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Beiersdorf

Financial Statements 2005
of Beiersdorf AG

Passion for Brands, Passion for People

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.

Principles of Beiersdorf AG's Financial Statements

The annual financial statements of Beiersdorf AG are presented separately. Beiersdorf AG's management report is combined with the Beiersdorf Group management report. In accordance with the statutory requirements, the annual financial statements and the consolidated financial statements of Beiersdorf AG are published together. The combined management report of Beiersdorf AG is published on pages 31 to 53 of our 2005 Annual Report. The Report by the Supervisory Board is on pages 23 to 25 of the Annual Report. The 2005 Annual Report can be obtained from:

Beiersdorf AG
Corporate Communication
Unnastrasse 48
20245 Hamburg, Germany

It is also available on the internet at www.Beiersdorf.com/Annual_Report.

The annual financial statements of Beiersdorf AG are prepared in accordance with the provisions of the *Handelsgesetzbuch* (German Commercial Code, *HGB*) and the *Aktiengesetz* (German Stock Corporation Act, *AktG*). The recommendations of the German Corporate Governance Code that are relevant to the annual financial statements were taken into account.

Where items in the balance sheet and the income statement have been summarized to aid clarity, they are disclosed and explained separately in the notes. The annual financial statements are prepared in euros (€); amounts are given in millions of euros (€ million).

No changes were made to accounting policies as against the previous year.

As a parent company, Beiersdorf AG prepares its own consolidated financial statements. Beiersdorf's consolidated financial statements are also included in the consolidated financial statements of Tchibo Holding AG, Hamburg, which prepares the consolidated financial statements for the largest Group of companies. Both sets of consolidated financial statements are filed with the commercial register of Hamburg Local Court.

Income Statement – Beiersdorf AG

(in € million)	Notes	2004	2005
Sales	(1)	**1,247**	**1,278**
Inventory changes		-14	4
Own work capitalized		1	1
Other operating income	(2)	91	58
Cost of materials	(3)	-400	-428
Personnel expenses	(4)	-225	-228
Depreciation and amortization on property, plant, and equipment and intangible assets	(5)	-51	-42
Other operating expenses	(6)	-516	-502
Operating result		**133**	**141**
Investment income	(7)	330	109
Interest result	(8)	-11	-6
Other financial result	(9)	-89	140
Financial result		**230**	**243**
Result from ordinary activities/ Profit before tax		**363**	**384**
Taxes on income	(10)	-73	-74
Profit after tax		**290**	**310**
Transfer to other retained earnings		-145	-155
Net retained profits		**145**	**155**

Balance Sheet – Beiersdorf AG

Assets (in € million)	Notes	Dec. 31, 2004	Dec. 31, 2005
Intangible assets	(13)	18	5
Property, plant, and equipment	(14)	134	133
Financial assets	(15)	1,115	1,104
Fixed assets		**1,267**	**1,242**
Inventories	(16)	81	84
Receivables and other assets	(17)	306	234
Marketable securities	(18)	719	873
Cash and cash equivalents		48	93
Current assets		**1,154**	**1,284**
		2,421	**2,526**

Shareholders' Equity and Liabilities (in € million)	Notes	Dec. 31, 2004	Dec. 31, 2005
Share capital	(19, 20, 21)	215	215
Additional paid-in capital		47	47
Retained earnings	(22)	914	1,093
Net retained profits		145	155
Shareholders' equity		**1,321**	**1,510**
Provisions for pensions and other post-employment benefits	(23)	345	355
Other provisions	(24)	221	221
Provisions		**566**	**576**
Liabilities to banks		110	1
Trade payables		48	53
Other liabilities		376	386
Liabilities	(25)	**534**	**440**
		2,421	**2,526**

Notes to the Income Statement

1 Sales

Having spun off its business divisions focusing predominantly on professional customers into independent companies, Beiersdorf AG now focuses on its consumer brand business, which is combined in the Consumer business segment. Sales in Beiersdorf AG's Consumer business segment increased by €31 million to €1,278 million (previous year: €1,247 million).

Sales by region

(in € million)	2004	2005
Germany	802	804
Other Europe	333	355
Americas	39	34
Africa/Asia/Australia	73	85
	1,247	1,278

2 Other Operating Income

Other operating income fell from €91 million to €58 million. The item includes gains on the disposal of fixed assets of €0 million (previous year: €6 million), income from the reversal of provisions of €13 million (previous year: €31 million), exchange rate gains on trade receivables and payables of €2 million (previous year: €2 million), income from the reversal of special tax-allowable reserves in the amount of €0 million (previous year: €7 million), income from services charged to affiliated companies in the amount of €32 million (previous year: €32 million), and other income of €11 million (previous year: €13 million).

3 Cost of Materials

(in € million)	2004	2005
Cost of raw materials, consumables and supplies, and of purchased merchandise	386	422
Cost of purchased services	14	6
	400	428

4 Personnel Expenses

(in € million)	2004	2005
Wages and salaries	171	170
Social security contributions and other benefits	30	29
Pension expenses	24	29
	225	228

5 Depreciation and Amortization

In addition to depreciation and amortization, write-downs of €2 million (previous year: €0 million) were charged on intangible assets, and of €2 million (previous year: €1 million) on property, plant, and equipment during the fiscal year due to expected permanent impairment.

6 Other Operating Expenses

Other operating expenses fell from €516 million to €502 million. They consist of marketing expenses of €302 million (previous year: €295 million), maintenance costs totaling €20 million (previous year: €27 million), outgoing freight in the amount of €12 million (previous year: €10 million), exchange rate losses on trade receivables and payables of €3 million (previous year: €3 million), write-downs on receivables of €0 million (previous year: €1 million), costs from services charged from affiliated companies of €46 million (previous year: €43 million), expenses from transfers to the special tax-allowable reserves of €0 million (previous year: €5 million), other taxes of €2 million (previous year: €2 million), and other expenses totaling €117 million (previous year: €130 million).

7 Investment Income

(in € million)	2004	2005
Income from investments (thereof from affiliated companies)	323 (293)	97 (73)
Income from profit transfer agreements (thereof from affiliated companies)	19 (19)	18 (18)
Write-downs on investments	-12	-8
Gains on disposal of investments	-	3
Losses on disposal of investments	-	-1
	330	**109**

Investment income in 2004 includes an increase of €234 million in income relating to foreign investments.

8 Interest Result

(in € million)	2004	2005
Other interest and similar income (thereof from affiliated companies)	7 (3)	3 (2)
Interest and similar expenses (thereof to affiliated companies)	-18 (-6)	-9 (-7)
	-11	**-6**

9 Other Financial Result

(in € million)	2004	2005
Other financial income	11	13
Other financial expense	-11	-28
Reversals of write-downs on investments classified as current assets	-	155
Write-downs on marketable securities	-89	-
	-89	**140**

Other financial income consists of exchange rate gains on financial instruments of €13 million (previous year: €11 million). Other financial expense mainly comprises currency losses on financial instruments of €16 million (previous year: €11 million) and losses on sale of loans to another Group company of €6 million.

Write-downs were reversed in the amount of €155 million in the year under review due to the price performance of the Company's own shares. The loss due to the fall in price of own shares in the previous year amounting to €89 million is reported under write-downs on marketable securities.

10 Taxes on Income

Taxes on income include corporation tax, trade income tax, and paid withholding tax.

11 Other Taxes

Other taxes are reported under other operating expenses. They amounted to €2 million (previous year: €2 million).

12 Disclosure in Accordance with § 285 no. 5 of *Handelsgesetzbuch* (German Commercial Code, *HGB*)

In the year under review, Beiersdorf AG's profit after tax was unchanged by accelerated tax depreciation and income and expenses arising from the change in the special tax-allowable reserves (previous year: reduced by €3 million).

Notes to the Balance Sheet

13 Intangible Assets

(in € million)	Patents, licenses, trademarks, and similar rights and assets	Advance payments	**Total**
Cost of acquisition			
Opening balance Jan. 1, 2005	**273**	**-**	**273**
Additions	4	-	4
Disposals	-2	-	-2
Transfers	-	-	-
Closing balance Dec. 31, 2005	**275**	**-**	**275**
Amortization			
Opening balance Jan. 1, 2005	**255**	**-**	**255**
Amortization	17	-	17
Disposals/transfers	-2	-	-2
Closing balance Dec. 31, 2005	**270**	**-**	**270**
Carrying amount Dec. 31, 2005	**5**	**-**	**5**
Carrying amount Dec. 31, 2004	18	-	18

Purchased intangible assets are carried at acquisition cost less straight-line amortization. Intangible assets are generally amortized over a period of five years.

In the year under review, amortization of trademarks amounting to €2 million was charged due to permanent impairment.

14 Property, Plant, and Equipment

(in € million)	Land, land rights, and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under construction	**Total**
Cost of acquisition/manufacture					
Opening balance Jan. 1, 2005	**235**	**174**	**145**	**15**	**569**
Additions	2	9	11	4	26
Disposals	-	-5	-9	-	-14
Transfers	-	3	11	-14	-
Closing balance Dec. 31, 2005	**237**	**181**	**158**	**5**	**581**
Depreciation					
Opening balance Jan. 1, 2005	**172**	**139**	**124**	**-**	**435**
Depreciation	7	9	10	-	26
Disposals/transfers	-	-5	-8	-	-13
Closing balance Dec. 31, 2005	**179**	**143**	**126**	**-**	**448**
Carrying amount Dec. 31, 2005	**58**	**38**	**32**	**5**	**133**
Carrying amount Dec. 31, 2004	63	35	21	15	134

Property, plant, and equipment is carried at cost of acquisition or manufacture and reduced by straight-line depreciation over the assets' useful lives. Buildings are depreciated on a straight-line basis over a useful life of 25 to 50 years. Movable assets are generally depreciated using the declining-balance method at first, and subsequently using the straight-line method of depreciation.

The useful life of technical equipment and machinery, and operating and office equipment, is generally ten years, in exceptional cases three to 15 years.

We write off low-value assets in full in the year of acquisition. In the year under review, write-downs of buildings amounting to €2 million were charged due to permanent impairment.

15 Financial Assets

(in € million)	Investments in affiliated companies	Other investments	Investment securities	Other loans	**Total**
Cost of acquisition					
Opening balance Jan. 1, 2005	**1,112**	**88**	**1**	**-**	**1,201**
Additions	3	-	-	-	3
Disposals	-56	-4	-1	-	-61
Transfers	-	-	-	-	-
Closing balance Dec. 31, 2005	**1,059**	**84**	**-**	**-**	**1,143**
Depreciation					
Opening balance Jan. 1, 2005	**86**	**-**	**-**	**-**	**86**
Depreciation	8	-	-	-	8
Disposals/transfers	-55	-	-	-	-55
Closing balance Dec. 31, 2005	**39**	**-**	**-**	**-**	**39**
Carrying amount Dec. 31, 2005	**1,020**	**84**	**-**	**-**	**1,104**
Carrying amount Dec. 31, 2004	1,026	88	1	-	1,115

Financial assets are carried at acquisition cost. Write-downs to a lower value at the balance sheet date are only charged if the impairment is expected to be permanent. Write-downs are reversed up to the amount of the acquisition cost if the reasons for permanent impairment no longer apply. Additions to investments from before the *Aktiengesetz* (German Stock Corporation Act, *AktG*) came into force in 1965 are carried as pro mem items.

Disposals of investments in affiliated companies relate to an intragroup transfer. In the year under review, write-downs of investments in an affiliated company amounting to €8 million were charged due to permanent impairment.

16 Inventories

(in € million)	2004	2005
Raw materials, consumables and supplies	15	14
Work in progress	10	9
Finished goods and merchandise	56	61
	81	**84**

Raw materials, consumables and supplies and merchandise are carried in the inventories at acquisition cost. Finished goods and work in progress are carried at production cost.

Production costs are 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. Borrowing costs attributable to the production period are not included.

Inventories are carried at the lower market values where required. Specific write-downs take account of inventory risks resulting from impaired marketability or excessive storage periods.

Inventories are computed using the weighted-average cost method.

17 Receivables and Other Assets

(in € million)	2004	2005
Trade receivables (thereof due after more than one year)	86 (-)	95 (-)
Receivables from affiliated companies (thereof due after more than one year)	201 (-)	126 (-)
Receivables from associated companies (thereof due after more than one year)	5 (-)	4 (-)
Other assets (thereof due after more than one year)	14 (-)	9 (-)
	306	**234**

Receivables and other assets are carried at their nominal value. In addition to adequate specific valuation allowances for identifiable individual risks, global valuation allowances are charged to take account of the general credit risk.

Receivables in foreign currencies are carried at the exchange rate at the date on which the transaction is recorded or at the lower closing rate. If foreign currency receivables are hedged, these are carried at the hedge rate.

18 Marketable Securities

The marketable securities item includes own shares amounting to €873 million (previous year: €718 million). As a result of the increased stock market price, write-downs on own shares were reversed in the amount of €155 million.

Beiersdorf AG held 8,393,672 no-par value bearer shares as of the balance sheet date. This represents a nominal total of €21,487,800.32 or 9.99 % of the Company’s share capital. These 8,393,672 own shares were acquired on February 3, 2004 as part of the share buyback program implemented from December 23, 2003 to January 23, 2004 at a price of €113.76 per no-par value bearer share. On the one hand, the share buyback program was designed to help stabilize the ownership interests at Beiersdorf, thus ensuring the continuation of our successful growth model. On the other hand, it enabled the acquisition of an additional currency in the form of own shares that can be used in certain circumstances as non-cash consideration for potential acquisitions.

19 Share Capital

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

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

20 Authorized Capital

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

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

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

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

23 Contingent Capital

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

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

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

22 Retained Earnings

(in € million)	2004	2005
Legal reserve	4	4
Reserve for own shares	718	873
Other retained earnings	192	216
	914	**1,093**

The Annual General Meeting on May 18, 2005 resolved to transfer €24 million from the net retained profits from fiscal year 2004 to other retained earnings.

A reserve for own shares amounting to €873 million is reported for own shares (see section 18 "Marketable Securities"). Due to the reversal of the write-down on own shares of €155 million, €155 million was transferred from other retained earnings to the reserve for own shares.

€155 million of the profit after tax for fiscal year 2005 was transferred to other retained earnings.

23 Provisions for Pensions and Other Post-employment Benefits

Pension provisions cover maintenance obligations to former and current employees. They are recognized at their present value under the German entry age normal method computed using actuarial principles in accordance with § 6a *Einkommensteuergesetz* (German Income Tax Act, *EStG*) and calculated using an interest rate of 6 %. For the year under review they were based on the new 2005 G mortality tables by Prof. Dr. Klaus Heubeck. The conversion expense amounted to €2 million.

24 Other Provisions

(in € million)	2004	2005
Provisions for taxes	27	21
Miscellaneous provisions	194	200
	221	**221**

Miscellaneous provisions include all identifiable future payment obligations, risks, and uncertain obligations of the Company. They relate to compensation under collective wage agreements and voluntary compensation for the workforce, expenses for part-time schemes for employees approaching retirement and severance agreements, contributions to occupational health and safety agencies, trade related commitments, outstanding invoices, litigation risks as well as other risks.

25 Liabilities

(in € million)	2004	2005
Liabilities to banks	110	1
Trade payables	48	53
Liabilities to affiliated companies	361	373
Liabilities to associated companies	1	0
Other liabilities (thereof tax liabilities) (thereof social security liabilities)	14 (9) (4)	13 (7) (4)
	534	**440**

Liabilities in foreign currencies are carried at the exchange rate at the date on which the transaction is recorded or at the higher closing rate. If foreign currency liabilities are hedged, these are carried at the hedge rate.

The credit line of €110 million from a syndicated loan utilized in the previous year was fully repaid in the year under review.

Liabilities to affiliated companies mainly relate to financial loans and call money invested by affiliates with Beiersdorf AG.

As in the previous year, there were no liabilities due after more than one year in 2005 and no material securitized liabilities.

26 Contingent Liabilities and Other Financial Obligations

(in € million)	2004	2005
Contingent liabilities		
Liabilities under guarantees	11	7
(thereof for liabilities of affiliated companies)	(11)	(6)
Other financial obligations		
Obligations under rental agreements and leases	40	25
Obligations under purchase agreements for investments	8	4
	48	**29**

Obligations from rental agreements and leases are reported with the total of the amounts due until the earliest termination deadline.

27 Derivative Financial Instruments

Beiersdorf AG's corporate treasury centrally handles the Beiersdorf Group's currency and interest rate management, and thus all transactions involving financial derivatives. The instruments are used to hedge the Group's underlying operating business and essential financial transactions. The Group is not exposed to any additional risks as a result. The transactions are performed exclusively using standard market instruments (e.g. forward transactions, swaps, options).

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

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

The fair values shown are calculated by measuring the outstanding items at market rates at the balance sheet date, ignoring any offsetting change in the fair value of the hedged items.

The positive fair values of derivatives include the default risk relating to the nonfulfillment of contractual obligations by counterparties. Beiersdorf's counterparties are prime-rated banks; the default risk is therefore considered to be extremely low. Currency forwards generally have a term of less than one year. As no losses are likely on the settlement of the derivatives, no provisions need to be set up.

	Fair value	
(in € million)	2004	2005
Currency forwards	1	-
Currency options	-	-
Interest rate swaps	-	-
Interest rate options	-	-
	1	**-**

	Nominal value	
(in € million)	2004	2005
Currency forwards	591	796
Currency options	-	-
Interest rate swaps	-	-
Interest rate options	-	-
	591	**796**

28 Employees by Function

(Average number during the year)	2004	2005
Production	854	943
Sales and marketing	786	722
Other functions	1,124	992
	2,764	**2,657**

29 Disclosures Relating to the Executive Board and Supervisory Board

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

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

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

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

Shareholdings
The members of the Executive Board of Beiersdorf AG do not hold shares in the Company. Michael Herz, a member of the Supervisory Board of Beiersdorf AG, informed us 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 is fully attributable to him in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG* (indirect shareholding). The other members of the Supervisory Board do not hold shares in the Company.

Directors' Dealings
In accordance with § 15a *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.

30 Audit

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

The auditor's fee expensed in the fiscal year amounts to €379 thousand (previous year: €379 thousand). It exclusively comprises compensation for audit services.

31 Shareholdings of Beiersdorf AG

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

32 Shareholdings in Beiersdorf AG

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

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

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

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

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

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

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

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

33 Declaration of Compliance with the German Corporate Governance Code

The Executive Board and Supervisory Board of Beiersdorf AG submitted their declaration of compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*) at the end of December 2005, and made this declaration permanently accessible to shareholders on the Company's website at www.Beiersdorf.com. The declaration of compliance is also reproduced in the Corporate Governance section of the Annual Report on pages 26–28.

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

(in €)	2005
Profit after tax of Beiersdorf AG	309,769,442.09
Transfer to other retained earnings	-154,884,721.04
Net retained profits of Beiersdorf AG	**154,884,721.05**

The Executive Board and Supervisory Board will propose to the Annual General Meeting that the net retained profits from fiscal year 2005 of €154,884,721.05 be utilized as follows:

(in €)	2005
Distribution of a dividend of €1.70 per no-par value bearer share entitled to a dividend (75,606,328 no-par value bearer shares)	128,530,757.60
Transfer to other retained earnings	26,353,963.45
Net retained profits	**154,884,721.05**

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

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

Hamburg, February 9, 2006

The Executive Board

Auditors' Report

We have audited the annual financial statements – comprising the balance sheet, the income statement and the notes – together with the bookkeeping system as well as the combined management report on the Company and the Group prepared by Beiersdorf Aktiengesellschaft for the fiscal year from January 1, 2005 to December 31, 2005. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion, based on our audit, on the annual financial statements, together with the bookkeeping system, and the combined management report.

We conducted our audit of the annual financial statements in accordance with § 317 *Handelsgesetzbuch* (German Commercial Code, *HGB*) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 annual financial statements in accordance with German principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the combined 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, the annual financial statements comply with the statutory provisions and give a true and fair view of the net assets, financial position, and results of operations of the Company in accordance with German principles of proper accounting. The combined management report is in accordance with the annual financial statements, provides a suitable understanding of the Company's position on the whole, and suitably presents the risks of future development.

Hamburg, February 9, 2006

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Rohardt	zu Inn- u. Knyphausen
Wirtschaftsprüfer	Wirtschaftsprüfer

Boards of Beiersdorf AG

Honorary Chairman of the Company

Georg W. Claussen

Supervisory Board

Dieter Ammer, Hamburg
Chairman

Chairman of the Executive Board
of Tchibo Holding AG

Chairman of the Supervisory Board
- Conergy AG

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

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

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

Deputy Chairman of the Works
Council of Beiersdorf AG

Member of the Supervisory Board
- Tchibo Holding AG

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

Former Chairman of the Works
Council of Beiersdorf AG

Reinhard Pöllath, Munich
Deputy Chairman

Lawyer
Pöllath + Partner

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

Deputy Chairman of the
Supervisory Board
- SinnerSchrader AG

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

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

Chairman of the Supervisory Board
- KM Europa Metal AG

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

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

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

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

Member of the Supervisory Board
- tesa AG (intragroup)

Michael Herz, Hamburg
Merchant

Chairman of the Supervisory Board
- Tchibo GmbH

Member of the Supervisory Board
- Tchibo Holding AG

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

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

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

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

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

Member of the Supervisory Board
- Tchibo GmbH

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

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

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

Member of the Advisory Board
- Qualifizierungsförderwerk Chemie GmbH

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

Manuela Rousseau, Rellingen
Head of PR Programs, Beiersdorf AG

Professor at the Academy of Music and Theater, Hamburg

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

Supervisory Board Committees

Members of the Mediation Committee

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

Members of the Executive Committee

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

Members of the Audit and Finance Committee

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

Executive Board[1)]

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

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

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

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

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

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

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

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

Rolf-Dieter Schwalb
Finance:
Finance/Controlling/IT

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

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

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

Financial Calendar

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

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Beiersdorf on the Internet: www.Beiersdorf.com

The Annual Financial Statements of Beiersdorf AG are also available in German on the internet: www.Beiersdorf.de/Geschaeftsbericht.

Digital versions of the Interim Reports are available on the internet:
www.Beiersdorf.com/Interim_Report.
Printed copies can also be obtained from:
Beiersdorf AG, Investor Relations,
Unnastrasse 48, 20245 Hamburg, Germany

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