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

Business and Strategy

Consumer Business Strategy

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

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

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

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

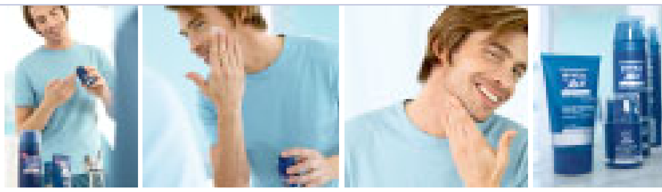
- **Superior Supply Chain:** We will balance world-class product quality and competitive service levels on one side and efficiency on the other side. We will have one global, process-oriented, and best-in-class supply chain organization which will be managed centrally and tailored to our business model,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

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

tesa Strategy

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

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



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

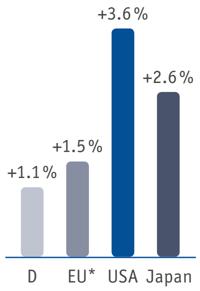
- extensive understanding of customer needs, production processes, market requirements, and industry trends,
- extensive understanding of the needs and requirements of our consumers and the demands of our retail partners, enabling us to realize these efficiently and ensure high shelf productivity, and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

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

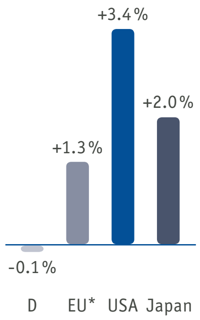
- expanding global structures in our industrial business with the aim of offering our customers across the world homogenous solutions of consistently high quality,
- expanding international structures in the consumer business with a focus on Europe, in particular Eastern Europe, to offer our retail partners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

Economic Environment

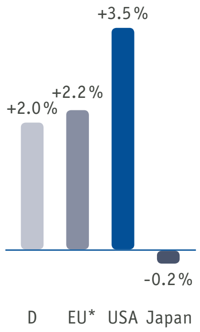
Growth in real gross domestic product in 2005 compared to previous year



Growth in private consumer spending in 2005 compared to previous year



Inflation in 2005 compared to previous year



*EU 12 euro zone

General Economic Situation

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

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

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

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

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

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

Sales Market Developments

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

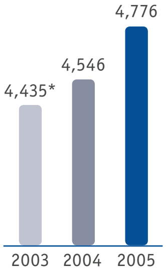
Growth in the adhesive tape sector was muted at under 2 %. Good growth rates in the electronics sector, especially in Asia, were countered by a difficult automobile sector in the USA. Our consumer business was impacted by stagnating office supplies markets and for the first time, growth in the do-it-yourself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

Procurement Market Developments

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

Business Developments – Group

Group sales
(in € million)

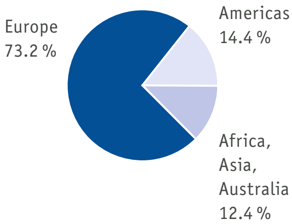


* restated to reflect the new structure

Group Income Statement

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

Group sales
by region



Sales

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

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

Operating result (EBIT)
(in € million)

Operating Result (EBIT)

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

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

Expenses/Other Operating Result

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

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

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

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

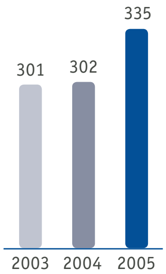
Financial Result

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

Taxes on Income

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

Group profit after tax
(in € million)



Profit after Tax

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

Earnings per Share/Dividends

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

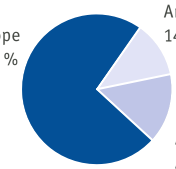
The Executive Board and Supervisory Board will be proposing a dividend of €1.70 for each dividend-bearing share to shareholders at the Annual General Meeting.

Business Developments – Business Segments

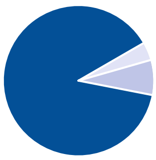
Consumer

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

Consumer sales by region



Consumer operating result (EBIT) by region



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

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

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

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

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

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

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

Consumer Sales in Europe

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

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

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

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

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

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

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

Consumer Sales in the Americas

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

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

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

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

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

Consumer Sales in Africa/Asia/Australia

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

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

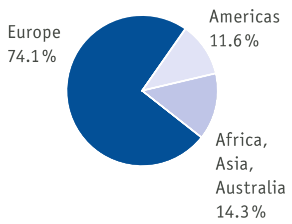
Growth in China was again maintained at over 50 %. NIVEA FOR MEN and NIVEA VISAGE were particularly successful. Almost all other companies in this region achieved good growth. New product launches such as NIVEA body Q10 and NIVEA VITAL in Japan and NIVEA Deo in Singapore/Malaysia reinforced this growth.

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

tesa

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

tesa sales by region

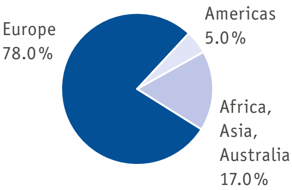


tesa sales rose by 3.0 %, adjusted for currency translation effects. At current exchange rates, sales increased by 4.1 % to €735 million (previous year: €706 million). Despite the ongoing difficult market environment, tesa increased its EBIT to €61 million (previous year: €50 million). The EBIT margin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

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

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

tesa operating result (EBIT) by regions



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

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

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

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

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

Business Developments – BSN medical GmbH & Co. KG

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

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

Balance Sheet Structure – Group

Balance Sheet

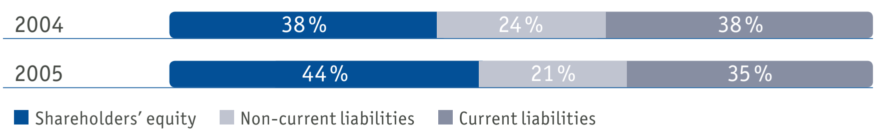
Assets (in € million)	**Dec. 31, 2004**	**Dec. 31, 2005**
Non-current assets	1,062	962
Inventories	558	536
Other current assets	791	926
Cash and cash equivalents	290	483
	2,701	2,907

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

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

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

Financing Structure



Financial Position – Group

Cash Flow Statement

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

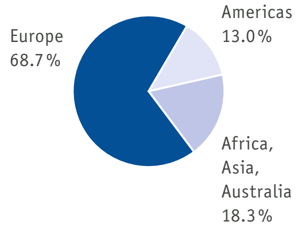
Despite higher EBIT, gross cash flow decreased by €58 million to €435 million due to the partial funding of pension obligations by tesa companies in Germany. Net working capital also decreased significantly through reductions in inventories and an increase in liabilities, continuing the trend of the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

Financing and Liquidity Provisions

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

Capital Expenditure – Group

Group capital expenditure by region



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

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

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

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

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

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

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

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

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

Research and Development

Research and development expenses (in € million)

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

Consumer

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

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

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

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

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

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

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

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

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

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

tesa

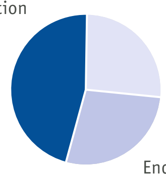
Our focus continues to be on developing environmentally friendly coating technologies for adhesive tape production, such as the eco-friendly acrylate-based fabric tapes for the automotive industry. The tapes offer a particularly strong bond on polyolefin substrates. tesa was awarded the 2005 B.A.U.M.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

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

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

Environmental Protection and Occupational Safety

Group environmental protection and occupational safety expenditure



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

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

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

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

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

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

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

Business Developments Beiersdorf AG

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

Income Statement of Beiersdorf AG

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

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

Balance Sheet of Beiersdorf AG

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

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

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

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

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

Risk Management Report

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

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

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

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

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

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

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

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

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

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

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

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

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

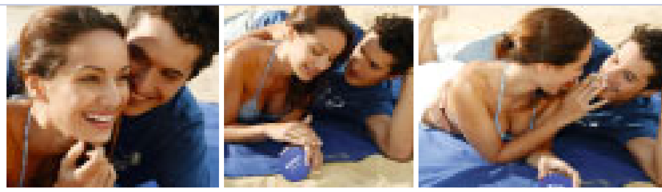
At present, Beiersdorf is not exposed to any risks that could endanger its continued existence.

Report by the Executive Board regarding Dealings among Group Companies

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

Report on Post-Balance Sheet Date Events

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



Outlook for 2006

Expected Macroeconomic Developments

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

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

Expected Business Developments

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

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

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

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