BDF ●●●●

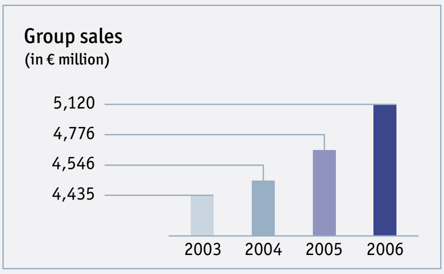
Beiersdorf

Annual Report 2006

Beiersdorf at a Glance

in € million (unless otherwise stated)	2005	2006
Sales	**4,776**	**5,120**
Change in % (nominal)	5.1	7.2
Change in % (adjusted for currency translation effects)	3.9	7.3
Consumer	4,041	4,327
tesa	735	793
EBITDA	**693**	**660**
Operating result (EBIT)	531	477
Operating result (EBIT, excluding special factors)	**531**	**597**
Profit after tax	335	668
Profit after tax (excluding special factors)	**335**	**387**
Return on sales after tax in %	7.0	13.0
Return on sales after tax in % (excluding special factors)	**7.0**	**7.6**
Earnings per share in €*	1.45	2.93
Earnings per share in € (excluding special factors)*	**1.45**	**1.69**
Total dividend	**129**	**136**
Dividend per share in €*	0.57	0.60
Gross cash flow	**435**	**427**
Capital expenditure (incl. financial assets)	**128**	**114**
Research and development expenses	**109**	**118**
Employees (as of December 31)	**16,769**	**17,172**

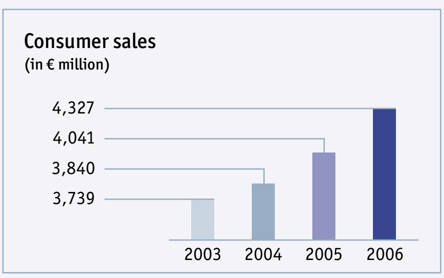
* To aid comparison the figures for 2005 have been adjusted to the number of shares after the share split.

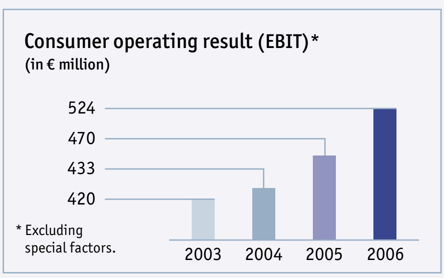


Overview of Beiersdorf

Consumer Segment

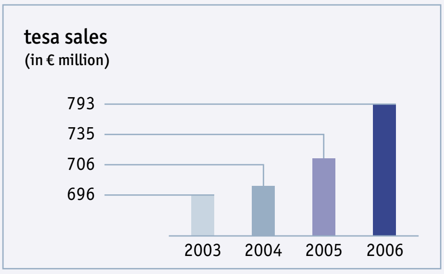
Our leading international brands are focused exclusively on products for skin and beauty care. We systematically align our business with our consumers. Our innovations anticipate their needs and offer completely new options for personal skin and beauty care. This allows us to compete successfully on a global level and to grow worldwide.

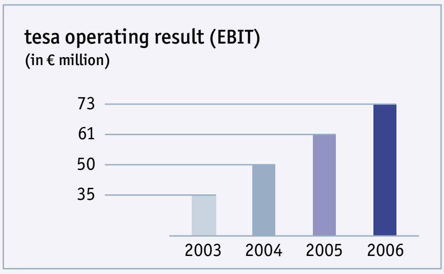




tesa Segment

We develop, produce, and market self-adhesive system and product solutions for direct customers and our distribution business in the industrial segment, as well as for consumers. As one of the world's leading manufacturers we have an extensive understanding of the needs of our customers and offer them state-of-the-art products and consistent high quality.





Consumer

(in € million)	Europe	Americas	Africa/Asia/ Australia	**Total**
Sales 2006	3,134	647	546	4,327
Change (adjusted for currency translation effects)	6.0 %	7.5 %	14.0 %	7.2 %
Change (nominal)	6.1 %	7.6 %	12.4 %	7.1 %
EBIT 2006*	486	11	27	524
EBIT margin 2006*	15.5 %	1.8 %	4.9 %	12.1 %
EBIT 2005	417	18	35	470
EBIT margin 2005	14.1 %	2.9 %	7.3 %	11.6 %

* Excluding expenses for the realignment of the Consumer Supply Chain (€120 million exclusively in Europe).

tesa

(in € million)	Europe	Americas	Africa/Asia/ Australia	**Total**
Sales 2006	583	91	119	793
Change (adjusted for currency translation effects)	7.0 %	8.6 %	13.9 %	8.2 %
Change (nominal)	7.0 %	7.7 %	13.0 %	7.9 %
EBIT 2006	51	9	13	73
EBIT margin 2006	8.8 %	9.1 %	11.5 %	9.2 %
EBIT 2005	48	3	10	61
EBIT margin 2005	8.8 %	3.6 %	9.9 %	8.4 %

Care for Your Skin
Enjoy Your Beauty

On average everyone spends up to 25 minutes a day on skin and beauty care – to look great and to feel good.

We know what matters to our consumers. We think ahead and give them a totally new feel for skin and beauty care with our innovative products. This passion is leading us to a successful future – and made the year 2006 the best in the Company’s history.

This Annual Report shows you how we implement our Consumer Business Strategy around the world.

Our Claim:

We understand our consumers and delight them with innovative products for their skin and beauty care needs. This strengthens the trust and appeal that our brands enjoy. Every day. Worldwide.

Contents

Letter from the Chairman

"Implementing our Consumer Business Strategy will ensure our long-term growth."

Ladies and gentlemen,

Beiersdorf is moving forward successfully.

We laid the foundations for this in 2006 by starting to implement our new Consumer Business Strategy, which allows us to focus our activities more systematically than ever before on consumers' skin and beauty care needs.

With tremendous success: adjusted for currency translation effects, Group sales increased by 7.3 % in 2006. Profit after tax was €668 million, or €387 million excluding special factors relating to the realignment of the Consumer Supply Chain and the sale of BSN medical. The Executive Board and Supervisory Board will be proposing a dividend of €0.60 for each share carrying dividend rights to our shareholders at the Annual General Meeting.

Our strategy comprises four cornerstones: superior brands, a superior supply chain, a clear geographical focus, and superior talent in a lean organization. We have a clearly defined goal: by 2010, we aim to increase our global market share to 5.5 % and thus significantly strengthen our position as a global competitor.

We shall achieve this goal by investing in the growth of our brands. We will obtain the resources we need by optimizing our structures and processes, among other things. The realignment of our Consumer Supply Chain is a central part of this – and in some cases entails far-reaching changes for the entire Company.

We regard these changes as opportunities and are confronting the challenges imposed by changing markets. Consumers are becoming more and more demanding and cost-conscious, while competition in our core markets is getting fiercer.

The systematic implementation of our Consumer Business Strategy allows us to actively shape our future. Our outstanding innovations are winning over consumers and putting us ahead of our competitors. The new benchmark in anti-age care, NIVEA VISAGE DNAge, is an excellent example of this.

We focus our business exclusively on the wishes and needs of our consumers. In the past, we have frequently been better than others at seeing things through our consumers' eyes – a skill that we are systematically enhancing. "What is in it for the consumer?" is the first, basic question we ask about every project and every new product.

This passion for skin and beauty care sets us apart. As leading international experts, we make every effort to ensure that consumers feel good with our products. Our Annual Report contains numerous examples of this.

Business in our tesa segment was also extremely encouraging: our forward-looking solutions enabled us to develop new markets and target groups, both in our business with direct customers and our distribution business in the industrial segment, as well as in the consumer business.

I am extremely optimistic about the future – not just because of our excellent year 2006 and our strong, healthy position. I am deeply convinced that our strategic focus offers an excellent basis to continue Beiersdorf's growth-oriented development.

Lastly, I would like to thank all our employees, whose extremely hard work ensures Beiersdorf's success. And I am looking forward to you, our shareholders, retail, and business partners, continuing to give us your support.

Sincerely yours,

Thomas-B. Quaas

Chairman of the Executive Board

The Executive Board of Beiersdorf AG

Approaching people: We focus on our consumers and understand what appeals to them.
At the end of 2005 our Executive Board defined Beiersdorf’s new Consumer Business Strategy.
In 2006 we began its successful implementation. We are continuously pursuing this path.

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

Pieter Nota

Born in 1964 in Wageningen (the Netherlands), Member of the Executive Board since 2005, responsible for Brands: Marketing/ Research & Development/Sales

Dr. Bernhard Düttmann

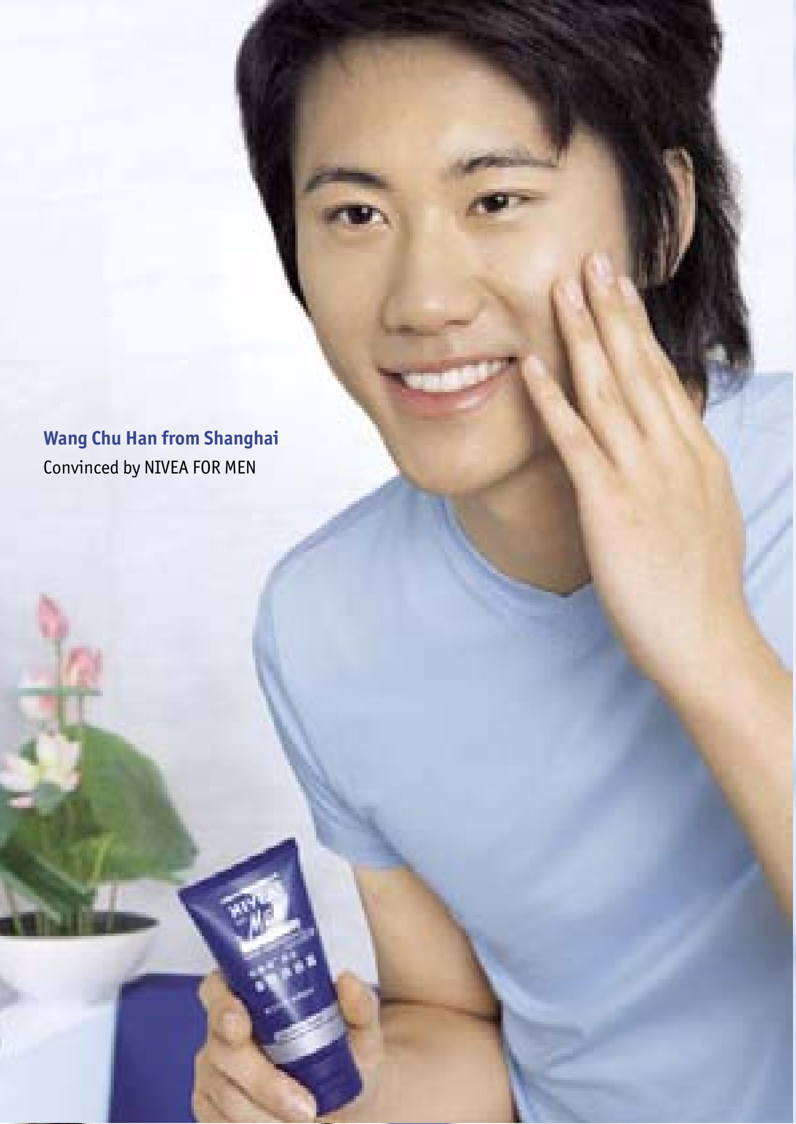
Born in 1959 in Düsseldorf (Germany), Member of the Executive Board since 2006, responsible for Finance: Finance/ Controlling/IT

Markus Pinger

Born in 1963 in Leverkusen (Germany), Member of the Executive Board since 2005, responsible for Supply Chain: Procurement/ Production/Logistics/Quality Management

Peter Kleinschmidt

Born in 1950 in Rostock (Germany), Member of the Executive Board since 2003, responsible for Human Resources: HR/Administration/Environmental Protection



Wang Chu Han from Shanghai
Convinced by NIVEA FOR MEN

Mascha Rubina from Moscow
Happy with NIVEA Hair Care

Britta Werth from Hamburg
Relaxed with NIVEA VISAGE DNAge

Julia Ferreira from São Paulo
Delighted with NIVEA body

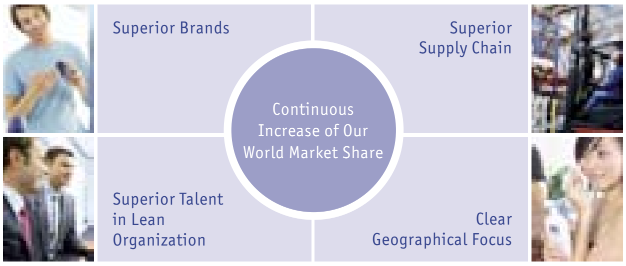
Everything for Skin and Beauty
And for Feeling Good

Consumers' skin and beauty care needs are as individual and varied as people themselves.
Yet however different these needs may be – our products make everyone feel good. All over the world.

Everything we do is driven by our consumers – always. This is the key idea behind our Consumer Business Strategy. Implementing it was a major task for us in 2006. We have a clearly defined goal: to grow even faster and more strongly than before in order to use our profits for growth on the global market.

Consumer Business Strategy

When implementing our Consumer Business Strategy, our first question is always: "What is in it for the consumer?" This systematic consumer orientation forms the basis for all the cornerstones of our strategy and is our critical success factor. Our strategy is described in detail in the Combined Management Report. Page 37



Four keywords describe how we implement our Consumer Business Strategy, and therefore our passion for skin and beauty care:

More Focused
Whether as part of our clear geographical focus or in our brand portfolio – we concentrate on really important projects and products. Page 15

Bigger
We set benchmarks. With our innovations our consumers can experience totally new skin and beauty care. Page 33

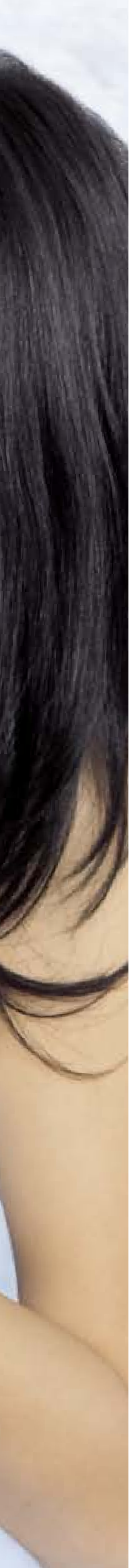
Better
We understand what appeals to people. We are constantly improving because of an even greater consumer focus and new concepts for innovative skin and beauty care. Page 65

Faster
To reach consumers first, we are getting even faster. The realignment of our Consumer Supply Chain plays a major role here. Page 101

We will show you what this means in detail – in addition to presenting our successful year 2006 – in this Annual Report.

Li and Wang Chu Han from Shanghai

Both have found their personal skin and beauty care: Li Chu Han with Eucerin, which was successfully introduced in China in 2006. Wang Chu Han with NIVEA FOR MEN, the number 1 in the Chinese men's face care market.Together they are discovering how delightful intensive skin and beauty care is.



More Focused

Our clearly defined priorities enable us to implement our Consumer Business Strategy in a targeted manner. The “clear geographical focus” cornerstone is an excellent example of this: we aim to grow in all markets worldwide. However, we place particular emphasis on regions that offer above-average high-development potential.

In addition to Western Europe, our activities focus on the new markets in Asia, Eastern Europe, and Latin America, and especially on China, Russia, Brazil, and India. These countries are expected to record above-average economic growth in the coming years, coupled with an increase in consumer purchasing power.

Take China, for example: the Chinese market, which has a current growth of more than 50 %, is affected by an intensive competitive environment. Nevertheless, we were able to establish Eucerin successfully as “medical skin care from Germany.” Additionally NIVEA FOR MEN became, merely two years after its launch, the market leader within the men’s face care segment.

Furthermore, we are setting priorities in our brand portfolio: we have defined a strategic role for each brand, from a global perspective and tailored to each country. In doing so, we always focus on the needs of consumers, for example in Brazil by concentrating on brands such as NIVEA body and NIVEA deodorant. This enables us to allocate and deploy resources efficiently. We continuously review the efficiency of our sales and marketing expenses.

We standardize our product ranges wherever it makes sense and is possible: for example, we use multilanguage packaging for Scandinavian countries. Streamlining care formulas, without impact on the products’ benefit, allows us to cut the number of raw materials required, thus making procurement simpler and more effective. As a result, we can also accelerate our production processes and reduce sources of error – making us faster, more reliable, and more flexible. You can find out more about the optimization of processes within our Consumer Supply Chain on Page 101

So as not to lose sight of our priorities, we must also be able to say “No.” This is precisely what our “Integrated Innovation Management” demands. This process allows us to steer concepts through our organization in a focused manner – and to regularly review if and how we will continue to pursue them. Our ultimate goal is that consumers will say “Yes” to really innovative skin and beauty care. Page 16

At our cross-functional gatekeeper meetings, we use clear criteria to decide on the projects we will continue to pursue.

Integrated Innovation Management

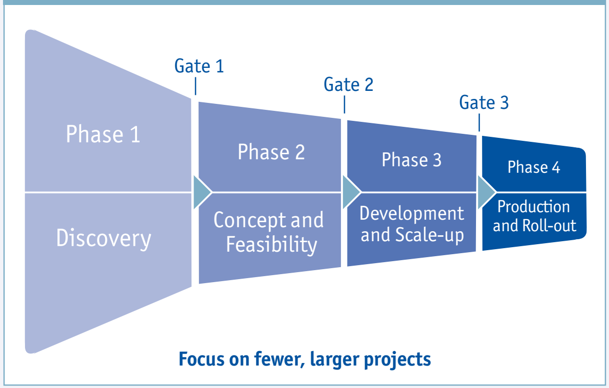
Focusing on What is Important

Our "Integrated Innovation Management" enables us to define the right focus when developing innovations. All projects are managed in an integrated manner from beginning to end and are subject to a clearly structured process: "gatekeepers" decide if and how to progress with the concepts presented to them – on the basis of standardized criteria that are used to assess a project in a neutral, targeted manner.

The gatekeeper meetings are attended by top-class staff from different areas: each meeting includes one manager from our international marketing departments as well as representatives from our research and development, supply chain, and controlling areas. "This procedure creates more transparency," confirms Dr. Dirk Alert, Head of Quality & Safety. "We use established criteria to determine how to allocate resources. This leads to the required focus on fewer, larger projects."

For example, the development of NIVEA VISAGE DNAge was classified as a priority project from the outset – and led to an outstanding innovation in anti-age care. Page 34

Integrated Innovation Management



Targeted: All projects are subject to a clearly structured process.

RESPONDING CLOSELY TO CONSUMER WISHES

For Moments Full of Trust

Page 15
Page 33
Page 65
Page 101

Investor Relations & Corporate Governance


Our goal is to sustainably increase Beiersdorf's company value and to continually enhance the appeal of our shares. Success depends among other things on dedicated and trust-based cooperation with our stakeholders.

The Beiersdorf Share

The Beiersdorf share performed extremely well in the second half of 2006 in particular – as a result of our initial successes in implementing our Consumer Business Strategy.

2006 got off to an extremely dynamic start on the international stock markets, with key indices trending clearly upwards in the first quarter. Many observers expected improved growth prospects in Europe in particular, as well as more homogeneous economic growth worldwide. Interest rate hikes by the European Central Bank did little to dampen this optimism. In mid-May the markets experienced an unexpectedly sharp slowdown, in which a number of key resistance levels were broken. The DAX lost more than 500 points in only a few days during this period in early summer; for most observers, this came as a surprise and did not reflect macro-economic fundamentals. Only in mid-June did the markets start showing initial signs of recovery, which strengthened significantly in the course of the third quarter. July then saw the beginning of an upturn that lasted several months and was driven in part by the slump in crude oil prices: the DAX hit 6,000 points in September, fell just short of the 6,500 mark in November and closed the year at 6,597 points.

Consumer sector indices performed in a similar manner: the HPC (Household and Personal Care) sector to which Beiersdorf belongs recorded somewhat slower growth than the blue chips, but here, too, the slump in May was followed by a recovery in the summer. This marked the beginning of an extended rally in the second half of the year.

Share Information (after Share Split)	2005*	2006
Number of shares in millions	**252**	**252**
Market capitalization as of Dec. 31 in € million	**8,736**	**12,378**
Share price as of Dec. 31 in € (Relative index 2005 = 100)	**34.67** (100)	**49.12** (142)
High in €	**35.18**	**49.79**
Low in €	**27.64**	**34.55**
Earnings without special factors per share in €** (Relative index 2005 = 100)	**1.45** (100)	**1.69** (117)
Dividend per share in € (Relative index 2005 = 100)	**0.57** (100)	**0.60** (105)
DAX (Relative index 2005 = 100)	**5,408** (100)	**6,597** (122)
MDAX (Relative index 2005 = 100)	**7,312** (100)	**9,405** (129)

* To aid comparison the figures for 2005 have been adjusted to the number of shares after the share split.
** Special factors relate to the expenses for the realignment of the Consumer Supply Chain and the income from the sale of BSN medical.

The Beiersdorf share price was affected primarily by two factors in the course of 2006. Firstly, the general market trend was a key performance driver for our shares. After an extremely strong first quarter, the Beiersdorf share lost substantial ground during the general downturn in May – largely in line with the indices – but then developed a momentum of its own. Our share price increased substantially around the time of our interim publications. Observers believe that this was largely due to the second factor: since the launch of our Consumer Business Strategy in November 2005, the markets have also analyzed Beiersdorf's results from the perspective of the successful implementation of our strategy.

In particular after the publication of our third quarter figures, observers regarded Beiersdorf's extremely strong sales growth coupled with its high profitability as proof of the successful implementation of the first steps in our Consumer Business Strategy. Boosted by target price increases by numerous financial analysts, Beiersdorf's share price rose significantly in the second half of the year, outperforming both the DAX and the MDAX to close the year at the encouraging price of €49.12.

On July 17, 2006, Beiersdorf AG implemented a 1:3 share split, thus increasing the liquidity of the Beiersdorf share. The Company's share capital was increased by €36.96 million from retained earnings to €252 million, and is now divided into 252 million bearer shares. Based on our strong results in 2006, the Executive Board and the Supervisory Board will be proposing to distribute a dividend per share of €0.60 (previous year: €0.57). Considering all 226,818,984 shares carrying dividend rights, this results in a total dividend of €136 million.

Beiersdorf's Share Price Performance in 2006

Closing Prices (in €)

	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
	39.67	39.27	41.97	49.12

Investor Relations

The implementation of our new Consumer Business Strategy was the central theme of the activities of our Investor Relations department in 2006.

The Executive Board reported on the progress made with implementing the strategy at our two financial analyst meetings in March and November. The Chairman of the Executive Board, Thomas-B. Quaas, described the initial steps in a presentation titled "Making the Strategy Work" in March. At the meeting in fall, we presented our initial implementation successes to analysts on the basis of our strong results. This analyst meeting also saw Beiersdorf's new CFO Dr. Bernhard Düttmann hold his first discussions with capital market observers.

As in recent years, our top management attended various international investor conferences to give investors a picture of business development and strategy implementation at Beiersdorf in a large number of one-on-one discussions. Numerous investors gained first-hand information about the Company in discussions with the Executive Board at a roadshow in Paris.

Over the course of the year, the keen interest shown by the capital markets in Beiersdorf was reflected in a further increase in the number of times the Investor Relations department was contacted. There was also a rise in the number of analysts covering Beiersdorf. At present, approximately 30 financial analysts regularly produce research about the Company.

As a new service to explain our quarterly data, we offer an audio webcast to users of Beiersdorf's website. Flanking publication of our results, the CEO and the CFO reported in detail on the first quarter in May; this was followed by a commentary on the first half of the year in August. A further audio stream of our financial analyst meeting was made available at www.Beiersdorf.com for the first time in November. This additional information offering was extremely well received by shareholders and observers.

Basic Share Data

Company Name	**Beiersdorf Aktiengesellschaft**
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	**252,000,000**
Share Capital in €	**252,000,000**
Class	**No-par value bearer shares**
Market Segment/Index	**Prime Standard/MDAX**

Report by the Supervisory Board

"With confidence and interest we look forward to the continued implementation of the Consumer Business Strategy."

The Executive Board kept us informed in fiscal year 2006 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 discussed and reviewed 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.

In the year under review four regular Supervisory Board meetings were held, together with a written resolution procedure on the basis of detailed documents. At these meetings, we discussed current business developments, important business transactions, and Executive Board measures requiring Supervisory Board approval; all necessary approvals were granted after thorough review and discussion. In November, we reviewed in detail the Company's medium-term planning, including its earnings, financial, investment, and human resources planning, as well as the planning in the brands and supply chain areas, and approved the plans for fiscal year 2007 submitted by the Executive Board.

The Supervisory Board also discussed the implementation of Beiersdorf's realignment of its Consumer Supply Chain resolved in 2005 in depth at several meetings. At the meeting in February, we discussed and evaluated in detail the results of the international invitation to tender for the audit of the 2006 annual and consolidated financial statements and proposed to the Annual General Meeting the appointment of Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft – i.e. we proposed a change in the auditors for reasons of good corporate governance. In addition, we addressed in detail the results of the efficiency audit by the Supervisory Board and were able to further optimize our work on this basis.

We issued the declaration of compliance with the German Corporate Governance Code for fiscal year 2006 at the end of December 2006 and made it accessible to shareholders on the Company's website. Additional information on corporate governance at Beiersdorf 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 seven times in the year under review, and also passed one resolution via written procedure. It discussed the implementation of Beiersdorf's realignment of its Consumer Supply Chain in detail at several meetings. In addition, the Executive Committee discussed and evaluated the results of the efficiency audit by the Supervisory Board, and addressed the issue of a successor to the CFO Mr. Rolf-Dieter Schwalb, who resigned from this position at the end of September 2006. It also performed the tasks assigned to it in relation to the new Executive Board remuneration system, for example defining the corporate and personal targets for the individual Executive Board members for fiscal year 2007. Further details on this can be found in the Remuneration Report published on the following pages as part of the Corporate Governance Report.

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 February, September, and December 2006. Its work focused in particular on the annual and consolidated financial statements, risk management issues, as well as preparing the agreement with the auditors. At its meeting in February, the Audit and Finance Committee discussed in depth the results of the invitation to tender for the audit of the 2006 annual and consolidated financial statements, and submitted a corresponding recommendation to the Supervisory Board. It also reviewed and approved the audit program submitted by Beiersdorf's internal audit department for fiscal years 2006 and 2007, and evaluated the results of the audit in the year under review.

The chairmen of the various committees reported regularly in detail to the full Supervisory Board about the work performed in the committees.

Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, which was appointed as the Company's auditors by the Annual General Meeting on May 17, 2006, and engaged by the Supervisory Board, audited the annual financial statements of Beiersdorf AG and the consolidated financial statements as of December 31, 2006, 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, *AktG*) for fiscal year 2006, 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 22, 2007, 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, 2006; 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.

In the management report for Beiersdorf AG and the Group, the Executive Board made statements in accordance with § 315 (4) *Handelsgesetzbuch* (German Commercial Code, *HGB*), and explained them. The statements relate especially to the provisions for the appointment and dismissal of the members of the Executive Board, to the amendment of the Articles of Association, the powers of the Executive Board, especially regarding the possibility to issue or buy back shares, as well as the composition of the share capital. The Supervisory Board reviewed these statements and explanations. As a result of our review, we confirm that the disclosures in accordance with § 315 (4) *HGB* as well as the explanations given by the Executive Board are correct.

After thirteen years' service at Beiersdorf, CFO Rolf-Dieter Schwalb left the Company at his own request in the past fiscal year effective as of September 30, 2006. We would like to thank him for his successful work and his dedication as a member of Beiersdorf's Executive Board. Dr. Bernhard Düttmann, who was previously CFO of tesa AG and has also been responsible for tesa's Consumer business segment since May 2005, was appointed as Mr. Schwalb's successor by the Supervisory Board with effect from October 1, 2006.

The composition of the Supervisory Board also changed: Dr. Bruno E. Sälzer, member of the Supervisory Board since 2004, resigned with effect from July 31, 2006. We would like to thank Dr. Sälzer for his work on the Supervisory Board. Mr. Stefan Pfander, Senior Consultant and former Vice President and Chairman Europe of Wm. Wrigley Jr. Company, Chicago, USA, was appointed as Dr. Sälzer's successor by the court with effect from August 1, 2006. In accordance with the recommendation of the German Corporate Governance Code, section 5.4.3, the court appointment of Mr. Pfander was limited to the end of the Annual General Meeting in fiscal year 2007.

We would like to express our thanks and recognition to the Executive Board and all employees for their hard work and achievements, which again contributed to a successful fiscal year for Beiersdorf. We look forward with keen confidence and interest to the continued implementation of the Executive Board's "Passion for Success" Consumer Business Strategy.

Hamburg, February 22, 2007

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 2006. 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.

I. Declaration of Compliance

At the end of December 2006, the Executive Board and Supervisory Board issued the declaration of compliance with the recommendations of the Code for fiscal year 2006 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*). The individual disclosure of Executive Board and Supervisory Board remuneration in the Remuneration Report (see below under III.) for fiscal year 2006 means that Beiersdorf AG now fulfills all the Code's recommendations.

In addition, Beiersdorf AG complies with a large number of the suggestions of the German Corporate Governance Code.

The following declaration was made permanently accessible to the shareholders on the Company's website at www.Beiersdorf.com:

Declaration by the Executive Board and the Supervisory Board of Beiersdorf Aktiengesellschaft on the Recommendations of the "Government Commission on the German Corporate Governance Code", in accordance with § 161 *AktG*

In fiscal year 2006, 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 June 2, 2005 and June 12, 2006 respectively, with the following exceptions:

In the Annual Report 2005, published on March 2, 2006, an individualized breakdown of the compensation paid to our Executive and Supervisory Boards for fiscal year 2005 was not provided (sections 4.2.4 sentence 2 and 5.4.7 (3) sentence 1 of the Code in the version dated June 2, 2005).

In the Annual Report 2006 the compensation of both our Executive and Supervisory Board members for fiscal year 2006 will be disclosed on an individualized basis.

Hamburg, December 2006

For the Supervisory Board	For the Executive Board	
Dieter Ammer	Thomas-B. Quaas	Dr. Bernhard Düttmann

II. General Information on Beiersdorf's Management Structure

As an international stock corporation domiciled in Hamburg, Beiersdorf AG is governed by the provisions of German stock corporation, capital market, and co-determination law, as well as by the provisions of its Articles of Association. Like all German stock corporations, Beiersdorf has a dual management and supervisory structure consisting of two bodies, the Executive Board and the Supervisory Board. In addition, the Annual General Meeting acts as the decision-making body for shareholders, involving them in fundamental decisions by the Company. These three bodies are all dedicated in equal measure to the interests of the shareholders and the good of the Company.

1. The Supervisory Board

The Supervisory Board of Beiersdorf AG consists of twelve members, six of whom are elected by the Annual General Meeting in accordance with the provisions of the *Aktiengesetz* (German Stock Corporation Act, *AktG*) and six by the employees in accordance with the provisions of the *Mitbestimmungsgesetz* (German Co-determination Act), each for a period of five years. The term of office of the current Supervisory Board ends with the conclusion of the Annual General Meeting resolving on the approval of their activities for fiscal year 2008.

The Supervisory Board advises the Executive Board on the management of the Company and supervises its conduct of the Company's business within the framework laid down by the law, the Articles of Association and the bylaws. It works closely with the Executive Board for the benefit of the Company and is involved in decisions of fundamental importance.

Supervisory Board members disclose potential conflicts of interest due to their activities as consultants to or officers of other companies to the Supervisory Board without delay; material conflicts of interest that are more than temporary in nature result in the termination of the mandate of the member concerned. In its report, the Supervisory Board informs the Annual General Meeting of any conflicts of interest that have occurred and of how these were handled. The D&O insurance policy taken out by the Company for the members of the Supervisory Board includes a suitable deductible. Supervisory Board members should not be older than 72 years.

The work of the Supervisory Board is performed both in plenary sessions and in committees. The Supervisory Board has formed the following three committees from among its members to increase its efficiency:

The **Executive Committee** prepares the Supervisory Board meetings and the Supervisory Board's human resources decisions, resolves on the contracts of service and pension agreements for members of the Executive Board in the place of the Supervisory Board, and regularly reviews the efficiency of the Supervisory Board's activities. In addition, it regularly discusses long-term succession planning for the Executive Board. Finally, the Executive Committee is authorized to make urgent decisions on transactions requiring Supervisory Board approval in those cases in which the Supervisory Board cannot pass a resolution in time.

The **Audit and Finance Committee** prepares the decisions of the Supervisory Board on the approval of the annual and consolidated financial statements, the proposal to the Annual General Meeting on the election of the auditors, and the agreement with the auditors. It also advises and supervises the Executive Board on questions relating to accounting, controlling, risk management, and internal auditing. In addition, the Audit and Finance Committee monitors corporate policy in the areas of finance, tax, and insurance. It decides in place of the Supervisory Board on the raising and extension of loans, on the assumption of liability for third-party liabilities, and on investment transactions.

The **Mediation Committee** formed in accordance with the provisions of the *Mitbestimmungsgesetz* (German Co-determination Act) makes proposals to the Supervisory Board on the appointment of Executive Board members if the requisite two-thirds majority is not reached during the first ballot.

2. The Executive Board

The Executive Board manages the Company and conducts its business. It is obliged to act in the Company's best interests and to increase the Company's sustainable enterprise value. The members of the Executive Board are appointed by the Supervisory Board. The Company's Executive Board consists of five members. The duties of the Executive Board are assigned by functions.

The Executive Board develops the Company's strategy, agrees it with the Supervisory Board and ensures its implementation. It is responsible for the Company's annual and multi-year planning and for preparing the quarterly, annual, and consolidated financial statements. It is also responsible for ensuring adequate risk management and risk control and for regular, timely, and comprehensive reporting to the Supervisory Board. Certain measures and transactions performed by the Executive Board require the approval of the Supervisory Board.

Executive Board members disclose potential conflicts of interest to the Supervisory Board without delay and inform their colleagues on the Executive Board of them. Material transactions between the Company and members of the Executive Board and related parties require the approval of the Supervisory Board; such transactions must comply with the standards customary in the sector. Sideline activities also require the approval of the Supervisory Board. The Company has concluded a D&O insurance policy for the members of the Executive Board that provides for a suitable deductible.

3. The Annual General Meeting

Shareholders exercise their rights at the Annual General Meeting and vote there. Each share entitles the holder to one vote.

The ordinary Annual General Meeting takes place each fiscal year, generally during the first six months. The agenda for the Annual General Meeting, including the reports and documents required for the Annual General Meeting, is also published on the Company's website; on request, the notice convening the Annual General Meeting together with the associated documents can be dispatched electronically.

To assist shareholders in personally exercising their voting rights, Beiersdorf AG offers its shareholders a voting representative who votes in accordance with shareholders' instructions. The invitation explains how to issue instructions for exercising voting rights in the run-up to the Annual General Meeting. In addition, shareholders are free to appoint a proxy of their choice as their representative at the Annual General Meeting.

III. Remuneration Report

The following Remuneration Report explains the structure and amount of the remuneration paid to the members of the Executive Board and the Supervisory Board.

It takes into account the recommendations of the German Corporate Governance Code and the commercial law requirements as amended by the *Gesetz über die Offenlegung der Vorstandsvergütungen* (German Act on Disclosure of Executive Board Remuneration). The Remuneration Report forms part of the annual and consolidated financial statements.

1. Remuneration of the Executive Board

The Executive Committee of the Supervisory Board discusses and reviews the remuneration system for the Executive Board at regular intervals; in addition, it regularly submits the system's structure to the Supervisory Board for discussion and review. The Executive Committee, which consists of Dieter Ammer, Michael Herz, Thorsten Irtz, and Reinhard Pöllath, developed a new remuneration system for the Executive Board in fall 2005 and, as part of this, replaced the dividend-based variable remuneration applicable for fiscal year 2005 with a new, performance-related variable remuneration. The new remuneration system applies as from fiscal year 2006. The structure of the new remuneration system was discussed by the Supervisory Board and approved in September 2005.

The new remuneration system focuses primarily on the tasks and performance of the individual members of the Executive Board, as well as on the entire Executive Board's performance and the Company's economic and financial situation, performance, and future prospects, including in comparison with its peer group.

The remuneration of the Executive Board comprises the following non-performance-related and performance-related components:

- A fixed basic remuneration component
- A variable remuneration component linked to the achievement of certain targets, which in turn comprises the following two elements:
  - an annually payable short-term remuneration element (short-term incentive, STI), and
  - a long-term, risk-oriented remuneration element covering a five-year period (long-term incentive, or LTI).

Where the target bonus for the variable remuneration specified by the Executive Committee for each Executive Board member is reached, the ratio of fixed to variable remuneration is generally 1:2.

The **fixed basic annual remuneration** is paid in twelve equal monthly installments – as in the previously applicable remuneration system. It is reviewed regularly for appropriateness by the Executive Committee every two years.

To provide additional support for Beiersdorf's new Consumer Business Strategy, "Passion for Success," the Supervisory Board has resolved to link the **variable component** of the Executive Board's remuneration more closely to the Executive Board's performance, the development of the Company, and the rise in its sustained enterprise value. As a result, the variable remuneration – i.e. the short-term incentive and the long-term incentive – depends on the extent to which predefined corporate targets and specific personal targets for individual Executive Board members are met; in line with the Company's strategic focus, these targets relate primarily to the Consumer business. The corporate targets relate to sales growth (adjusted for currency translation effects) and EVA® (Economic Value Added); these can be adjusted by the Executive Committee to take account of extraordinary factors. The Executive Committee of the Supervisory Board lays down the corporate and personal targets before the fiscal year begins. After the end of the fiscal year, the Executive Committee establishes the basic variable remuneration for each Executive Board member depending on the extent to which the corporate targets have been reached, using the consolidated result as a basis; this basic amount is then increased or reduced within predefined limits depending on the extent to which the Executive Board member's personal targets have been reached. The individual variable remuneration determined in this way for each Executive Board member is subject to an upper limit (cap). For a period of three years during the transition from the dividend-based to the new, variable remuneration, an annually declining portion of the target bonus is guaranteed as a minimum amount (2006: 75 % of the target bonus; 2007: 50 % of the target bonus; 2008: 25 % of the target bonus).

Part of the variable remuneration can be paid out annually in cash, as the **STI**. The amount of the annual payout is determined by the Executive Committee individually for each Executive Board member before the start of the fiscal year in question. The payout is limited to a maximum of 80 % of the annual variable remuneration up to the amount of the target bonus and a maximum of 50 % of the amount in excess of the target bonus.

The remaining amount counts towards the **LTI**; this is designed to cover a five-year period and rewards the contribution made by individual Executive Board members to sustainably increasing the Company's enterprise value. A new LTI is produced each calendar year for each Executive Board member. The development of the LTI depends on the growth in the enterprise value (compound annual growth rate, or CAGR); this is calculated on the basis of sales and EBIT multiples that are kept constant throughout the duration of the LTI. The Executive Committee can adjust the development of the enterprise value as calculated to take into account extraordinary effects. The LTI provides for a cash payment to be made at the end of every five years, to the extent that the enterprise value exceeds a predefined minimum threshold. If this minimum threshold is not reached, the entire LTI lapses.

The remuneration of the Executive Board does not contain any stock option programs or comparable securities-based incentives. Equally, the members of the Executive Board do not receive any additional remuneration for their membership of supervisory bodies of Group companies and investees.

Each Executive Board member is also provided with a company car in addition to his fixed and variable remuneration. In addition, Beiersdorf AG has taken out accident insurance for the Executive Board members. These non-cash remuneration components are taxed as non-cash benefits.

In addition, pension commitments have been made to the individual Executive Board members. The pension benefits are determined as a percentage of a fixed amount that corresponds to the current fixed remuneration of the individual Executive Board members. In other words, the pension commitment is not linked either to the performance-related remuneration components or to future increases in the fixed remuneration. The percentage increases in line with the length of service of the Executive Board member.

The contracts of service for the Executive Board members do not contain any change-of-control clauses. If the contract of the Chairman of the Executive Board is terminated early by mutual consent for reasons for which the Chairman is not responsible, he has been promised compensation in the amount of the fixed remuneration due until the end of his contract plus a fixed amount of €500 thousand per year representing the variable remuneration. No other commitments exist in relation to the termination of membership of the Executive Board.

Total Remuneration for Activities in Fiscal Year 2006[1]

(in €)	Basic fixed remuneration	Variable remuneration[2] STI[3]	LTI[4]	Other[5]	Total	Additions to pension provisions
Thomas-B. Quaas	400,000	560,000	613,332	14,150	1,587,482	203,490
Dr. Bernhard Düttmann[6]	60,000	120,000	–[7]	2,114	182,114	83,197
Peter Kleinschmidt	250,000	350,000	257,850	11,820	869,670	129,560
Pieter Nota	300,000	270,000	410,418	11,695	992,113	112,560
Markus Pinger	200,000	240,000	364,816	12,480	817,296	273,256
Rolf-Dieter Schwalb[8]	225,000	689,040	–[9]	9,240	923,280	240,550
	1,435,000	**2,229,040**	**1,646,416**	**61,499**	**5,371,955**	**1,042,613**

[1] This table does not provide a prior-year comparison since a new remuneration system for the Executive Board was adopted at the start of fiscal year 2006. The total remuneration of the Board for fiscal year 2005 amounted to €6,197 thousand. Of this amount, €1,728 thousand were fixed and €4,469 thousand were a variable, dividend-based component.

[2] The variable remuneration for fiscal year 2006 was adopted in the Executive Committee meeting in February.

[3] The amount of the annual payout is determined individually for each Executive Board member by the Executive Committee before the start of the fiscal year in question. The payout is limited to a maximum of 80 % of the annual variable remuneration up to the amount of the target bonus and a maximum of 50 % of the amount in excess of the target bonus.

[4] This LTI will not be paid out until after the end of fiscal year 2011, assuming that the specified minimum threshold is reached. Until this point the development of the LTI is independent of the growth in the enterprise value (CAGR).

[5] The Other column refers to non-cash benefits arising from the provision of company cars and the payment of insurance contributions.

[6] Dr. Bernhard Düttmann was appointed as a member of the Company's Executive Board with effect from October 1, 2006. Dr. Bernhard Düttmann was also a member of the Executive Board of tesa AG for a transitional period until November 2, 2006; however, he received no separate remuneration for this. Reference is made to the annual financial statements of tesa AG for the period before October 1, 2006.

[7] Due to Dr. Bernhard Düttmann's appointment as a member of the Company's Executive Board in the course of the year, 25 % of his contractually agreed target bonus was paid out as pro rata variable remuneration for fiscal year 2006 as an STI.

[8] Mr. Rolf-Dieter Schwalb left the Company's Executive Board effective as of the close of September 30, 2006.

[9] Due to the termination of Mr. Rolf-Dieter Schwalb's contract of service in the course of the year no LTI was paid out – in line with the provisions of the contract – but rather the variable remuneration for fiscal year 2006 was paid out pro rata as an STI.

Payments to former members of the Executive Board and their dependants totaled €1,947 thousand (previous year: €1,757 thousand). Total provisions for pension commitments to former members of the Executive Board and their dependants amounted to €24,131 thousand (previous year: comparable to €23,899 thousand; previous year in accordance with § 6a *Einkommenssteuergesetz* (income tax Act, *EStG*) €18,166 thousand).

The members of the Executive Board did not receive any loans from the Company.

2. Remuneration of the Supervisory Board

The basic principles governing the remuneration of the Supervisory Board were laid down by the Annual General Meeting in Article 15 of the Articles of Association. The remuneration of the Supervisory Board takes into account the responsibilities and scope of tasks of the individual members of the Supervisory Board as well as the economic situation of the Company.

In addition to being reimbursed for cash expenses, Supervisory Board members receive a fixed and a variable dividend-based remuneration component. The ratio of the fixed to the variable remuneration component is balanced. Following the substantial reduction resolved by the Annual General Meeting in 2004, the variable Supervisory Board remuneration was adjusted again in 2006 and slightly reduced. This adjustment was made as a result of the reclassification of the share capital by way of a share split, since the latter will affect future dividends and hence the amount of variable remuneration paid to the Supervisory Board.

Each Supervisory Board member receives fixed remuneration in the amount of €25,000 for each full fiscal year and variable remuneration of €1,200 for each cent by which the dividend per share distributed exceeds the amount of 15 cents. No attendance fees are paid. In line with the recommendation of the German Corporate Governance 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 each 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. If a member of the Supervisory Board simultaneously holds several offices for which increased remuneration is granted, he or she shall only receive the remuneration for the highest-paying office.

Subject to the resolution of the Annual General Meeting on April 26, 2007, on the dividend to be distributed for fiscal year 2006, the members of the Supervisory Board will receive the following remuneration for their activities in fiscal year 2006:

	Fixed [1]		Variable		Total	
(in €)	**2006**	2005	**2006**	2005	**2006**	2005
Dieter Ammer	62,500	62,500	135,000	130,000	197,500	192,500
Thorsten Irtz [2]	37,500	23,424	81,000	48,724	118,500	72,148
Jürgen Krause [2]	-	14,178	-	29,490	-	43,668
Reinhard Pöllath	37,500	37,500	81,000	78,000	118,500	115,500
Dr. Diethard Breipohl [3]	-	9,452	-	19,660	-	29,112
Dr. Walter Diembeck	40,000	40,000	54,000	52,000	94,000	92,000
Frank Ganschow	25,000	25,000	54,000	52,000	79,000	77,000
Michael Herz	50,000	50,000	54,000	52,000	104,000	102,000
Dr. Rolf Kunisch [3]	25,000	15,617	54,000	32,482	79,000	48,099
Dr. Arno Mahlert	55,000	55,000	54,000	52,000	109,000	107,000
Tomas Nieber	25,000	25,000	54,000	52,000	79,000	77,000
Stefan Pfander [4]	10,479	-	22,636	-	33,115	-
Ulrich Plechinger	25,000	25,000	54,000	52,000	79,000	77,000
Manuela Rousseau	25,000	25,000	54,000	52,000	79,000	77,000
Dr. Bruno E. Sälzer [5]	14,521	25,000	31,364	52,000	45,885	77,000
	432,500	**432,671**	**783,000**	**754,356**	**1,215,500**	**1,187,027**

[1] This includes the fixed remuneration component and the additional remuneration for membership of Supervisory Board committees and for the chairmanship and deputy chairmanship of the Supervisory Board.

[2] Mr. Jürgen Krause left the Company's Supervisory Board with effect as of the end of the Annual General Meeting on May 18, 2005. Mr. Thorsten Irtz succeeded him as substitute member.

[3] Dr. Diethard Breipohl left the Company's Supervisory Board with effect as of the end of the Annual General Meeting on May 18, 2005. Dr. Rolf Kunisch was elected to the Supervisory Board as his successor.

[4] Mr. Stefan Pfander was appointed as a member of the Company's Supervisory Board with effect from August 1, 2006.

[5] Dr. Bruno E. Sälzer left the Company's Supervisory Board with effect from July 31, 2006.

The members of the Supervisory Board did not receive any loans from the Company. In addition, the members of the Supervisory Board did not receive any compensation or benefits for services provided individually, such as advisory or agency services.

IV. Directors' Dealings and Shareholdings of the Executive and Supervisory Boards

In accordance with § 15a *Wertpapierhandelsgesetz* (German Securities Trading Act, *WpHG*), 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. The total shareholdings of the members of the Supervisory Board amount to 50.46 % of the shares issued by the Company. Michael Herz, a member of the Supervisory Board of Beiersdorf AG, notified the Company in accordance with § 21 (1) *Wertpapierhandelsgesetz* (German Securities Trading Act, *WpHG*) 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 *WpHG* (indirect ownership of shares). The other members of the Supervisory Board hold less than 1 % of the shares issued by the Company.

V. 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 Supervisory Board and the Executive Board, can be found in the Report by the Supervisory Board on the previous pages.

Transparency and our claim 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 22, 2007

Beiersdorf Aktiengesellschaft

The Supervisory Board　　　　The Executive Board

Mascha Rubina from Moscow

Simply washing her hair is not enough for Mascha Rubina. She wants to care for her hair as well, so that it not only looks shiny, but also feels soft. With the new NIVEA Hair Care "Brilliant Blonde," she enjoys doing the best for her hair – and for herself.

Bigger

We think bigger. That is why our innovations repeatedly set new standards. 125 years of expertise make us leading experts. Like almost no other company we study and understand the complex natural processes in our body which affect our skin and beauty.

We leverage our comprehensive knowledge to produce exciting innovations that offer our consumers entirely new options for their personal skin and beauty care. One of the best examples of this is the successful relaunch of NIVEA Hair Care in 2006, including:

- Two new additional product lines: "Brilliant Blonde" and "Beauty Care"
- Revised and optimized formulas
- New packagings and labels
- A strong advertising campaign with television and print advertisements

The relaunch was implemented in a mere 24 months – the outcome of close international cooperation between marketing, research and development, packaging development, supply chain, and market research.

A new standard in anti-age care. NIVEA VISAGE DNAge is another outstanding new development. This care system, comprising day, night, and eye care, protects DNA from damage by external influences and improves skin renewal. Page 34

Eucerin also expanded its range with two highly effective anti-aging products in 2006. Intensive research work culminated in day and night care that helps to significantly increase the production of hyaluronic acid in the skin. One common cause of wrinkles is a reduction in the skin's hyaluron content. Our products Eucerin Hyaluron-Filler Day and Night can offset this deficiency. Studies document their effectiveness and skin tolerance.

We are continuously expanding our skin and beauty care expertise. In 2006, we undertook an in-depth analysis of our research and development activities with the support of the renowned Fraunhofer-Institut. This identified strengths and revealed weaknesses. It gives us a good basis for further optimizing processes and maintaining our high standards of quality. Overall, the audit confirmed the superior excellence of our research and development activities.

Sensation from la prairie

The Absolute Gold Standard

Sales in the premium and luxury segment are very strong: a growing number of consumers want to pamper themselves with high-end products. This reflects their desire to enjoy a lifestyle tailored to their individual needs. The brands they choose are viewed as a reflection of their own personality. Exclusive cosmetics from la prairie and JUVENA meet these needs by satisfying the most demanding requirements.

For example, a pioneering innovation from la prairie brings a whole new glamour to beauty care: la prairie Cellular Radiance Concentrate Pure Gold is skin care with pure 24-carat gold. It rejuvenates and revitalizes the skin – giving it a luminous, intensive radiance that is completely new in skin and beauty care.

Dr. Martin Rudolph was intensively involved in the development of NIVEA VISAGE DNAge.

"We worked to achieve a milestone right from the start."

The revolution began more than six years ago: Beiersdorf researchers discovered that folic acid significantly influences the ability of skin cell nuclei to repair themselves. Now, after intensive research and development work, this discovery forms the basis for NIVEA VISAGE DNAge. Dr. Martin Rudolph, Head of Product Development, answers some questions.

What happens when people get older?
Skin firmness and elasticity declines, and increasing numbers of wrinkles and pigmentation marks become visible. The aging process starts slowly in the mid-twenties, and the cells' regenerative ability decreases. We know that damage, through UV light for example, can penetrate to the DNA and contribute to skin aging. If this damage can be prevented or even repaired, then we can combat the cause of wrinkle formation – a major step forward in anti-age skin care.

What is the effect of folic acid, which is used in NIVEA VISAGE DNAge?
Folic acid is extremely important for all cell growth and regeneration processes. It helps ensure healthy cell division. However, the difficulty in the past was finding a "stable environment" for folic acid. Legislation requires our products to remain stable for 30 months in other words they must have a 30-month shelf life. But folic acid is extremely sensitive to heat and light, and it's also water-soluble. It took us about two years to develop a stable cream.

And what were the next steps?
We used "penetration tests" to examine whether the substances also reach where they're supposed to go – in other words, whether the folic acid also penetrates into the skin cells and is effective there. The next steps were taken in close cooperation with Marketing. We had to decide how the product was to be marketed, how its texture, perfume, and packaging should be, for example. The project ended for us in early 2006 when we handed over the formula to production.

How did you test NIVEA VISAGE DNAge?
The first testers are always ourselves, i.e. the laboratory staff. That's where we get an initial feeling as to whether the product is good or not. We then test the creams very intensively in our Test Center. For NIVEA VISAGE DNAge, for example, we used tesafilm strips to take samples of treated skin areas. We were then able to see under the microscope how many new cells the skin had produced. The more small cells there are, the younger the skin is. We were able to establish that a very large number of additional new skin cells were produced after using the product.

How are we protecting this new development?
We have applied for a patent on the combination of folic acid and creatine for repairing cellular skin damage. It can take up to six years for the patent to be granted, however. During this time objections from competitors will be examined. To date, no other cosmetic manufacturer has used folic acid as a main active ingredient.

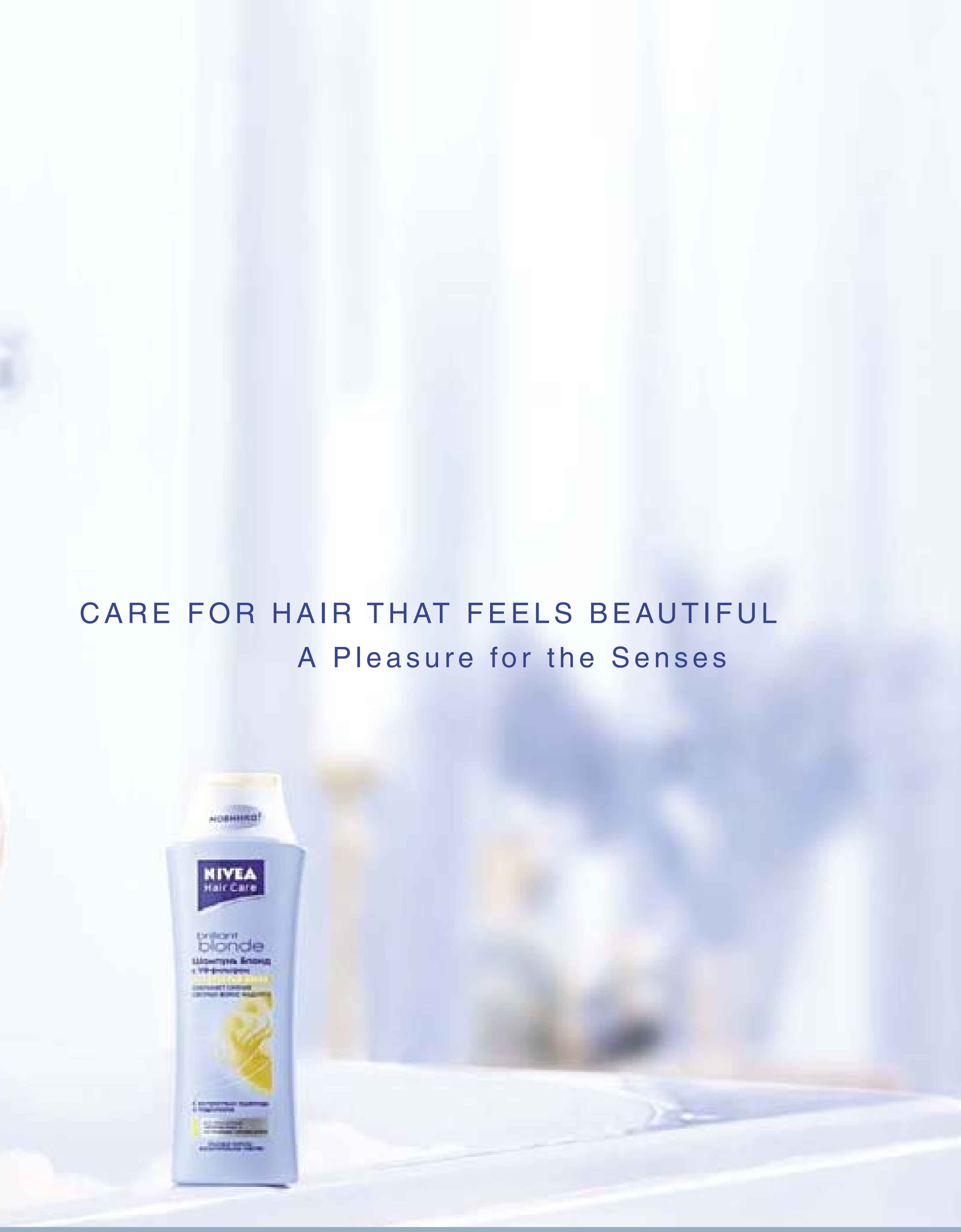
What have you learned for future product developments?
The project was identified as "important" at an early stage, so we were able to concentrate our resources. Right from the start, we had a feeling that we were working towards a milestone comparable with the introduction of Q10. However, we also learned that we must communicate our Research and Development findings to Marketing in good time. The DNAge project shows how you can launch major innovations on the market very quickly. But: you also have to give the researchers the time they need to get to the bottom of their discoveries. It's only then that something really great will emerge.

International Press Conference
A Great Start

Approximately 250 beauty journalists and Beiersdorf PR managers from 28 countries came to Hamburg in May 2006 for the launch of NIVEA VISAGE DNAge. The opening gala centered around the wishes and needs of women over 40. On the second day, scientists from Beiersdorf's Research Center presented the latest skin research findings, and the international marketing team presented NIVEA VISAGE DNAge, the first product of its kind worldwide. Feedback from the guests was extremely positive.

CARE FOR HAIR THAT FEELS BEAUTIFUL

A Pleasure for the Senses



Page 15
Page 33
Page 65
Page 101

Combined Management Report of Beiersdorf AG and the Group

According to § 315 (3) *HGB* **the management report of Beiersdorf AG** is combined with the group management report as risks and opportunities of the parent company, further business development, and activities in research and development are inseparably connected with the Group. Unless indicated differently, all figures and information in this combined management report relate to the Beiersdorf Group. Information on the parent company's business and economic environment are mentioned in a separate chapter.

The Beiersdorf Group consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, and include **the Beiersdorf AG financial statements** according to these standards for consolidation purposes. The individual financial statements of Beiersdorf AG are prepared according to German commercial law (German Commercial Code, *HGB*) and company law (German Stock Corporation Act, *AktG*).

Our research and development activities have led the field in skin and beauty care for 125 years. This know-how is the basis of outstanding innovations that will continue to give us a competitive edge in the future as well.

Business and Environment

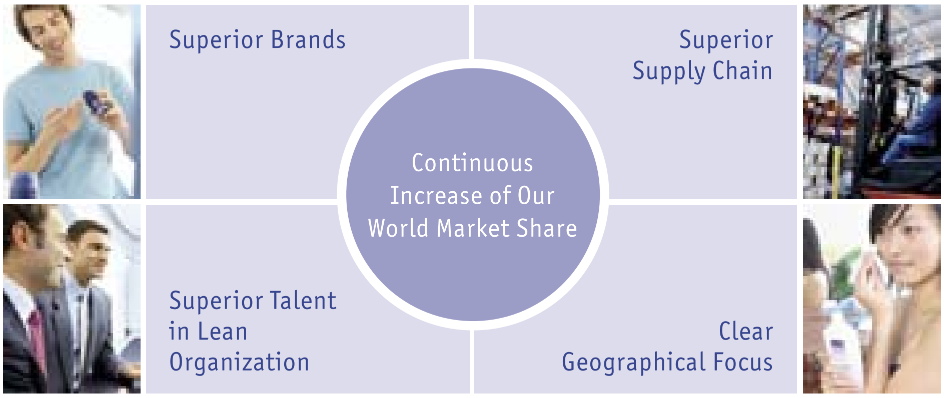
Beiersdorf is a leading international branded consumer goods company. We have been offering innovative products to meet consumer wishes for 125 years.

The main focus of our business is the Consumer business segment, which provides skin and beauty care for our consumers all over the world. Our tesa business segment develops state-of-the-art self-adhesive system and product solutions for industrial customers and consumers.

Consumer Business Segment

Our Consumer business segment concentrates on innovative skin and beauty care. Our strong brands such as NIVEA, the world's largest personal care brand, Eucerin, and la prairie convince and excite our consumers. We are successful internationally and are growing globally – forward-looking, fast, and close to people. More than 13,400 employees in over 100 affiliates across the globe meet consumer wishes for skin and beauty care. Our brands enjoy outstanding market positions in many countries and segments.

Our goal is to increase our market share through qualitative growth. At the same time we want to further improve our sound earnings performance. We aim to achieve these objectives by successfully implementing our "Passion for Success" Consumer Business Strategy. This strategy is based on four cornerstones:



- **Superior Brands:** Our innovation process enables us to develop fewer but more significant and better product innovations and deliver them to the market even faster. Showing excellence at the point-of-sale, the efficient use of our marketing and sales spend, and high-quality advertising reinforce our brands and distinguish them from the competition.
- **Superior Supply Chain:** Our Consumer Supply Chain manages all global activities centrally. We increase our product and service quality, offer our retail partners tailored solutions, deliver products to consumers even faster, and release financial resources that we invest in the growth of our strong brands.
- **Clear Geographical Focus:** We are growing globally. In addition to Western Europe, our focus is on regions in which we can achieve above-average growth rates, such as Asia, Eastern Europe, and Latin America, and in particular in China, Russia, Brazil, and India.
- **Superior Talent in Lean Organization:** We put more emphasis on performance orientation, promotion of change and innovation at all levels of the organization. We have clear central decision-making and direction with local top and bottom line responsibility.

The tesa Business Segment

The tesa business segment has been an independent affiliate within Beiersdorf since 2001. With over 3,700 employees and operations in more than 100 countries, tesa is one of the world's leading manufacturers of self-adhesive system and product solutions for industrial customers and consumers. It focuses on the electrical and electronics, automotive, as well as printing and paper industries. We are also developing new business areas with our forward-looking security solutions for protection against counterfeiting and manipulation and for product traceability.

Our industrial distribution business offers technical dealers innovative products for industrial customers.

Consumers can find more than 300 professional solutions for improving their quality of life at home, in the garden, and in the office in DIY centers, hypermarkets, and stationery shops.

Our activities are focused on our customers, for whom we develop effective solutions. We understand the needs of our industrial clients, distribution partners, and consumers and use this understanding to develop superior, market-driven products. The ongoing education of our employees and the continuous improvement of our business processes enable us to execute our solutions rapidly and efficiently. Reliable quality, a strong track record for innovation, and the use of superior technology are core elements of our brand philosophy and our success.

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
- Ensuring uniform global quality standards while also incorporating environmentally friendly technology components

Management and Control

The Executive Board manages the Company and is dedicated to increasing its sustainable enterprise value. The areas of responsibility of the individual members of the Executive Board – brands, supply chain, finance, and human resources – reflect the Group's functional organization. The Chairman of the Executive Board is responsible at an overarching level for corporate development and corporate communication. In addition, the members of the Executive Board are responsible for developments in their regions. This means they are closely involved with operations at the Beiersdorf companies. The tesa business segment is managed as an independent subgroup.

The Supervisory Board advises the Executive Board on the management of the Company and cooperates closely with it for the benefit of the Company. It supervises the conduct of the Company's business within the framework laid down by law, the Articles of Association, and the bylaws as well as taking into consideration the recommendations the German Corporate Governance Codex, and is involved in decisions of fundamental importance.

Information on the remuneration of the Executive Board and the Supervisory Board is provided in the section entitled "Corporate Governance" in the Remuneration Report, which forms part of the annual and consolidated financial statements. Page 27

Value Management and Performance Management System

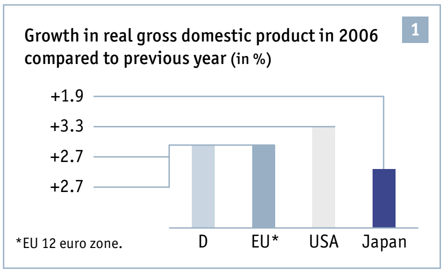
The goal of our business activities is to sustainably increase our market share in terms of qualitative growth and at the same time to expand our earnings base. Our key performance indicators are derived from this.

We want to grow faster than the market. We measure this in terms of the growth rates in our different regions, for which we have defined different growth targets. For example, the Consumer business segment is slated to grow by more than the average in the strategic markets of China, Russia, Brazil, and India.

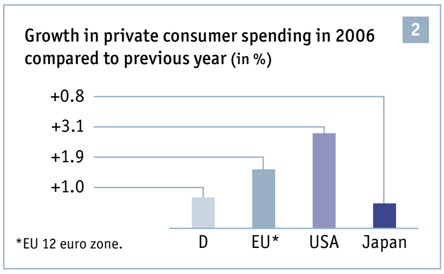
In addition to lifting sales, we want to increase the Group's earnings power disproportionately. This is measured using the operating result (EBIT) in conjunction with the EBIT margin (the ratio of EBIT to sales). We aim to generate internationally competitive returns through active cost management and the highly efficient use of resources.

In addition, we want to improve our return on equity (the ratio of EBIT to operating assets) through continuous optimization of our operating assets.

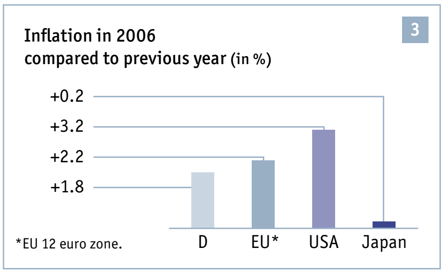
The tesa business segment forms a separate, independent unit within the Group. It is managed on the basis of the sales growth, EBIT, and EBIT margin performance indicators as well as the return on equity.



Growth in real gross domestic product in 2006 compared to previous year (in %)



Growth in private consumer spending in 2006 compared to previous year (in %)



Inflation in 2006 compared to previous year (in %)

Economic Environment

General Economic Situation

1 2 3 The global economy recorded extremely sound growth overall in 2006. In particular the contribution to growth made by Germany and the rest of the euro zone was stronger than expected this year. In addition, the quality of growth improved due to an increase in domestic demand in each case.

The ongoing dynamic growth of the Chinese market, which recorded growth of approximately 10 %, was a key driver behind the rise of commodities prices. However, this did not have a lasting negative impact on global economic growth.

Growth in Latin America accelerated in 2006 to nearly 6 %, while in Eastern Europe it remained robust at a good 6 %.

US growth declined slightly as against 2005, while the Japanese economy recorded roughly the same growth rate as in the prior-year period.

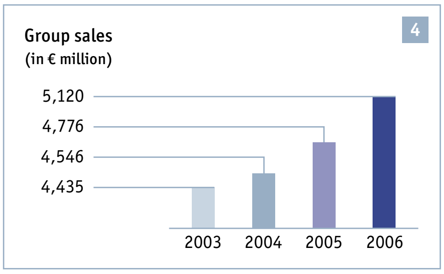
Sales Market Developments

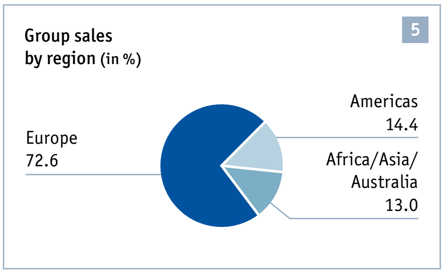
In 2006, the global cosmetics market grew by an average of approximately 3 % to 4 %, continuing its long-term growth trend. Once again, developments differed greatly from region to region. Despite some positive trends, there was no sustained improvement in the cosmetics market in the major markets of Western Europe and the United States. By contrast, the markets in Eastern Europe, Latin America, and Asia recorded above-average performance.

The adhesive tape market grew by around 4 % with clear regional differences. The electronics segments recorded strong growth rates in Asia in particular, the automotive sector generated an above-average growth, too, with regional different developments. Our consumer business was impacted by stagnating office supplies, and growth in the do-it-yourself markets could not be achieved in all countries.

Procurement Market

2006 saw the trend towards rising commodities prices continue unabated. This development was reinforced by a shortage of some raw materials. This led to suppliers demanding price increases. However, systematic application of our new procurement strategies, which we developed in 2005, enabled us to avoid significant increases in the cost of materials and procurement bottlenecks.





Results of Operations – Group

Income Statement – Group

Jan. 1–Dec. 31. (in € million)	2005	2006	% change
Sales	**4,776**	**5,120**	**7.2**
Cost of goods sold	–1,658	–1,736	4.7
Gross profit	**3,118**	**3,384**	**8.5**
Marketing and selling expenses	–2,200	–2,409	9.5
Research and development expenses	–109	–118	8.2
General and administrative expenses	–235	–245	4.2
Other operating result	–43	–15	–64.2
Operating result (EBIT, excluding special factors)	**531**	**597**	**12.2**
Expenses for the realignment of the Consumer Supply Chain	-	–120	-
Operating result (EBIT)	**531**	**477**	**–10.2**
Income from the sale of BSN medical	-	371	-
Other Financial result	4	3	–38.2
Profit before tax	**535**	**851**	**58.8**
Taxes on income	–200	–183	–8.7
Profit after tax	**335**	**668**	**99.1**

Changes in percent are calculated based on thousands of euros.

Sales

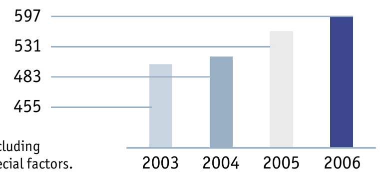
4 5 Adjusted for currency translation effects, Group sales increased by 7.3 %, outperforming our original expectations. Both business segments contributed positively to overall growth, with the Consumer business segment up 7.2 % and the tesa business segment up 8.2 %. At current exchange rates, Group sales rose by 7.2 % to €5,120 million.

In Europe we lifted sales by 6.1 % (adjusted for currency translation effects), thanks to successful new launches and supported by the economic upturn. At current exchange rates, we achieved growth of 6.2 % to €3,717 million.

Strong growth in Latin America was the main driver behind the trend in the Americas. In North America, our streamlining of the product ranges in the Consumer business segment had a negative effect on sales growth. Overall, sales in the Americas rose by 7.7 % (adjusted for currency translation effects). At current exchange rates, sales increased by 7.6 % to €738 million.

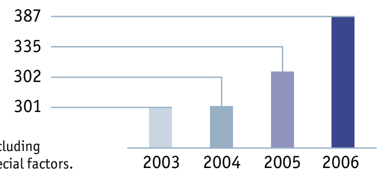
Sales growth in Africa/Asia/Australia remained extremely dynamic. The figure of 14.0 % growth (adjusted for currency translation effects) recorded for the region was extremely positive. At current exchange rates, we achieved growth of 12.5 % to €665 million.

Operating result (EBIT)*
(in € million)



* Excluding special factors.

Group profit after tax*
(in € million)



* Excluding special factors.

Expenses/Other Operating Result

At +4.7 %, the cost of goods sold increased more slowly than sales. Increases in production efficiency and an improved product mix had a positive effect on costs.

At +9.5 %, our marketing and sales expenses rose faster than sales, due to the continued expansion of our international market positions. Spending on advertising, trade marketing, and similar items rose to €1,603 million, up 13.1 % on the figure for the previous year of €1,417 million.

We further strengthened our leading position in research and development, increasing our expenditure in this area by 8.2 % to €118 million.

As in previous years, general and administrative expenses again rose disproportionately slowly, by 4.2 %.

The other operating result amounted to €–15 million (previous year: €–43 million). The improvement is particularly caused by a €24 million decline in trademark amortization.

Operating Result (EBIT, Excluding Special Factors)

1 EBIT excluding special factors rose to €597 million (previous year: €531 million), while the EBIT margin increased to 11.7 % (previous year: 11.1 %). Both business segments contributed to this improvement: EBIT for the Consumer business segment climbed from €470 million in 2005 to €524 million, with the return on sales amounting to 12.1 % (previous year: 11.6 %). EBIT for the tesa business segment improved to €73 million (previous year: €61 million), while the return on sales was 9.2 % (previous year: 8.4 %).

In Europe we generated a result of €537 million (previous year: €465 million). The return on sales rose to 14.4 % (previous year: 13.3 %). The operating result in the Americas amounted to €20 million (previous year: €21 million). The return on sales amounted to 2.7 % (previous year: 3.0 %). EBIT in Africa/Asia/Australia was €40 million (previous year: €45 million), with the return on sales being 6.1 % (previous year: 7.7 %).

Expenses for the Realignment of the Consumer Supply Chain

In 2006, we started realigning our Consumer Supply Chain as previously announced. Expenses of €120 million were incurred during the fiscal year for implemented or initiated closures and consolidations of production and logistic locations. These mainly relate to expenses from impairment losses and asset disposals as well as personnel expenses. All in all, the project is scheduled to run for three years and will entail total expenditures of €220 million.

Operating Result (EBIT)

EBIT amounted to €477 million (previous year: €531 million). The return on sales was 9.3 % (previous year: 11.1 %).

NIVEA VISAGE DNAge, la prairie Anti-Aging Complex and Eucerin Hyaluron-Filler (from left) contributed to our sales growth.

Financial Result

Income of €371 million (after tax: €361 million) was generated by the sale of Beiersdorf's shares in BSN medical in February 2006. Other financial result amounted to €3 million. The absence of the investment income shown in this position in previous year (€20 million) was compensated by an improved interest income due to higher liquidity.

Taxes on Income

Taxes amounted to €183 million (previous year: €200 million). After adjustment for the special factors resulting from the sale of BSN medical and the expenses associated with the realignment of our Consumer Supply Chain, the effective tax rate amounted to 35.4 % (previous year: 37.4 %).

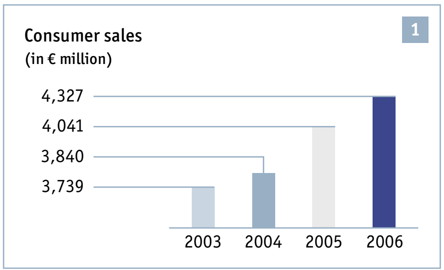
Profit After Tax

2 Profit after tax reached €668 million. After adjustment for the special factors associated with the expenses for the realignment of our Consumer Supply Chain (€80 million after tax) and the income from the sale of BSN medical (€361 million after tax), profit after tax was €387 million (previous year: €335 million). The return on sales after tax was 7.6 % (previous year: 7.0 %).

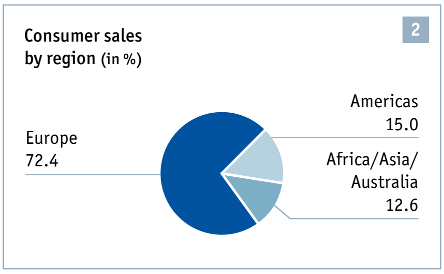
Earnings per Share/Dividends

Earnings per share increased to €2.93 (previous year: €1.45). After adjustment for special factors, earnings per share amounted to €1.69. These figures were calculated on the basis of the weighted number of shares carrying dividend rights (226,818,984).

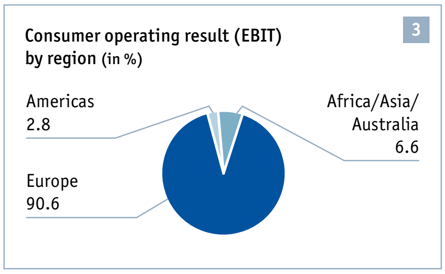
The Executive Board and Supervisory Board will be proposing a dividend of €0.60 for each share carrying dividends (previous year: €0.57) to the Annual General Meeting.



Consumer sales (in € million)



Consumer sales by region (in %)



Consumer operating result (EBIT) by region (in %)

Results of Operations – Business Segments

Consumer

(in € million)	Europe	Americas	Africa/Asia/ Australia	**Total**
Sales 2006	3,134	647	546	4,327
Change (adjusted for currency translation effects)	6.0 %	7.5 %	14.0 %	7.2 %
Change (nominal)	6.1 %	7.6 %	12.4 %	7.1 %
EBIT 2006*	486	11	27	524
EBIT margin 2006*	15.5 %	1.8 %	4.9 %	12.1%
EBIT 2005	417	18	35	470
EBIT margin 2005	14.1 %	2.9 %	7.3 %	11.6 %

* Excluding expenses for the realignment of the Consumer Supply Chain (€120 million, exclusively in Europe).

1 2 3 In 2006, the Consumer business segment lifted sales by 7.2 %, adjusted for currency translation effects. At current exchange rates, we achieved growth of 7.1 % to €4,327 million (previous year: €4,041 million). This means we grew faster than the market and were able to increase our global market share. EBIT before adjustment for special factors climbed to €524 million (previous year: €470 million), while the corresponding EBIT margin rose to 12.1 % (previous year: 11.6 %).

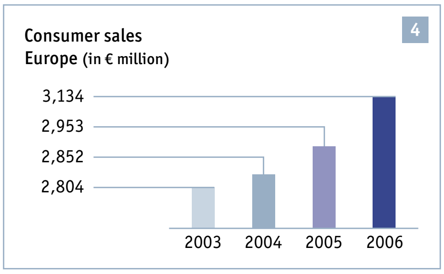
Our growth in the key European markets, which was extremely strong in some cases, was achieved both through the launch of innovations and through international relaunches of existing products, modified according to the latest findings from our research and development activities.

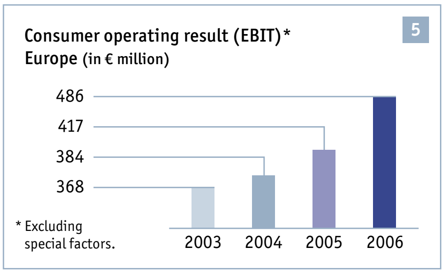
In 2006, NIVEA recorded global growth of 8.3 % (adjusted for currency translation effects). Sales rose in all regions. The key growth drivers were NIVEA SUN, NIVEA deodorant, NIVEA FOR MEN, and NIVEA body.

We met our targets for our Eucerin brand with double-digit growth in 2006. The brand recorded clear growth of 10.6 % (adjusted for currency translation effects). The products in the dry skin segment were particularly successful. The launch of the Eucerin Hyaluron-Filler face care product made an essential contribution to this result.

In the area of high-end authorized dealer cosmetics, the La Prairie Group again recorded disproportionately rapid growth of 9.7 % (adjusted for currency translation effects), with the launch of the innovative la prairie Anti-Aging Complex series playing a major role.

The Hansaplast/Elastoplast plaster brands lifted sales despite a flat market overall. Sales growth in Australia and by the UK/Ireland Group made a particular contribution to this result, while business in Germany, the USA, and Italy was weaker.





Consumer Sales in Europe

(in € million)	Germany	Western Europe (excluding Germany)	Eastern Europe	**Total**
Sales in 2006	1,010	1,697	427	3,134
Change (adjusted for currency translation effects)	0.1 %	6.8 %	18.8 %	6.0 %
Change (nominal)	0.1 %	6.6 %	20.8 %	6.1 %

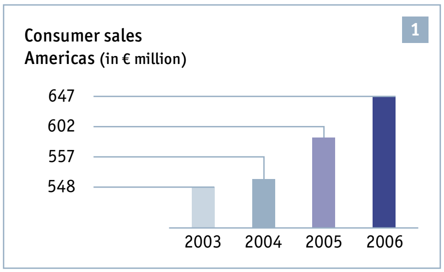
4 5 In Europe, we lifted sales by 6.0 % (adjusted for currency translation effects). At current exchange rates, sales increased by 6.1 % to €3,134 million (previous year: €2,953 million). EBIT for the Consumer business segment (excluding special factors) climbed from €417 million to €486 million, while the corresponding EBIT margin rose to 15.5 % (previous year: 14.1 %).

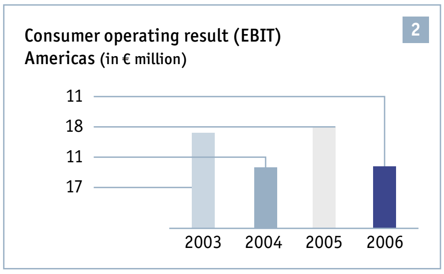
In Germany, sales rose slightly by 0.1 %. Sales generated by customers in Germany were up 2.0 % on the previous year. Sales of NIVEA SUN, NIVEA BEAUTÉ, and Eucerin performed well. In the case of Eucerin, the market launch of the Hyaluron-Filler made a major contribution to strong growth. The launch of our innovative NIVEA VISAGE DNAge also went extremely well.

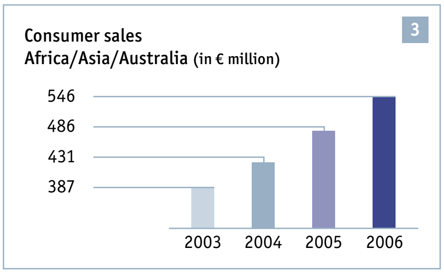
Exports from Germany to customers in countries where Beiersdorf does not have affiliates fell by 16.4 %, since Beiersdorf AG's export sales to the Middle East and the member countries of the Commonwealth of Independent States (CIS) were transferred to our affiliates in Dubai and Russia respectively at the beginning of the third quarter.

In Western Europe (excluding Germany), sales rose by 6.8 %. The UK/Ireland Group (+10.4 %), the Nordic Group (+9.8 %), and the La Prairie Group (+9.7 %) made significant contributions to growth. NIVEA SUN and NIVEA body, along with the cross-border launch of NIVEA body Good-bye Cellulite contributed particularly strongly to this positive development.

In Eastern Europe we again generated double-digit growth (18.8 %). In Russia, NIVEA FOR MEN, NIVEA deodorant, and NIVEA Hair Care were the main growth drivers. In Poland, sales of NIVEA VISAGE and NIVEA FOR MEN rose in particular. The launch of NIVEA Hair Care Styling was another success.







Consumer Sales in the Americas

(in € million)	North America	Latin America	**Total**
Sales in 2006	324	323	647
Change (adjusted for currency translation effect)	1.0 %	15.3 %	7.5 %
Change (nominal)	–0.4 %	16.9 %	7.6 %

1 2 In the Americas, sales grew by 7.5 % adjusted for currency translation effects (previous year: 3.2 %). At current exchange rates, sales climbed 7.6 % to €647 million (previous year: €602 million). EBIT was €11 million (previous year: €18 million), while the EBIT margin amounted to 1.8 % (previous year: 2.9 %).

Developments were dominated by strong growth in Latin America. In North America, our streamlining of the product ranges in the Consumer business segment had a negative effect on sales growth. However, sustained marketing measures and a strong performance by NIVEA FOR MEN and by the la prairie and Eucerin brands enabled us to maintain sales at prior-year levels.

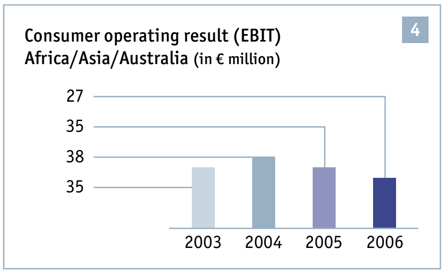
In Latin America we again recorded double-digit growth (15.3 %). In addition to the key markets of Brazil (+9.3 %) and Mexico (+12.0 %), our affiliates in Colombia (+53.1 %) and Venezuela (+36.1 %) made a particular contribution to this strong growth. NIVEA Bath Care, NIVEA SUN and NIVEA body reported the highest growth rates in this region.

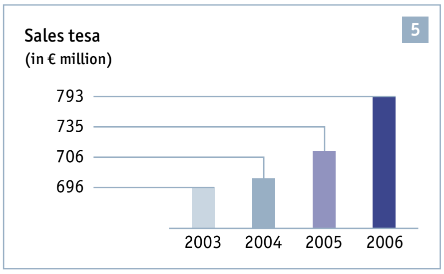
Consumer Sales in Africa/Asia/Australia

(in € million)	**Africa/Asia/ Australia**
Sales in 2006	546
Change (adjusted for currency translation effects)	14.0 %
Change (nominal)	12.4 %

3 4 Africa/Asia/Australia again achieved double-digit growth in 2006. Sales increased by 12.4 % to €546 million (previous year: €486 million). Adjusted for currency translation effects, growth amounted to 14.0 %. EBIT for the Consumer business segment amounted to €27 million (previous year: €35 million), while the EBIT margin was 4.9 % (previous year: 7.3 %).

At 45.7 %, growth in China was maintained at a high level. NIVEA VISAGE and NIVEA FOR MEN were particularly successful. Thailand recorded significant increases in market share (sales +16.8 %) in all segments, and extended NIVEA deodorant's market lead. Sales in Japan declined as against the previous year, since growth in NIVEA FOR MEN was unable to compensate for the decline in sales in the NIVEA body and NIVEA SUN segments. The market leader 8x4 also suffered a slight drop in sales on the Japanese deodorant market.





tesa (in € million)	Europe	Americas	Africa/ Asia/ Australia	**Total**
Sales in 2006	583	91	119	793
Change (adjusted for currency translation effects)	7.0 %	8.6 %	13.9 %	8.2 %
Change (nominal)	7.0 %	7.7 %	13.0 %	7.9 %
EBIT 2006	51	9	13	73
EBIT margin 2006	8.8 %	9.1 %	11.5 %	9.2 %
EBIT 2005	48	3	10	61
EBIT margin 2005	8.8 %	3.6 %	9.9 %	8.4 %

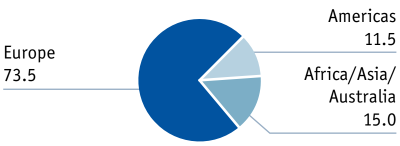
5 The tesa business segment continued systematically on its successful path. 2006 was another dynamic fiscal year. Sales rose by 8.2 %, adjusted for currency translation effects. At current exchange rates, sales climbed 7.9 % to €793 million (previous year: €735 million). EBIT rose to €73 million (previous year: €61 million), while the EBIT margin increased to 9.2 % (previous year: 8.4 %).

Both tesa's industrial business and its consumer business (which rose substantially as against the previous year in almost all regions) contributed to this positive development.

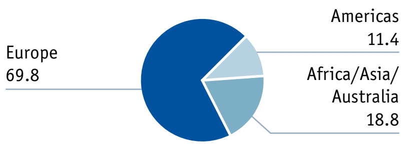
New products and applications for the electronics industry provided particular impetus for growth in our direct business with industrial customers. We successfully launched new doubled-sided adhesive foam tapes that are used in affixing glass frames for flatscreens. New products based on heat-activated films used to affix design elements to high-end cell phones met with strong market demand.

In the area of system solutions for the automotive industry, we added new variants to our globally successful product range for cable bundling and mounting, tesa Sleeve. These products can be used more cost-effectively in manufacturing than conventional felt and foam products. On the US market, we launched an innovative high-performance masking tape that enables reliable taping of large coverings and that was specially developed for painting trucks and buses. Automaker Ford awarded us its highest mark of distinction for quality, the Q1 Award.

tesa sales by region (in %) 1



tesa operating result (EBIT) by region (in %) 2



We added a number of special products to our extremely successful range of splicing tapes for flying splices in the printing and paper industry, including EasySplice Headset Black, which enables optical splice management.

In the security applications area, we were able to gain new customers from the luxury goods and automotive supply industries, among others. These use our Holospot technology for counterfeit protection and product tracking. New product variants can be used even with surfaces that provide poor adhesion.

1 2 Our industrial distribution business, which is focused on Europe, offers a new range of anti-slip, warning, and marking tapes. These products help companies increase employee safety and comply with statutory safety regulations. We have also developed a new range of tapes for maintenance, repair, and painting in the marine and shipbuilding industry. The core product is a particularly weatherproof and long-lasting high-performance masking tape for outdoor use.

Sales and earnings in the consumer business rose substantially in all regions. Double-digit sales growth was recorded in Southwest Europe and, once again, in Eastern Europe. All major product categories, and especially our renovating, packaging, and sealing products and insect protection screens contributed to this dynamic development. The successful launch of a new standard range of fixed-mounted aluminum fly screens strengthened our expertise in product families for insect protection in the DIY sector. The introduction of a new range of double-sided adhesive tape for fixing heavy objects to interior and exterior walls was another major success. In the office products area, the adhesive and correction rollers, which were recently launched throughout Europe, were awarded the “Hamburger Designpreis” (Hamburg Design Prize). A new international TV campaign featuring all key product categories met with a keen response. One of our largest office supplies customers awarded us service prizes for being the best supplier in the Spain and Nordic region.

tesa offers compelling, innovative adhesive solutions for industrial customers and consumers.

Balance Sheet Structure – Group

Balance Sheet – Group

Assets (in € million)	Dec. 31, 2005	Dec. 31, 2006
Non-current assets	962	814
Inventories	536	548
Other current assets	926	904
Cash and cash equivalents	483	1,230
	2,907	3,496

Equity and Liabilities (in € million)	Dec. 31, 2005	Dec. 31, 2006
Equity	1,293	1,790
Non-current provisions	430	419
Non-current liabilities	171	128
Current provisions	407	469
Current liabilities	606	690
	2,907	3,496

As of December 31, 2006, non-current assets were down significantly as against the previous year. This is connected in particular with the realignment of our Consumer Supply Chain, which led to impairment losses being charged on, and the sale of, property, plant and equipment. Capital expenditure excluding financial assets amounted to €110 million (previous year: €126 million). €85 million of this figure was attributable to the Consumer business segment and €25 million to tesa. Inventories rose slightly, to €548 million. Due to the income from the sale of BSN medical and the good cash flow, cash and cash equivalents rose to €1,230 million. Net liquidity (cash and cash equivalents less current financial liabilities) rose from €409 million to €1,168 million.

The equity ratio increased to 51 % (previous year: 44 %). The share of non-current liabilities decreased to 16 % (previous year: 21 %), and the share of current liabilities to 33 % (previous year: 35 %). The reduction of non-current financial liabilities as well as lower deferred tax liabilities led to a decrease of non-current liabilities. Primarily caused by provisions related to the realignment of the Consumer Supply Chain, current provision rose by €62 million to €469 million. Current liabilities increased particularly due to higher trade liabilities.

Financing Structure

Financial Position – Group

Cash Flow Statement – Group

(in € million)	2005	2006
Cash and cash equivalents at the beginning of the year	**290**	**483**
Gross cash flow	435	427
Change in working capital	59	107
Net cash flow from operating activities	494	534
Net cash flow from investing activities	–52	417
Free cash flow	442	951
Change in other financing activities	–265	–194
Other changes	16	–10
Net change in cash and cash equivalents	193	747
Cash and cash equivalents at the end of the year	**483**	**1,230**

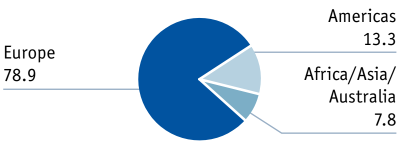
In 2006, the gross cash flow amounted to €427 million, €8 million below the prior-year value. The strong increase in the operating result had a positive influence; this was offset by payments related to the realignment of the Consumer Supply Chain. Changes in non-current provisions led to a positive impact of €47 million on the gross cash flow. Proceeds from changes of operating current assets rose by €48 million to €107 million. This was mainly due to the sharp increase in current liabilities and provisions. Net cash flow from operating activities reached €534 million in 2006 and therefore was €40 million higher than previous year.

Net cash flow from investing activities amounted to €417 million. The major part of €433 million results from the sale of BSN medical. Compared to the prior year, lower investments and higher gains on disposal of property, plant, and equipment led to an additional improvement in the cash flow. Free cash flow totaled €951 million (€518 million without cash flows from the sale of BSN medical). Net cash flow from financing activities amounting €194 million was mainly attributable to dividend payments and the reduction of financial liabilities. Cash and cash equivalents climbed by €747 million to €1,230 million.

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. 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.

Group capital expenditure by region (in %) 1



Capital Expenditure – Group

1 Beiersdorf invested €110 million (previous year: €126 million) in intangible assets and property, plant, and equipment in 2006. €85 million of this amount was attributable to the Consumer business segment (previous year: €91 million) and €25 million to tesa (previous year: €35 million). Beiersdorf AG accounted for €17 million (previous year: €29 million).

Capital expenditure in the Consumer segment related to investments of €12 million in intangible assets; these mainly comprised software in Germany. Capital expenditure on property, plant, and equipment totaled €73 million and focused on a large number of projects for realignment of the Consumer Supply Chain and replacement investments.

€4 million was invested in environmental protection and safety measures at our production site in Hamburg. The total volume of these investments amounted to roughly €7 million. These investments help us secure compliance with the highest environmental and safety standards in the future, too.

€15 million of the capital expenditure on tesa of €25 million relates to sites in Germany, including the expansion of our logistics facilities in Stuttgart and Offenburg. Beiersdorf's Hamburg-based affiliate, acos, which specializes in producing die-cut applications for the automotive and electronics industries, commissioned a new rotary die-cutter costing approximately €1 million. A new printing machine for approximately €2 million was installed at the tesa labeling facility in Switzerland. Overall, we spent €16 million on replacement investments and capacity increases in our production facilities. The construction of tesa's new production facility in China was completed. Total investment in the project amounted to approximately €20 million.

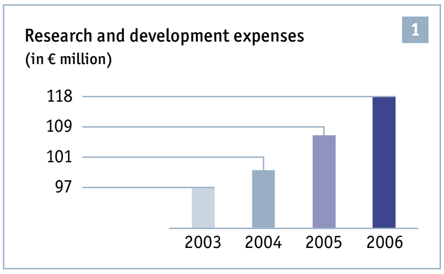
Financial assetts increased by €4 million.

For fiscal year 2007, we are budgeting for total capital expenditure at roughly the same level as for the previous year, both for the Group as a whole and for the Consumer and tesa business segments.

We will continue to focus capital expenditure on the rationalization of our production and logistics activities.

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

Innovations ensure the long-term future of our business. They are based on our in-depth research and development work, which draws on more than 125 years of expertise.

1 We invest continuously in our research and development activities to enhance our international competitiveness. We spent €118 million (previous year: €109 million) on this during the period under review. This represents 2.3 % of sales (previous year: 2.3 %). At a global level, 855 (previous year: 853) members of staff were employed in research and development.

Research and development for the Consumer business segment is concentrated on Beiersdorf AG in Hamburg, where a state-of-the-art research center was constructed in recent years.

Innovative Skin and Beauty Care

We invested €95 million (previous year: €89 million) in research and development for the Consumer business segment in the past fiscal year. We focus squarely on our core competencies of skin and beauty and are developing state-of-the-art, consumer-driven, highly efficient products.

Our long-term research and development work focuses on:

- Skin and hair biology
- Identifying principles of action and active ingredients for skin and hair
- Skin aging
- The development of biophysical detection methods

In addition to these focuses, we also conduct research in the area of wound care.

We provided consumers with compelling innovations in 2006. Among the most successful of these are:

2 **NIVEA VISAGE DNAge:** This innovative anti-age skin care system protects the DNA inside skin cells from external factors using cell-active folic acid, thus accelerating the skin's regeneration process. The skin becomes firmer, with the depth of existing wrinkles being reduced and new wrinkles prevented.

3 **NIVEA Hair Care:** Our shampoos and care products are based on new formulas. They have been enriched with valuable hair care substances such as silk protein or aloe vera to make your hair look and feel good.

NIVEA body Good-bye Cellulite Gel: This contains L-carnitine, which occurs naturally in the skin and which assists in the conversion of fat reserves into energy. As a result, it is possible to reduce the external signs of cellulite. The gel's innovative consistency makes it easy to apply, as well as allowing it to be rapidly absorbed, giving the skin a pleasant feeling.

4 **Eucerin Hyaluron-Filler:** This radically new anti-aging care product contains hyaluronic acid and saponin, which works deep down to stimulate the skin's own production of hyaluronic acid. The skin is plumped out from the inside, resulting in a visible improvement in even deep wrinkles around the forehead, mouth, and nose. The day cream with its additional sun protection factor 15 offers effective UVA protection, while the night cream contains highly concentrated panthenol and vitamin E to assist in skin regeneration.

We use key technologies such as bioengineering or bionics to improve our competitiveness for the long term. We test all products for effectiveness and tolerance in our own Test Center with the help of our consumers.

Compelling innovations for consumers.

In 2006, we undertook an in-depth analysis of our research and development activities with the support of the renowned Fraunhofer-Institut. All processes were reviewed, and our activities compared in an open benchmarking process with five international enterprises that are leaders in their respective fields. The study confirms the outstanding position that our research and development occupies with respect to the global competition. We work successfully, efficiently, and in a focused manner. In addition, the study reveals potential for optimization that we shall leverage.

To maintain this high standard we utilize not only our own internal expertise but also external capacities, via more than 100 international collaborative research projects and strategic partnerships. Roughly half of these are with industrial enterprises and roughly half with academic institutions.

We award one of the most generously endowed prizes in the field of basic dermatological research, the Paul Gerson Unna Prize, every two years. We use this to promote significant original research that opens up new opportunities for over-the-counter dermatological products.

We protect our innovative technologies with patents and similar intellectual property rights. We are awarded around 100 patents a year, thus strengthening our brands and continuously extending our strong position.

State-of-the-art Self-adhesive System and Product Solutions

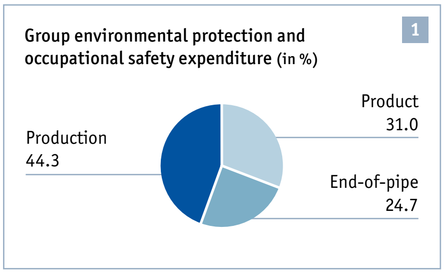
One focus in the tesa segment is the development of environmentally friendly, solvent-free coating technologies for manufacturing adhesive tape. In the year under review, we successfully tested solvent-free doubled-sided adhesive tapes offering improved performance. Our ongoing development work is concentrating on adhesive systems with high shear resistance.

For the automotive industry, we are currently working on additional temperature-stable crepe tapes based on solvent-free rubber technology. New laser labels with particularly fast engraving speeds for use in vehicle identification are optimizing production processes. In future, these products will also be available in a number of different colors.

The focus of research for the electronics industry is on new ultra-thin adhesive tapes offering high adhesive strength. These reflect the trend toward miniaturization, especially in cell phones. We have successfully employed heat-activated solvent-free adhesive films to affix cell phone shells. A new procedure enables the rapid development and manufacture of special foam adhesive tapes used to mount individual layer components in flatscreens.

In the printing and paper industries, our new splicing tapes combine plastic substrates with label material. We are also using new products to open up new application areas outside the paper industry.

For our consumer segment, we substantially enhanced the performance of the Powerstrips family, which use solvent-free rubber systems, as well as driving forward the continued development of transparent products. This is opening up additional, up-market application opportunities for the future.



Sustainability

We manage our business sustainable and are committed to our ecological and social responsibility. Our actions are determined not only by our Company's economic success, but also by our active approach to environmental protection and occupational safety, and by our commitment to society.

1 Our investments in environmental and occupational safety of €50 million (previous year: €54 million) are designed to systematically promote our objectives:

- We aim to reduce resource consumption and waste production in order to impact the environment as little as possible. In this way, we can save on disposal costs at the same time
- We continuously improve the protection and safety of our employees so as to achieve our vision of "zero accidents"
- We organize the global exchange of experience to ensure a uniform high standard at an international level

To ensure effective coordination and management of all topics relating to sustainability, we set up a Sustainability Advisory Board (SAB) in 2005, which moved forward key projects in the year under review to obtain results. For example, we developed a Raw Materials Policy that documents our responsible handling of raw materials. In addition, we started expanding our Sustainability Report significantly in 2006, with the focus being on the Internet version. The new Report will be published in April 2007 and will comply with the Global Reporting Initiative (GRI) Guidelines. It is part of our continuous active dialog with customers, suppliers, public authorities, our neighbors, and other stakeholders. Our three-tier environmental and occupational safety concept is integrated with all our business processes, and thus complies with the principles of "Responsible Care".

In 2006, we launched our new database-driven CEOS Management System (CEOS: Corporate Environmental Protection, Occupational Safety and Security). The system not only makes available guidelines and minimum standards for the Group, but also serves to collect key indicators and data. Furthermore, it contains key results of our certified ESMAS audit system, connects all Beiersdorf production centres, and facilitates the exchange of expertise.

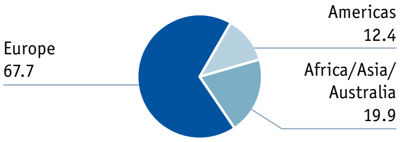
We further expanded our internal ESMAS program for environmental protection and occupational safety audits, and successfully audited our sites in Hamburg (Germany), Poznan (Poland), and Malang (Indonesia). In addition, the safety technology at our Logistics Center in Hamburg was upgraded to the highest safety standards. The Hamburg *Amt für Arbeitsschutz* (Hamburg Occupational Safety Authority) again confirmed that the production centres in Hamburg have implemented an exemplary occupational safety management system, classifying Beiersdorf in the top category.

tesa AG joined the Global Compact in the year under review and has thus voluntarily committed to ethical behavior. The initiative's ten principles cover the areas of human rights, labor, environmental protection, and anti-corruption.

tesa AG has had an integrated management system since it was formed in 2001. This covers environmental protection, occupational safety, and quality management, in order to optimally leverage synergies. All European affiliates, plus our affiliates in the USA and Malaysia, have been certified in accordance with the international environmental standard ISO 14001. tesa's low accident rate is well below the average for comparable companies worldwide.

Employees by region
as of Dec. 31, 2006, in total 17,172 (in %)

2



Employees

2 As of December 31, 2006, we employed 17,172 staff (previous year: 16,769), with 13,450 being in the Consumer business segment and 3,722 in the tesa business segment. We again increased the number of vocational training positions we offer in Germany to a total of 282.

Our employees' expertise and identification with the Company are key pillars of our success. Our dealings with each other and with customers and business partners are characterized by openness, fairness, and respect.

Consumer

When recruiting employees, we set store by leadership ability and team spirit. "Superior Talent in Lean Organization" is one of the cornerstones of our Consumer Business Strategy. We stand for performance orientation, the promotion of change and innovation at all levels of our Company. In line with our strategy, we focus our human resources activities on the following areas:

- Group-wide talent identification and the encouragement and development of leadership ability within the Company,
- Advisory services to support our organization in implementing process-oriented and organizational changes resulting from our strategy,
- Increased investment in employee training and professional development.

Our "Leading for Success" process combines challenging career development opportunities with the needs of our business. We ensure that our managers are deployed appropriately. Our guiding principle here is "Assess – Challenge – Support".

We identify potential leaders throughout the Group as early as possible, train them systematically, and retain them within the Company for the long term by offering them challenging career opportunities. In addition, we have a common understanding of leadership that is based on our management guidelines.

The elements in our "Leading for Success" process can be applied uniformly at international level in all affiliates. Systematic succession management is a central element of this process, alongside regular reviews of all employees.

At the same time, we develop our potential and experienced leaders with training courses such as the global "Learn to Lead" program. This allows talented staff to develop their individual leadership abilities, expand their career opportunities through personal development and build networks throughout the Company. In addition, our German operations offer a leadership development program titled "*Erfahren führen*" (Leading with experience). This is targeted at managers with several years' leadership experience and aims to support them in their ongoing management activities.

The implementation of our Consumer Business Strategy is leading to fundamental changes in our Company. Human resources advises and supports the various functions in the efficient focused management of the change processes. This includes support for the teams in defining new workflows, along with team development measures and project management training. In addition it makes clear the contribution each and every employee can make and the responsibility he or she bears.

We set great store by leadership ability and team spirit in our staff.

To sharpen our focus on the consumer even further in line with our strategy, we consistently develop the professional skills and talents of all our employees. Two new training programs that were developed and implemented during the fiscal year serve as examples of this:

- “Winning in the store”: This training program gives concrete examples of how we can optimally present our products in retail facilities and hence convince consumers. Page 65
- “intouch”: The “intouch” training program demonstrates how we can get to know consumers even better and, building on this, how we can develop ideas for new products and new forms of communication. Page 66

We again increased the number of places on our international graduate trainee program, “Beyond Borders.” This program gives talented job newcomers a practically oriented international career start. “Beyond Borders” is based on our idea of attracting more young and talented junior managers to our Company.

Our “*Treffpunkt Weiterbildung*” (Training venue) program, which is aimed at all staff in Germany, continues to attract growing levels of interest. For the first time more than 1,000 of our employees took part in the courses, for which they have to invest part of their free time – proof of their high level of commitment.

tesa

Our focus on systematically identifying and supporting talent also extends to tesa. We are consistently developing the long-term potential of our management after internationally voting and agreeing on measures in the reporting year to realize this goal. Successful managers demonstrate their ability and potential in a structured process. An external coach, along with the Board, recommend the implementation of steps for further development that are monitored by a mentor.

In 2006, the first group of young.professionals@tesa successfully completed the program of the same name. This gives university graduates access to a direct career path on an international level, where they are able to develop themselves in several different countries. We will be expanding this project based on the positive experiences we have had with the program.

One focus of human resources operations in 2006 was in Asia-Pacific region, especially in China, an important future market. The communication between the headquarters and regional management was intensified and promoted. Employees in the Hamburg office were familiarized with Chinese culture, including its regional needs and specific features, in special training sessions and workshops. The tesa facility near Shanghai began full production in 2006. Over 100 new employees received training and the necessary skills to carry out their jobs. We are able to guarantee a high standard of quality and safety through an international exchange of experiences so that production ran successfully and without any problems right from the beginning.

Business Developments – Beiersdorf AG

Structure and Organization

Headquartered in Hamburg, Beiersdorf AG is the parent company of and the largest operating company in the Beiersdorf Group. Beiersdorf AG's Executive Board is also the Beiersdorf Group's management body. Beiersdorf AG conducts the Group's German business and includes the international management functions as well as the usual administrative functions. It is also responsible for the vast majority of research and development activities for the Consumer business.

Accounting Principles

The notes to the annual financial statements of Beiersdorf AG prepared in accordance with German commercial law (German Commercial Code, *HGB*) and company law (German Stock Corporation Act, *AktG*) that are relevant for the dividend can be found below. The income statement was prepared using the nature of expense method.

Results of Operations – Beiersdorf AG

Income Statement of Beiersdorf AG

(in € million)	2005	2006
Sales	**1,278**	**1,369**
Operating income	63	60
Cost of materials	–428	–489
Personnel expenses	–228	–374
Depreciation and amortization of property, plant, and equipment and intangible assets	–42	–26
Other operating expenses	–502	–517
Expenses for the realignment of the Consumer Supply Chain	-	–11
Operating result	**141**	**12**
Financial result	243	550
Result from ordinary activities	**384**	**562**
Taxes on income	–74	–97
Profit after tax	**310**	**465**

Beiersdorf AG is focused on business with branded consumer products for skin and beauty care, combined in the Consumer business segment.

Sales by Beiersdorf AG rose by €91 million to €1,369 million (previous year: €1,278 million). €817 million (previous year: €804 million) of this figure was generated in Germany and €552 million (previous year: €474 million) abroad. Sales with foreign countries refer primarily to deliveries to affiliates.

Personnel expenses increased mainly due to the revaluation of the provisions for pensions according to international accounting standards. The one-time charge is €134 million. Expenses for the realignment of the Consumer Supply Chain at Beiersdorf AG amount to €11 million. Affected by these special factors EBIT decreased to €12 million.

Financial result rose to €550 million (previous year: €243 million). The development is caused by several special factors in the current and the previous year. The financial result in 2005 included the reversal of the write-down of own shares amounting to €155 million. In 2006, the income from the sale of BSN medical, contributed €366 million, the reversal of the write-down of own shares €82 million, to the financial result.

The result from ordinary activities was €562 million, €178 million up on the previous year. The tax rate improved to 17.2 % (previous year: 19.2 %) following a disproportionately low increase in taxes on income. Profit after tax rose to €465 million (previous year: €310 million). The Executive Board and the Supervisory Board will be proposing to distribute a dividend for fiscal year 2006 of €0.60 (previous year: €0.57) for each share carrying dividend rights, resulting in a distribution amount of €136 million.

Balance Sheet Structure and Financial Position – Beiersdorf AG

Balance Sheet of Beiersdorf AG

Assets (in € million)	**Dec. 31, 2005**	**Dec. 31, 2006**
Intangible assets	5	4
Property, plant, and equipment	133	125
Financial assets	1,104	1,044
Non-current assets	**1,242**	**1,173**
Inventories	84	84
Trade receivables	95	80
Other receivables and other assets	139	176
Cash and cash equivalents	966	1,518
Current assets	**1,284**	**1,858**
	2,526	**3,031**

Equity and Liabilities (in € million)	**Dec. 31, 2005**	**Dec. 31, 2006**
Equity	**1,510**	**1,846**
Provisions for pensions and other employee benefits	355	497
Other provisions	221	249
Provisions	**576**	**746**
Trade payables	53	61
Other liabilities	387	378
Liabilities	**440**	**439**
	2,526	**3,031**

Within the total non-current assets, no major changes occurred in either intangible assets or in property, plant, and equipment. Investment in property, plant, and equipment of €18 million was offset by depreciation of €24 million. The decrease in financial assets by €60 million to €1,044 million was caused by the sale of shares of the joint venture BSN medical.

Trade receivables were reduced by €15 million to €80 million. Other receivables and other assets include receivables from affiliated companies of €156 million (previous year: €126 million).

The cash and cash equivalents item includes own shares of Beiersdorf AG amounting €955 million. Due to the increase of the share price, the write-down of own shares was reversed in the amount of €82 million up to their historical costs. Other cash and cash equivalents are invested in short-term securities as of balance sheet date. They were invested as part of the Group's overall cash management strategy. Net liquidity – cash and cash equivalents without consideration of own shares and after deduction of liabilities due to banks – rose by €471 million to €563 million. Main cause is the cash received for the sale of the shares of BSN medical.

On July 17, 2006, Beiersdorf AG implemented a 1:3 share split, reflecting the substantial increase in the stock market price of the Beiersdorf share. The share split was preceded by a capital increase of €36.96 million that was financed from retained earnings.

Pension provisions increased by €142 million to €497 million. The strong increase was primarily caused by the remeasurement of pensions. In contrast to § 6a *Einkommensteuergesetz* (German income tax Act, *EStG*), an interest rate in line with the market of 4.25 %, a wage/salary rate of 3.0 % and a pension progression rate of 1.75 % formed the basis of the calculation.

Within the other provisions, tax provisions rose by €10 million. Other liabilities contain liabilities against affiliated companies amounting €371 million (previous year: €371 million) most of which are financial liabilities. Trade payables increased by €8 million to €61 million.

Total assets of €3,031 million (previous year: €2,526 million) shown in the balance sheet are with €1,185 million (previous year: €1,016 million) correspondingly 39 % (previous year: 40 %) financed by debt. Debt is divided in provisions of €746 million (previous year: €576 million) and liabilities of €439 million (previous year: €440 million).

Risk Management Report

Integrated Risk and Opportunity Management

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 and opportunity management 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 and patent 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, that they are identified in good time, and that they are presented transparently. Our Internal Audit department monitors compliance with the internal control system and ensures the integrity of our business processes. The risk early warning system was one of the focuses of the audit of our annual financial statements this year.

Risks and Opportunities of Strong Brands

Maintaining and increasing the value of our major consumer brands with their broad appeal – especially NIVEA – is of central importance for Beiersdorf's business development. We have therefore geared our risk management system towards protecting the value of our brands.

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.

Innovations based on strong research and development are a precondition for the acceptance by, and appeal of our products to, consumers. Prudent brand management captures consumer trends as well as the results of intensive market and competitive analyses, and at the same time ensures that the brand's core remains intact and is carefully enhanced.

In this context, our reorganization of our Global Marketing Services has created the basis for identifying consumer wishes even faster and reflecting them in the products we develop. Strong brands that balance innovation and continuity are our response to fierce global competition on price, quality, and innovation. They also counteract the growing retail concentration and the regional emergence of private label products.

Expertise-based brands require a high degree of upfront investment in innovation and marketing. The continuous expansion of our patent and trademark position therefore plays a key role. In particular, the systematic registration and enforcement of our intellectual property rights prevents the imitation and counterfeiting of our products and thus helps safeguard and further increase the earnings potential previously created.

In principle, the brand-specific risk factors also apply to tesa's business, although the product technology risk is more significant.

The risks described must be contrasted with specific opportunities offered by strong brands. Beyond the pure recognition and positioning effect, the umbrella brand strategy in particular offers substantial potential for exploiting synergy effects. The centralization of corporate functions entails the concentration of risk, but also creates considerable potential for synergies.

Other Significant Risks

We counter procurement risks relating to the availability and price of raw materials, merchandise, and services by continuously monitoring the relevant markets and ensuring proactive control of our supplier portfolio, as well as appropriate contract management. In 2006, we launched a project aimed at bundling our procurement activities more intensively worldwide and further improving their quality and cost.

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.

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 Company limits potential risks relating to the investment of near-cash funds as a matter of principle by only making short-term investments with prime-rated counterparties.

Our financial risk management is characterized by the clear allocation of responsibilities, central rules for limiting financial risks as a matter of principle, the conscious alignment of the instruments deployed with the requirements of our business activities, and separate monitoring by a Treasury Committee that includes international members.

We counter the risk of bad debts through detailed monitoring of our customer relationships, proactive receivables management, and the selective use of trade credit insurance.

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.

Overall Risk

Based on our present judgement, no risks with a material influence on the net assets, financial position and results of operation of Beiersdorf AG and Beiersdorf Group exist.

Report by the Executive Board regarding Dealings among Group Companies

In accordance with § 312 *Aktiengesetz* (German Stock Corporation Act, *AktG*), 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 Beiersdorf AG's or the Group's business development.

Disclosure Requirements in Accordance with § 315(4) *HGB*

The appointment and removal from office of members of the Executive Board is governed by §§ 84 and 85 *AktG*, as well as by Article 7 of the Articles of Association in the version dated May 17, 2006. In accordance with Article 7 of the Articles of Association, the Executive Board is composed of at least three persons; apart from this provision, the Supervisory Board determines the number of members of the Executive Board. The Articles of Association may be amended in accordance with §§ 179 and 133 *AktG* and with Article 16 of the Articles of Association in the version dated May 17, 2006; according to the latter provision, the Supervisory Board is authorized to resolve amendments and additions to the Articles of Association that concern the latter's wording only.

By way of a resolution of the Annual General Meeting on May 17, 2006, Beiersdorf AG was authorized in accordance with § 71(1) no. 8 *AktG* to purchase own shares in the total amount of up to 10 % of the existing share capital in the period up until November 16, 2007. The Executive Board was also authorized by way of a resolution of the Annual General Meeting on May 17, 2006, with the approval of the Supervisory Board, to sell in whole or in part the own shares purchased on the basis of the above-mentioned or a prior authorization while disapplying the shareholders' preemptive rights in a way other than via the stock exchange or by way of an offer to all shareholders, to the extent that these shares are sold at a price that does not fall materially below the market price of the same class of shares of Beiersdorf AG at the time of the sale. The Executive Board is also authorized, with the approval of the Supervisory Board, to utilize the above-mentioned own shares in whole or in part as consideration or partial consideration as part of a merger or the acquisition of companies, equity interests in companies, or business units of companies, while disapplying the preemptive rights of shareholders. Moreover, the Executive Board is authorized, with the approval of the Supervisory Board, to utilize the above-mentioned own shares in whole or in part, while disapplying the preemptive rights of shareholders, in order to satisfy the subscription and/or conversion rights from convertible bonds and/or bonds with warrants issued by Beiersdorf AG or companies in which it holds a direct or indirect majority interest. Furthermore, the Executive Board is authorized to retire the above-mentioned own shares without requiring an additional resolution by the Annual General Meeting.

For information on the Executive Board's authority to issue shares, please refer to section 22, "Authorized Capital" in the Group Notes.

The creation of the authorized capital is intended to put the Company in the position of being able to react to growth opportunities and favourable capital market situations quickly and flexibly. The authorization to purchase and utilize own shares in particular enables the Company to offer shares of the Company also to institutional or other investors and/or to expand the shareholder base of the Company, as well as to utilize the purchased own shares as consideration for the acquisition of businesses or equity interests in businesses or as part of mergers. These are provisions which are common among listed companies comparable to Beiersdorf. They do not serve to render any takeover attempts more difficult.

For information on the composition of the share capital of and shareholdings in Beiersdorf AG, please refer to Section 21, "Share Capital" and to the section "Shareholdings in Beiersdorf AG" in the Group Notes.

Report on Expected Developments

Expected Macroeconomic Developments

We expect the macroeconomic situation to remain stable in the coming year, and are therefore largely basing our planning on the assumption that the growth rates recorded in 2006 will remain roughly constant in the coming years. However, we expect developments in North America to be relatively modest.

In contrast, we believe that real consumer spending in Western Europe will benefit from the upturn in employment conditions that is now setting in. We are also forecasting growth in Germany, despite an increase in the value added tax.

Thanks to the ongoing robust environment in Eastern Europe and Latin America, where economic growth rates are forecasted to be a good 5 %, and continued momentum in Asia, and especially in China and India, with expected growth rates of between 7 % and 11 %, we anticipate that global economic growth will remain constant at about 4 % in the coming years.

Research institutes believe that, in the next two years, global economic growth will remain at a level with that of 2006.

Sector Developments

In our opinion, the global cosmetics market will continue its long-term trend, with growth of 3 %. We expect growth in the major Western European markets to be somewhat subdued. We predict significant growth in Eastern Europe, Latin America, and Asia.

Growth in the adhesive tape markets around the world will be extremely mixed. Asian and Eastern European markets will benefit significantly from the outsourcing of production to these regions, as well as from an increase in purchasing power, and will experience medium to high single-digit growth. Growth rates in the lower single digits can be expected in the more mature markets in the rest of Europe, North America, and Australia. Overall, tesa is expecting average market growth of 2 % to 3 %.

Expected Business Developments

We are forecasting continued positive business development for the **Group** as a whole in the coming years. We aim to exceed general market growth. The EBIT margin (before special factors) should increase further.

In the next two years, earnings will continue to be impacted by expenses of approximately €100 million before taxes relating to the realignment of the Consumer Supply Chain. Approximately €70 million of this amount will be incurred in fiscal year 2007. Total estimated expenditures thus remain unchanged at €220 million. The benefits of the restructuring measures are expected to amount to €100 million annually upon completion of the project.

Profit after tax (before special factors) and the corresponding return on sales after tax will continue to increase.

The **Consumer** business segment is planning sales growth next year clearly above the market with a rate of 7 % to 8 %. In particular, we expect above-average growth in China, Russia, Brazil, and India. The EBIT margin before special factors is expected to increase further.

The **tesa** business segment is expected to continue growing faster than the market, further improving the EBIT margin.

We believe that with our existing brands, innovative product developments and focused process optimizations, as well as our overall strategy, we are well positioned to meet the challenges of the coming years.

The Executive Board

Britta Werth from Hamburg

Britta Werth has a hectic daily routine – with two children, a career, and a home to look after. That is why she enjoys simply tuning out and recharging her batteries from time to time. The “NIVEA Haus” offers her every opportunity to do so. For example with a gentle anti-age treatment using NIVEA VISAGE DNAge. The “NIVEA Haus” offers well-being in the heart of the city – and offers Britta Werth a relaxing break from her daily routine.

Better

We are driven by the desire to become better every day, and for us that means in particular addressing consumers' needs more precisely. With new products, but also with innovative measures and concepts that enable completely new brand experiences. By doing so, we can win over consumers through closeness that is always friendly and competent, but never intrusive.

In April 2006, we opened a unique wellness facility right in the middle of Hamburg, Germany: the "NIVEA Haus." This 800-m^2 area offers a broad range of wellness and spa treatments focusing exclusively on NIVEA products, along with intensive consulting – and at a fair price. Such as the anti-age treatment using NIVEA VISAGE DNAge, for example.

The "NIVEA Haus" is where the world of NIVEA and the world of consumers' emotions meet.

- We offer consumers a wellness and relaxation experience that makes them feel good. This increases brand loyalty and sets us apart from our competitors
- We receive spontaneous consumer responses to new products and concepts, allowing us to understand their expectations and demands even better
- We provide a home for the NIVEA brand, enable consumers to experience products, and generate a high degree of awareness regionally as well as nationally, through intensive media reporting, for example

Our success has exceeded all expectations: the footfall and sales figures are clearly higher than forecasted. la prairie's "Silver Rain" spa on the Cayman Islands, which was opened in June 2006 and offers unique luxury treatments in connection with the "Silver Rain" perfume, is similarly successful.

Winning in the store, too. Over 70 % of all purchase decisions are only made when consumers are actually in the shops, at the point-of-sale (POS). This means that attention-grabbing, attractive displays can win over consumers.

"Our sales associates have the opportunity to create the best possible market environment in the store," says Anton van de Putte, head of the international sales unit which was formed in 2006. "By doing so, they help us reach the growth targets laid down in our Consumer Business Strategy."

A new training concept has been tailored to fit this: "Winning in the store" was developed in close cooperation between international sales and the human resources department. Based on actual case studies, it demonstrates how products are successfully presented in stores to win over consumers.

NIVEA's POS concepts display the brand successfully in stores and are applied around the world. From complete shop-in-shops through the NIVEA Blue Wall to the NIVEA Care Center, there is an attractive NIVEA product presentation solution for every size and every environment – leading to a significant increase in sales.

la prairie is focusing on providing a special shopping experience. Exclusive counters, here in the SciTech Hotel in Beijing, present the luxurious Beiersdorf brand in a modern surrounding.

The counters underline the high-grade claim of la prairie through a reduced, design-oriented, style. The open, light architecture, a harmonious color scheme and lighting as well as separate areas for intensive consultation create an elegant ambiance for demanding customers.

Our products increase people's awareness of their own beauty.

Consumer Focus

Getting to Know People Better

Only consistent orientation on consumer wishes and needs can ensure our business success. For this reason, "Consumer Insights" are the beginning of all projects and processes at Beiersdorf. They describe what consumers think and feel, as well as the expectations they have for certain products. Only once we have identified and formulated these insights do we develop them into concrete ideas and concepts for innovative skin and beauty care.

> "We ensure an even stronger consumer focused mindset within the organization."
>
> **Sonja Ungewitter**
> Head of Consumer Connectivity Unit

Beiersdorf has a special "Consumer Connectivity Unit" with two central tasks. "We ensure an even stronger consumer focused mindset within the organization," explains Unit Manager Sonja Ungewitter. "We also develop consumer understanding, insights, and initial ideas for holistic topics that can open up new markets and target groups for our brands."

The "intouch" Consumer Connectivity Training uses actual case studies, holistic topics and exercises to show how consumer needs can be discovered and translated into new projects. In 2006, over 400 international employees took part in this course, and 450 colleagues have already registered for training programs in 2007 at locations as diverse as Argentina, Mexico, Russia, and Singapore.

Holistic thinking. To drive the growth of our brands, the Consumer Connectivity Unit steers the process of incorporating new insights into cross-category and cross-country consumer search fields. In 2006, one focus was on the wishes and needs of lower-income groups in emerging markets such as India. A working group developed a deep understanding of these consumers. Sonja Ungewitter led the working group, and reports on its findings:

"We recognized that Indian women place great emphasis on their appearance, since this is considered a reflection on how they manage their families and households. After marriage, women find themselves in a new life with a new social network, centered on the husband's family. In order to make the best possible impression in this new environment, women wear colorful clothing and also set great store by cosmetics. The visible parts of the body – face, hands, feet – naturally get the most attention. That means that we must offer these women high-quality skin and beauty care products that they want and can afford. Our products improve their self-image and confidence in their appearance, and thereby make their life a little bit better every day."

In the working groups, these and other findings from around the world are collected, analyzed, and formulated into insights. These insights then lead to new formulas, products, and marketing activities.

Direct contact – through intensive discussion and study of how our consumers live, we gain a clear view of their needs and desires, which we apply to new developments.

PAMPER YOUR BODY

Relax and Unwind

Page 15
Page 33
Page 65
Page 101

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

The perfectly aligned processes in our Consumer Supply Chain – from purchasing raw materials through production in our state-of-the-art manufacturing facilities down to distribution – allow us to reach our consumers quickly and reliably.

Auditors' Report

We have audited the consolidated financial statements prepared by Beiersdorf Aktiengesellschaft, Hamburg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement, and the notes to the consolidated financial statements, together with the group management report, which is combined with the parent company's management report, for the fiscal year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) *HGB* [„Handelsgesetzbuch": „German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 *HGB* and German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* [Institute of Public Auditors in Germany] (IDW). 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 applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to 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 disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities 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 group management report. 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 IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) *HGB* 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 group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, February 8, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Ludwig	Opaschowski
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Consolidated Income Statement

(in € million)	Notes	2005	2006
Sales	1	**4,776**	**5,120**
Cost of goods sold		−1,658	−1,736
Gross profit		**3,118**	**3,384**
Marketing and selling expenses	2	−2,200	−2,409
Research and development expenses		−109	−118
General and administrative expenses	3	−235	−245
Other operating income	4	96	105
Other operating expenses	5	−139	−120
Expenses for the realignment of the Consumer Supply Chain	6	-	−120
Operating result (EBIT)		**531**	**477**
Result from equity investments (BSN medical)	7	20	-
Income from the sale of BSN medical	7	-	371
Financial income	8	26	38
Financing costs	9	−42	−35
Financial result		**4**	**374**
Profit before tax		**535**	**851**
Taxes on income	10	−200	−183
Profit after tax	11	**335**	**668**
Profit attributable to equity holders		329	664
Profit attributable to minority interests	12	6	4
Earnings per share (in €)	13	**1.45**	**2.93**
Diluted earnings per share (in €)	13	**1.45**	**2.93**

Consolidated Balance Sheet

Assets

(in € million)	Note	Dec. 31, 2005	Dec. 31, 2006
Intangible assets	15	34	30
Property, plant, and equipment	16	882	740
Other non-current assets	19	13	12
Deferred tax assets	10	33	32
Non-current assets		**962**	**814**
Inventories	18	536	548
Trade receivables	19	732	727
Income tax receivables	19	14	25
Other current assets	19	103	116
Cash and cash equivalents	20	483	1,230
Non-current assets and disposal groups held for sale	17	77	36
Current assets		**1,945**	**2,682**
		2,907	**3,496**

Equity and Liabilities

(in € million)	Note	Dec. 31, 2005	Dec. 31, 2006
Share capital	21	215	252
Additional paid-in capital	24	47	47
Retained earnings	25	1,096	1,587
Other equity	26	–78	–105
Equity attributable to equity holders of Beiersdorf AG		**1,280**	**1,781**
Minority interests	27	13	9
Equity		**1,293**	**1,790**
Provisions for pensions and other post-employment benefits	28	303	288
Other non-current provisions	29	127	131
Non-current financial liabilities	30	29	8
Other non-current liabilities	30	8	8
Deferred tax liabilities	10	134	112
Non-current liabilities		**601**	**547**
Provisions for income taxes	29	85	79
Other current provisions	29	322	390
Trade payables	30	369	485
Current financial liabilities	30	74	62
Other current liabilities	30	163	120
Liabilities held for sale	17 30	-	23
Current liabilities		**1,013**	**1,159**
		2,907	**3,496**

Consolidated Cash Flow Statement

(in € million)	2005	2006
Cash and cash equivalents as of Jan. 1	**290**	**483**
Operating result (EBIT)	**531**	**477**
Income taxes paid	–191	–221
Depreciation and amortization	162	183
Change in non-current provisions (excluding interest)	–64	–17
Gain/loss on disposal of property, plant, and equipment and intangible assets	–3	5
Gross cash flow	**435**	**427**
Change in inventories	22	–12
Change in trade receivables and other assets	–44	–49
Change in liabilities and current provisions	81	168
Net cash flow from operating activities	**494**	**534**
Investments	–128	–114
Proceeds from divestments	34	59
Proceeds from the sale of BSN medical	-	433
Proceeds from interest, dividends, and other financing activities	42	39
Net cash flow from investing activities	**–52**	**417**
Free cash flow	**442**	**951**
Change in financial liabilities	–100	–34
Interest and other financing expenses paid	–44	–31
Cash dividends paid (Beiersdorf AG)	–121	–129
Net cash flow from financing activities	**–265**	**–194**
Effect of exchange rate fluctuations on cash held	15	–11
Other changes on cash held	1	1
Net change in cash and cash equivalents	**193**	**747**
Cash and cash equivalents as of Dec. 31	**483**	**1,230**

Consolidated Statement of Changes in Equity

(in € million)	Share capital	Additional paid-in capital	Retained earnings*	Other equity: Currency translation adjustment	Other equity: Other changes	Minority interests	Total
Jan. 1, 2005	**215**	**47**	**888**	**–117**	**–12**	**12**	**1,033**
Net-result from cash flow hedges	-	-	-	-	–5	-	–5
Currency translation adjustment	-	-	-	55	-	1	56
Other changes	-	-	-	-	1	–6	–5
Total income and expenses recognized directly in equity	-	-	-	*55*	*–4*	*–5*	*46*
Dividend of Beiersdorf AG for previous year	-	-	–121	-	-	-	–121
Profit after tax	-	-	329	-	-	6	335
Closing balance Dec. 31, 2005 = Opening balance Jan. 1, 2006	**215**	**47**	**1,096**	**–62**	**–16**	**13**	**1,293**
Net-result from cash flow hedges	-	-	-	-	5	-	5
Currency translation adjustment	-	-	-	–31	-	–1	–32
Other changes	-	-	–7	-	–1	–7	–15
Total income and expenses recognized directly in equity	-	-	*–7*	*–31*	*4*	*–8*	*–42*
Capital increase from retained earnings	37	-	–37	-	-	-	-
Dividend of Beiersdorf AG for previous year	-	-	–129	-	-	-	–129
Profit after tax	-	-	664	-	-	4	668
Dec. 31, 2006	**252**	**47**	**1,587**	**–93**	**–12**	**9**	**1,790**

* Retained earnings contain the reduction of the acquisition costs of own shares amounting €955 million.

Consolidated Segment Reporting

Business Segments 2006
(in € million)

	Consumer	tesa	Group
Net sales	**4,327**	**793**	**5,120**
Change in % (nominal)	7.1 %	7.9 %	7.2 %
Change in % (adjusted for currency translation effects)	7.2 %	8.2 %	7.3 %
Share of Group sales	**84.5 %**	**15.5 %**	**100.0 %**
EBITDA	**558**	**102**	**660**
Operating result (EBIT)	**404**	**73**	**477**
as % of sales	9.3 %	9.2 %	9.3 %
Operating result (EBIT), excluding special factors*	**524**	**73**	**597**
as % of sales (excluding special factors)	12.1 %	9.2 %	11.7 %
Gross operating capital	**1,687**	**452**	**2,139**
Operating liabilities	**956**	**140**	**1,096**
EBIT return on net operating capital	**55.2 %**	**23.4 %**	**45.7 %**
Gross cash flow	**359**	**68**	**427**
Capital expenditure (excl. financial assets)	**85**	**25**	**110**
Depreciation, amortization, and impairment losses (excl. financial assets)	**154**	**29**	**183**
Research and development expenses	**95**	**23**	**118**
Employees (as of Dec. 31, 2006)	**13,450**	**3,722**	**17,172**

* The special factors relate to expenses for the realignment of the Consumer Supply Chain.

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, amortization, and impairment losses (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**

Regions 2006

(in € million)	Europe	Americas	Africa/Asia/ Australia	Group
Net sales	**3,717**	**738**	**665**	**5,120**
Change in % (nominal)	6.2 %	7.6 %	12.5 %	7.2 %
Change in % (adjusted for currency translation effects)	6.1 %	7.7 %	14.0 %	7.3 %
Share of Group sales	**72.6 %**	**14.4 %**	**13.0 %**	**100.0 %**
EBITDA	**580**	**32**	**48**	**660**
Operating result (EBIT)	**417**	**20**	**40**	**477**
as % of sales	11.2 %	2.7 %	6.1 %	9.3 %
Operating result (EBIT), excluding special factors*	**537**	**20**	**40**	**597**
as % of sales (excluding special factors)	14.4 %	2.7 %	6.1 %	11.7 %
Gross operating capital	**1,550**	**327**	**262**	**2,139**
Operating liabilities	**853**	**115**	**128**	**1,096**
EBIT return on capital employed	**59.8 %**	**9.3 %**	**30.2 %**	**45.7 %**
Gross cash flow	**378**	**16**	**33**	**427**
Capital expenditure (excl. financial assets)	**90**	**11**	**9**	**110**
Depreciation, amortization, and impairment losses (excl. financial assets)	**163**	**12**	**8**	**183**
Research and development expenses	**114**	**2**	**2**	**118**
Employees (as of Dec. 31, 2006)	**11,629**	**2,135**	**3,408**	**17,172**

* The special factors relate to expenses for the realignment of the Consumer Supply Chain.

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, amortization, and impairment losses (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**

Significant Accounting Policies

Information on the Company and on the Group

The registered office of Beiersdorf AG is at Unnastrasse 48 in Hamburg, Germany, and the Company is registered with the commercial register of the Hamburg Local Court under the number HRB 1787.

The activities of Beiersdorf AG and its subsidiaries ("Beiersdorf Group") consist primarily of the manufacture and distribution of branded consumer goods in the areas of skin and beauty care, and of the manufacture and distribution of technical adhesive tapes.

The consolidated financial statements of Beiersdorf AG for the fiscal year ended December 31, 2006 were drawn up the Executive Board on February 7, 2007, and submitted to the Supervisory Board for its examination and approval.

General Principles

The consolidated financial statements of Beiersdorf AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of German commercial law required to be applied under § 315a (1) of the *HGB*. All IFRSs and IFRICs standards endorsed by the European Commission and required to be applied as of December 31, 2006 were applied.

The consolidated financial statements were generally prepared using the historical cost convention. Exceptions to this rule relate to derivative financial instruments, which are measured at fair value where such fair value can be reliably determined.

The consolidated income statement was prepared using the cost of sales method.

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. Such estimates and assumptions reflect all currently available information. Significant estimates and assumptions relate in particular to the definition of uniform Group depreciation periods, write-downs of receivables and inventories, parameters applied to the measurement of pension provisions and expected return on plan assets, and other provisions. Actual amounts may differ from those estimates.

Changes are recognized in profit or loss when more recent knowledge becomes available.

Consolidated Group

In addition to Beiersdorf AG, the consolidated financial statements include 20 German and 133 international companies whose financial and business policies Beiersdorf AG is able to control either directly or indirectly, and from whose activities it can derive economic benefits.

The number of such companies increased by four newly founded year-on-year. The change in the number of consolidated companies had no material effect on the net assets, financial position, and results of operations, with the result that comparability with the previous year is not impaired.

Two companies in which Beiersdorf continues to hold an interest of 50 %, as in the previous year, 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 significant subsidiaries and joint ventures included in the consolidated financial statements are presented in the list of shareholdings in an annex to these notes. A complete list of Beiersdorf AG's shareholdings is issued separately.

Consolidation Principles

Consolidation of capital uses the purchase method, under which the cost of the business combination is allocated to the identifiable assets acquired and identifiable liabilities and contingent liabilities assumed, measured at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in net fair values of identifiable assets, liabilities, and contingent liabilities is recognized as goodwill.

Profit and equity of subsidiaries attributable to minority interests are presented separately in the consolidated income statement and as a component of equity in the consolidated balance sheet.

In the case of successive purchases of the shares of subsidiaries, the difference between the cost of the new shares and the minority interests previously recognized in the Group for these shares is recognized directly in equity.

Joint ventures are proportionately consolidated. Proportionate consolidation requires joint ventures to be included in the consolidated financial statements to reflect the venturer's interest in the capital of the joint venture. The Group combines its interest in the assets, liabilities, income, and expenses of the joint venture with the corresponding items relating to fully consolidated companies in the consolidated financial statements.

All intercompany balances, transactions, income and expenses, and gains and losses on intragroup transactions, that are contained in the carrying amounts of assets, are eliminated in full. Deferred taxes are recognized for the tax effects of consolidation adjustments. In the case of joint ventures, the corresponding eliminations and the recognition of deferred taxes reflects the venturer's interest in the joint venture.

Currency Translation

The consolidated financial statements have been prepared in euros. The euro is Beiersdorf AG's functional and presentation currency. Unless otherwise indicated, all amounts are rounded to millions of euros (€ million).

Each company in the Group defines its own functional currency. The items contained in the financial statements of the company concerned are measured using this functional currency. Foreign currency transactions are initially translated from the foreign currency into the functional currency at the spot rate at the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the closing rate. Non-monetary items that are measured at cost in a foreign currency are translated at the exchange rate at the transaction date.

As the foreign subsidiaries operate as financially, economically, and organizationally independent entities, their functional currency is always the local currency.

At the balance sheet date, the assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated into euros at the closing rate. Income and expenses are translated at average exchange rates for the fiscal year. Exchange differences arising on translation are recognized as a separate component of equity.

The following tables show the development of the exchange rates of the currencies material to the consolidated financial statements.

	ISO Code	Average rates	
€1 =		2005	2006
Swiss franc	CHF	1.5476	1.5768
Pound sterling	GBP	0.6832	0.6819
Japanese yen	JPY	136.9190	146.7517
Polish zloty	PLN	4.0329	3.9074
US dollar	USD	1.2380	1.2631

	ISO Code	Closing rates	
€1 =		2005	2006
Swiss franc	CHF	1.5555	1.6080
Pound sterling	GBP	0.6870	0.6714
Japanese yen	JPY	139.1300	156.6500
Polish zloty	PLN	3.8686	3.8413
US dollar	USD	1.1834	1.3181

Changes in Accounting Policies

The accounting policies correspond generally to those applied in the previous year. In addition, the Group has applied the following new or revised Standards and Interpretations that are relevant to the business activities of the Group and were required to be applied for the first time in fiscal year 2006:

- IAS 1 "Presentation of Financial Statements" – amendment due to amendment of IAS 19
- IAS 19 "Employee Benefits" – recognition option for actuarial gains and losses and extended disclosure requirements
- IAS 21 "The Effects of Changes in Foreign Exchange Rates" – guidance on net investments in a foreign operation
- IAS 24 "Related Party Disclosures" – amendment due to amendment of IAS 19
- IAS 32/39 "Financial Instruments: Presentation/Recognition and Measurement" – amendments relating to financial guarantee contracts, the fair value option, and cash flow hedge accounting
- IFRIC 4 "Determining Whether an Arrangement Contains a Lease"

Apart from additional disclosure requirements, application of these Standards and Interpretations had no material effects.

The following new respectively revised Standards and Interpretations relevant for the business of the Beiersdorf Group are published as of December 31, 2006, but not yet required to be applied for the fiscal year then ended:

- IAS 1 "Presentation of Financial Statements", on/after January 1, 2007
- IFRS 7 "Financial Instruments: Disclosures", on/after January 1, 2007
- IFRS 8 "Segment Reporting", on/after January 1, 2009
- IFRIC 9 "Reassessment of Embedded Derivatives", on/after June 1, 2006

The Group did not exercise any options to apply Standards and Interpretations prior to their effective date. Apart from additional disclosure requirements, any significant effects on the consolidated financial statements are not expected.

Summary of Significant Accounting Policies

Sales are recognized when goods and products are delivered and the significant risks and rewards incidental to ownership have been transferred to the buyer. Discounts, customer bonuses, and rebates are deducted from sales. The existence of return rights is reflected in the recognition and measurement of sales.

Cost of goods sold 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 of inventories.

Marketing and selling expenses include the cost of marketing, the sales organization, and distribution logistics. This item also includes write-downs of trade receivables.

Research and development expenses comprise the cost of research and of product and process development, including expenses for third-party services. In the case of development projects, a review is conducted to establish whether the criteria for capitalizing internally generated intangible assets laid down in IAS 38 are met. Development costs that do not meet these criteria are recognized in full as expenses of the period.

Purchased **intangible assets** such as patents, trademarks, and software are measured at cost. The carrying amounts of finite-lived intangible assets are generally reduced by straight-line amortization over five years. The useful lives, residual values and depreciation methods are reviewed regularly. Goodwill is not amortized.

Property, plant, and equipment is carried at cost and reduced by straight-line depreciation over the assets' expected useful lives. The useful lives, residual values, and depreciation methods are reviewed regularly. The following useful lives are generally applied to the depreciation of items of property, plant, and equipment:

Useful Lives of Property, Plant, and Equipment

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

Production costs of internally manufactured items of property, plant, and equipment are calculated on the basis of attributable direct costs plus an appropriate share of production-related 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 also expensed as incurred. Substantial renewals or enhancements that materially increase production capacity or significantly extend the economic life of an asset are capitalized. Components that were previously capitalized and have been replaced by new expenditures to be capitalized are correspondingly accounted for as disposals. Government grants and subsidies reduce historical cost.

Goodwill is **tested for impairment** at least once a year; such impairment tests are only conducted for finite-lived intangible assets, property, plant, and equipment, and other assets if there are indications of impairment. An impairment loss is recognized in profit or loss if the recoverable amount of the asset is lower than its carrying amount. Recoverable amount is generally identified separately for each asset. If this is not possible, recoverable amount is identified on the basis of a group of assets or the legal entity. Recoverable amount is the higher of net realizable value and value in use. Net realizable value is the amount obtainable from the sale of an asset in an arm's length transaction, less the costs of disposal. Value in use is generally calculated on the basis of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life, using the discounted cash flow method. Cash flows are derived from the business plans and reflect current developments. They are discounted to the date of the impairment test using capitalization rates for equivalent risks.

If the reasons for an impairment test recognized in previous years no longer apply, the impairment loss (except for goodwill) is reversed up to a maximum of amortized cost.

Inventories are carried at the lower of cost or net realizable value in accordance with IAS 2 (Inventories). Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. They are measured using the 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.

Receivables and other assets are generally carried at amortized cost using the effective interest method. Appropriate valuation allowances are charged for identifiable risks. The estimated valuation allowance on receivables is based primarily on the results of previous payment behavior, and reflects the aging structure, any substantial deterioration in creditworthiness, or a high probability of debtor insolvency, as well as changes in the political and macroeconomic environment.

Other financial instruments are measured at fair value, provided that this is reliably allocatable.

The Beiersdorf Group uses **derivative financial instruments** to manage current and future currency and interest rate risks. Derivative financial instruments are recognized at fair value. Derivative financial instruments are recognized in the balance sheet in other assets, or in other liabilities.

The recognition of changes in the fair values of derivative financial instruments depends on whether these instruments are used as hedging instruments and meet the criteria for hedge accounting under IAS 39. If the criteria are not met despite the existence of an economic hedge, changes in the fair values of derivative financial instruments are recognized immediately in profit or loss.

The effective portion of the change in the fair value of a derivative financial instrument designated as a hedging instrument that qualifies for hedging accounting as a cash flow hedge is recognized directly in equity, net of the related tax effect. The ineffective portion is recognized in profit or loss. When the hedged item (underlying) is settled, the effective portion is also recognized in the income statement.

The **fair value of financial instruments** is determined on the basis of corresponding market prices or the application of suitable valuation techniques. The fair value of cash and cash equivalents corresponds to the carrying amounts recognized at each balance sheet date. The fair value of receivables and other assets carried at amortized cost and liabilities is determined on the basis of the expected future cash flows, using the benchmark interest rates for matching risk and maturities at the balance sheet date. The fair value of derivative financial instruments is determined on the basis of the forward exchange rates considering benchmark interest rates for matching risk and maturities at the balance sheet date. Where the fair value of primary financial instruments differs from the carrying amount at the balance sheet date, this is disclosed in the notes to the corresponding balance sheet item.

Non-current assets held for sale and the associated liabilities are presented as separate items in the balance sheet if their sale is highly probable and they are available for immediate sale in their present condition. Non-current assets held for sale are recognized at the lower of their carrying amount and fair value less costs to sell.

In accordance with IAS 19 (Employee Benefits), **pension obligations** under defined benefit plans are calculated using the projected unit credit method. The expected benefits are spread over the entire length of service of the employees. Pension plan assets and obligations are measured at regular intervals. Actuarial valuations are performed annually for all major pension plans. Pension obligations are calculated on the basis of market rates of interest and projected wage/salary and pension increases, and staff turnover trends. Measurement is governed by the country-specific conditions.

The disclosed amount in the provision for pensions contains the sum of the present values of defined benefit obligations and the net cumulative unrecognized actuarial gains and losses less not yet recognized past service cost und the fair value of plan assets available for immediate settlement of obligations.

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.

Obligations of individual Group companies that are similar in nature 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.

Other provisions take account of all identifiable future payment obligations, risks, and uncertain obligations of the Group resulting from legal or constructive obligations arising from past events where the amount of the obligation can be measured reliably. Such other provisions are mainly due within one year. Non-current provisions expected to be settled after more than one year are discounted.

This item also includes provisions for partial retirement arrangements that are accounted for as obligations arising from termination benefits in the consolidated financial statements. They are recognized at the present value of the expected future additional payments. Measurement of the provisions reflects both the partial retirement arrangements agreed with the employees and potential partial retirement arrangements that, at the balance sheet date, are expected to be agreed on the basis of existing collective bargaining agreements.

Provisions are recognized for restructurings if there is a detailed formal restructuring plan and there is a valid expectation in those affected that the restructurings will be implemented. Measurement of restructuring provisions only includes expenses that are necessarily entailed by the restructuring and are not associated with the ongoing activities of the entity. Additions to the restructuring provisions for the realignment of the Consumer Supply Chain are presented separately in the income statement together with all other expenditures incurred in this context.

In accordance with IAS 39, **liabilities** are measured at amortized cost at the balance sheet date, which normally corresponds to the settlement amount, using the effective interest method. Financial liabilities include all of the Beiersdorf Group's interest-bearing liabilities. These are composed primarily of liabilities to banks.

Deferred taxes result from temporary differences between the tax base of assets and liabilities and their carrying amounts in the balance sheets of the Group companies. 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. No deferred taxes are recognized for differences arising on the initial recognition of assets and liabilities that do not affect either accounting or taxable profit. Deferred taxes on temporary differences, tax loss carryforwards, and tax credits are recognized where it is probable that sufficient taxable profit will be available in future periods against which they can be utilized. Recognized deferred taxes are tested for recoverability every year. Income taxes relating to items recognized directly in equity are also recognized directly in equity, and not in the income statement. Deferred tax assets and deferred tax liabilities are offset if they relate to the same tax authorities and are expected to be realized and settled in the same period.

Substantially all the risks and rewards incidental to ownership of the assets for which **leases** have been entered into remain with the lessor. The leases are therefore classed as operating leases. Lease payments for operating leases are recognized as expenses for the period in the consolidated income statement.

Notes to the Income Statement

1 Sales

Sales increased from €4,776 million in the previous year to €5,120 million in 2006.

A breakdown of sales and their development by business segment and region can be found in the segment reporting. Page 74

2 Marketing and Selling Expenses

Marketing and selling expenses increased by 9.5 % to €2,409 million (previous year: €2,200 million). The expenditure on advertising, retail marketing, and similar items included in marketing and selling expenses amounts to €1,603 million (previous year: €1,417 million).

3 General and Administrative Expenses

General and administrative expenses amounted to €245 million in fiscal year 2006, thus increasing by 4.2 % in comparison to the previous year. 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.

4 Other Operating Income

(in € million)	2005	2006
Income from the release of provisions	30	39
Exchange gains	13	18
Gains on disposal of non-current assets	9	3
Miscellaneous other income	44	45
	96	**105**

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

5 Other Operating Expenses

(in € million)	2005	2006
Exchange losses	16	23
Losses on disposal of non-current assets	7	7
Amortization of trademarks acquired	25	1
Miscellaneous other expenses	91	89
	139	**120**

Miscellaneous other expenses include additions to provisions for process and other risks as well as miscellaneous other operating expenses.

6 Expenses for the Realignment of the Consumer Supply Chain

As part of the realignment of the Consumer Supply Chain, plaster production in Hamburg (Germany) was discontinued, and production facilities in Almere (the Netherlands) and Kungsbacka (Sweden) were closed in 2006, and a decision was taken to close the logistics centers in Almere and Brussels (Belgium). In addition, the sale of the production and logistic location in Savigny-le-Temple (France) and of Hirtler GmbH, Heitersheim (Germany), was resolved. The expenses of €120 million are primarily attributable to impairment losses on non-current assets amounting to €61 million and to personnel expenses of €35 million. The impairment losses correspond to the difference between the carrying amount of the assets and their fair value less costs to sell.

7 Income from the Sale of BSN medical

Income of €371 million was generated by the sale of Beiersdorf's share in BSN medical in February 2006. There is thus no longer any investment income from BSN medical; this amounted to €20 million in the previous year and was presented in the result from equity investments. The sale of BSN medical resulted in tax expenses of €10 million.

8 Financial Income

(in € million)	2005	2006
Interest income	6	30
Other financial income	20	8
	26	**38**

Other financial income primarily comprises exchange gains on financial items denominated in foreign currencies.

9 Financing Costs

(in € million)	2005	2006
Interest expense	14	15
Other financing costs	28	20
	42	**35**

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 interest expense of €6 million (previous year: €5 million). Other financing costs consist in particular of exchange losses on such financial items.

10 Taxes on Income

Income tax expense including deferred taxes can be broken down as follows:

(in € million)	2005	2006
Taxes on income		
Germany	93	116
International	114	88
	207	**204**
Deferred taxes	–7	–21
	200	**183**

€4 million (previous year: €1 million) of deferred taxes shown in the balance sheet were directly recognized in equity.

There are tax loss carryforwards and unused tax credits of €44 million (previous year: €45 million) for which no deferred tax assets have been recognized. Of this amount, €42 million (previous year: €42 million) can be carried forward without restriction; the remaining amount can be carried forward with restrictions over a period of up to four years.

No deferred taxes have been recognized for temporary differences relating to not distributed earnings at subsidiaries because earnings are at the subsidiaries' disposal without any restriction of time.

Deferred taxes relate to the following balance sheet items and matters:

Allocation of Deferred Taxes

(in € million)	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006
Non-current assets	15	23	91	71
Inventories	11	12	-	-
Receivables and other current assets	8	6	6	7
Provisions for pensions and other post-employment benefits	6	4	80	89
Other provisions	29	31	-	1
Liabilities	14	12	10	3
Loss carryforwards	3	3	-	-
	86	**91**	**187**	**171**
Offset deferred taxes	–53	–59	–53	–59
Deferred taxes recognized in the balance sheet	**33**	**32**	**134**	**112**

Calculation of the Actual Tax Expense

For an effective tax rate of 21.5 %, the actual tax expense is €125 million lower 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 36.2 % (previous year: 33.7 %). The increase of the tax rate is primarily due to the income from the sale of BSN medical. The expected tax in Germany was calculated with a tax rate of 40 %.

The following table shows the reconciliation of expected to actual tax expense:

Actual Tax Expense

(in € million)	2005	2006
Expected tax expense at a tax rate of 36.2 % (previous year: 33.7 %)	181	308
Tax deductions due to tax-free income	–3	–132
Tax increases due to non-deductible expenses	13	9
Income tax prior years	6	–5
Other tax effects	3	3
Actual tax expense	**200**	**183**

11 Reconciliation of Profit After Tax

The following table shows a reconciliation of earnings in respect of the special factors:

(in € million)	According to P&L	Special factors*	Adjusted
EBIT	477	120	597
Financial result	374	–371	3
Taxes	–183	–30	–213
Profit after tax	**668**	**–281**	**387**

* The special factors relate to expenses for the realignment of the Consumer Supply Chain and the gain on the sale of BSN medical.

12 Minority Interests

€4 million of profit after tax is attributable to minority interests (previous year: €6 million). As of the balance sheet date, other shareholders primarily hold interests in Nivea-Kao Co., Ltd., Japan, PT. Beiersdorf Indonesia, and Beiersdorf India Limited.

13 Earnings per Share

On the basis of the share split implemented by Beiersdorf AG on July 17, 2006 (see note 21 "Share Capital"), earnings per share were adjusted to reflect the new number of shares, including for the previous year, in accordance with IAS 33. Earnings per share for 2006 amounted to €2.93 (previous year: €1.45). Earnings per share excluding special factors amount to €1.69 (previous year: €1.45).

Beiersdorf AG holds 25,181,016 treasury shares. These were deducted from the total of 252,000,000 shares when calculating earnings per share, which resulted in earnings being calculated on the basis of 226,818,984 shares, reflecting the share split. As there are no outstanding financial instruments that can be exchanged for shares, there is no difference between diluted and basic earnings per share.

14 Other Disclosures

Cost of Materials

The cost of raw materials and supplies and of purchased goods and services amounted to €1,229 million (previous year: €1,147 million).

Personnel Expenses

(in € million)	2005	2006
Wages and salaries	674	712
Social security contributions and other benefits*	98	107
Pension expenses*	68	70
	840	**889**

* Prior-year figures adjusted.

Starting in fiscal year 2006, contributions to the statutory pension insurance fund are presented as pension expenses. Prior-year social security contributions and other benefits, as well as pension expenses, were therefore adjusted by €37 million.

Employees

The breakdown of employees by function is as follows:

(number as of December, 31)	2005	2006
Production	6,167	6,275
Sales and Marketing	6,763	6,890
Other functions	3,839	4,007
	16,769	**17,172**

Employees of consolidated joint ventures are included in the total number of employees in proportion to the interest held. A total of 181 people are employed by these companies (previous year: 188).

A breakdown of employees by Beiersdorf Group segment can be found in the segment reporting. Page 74

Notes to the Balance Sheet

15 Intangible Assets

(in € million)	Patents, licenses, trademarks, software, and similar rights and assets	Goodwill	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/transfers	36	–45	–9
Closing balance Dec. 31, 2005 = Opening balance Jan. 1, 2006	**418**	**9**	**427**
Currency translation adjustment	–1	-	–1
Changes in consolidated Group	-	-	-
Additions	13	-	13
Disposals/transfers	–3	–2	–5
Closing balance Dec. 31, 2006	**427**	**7**	**434**
Amortization			
Opening balance Jan. 1, 2005	**319**	**41**	**360**
Currency translation adjustment	1	-	1
Amortization	41	-	41
Disposals/transfers	26	–35	–9
Closing balance Dec. 31, 2005 = Opening balance Jan. 1, 2006	**387**	**6**	**393**
Currency translation adjustment	-	-	-
Amortization	15	-	15
Disposals/transfers	–2	–2	–4
Closing balance Dec. 31, 2006	**400**	**4**	**404**
Carrying amount Dec. 31, 2006	**27**	**3**	**30**
Carrying amount Dec. 31, 2005	31	3	34

Intangible assets decreased by €4 million compared with the previous year to €30 million (previous year: €34 million). The investments of €13 million (previous year: €15 million) were more than offset by amortization charges recognized in the period. No internally generated intangible assets were recognized as of December 31, 2006 (as in the previous year), as for the development projects in question the capitalization criteria under IAS 38 (Intangible Assets) have not been met.

No impairment losses were recognized, and no impairment losses reversed, in the year under review.

16 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/transfers	–1	–28	–18	–41	–88
Closing balance Dec. 31, 2005 = Opening balance Jan. 1, 2006	**787**	**859**	**521**	**28**	**2,195**
Currency translation adjustment	–8	–11	–6	-	–25
Changes in consolidated Group	2	-	-	-	2
Additions	6	23	44	24	97
Disposals/transfers	–69	–82	–54	–22	–227
Closing balance Dec. 31, 2006	**718**	**789**	**505**	**30**	**2,042**
Depreciation Opening balance Jan. 1, 2005	**361**	**530**	**351**	**1**	**1,243**
Currency translation adjustment	5	8	7	-	20
Depreciation	28	48	44	1	121
Disposals/transfers	–6	–37	–28	-	–71
Closing balance Dec. 31, 2005 = Opening balance Jan. 1, 2006	**388**	**549**	**374**	**2**	**1,313**
Currency translation adjustment	–3	–7	–5	-	–15
Depreciation	46	72	50	-	168
Disposals/transfers	–36	–77	–51	-	–164
Closing balance Dec. 31, 2006	**395**	**537**	**368**	**2**	**1,302**
Carrying amount Dec. 31, 2006	**323**	**252**	**137**	**28**	**740**
Carrying amount Dec. 31, 2005	399	310	147	26	882

Non-current assets changed by €142 million compared with the previous year to €740 million. Investments in non-current assets amounted to €97 million.

Depreciations of €168 million contain impairment losses due to the realignment of the Consumer Supply Chain of €61 million. These impairment losses relate to production and logistic locations whose sale or closure was resolved in 2006.

Disposals of carrying amounts of non-current assets amount to €63 million, €38 million of which are primarily influenced by the realignment of the Consumer Supply Chain. This amount contains the realized sale of the production location in Kungsbacka (Sweden) und the reclassification of fixed assets held for sale in the position "Non-current assets and disposal groups held for sale". No impairment losses were reversed in the year under review.

17 Non-Current Assets and Disposal Groups Held for Sale

As part of the realignment of the Consumer Supply Chain, it was decided among others to sell the production and logistic location in Savigny-le-Temple (France) and the subsidiary Hirtler GmbH in Heitersheim (Germany). Negotiations started in 2006. The sales should be completed at mid-term 2007. In accordance with IFRS 5 (Non-current Assets Held for Sales and Discontinued Operations) all related assets of the disposal groups have been reclassified as "Non-current assets and disposal groups held for sale."

All liabilities associated with the non-current assets and disposal groups held for sale are presented separately below current liabilities as "Liabilities held for sale". The subsidiaries to be sold are in the "Consumer" segment and do not represent discontinued operations of Beiersdorf AG.

The total assets of the disposal groups amounted to €30 million (previous year: €40 million). Their liabilities and provisions amounted to €23 million (previous year: €26 million). Impairment losses are included in the depreciation shown in the chart of fixed assets.

In the previous year, the investment in BSN medical was classified as an available-for-sale non-current asset. The gain of €371 million generated from the sale of this investment in fiscal year 2006 was presented separately in the income statement.

18 Inventories

(in € million)	2005	2006
Raw materials, consumables, and supplies	116	121
Work in progress	39	35
Finished goods and merchandise	378	389
Advance payments	3	3
	536	**548**

Inventories increased slightly by €12 million compared with the previous year to €548 million, thereof €82 million were carried at net realizable value. Write-downs of inventories amounted to €70 million at the balance sheet date (previous year: €65 million).

19 Receivables and Other Assets

(in € million)	2005	2006
Trade receivables	732	727
Income tax receivables	14	25
Receivables from affiliated companies	1	1
Receivables from associates	3	-
Other tax receivables	22	30
Advance payments	42	35
Other current and non-current assets*	48	62
	862	880

* Prior-year figures adjusted.

The carrying amount of trade receivables reflects valuation allowances amounting to €38 million (previous year: €37 million).

Other assets include the positive fair value of financial derivatives of €6 million (previous year: €3 million). Changes in fair value of financial derivatives are recognized directly in a separate component of equity after deduction of deferred taxes.

For the first time, other non-current financial assets are presented as other non-current assets. The prior-year amount of €43 million was adjusted to €48 million accordingly.

20 Cash and Cash Equivalents

(in € million)	2005	2006
Cash	443	1,189
Cash equivalents	40	41
	483	1,230

Cash comprises bank balances, cash-on-hand, and checks. Cash equivalents such as overnight funds are short-term, liquid investments that can be converted into cash at any time and are exposed to no more than insignificant fluctuations in value.

21 Share Capital

The share capital was increased by €36.96 million in fiscal year 2006 from €215.04 million to €252 million. The capital increase from retained earnings was implemented under the terms of the share split resolved by the Annual General Meeting on May 17, 2006. The 1:3 share split was implemented following the capital increase. The share capital is composed of 252 million no-par value bearer shares. In accordance with IAS 33, earnings per share for the previous year were also adjusted to reflect the new number of shares.

Since the settlement of the share buyback program on February 3, 2004, and following implementation of the share split, Beiersdorf AG has held 25,181,016 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 by a different method than as set out in § 60 (2) of the *Aktiengesetz* (German Stock Corporation Act, *AktG*).

Shareholders must be granted preemptive rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' preemptive rights in the following case:

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, preemptive 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 10 % of the share capital, those shares must be included for which the preemptive rights of shareholders are disapplied in accordance with § 186 (3) sentence 4 of the *AktG* 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 addition, the Annual General Meeting on May 17, 2006, resolved a capital increase from retained earnings. In accordance with § 218 sentence 1 of the *AktG*, contingent capital is therefore increased by the same proportion. It therefore now amounts to €46,875,000. 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 obligation, and the contingent capital is required for this in accordance with the terms and conditions of the bonds.

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

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 net profit for the fiscal year and undistributed profits generated in prior periods by companies included in the consolidated financial statements. The retained earnings are reduced by the cost of the 25,181,016 treasury shares held by Beiersdorf AG amounting to €954.98 million. Valuation differences resulting from the acquisition of the Bode minority interests were deducted directly from retained earnings. The Annual General Meeting on May 17, 2006, resolved to increase the share capital by withdrawal of retained earnings of €36.96 million to €252 million.

26 Other Equity

This item mainly comprises the exchange differences recognized in equity arising from the translation of the annual financial statements of Group companies into euros, as well as the net result from cash flow hedges, net of deferred taxes.

Changes in the value of financial derivatives amounted to €5 million in fiscal year 2006 (previous year: €–4 million).

27 Minority Interests

Minority interests contain adjustments for the interests of non-Group shareholders in the equity of fully-consolidated affiliates. Other shareholders hold interests primarily in Nivea-Kao Co., Ltd., Japan, PT. Beiersdorf Indonesia, and Beiersdorf India Limited.

28 Provisions for Pensions and Other Employee Benefits

The Group provides post-employment benefits for entitled employees either directly or through legally independent pension and welfare funds. Group companies provide retirement benefits under defined contribution and defined benefit plans. The structure of the plans vary depending on the legal, economic, and tax situation in the country in question, and the plans are generally based on length of service, salary, and the position held within the Company, as well as the employees' own contributions. The direct and indirect obligations comprise obligations arising from existing pensions, as well as future pension and retirement obligations.

In Germany calculations are based on Heubeck's 2005 mortality tables, and internationally they are based on locally recognized mortality tables. There was no extraordinary income or expense from the termination of pension plans or the curtailment and transfer of pension benefits in the year under review.

Measurement is based on the following assumptions:

Actuarial Assumptions

	2005		2006	
	Germany	Other countries	Germany	Other countries
Discount rates	4.25 %	2.00–10.00 %	4.25 %	2.00–10.00 %
Expected return on plan assets	4.25 %	2.00–8.00 %	4.25 %	2.00–8.00 %
Projected wage and salary growth	2.50 %	2.00–8.00 %	3.00 %	2.25–8.00 %
Projected pension growth	1.50 %	2.00–3.00 %	1.75 %	0.50–3.50 %
Projected staff turnover	2.50 %	1.50–10.00 %	2.50 %	1.50–8.00 %

These parameters also apply to each following year when calculating the costs of the obligations acquired in the year under review, the interest expense on obligations acquired in previous years, and the calculation of the expected return on plan assets.

The expected return on plan assets is derived from historical long-term returns on the plan assets and from projected long-term returns.

Pension Benefit Expense

	2005			2006		
(in € million)	Germany	Other countries	**Group**	Germany	Other countries	**Group**
Current service cost	13	7	20	17	10	27
Past service cost	2	-	2	-	1	1
Gains on curtailments and settlements	-	-	-	-	–5	–5
Defined benefit expense*	**15**	**7**	**22**	**17**	**6**	**23**
Interest expense	31	6	37	30	7	37
Expected return on plan assets	–22	–5	–27	–22	–8	–30
Amortization of actuarial gains and losses	–6	1	–5	–2	1	–1
Net interest income for defined benefit plans	**3**	**2**	**5**	**6**	**-**	**6**
Total expenses for defined benefit plans	**18**	**9**	**27**	**23**	**6**	**29**
Defined contribution expense*	28	18	46	28	19	47
Pension benefit expense	**46**	**27**	**73**	**51**	**25**	**76**

* Included in EBIT.

The defined benefit and defined contribution expenses are included in the costs of the respective functions. Defined contribution expenses primarily contain contributions to statutory pension insurance funds.

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 income/expense.

Change in the Present Value of Defined Benefit Obligations

(in € million)	2005			2006		
	Germany	Other countries	Group	Germany	Other countries	Group
Present value of defined benefit obligations, opening balance	606	117	723	718	149	867
Current service cost	13	7	20	17	10	27
Interest expense	31	6	37	30	7	37
Actuarial gains and losses	94	7	101	23	–2	21
Contributions for plan participants	2	2	4	2	3	5
Pension benefits paid	–30	–3	–33	–31	–8	–39
Currency translation adjustment	-	3	3	-	–6	–6
Other changes	2	10	12	–4	32	28
Present value of defined benefit obligations, closing balance	**718**	**149**	**867**	**755**	**185**	**940**

Funding Status of Present Value of Defined Benefit Obligations

(in € million)	2005			2006		
	Germany	Other countries	Group	Germany	Other countries	Group
Partly or wholly funded defined benefit obligations	702	123	825	739	159	898
Unfunded defined benefit obligations	16	26	42	16	26	42
Present value of defined benefit obligations	**718**	**149**	**867**	**755**	**185**	**940**

Change in Fair Value of Plan Assets

(in € million)	2005			2006		
	Germany	Other countries	Group	Germany	Other countries	Group
Fair value of plan assets, opening balance	415	77	492	526	100	626
Expected return on plan assets	22	5	27	22	8	30
Actuarial gains and losses	32	1	33	68	1	69
Actual return on plan assets	**54**	**6**	**60**	**90**	**9**	**99**
Employer contributions	63	8	71	4	9	13
Contributions by plan participants	-	1	1	-	3	3
Pension benefits paid	–6	–2	–8	–6	–5	–11
Currency translation adjustment	-	3	3	-	–5	–5
Other changes	-	7	7	-	42	42
Fair value of plan assets, closing balance	**526**	**100**	**626**	**614**	**153**	**767**

Categories of Plan Asset Fair Value

(in € million)	2005			2006		
	Germany	Other countries	Group	Germany	Other countries	Group
Equity instruments	323	44	367	224	81	305
Debt instruments	154	42	196	341	58	399
Real estate	36	-	36	36	-	36
Cash and cash equivalents	13	10	23	12	7	19
Other	-	4	4	1	7	8
Fair value of plan assets	**526**	**100**	**626**	**614**	**153**	**767**

Most pension obligations are covered by plan assets. For Beiersdorf AG, this is handled by TROMA Alters- und Hinterbliebenenstiftung, Hamburg. Real estate in the plan assets contains real estate with a value of €27 million (previous year: €23 million) rented out to Group companies.

The shares of Beiersdorf AG held by TROMA as of December 31, 2005, were sold on November 8, 2006.

Recognized Provisions for Pensions and Other Employee Benefits

(in € million)	2005	2006
Present value of defined benefit obligations	867	940
Fair value of plan assets	–626	–767
Net obligation	**241**	**173**
Net cumulative unrecognized actuarial gains and losses	61	107
Other recognized amounts	1	8
Recognized provisions for pensions and other employee benefits	**303**	**288**

29 Other Provisions

(in € million)	Income taxes	Personnel expenses	Marketing and selling expenses	Restructuring	Miscellaneous	Total
Opening balance Jan. 1, 2006	**85**	**157**	**141**	**9**	**142**	**534**
of which non-current	-	*68*	*2*	*4*	*53*	*127*
Currency translation adjustment	–2	–1	–2	-	–2	–7
Additions	56	99	142	36	109	442
Utilized	47	77	123	6	63	316
Reversals	13	6	8	2	24	53
Closing balance Dec. 31, 2006	**79**	**172**	**150**	**37**	**162**	**600**
of which non-current	-	*73*	*2*	-	*56*	*131*

Provisions for personnel expenses relate primarily to expenses for partial retirement arrangements, annual bonuses, vacation pay, severance agreements, and anniversary payments. The provisions for marketing and selling expenses relate in particular to customer bonuses and rebates.

The restructuring provisions relate primarily to provisions in connection with the realignment of the Consumer Supply Chain.

The miscellaneous provisions include provisions for litigation risks, among other things.

30 Liabilities

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

No bonds were issued. None (previous year: €14 million) of the financial liabilities in the amount of €8 million are due after more than five years.

Other non-current liabilities of €4 million (previous year: €1 million) are due after more than five years.

Other Current Liabilities

(in € million)	2005	2006
Liabilities to affiliated companies	2	1
Other tax liabilities	48	38
Social security liabilities	19	11
Advance payments received	4	4
Other liabilities	90	66
	163	**120**

Other current liabilities contain the negative fair values of financial derivatives amounting €5 million (previous year: €9 million).

For information on Liabilities held for sale please refer to No. 17 Non-current assets and Disposal Groups held for sale.

31 Contingent Liabilities and Other Financial Obligations

(in € million)	2005	2006
Contingent liabilities		
Liabilities under bills	1	1
Liabilities under guarantees	3	2
Other financial obligations		
Obligations under rental and lease and lease agreements:	57	51
due within the next year	20	20
due between 2 to 5 years	29	26
due after more than 5 years	8	5
Obligations under purchase commitments:	22	10
due within the next year	16	9
due between 2 to 5 years	6	1

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 position.

32 Financial Risk Management and Derivative Financial Instruments

The Beiersdorf Group is active in an international environment that exposes the Group to a variety of risks, such as currency, interest rate, and default risk.

Derivative financial instruments are used to hedge the Group's primary operating business and significant financial transactions that are important to the Company. The Group is not exposed to any additional risks as a result. The transactions are performed exclusively using standard market instruments (as in prior year only currency forwards).

Because of the very small volume of non-current financial liabilities, interest rate risk is of no more than minor significance for the Beiersdorf Group. As a result, no interest rate hedging transactions are entered into at present.

The maximum default risk is evident from the carrying amount of each financial asset recognized in the balance sheet. Some of the risks arising from trade receivables are covered by corresponding insurance policies. For this reason, the Group believes that its maximum default risk is the amount of trade receivables and aggregate other current assets, less valuation allowances recognized for these assets at the balance sheet date.

The Beiersdorf Group uses currency forwards to hedge the risk of changes in exchange rates. 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 fair value of currency forwards at the balance sheet date was €1 million (previous year: €–6 million), and their notional value was €491 million (previous year: €485 million). Of this amount, €477 million (previous year: €450 million) is due within one year. The notional values represent the aggregate of all purchase and selling amounts for derivatives. The notional values shown are not offset.

33 Disclosures on Joint Ventures

The Beiersdorf Group holds 50 % interests in Beiersdorf AG, Switzerland, and EBC Ecz. BDF Kozm., Turkey, joint ventures. The two joint ventures account for €75 million (previous year: €72 million) of the income and €65 million (previous year: €63 million) of the expenses reported in the income statement, and thus €10 million (previous year: €9 million) of the operating result. The proportionately consolidated companies contributed €7 million (previous year: €9 million) of non-current assets and €27 million (previous year: €25 million) of current assets. Liabilities and provisions attributable to these companies amounted to €16 million (previous year: €16 million).

Notes to the Cash Flow Statement

The cash flow statement has been prepared in accordance with IAS 7 and is classified into net cash flows from operating, investing, and financing activities.

Net cash flow from operating activities is presented using the indirect method, while net cash flows from investing and financing activities are presented using the direct method.

Cash funds are composed of cash and cash equivalents, such as short-term securities that can be converted into cash at any time and are exposed to no more than insignificant fluctuations in value.

€13 million of cash and cash equivalents is attributable to proportionately consolidated companies (previous year: €9 million).

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

EBIT excluding special factors shows the operating result adjusted for expenses for the realignment of the Consumer Supply Chain.

EBITDA represents the operating result (EBIT) before depreciation and goodwill amortization/impairment.

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)	2005	2006
Intangible assets	34	30
Property, plant, and equipment	882	740
Inventories	536	548
Trade receivables	732	727
Other receivables and other assets (operating portion)[1]	90	94
Gross operating capital	**2,274**	**2,139**
Non-operating assets	633	1,357
Total balance sheet assets	**2,907**	**3,496**

Equity and Liabilities (in € million)	2005	2006
Other provisions (operating portion)[2]	448	521
Trade payables	369	485
Other liabilities (operating portion)[2]	122	90
Operating liabilities	**939**	**1,096**
Equity	1,293	1,790
Non-operating liabilities	675	610
Total balance sheet equity and liabilities	**2,907**	**3,496**

[1] Not including tax receivables.
[2] Not including tax provisions and liabilities.

Other Disclosures

Remuneration of the Executive and Supervisory Boards

Please refer to the Remuneration Report, which is a component of the consolidated financial statements, for the disclosures required by § 314 (1) No. 6 of the *HGB* and IAS 24.16.

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 associated companies and Tchibo Holding AG or its associated companies pooled purchase quotas to cut costs, as well as sourcing products from each other at standard market terms. There were also pooled marketing campaigns to a limited extent.

Exercising of exemption options

The following German subsidiaries included in the consolidated financial statements of Beiersdorf AG exercised the exemption option under § 264 (3) or § 264b *HGB* in fiscal year 2006:

- Bode Chemie GmbH & Co. KG — Hamburg
- Cosmed-Produktions GmbH — Berlin
- La Prairie GmbH — Baden-Baden
- Juvena Produits de Beauté GmbH — Baden-Baden
- Juvena La Prairie GmbH — Baden-Baden
- Beiersdorf Shared Services GmbH — Hamburg
- Allgemeine Immobilien- und Verwaltungsgesellschaft m.b.H. — Baden-Baden

Declaration of Compliance with the German Corporate Governance Code

The Supervisory Board and Executive 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 2006, and made this declaration permanently accessible to shareholders on the Company's website at www.Beiersdorf.com.

Audit

The Annual General Meeting on May 17, 2006, elected Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the auditors of Beiersdorf AG and the Beiersdorf Group for fiscal year 2006.

The following table gives an overview of the fees to the Group auditors, Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, recognized as expenses in the fiscal year:

Fees Paid to the Group Auditors

(in € thousand)	2006
Audit services	669
Other assurance services	-
Tax advisory services	112
Other services	-
Total	**781**

Shareholdings of Beiersdorf AG

A complete list of Beiersdorf AG's shareholdings is issued separately.

Shareholdings in Beiersdorf AG

In accordance with the provisions of the *Wertpapierhandelsgesetz* (German Securities Trading Act, *WpHG*), Beiersdorf AG received the following notifications by shareholders of the Company by the date of the preparation of the balance sheet (February 7, 2007):

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 fell below the thresholds of 10 % and 5 % on January 18, 2007, and that its precise share of voting rights since that date has been 0 %.

The Free Hanseatic City of Hamburg informed us that its share of voting rights in our company fell below the thresholds of 10 % and 5 % on January 18, 2007 and has been 0 % since that date.

Allianz Aktiengesellschaft, Munich, notified 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 this 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.

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 amounting to a total of 30.358 % 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 of 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 treasury 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)	2006
Profit after tax of Beiersdorf AG	465
Transfer to retained earnings	–232
Net retained profits of Beiersdorf AG	**233**

At the Annual General Meeting, the Executive Board and Supervisory Board will propose that the net retained profits for fiscal year 2006 of €233 million be utilized as follows:

(in € million)	2006
Distribution of a dividend totaling €0.60 per no-par value share carrying dividend rights (226,818,984 no-par value shares)	136
Transfer to other retained earnings	97
Net retained profits of Beiersdorf AG	**233**

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 other retained earnings. The treasury shares held by the Company do not carry dividend rights in accordance with § 71b of the *Aktiengesetz* (German Stock Corporation Act, *AktG*).

If the number of treasury shares held by the Company at the time of the resolution by 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 is 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 is adjusted inversely by the same amount. In contrast, the dividend to be distributed per no-par value bearer share carrying dividend rights remains unchanged. If necessary, an appropriately modified draft resolution will be presented to the Annual General Meeting.

Hamburg, February 7, 2007

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
- Tchibo GmbH

Member of the Supervisory Board
- GEA Group AG
- Heraeus Holding GmbH
- IKB Deutsche Industriebank AG
- tesa AG (intragroup) (since April 26, 2006)

Thorsten Irtz, Stapelfeld
Deputy Chairman
Deputy Chairman of the Works Council of Beiersdorf AG
Member of the Supervisory Board
- Tchibo Holding AG

Reinhard Pöllath, Munich
Deputy Chairman
Lawyer
Pöllath + Partners
Chairman of the Supervisory Board
- Deutsche Woolworth GmbH & Co. OHG
- SinnerSchrader AG (since February 1, 2006)
- Tchibo Holding AG

Member of the Supervisory Board
- Euvestor Investment AG (since September 25, 2006)
- Feri Finance GmbH (until October 19, 2006)
- TA Triumph-Adler AG (until August 20, 2006)
- Tchibo GmbH

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
Former Chairman of the Executive Board of Beiersdorf AG
Member of the Advisory Board
- Dr. August Oetker Nahrungsmittel KG

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
Head of Department Industrial Policy IG Bergbau, Chemie, Energie
Member of the Supervisory Board
- BP Refining & Petrochemicals GmbH
- Tchibo Holding AG

Member of the Advisory Board
- Qualifizierungsförderwerk Chemie GmbH

Stefan Pfander, London
(since August 1, 2006)
Senior Consultant of Wm. Wrigley Jr. Company, Chicago, USA
Member of the Supervisory Board
- GfK AG
- Tchibo Holding AG

Member of the Board of Directors
- Barry Callebaut AG, Zurich
- GfK e.V.

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

Manuela Rousseau, Rellingen
Head of Corporate Citizenship, Beiersdorf AG
Professor at the Academy of Music and Theater, Hamburg

Dr. Bruno E. Sälzer, Reutlingen
(until July 31, 2006)
Chairman of the Executive Board of HUGO BOSS AG
Member of the Supervisory Board
- Tchibo Holding AG (since January 6, 2006)

Supervisory Board Committees

Members of the Mediation Committee
Dieter Ammer (Chairman)
Thorsten Irtz
Ulrich Plechinger
Reinhard Pöllath

Members of the Executive Committee
Dieter Ammer (Chairman)
Michael Herz
Thorsten Irtz
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
Chairman of the Supervisory Board
- tesa AG (intragroup)

Member of the Supervisory Board
- Euler Hermes Kreditversicherungs-AG (since January 1, 2006)

Dr. Bernhard Düttmann, Finance
(since October 1, 2006)
Finance/Controlling/IT
Deputy Chairman of the Supervisory Board
- tesa AG (intragroup) (since November 2, 2006)

Peter Kleinschmidt, Human Resources
Human Resources/Administration/Environmental Protection

Pieter Nota, Brands
Marketing/Research & Development/Sales

Markus Pinger, Supply Chain
Procurement/Production/Logistics

Rolf-Dieter Schwalb, Finance
(until September 30, 2006)
Finance/Controlling/IT
Deputy Chairman of the Supervisory Board
- tesa AG (intragroup) (until November 2, 2006)

[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.

Julia Ferreira from São Paulo

Julia Ferreira's favourite brand is NIVEA body. „Bye-bye Cellulite", for example, is the secret to the firm skin on her legs and bottom. She appreciates the high quality of these products - and the fact that she can always buy them where she expects them. Our Consumer Supply Chain guarantees this quickly and reliably - making Julia Ferreira feel good in this way, too.

Faster

To remain the consumer's first choice, we must get faster and faster. A key example of this is our Consumer Supply Chain, which we began realigning in 2006 with the goal of continuously enhancing our product and service quality, cutting costs, and offering our consumers the right skin and beauty care products at the right time.

In addition to high product quality, our success depends on the reliability and speed with which we reach our consumers. This is why we are designing a Consumer Supply Chain in which all processes are perfectly coordinated and globally managed:

- We have begun examining our entire production and logistics network. In Europe, we have already adapted our production sites and logistics centers to reflect actual demand and have reduced overcapacity. In 2006, we conducted an in-depth analysis of our product and supply chain in Asia.
- In order to move and distribute our products quickly and flexibly, we are building hubs in strategic locations. These logistics units use state-of-the-art technology to link different areas such as storage, distribution, and promotion management. They ensure the perfectly synchronized transportation of goods and offer extensive potential synergies and savings.
- We are optimizing procurement worldwide by entering into strategic partnerships with our suppliers to better exploit their innovative strength for our benefit.
- A uniform IT infrastructure allows us to model the different processes within the Consumer Supply Chain transparently and to better organize interfaces. We can call up all the material and product flow information we need in real time, enabling us to react flexibly to new situations.
- We are actively meeting the demands of our retail partners by reducing inventories along the Consumer Supply Chain, running down inventories at outlets, ensuring short restocking times, minimizing warehousing, and reducing tied-up capital. Retail-ready packaging, which reduces shelf management effort for retail partners to a minimum, is also becoming more and more important: the boxes make the products easily identifiable, are simple to open and can be quickly put on the shelf. They can also be disposed of easily in an environmentally friendly manner after use.

Such an optimized Consumer Supply Chain leads to a situation that is advantageous to everyone involved. We are releasing funds to invest in the growth of our outstanding brands. We are an expert strategic partner for retailers and we play a key part in optimizing the value chain. And we are there for our consumers when they need us for their skin and beauty care wishes. Reliable and fast.

Partnership with Retailers
Acting Faster

Retailers are now setting an extremely fast pace. 24/7 opening hours, lower inventory levels, and lean staffing are requiring retail groups to develop integrated logistics concepts and to use innovative technologies that integrate product manufacturers. Our Customer Projects unit bundles our retail partners' requirements and defines future-oriented opportunities for cooperation.

For example, if a retailer reduces its inventories, we have to deliver more often, which increases our costs. However, the upside is that we obtain increasingly precise data from the point-of-sale – allowing more accurate product demand forecasts and therefore greater certainty in planning. For instance, our supply chain managers can see from the British Tesco Group's extranet what volumes have been sold and what products are still on the shelves on a daily basis. This enables us to react immediately to changes in demand and to avoid revenue losses caused by empty shelves.

Tailored solutions for retailers, high reliability for consumers: Our supply chain managers' flexibility and expertise ensure that our products are always available.

THE RIGHT PRODUCT FOR EVERYONE

Always a Good Feeling

Page 15
Page 33
Page 65
Page 101

Additional Information

Our brands are internationally successful. They enjoy outstanding market positions in many countries and segments. Our innovative products fulfill tomorrow's consumer wishes today.

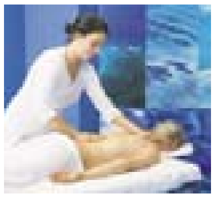
2006 Highlights

20 Years of NIVEA FOR MEN

Successful men's care: NIVEA FOR MEN – the face care market leader in 24 countries – celebrates its 20th birthday with a formula and design relaunch as well as a large number of new products.

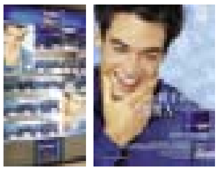
NIVEA Haus Opens

"Well-being in the heart of the city": the new NIVEA Haus in Hamburg promises its visitors a unique atmosphere of well-being – with an attractive offering of massages, cosmetics, and advice on NIVEA products.



Realignment of the Consumer Supply Chain

Beiersdorf begins the phased realignment of its Consumer Supply Chain – to ensure outstanding service and product quality, greater flexibility and substantial cost savings. One key theme is a focus on fewer, larger production and logistics centers.



NIVEA FOR MEN: No. 1 in China

After only two years on the Chinese market, NIVEA FOR MEN is leaving its competitors behind and is the market leader in the men's face care segment.

NIVEA: First Place in "Reader's Digest Most Trusted Brands 2006"

Number 1 for the sixth successive time: NIVEA is named the most trusted skin care brand for European consumers in all 14 participating countries. In Germany alone, 49 % of people surveyed voted for NIVEA.

Anti-age Innovation: Eucerin Hyaluron-Filler

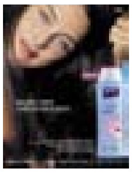
Eucerin's new anti-age care product reduces even deep wrinkles by feeding the skin with natural hyaluronic acid. Studies prove its particular effectiveness and skin tolerance.

▲ First Quarter (January–March)

▲ Second Quarter (April–June)

▼ Third Quarter (July–September)

▼ Forth Quarter (October–December)



Relaunch of NIVEA Hair Care

More feminine, more modern, more caring: NIVEA Hair Care's optimized formulas meet consumers' demands for beautiful hair that feels good. Two new product lines are also launched: "Brilliant Blonde" and "Beauty Care."

NIVEA Hair Care Awarded Prix Harmonie des Sens

NIVEA Hair Care receives the "Prix Harmonie des Sens" in the category "Hair care – wide appeal." The Swiss women's magazine "edelweiss" awards this prize annually to the 15 best new products.

Outstanding Anti-age Care: New NIVEA VISAGE DNAge

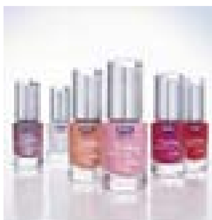
NIVEA VISAGE DNAge protects DNA from damage by external influences and improves skin renewal. The highly effective combination of cell-active folic acid and creatine firms the skin and reduces the depth of existing wrinkles.

NIVEA Wins Beauty Award in the USA

NIVEA's "Touch and Be Touched" campaign is named the most innovative advertising campaign of the year, earning NIVEA one of the most important Beauty Awards that are presented each year by two US magazines.

NIVEA India Launches Advertising Campaign

NIVEA launches an extensive advertising campaign in India aimed at this key growth market. Part of the campaign consists of our internationally successful TV spot, to which two new scenes were added especially for the Indian market.



"Product of the Year 2007": Three Gold, Two Bronze

NIVEA and Labello are among German consumers' favorites: five products gain accolades in a representative survey conducted by the magazine "Lebensmittel Praxis," including NIVEA BEAUTÉ Turbo Colour nail polish, which wins gold in the cosmetics category.

125 Years of Beiersdorf – The Future of Care

2007 marks the celebration of our 125th anniversary, and with it a very special success story. It began in 1882 when Carl Paul Beiersdorf opened his small pharmacy in Hamburg. Growing continuously since then, we have become a global company and one of the leaders in skin and beauty care.

With 125 Years of Knowledge in Research and Development into the Future

We are extremely proud of our research and development, pure and simple – it is top-class in Germany, Europe and the world. Always driven by our power of innovation, the Company's foundation was itself based on an innovation: In 1882 Paul C. Beiersdorf receives a patent certificate for the first adhesive bandage. Since then we have continued to research intensively and set new standards. We know the human skin like almost no other company. The invention of the cosmetic emulsion in 1911 is an achievement which is unparalleled to date: Better known as NIVEA – today a strong international brand and the basis for our globally acting "Skin and Beauty Care Company".

We broaden our knowledge every day. For example, there is our modern skin research center (right) where we develop high quality cosmetics which convince our consumers with new standards. For Asia, we have established a special Asia Laboratory to tailor products to these markets. Thus, our expertise continues to grow.

A Company is Only as Good as Its People. Ours are among the Best.

More than 17,000 employees around the world work with passion on the task of exciting our consumers with premium skin and beauty care. More than ever we focus on the courage for change. At the same time, we are distinguished by successful continuity and well-considered management. With only five CEOs since 1945, we enjoy an unusual continuity in top management which has been one of our international competitive advantages.

When people talk about Beiersdorf, they frequently mention our very special corporate culture. Our interaction with each other is always open, fair and characterized by a deep relatedness to colleagues and consumers.

We expect high commitment from our people. In return, we invest readily in their personal and professional development, and offer many opportunities for individual career planning. This makes us one of the most attractive employers for individuals who are focused on success, and are responsibility-minded.

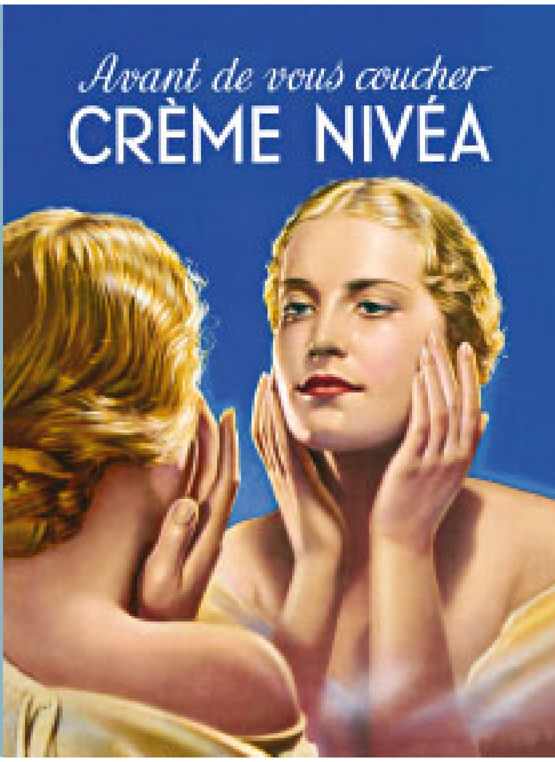
Our Company is still based in Hamburg. We feel a strong bond with the city, and are close to its people in the truest sense of the word – our headquarters are located in a popular residential area. This closeness to the consumer has carried us through 125 years of success – both in our domestic market as well as with more than 150 affiliates around the world.

The World's Largest Body Care Brand Started in a Little Blue Tin

The secret of our success? Simple: Our consumers' wishes and needs come first. We develop products and product families that fulfill these wishes for skin and beauty care. And we focus on reliable quality and excellent value for money.

We have consistently implemented this success model. In doing so we turned a little blue tin into the largest body care brand in the world – NIVEA. Like no other brand, NIVEA means feel-good care that pampers the skin and brings out its individual beauty.

NIVEA has been in the market over 90 years, but it is still as young and fresh as each new day. We continuously develop and care for our brands. Not only for NIVEA but for all of them – from Eucerin to la prairie. At the same time our brands remain true to themselves and their consumers, with successful, consumer oriented innovations. They are likeable and reliable companions for daily skin and beauty care. Because that is what sets Beiersdorf apart – trustworthy brands from a company with high quality standards.



To Really Get to Know People, You Have to Get Close to Them

Being close to our consumers is important to us. After all, Paul C. Beiersdorf based his business on the wishes of his customers. In 1893 we have already signed our first cooperation agreement with a US trading firm. Since then, we consistently pursue the internationalization of our business: We are globally successful and focus on important promising regions like Asia, Eastern Europe and South America.

Through direct contact to our consumers around the world we gain a deep understanding of their needs. By talking to them and getting familiar with their personal environment we develop an authentic picture which helps us to gain insights and to generate new ideas. Or we offer them completely new brand experiences, such as with the NIVEA Haus in Hamburg. By doing so, we get to know our consumers so well that we can meet even very specific needs. Thus, for example, in Asia we are very successful with whitening products that are a perfect fit with local beauty ideals. As we get close to our consumers, we get to know them that decisive bit better.

Significant Group Companies

	Location	Share of capital (%)	Sales[1] 2006 (in € million)	Result[2] 2006 (in € million)	Employees as of Dec. 31, 2006
Europe					
Beiersdorf Gesellschaft m.b.H.	AT, Vienna	100.0	125	9	195
SA Beiersdorf NV	BE, Brussels	100.0	86	8	115
Bandfix AG	CH, Bergdietikon	100.0	46	3	178
Beiersdorf AG[3]	CH, Münchenstein	50.0	53	9	67
Juvena (International) AG	CH, Volketswil/Zurich	100.0	91	5	122
Beiersdorf spol. s.r.o.	CZ, Prague	100.0	36	3	67
Beiersdorf AG	DE, Hamburg		1,189	528	2,862
Bode Chemie GmbH & Co.	DE, Hamburg	100.0	65	4	290
Cosmed-Produktions GmbH	DE, Berlin	100.0	76	7	187
Juvena Produits de Beauté GmbH	DE, Baden-Baden	100.0	97	11	420
Florena Cosmetic GmbH	DE, Waldheim	100.0	89	6	339
tesa AG	DE, Hamburg	100.0	527	9	783
tesa Werke Offenburg GmbH	DE, Offenburg	100.0	125	5	450
tesa Werk Hamburg GmbH	DE, Hamburg	100.0	93	5	425
BDF Nivea S.A.	ES, Tres Cantos (Madrid)	100.0	175	14	250
Beiersdorf, S.A.	ES, Argentona (Barcelona)	100.0	47	2	282
Beiersdorf s.a.	FR, Savigny-le-Temple	99.9	337	2	609
Beiersdorf UK Ltd.	GB, Birmingham	100.0	216	8	222
Beiersdorf Hellas AE	GR, Gerakas/Attikis	100.0	57	5	148
Beiersdorf d. o. o.	HR, Zagreb	100.0	34	3	44
Beiersdorf KFT	HU, Budapest	100.0	33	3	79
Beiersdorf SpA	IT, Milan	100.0	378	19	370
Comet SpA	IT, Solbiate-Concagno	100.0	62	-	199
Beiersdorf N. V.	NL, Almere	100.0	141	–7	116
Beiersdorf-Lechia S.A.	PL, Poznan	100.0	132	15	380
Beiersdorf Portuguesa, Lda.	PT, Queluz de Baixo	100.0	63	9	89
Beiersdorf ooo	RU, Moscow	100.0	90	2	157
Beiersdorf AB	SE, Kungsbacka	100.0	95	–9	196

	Location	Share of capital (%)	Sales[1] 2006 (in € million)	Result[2] 2006 (in € million)	Employees as of Dec. 31, 2006
Americas					
BDF Nivea Ltda.	BR, São Paulo	100.0	100	–3	147
BDF Industria e Comercio Ltda.	BR, São Paulo	100.0	41	-	148
Beiersdorf SA	CL, Santiago de Chile	100.0	44	3	110
BDF México, S.A. de C.V.	MX, Mexico City	100.0	85	3	314
Beiersdorf, Inc.	US, Wilton, CT	100.0	257	–2	549
La Prairie, Inc.	US, New York	100.0	52	3	72
tesa tape, Inc.	US, Charlotte, NC	100.0	71	4	153
Beiersdorf Canada Inc.	CA, Quebec	100.0	32	–1	40
Africa/Asia/Australia					
Beiersdorf Australia Ltd.	AU, North Ryde, NSW	100.0	75	1	203
Nivea (Shanghai) Company Ltd.	CN, Shanghai	100.0	61	2	691
Nivea-Kao Co., Ltd.	JP, Tokyo	60.0	137	8	81
Beiersdorf Singapore Ltd.	SG, Singapore	100.0	45	1	59
Beiersdorf (Thailand) Co., Ltd.	TH, Bangkok	100.0	102	6	394
Beiersdorf Consumer Products (Pty.) Ltd.	ZA, Westville	100.0	33	-	51

[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.

Index

Innovative Adhesive Solutions for Industrial Customers and Consumers

98 % of people in Germany know tesafilm. Today, the tesa brand is a sign of quality worldwide for self-adhesive system and product solutions. As one of the leading international manufacturers, we offer our industrial customers across the world tailored protective, packaging, and fastening systems that optimize their production processes and enhance their efficiency. Consumers across Europe appreciate our innovative ideas for designing, gluing, decorating, renovating, protecting, and packaging. For further details see page 38

With more than 6,500 products, we are one of the world's leading manufacturers of state-of-the-art adhesive systems that satisfy our industrial customers and consumers.

Ten-year Overview

in € million (unless otherwise stated)	1997	1998[1]	1999	2000	2001	2002	2003[2]	2004	2005	2006[8]
Sales[3]	**3,215**	**3,347**	**3,638**	**4,116**	**4,542**	**4,742**	**4,435**	**4,546**	**4,776**	**5,120**
Change from prior year in %	8.8	4.1	8.7	13.1	10.3	4.4	−1.3	2.5	5.1	7.2
cosmed	1,751	1,980	2,242	2,590	2,955	3,167	-	-	-	
medical	753	735	768	858	915	882	-	-	-	
Consumer	-	-	-	-	-	-	3,739	3,840	4,041	4,327
tesa	711	632	628	668	672	693	696	706	735	793
Europe	2,329	2,550	2,687	2,855	3,183	3,410	3,329	3,388	3,498	3,717
Americas	556	544	630	832	903	819	638	635	687	738
Africa/Asia/Australia	330	253	321	429	456	513	468	523	591	665
EBITDA	**377**	**424**	**468**	**538**	**620**	**633**	**614**	**656**	**693**	**660**
Operating result (EBIT)	**248**	**291**	**339**	**389**	**466**	**472**	**455**	**483**	**531**	**477**
Profit before tax	**132**	**265**	**323**	**382**	**468**	**478**	**491**	**492**	**535**	**851**
Profit after tax	**72**	**166**	**175**	**226**	**285**	**290**	**301**	**302**	**335**	**668**
Return on sales (after tax) in %	2.2	5.0	4.8	5.5	6.3	6.1	6.8	6.6	7.0	13.0
Earnings per share in €[7]	0.44	0.64	0.68	0.87	1.11	1.12	1.17	1.29	1.45	2.93
Total dividend	43	52	60	84	109	118	121	121	129	136
Dividend per share in €[7]	0.17	0.20	0.24	0.33	0.43	0.47	0.53	0.53	0.57	0.60
Cost of materials	**964**	**981**	**995**	**1,112**	**1,196**	**1,205**	**1,149**	**1,113**	**1,147**	**1,229**
Personnel expenses	**716**	**701**	**713**	**786**	**817**	**863**	**808**	**804**	**840**	**889**
Capital expenditure (incl. financial assets)[4]	**144**	**138**	**129**	**249**	**241**	**242**	**162**	**165**	**128**	**114**
Depreciation, amortization, and impairment losses (incl. financial assets)	**133**	**154**	**129**	**149**	**154**	**162**	**159**	**173**	**162**	**184**
Research and development expenses	**97**	**74**	**79**	**88**	**92**	**93**	**97**	**101**	**109**	**118**
as % of sales	3.0	2.2	2.2	2.1	2.0	2.0	2.2	2.2	2.3	2.3
Employees as of Dec. 31	**16,777**	**16,417**	**16,065**	**16,590**	**17,749**	**18,183**	**16,664**	**16,492**	**16,769**	**17,172**

in € million (unless otherwise stated)	1997	1998[1]	1999	2000	2001	2002	2003[2]	2004	2005	2006[8]
Intangible assets	91	79	56	118	138	128	94	58	34	30
Property, plant, and equipment	617	751	782	808	871	917	876	887	882	740
Non-current financial assets	43	31	26	24	18	22	94	93	5	6
Inventories	394	484	515	595	695	677	629	558	536	548
Receivables and other assets[5]	510	618	701	804	811	832	789	815	967	942
Cash and cash equivalents	349	443	622	632	714	722	828	290	483	1,230
Equity	**877**	**1,122**	**1,289**	**1,458**	**1,636**	**1,727**	**1,831**	**1,033**	**1,293**	**1,790**
Share capital	215	215	215	215	215	215	215	215	215	252
Reserves	647	890	1,051	1,219	1,400	1,492	1,604	806	1,065	1,529
Minority interests	15	17	23	24	21	20	12	12	13	9
Liabilities	**1,127**	**1,284**	**1,413**	**1,523**	**1,611**	**1,571**	**1,479**	**1,668**	**1,614**	**1,706**
Current and non-current provisions	666	691	772	828	863	908	839	846	837	888
Current and non-current financial liabilities	80	66	61	83	129	96	66	204	103	70
Other liabilities[9]	381	527	580	612	619	567	574	618	674	748
Total equity and liabilities	**2,004**	**2,406**	**2,702**	**2,981**	**3,247**	**3,298**	**3,310**	**2,701**	**2,907**	**3,496**
Equity ratio in %	43.8	46.8	47.7	48.9	50.4	52.4	55.3	38.2	44.5	51.2
Return on equity (after tax) in %	8.3	14.7	14.5	16.4	18.5	17.3	16.9	21.1	28.8	43.3
Return on capital employed (before tax) in %	7.3	13.1	13.7	14.2	15.5	14.9	14.9	17.0	19.6	27.0
Beiersdorf share year-end closing price[6, 7]	**13.29**	**19.60**	**22.22**	**37.17**	**42.50**	**35.37**	**32.07**	**28.53**	**34.67**	**49.12**
Market capitalization as of Dec. 31[6]	3,350	4,939	5,599	9,366	10,710	8,912	8,081	7,190	8,736	12,378

1 Figures for 1997 prepared in accordance with the *Handelsgesetzbuch* (German Commercial Code, *HGB*); figures from 1998 onwards prepared in accordance with International Financial Reporting Standards.
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 using the equity method.
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.
7 Figures for 1997 to 2005 adjusted to reflect the number of shares following the share split.
8 Figures include special factors (expenses for the realignment of the Consumer Supply Chain and the income from the sale of BSN medical).
9 Including liabilities held for sale.

Financial Calendar/Contact Information

Financial Calendar

March 1, 2007	Publication of Annual Report 2006, Annual Accounts Press Conference, Financial Analyst Meeting
April 26, 2007	Annual General Meeting
April 27, 2007	Dividend Payment
May 3, 2007	Interim Report January to March 2007
August 7, 2007	Interim Report January to June 2007
November 6, 2007	Interim Report January to September 2007, Financial Analyst Meeting
January 2008	Publication of Preliminary Group Results
February/March 2008	Publication of Annual Report 2007, Annual Accounts Press Conference, Financial Analyst Meeting
April 30, 2008	Annual General Meeting
May 2008	Interim Report January to March 2008
August 2008	Interim Report January to June 2008
November 2008	Interim Report January to September 2008, Financial Analyst Meeting

Contact Information

Published by:
Beiersdorf Aktiengesellschaft, Corporate Identity & Information
Unnastrasse 48, 20245 Hamburg, Germany
Telephone: +49-40-4909-0, Fax: +49-40-4909-3434

Additional Information:
Press & PR: Telephone: +49-40-4909-2332, E-mail: Presse_PR@Beiersdorf.com
Investor Relations: Telephone: +49-40-4909-5000, E-mail: Investor.Relations@Beiersdorf.com
Beiersdorf on the Internet: www.Beiersdorf.com

This Annual Report is also available in German.

The online version of the Annual Report as well as the Annual Financial Statements of Beiersdorf AG are available on the Internet at www.Beiersdorf.com/Annual_Report.
The Interim Reports can be found at www.Beiersdorf.com/Interim_Report.

BDF

Beiersdorf

Passion for Skin & Beauty Care

Beiersdorf Aktiengesellschaft

Unnastrasse 48

20245 Hamburg, Germany

Telephone: +49-40-4909-0

Fax: +49-40-4909-3434

Internet: www.Beiersdorf.com

E-mail: Info@Beiersdorf.com