companies, when economically appropriate.

In 2005, we performed substantial preliminary considerations and planning activities for the further optimization and centralization of our Consumer Supply Chain. Safeguarding product availability and quality in the new structure and limiting future conversion risks are of crucial importance in the project management process. We supplemented our own know-how in this area specifically with external expertise.

The steady expansion of our patent and trademark position plays a key role in safeguarding the value of our brands. In particular, the systematic registration and enforcement of our intellectual property rights prevents the imitation and counterfeiting of our products and thus contributes to ensure the potential earnings from up-front investments on marketing and innovation.

Beiersdorf's economic development is crucially dependent on the market acceptance of our products, which is why continuous innovation and prudent brand management based on intensive market and competitive analyses are of key importance. For example, we initiated changes in our processes in 2005 to improve the focus of our development activities and to accelerate the realization of innovations at product level. Strong brands based on innovation and expertise are our response to the intensive global competition in terms of price, quality, and innovation. They also counteract the risks arising from growing retail concentration and from the regional emergence of private label products.

We minimize risks relating to the availability, reliability, and efficiency of our IT systems through continuous monitoring and process improvements, as well as emergency training.

Currency, interest rate, and liquidity risks are subject to active treasury management based on global guidelines. In most cases they are managed and hedged centrally. In this context, the specific requirements for the organizational separation of the trading, settlement, and controlling functions are taken into account. Derivative financial instruments serve solely to hedge operational activities and financial transactions essential to the business. They do not expose the Group to any additional risks.

We limit currency risks from intragroup deliveries of goods and services using currency forwards. About 75 % of forecast annual net cash flows are hedged (cash flow hedges of forecasted transactions). Currency risks from cross-border intragroup financing are transferred to third parties by the affiliate providing the financing through the use of currency forwards. The use of interest rate derivatives is limited to interest rate hedges relating to long-term financing and short-term interest rate optimization through options on a case-by-case basis.

We maintain close contact with universities to recruit qualified specialists and management personnel. We develop management trainees and employees internally using special international training programs and continuing education measures.

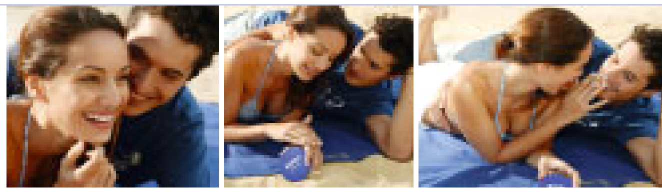
At present, Beiersdorf is not exposed to any risks that could endanger its continued existence.

# Report by the Executive Board regarding Dealings among Group Companies

In accordance with § 312 *Aktiengesetz* (German Stock Corporation Act), the Executive Board has issued a report regarding dealings among Group companies which contains the following concluding declaration: “According to the circumstances known to us at the time the transactions were executed, or measures were implemented or omitted, Beiersdorf Aktiengesellschaft received appropriate consideration for every transaction and has not been disadvantaged by the implementation or omission of any measures.”

# Report on Post-Balance Sheet Date Events

No significant events occurred after the end of the fiscal year that would have a material effect on the Group’s business development.



# Outlook for 2006

## Expected Macroeconomic Developments

We do not expect to see any major change in the economy as a whole over the next few years, and our planning therefore remains based on current growth rates. While we expect growth in Western Europe and North America to be relatively moderate, we are forecasting substantially stronger economic developments in Eastern Europe, Latin America, and Asia. According to our estimates, the global cosmetics market will continue its long-term growth at around 3 %. We do not expect the major Western European markets to pick up significantly, whereas we are anticipating positive developments in Eastern Europe, Latin America, and Asia.

The continued strong growth in Asia will most likely fuel strong demand for raw materials and energy, which means that no significant decline in the crude oil price can be expected.

## Expected Business Developments

The Consumer business segment is planning higher organic sales growth for 2006 (adjusted for currency translation effects) than in 2005, and the EBIT margin before special factors should increase further. tesa is aiming to repeat its growth of the previous year and the EBIT margin will continue to improve.

For the Group in total, we are forecasting sales growth in 2006 above that in 2005 and exceeding general market trends. The EBIT margin (before special factors) will increase further. This will also have a positive effect on profit after tax and return on sales after tax.

The expected proceeds from the sale of our interest in BSN medical will improve the profit after tax of both Beiersdorf AG and the Group by approximately €330 million in 2006.

The realignment of the Consumer Supply Chain will result in around €220 million of additional costs (before tax) over the next three years which will impact profit after tax by about €150 million over the same time period. The allocation of these costs to specific periods has not yet been determined. These restructuring measures should achieve long-term cost savings of around €100 million per year before tax. The first positive effects are expected to be noticed in 2007. The full benefits of the restructuring measures should be achieved in 2009.

# Income Statement – Group

| (in € million) | Notes | 2004 | 2005 |
|---|---|---|---|
| **Sales** | (1) | **4,546** | **4,776** |
| Cost of goods sold | (2) | -1,613 | -1,658 |
| **Gross profit** | | **2,933** | **3,118** |
| Marketing and selling expenses | (3) | -2,087 | -2,200 |
| Research and development expenses | (4) | -101 | -109 |
| General and administrative expenses | (5) | -233 | -235 |
| Other operating income | (6) | 117 | 96 |
| Other operating expenses | (7) | -146 | -139 |
| **Operating result (EBIT)** | | **483** | **531** |
| Result from equity investments (BSN medical) | | 22 | 20 |
| Interest result | (8) | -7 | -8 |
| Other financial result | (9) | -6 | -8 |
| **Financial result** | | **9** | **4** |
| **Profit before tax** | | **492** | **535** |
| Taxes on income | (10) | -190 | -200 |
| **Profit after tax** | | **302** | **335** |
| Minority interests | (11) | -6 | -6 |
| **Net profit** | | **296** | **329** |
| **Earnings per share (in €)** | (12) | **3.88** | **4.36** |
| **Diluted earnings per share (in €)** | (12) | **3.88** | **4.36** |

# Balance Sheet – Group

| **Assets** (in € million) | Notes | Dec. 31, 2004 | Dec. 31, 2005 |
|---|---|---|---|
| Intangible assets | (14) | 58 | 34 |
| Property, plant, and equipment | (15) | 887 | 882 |
| Equity investments (BSN medical) | (16) | 72 | - |
| Other non-current financial assets | (16) | 21 | 5 |
| Other non-current assets | (19) | - | 8 |
| Deferred tax assets | (10, 17) | 24 | 33 |
| **Non-current assets** | | **1,062** | **962** |
| Inventories | (18) | 558 | 536 |
| Trade receivables | (19) | 669 | 732 |
| Income tax receivables | (19) | 6 | 14 |
| Other current assets | (19) | 116 | 103 |
| Cash and cash equivalents | (20) | 290 | 483 |
| Non-current assets held for sale | (16) | - | 77 |
| **Current assets** | | **1,639** | **1,945** |
| | | **2,701** | **2,907** |

| **Shareholders' Equity and Liabilities** (in € million) | Notes | Dec. 31, 2004 | Dec. 31, 2005 |
|---|---|---|---|
| Share capital | (21) | 215 | 215 |
| Additional paid-in capital | (24) | 47 | 47 |
| Retained earnings | (25) | 592 | 767 |
| Net result | | 296 | 329 |
| Gains and losses recognized directly in equity | (26) | -129 | -78 |
| **Shareholders' equity (Beiersdorf AG) excl. minority interests** | | **1,021** | **1,280** |
| Minority interests | (27) | 12 | 13 |
| **Shareholders' equity** | | **1,033** | **1,293** |
| Provisions for pensions and other post-employment benefits | (28) | 366 | 303 |
| Other non-current provisions | (29) | 123 | 127 |
| Non-current financial liabilities | (30) | 19 | 29 |
| Other non-current liabilities | (30) | 2 | 8 |
| Deferred tax liabilities | (10, 17) | 134 | 134 |
| **Non-current liabilities** | | **644** | **601** |
| Provisions for income taxes | (29) | 69 | 85 |
| Other current provisions | (29) | 288 | 322 |
| Trade payables | (30) | 308 | 369 |
| Current financial liabilities | (30) | 185 | 74 |
| Other current liabilities | (30) | 174 | 163 |
| **Current liabilities** | | **1,024** | **1,013** |
| | | **2,701** | **2,907** |

# Cash Flow Statement – Group

| (in € million) | 2004 | 2005 |
|---|---|---|
| **Cash and cash equivalents as of Jan. 1** | **828** | **290** |
| **Operating result (EBIT)** | **483** | **531** |
| Income taxes paid | -155 | -191 |
| Depreciation and amortization | 173 | 162 |
| Change in non-current provisions (excluding interest) | -9 | -64 |
| Gain/loss on disposal of property, plant, and equipment and intangible assets | 1 | -3 |
| **Gross cash flow** | **493** | **435** |
| Change in inventories | 71 | 22 |
| Change in trade receivables and other assets | -29 | -44 |
| Change in liabilities and current provisions | 16 | 81 |
| **Net cash flow from operating activities** | **551** | **494** |
| Investments | -165 | -128 |
| Proceeds from divestments | 18 | 34 |
| Proceeds from interest, dividends, and other financing activities | 43 | 42 |
| **Net cash flow from investing activities** | **-104** | **-52** |
| **Free cash flow** | **447** | **442** |
| Change in financial liabilities | 138 | -100 |
| Interest and other financing expenses paid | -41 | -44 |
| Share buyback | -955 | - |
| Cash dividends paid (Beiersdorf AG) | -121 | -121 |
| **Net cash flow from financing activities** | **-979** | **-265** |
| Effect of exchange rate fluctuations on cash held | -6 | 15 |
| Effect of changes in Group structure and other changes on cash held | - | 1 |
| **Net change in cash and cash equivalents** | **-538** | **193** |
| **Cash and cash equivalents as of Dec. 31** | **290** | **483** |

# Statement of Changes in Shareholders' Equity – Group

| (in € million) | Share capital | Additional paid-in capital | Retained earnings | Net result | Changes recognized directly in equity: Currency translation adjustment | Changes recognized directly in equity: Other changes | Minority interests | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Jan. 1, 2004** | **215** | **47** | **1,374** | **294** | **-108** | **-3** | **12** | **1,831** |
| Transfer to retained earnings | - | - | 173 | -173 | - | - | - | - |
| Dividend of Beiersdorf AG for previous year | - | - | - | -121 | - | - | - | -121 |
| Own shares | - | - | -955 | - | - | - | - | -955 |
| Profit after tax | - | - | - | 296 | - | - | 6 | 302 |
| Remeasurement of derivatives directly in equity | - | - | - | - | - | -2 | - | -2 |
| Currency translation adjustment | - | - | - | - | -9 | - | -1 | -10 |
| Other changes | - | - | - | - | - | -7 | -5 | -12 |
| **Dec. 31, 2004** | **215** | **47** | **592** | **296** | **-117** | **-12** | **12** | **1,033** |
| Transfer to retained earnings | - | - | 175 | -175 | - | - | - | - |
| Dividend of Beiersdorf AG for previous year | - | - | - | -121 | - | - | - | -121 |
| Profit after tax | - | - | - | 329 | - | - | 6 | 335 |
| Remeasurement of derivatives directly in equity | - | - | - | - | - | -5 | - | -5 |
| Currency translation adjustment | - | - | - | - | 55 | - | 1 | 56 |
| Other changes | - | - | - | - | - | 1 | -6 | -5 |
| **Dec. 31, 2005** | **215** | **47** | **767** | **329** | **-62** | **-16** | **13** | **1,293** |

# Segment Reporting – Group

## Business Segments 2005

| (in € million) | Consumer | tesa | Group |
|---|---|---|---|
| **Net sales** | **4,041** | **735** | **4,776** |
| Change in % (nominal) | 5.2 % | 4.1 % | 5.1 % |
| Change in % (adjusted for currency translation effects) | 4.0 % | 3.0 % | 3.9 % |
| **Share of Group sales** | 84.6 % | 15.4 % | 100.0 % |
| **EBITDA** | **606** | **87** | **693** |
| **Operating result (EBIT)** | **470** | **61** | **531** |
| as % of sales | 11.6 % | 8.4 % | 11.1 % |
| **Gross operating capital** | **1,817** | **457** | **2,274** |
| **Operating liabilities** | **814** | **125** | **939** |
| **EBIT return on capital employed** | **46.9 %** | **18.5 %** | **39.8 %** |
| **Gross cash flow** | **438** | **-3** | **435** |
| **Capital expenditure (excl. financial assets)** | **91** | **35** | **126** |
| **Depreciation (excl. financial assets)** | **136** | **26** | **162** |
| **Research and development expenses** | **89** | **20** | **109** |
| **Employees** (as of Dec. 31, 2005) | **13,174** | **3,595** | **16,769** |

## Business Segments 2004

| (in € million) | Consumer | tesa | Group |
|---|---|---|---|
| **Net sales** | **3,840** | **706** | **4,546** |
| Change in % (nominal) | 2.7 % | 1.4 % | 2.5 % |
| Change in % (adjusted for currency translation effects) | 4.3 % | 5.4 % | 4.5 % |
| **Share of Group sales** | **84.5 %** | **15.5 %** | **100.0 %** |
| **EBITDA** | **575** | **81** | **656** |
| **Operating result (EBIT)** | **433** | **50** | **483** |
| as % of sales | 11.3 % | 7.1 % | 10.6 % |
| **Gross operating capital** | **1,771** | **463** | **2,234** |
| **Operating liabilities** | **716** | **115** | **831** |
| **EBIT return on capital employed** | **41.1 %** | **14.4 %** | **34.4 %** |
| **Gross cash flow** | **420** | **73** | **493** |
| **Capital expenditure (excl. financial assets)** | **134** | **29** | **163** |
| **Depreciation (excl. financial assets)** | **142** | **31** | **173** |
| **Research and development expenses** | **85** | **16** | **101** |
| **Employees** (as of Dec. 31, 2004) | **13,013** | **3,479** | **16,492** |

| **Regions 2005** (in € million) | Europe | Americas | Africa/ Asia/ Australia | Group |
|---|---|---|---|---|
| **Net sales** | 3,498 | 687 | 591 | 4,776 |
| Change in % (nominal) | 3.3 % | 8.2 % | 12.9 % | 5.1 % |
| Change in % (adjusted for currency translation effects) | 2.7 % | 3.4 % | 11.8 % | 3.9 % |
| **Share of Group sales** | 73.2 % | 14.4 % | 12.4 % | 100.0 % |
| **EBITDA** | 602 | 37 | 54 | 693 |
| **Operating result (EBIT)** | 465 | 21 | 45 | 531 |
| as % of sales | 13.3 % | 3.0 % | 7.7 % | 11.1 % |
| **Gross operating capital** | 1,689 | 355 | 230 | 2,274 |
| **Operating liabilities** | 738 | 94 | 107 | 939 |
| **EBIT return on capital employed** | 48.9 % | 8.0 % | 37.2 % | 39.8 % |
| **Gross cash flow** | 360 | 34 | 41 | 435 |
| **Capital expenditure (excl. financial assets)** | 87 | 16 | 23 | 126 |
| **Depreciation (excl. financial assets)** | 137 | 17 | 8 | 162 |
| **Research and development expenses** | 105 | 1 | 3 | 109 |
| **Employees** (as of Dec. 31, 2005) | 11,562 | 2,106 | 3,101 | 16,769 |

| **Regions 2004** (in € million) | Europe | Americas | Africa/ Asia/ Australia | Group |
|---|---|---|---|---|
| **Net sales** | 3,388 | 635 | 523 | 4,546 |
| Change in % (nominal) | 1.8 % | -0.4 % | 11.8 % | 2.5 % |
| Change in % (adjusted for currency translation effects) | 1.8 % | 10.4 % | 15.4 % | 4.5 % |
| **Share of Group sales** | 74.5 % | 14.0 % | 11.5 % | 100.0 % |
| **EBITDA** | 577 | 21 | 58 | 656 |
| **Operating result (EBIT)** | 426 | 10 | 47 | 483 |
| as % of sales | 12.6 % | 1.5 % | 9.1 % | 10.6 % |
| **Gross operating capital** | 1,773 | 275 | 186 | 2,234 |
| **Operating liabilities** | 675 | 69 | 87 | 831 |
| **EBIT return on capital employed** | 38.8 % | 4.8 % | 47.9 % | 34.4 % |
| **Gross cash flow** | 437 | 17 | 39 | 493 |
| **Capital expenditure (excl. financial assets)** | 142 | 9 | 12 | 163 |
| **Depreciation (excl. financial assets)** | 151 | 11 | 11 | 173 |
| **Research and development expenses** | 97 | 1 | 3 | 101 |
| **Employees** (as of Dec. 31, 2004) | 11,504 | 2,192 | 2,796 | 16,492 |

# Significant Accounting Policies

## General Principles

Under Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002, Beiersdorf AG is required to prepare consolidated financial statements in accordance with International Accounting Standards (IAS/IFRS).

The Group financial statements of Beiersdorf AG have been prepared in accordance with the standards issued by the International Accounting Standards Board (IASB), London, effective at the balance sheet date, and reflect the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

New standards issued by the IASB are applied from their effective date. No use was made of the opportunities for early adoption. Their application and any changes in accounting policies are detailed in the notes to the financial statements under the respective item.

Individual line items have been summarized in the income statement and the balance sheet to aid clarity of presentation. These items are disclosed and explained separately in the notes.

Preparation of the consolidated financial statements requires management to make estimates and assumptions to a limited extent that affect the amount and presentation of recognized assets and liabilities, income and expenses, and contingent liabilities. Actual amounts may differ from those estimates.

## Currency Translation

The financial statements of foreign affiliates are translated using the functional currency method. As these companies operate as financially, economically, and organizationally independent entities, their assets and liabilities are translated at the middle rates prevailing at the balance sheet date, while income and expenses are translated at average rates for the year. Exchange differences from the translation of asset and liability items compared with currency translation in the previous year and translation differences between the balance sheet and the income statement are taken directly to equity.

In the single-entity financial statements of these foreign companies, receivables and liabilities in foreign currencies that are not hedged are measured at the rate prevailing at the balance sheet date. The following tables show the development of the exchange rates of the currencies material to the consolidated financial statements:

| | ISO Code | Average rates | |
|---|---|---|---|
| €1 = | | 2004 | 2005 |
| Swiss franc | CHF | 1.5442 | 1.5476 |
| Pound sterling | GBP | 0.6798 | 0.6832 |
| Japanese yen | JPY | 133.8430 | 136.9190 |
| Mexican peso | MXN | 14.1150 | 13.4775 |
| US dollar | USD | 1.2463 | 1.2380 |

| | ISO Code | Closing rates | |
|---|---|---|---|
| €1 = | | 2004 | 2005 |
| Swiss franc | CHF | 1.5437 | 1.5555 |
| Pound sterling | GBP | 0.7071 | 0.6870 |
| Japanese yen | JPY | 139.8300 | 139.1300 |
| Mexican peso | MXN | 15.2400 | 12.6100 |
| US dollar | USD | 1.3640 | 1.1834 |

## Consolidation Principles

The financial statements of the companies included in the consolidated financial statements are prepared uniformly as of the reporting date of December 31, in accordance with the accounting policies applied by the Beiersdorf Group. The financial statements included in consolidation are audited by independent auditors.

The capital consolidation reflects the purchase method of accounting. The acquisition cost of the purchased interests is eliminated against the proportionate equity attributable to the parent company at the date of acquisition. Any excess is partly or wholly allocated to the assets of the affiliate and amortized over the useful life of the respective assets. The remaining excess of cost of acquisition over net assets acquired is recognized as goodwill and tested for impairment annually. Impairment losses on goodwill are reported under other operating expenses.

Any write-downs of intragroup receivables and of interests in consolidated companies in the individual single-entity financial statements are reversed.

Intercompany profits and losses, income and expenses, as well as receivables and liabilities, are eliminated. Deferred taxes on consolidation adjustments are recognized as necessary.

The same consolidation principles apply to proportionately consolidated joint ventures. Any necessary consolidation adjustments arising from relations with proportionately consolidated companies are recognized in proportion to the interests held.

## Consolidated Group

In addition to Beiersdorf AG, the Group financial statements include 19 German and 131 international companies in which Beiersdorf AG holds a majority of the voting rights, either directly or indirectly, and which fall under Beiersdorf AG's uniform management. The number of companies consolidated increased by 10 year-on-year. They relate to the first-time consolidation of newly formed or existing companies. Two companies in which Beiersdorf holds an interest of 50 % and which it manages as joint ventures together with the other venturers are proportionately consolidated in accordance with IAS 31 (Interests in Joint Ventures).

The two joint ventures account for €72 million of the income and €63 million of the expenses reported in the income statement, and thus €9 million of the operating result. €9 million of non-current assets and €25 million of current assets are attributable to the proportionately consolidated companies, as well as €16 million of liabilities and provisions.

Nine German and seven foreign companies are not included in consolidation as, both individually and taken together, they are not material for the presentation of a true and fair view of the net assets, financial position, and results of operations of the Group.

Our investment in BSN medical GmbH & Co. KG, a joint venture with Smith & Nephew plc., is reported under non-current assets held for sale and valued in accordance with IFRS 5 (Non-Current Assets held for sale). Profit after tax totaled €40 million (previous year: €45 million). Total assets amounted to €347 million (previous year: €320 million). Liabilities and provisions amounted to €193 million (previous year: €175 million).

# Notes to the Income Statement

## 1 Sales

Sales are recognized when goods are delivered or services performed and the risk incident to the goods or services is transferred. Discounts, customer bonuses, and rebates are deducted from sales. A further breakdown of sales and their development by business segment and region can be found in the segment reporting on pages 58 and 59.

## 2 Cost of Goods Sold

This item comprises the cost of internally produced goods and the purchase price of merchandise sold. The cost of internally produced goods includes directly attributable costs such as the cost of direct materials, direct labor, and energy costs, as well as production overheads, including depreciation of production facilities. The cost of goods sold includes write-downs on inventories.

## 3 Marketing and Selling Expenses

Marketing and selling expenses comprise the cost of marketing, the sales organization, and distribution logistics. This item also includes write-downs of trade receivables. Marketing expenses for advertising, trade marketing, and similar items amounted to €1,417 million (previous year: €1,334 million).

## 4 Research and Development Expenses

In accordance with IAS 38 (Intangible Assets), research and development expenses comprise the cost of research and of product and process development, including expenses for third-party services. Development expenditures are expensed fully in the period in which they are incurred, as the risks in the period up to their market launch mean that the criteria for capitalization are not fulfilled.

## 5 General and Administrative Expenses

This item comprises the personnel expenses and other costs of administration, as well as the cost of external services that are not allocated internally to other functions.

## 6 Other Operating Income

| (in € million) | 2004 | 2005 |
|---|---|---|
| Gains on disposal of non-current assets | 6 | 9 |
| Exchange gains | 13 | 13 |
| Income from release of provisions | 49 | 30 |
| Miscellaneous other income | 49 | 44 |
| | **117** | **96** |

Miscellaneous other income includes income from license agreements, prior-period income, income from the reversal of valuation allowances on receivables, and other miscellaneous income.

## 7 Other Operating Expenses

| (in € million) | 2004 | 2005 |
|---|---|---|
| Restructuring costs | 7 | 7 |
| Losses on disposal of non-current assets | 6 | 7 |
| Exchange losses | 14 | 16 |
| Amortization of goodwill and trademarks acquired | 36 | 25 |
| Miscellaneous other expenses | 83 | 84 |
| | **146** | **139** |

Miscellaneous other expenses include provisions for risks and other miscellaneous expenses. Amortization of trademarks (and in the previous year goodwill) relate to intangible assets with definite useful lives.

## 8 Interest Result

| (in € million) | 2004 | 2005 |
|---|---|---|
| Interest income | 11 | 6 |
| (thereof from affiliated companies) | (-) | (-) |
| Interest expense | -18 | -14 |
| (thereof to affiliated companies) | (-) | (-) |
| | **-7** | **-8** |

The interest expense on pension and other entitlements acquired in previous years is netted against any return on plan assets and the amortization of unrecognized actuarial gains and losses. This results in net interest expense in the amount of €5 million (previous year: interest income of €1 million).

## 9 Other Financial Result

| (in € million) | 2004 | 2005 |
|---|---|---|
| Other financial income | 12 | 20 |
| Other financial expense | -18 | -28 |
| | **-6** | **-8** |

Other financial income primarily comprises exchange gains on financial items denominated in foreign currencies. Other financial expense consists in particular of exchange losses on such financial items.

## 10 Taxes on Income

Taxes on income comprise the taxes paid or owed on income in the individual countries, as well as deferred taxes. Income tax expense including deferred taxes can be broken down as follows:

| (in € million) | 2004 | 2005 |
|---|---|---|
| Taxes on income | | |
| Germany | 83 | 93 |
| International | 103 | 114 |
| | **186** | **207** |
| Deferred taxes | 4 | -7 |
| | **190** | **200** |

Taxes on income include tax payments attributable to prior periods in the amount of €6 million (previous year: tax refunds of €2 million).

## Allocation of Deferred Taxes

| (in € million) | Deferred tax assets Dec. 31, 2004 | Deferred tax assets Dec. 31, 2005 | Deferred tax liabilities Dec. 31, 2004 | Deferred tax liabilities Dec. 31, 2005 |
|---|---|---|---|---|
| Non-current assets | 2 | 15 | 103 | 91 |
| Inventories | 9 | 11 | - | - |
| Receivables and other current assets | 6 | 8 | 5 | 6 |
| Provisions for pensions and other employee benefits | 14 | 6 | 53 | 80 |
| Other provisions | 21 | 29 | - | - |
| Liabilities | 5 | 14 | 7 | 10 |
| Loss carryforwards | 1 | 3 | - | - |
| | **58** | **86** | **168** | **187** |
| Offset deferred taxes | -34 | -53 | -34 | -53 |
| **Deferred taxes reported in the balance sheet** | **24** | **33** | **134** | **134** |

Deferred taxes result from temporary differences between the carrying amounts in the tax accounts of the Group companies and the carrying amounts in the consolidated balance sheet. Deferred taxes are measured using the balance sheet liability method on the basis of the tax rates expected to be enacted in the individual countries when the temporary differences reverse. These rates are based on the legislation in force at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset if they relate to the same tax authorities.

**Calculation of the actual tax expense**

With an effective tax rate of 37.4 %, the actual tax expense is €19 million more than the expected tax expense. The expected tax rate is calculated as the weighted average of the tax rates of the individual Group companies, and amounts to 33.7 % (previous year: 34.9 %) The change in this tax rate is largely due to tax cuts in several European countries. The following table shows the reconciliation of expected to actual tax expense:

| (in € million) | 2004 | 2005 |
|---|---|---|
| Expected tax expense at a tax rate of 33.7 % (previous year: 34.9 %) | 172 | 181 |
| Tax increases due to non-deductible expenses | 9 | 10 |
| Other tax effects | 9 | 9 |
| **Actual tax expense** | **190** | **200** |

## 11 Minority Interests

€6 million of profit after tax is attributable to minority interests (previous year: €6 million). These minority interests relate to Nivea-Kao Co., Ltd., Japan, PT. Beiersdorf Indonesia, Beiersdorf India Limited, and Bode Chemie GmbH & Co., Hamburg.

## 12 Earnings per Share

Earnings per share for 2005 amounted to €4.36 (previous year: €3.88). Since the settlement of the share buyback program on February 3, 2004, Beiersdorf AG has held 8,393,672 own shares. These were deducted when calculating the earnings per share, which resulted in a weighted average number of shares outstanding of 75,606,328. The weighted average number of shares outstanding in the previous year was 76,375,748. As there are no outstanding financial instruments that can be exchanged for shares, there is no difference between diluted and basic earnings per share.

## 13 Other Disclosures

**Cost of materials**

The cost of raw materials and supplies and of purchased goods and services amounted to €1,147 million (previous year: €1,113 million).

**Personnel expenses**

| (in € million) | 2004 | 2005 |
|---|---|---|
| Wages and salaries | 644 | 674 |
| Social security contributions and other benefits | 131 | 135 |
| Pension expenses | 29 | 31 |
| | **804** | **840** |

**Employees**

The breakdown of employees by function is as follows:

| | 2004 | 2005 |
|---|---|---|
| Production | 6,145 | 6,167 |
| Sales and Marketing | 6,385 | 6,763 |
| Other functions | 3,962 | 3,839 |
| | **16,492** | **16,769** |

Employees of consolidated joint ventures are included in the total number of employees in proportion to the interest held. A total of 188 people are employed by these companies (previous year: 190).

A breakdown of employees by Beiersdorf Group segment can be found in the segment reporting on pages 58 and 59.

**Value-added calculation**

| **Output Method** (in € million) | |
|---|---|
| Sales | 4,776 |
| Cost of materials | 1,147 |
| Depreciation | 162 |
| Other expenses | 2,100 |
| Financial income | 47 |
| **Enterprise income** | **1,414** |

| **Income Received Method** (in %) | |
|---|---|
| Employees | 59.4 % |
| Interest | 2.7 % |
| Taxes on income | 14.2 % |
| Profit after tax | 23.7 % |
| **Enterprise income** | **100,0 %** |

# Notes to the Balance Sheet

## 14 Intangible Assets

| (in € million) | Patents, licenses, trademarks, and similar rights and assets | Goodwill | Advance payments | Total |
|---|---|---|---|---|
| **Cost of acquisition** | | | | |
| **Opening balance Jan. 1, 2005** | **367** | **51** | **-** | **418** |
| Currency translation adjustment | 2 | - | - | 2 |
| Changes in consolidated Group | 1 | - | - | 1 |
| Additions | 12 | 3 | - | 15 |
| Disposals | -12 | - | - | -12 |
| Transfers | 48 | -45 | - | 3 |
| **Closing balance Dec. 31, 2005** | **418** | **9** | **-** | **427** |
| **Amortization and impairment write-downs** | | | | |
| **Opening balance Jan. 1, 2005** | **319** | **41** | **-** | **360** |
| Currency translation adjustment | 1 | - | - | 1 |
| Changes in consolidated Group | - | - | - | - |
| Amortization | 41 | - | - | 41 |
| Disposals/transfers | 26 | -35 | - | -9 |
| **Closing balance Dec. 31, 2005** | **387** | **6** | **-** | **393** |
| **Carrying amount Dec. 31, 2005** | **31** | **3** | **-** | **34** |
| Carrying amount Dec. 31, 2004 | 48 | 10 | - | 58 |

Purchased intangible assets such as patents, trademarks, and software are valued at the cost of acquisition. The useful life of finite-lived intangible assets is generally five years. They are amortized on a straight-line basis. Additional write-downs are made for permanent impairment. If the reasons for impairment no longer apply, write-downs are reversed accordingly.

Goodwill from purchase accounting and acquired goodwill reported in the single-entity financial statements of Group companies is capitalized. Goodwill is regularly tested for impairment and is written down as required.

Goodwill from acquisition accounting arising prior to January 1, 1995 is not capitalized, but instead is charged directly to equity.

## 15 Property, Plant, and Equipment

| (in € million) | Land, land rights, and buildings | Technical equipment and machinery | Office and other equipment | Advance payments and assets under construction | Total |
|---|---|---|---|---|---|
| **Cost of acquisition/manufacture** | | | | | |
| **Opening balance Jan. 1, 2005** | **764** | **836** | **485** | **45** | **2,130** |
| Currency translation adjustment | 12 | 16 | 10 | 3 | 41 |
| Changes in consolidated Group | - | - | 1 | - | 1 |
| Additions | 12 | 35 | 43 | 21 | 111 |
| Disposals | -11 | -40 | -32 | -2 | -85 |
| Transfers | 10 | 12 | 14 | -39 | -3 |
| **Closing balance Dec. 31, 2005** | **787** | **859** | **521** | **28** | **2,195** |
| **Depreciation and impairment write-downs** | | | | | |
| **Opening balance Jan. 1, 2005** | **361** | **530** | **351** | **1** | **1,243** |
| Currency translation adjustment | 5 | 8 | 7 | - | 20 |
| Changes in consolidated Group | - | - | - | - | - |
| Depreciation | 28 | 48 | 44 | 1 | 121 |
| Disposals/transfers | -6 | -37 | -28 | - | -71 |
| **Closing balance Dec. 31, 2005** | **388** | **549** | **374** | **2** | **1,313** |
| **Carrying amount Dec. 31, 2005** | **399** | **310** | **147** | **26** | **882** |
| Carrying amount Dec. 31, 2004 | 403 | 306 | 134 | 44 | 887 |

Property, plant, and equipment is carried at cost and reduced by straight-line depreciation over the assets' expected useful lives. Production costs of internally manufactured items of property, plant, and equipment are calculated as the direct costs plus an appropriate share of attributable overheads. Interest on borrowings is recognized as current expense in accordance with IAS 23 (Borrowing Costs). Repair and maintenance costs for property, plant, and equipment are expensed as incurred. They are capitalized in exceptional cases where the measures result in the extension of, or a significant improvement to, the asset concerned. Third-party grants and subsidies reduce the historical cost.

Property, plant, and equipment is depreciated on a straight-line basis. The following useful lives are generally applied:

| | |
|---|---|
| Residential and production buildings | 25 to 33 years |
| Other buildings | 10 to 25 years |
| Technical equipment and machinery | 5 to 15 years |
| Vehicles | 4 years |
| Office and other equipment | 3 to 15 years |

Impairment write-downs are made when necessary.

## 16 Non-Current Financial Assets

| (in € million) | Investments in affiliated companies | Equity investments (BSN medical) | Other investments | Investment securities | Other loans | **Total** |
|---|---|---|---|---|---|---|
| **Cost of acquisition** | | | | | | |
| **Opening balance Jan. 1, 2005** | **8** | **72** | **-** | **17** | **1** | **98** |
| Currency translation adjustment | - | 5 | - | - | - | 5 |
| Changes in consolidated Group | -1 | - | - | - | - | -1 |
| Additions | - | - | - | 1 | 1 | 2 |
| Disposals | - | - | - | -16 | -1 | -17 |
| Transfers | - | -77 | - | - | - | -77 |
| **Closing balance Dec. 31, 2005** | **7** | **-** | **-** | **2** | **1** | **10** |
| **Impairment write-downs** | | | | | | |
| **Opening balance Jan. 1, 2005** | **4** | **-** | **-** | **1** | **-** | **5** |
| Currency translation adjustment | - | - | - | - | - | - |
| Changes in consolidated Group | - | - | - | - | - | - |
| Impairment write-downs | - | - | - | - | - | - |
| Disposals/transfers | - | - | - | - | - | - |
| **Closing balance Dec. 31, 2005** | **4** | **-** | **-** | **1** | **-** | **5** |
| **Carrying amount Dec. 31, 2005** | **3** | **-** | **-** | **1** | **1** | **5** |
| Carrying amount Dec. 31, 2004 | 4 | 72 | - | 16 | 1 | 93 |

Investments in unconsolidated affiliated companies and other investments are carried at cost in line with the principle of individual valuation. Write-downs are charged where there is evidence of permanent impairment. If the reasons for impairment no longer apply, write-downs are reversed accordingly. Interest-free or low-interest loans are carried at their present value; other securities and loans are carried at their fair value. Changes in fair value are recognized directly in a separate component of equity after deduction of deferred taxes.

The investment in the joint venture BSN medical was reclassified to “Non-current assets held for sale” and valued in accordance with IFRS 5 (Non-Current Assets held for sale) because of the intention to sell this investment.

A sales agreement was signed with Montagu Private Equity on December 16, 2005. The sale should be completed in the first quarter of 2006.

## 17 Deferred Taxes

Deferred tax assets and liabilities result primarily from temporary differences between the carrying amounts in the IFRS financial accounts and in the tax accounts of the individual Group companies, and from consolidation adjustments. Further information can be found under note 10, Taxes on Income.

## 18 Inventories

| (in € million) | 2004 | 2005 |
|---|---|---|
| Raw materials, consumables, and supplies | 116 | 116 |
| Work in progress | 40 | 39 |
| Finished goods and merchandise | 400 | 378 |
| Advance payments | 2 | 3 |
| | **558** | **536** |

Inventories are carried at the lower of cost or net realizable value in accordance with IAS 2 (Inventories). They are measured using the weighted average cost method. The cost of inventories is calculated as the direct costs plus an appropriate allocation of materials and production overheads, including production-related depreciation of assets. They also include the proportionate costs of company pension arrangements and voluntary social benefits, as well as production-related administrative expenses.

## 19 Receivables and Other Assets

| (in € million) | 2004 | 2005 |
|---|---|---|
| Trade receivables | 669 | 732 |
| Income tax receivables | 6 | 14 |
| Receivables from affiliated companies | 5 | 1 |
| Receivables from associated companies | 5 | 3 |
| Other tax receivables | 13 | 22 |
| Prepaid expenses | 28 | 42 |
| Other current and non-current assets | 65 | 43 |
| | **791** | **857** |

Receivables and other assets are carried at their nominal value. Bills receivable and interest-free or low-interest loans are carried at their present value. Appropriate allowances have been made for identifiable risks. Other assets include the positive fair value of derivatives of €3 million (previous year: €8 million).

## 20 Cash and Cash Equivalents

| (in € million) | 2004 | 2005 |
|---|---|---|
| Marketable securities | 31 | 40 |
| Cash | 259 | 443 |
| | **290** | **483** |

Marketable securities comprise near-cash short-term investments. Cash balances comprise bank balances, cash-on-hand, and checks.

## 21 Share Capital

The share capital amounts to €215,040,000 and is composed of 84 million no-par value bearer shares.

Since the settlement of the share buyback program on February 3, 2004, Beiersdorf AG has held 8,393,672 no-par value bearer shares (totaling 9.99 % of the Company's share capital).

## 22 Authorized Capital

The Annual General Meeting on May 18, 2005 authorized the Executive Board, with the approval of the Supervisory Board, to increase the share capital in the period until May 17, 2010 by up to a total of €87 million (Authorized Capital I: €45 million; Authorized Capital II: €21 million; Authorized Capital III: €21 million) by issuing new bearer shares on one or several occasions. In this context, the dividend rights for new shares may be determined differently to the provisions of § 60 (2) of the *Aktiengesetz* (German Stock Corporation Act).

Shareholders shall be granted pre-emptive rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' pre-emptive rights in the following cases:

1. to eliminate fractions created as a result of capital increases against cash contributions (Authorized Capital I, II, III);
2. to the extent necessary to grant the holders/creditors of convertible bonds or bonds with warrants issued by Beiersdorf AG, or companies in which it holds a direct or indirect majority interest, pre-emptive rights to new shares in the amount to which they would be entitled after exercising their conversion or option rights, or after fulfilling their conversion obligation (Authorized Capital I, II, III);
3. to issue new shares at an issue price that is not materially lower than the quoted market price of existing listed shares at the time when the issue price is finalized, which should be as near as possible to the time the shares are placed; in the context of the restriction of this authorization to a total of ten percent of the share capital, those shares must be included for which the pre-emptive rights of shareholders are disapplied in accordance with § 186 (3) sentence 4 of the *Aktiengesetz* (German Stock Corporation Act) when the authorization to sell own shares is utilized and/or when the authorization to issue convertible bonds and/or bonds with warrants is utilized (Authorized Capital II);
4. in the case of capital increases against non-cash contributions, for the purpose of acquiring enterprises or equity interests in businesses (Authorized Capital III).

The Executive Board was also authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation.

## 23 Contingent Capital

The Annual General Meeting on May 18, 2005 also resolved to contingently increase the share capital by up to a total of €40 million. In accordance with the resolution by the Annual General Meeting, the contingent capital increase will be implemented only if:

1. the holders or creditors of conversion rights and/or options attached to convertible bonds and/or bonds with warrants issued in the period until May 17, 2010 by Beiersdorf AG, or companies in which it holds a direct or indirect majority interest, choose to exercise their conversion or option rights, or
2. the holders or creditors of convertible bonds giving rise to a conversion obligation issued in the period until May 17, 2010 by Beiersdorf AG, or companies in which it holds a direct or indirect majority interest, comply with such an obligation.

The new shares carry dividend rights from the beginning of the fiscal year in which they are created via the exercise of conversion or option rights, or as a result of compliance with conversion obligations.

## 24 Additional Paid-in Capital

Additional paid-in capital comprises the premium arising from the issue of shares by Beiersdorf AG.

## 25 Retained Earnings

Retained earnings contain the undistributed profits generated in prior periods by companies included in the Group financial statements.

The amount for the share buyback in 2004 was deducted from retained earnings on the face of the balance sheet.

## 26 Changes Recognized Directly in Equity

This position comprises the exchange differences arising from the translation of the annual financial statements of Group companies into euros, as well as changes in the valuation of financial derivates and other changes recorded directly in equity. Changes in the value of financial derivatives amounted to €-4 million (previous year: €-2 million).

## 27 Minority Interests

Minority interests include adjustments for the interests of non-Group shareholders in the equity of fully-consolidated affiliates. These relate to Nivea-Kao Co., Ltd., Japan, Beiersdorf Indonesia, Beiersdorf India Limited, and Bode Chemie GmbH & Co., Hamburg.

## 28 Provisions for Pensions and Other Employee Benefits

The Group provides for post-employment benefits for entitled employees either directly or through legally independent pension and welfare funds (at Beiersdorf AG, this refers to TROMA Alters- und Hinterbliebenenstiftung, Hamburg). The benefits vary depending on the legal, economic, and tax situation in the country in question, and are generally based on length of service, salary, and the position held within the Company. The direct and indirect obligations comprise obligations arising from existing pensions, as well as future pension and retirement obligations.

The pension obligations covered by the legally independent foundation TROMA Alters- und Hinterbliebenenstiftung, Hamburg, include the assets of this foundation. These assets include 3 % of the shares of Beiersdorf AG, as well as real estate rented out to Group companies totaling €23 million (previous year: €23 million). Group companies provide retirement benefits under defined contribution and defined benefit plans. The related expenses are included in the costs of the respective functions. Interest expense on obligations acquired in previous years, the return on plan assets, and the amortization of unrealized actuarial gains and losses are reported in the income statement under interest result.

In accordance with IAS 19 (Employee Benefits), pension obligations under defined benefit plans are calculated using the projected unit credit method. In Germany calculations are based on Heubeck's 2005 G mortality tables. The expected benefits are spread over the entire length of service of the employees. There was no extraordinary income or expense from the termination of pension plans or the curtailment and transfer of pension benefits during the year.

Pension obligations are calculated on the basis of market rates of interest and projected wage/salary and pension growth, and fluctuations. The following assumptions were applied in measuring pension obligations for the German Group companies:

### Actuarial Assumptions

| | Dec. 31, 2004 | Dec. 31, 2005 |
|---|---|---|
| Discount rate | 5.25 % | 4.25 % |
| Projected wage/salary growth | 2.50 % | 2.50 % |
| Projected pension growth | 1.50 % | 1.50 % |
| Fluctuation | 2.50 % | 2.50 % |
| Projected return on plan assets | 5.25 % | 4.25 % |

These parameters also apply to each following year when calculating the costs of the obligations acquired, the interest expense on obligations acquired in previous years, and the expected return on plan assets. For non-German Group companies, these rates vary depending on specific local conditions.

The total expense for commitments under defined benefit plans can be broken down as follows:

| (in € million) | 2004 | 2005 |
|---|---|---|
| Cost of obligations acquired during the year | 22 | 22 |
| Interest cost on present value of pension obligations* | 36 | 37 |
| Expected return on plan assets* | -27 | -27 |
| Amortization of unrecognized actuarial gains* | -10 | -5 |
| **Total expense for commitments under defined benefit plans** | **21** | **27** |

* the sum of these amounts is reported in the income statement under interest result

The pension provision is calculated as follows:

| (in € million) | 2004 | 2005 |
|---|---|---|
| Present value of unfunded obligations | 567 | 510 |
| Present value of funded obligations | 157 | 357 |
| Present value of pension obligations | 724 | 867 |
| Fair value of plan assets | -493 | -626 |
| Present value of pension obligations less plan assets | 231 | 241 |
| Unrecognized actuarial gains | 135 | 62 |
| **Provision in accordance with IAS 19** | **366** | **303** |

Actuarial gains and losses are recognized only to the extent that they exceed the greater of 10 % of the present value of the obligations or of the fair value of plan assets. Where this is the case, they are amortized over the average remaining working lives of the employees beginning the following year.

Pension plan assets and obligations are measured at regular intervals. Actuarial valuations are performed annually for all major pension plans.

An investment fund was established in 2005 to partially finance the retirement obligations for tesa AG and its significant domestic affiliates. This so-called CTA with €63 million qualifies as plan assets in accordance with IAS 19.

Obligations of individual Group companies that are similar in character to pension obligations are also disclosed in provisions for pensions. Similar obligations also include obligations for severance pay. These are calculated in accordance with actuarial principles on the basis of the standard local rates of interest.


## 29 Other Provisions

| (in € million) | Income taxes | Personnel expenses | Marketing and selling expenses | Restructuring measures | Miscellaneous | Total |
|---|---|---|---|---|---|---|
| **Opening balance Jan. 1, 2005** | **69** | **135** | **120** | **4** | **152** | **480** |
| *of which non-current* | - | *66* | *3* | *2* | *52* | *123* |
| Currency translation adjustment | 1 | 1 | 2 | - | 5 | 9 |
| Changes in consolidated Group | - | - | - | - | - | - |
| Additions | 66 | 92 | 123 | 6 | 91 | 378 |
| Usage | 47 | 67 | 100 | 1 | 84 | 299 |
| Release | 4 | 4 | 4 | - | 22 | 34 |
| **Closing balance Dec. 31, 2005** | **85** | **157** | **141** | **9** | **142** | **534** |
| *of which non-current* | - | *68* | *2* | *4* | *53* | *127* |

Other provisions include all identifiable future payment obligations, risks, and uncertain obligations. They are carried at the likely amount of the liability incurred, and mostly have a residual maturity of less than one year.

Non-current provisions expected to be settled after more than one year are discounted.

Provisions for personnel expenses relate primarily to expenses for part-time schemes for employees approaching retirement, annual bonuses, vacation pay, severance agreements, and anniversary payments.

Miscellaneous provisions relate to litigation risks and other risks.

## 30 Liabilities

Liabilities are carried at the higher of their nominal value or redemption amount.

Trade payables include liabilities on bills accepted and drawn in the amount of €1 million (previous year: €1 million).

Financial liabilities include all of the Beiersdorf Group's interest-bearing liabilities. These are comprised primarily of liabilities to banks. No bonds were issued. Financial liabilities in the amount of €14 million (previous year: €0 million) are due after more than five years.

€1 million of other non-current liabilities relate to derivatives (previous year: €0 million) and €7 million (previous year: €2 million) to miscellaneous liabilities. €1 million (previous year: €0 million) of this amount is due after more than five years.

### Other Current Liabilities

| (in € million) | 2004 | 2005 |
|---|---|---|
| Liabilities to affiliated companies | 5 | 2 |
| Liabilities to associated companies | 1 | - |
| Other tax liabilities | 50 | 48 |
| Social security liabilities | 19 | 19 |
| Deferred income | 7 | 4 |
| Other liabilities | 92 | 90 |
| | **174** | **163** |

## 31 Contingent Liabilities and Other Financial Obligations

| (in € million) | 2004 | 2005 |
|---|---|---|
| **Contingent liabilities** | | |
| Liabilities under bills | 1 | 1 |
| Liabilities under guarantees | 2 | 3 |
| **Other financial obligations** | | |
| Obligations under rental and lease agreements: | 45 | 57 |
| due within the next year | 14 | 20 |
| due between 2 to 5 years | 26 | 29 |
| due after more than 5 years | 5 | 8 |
| Obligations under purchase commitments: | 45 | 22 |
| due within the next year | 28 | 16 |
| due between 2 to 5 years | 17 | 6 |

Beiersdorf has potential obligations arising from legal actions and from claims brought against the Company. Estimates of possible future expenses are subject to a large number of uncertainties. Beiersdorf does not expect any such expenses to have a material adverse effect on the Beiersdorf Group's economic and financial situation.

## 32 Derivative Financial Instruments

Derivative financial instruments are employed in the Beiersdorf Group to help manage current and future currency and interest rate risks. The instruments are used to hedge the Group's underlying operating business and essential financial transactions. The Group is not exposed to any additional risks as a result. The transactions are performed exclusively using standard market instruments (e.g. forward transactions, swaps, options).

Currency hedges relate primarily to intragroup deliveries and services. In general, 75 % of the planned net cash flows are hedged using currency forwards around three to six months before the start of the year; deviations from forecasts in the course of the year lead to hedging adjustments at regular intervals in the form of additional forward contracts. As a matter of principle, currency risks relating to cross-border intragroup financing are hedged centrally in full and at matching maturities using currency forwards. All these transactions are centrally recorded, measured, and managed in the treasury management system. The use of interest rate derivatives is limited to interest rate hedges relating to long-term financing and short-term interest rate optimization through options on a case-by-case basis.

The nominal values represent the total of all purchase and selling amounts for derivatives. The nominal values shown are not offset.

The fair values shown are calculated by measuring the outstanding items at market rates at the balance sheet date, ignoring any offsetting change in the fair value of the hedged items. Changes in fair value are recognized in the balance sheet under other receivables and other assets, or in other liabilities. In the case of cash flow hedges whose hedge effectiveness has been demonstrated in accordance with IAS 39, any gains and losses are deferred directly in equity after deduction of deferred taxes. Micro hedges are recognized for hedges of foreign currency loans with matching maturities and amounts.

The positive fair values of derivatives include the default risk relating to the nonfulfillment of contractual obligations by counterparties. Beiersdorf's counterparties are prime-rated banks; the default risk is therefore considered to be extremely low.

| | Fair value | | Nominal value | | Residual maturity | |
|---|---|---|---|---|---|---|
| (in € million) | 2004 | 2005 | 2004 | 2005 | up to 1 year | over 1 year |
| Currency forwards | 5 | -6 | 405 | 485 | 450 | 35 |
| Currency options | - | - | 2 | - | - | - |
| Interest rate swaps | - | - | - | - | - | - |
| Interest rate options | - | - | - | - | - | - |
| | 5 | -6 | 407 | 485 | 450 | 35 |

## Segment Reporting

Segment reporting in the Beiersdorf Group is based primarily on the products manufactured and sold by the business segments. The breakdown of the Group into the Consumer and tesa business segments also reflects the internal organizational structure. The classification by region shows the global breakdown of business activities in the Beiersdorf Group.

The business segments, as well as business developments in the business segments and regions, are presented in the management report on pages 30 to 53.

The net sales shown for the regions are based on the domiciles of the respective companies.

**EBITDA** represents the operating result (EBIT) before depreciation and amortization.

The **EBIT return on capital employed** is the ratio of the operating result (EBIT) to capital employed.

**Gross cash flow** is the excess of operating income over operating expenses before any further appropriation of funds.

**Capital employed** consists of gross operating capital less operating liabilities. The following tables show the reconciliation of capital employed to the balance sheet items:

### Assets

| (in € million) | 2004 | 2005 |
|---|---|---|
| Intangible assets | 58 | 34 |
| Property, plant, and equipment | 887 | 882 |
| Inventories | 558 | 536 |
| Trade receivables | 669 | 732 |
| Other receivables and other assets (operating portion)[1] | 62 | 90 |
| **Gross operating capital** | **2,234** | **2,274** |
| Non-operating assets | 467 | 633 |
| **Total balance sheet assets** | **2,701** | **2,907** |

### Shareholders' Equity and Liabilities

| (in € million) | 2004 | 2005 |
|---|---|---|
| Other provisions (operating portion)[2] | 407 | 448 |
| Trade payables | 308 | 369 |
| Other liabilities (operating portion)[2] | 116 | 122 |
| **Operating liabilities** | **831** | **939** |
| Shareholders' equity | 1,033 | 1,293 |
| Non-operating liabilities | 837 | 675 |
| **Total balance sheet shareholders' equity and liabilities** | **2,701** | **2,907** |

[1] not including tax receivables
[2] not including tax provisions and liabilities

# Other Disclosures

## Related Party Information in Accordance with IAS 24

The implementation on December 22, 2003, of the share purchase agreement dated October 23, 2003, increased Tchibo Holding AG's interest in Beiersdorf AG from 30.36 % of the share capital to 49.96 % of the share capital. Since March 30, 2004, Tchibo Holding AG holds 50.46 % of Beiersdorf AG's share capital. In accordance with this, Beiersdorf AG is a dependent company within the meaning of § 312 (1) sentence 1 in conjunction with § 17 (2) *Aktiengesetz* (German Stock Corporation Act, *AktG*). Since no control agreement exists between Beiersdorf AG and Tchibo Holding AG, the Executive Board of Beiersdorf AG prepares a report regarding dealings among Group companies in accordance with § 312 (1) sentence 1 *AktG*. In the period under review, Beiersdorf AG or its affiliates and Tchibo Holding AG or its affiliates pooled purchase quotas to cut costs, sourced products and services from each other at standard market terms and co-operated in smaller marketing activities.

In addition, goods and services are traded on a small scale between the Beiersdorf Group and non-consolidated Beiersdorf companies in the course of normal business. Business transactions with related parties are conducted on an arm's length basis.

## Declaration of Compliance with the German Corporate Governance Code

The Executive Board and Supervisory Board of Beiersdorf AG submitted their declaration of compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*) at the end of December 2005, and made this declaration permanently accessible to shareholders on the Company's website at www.Beiersdorf.com. The declaration of compliance is also reproduced in the Corporate Governance section on page 26.

## Disclosures Relating to the Executive Board and Supervisory Board

**Total compensation**
Total compensation for members of the Supervisory Board for 2005 amounted to €1,187 thousand (previous year: €1,130 thousand). In accordance with the Articles of Association, this consists of a fixed component of €433 thousand (previous year: €433 thousand) and variable, dividend-based compensation of €754 thousand (previous year: €697 thousand). The members of the Supervisory Board did not receive any compensation or benefits for services provided individually, such as advisory or agency services.

Total compensation for members of the Executive Board for 2005 totaled €6,197 thousand (previous year: €4,884 thousand). This amount consists of a fixed component of €1,728 thousand (previous year: €1,620 thousand) and a variable, dividend-based component of €4,469 thousand (previous year: €3,264 thousand).

Payments to former members of the Executive Board and their dependants amounted to €1,757 thousand (previous year: €1,487 thousand). Total provisions for pension commitments to former members of the Executive Board and their dependants amounted to €18,166 thousand (previous year: €13,592 thousand).

**Loans**
No loans have been granted to members of the Executive Board and Supervisory Board.

## Audit

At the Annual General Meeting on May 18, 2005, BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, was elected as the auditor for Beiersdorf AG and Beiersdorf Group for fiscal year 2005.

The following table contains a breakdown of the fees earned by BDO Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft:

### Fees

| (in € thousand) | 2004 | 2005 |
|---|---|---|
| Audit services | 2,572 | 2,656 |
| Audit-related services | 110 | 158 |
| Tax advisory services | 523 | 520 |
| Other services | 59 | 47 |
| **Total** | **3,264** | **3,381** |

## Shareholdings of Beiersdorf AG

A list of Beiersdorf AG's shareholdings is filed with the commercial register of Hamburg Local Court (HRB 1787). The significant Group companies are listed on pages 82 and 83 of this Annual Report.

## Shareholdings in Beiersdorf AG

In line with the provisions of the *Wertpapierhandelsgesetz* (German Securities Trading Act, *WpHG*), Beiersdorf AG received the following notifications by shareholders of the Company by the balance sheet date:

HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsverwaltung mbH, Hamburg, informed us in accordance with § 21 (1) *WpHG* that its share of voting rights in our Company exceeded the threshold of 5 % on December 22, 2003, and reached the threshold of 10 %, and that its precise share of the voting rights since that date has been 10.0 %.

The Free Hanseatic City of Hamburg informed us in accordance with § 21 (1) *WpHG* that its share of voting rights in our Company exceeded the threshold of 5 % on December 22, 2003, and is now 10.0 %. These voting rights are fully attributable to the Free Hanseatic City of Hamburg in accordance with § 22 (1) sentence 1 no. 1 *WpHG* . The Free Hanseatic City of Hamburg does not have any other direct interest in our Company.

Allianz AG, Munich, informed us in accordance with § 21 (1) *WpHG* that its share of voting rights in our Company fell below the threshold of 10 % on February 3, 2004 and that it has amounted to 7.85 % as of this date. 0.82 % of these rights are attributable to Allianz AG in accordance with § 22 (1) sentence 1 no. 1 *WpHG*.

Tchibo Holding AG, Hamburg, informed us in accordance with § 21 (1) *WpHG* that it had transferred the voting rights from 20.10 % of shares in our Company to Tchibo Beteiligungsgesellschaft mbH, Hamburg, on December 22, 2004. Tchibo Holding AG's share of voting rights amounted to 50.46 % since that date, as these voting rights were attributable to the Company in accordance with § 22 (1) sentence 1 no. 1 (3) *WpHG*. Tchibo Holding AG also informed us that Tchibo Beteiligungsgesellschaft mbH acquired 20.10 % of the voting rights in our Company on December 22, 2004. As a result, the share of voting rights held by Tchibo Beteiligungsgesellschaft mbH in our Company exceeded the threshold of 50 % on December 22, 2004, and amounted to 50.46 % since that date. 30.358 % of these voting rights were attributable to Tchibo Beteiligungsgesellschaft mbH in accordance with § 22 (1) sentence 1 no. 1 (3) *WpHG*. Tchibo Holding AG also informed us that the share of voting rights held by Vanguard Grundbesitz GmbH, Hamburg, in our Company remained unchanged, at 29.99 %. Finally, Tchibo Holding AG notified us that Vanguard Grundbesitz GmbH was merged with Tchibo Beteiligungsgesellschaft mbH on July 15, 2005, and W. H. Kaffeehandelskontor GmbH, Gallin, was merged with Tchibo Beteiligungsgesellschaft mbH on August 9, 2005, and that both companies had been dissolved. During the course of the merger, the shares held by these companies and the voting rights in our Company attributable to these shares were transferred to Tchibo Beteiligungsgesellschaft mbH. Since that date, Tchibo Beteiligungsgesellschaft mbH therefore exceeds the threshold of 50 % of the voting rights from shares in our Company and has directly held 50.46 % of the voting rights since August 9, 2005.

In addition, the following persons and companies listed below informed us in accordance with § 21 (1) *WpHG* that their share of voting rights had each exceeded the threshold of 50 % on March 30, 2004, and that they were entitled to the share of voting rights of 50.46 % each which are fully attributable to them in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG*:

- SPM Beteiligungs- und Verwaltungs GmbH, Norderstedt
- EH Real Grundstücksgesellschaft mbH & Co. KG, Norderstedt
- EH Real Grundstücksverwaltungsgesellschaft mbH, Norderstedt
- Scintia Vermögensverwaltungs GmbH, Norderstedt
- Trivium Vermögensverwaltungs GmbH, Norderstedt
- Michael Herz, Germany
- Wolfgang Herz, Germany
- Agneta Peleback-Herz, Germany
- Ingeburg Herz GbR, Norderstedt
- Max und Ingeburg Herz Stiftung, Norderstedt
- Ingeburg Herz, Germany
- CORO Vermögensverwaltungsgesellschaft mbH, Hamburg
- Joachim Herz, Germany

In accordance with § 25 (1) sentence 3 in connection with § 21 (1) sentence 1 *WpHG*, Beiersdorf AG also announced that it had exceeded the threshold of 5 % of the voting rights in its own Company on February 3, 2004, and that a share of 9.99 % has been attributable to it since then. The own shares held by the Company do not carry voting or dividend rights in accordance with § 71b *Aktiengesetz* (German Stock Corporation Act, *AktG*).

## Proposal on the Utilization of Beiersdorf AG's Net Retained Profits

| (in € million) | 2005 |
|---|---|
| Profit after tax of Beiersdorf AG | 310 |
| Transfer to retained earnings | -155 |
| **Net retained profits of Beiersdorf AG** | **155** |

At the Annual General Meeting, the Executive Board and Supervisory Board will propose that the net retained profits from fiscal year 2005 of €155 million be utilized as follows:

| (in € million) | 2005 |
|---|---|
| Distribution of a dividend totaling €1.70 per no-par value share entitled to a dividend (75,606,328 no-par value shares) | 129 |
| Transfer to retained earnings | 26 |
| **Net retained profits of Beiersdorf AG** | **155** |

The shares carrying dividend rights at the time of the Executive Board's proposal on the utilization of the net retained profits have been reflected in the amounts specified for the total dividend and for the transfer to retained earnings. The own shares held by the Company do not carry dividend rights in accordance with § 71b *Aktiengesetz* (German Stock Corporation Act, *AktG*).

If the number of own shares held by the Company at the time of the resolution by shareholders at the Annual General Meeting on the utilization of the net retained profits is higher or lower than at the time of the Executive Board's proposal on the utilization of the profits, the total amount to be distributed to the shareholders shall be reduced or increased by the portion of the dividend attributable to the difference in the number of shares. The amount to be appropriated to the other retained earnings shall be adjusted inversely by the same amount. In contrast, the dividend to be distributed per no-par value bearer share carrying dividend rights shall remain unchanged. If necessary, an appropriately modified draft resolution will be presented at the Annual General Meeting.

Hamburg, February 9, 2006

The Executive Board

# Boards of Beiersdorf AG

## Honorary Chairman of the Company

**Georg W. Claussen**

## Supervisory Board

**Dieter Ammer,** Hamburg
Chairman

Chairman of the Executive Board of Tchibo Holding AG

Chairman of the Supervisory Board
- Conergy AG

Member of the Supervisory Board
- Heraeus Holding GmbH (since June 11, 2005)
- IKB Deutsche Industriebank
- mg technologies ag

Deputy Chairman of the Board of Directors
- Sparkasse Bremen (until May 24,2005)

**Thorsten Irtz,** Stapelfeld
(since May 18, 2005)
Deputy Chairman

Deputy Chairman of the Works Council of Beiersdorf AG

Member of the Supervisory Board
- Tchibo Holding AG

**Jürgen Krause,** Hamburg
(until May 18, 2005)
Former Deputy Chairman

Former Chairman of the Works Council of Beiersdorf AG

**Reinhard Pöllath,** Munich
Deputy Chairman

Lawyer
Pöllath + Partner

Chairman of the Supervisory Board
- Deutsche Woolworth GmbH & Co. OHG
- Tchibo Holding AG

Deputy Chairman of the Supervisory Board
- SinnerSchrader AG

Member of the Supervisory Board
- Feri Finance AG (since September 1, 2005)
- TA Triumph-Adler AG
- Tchibo GmbH

**Dr. Diethart Breipohl,** Icking
(until May 18, 2005)
Former member of the Executive Board of Allianz AG

Chairman of the Supervisory Board
- KM Europa Metal AG

Member of the Supervisory Board
- Allianz AG
- Continental AG
- Karstadt Quelle AG

Member of the Conseil d'Administration
- Crédit Lyonnais, Paris
- EULER & Hermes, Paris
- Les Assurances Générales de France (AGF), Paris

**Dr. Walter Diembeck,** Hamburg
Head of Biocompatibility, Research & Development, Beiersdorf AG

**Frank Ganschow,** Kiebitzreihe
Chairman of the Works Council of tesa AG

Member of the Supervisory Board
- tesa AG (intragroup)

**Michael Herz,** Hamburg
Merchant

Chairman of the Supervisory Board
- Tchibo GmbH

Member of the Supervisory Board
- Tchibo Holding AG

**Dr. Rolf Kunisch,** Überlingen
(since May 18, 2005)
Former Chairman of the Executive Board of Beiersdorf AG

Chairman of the Supervisory Board
- tesa AG (intragroup) (until April 14, 2005)

Member of the Supervisory Board
- Hamburg-Mannheimer Sachversicherungs-AG (until December 31, 2005)
- Hamburg-Mannheimer Versicherungs-AG (until December 31, 2005)
- Hermes Kreditversicherungs-AG (until December 31, 2005)
- Lufthansa Technik AG (until December 31, 2005)

**Dr. Arno Mahlert,** Hamburg
Member of the Executive Board of Tchibo Holding AG

Deputy Chairman of the Supervisory Board
- GfK AG
- Saarbrücker Zeitung GmbH

Member of the Supervisory Board
- Tchibo GmbH

Chairman of the Board
- Springer Science & Business Media S.A., Luxembourg

**Tomas Nieber,** Bad Münder
Trade Union Secretary, IG Bergbau, Chemie, Energie

Member of the Supervisory Board
- BP Refining & Petrochemicals GmbH
- Tchibo Holding AG (since January 25, 2005)

Member of the Advisory Board
- Qualifizierungsförderwerk Chemie GmbH

**Ulrich Plechinger,** Hamburg
Head of Corporate Pension and Insurance Management, Beiersdorf AG

**Manuela Rousseau,** Rellingen
Head of PR Programs,
Beiersdorf AG

Professor at the Academy of Music and Theater, Hamburg

**Dr. Bruno E. Sälzer,** Reutlingen
Chairman of the Executive Board of HUGO BOSS AG

## Supervisory Board Committees

### Members of the Mediation Committee

Dieter Ammer (Chairman)
Thorsten Irtz (since May 18, 2005)
Ulrich Plechinger
Reinhard Pöllath

### Members of the Executive Committee

Dieter Ammer (Chairman)
Michael Herz
Thorsten Irtz (since May 18, 2005)
Reinhard Pöllath

### Members of the Audit and Finance Committee

Dr. Arno Mahlert (Chairman)
Dieter Ammer
Dr. Walter Diembeck
Reinhard Pöllath

## Executive Board[1)]

**Thomas-B. Quaas**
Chairman
(since May 18, 2005)

Chairman of the Supervisory Board
- tesa AG (intragroup) (since April 14, 2005)

**Dr. Rolf Kunisch**
(until May 18, 2005)
Chairman

Chairman of the Supervisory Board
- tesa AG (intragroup) (until April 14, 2005)

Member of the Supervisory Board
- Hamburg-Mannheimer Sachversicherungs-AG (until December 31, 2005)
- Hamburg-Mannheimer Versicherungs-AG (until December 31, 2005)
- Hermes Kreditversicherungs-AG (until December 31, 2005)
- Lufthansa Technik AG (until December 31, 2005)

**Peter Kleinschmidt**
Human Resources:
Human Resources/Administration/Environmental Protection

**Pieter Nota**
(since May 1, 2005)
Brands:
Marketing/Research & Development/Sales

**Markus Pinger**
(since April 1, 2005)
Supply Chain:
Procurement/Production/Logistics

**Rolf-Dieter Schwalb**
Finance:
Finance/Controlling/IT

Deputy Chairman of the Supervisory Board
- tesa AG (intragroup)

**Uwe Wölfer**
(until May 31, 2005)
Brands:
Marketing/Research & Development/Sales

[1)] In connection with their Group management and supervisory duties, the members of the Executive Board of Beiersdorf AG also hold offices in comparable supervisory bodies at Group companies and investees

# Significant Group Companies

| | Location | Share of capital (%) | Sales[1] 2005 (in € million) | Result[2] 2005 (in € million) | Employees as of Dec. 31, 2005 |
|---|---|---|---|---|---|
| **Europe** | | | | | |
| Beiersdorf Gesellschaft m.b.H. | AT, Vienna | 100.0 | 119 | 11 | 191 |
| SA Beiersdorf NV | BE, Brussels | 100.0 | 84 | 8 | 116 |
| Bandfix AG | CH, Bergdietikon | 100.0 | 41 | 3 | 168 |
| Beiersdorf AG[3] | CH, Münchenstein | 50.0 | 51 | 8 | 71 |
| Juvena (International) AG | CH, Volketswil/Zurich | 100.0 | 77 | 8 | 125 |
| Beiersdorf spol. s.r.o. | CZ, Prague | 100.0 | 30 | 2 | 64 |
| Beiersdorf AG | DE, Hamburg | | 1,120 | 167 | 2,853 |
| Bode Chemie GmbH & Co. | DE, Hamburg | 75.0 | 69 | 2 | 291 |
| Cosmed-Produktions GmbH | DE, Berlin | 100.0 | 49 | 4 | 137 |
| Juvena Produits de Beauté GmbH | DE, Baden-Baden | 100.0 | 88 | 7 | 430 |
| Florena Cosmetic GmbH | DE, Waldheim | 100.0 | 79 | 3 | 327 |
| tesa AG | DE, Hamburg | 100.0 | 493 | 42 | 756 |
| tesa Werke Offenburg GmbH | DE, Offenburg | 100.0 | 116 | 3 | 466 |
| tesa Werk Hamburg GmbH | DE, Hamburg | 100.0 | 87 | 2 | 414 |
| BDF Nivea S.A. | ES, Tres Cantos (Madrid) | 100.0 | 165 | 11 | 257 |
| Beiersdorf, S.A. | ES, Argentona (Barcelona) | 100.0 | 42 | 3 | 272 |
| Beiersdorf s.a. | FR, Savigny-le-Temple | 99.9 | 340 | 18 | 610 |
| Beiersdorf UK Ltd. | GB, Birmingham | 100.0 | 195 | 13 | 217 |
| Beiersdorf Hellas AE | GR, Gerakas/Attikis | 100.0 | 52 | 3 | 156 |
| Beiersdorf d.o.o. | HR, Zagreb | 100.0 | 31 | 3 | 43 |
| Beiersdorf KFT | HU, Budapest | 100.0 | 31 | 3 | 75 |
| Beiersdorf SpA | IT, Milan | 100.0 | 338 | 17 | 372 |
| Comet SpA | IT, Solbiate-Concagno | 100.0 | 60 | - | 201 |
| Beiersdorf N.V. | NL, Almere | 100.0 | 156 | 18 | 247 |
| Beiersdorf-Lechia S.A. | PL, Poznan | 99.9 | 110 | 9 | 348 |
| Beiersdorf Portuguesa, Lda. | PT, Queluz de Baixo | 100.0 | 60 | 8 | 85 |
| Beiersdorf ooo | RU, Moscow | 100.0 | 68 | 4 | 122 |
| Beiersdorf AB | SE, Kungsbacka | 100.0 | 93 | 5 | 231 |

| | Location | Share of capital (%) | Sales[1] 2005 (in € million) | Result[2] 2005 (in € million) | Employees as of Dec. 31, 2005 |
|---|---|---|---|---|---|
| **Americas** | | | | | |
| BDF Nivea Ltda. | BR, São Paulo | 100.0 | 84 | -1 | 139 |
| BDF Industria e Comercio Ltda. | BR, São Paulo | 100.0 | 35 | -1 | 105 |
| Beiersdorf SA | CL, Santiago de Chile | 100.0 | 36 | 2 | 116 |
| BDF México, S.A. de C.V. | MX, Mexiko City | 100.0 | 76 | 4 | 299 |
| Beiersdorf, Inc. | US, Wilton, CT | 100.0 | 263 | 3 | 598 |
| La Prairie, Inc. | US, New York | 100.0 | 48 | 2 | 70 |
| tesa tape, Inc. | US, Charlotte, NC | 100.0 | 65 | 1 | 152 |
| **Africa/Asia/Australia** | | | | | |
| Beiersdorf Australia Ltd. | AU, North Ryde, NSW | 100.0 | 74 | 1 | 195 |
| Nivea (Shanghai) Company Ltd. | CN, Shanghai | 100.0 | 42 | 1 | 625 |
| Nivea-Kao Co., Ltd. | JP, Tokyo | 60.0 | 155 | 12 | 76 |
| Beiersdorf Singapore Ltd. | SG, Singapore | 100.0 | 39 | 1 | 51 |
| Beiersdorf (Thailand) Co., Ltd. | TH, Bangkok | 100.0 | 83 | 6 | 388 |
| **Subgroup BSN medical GmbH & Co. KG[4]** | DE, Hamburg | 50.0 | 526 | 40 | 3,428 |

1) these figures also include intragroup sales and do not reflect the contribution to the consolidated financial statements
2) result after tax in accordance with the Group's accounting policies before consolidation
3) joint venture, proportionately consolidated; amounts reflect interest held
4) figures for the BSN medical subgroup are shown at 100 %

# Index

# Ten-year Overview

| (in € million unless otherwise stated) | 1996 | 1997 | 1998[1] | 1999 | 2000 | 2001 | 2002 | 2003[2] | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sales[3]** | **2,954** | **3,215** | **3,347** | **3,638** | **4,116** | **4,542** | **4,742** | **4,435** | **4,546** | **4,776** |
| Change from prior year in % | 8.1 | 8.8 | 4.1 | 8.7 | 13.1 | 10.3 | 4.4 | -1.3 | 2.5 | 5.1 |
| cosmed | 1,573 | 1,751 | 1,980 | 2,242 | 2,590 | 2,955 | 3,167 | - | - | - |
| medical | 711 | 753 | 735 | 768 | 858 | 915 | 882 | - | - | - |
| Consumer | - | - | - | - | - | - | - | 3,739 | 3,840 | 4,041 |
| tesa | 670 | 711 | 632 | 628 | 668 | 672 | 693 | 696 | 706 | 735 |
| Europe | 2,196 | 2,329 | 2,550 | 2,687 | 2,855 | 3,183 | 3,410 | 3,329 | 3,388 | 3,498 |
| Americas | 455 | 556 | 544 | 630 | 832 | 903 | 819 | 638 | 635 | 687 |
| Africa/Asia/Australia | 303 | 330 | 253 | 321 | 429 | 456 | 513 | 468 | 523 | 591 |
| **EBITDA** | **364** | **377** | **424** | **468** | **538** | **620** | **633** | **614** | **656** | **693** |
| **Operating result (EBIT)** | **235** | **248** | **291** | **339** | **389** | **466** | **472** | **455** | **483** | **531** |
| **Profit before tax** | **226** | **132** | **265** | **323** | **382** | **468** | **478** | **491** | **492** | **535** |
| **Profit after tax** | **120** | **72** | **166** | **175** | **226** | **285** | **290** | **301** | **302** | **335** |
| Return on sales (after tax) in % | 4.0 | 2.2 | 5.0 | 4.8 | 5.5 | 6.3 | 6.1 | 6.8 | 6.6 | 7.0 |
| Earnings per share in € | 1.34 | 1.31 | 1.93 | 2.04 | 2.61 | 3.32 | 3.37 | 3.50 | 3.88 | 4.36 |
| Total dividend | 43 | 43 | 52 | 60 | 84 | 109 | 118 | 121 | 121 | 129 |
| Dividend per share in € | 0.51 | 0.51 | 0.61 | 0.72 | 1.00 | 1.30 | 1.40 | 1.60 | 1.60 | 1.70 |
| **Cost of materials** | **901** | **964** | **981** | **995** | **1,112** | **1,196** | **1,205** | **1,149** | **1,113** | **1,147** |
| **Personnel expenses** | **673** | **716** | **701** | **713** | **786** | **817** | **863** | **808** | **804** | **840** |
| **Capital expenditure (incl. financial assets)[4]** | **123** | **144** | **138** | **129** | **249** | **241** | **242** | **162** | **165** | **128** |
| **Depreciation (incl. financial assets)** | **133** | **133** | **154** | **129** | **149** | **154** | **162** | **159** | **173** | **162** |
| **Research and development expenses** | **94** | **97** | **74** | **79** | **88** | **92** | **93** | **97** | **101** | **109** |
| as % of sales | 3.2 | 3.0 | 2.2 | 2.2 | 2.1 | 2.0 | 2.0 | 2.2 | 2.2 | 2.3 |
| **Employees as of Dec. 31** | **17,881** | **16,777** | **16,417** | **16,065** | **16,590** | **17,749** | **18,183** | **16,664** | **16,492** | **16,769** |

| (in € million unless otherwise stated) | 1996 | 1997 | 1998[1] | 1999 | 2000 | 2001 | 2002 | 2003[2] | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| Intangible assets | 105 | 91 | 79 | 56 | 118 | 138 | 128 | 94 | 58 | 34 |
| Property, plant, and equipment | 628 | 617 | 751 | 782 | 808 | 871 | 917 | 876 | 887 | 882 |
| Non-current financial assets | 23 | 43 | 31 | 26 | 24 | 18 | 22 | 94 | 93 | 5 |
| Inventories | 401 | 394 | 484 | 515 | 595 | 695 | 677 | 629 | 558 | 536 |
| Receivables and other assets[5] | 497 | 510 | 618 | 701 | 804 | 811 | 832 | 789 | 815 | 967 |
| Cash and cash equivalents | 210 | 349 | 443 | 622 | 632 | 714 | 722 | 828 | 290 | 483 |
| **Shareholders' equity** | **853** | **877** | **1,122** | **1,289** | **1,458** | **1,636** | **1,727** | **1,831** | **1,033** | **1,293** |
| Share capital | 215 | 215 | 215 | 215 | 215 | 215 | 215 | 215 | 215 | 215 |
| Reserves | 622 | 647 | 890 | 1,051 | 1,219 | 1,400 | 1,492 | 1,604 | 806 | 1,065 |
| Minority interests | 16 | 15 | 17 | 23 | 24 | 21 | 20 | 12 | 12 | 13 |
| **Liabilities** | **1,011** | **1,127** | **1,284** | **1,413** | **1,523** | **1,611** | **1,571** | **1,479** | **1,668** | **1,614** |
| Current and non-current provisions | 578 | 666 | 691 | 772 | 828 | 863 | 908 | 839 | 846 | 837 |
| Current and non-current financial liabilities | 91 | 80 | 66 | 61 | 83 | 129 | 96 | 66 | 204 | 103 |
| Other liabilities | 342 | 381 | 527 | 580 | 612 | 619 | 567 | 574 | 618 | 674 |
| **Total equity and liabilities** | **1,864** | **2,004** | **2,406** | **2,702** | **2,981** | **3,247** | **3,298** | **3,310** | **2,701** | **2,907** |
| Equity ratio in % | 45.7 | 43.8 | 46.8 | 47.7 | 48.9 | 50.4 | 52.4 | 55.3 | 38.2 | 44.5 |
| Return on equity (after tax) in % | 14.7 | 8.3 | 14.7 | 14.5 | 16.4 | 18.5 | 17.3 | 16.9 | 21.1 | 28.8 |
| Return on capital employed (before tax) in % | 12.8 | 7.3 | 13.1 | 13.7 | 14.2 | 15.5 | 14.9 | 14.9 | 17.0 | 19.6 |
| **Beiersdorf share Year-end closing price[6]** | **38.91** | **39.88** | **58.80** | **66.66** | **111.50** | **127.50** | **106.10** | **96.20** | **85.60** | **104.00** |
| Market capitalization as of Dec. 31[6] | 3,268 | 3,350 | 4,939 | 5,599 | 9,366 | 10,710 | 8,912 | 8,081 | 7,190 | 8,736 |

[1] figures up to and including 1997 prepared in accordance with *Handelsgesetzbuch* (German Commercial Code – *HGB*); figures from 1998 onwards prepared in accordance with International Accounting Standards (IAS/IFRS)

[2] restated to reflect the new structure

[3] sales changed from "based on customers' domicile" to "based on companies' domicile" as from 1998

[4] excluding changes in figures resulting from measurement at equity

[5] including non-current assets held for sale

[6] based on Frankfurt floor trading until 1998 and on the XETRA trading system from 1999 onwards

# Contact Information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This Annual Report is also available in German.

A media-friendly online version of the Annual Report as well as the
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www.Beiersdorf.com/Annual_Report.

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Beiersdorf

## Financial Calendar

| | |
|---|---|
| Publication of Annual Report 2005<br>Annual Accounts Press Conference<br>Financial Analyst Meeting | March 2, 2006 |
| Interim Report January to March 2006 | May 4, 2006 |
| Annual General Meeting | May 17, 2006 |
| Dividend Payment | May 18, 2006 |
| Interim Report January to June 2006 | August 3, 2006 |
| Interim Report January to September 2006<br>Financial Analyst Meeting | November 7, 2006 |
| Publication of Preliminary Group Results | January 2007 |
| Publication of Annual Report 2006<br>Annual Accounts Press Conference<br>Financial Analyst Meeting | February/March 2007 |
| Annual General Meeting | April 26, 2007 |
| Interim Report January to March 2007 | May 2007 |
| Interim Report January to June 2007 | August 2007 |
| Interim Report January to September 2007<br>Financial Analyst Meeting | November 2007 |