Annual Report 2007

Closeness Brings Success

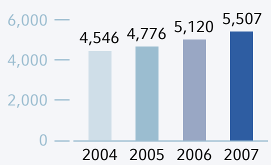
BDF

Beiersdorf

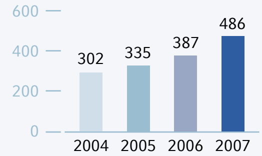
Beiersdorf at a Glance

in € million (unless otherwise stated)	2006	2007
Sales	**5,120**	**5,507**
Change in % (nominal)	7.2	7.6
Change in % (adjusted for currency translation effects)	7.3	9.1
Consumer	4,327	4,661
tesa	793	846
EBITDA	**660**	**738**
Operating result (EBIT)	477	616
Operating result (EBIT, excluding special factors)	**597**	**684**
Profit after tax	668	442
Profit after tax (excluding special factors)	**387**	**486**
Return on sales after tax in %	13.0	8.0
Earnings per share in €	2.93	1.93
Earnings per share in € (excluding special factors)	1.69	2.12
Total dividend	**136**	**159**
Dividend per share in €	0.60	0.70
Gross cash flow	**427**	**477**
Capital expenditure (incl. financial assets)	**114**	**110**
Research and development expenses	**118**	**127**
Employees (as of December 31)	**17,172**	**21,101**

Group Sales (in € million)



Group Profit after Tax* (in € million)



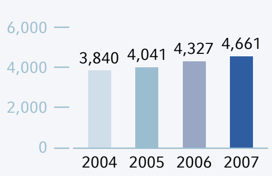
* Excluding special factors.

Overview of Beiersdorf

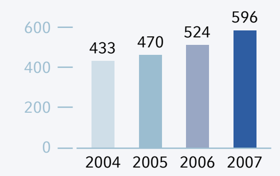
Consumer Business Segment

With our leading international brands we focus on innovative products for skin and beauty care. We systematically align our business with the wishes of our consumers. Our innovations give them entirely new options for their personal skin and beauty care. This is the basis for our global competitive success and worldwide growth.

Consumer Sales (in € million)



Consumer Operating Result (EBIT)* (in € million)

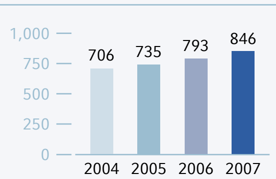


*Excluding special factors.

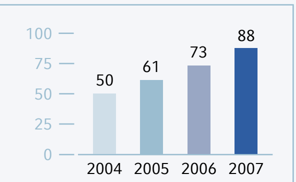
tesa Business Segment

We develop, produce, and market self-adhesive system and product solutions for direct customers and our distribution business in the industrial segment, as well as for the consumer business. As one of the world's leading manufacturers, we have a comprehensive understanding of our customer's needs, offering them state-of-the-art products and high, reliable quality.

tesa Sales (in € million)



tesa Operating Result (EBIT) (in € million)



Consumer

(in € million)	Europe	Americas	Africa/Asia/ Australia	**Total**
Sales 2007	3,282	690	689	4,661
Change (adjusted for currency translation effects)	4.8%	12.5%	31.3%	9.3%
Change (nominal)	4.7%	6.7%	26.2%	7.7%
Share of Group sales	59.6%	12.5%	12.5%	84.6%
EBIT 2007*	529	25	42	596
EBIT margin 2007*	16.1%	3.7%	6.0%	12.8%
EBIT 2006*	486	11	27	524
EBIT margin 2006*	15.5%	1.8%	4.9%	12.1%

*Excluding expenses for the realignment of the Consumer Supply Chain.

tesa

(in € million)	Europe	Americas	Africa/Asia/ Australia	**Total**
Sales 2007	627	92	127	846
Change (adjusted for currency translation effects)	7.5%	7.1%	11.8%	8.1%
Change (nominal)	7.6%	0.9%	6.5%	6.7%
Share of Group sales	11.4%	1.7%	2.3%	15.4%
EBIT 2007	61	9	18	88
EBIT margin 2007	9.7%	10.1%	14.2%	10.4%
EBIT 2006	51	8	14	73
EBIT margin 2006	8.8%	9.1%	11.5%	9.2%

We are Close to People

We convince our consumers such as Olga and Pawel Davidenko from Moscow with our innovative products. Our combination of consumer focus, reliable quality, and a unique brand personality creates a closeness that is appealing, but never intrusive.

Beauty is as individual as people themselves. We identify their needs all over the world by making sure we are close to them. This is the basis of our success.

We understand our consumers. We listen to them and try to learn as much about their worlds as possible. This closeness leads to ideas for new products and channels of communication.

We make our brands an experience. Attractive store designs speak to our consumers' emotions. We work hand-in-hand with our retail and business partners. And with doctors and pharmacists, for example, when we develop medical skin care products.

We value team spirit and cooperation. Our employees identify themselves strongly with our Company and its brands and work closely together. Their performance and commitment drive Beiersdorf's development.

This can be seen by the excellent growth in sales and EBIT generated in fiscal year 2007. This annual report offers you international examples of why our closeness to people is the key to our success at all levels.

Global Closeness – Global Brands

Skin and beauty care is our passion – as our internationally successful brands show. Whether it is NIVEA in the mass market, Eucerin in the pharmacy market, or la prairie in the selective segment: We align our business with the wishes of our consumers worldwide.

This global closeness to the consumer forms the basis for our Consumer Business Strategy, with which we are dynamically expanding our position in the global market. By systematically implementing this strategy, we have established Beiersdorf as a leading provider for skin and beauty care, and continue to be a reliable growth stock. More information about our Consumer Business Strategy is available on page 44 of this annual report.

In the future, too, we will strengthen our brand presence in all key market segments. With more than 21,000 employees, we drive our Company's development by knowing exactly what drives consumers.

Our Promise

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

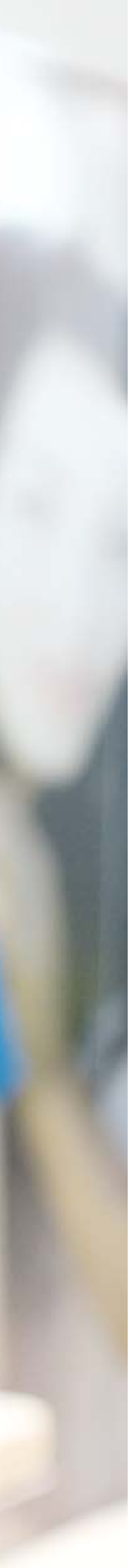
NIVEA is the best-known and most successful skin and beauty care brand in the world* and enjoys a level of consumer trust that is unmatched by almost any other brand.

* Euromonitor, Cosmetics & toiletries excluding fragrances and haircolourants by retail sales value, 2008.

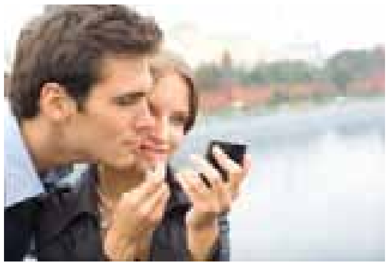
la prairie is among the leading international brands for exclusive, luxurious anti-age skin care.
Eucerin is one of the leading providers of medical skin care products in various countries.
SBT Skin Biology Therapy with its innovative biological active principle gives skin a radiant, younger appearance.
SLEK is the biggest local brand for hair care products in China, and belongs to C-BONS Hair Care, in which Beiersdorf acquired a majority interest at the end of 2007.

Florena stands for naturalness and uncomplicated skin care.
Labello has been synonymous with the lip care product category in Germany since 1909.
8x4 is a highly effective deodorant, and offers a broad range of products with long-lasting effects.
Hansaplast is a leading wound care brand in various countries.

Maria Lukoyanova has been working in Beiersdorf's Russian affiliate for five years. In addition to closeness to consumers, she values close cooperation with her colleagues most highly: "Closeness for me also means respect, a willingness to help, and mutual support."



Olga Davidenko talks and answers questions and shows Maria Lukoyanova her personal environment as well as her preferences. For example, she enjoys going shopping with her husband.



Closeness is Understanding

Believe Less, Know More

"What do you like about your work? What is your favorite cosmetics brand? Which qualities must a product have for you to like it?" Maria Lukoyanova, a Russian product manager from Beiersdorf's Marketing function, wants to know all the details to learn more about consumers when she visits Olga Davidenko. The IT expert and mother of two children answers all of her questions: Not only the ones about cosmetics and care products, but also the questions about her personal views and family life. Maria listens closely. After all, the answers and additional impressions she obtains by taking a look at the bathroom and Olga's personal environment provide her with a precise picture of the person that she will later try to delight for her brand: NIVEA.

Maria Lukoyanova is not just our Product Manager for NIVEA Lip, Hand, and Sun Care and the atrix brand in Russia, but is also responsible for the topic "consumer insights" in our Russian affiliate. Many Beiersdorf employees around the world gather these consumer understandings, which describe what consumers think and feel, as well as the expectations they have of skin and beauty care products. Once we have obtained this information, we develop these insights into concrete ideas and concepts. "Consumer Connectivity" stands for Beiersdorf's strategic and systematic consumer focus. The goal is to fully understand consumer needs to offer them products tailored to their requirements and find the right approach in our communications. "Ms. Davidenko's quality and brand awareness of beauty care products is very high. Much as I have found with other Russian consumers, outer appearance in general is very important," Maria Lukoyanova sums up. "At the same time, Ms. Davidenko wants to find products that offer an effective solution to her needs." This is precisely where NIVEA's potential lies. The brand is well known in Russia, too, and performed very well in 2007. Lukoyanova is sure that "the knowledge we get from direct contact with our consumers will allow us to systematically expand NIVEA's position."

Meeting Needs Successfully

The Russia/Ukraine/C.I.S. affiliate is among the fastest-growing within the Beiersdorf Group. In addition to Russia, this affiliate serves eleven other countries in the former Soviet Union. Closeness to the consumer is a primary concern here, as it is everywhere where Beiersdorf does business.

This country organization has approximately 240 employees, and this number is increasing due to the dynamic growth of the market for cosmetics, especially in Russia. Women in particular set great store by their outer appearance and spent around 12% of their disposable income on cosmetics (Germany: 6%). "We are growing at a faster rate than the market," says Maria Lukoyanova. "The focus of our activities is on NIVEA VISAGE, NIVEA Hair Care, NIVEA FOR MEN, and NIVEA deodorant. For example, NIVEA deodorant is the number two brand on the Russian market."

Russia is the largest country in the world and, as such, places special demands on Beiersdorf's local sales network and supply chain. Around 100 sales employees work to ensure that NIVEA always hits the shelves on time – from the Baltic Sea to the Pacific Ocean. According to German Kuznetsov, Regional Sales Manager, "We can only continue driving forward our growth if we have a reliable supply chain."

One of Beiersdorf's particular strengths is rapidly implementing local consumer needs. If the affiliate identifies special requirements in its area, it works with international marketing to develop concrete ways of implementing them. "This close and efficient teamwork enables us to react more flexibly and quickly than others," Lukoyanova explains.

An excellent example of this is the NIVEA VISAGE Young range of care products, which was launched in July 2007. Its formula is especially customized to meet the needs of young women, and the products appeal to consumers due to their modern packaging and attractive price. The associated marketing communication is tailored also to the target group with the slogan "You are the star." Among other activities, it includes extensive sponsorship for the "Star Academy Young Singers Contest."

Discovering consumer needs and transforming these into new projects is the task of all Beiersdorf employees. This effort is supported with our company-wide "Intouch & Discovery" Consumer Connectivity Training. To date, over 1,000 employees have participated in these training programs in countries including China, Singapore, Argentina, Mexico, and the United States. The training course was held in Russia in May 2007. According to Maria Lukoyanova, "The training gave us a lot of tools we can use in practice and made one thing crystal clear: Closeness to consumers will continue to be the key to our success in the future."

Understanding what drives consumers is a process that involves all Beiersdorf employees. German Kuznetsov, Regional Sales Manager, explains: "By sharing our experiences and insights, we develop a common understanding of how we can best address the needs of our consumers in our work."

Beauty is ...

"Share what beauty is to you!": As part of the NIVEA umbrella brand campaign, consumers were asked using a variety of media to share their personal understanding of beauty with us. This produced a virtual gallery of individual statements and moments on NIVEA's website that allow the viewer to experience the concept of holistic beauty.

... as individual as people themselves. Because beauty is not just about how you look, but how you feel and who you are.

This "consumer insight", which is applicable all over the world, is the focus of the new global NIVEA umbrella brand campaign and communication strategy, which was launched in Germany in 2007 and will be introduced in over 60 countries by the end of 2008. The campaign was launched in Russia in December 2007.

NIVEA.com

The basis for this message is Beiersdorf's international Study on Women and Beauty 2007 in which women in six countries – Germany, France, the U.S.A., Brazil, China, and Russia – were surveyed. According to Patrick Rasquinet, General Manager of Beiersdorf's Russian affiliate, "Looking good is important to women in Russia. They see their beauty as a way to improve their status and receive social acceptance."

Despite all of the regional differences, the study shows that women today have to cope with a variety of demands and responsibilities. A common thread is that beauty is seen as the interplay between looking good, feeling good, personality, and interpersonal experiences. "Beauty is as multifaceted as life itself," says Franziska Schmiedebach-Ullner, Vice President Brand Leadership Unit Hair and Body Care. "And the campaign illustrates precisely these different facets."

Building on the brand's strong emotional values such as closeness, trust, and naturalness, NIVEA motivates people to live their own beauty ideal. In this way, the brand is increasing its skin care expertise and becoming the first choice for skin and beauty care needs. Along with the development of innovative products, this further reinforces NIVEA's global leadership position.

A big splash: The giant poster near the Kremlin was one of the most eye-catching measures kicking off the "Beauty is ..." campaign in Russia.

NIVEA FOR MEN is one of NIVEA's most successful sub-brands, and not just in Russia. Consumers like Pawel Davidenko value this broad, high-quality product range.

Because Men are Different

It's thicker than women's skin. It starts aging later, but once it does, the process is faster and more pronounced. It also loses more moisture than women's skin. And that's why it needs special care: Men's skin.

The market for men's care is booming worldwide. With a volume of around €3.5 billion, men's care is one of the highest growth cosmetics segments. Face care alone is experiencing annual growth rates of 15% to 20%. This is not only due to the fact that men's skin has a different character than women's skin, but also to a shift in grooming awareness. An increasing number of men are placing greater importance on an attractive appearance.

Beiersdorf meets these requirements, its NIVEA FOR MEN range offers more than 20 cleansing, shaving, aftershave, and face care products. The brand is number one in the face care segment in the U.S.A. and Europe, in the latter it also tops the aftershave segment, and is continually gaining market share around the world. Take China, for example. Only two years after entering the market, NIVEA FOR MEN became the face care market leader in 2006 – thanks to products that perfectly meet the requirements of Chinese men for skin that feels dry and clean.

This development continues a long success story, because when it comes to special care products for men, Beiersdorf has been the pioneer for 80 years with the NIVEA range. We launched our first shaving soap for men on the market back in 1922. Nearly 60 years later, NIVEA's launch of an aftershave lotion saw the start of a product range specially tailored to the needs of men's skin. NIVEA FOR MEN was introduced in 1986 as a separate sub-brand exclusively for men's care products. In 1993, NIVEA FOR MEN became the first mass-market supplier to launch its own face care range for men.

Men require not only special products, but also customized marketing communication. "Men are more interested in attractiveness than beauty," explains Inken Hollmann-Peters, Beiersdorf Vice President Brand Leadership Unit Face and Men's Care, "and this plays a different role for men than for women. Attractiveness helps men fulfill their personal goals." Communications measures that are aimed primarily at men as a target group have to be immediately understandable and fact-based. According to Hollmann-Peters, "Success, confidence, and individuality are important to men, and NIVEA FOR MEN offers a skin care program to match."

Thanks to special products that are consistently tailored to men's needs, NIVEA FOR MEN is the only mass-market brand offering a full-spectrum range of skin care products.

Product communication for NIVEA FOR MEN DNAge is tailored to the needs of its male target group.

Successful launch: With a broad range of products and high-impact advertising, NIVEA Hair Care was introduced in France in 2007.

Growing with Hair Care

NIVEA Hair Care was launched in France on September 1, 2007 with a range of 19 products. This market launch was one of the most important projects for Beiersdorf's French affiliate in recent years.

Like men's cosmetics, the hair care market is another segment with very high growth potential worldwide. The French hair care market is the eighth-largest in the world and offers great potential. Previously, NIVEA did not have a presence in the French hair care market. Now, the launch of NIVEA Hair Care has enabled Beiersdorf to occupy this large market segment and reinforces the Company's positioning as a provider of skin and beauty care products. After the successful relaunch of all NIVEA Hair Care products in 2006 with improved formulations and modernized packaging, the goal is to grow globally with this range in the future.

We addressed consumers in France directly to raise awareness about the new products. For example, eight million households received NIVEA Hair Care product samples. Within only one month, nearly 2,000 promotional days took place in the most important stores in France. In addition, local experts worked with international marketing to adapt materials and activities to the French market. For instance, the "Beauty Care" line was renamed "Nutri Cashmere." The new name fits better into the feeling for the French language and clearly highlights the product's beneficial properties. The repositioning was accompanied by a newly developed campaign and the slogan "Ressentez la beauté comme jamais" ("Beautiful hair never felt so good").

Our sales force also faced a real challenge: Shelf space in hyper- and supermarkets had to be created for the 19 new products. Employees from all departments supported the sales team throughout the implementation. Our French affiliate's entire staff was solidly behind the launch. In an introductory seminar, more than 300 employees learned about all aspects of this major project. The goal is clear: NIVEA Hair Care is to contribute to a noticeable increase in sales in the next years.

Marco Lippizani often takes a spontaneous approach when shopping. So he particularly appreciates being able to find various types of NIVEA products on a single shelf: “It makes shopping easy,” he says.

Closeness is an Experience

Beauty Can Be Found Everywhere

When Marco Lippizani goes shopping in Milan, he takes the spontaneous approach, not making a decision until he is standing right in front of the shelves at the store. And he is not alone: Over 60% of all purchasing decisions are made directly in the store. Attractively showcasing brands and products in retail stores is therefore vitally important.

Claudia Faccin works as a sales promoter for NIVEA in Milan. She serves and advises consumers, helping to build personal contact between the brand and people.

High-quality brand and product displays at the stores give consumers a quick overview and speak to shoppers like Marco Lippizani on an emotional level. "New products in particular are perceived very intensively, and it's an impression that lasts," states Dr. Cesare Casagrande, Head of Sales at Beiersdorf Italy. "However, you only have a few seconds to make an impact," he continues. This is precisely what NIVEA's various store concepts, which are implemented successfully both in Italy and around the world, aim to do. There are attractive displays for showcasing NIVEA's product line for any store size and any environment, culminating in a full store-in-store system.

In 2007, Casagrande and his team significantly increased NIVEA's profile in retail stores in Italy with measures including the new "NIVEA Beauty Shopper Experience."

25 NIVEA Blue Walls, 20 NIVEA Care Centers, and 1,300 NIVEA Events were placed directly with retailers with the aim of improving contacts to consumers. Marco Lippizani is not the only one who was convinced. According to the GfK Consumer Report 2007, these "best in class" NIVEA Events contributed to increase the public awareness of NIVEA products significantly. Beiersdorf works closely with retail partners across the globe to design and place its store concepts – to mutual advantage. This can be seen not only from our success in Italy, but also from an example in Germany: A major drugstore chain installed NIVEA Blue Walls in selected stores there in 2007. The results speak for themselves. In a survey, 90% of consumers gave the concept a positive rating and praised the display as well as the ease with which they could locate all NIVEA products on a single shelf. NIVEA sales grew significantly and, at the same time, sales of the entire cosmetics range sold by the drugstores involved increased, thanks to NIVEA. As a result, this successful partnership was extended to other stores and supplemented with several store-in-store systems.

Dr. Cesare Casagrande is convinced that this approach can improve a constructive and innovative partnership with retail even further, based on category growth. "Together with our retailers, we are able to offer an unbeatable 'Beauty Shopper Experience' to raise consumer awareness of our brand and to promote cross-selling. Consumers buying NIVEA deodorant will discover our shampoo as well," he says. And decide to buy it on impulse, like Marco Lippizani.

Shopping – Any Way You Like it

Maria Lucente likes to go shopping with her mother Franca. Both of them expect a lot – from the cosmetics they use and from the shopping experience.

At Beiersdorf, consumer wishes and needs are taken into account at the very start of the product development phase. In contrast, "shopper insights" become an important factor when our products are presented on the shelves. After all, people do not just have different needs with regard to their cosmetic products, but also shop in different ways. "Understanding what people consider important when shopping and then implementing these insights is an important factor in the success of our brands," explains Anton van de Putte, Vice President International Sales at Beiersdorf. Franca Lucente, for example, has equally high demands for the display of la prairie products as for the luxurious products themselves. la prairie's excellent product presentation meets this demand. The display's modern, high-profile design creates an exclusive atmosphere for the brand that focuses on in-depth consumer consultation.

The International Sales team helps the country organizations to attractively showcase Beiersdorf's products in retail stores. According to van de Putte, "One of our most important missions is to support the use of profit-generating retail concepts by leveraging synergies in an efficient way." Concepts that have already achieved success in one or more countries can be transferred to other regions and markets – an approach that saves time while cutting costs. In addition, the International Sales unit organizes the "Winning in the Store" training program, which has been held in around 40 countries to date. Using concrete examples, participants are taught how to optimally present and place Beiersdorf brands in a highly competitive environment, and how to use promotions to let consumers experience them fully.

Innovative and experimental ways of displaying our brand experience are developed by the NIVEA Lab. An international group of Beiersdorf employees led by the trend researcher Francesco Morace seeks out trends and then uses them to create activities that stand out from the crowd. One of the highlights in 2007 was the NIVEA Temporary Shop in Milan, which was open for four weeks offering the entire product range, including NIVEA BEAUTÉ products not previously available in Italy. The store also featured free wellness and beauty treatments as well as spectacular club nights with Milan's top DJs. Maria Lucente loved it: "NIVEA showed me that this brand is an exact fit for me and my lifestyle."

The la prairie Skin Caviar Luxe Eye Lift Cream was introduced in 2007. The luxurious eye care product fully meets Franca Lucente's high expections. Her daughter Maria discovered Labello thanks to the "Labello Kiss Nights" and has been hooked ever since.

The NIVEA Temporary Shop provided fascinated consumers with a completely new brand experience.

Damiano Bolzani in a discussion with pharmacist Dr. Roberto Ciattini. Such talks give Bolzani the chance to learn firsthand what drives pharmacists and how he can help them.

Talking with Each Other. Understanding Each Other.

Eucerin is growing dynamically. This medical skin care brand is among Beiersdorf's most successful brands. In addition to closeness to consumers, the reason for its success is our thorough understanding of the needs of doctors and pharmacists.

Damiano Bolzani is Sales District Manager Pharmacy for Beiersdorf in Italy – and proud of Eucerin's performance: "In the past five years, we have doubled sales." Worldwide, Eucerin sales are growing at double-digit rates in recent years. More and more people are seeking well-tolerated products that offer effective solutions for their special skin care problems. In 2007, the new Eucerin Hyaluron-Filler anti-aging range was a major success in more than 30 countries.

Eucerin is sold almost exclusively in pharmacies and comparable sales channels. In this specialty segment, market success depends greatly on whether products are recommended by dermatologists and pharmacists. According to Bolzani, "That is why we talk to both groups intensively: To understand and address their needs."

Beiersdorf's first focus is on dermatologists. Their field of activity is changing, explains Karin Hannig, Vice President Brand Leadership Unit Dermo Cosmetics & Health Care: "These days, dermatologists also provide cosmetic advice. We continually visit doctors to find out the problems confronting them so that we can respond with the right products." Networking takes place among other things at congresses such as the World Congress of Dermatology 2007 in Buenos Aires (Argentina), where we take part in professional medical exchanges and present Eucerin's product range.

In directly addressing pharmacists, we focus on their employees as well, because they are often the ones consulting with consumers. According to Hannig, "We hold special training sessions for staff in which we explain how Eucerin products work. At the same time, we talk about general medical issues. Thus, we are close to the employees – and both pharmacists and consumers benefit from that."

In addition to training sessions, pharmacists also receive support in the form of Eucerin sales modules that attractively and clearly present the product range. Eucerin's long tradition in many countries also plays a significant role in our marketing activities. The brand has existed since 1900 and is closely linked with the founder of German dermatology, Prof. Dr. Paul Gerson Unna. For this reason, it has been associated since the beginning with particularly high tolerance and effectiveness. "Quality made in Germany" is a formidable argument for doctors, pharmacists, and consumers.

Eucerin is on the way to becoming a world-leading brand of medical skin care products. In order to accelerate this development further, a new training concept was introduced with a pilot program held in April 2007. "Winning in the Pharmacy" provides the responsible sales and marketing employees with strategies for creating the best environment for Eucerin in this specialty market and hence for further speeding up growth. Damiano Bolzani is sure that "Eucerin's success story is just beginning."

As Safety & Regulatory Affairs Manager in the segment body and hair care, Dr. Evelyn Kim works closely with her colleagues in the Research and Development department. For her, product quality and safety are indispensable to consumer satisfaction.

Laboratory head Dr. Volker Kallmayer and his team develop care products in the Asia Laboratory that meet the needs of Asian consumers. In order to ensure that the formulas are well tolerated by the skin as well as meeting country-specific statutory regulations, he works closely with colleagues such as Dr. Evelyn Kim (see left).

Closeness is Cooperation

Asia is in Hamburg, Too

The tailored products Beiersdorf is successful with in Asia are the result of intensive cooperation between local affiliates and the Research and Development department in Hamburg.

The research and development of Beiersdorf takes a leading position internationally in the fields of skin and beauty care. The Skin Research Center in Hamburg, one of the most modern in the world, employs more than 400 scientists. They conduct basic dermatological research and develop new products.

In 2005, a separate Asia Laboratory was set up exclusively to develop products for Asian markets. According to Dr. Volker Kallmayer, head of the laboratory, “The tropical climate in parts of Asia makes special care products necessary. The formulations must be particularly light and quickly absorbable. In addition, the ideal of beauty is very different in Asian countries. For example, light skin is considered an ideal of beauty, and that is why whitening products are so popular. Therefore, sun protection in Asia is used less to protect against sunburn than against tanning. These products are not only used during vacations, but sometimes on a daily basis, even at the office. We can best meet these individual needs through our dedicated Asia Laboratory.”

Consumer needs, identified and formulated as “consumer insights” by the local affiliates, are transformed into product ideas and concepts in conjunction with the Research and Development unit. As Kallmayer explains, “The exchange of information at all levels ensures our success. We meet regularly with our colleagues from various countries either in Hamburg, or locally in Asia.”

Projects are prioritized based on concept tests conducted with Asian consumers. Subsequently, the products are managed through the organization down to their launch in the respective markets using Beiersdorf’s clearly structured innovation management process. “We generate excellent sales in Asia, above all with our extensive range of whitening products,” states Kallmayer. “We will grow this segment further in the future by adding new products.”

In addition to the Asia Laboratory, Beiersdorf has operated a LATAM Laboratory in Hamburg since the end of 2007. This laboratory develops products especially for Brazil and other countries in Latin and South America. The close cooperation with the local affiliates certainly ensures that Beiersdorf is close to its consumers there as well.

"Our International Cooperation is Very Close and Successful."

NIVEA (Shanghai) Company Limited was formed as a joint venture in 1994. The company has been a very successful wholly owned affiliate of Beiersdorf since 2001 as its growth rate of over 45% in 2007 shows. We had a few questions for General Manager Andrew Chang.

How would you describe your cooperation with headquarters?

As very close and intensive. The trust and support that we receive are two of the deciding factors of our success. We benefit from the experience and expertise of our colleagues in Germany.

What measures do you take to promote international cooperation?

We focus on ensuring an intensive exchange of knowledge. Chinese employees often travel to Hamburg or work there for extended periods. And in return, employees from Beiersdorf affiliates often come to support us in China. That is particularly true of the marketing staff. But international cooperation is not the only thing that is working very well. At the same time, we also promote closeness among employees in our affiliate.

Talking about the issue of closeness, how are you close to consumers?

Like other Beiersdorf affiliates all over the world, we also conduct intensive local market research and consumer surveys, for example we regularly visit consumers at home. Thus, we are close to people and learn about their needs and can offer them tailormade products.

The Asia Laboratory develops the NIVEA products which are successful in China. How do you ensure consideration of local requirements?

As an affiliate, we contribute the local knowledge about the needs and requirements of consumers that is used by the Research and Development department along with its expertise to develop optimal products. Our positive business performance underscores this very successful partnership.

Andrew Chang (below and right, in a discussion with Dr. Volker Kallmayer and Dr. Evelyn Kim) is the General Manager of Beiersdorf's affiliate NIVEA (Shanghai) Company Limited. For him, the Chinese port city is an ideal location: "Men and women often spend a fourth of their income on cosmetic products in the city's shopping centers. We are very close to consumers here with the products we offer."

The C-BONS Tower (see left) is located in Wuhan. With its strong local brands, C-BONS Hair Care is one of China's leading providers of hair care products.

Werner Brettschneider, who has been at Beiersdorf for over 25 years, was recently appointed President Beiersdorf Greater China, and is responsible for the business of the Chinese affiliates NIVEA (Shanghai) Company Limited and C-BONS Hair Care.

A Strong Partnership

"We truly believe that as part of the Beiersdorf family, you will be able to start on a higher elevated platform. And with you as a part of the company, Beiersdorf will achieve even greater success in its China operations." These were the words of Werner Brettschneider, President Beiersdorf Greater China, as he welcomed the employees of C-BONS Hair Care into the Beiersdorf Group on December 5, 2007.

At the end of 2007, Beiersdorf acquired a majority stake in C-BONS Hair Care. The group is a leading provider of hair care and styling products in China. Its well-known brands, such as SLEK, Maestro, S-Dew, and Hair Song are trusted by Chinese consumers and hold a strong market position. The acquisition has enabled Beiersdorf to optimally supplement NIVEA's and Eucerin's successful skin and beauty care products in China and expands the product range to include a broad spectrum of shampoo, conditioner, and styling products.

The acquisition represents a milestone in implementing our strategy, and reinforces our business in one of our Company's most important markets. At the same time, it strengthens our positioning in the growing hair care and styling market.

In his welcome speech to C-BONS Hair Care employees, Werner Brettschneider expressed his strong confidence that their outstanding skills and many years of knowledge of the Chinese market and consumers will lead the combined business in this region to new heights. "I am looking forward to working with a strong team that unifies local market expertise with a deep understanding of Beiersdorf's culture and strategy. And I am certain that together we will accomplish a great deal, because at Beiersdorf we always keep two things in mind: Success and people."

Senior Product Manager NIVEA Roberto Lobetti Bodoni appreciates the international cooperation at Beiersdorf.

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Marketing Manager Roberto Cassanelli works closely together with dermatologists and pharmacists for Eucerin.

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Franca Lucente expects a lot from the cosmetics she uses. la prairie meets these expections.

Page 69

Dr. Björna Windisch, head of laboratory product development Deo converts consumer's wishes into innovative products.

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Letter from the Chairman

Ladies and gentlemen,

For Beiersdorf, 2007 was a very special year. Under our motto "The Future of Care," we celebrated our 125th anniversary as a company and with it 125 years of passion for skin and beauty care. We can look back on a truly successful history, allowing us to face the future with even more confidence and motivation. The success we achieved again in fiscal year 2007 is a major contributing factor to this optimism.

We closed our anniversary year with record results: Group sales grew by 9.1% adjusted for currency translation effects. Profit after tax amounted to €442 million, or €486 million excluding special factors relating to the realignment of the Consumer Supply Chain. The Executive Board and Supervisory Board will be proposing a dividend of €0.70 for each share carrying dividend rights to our shareholders at the Annual General Meeting.

Our Consumer Business Strategy makes closeness to the consumer the focus of our business activities. When we defined the Strategy in 2005, our goal was to achieve a global market share of 5.5% by 2010 and to significantly strengthen our global positioning. Today, at the halfway mark, we are clearly on track to meet this goal. Our company is growing worldwide, particularly in our priority regions China, Russia, Brazil, and India. Sales were up sharply in all four markets in the year under review.

We are systematically implementing our Consumer Business Strategy and are close to people worldwide. In addition, we are already setting the course for the Company's long-term future development. I would like to explain this effort further using four examples.

Innovative strength: We will only prevail against the global competition in the long-term if our skin and beauty care products offer consumers a significant, verifiable benefit, and if we offer our products to consumers as quickly as possible. Our professional innovation management efforts with clear decision-making channels and streamlined structures are focused on meeting these goals. For example, we launched NIVEA VISAGE Oxygen Power internationally with great success after only a two-year period of product development. This is an excellent example of our innovation leadership – and our passion for skin and beauty care.

Brand leadership: We have made NIVEA the biggest skin and beauty care brand in the world*. And now we are further expanding this position. The global NIVEA umbrella brand campaign emphasizes for the first time the new, holistic understanding of beauty by women worldwide. With its wide and innovative range of products, NIVEA is more than ever becoming the brand people trust for their skin and beauty care needs. This strategy will enable us to boost Beiersdorf's growth.

Consumer Supply Chain: We are realigning our Consumer Supply Chain to drive change at Beiersdorf and react successfully to increased competition in a global environment. By optimizing our worldwide processes and implementing state-of-the-art technologies, we will be able to centrally manage our supply chain in the future to ensure smooth workflows and rapid deliveries to our customers. A look at the results already shows that the realignment is leading us toward this goal: Production expenses have declined significantly, for example.

China: End of 2007, we acquired a majority stake in C-BONS Hair Care. The enterprise is leading in the Chinese hair care market and has locally successful brands and a well-developed sales network. This investment ideally complements our already successful business in China selling NIVEA and Eucerin products, and provides us with an excellent strategic starting position in one of the world's most dynamic and important future markets.

* Euromonitor, Cosmetics & toiletries excluding fragrances and haircolourants by retail sales value, 2008.

Thomas-B. Quaas

"We are systematically implementing our Consumer Business Strategy and are close to people worldwide."

The tesa business segment also contributes significantly to the overall success of our Company. In our business with direct customers, the distribution business in the industrial segment, as well as in the consumer business, tesa was again able to generate strong growth rates and maintain its top position in the world with forward-looking solutions. tesa will further strengthen its innovative capabilities and offer global customers optimal service by expanding its research and development and sales capacities, especially in the high-growth Asian and Eastern European markets.

I would like to thank all employees for their exceptional commitment to Beiersdorf, which is the result of a unique mixture of qualities: Strong identification with the Company and its brands, and an equally strong winning spirit and performance orientation. Equipped with this strength, Beiersdorf looks forward to a successful future, from which you – whether you are a shareholder, retail or business partner, or consumer – will benefit.

Sincerely,

Thomas-B. Quaas

Chairman of the Executive Board

Successful together: The Executive Board of Beiersdorf AG works closely together to drive forward the Company's development as one of the leading providers of skin and beauty care. The members of the Executive Board explain in five short interviews how we continued to implement the Consumer Business Strategy in 2007 and what prospects for the future have emerged as a result.

The Executive Board of Beiersdorf AG

Thomas-B. Quaas
Born in 1952 in Glauchau (Germany)
Member of the Executive Board since 1999
Chairman of the Executive Board since 2005

Responsible for Strategic Corporate Development/Corporate Communication/Internal Auditing

Beiersdorf can report a successful fiscal year 2007. What do you think are the Company's strengths?

We have laid the foundations for consistently focusing our global business activities on consumers' needs. All of our processes and hence projects are based on this, enabling us to develop innovative skin and beauty care that is close to people around the world, and therefore successful.

What is Beiersdorf focusing on in the future?

We will continue to systematically enhance our ability to see things through our consumers' eyes and consistently increase our global presence. The growth drivers are our leading international brands that ensure Beiersdorf's success. Our successful 125-year history is the best motivation for our future as one of the leading international providers of skin and beauty care products. New product launches in our anniversary year such as NIVEA VISAGE Oxygen Power were further proof of this.

What does closeness mean to you personally?

Closeness has a number of dimensions for me as Chairman of the Executive Board: Closeness to consumers, to the markets around the world, to our retail partners, and of course to our employees. It is the basis of my work, so to speak.

Dr. Bernhard Düttmann
Born in 1959 in Düsseldorf (Germany)
Member of the Executive Board since 2006

Responsible for Finance: Finance/Controlling/Legal/IT

What does Beiersdorf's economic situation look like?

Beiersdorf is a healthy company with strong growth. A very successful fiscal year 2007 proves that implementing our Consumer Business Strategy is exactly the right thing to do. Our success allows us to create long-term organic growth, which remains our focus. We also have the financial means to conduct acquisitions, but here we favor a targeted and considered approach.

You are responsible for the South America region. How satisfied are you with business developments there?

In Brazil in particular – one of the focus countries of our Consumer Business Strategy – we have been the fastest-growing cosmetics company for five years. We aim to expand leading market positions in our segments and enter additional areas. Overall, we generated double-digit sales growth in South America in 2007, giving us an excellent position for the future.

In 2007, Beiersdorf focused on an important project in Europe, PRIME. What is this?

PRIME stands for Process Redesigned IT Model for Europe. This new, uniform European IT structure systematically reflects the changes in our processes resulting from our Consumer Business Strategy. The local companies' business processes are cross-linked with headquarters, increasing transparency and allowing us to react more quickly and manage workflows better overall.

Pieter Nota
Born in 1964 in Wageningen (the Netherlands)
Member of the Executive Board since 2005

Responsible for Brands: Marketing/Research & Development/Sales

Implementation of NIVEA's first global umbrella brand campaign started at the end of 2007. What expectations do you have for it?

Our uniform global brand campaign – which will be implemented in more than 60 countries by the end of 2008 – conveys a universal message for the brand's wide range of skin and beauty care products – across all product categories and media. This brand campaign is based on our comprehensive knowledge of the changing lifestyles of female consumers around the world. We are addressing their holistic view of beauty, which is as individual, varied, and wonderful as life itself. The campaign focuses even more on the brand's emotional qualities and is designed to enhance its profile. In this way, NIVEA can further expand its leading competitive position. ▷

Beiersdorf has restructured its innovation processes. Why?

Nobody is waiting for the tenth scent variant of the same product. Our innovations must add real value that addresses the wishes of our consumers and offers them a convincing solution to their particular problem. We are meeting this challenge with our "Integrated Innovation Management" and our "Fewer, Bigger, Better, Faster" targets. This means that, from the initial idea down to product launch, we concentrate on key innovations that we launch on the market even more quickly than before. Between 2005 and 2007, we reduced the number of our projects from approximately 500 to around 320 – and significantly increased our growth because of this focus.

How have you integrated innovation management?

We have closely meshed three processes. In the discovery phase, we develop concrete ideas for new products based on consumers' wishes gathered from different countries. The ideas are tested by consumers. If they prove to be unique and promising, we use our innovation management processes to guide them through our organization – until the market launch brings them back to our consumers on whose wishes they were based.

Peter Kleinschmidt

Born in 1950 in Rostock (Germany)
Member of the Executive Board since 2003

Responsible for Human Resources:
Human Resources/Sustainability

What sets Beiersdorf's employees apart?

In addition to the closeness that leads to intensive cooperation, the main thing that makes them so special is the combination of their strong identification with the Company and their equally strong dedication. Our focus on success and performance are the strengths with which we shall assert ourselves in global competition.

End of 2007, Beiersdorf acquired a majority interest in C-BONS Hair Care in China. What do you expect from this?

C-BONS Hair Care and Beiersdorf complement each other ideally. On the one hand, C-BONS Hair Care offers local expertise and closeness to people with successful brands. On the other hand, there is our outstanding expertise in skin and beauty care, our leading innovation management, and our experience in consistent brand management. Together we will drive our business forward significantly – in one of today's most exciting markets.

You are also responsible for sustainability. What happened in this area in 2007?

We published our first sustainability report in accordance with the Global Reporting Initiative's international guidelines. It is based on an in-depth dialog with our stakeholders and takes into account the increased need for information of the various interest groups. This year also saw the development of an overarching sustainability strategy that will allow us to create a uniform company-wide understanding of sustainable activities.

Markus Pinger

Born in 1963 in Leverkusen (Germany)
Member of the Executive Board since 2005

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

A superior supply chain is one of the cornerstones of the Consumer Business Strategy: What was the focus in 2007?

In particular, the focus was on optimizing our global processes. The result is uniform processes and systems that help us further improve our systematic consumer orientation. We will use this to drive forward the positive development of our Consumer Supply Chain.

What are the advantages to realigning the Consumer Supply Chain?

Supply chains are more decisive than ever for a company's success on the global market. Our process-oriented supply chain coupled with state-of-the-art technologies ensure that we can extend our lead at an international level. Above all, we can now react even more quickly and flexibly to the individual demands of our retail partners. The focus is also on consumers: They should be able to obtain the products they want any time, anywhere in the world.

You are responsible for the U.S. region. How has the situation developed there?

In the U.S.A., we are on the right track and have improved significantly following the successful restructuring of our business and our focus on the skin care segment. For example, we became the market leaders in men's care from the very start with NIVEA FOR MEN. In the Health & Beauty category, our NIVEA and Eucerin brands also grew significantly. We are therefore very upbeat about the future.

Roberto Lobetti Bodoni is Senior Product Manager NIVEA: “In 2007, we worked very closely here in Italy with colleagues from other Beiersdorf affiliates. Collaboration leads to new ideas and perspectives, and significantly expands one’s own experience.”

International Cooperation

Closeness Means Exchanging Ideas All the Time

As a global skin and beauty care company, we set great store by international teamwork. That is why, for example, many employees spend time abroad working for another affiliate as expatriates. Roberto Lobetti Bodoni, one of Beiersdorf’s Senior Product Managers in Italy, values this exchange: “Above all, this overarching cooperation ensures a common brand understanding and hence facilitates rigorous brand management.” This is a decisive global competitive advantage.

Investor Relations & Corporate Governance

Beiersdorf Shares

Beiersdorf.com/IR

The beginning of 2007 was dominated by a sharp fall in prices on the Chinese stock market on February 27. The resulting series of price falls temporarily ended the unusually long upward trend observed on the markets since the summer of 2006. According to market observers, a sharp correction was overdue, but it proved to be only a short interlude and was followed by a phase of clear price gains in the second quarter of 2007. Against a backdrop of stable and accelerating economic growth, the positive business reported by companies led to rising share prices. Investor risk appetite increased again, leading in the case of the German stock market to strong growth by the DAX, which regained the 8,000-point mark for the first time in the second quarter. Then, over the summer, the markets focused on the tensions in the American subprime mortgage market, which caused prices to fall far into the third quarter. The repricing of credit risk led to increased risk aversion and had a significant impact on stock markets worldwide. These losses were partly reversed, but not until September. On the German stock market, the DAX reached an interim high in October before losing ground temporarily; it eventually closed the year at 8,067 points after a volatile December.

The HPC (Household and Personal Care) sector, to which Beiersdorf belongs, was also clearly hit by the corrections unleashed by the Chinese market at the beginning of the year. In the following months, the stocks in the sector underperformed the overall index. The reporting season in the third quarter largely confirmed the forecasts for the full year. In the course of the second half of the year sector stocks moved largely in parallel to the market trending upwards at the end of the year.

Beiersdorf's share price received a clear boost in the first quarter 2007 from the good financial results for the previous year and the positive outlook for 2007. In January, the placement of Beiersdorf shares by the City of Hamburg increased the free float significantly. Since then, the sharp rise in the trading volume of our shares has reflected increased investor interest. In May, the Executive Board provided the financial community with information about Beiersdorf's strong business performance and the continuing successes of its product innovations, as well as the relaunch of NIVEA Hair Care. The launch of the NIVEA umbrella brand campaign in August was also received very well. The capital market reacted positively to the news, causing our share price to climb temporarily to a new all-time high that was exceeded again in October. Until the end of the year, our share price mirrored the alternating trends on the markets, performing somewhat better than the indices to close at €53.00.

Beiersdorf Shares Price Performance 2007

Closing Prices (in €) 2007	March, 30	June, 29	September, 28	December, 28
	51.05	52.84	52.52	53.00

Investor Relations

"Delivering on Targets" was the motto for the Beiersdorf Investor Relations department's capital market activities in 2007. The second year since the introduction of the Consumer Business Strategy offered an opportunity to look at the initial results. The implementation of the cornerstones of the strategy had been the consistent theme in capital market communications since it was introduced in fall 2005. Two years on, our Chairman of the Executive Board Thomas-B. Quaas gave detailed information on implementation successes at the fall analyst meeting: The income statement reflected strong sales growth in all regions, significant increases in profit margins, and considerable marketing expenses, which we view as an investment in the market and which have led to tangible gains in market share. Next to this the Executive Board was also able to report on initial savings from the restructuring of the Beiersdorf's Consumer Supply Chain, which will provide the necessary funds for the investments in the market as part of the Consumer Business Strategy.

There was a significant change in Beiersdorf's shareholder structure in January 2007: The City of Hamburg placed its 10% shareholding on the market, increasing the free float for our shares significantly. The expanded information offering in the quarterly reports reflects the high level of investor interest: Every quarterly report publication is accompanied by either an analyst meeting or a conference call by the Executive Board. This offering was introduced as of the third quarter and has enjoyed strong demand from analysts and investors. The analyst meetings were recorded and made available for download as streaming videos at www.Beiersdorf.com – this offer was very well received by shareholders and observers.

As in recent years, Beiersdorf's top management was available to answer questions from capital market players at a number of international investor conferences. These contacts were supplemented by one-on-one discussions with the management at road shows in Paris, London, and Milan, where a large number of investors received first-hand information on Beiersdorf's business development and strategy implementation.

Topics relating to the social and ecological responsibility that comes with our economic success are increasingly important in capital market communications. Beiersdorf clearly demonstrates its commitment to this responsibility in its new and expanded Sustainability Report. This report, entitled "Our Responsibility", was redesigned by Beiersdorf's Sustainability Advisory Board in cooperation with Investor Relations and published on the occasion of the Annual General Meeting in April 2007. It plays a key role in financial communications and expands our information offering on the internet with its comprehensive online version.

Basic Share Data

Company Name	Beiersdorf Aktiengesellschaft
WKN	520000
ISIN	DE 0005200000
Stock Trading Venues	Official Market in Frankfurt and Hamburg; Open Market in Berlin-Bremen, Düsseldorf, Hanover, Munich, and Stuttgart
Number of Shares	252,000,000
Share Capital in €	252,000,000
Class	No-par value bearer share
Market Segment/Index	Prime Standard/MDAX

Report by the Supervisory Board

Dieter Ammer

"Beiersdorf is on a very good and successful path that we fully support in the Supervisory Board."

In fiscal year 2007, the Supervisory Board performed the tasks assigned to it by law, the Articles of Association, the German Corporate Governance Code, and the bylaws. It regularly advised the Executive Board on the management of the Company and supervised the conduct of the Company's business. The Executive Board informed the Supervisory Board in a regular, timely, and comprehensive manner at the Supervisory Board meetings and via written reports regarding Beiersdorf's business strategy, corporate planning, the course of business, risk management, and the Company's situation and profitability. Any deviations between actual and planned developments were explained by the Executive Board and examined by the Supervisory Board. The full Supervisory Board and the relevant Supervisory Board committees discussed and examined major business transactions in detail on the basis of the reports submitted by the Executive Board. The Executive Board kept the Chairman of the Supervisory Board informed about all matters of importance to the Company between Supervisory Board meetings.

The Chairman of the Supervisory Board also held regular discussions with the Chairman of the Executive Board regarding the Company's strategy, business development, and risk management.

In fiscal year 2007, four regular Supervisory Board meetings were held and two written resolution procedures performed on the basis of detailed documents. Regular agenda items at the Supervisory Board meetings were current business developments, major business transactions, the implementation of the realignment of the Consumer Supply Chain, and measures by the Executive Board requiring approval. The Executive Board was granted all necessary approvals after thorough examination and in-depth discussion.

In its meeting on February 22, 2007, the Supervisory Board primarily addressed the annual and consolidated financial statements for fiscal year 2006 and the proposed resolutions for the Annual General Meeting on April 26, 2007.

Another issue discussed in this Supervisory Board meeting was the state of the negotiations on the acquisition of the Chinese hair care business of the C-BONS Group (Hong Kong). The Supervisory Board had already approved the acquisition in principle in its November 22, 2006 meeting after an in-depth report by the Executive Board and its own examination.

The Supervisory Board discussed and reviewed the Group's interim financial statements as of March 31, 2007 in the Supervisory Board meeting immediately before the Annual General Meeting on April 26, 2007. In addition, the Supervisory Board discussed the business developments in the Eastern Europe region.

Following preparations by the Executive Committee and careful examination as part of a written resolution procedure, the Supervisory Board resolved in July 2007 to renew the appointments of Markus Pinger and Pieter Nota as members of Beiersdorf AG's Executive Board.

In its September 5, 2007 meeting, the Supervisory Board addressed in particular the Group's interim financial statements as of June 30, 2007, as well as business developments in Germany and the pharmacy business. Additionally, an item discussed at the Supervisory Board meeting was a competitive analysis.

In October 2007, the Supervisory Board approved the acquisition of the remaining 50% of the shares in Beiersdorf AG (Switzerland) as part of another written resolution procedure that was prepared based on detailed documents.

In the Supervisory Board meeting on November 21, 2007, the Supervisory Board reviewed the Group's interim financial statements as of September 30, 2007. The Executive Board also presented its corporate planning for fiscal year 2008 including financial, investment, and human resources planning. After an in-depth discussion and examination, the Supervisory Board approved the Company's planning for fiscal year 2008 presented by the Executive Board. In the same Supervisory Board meeting, the Supervisory Board also addressed the Declaration of Compliance regarding the recommendations of the German Corporate Governance Code and business developments in the Africa, Asia, and Australia regions.

The Supervisory Board has formed four committees to ensure its tasks are performed efficiently. On the one hand, these committees prepare the Supervisory Board's resolutions to be discussed by the full Supervisory Board and, on the other, they exercise the decision-making powers of the Supervisory Board in individual cases as far as is legally possible.

The Executive Committee met seven times during the year under review. Two written resolution procedures were performed. The Executive Committee prepared the Supervisory Board meetings during its meetings. It also addressed the acquisition of the Chinese hair care business of the C-BONS Group (Hong Kong), the acquisition of the remaining 50% of the shares in Beiersdorf AG (Switzerland), and the implementation of the realignment of the Consumer Supply Chain. The Executive Committee also dealt with the changes in the German Corporate Governance Code. At the end of the reporting period the Executive Committee conducted the annual assessment of the personal and corporate targets set for the Executive Board members, established their personal and corporate targets for fiscal year 2008, and addressed the remuneration of the Executive Board.

The Audit and Finance Committee met three times in the year under review. The key topics discussed in the Audit and Finance Committee's meetings were the preliminary review of Beiersdorf AG's annual financial statements and the consolidated financial statements, the preparation of the agreement with the auditors, the review and further development of risk management in the Beiersdorf Group, and the evaluation of the results of internal audits in the year under review and of the internal audit plan for fiscal year 2008.

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

It was not necessary for the Mediation Committee, set up in accordance with § 27 (3) *Mitbestimmungsgesetz* (German Co-Determination Act, *MitbestG*), or the during reporting period newly-formed Nomination Committee to meet.

Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft audited Beiersdorf AG's annual financial statements prepared by the Executive Board and the consolidated financial statements as well as the management reports for Beiersdorf AG and the Group, and issued an unqualified audit opinion on them. They also audited the report regarding dealings among Group companies prepared by the Executive Board in view of the majority interest held by maxingvest ag (formerly Tchibo Holding AG), Hamburg, as required by § 312 *Aktiengesetz* (German Stock Corporation Act, *AktG*) for fiscal year 2007, and issued the following unqualified audit opinion:

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

The focus of the audit in fiscal year 2007 was mainly on the accounting treatment of the activities relating to the realignment of the Consumer Supply Chain.

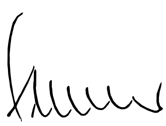
The annual financial statements of Beiersdorf AG, the consolidated financial statements, the management reports for Beiersdorf AG and the Group, the report regarding dealings among Group companies, and the auditors' report were distributed to all members of the Supervisory Board immediately after their preparation. The Audit and Finance Committee of the Supervisory Board performed a preliminary review of the financial statements, the reports, and the proposal on the utilization of the net retained profits. These financial statements and reports were discussed at length and reviewed in the Supervisory Board meeting of February 21, 2008.

In this meeting, the auditors reported on the key findings of their audit and were available to the Supervisory Board to answer questions and provide supplemental information. The Supervisory Board's review of the financial statements, the management reports for Beiersdorf AG and the Group, the report regarding dealings among Group companies including the concluding declaration by the Executive Board, and the auditors' report did not raise any objections. Therefore, the Supervisory Board concurs with the auditors' findings and approves the annual financial statements of Beiersdorf AG and the consolidated financial statements prepared by the Executive Board for the year ending December 31, 2007; the annual financial statements of Beiersdorf AG are thus adopted. The Supervisory Board endorses the Executive Board's proposal on the utilization of the net retained profits.

The Supervisory Board would like to thank all of the Company's customers and shareholders for the trust placed in Beiersdorf as well as all the employees and the Executive Board for their excellent work.

Hamburg, February 21, 2008

On behalf of the Supervisory Board



Dieter Ammer

Chairman

Corporate Governance at Beiersdorf

Good Management Has a Name: Corporate Governance

Beiersdorf welcomes the German Corporate Governance Code presented by the Government Commission and last updated in June 2007. The Code not only creates transparency with regard to the legal framework for corporate management and supervision in Germany, but also establishes generally accepted standards for good and responsible company management.

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

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

I. Declaration of Compliance

At the end of December 2007, the Executive Board and Supervisory Board issued the Declaration of Compliance with the recommendations of the Code for fiscal year 2007 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*). Beiersdorf AG fulfills all the Code's recommendations. In addition, Beiersdorf AG complies with a large number of the suggestions made in the Code.

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

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

In fiscal year 2007, Beiersdorf Aktiengesellschaft complied with, and continues to comply with, all recommendations of the "Government Commission on the German Corporate Governance Code" in the versions dated June 12, 2006 and June 14, 2007 respectively.

Hamburg, December 2007

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

II. General Information on Beiersdorf's Management Structure

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

1. The Supervisory Board

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

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

Supervisory Board members disclose potential conflicts of interest due to their activities as consultants to or officers of other companies to the Supervisory Board without delay; material conflicts of interest that are more than temporary in nature result in the termination of the mandate of the member concerned. In its report, the Supervisory Board informs the Annual General Meeting of any conflicts of interest that have occurred and of how these were handled.

The D&O insurance policy taken out by the Company for the members of the Supervisory Board includes a suitable deductible.

Supervisory Board members should not be older than 72 years.

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

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

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

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

In accordance with section 5.3.3 of the German Corporate Governance Code, a **Nomination Committee** was also formed. It is composed of shareholder representatives and proposes suitable candidates to the Supervisory Board for proposal to the Annual General Meeting.

2. The Executive Board

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

The Executive Board develops the Company's strategy, agrees it with the Supervisory Board, and ensures its implementation. It is responsible for the Company's annual and multi-year planning and for preparing the quarterly, annual, and consolidated financial statements.

It is also responsible for ensuring adequate risk management and risk control and for regular, timely, and comprehensive reporting to the Supervisory Board. Certain measures and transactions performed by the Executive Board require the approval of the Supervisory Board.

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

3. The Annual General Meeting

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

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

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

III. Remuneration Report

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

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

1. Remuneration of the Executive Board

The Executive Committee of the Supervisory Board discusses and reviews the remuneration system for the Executive Board at regular intervals; in addition, it regularly submits the system's structure to the Supervisory Board for discussion and review. The Executive Committee, which consists of Dieter Ammer, Michael Herz, Thorsten Irtz, and Prof. Dr. Reinhard Pöllath, developed a new performance-related variable remuneration system for the Executive Board in fall 2005. The new remuneration system has been in operation since fiscal year 2006. The structure of the new remuneration system was also discussed by the Supervisory Board and approved at its September 2005 meeting.

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

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

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

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

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

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

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

The remaining amount counts towards the LTI; this is designed to cover a five-year period and rewards the contribution made by individual Executive Board members to sustainably increasing the Company's enterprise value. A new LTI is produced each calendar year for each Executive Board member. The development of the LTI depends on the growth in the enterprise value (compound annual growth rate, or CAGR); this is calculated on the basis of sales and EBIT multiples that are kept constant throughout the duration of the LTI.

The Executive Committee can adjust the development of the enterprise value as calculated to take extraordinary effects into account. The LTI provides for a cash payment to be made at the end of every five years, to the extent that the enterprise value exceeds a predefined minimum threshold. If this minimum threshold is not reached, the entire LTI lapses.

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

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

In addition, pension commitments have been made to the individual Executive Board members. The pension benefits are determined as a percentage of a fixed amount that corresponds to the respective fixed remuneration of the individual Executive Board members. In other words, the pension commitment is not linked to the performance-related remuneration components. The percentage increases in line with the length of service of the Executive Board member and is limited to 50% of this fixed amount. Additions to pension provisions include current service cost and interest expense.

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

Total Remuneration of the Executive Board for Activities in the Fiscal Year
(figures for previous fiscal year in brackets)

(in €)	Basic fixed remuneration	Variable remuneration[1] STI[2]	Variable remuneration[1] LTI[3]	Other[4]	Total	Additions to pension provisions
Thomas-B. Quaas	**420,000** (400,000)	**1,003,600** (560,000)	**400,624** (613,332)	**15,858** (14,150)	**1,840,082** (1,587,482)	**172,245** (203,490)
Dr. Bernhard Düttmann	**240,000** (60,000)	**524,736** (120,000)	**280,884** (-)	**9,294** (2,114)	**1,054,914** (182,114)	**104,987** (83,197)
Peter Kleinschmidt	**250,000** (250,000)	**593,500** (350,000)	**224,567** (257,850)	**12,804** (11,820)	**1,080,871** (869,670)	**103,216** (129,560)
Pieter Nota	**315,000** (300,000)	**426,240** (270,000)	**301,891** (410,418)	**11,842** (11,695)	**1,054,973** (992,113)	**114,748** (112,560)
Markus Pinger	**250,000** (200,000)	**631,500** (240,000)	**253,642** (364,816)	**12,681** (12,480)	**1,147,823** (817,296)	**103,107** (273,256)
Rolf-Dieter Schwalb[5]	**-** (225,000)	**-** (689,040)	**-** (-)	**-** (9,240)	**-** (923,280)	**-** (240,550)
Total	**1,475,000** (1,435,000)	**3,179,576** (2,229,040)	**1,461,608** (1,646,416)	**62,479** (61,499)	**6,178,663** (5,371,955)	**598,303** (1,042,613)

[1] The variable remuneration for fiscal year 2007 was adopted in the Executive Committee meeting on February 4, 2008.

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

[3] The LTI for fiscal year 2007 will not be paid out until after the end of fiscal year 2012, assuming that the specified minimum threshold is reached. Until this point the development of the LTI is dependent on the growth in the enterprise value (CAGR).

[4] The Other column refers to noncash benefits arising from the provision of company cars and the payment of insurance contributions.

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

The existing LTI figures can be seen from the following table:

	LTI[1] Fiscal year 2006[2]		LTI[1] Fiscal year 2007[3]	
(in €)	2006	**2007**	2006	**2007**
Thomas-B. Quaas	613,332	**936,950**	-	**400,624**
Dr. Bernhard Düttmann	-	**-**	-	**280,884**
Peter Kleinschmidt	257,850	**393,902**	-	**224,567**
Pieter Nota	410,418	**626,971**	-	**301,891**
Markus Pinger	364,816	**557,307**	-	**253,642**
Total	1,646,416	**2,515,130**	-	**1,461,608**

[1] The respective LTIs lapse if the enterprise value does not exceed a predefined minimum threshold after five years.

[2] To be paid after the end of fiscal year 2011.

[3] To be paid after the end of fiscal year 2012.

Payments to former members of the Executive Board and their dependants totaled €1,952 thousand (previous year: €1,947 thousand). Total provisions for pension commitments to former members of the Executive Board and their dependants amounted to €24,576 thousand (previous year: €24,131 thousand).

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

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

In addition to being reimbursed for cash expenses, Supervisory Board members receive a fixed and a variable, dividend-based remuneration component. The ratio of the fixed to the variable remuneration component is balanced.

Each Supervisory Board member receives fixed remuneration in the amount of €25,000 for each full fiscal year and variable remuneration of €1,200 for each cent by which the dividend per share distributed exceeds the amount of 15 cents. No attendance fees are paid. In line with the recommendation of the German Corporate Governance Code that the remuneration should reflect the responsibility assumed and the scope of the duties performed by the respective member of the Supervisory Board, and that the chairmanship of the Supervisory Board should be given special consideration, the Chairman of the Supervisory Board receives two-and-a-half times the standard Supervisory Board remuneration and his two deputies each receive one-and-a-half times the standard Supervisory Board remuneration. Members of the Executive Committee and the Audit and Finance Committee receive additional compensation for their work in these committees. If a member of the Supervisory Board simultaneously holds several offices for which increased remuneration is granted, he or she shall only receive the remuneration for the highest-paying office.

Members of the Supervisory Board did not receive any loans from the Company. In addition, members of the Supervisory Board did not receive any compensation or benefits for services provided on a personal basis, such as advisory or agency services.

Subject to the resolution of the Annual General Meeting on April 30, 2008, on the dividend to be distributed for fiscal year 2007, the members of the Supervisory Board will receive the remuneration presented in the following table for their activities in fiscal year 2007:

Total Remuneration of the Supervisory Board for Activities in the Fiscal Year

	Fixed*		Variable		Total	
(in €)	2006	**2007**	2006	**2007**	2006	**2007**
Dieter Ammer	62,500	**62,500**	135,000	**165,000**	197,500	**227,500**
Thorsten Irtz	37,500	**37,500**	81,000	**99,000**	118,500	**136,500**
Prof. Dr. Reinhard Pöllath	37,500	**37,500**	81,000	**99,000**	118,500	**136,500**
Dr. Walter Diembeck	40,000	**40,000**	54,000	**66,000**	94,000	**106,000**
Frank Ganschow	25,000	**25,000**	54,000	**66,000**	79,000	**91,000**
Michael Herz	50,000	**50,000**	54,000	**66,000**	104,000	**116,000**
Dr. Rolf Kunisch	25,000	**25,000**	54,000	**66,000**	79,000	**91,000**
Dr. Arno Mahlert	55,000	**55,000**	54,000	**66,000**	109,000	**121,000**
Tomas Nieber	25,000	**25,000**	54,000	**66,000**	79,000	**91,000**
Stefan Pfander	10,479	**25,000**	22,636	**66,000**	33,115	**91,000**
Ulrich Plechinger	25,000	**25,000**	54,000	**66,000**	79,000	**91,000**
Prof. Manuela Rousseau	25,000	**25,000**	54,000	**66,000**	79,000	**91,000**
Dr. Bruno E. Sälzer**	14,521	**-**	31,364	**-**	45,885	**-**
Total	432,500	**432,500**	783,000	**957,000**	1,215,500	**1,389,500**

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

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

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

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

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

V. Further Information on Corporate Governance at Beiersdorf

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

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

Hamburg, February 21, 2008

Beiersdorf Aktiengesellschaft

The Supervisory Board The Executive Board

Roberto Cassanelli is Marketing Manager Dermo, Personal Health Care & NIVEA in Italy: "The innovative Eucerin Hyaluron-Filler range was very successful in 2007 all over the world. This shows the brand's high potential to become a global provider of medical skin care worldwide."

Eucerin

Closeness Leads to Joint Solutions

Dermo cosmetics is a future market – which is why we aim to systematically expand Eucerin's international market position. In Italy, Roberto Cassanelli and his team are responsible for this: "We cooperate closely with dermatologists and pharmacists, like other Beiersdorf affiliates all over the world. As a result, we can exploit the brand's growth potential together – with effective and well-tolerated products."

Group Management Report

Business and Environment

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

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

Consumer Business Segment

Beiersdorf.com

Our Consumer business segment concentrates on innovative skin and beauty care. Our strong brands such as NIVEA, the world's biggest skin and beauty care brand*, Eucerin, and la prairie convince and excite our consumers. We are successful internationally and are growing globally – forward-looking, fast, and close to people. More than 17,000 employees in over 100 affiliates around the world meet consumer wishes for skin and beauty care. Our brands enjoy outstanding market positions in many countries and segments.

Our goals are:

- to increase our market share through qualitative growth, and
- to further improve our sound earnings performance.

We aim to achieve these objectives by systematically successfully implementing our "Passion for Success" Consumer Business Strategy. This strategy is based on four cornerstones:

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

Consumer Business Strategy

* Euromonitor, Cosmetics & toiletries excluding fragrances and haircolourants by retail sales value, 2008.

tesa Business Segment

tesa.com

The tesa business segment has been an independent subgroup within Beiersdorf since 2001. With over 3,800 employees and operations in more than 100 countries, tesa is one of the world's leading manufacturers of self-adhesive system and product solutions for industrial customers and consumers. It focuses on the electrical and electronics, automotive, as well as printing and paper industries. We are also developing new business areas with our forward-looking security solutions for protection against counterfeiting and manipulation, and for product traceability.

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

Under the tesa umbrella brand, consumers can find more than 300 professional solutions under the umbrella brand tesa for improving their quality of life at home, in the garden, and in the office, in DIY centers, hypermarkets, and stationery shops.

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

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

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

Management and Control

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

The tesa business segment is managed as an independent subgroup.

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

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

Value Management and Performance Management System

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

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

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

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

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

Economic Environment

General Economic Situation

The global economy recorded sound growth in the early part of 2007. However, in late summer the ongoing slowdown on the U.S. real estate market triggered fears regarding the creditworthiness of financial market products and institutions in the U.S.A. and Europe. U.S. monetary policymakers moved to counter rising cyclical risks by cutting interest rates. Nevertheless, the drop in real estate prices, rising default rates for mortgage loans, and the jump in jobless rates at the end of the year led to a market slowdown in the growth of U.S. consumer spending and hence in the economy as a whole. Against this background, the U.S. dollar came under strong pressure in the second half of 2007. In addition, the euro appreciated significantly against the yen, impacting the international competitiveness of European companies.

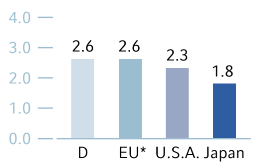
Continental European economies were dominated by robust growth in exports and investments and further improvements on the job market. At the same time, inflation risks increased, fueled by rocketing prices for oil, energy, and food.

The ongoing rapid expansion of the Chinese market, where growth rates are running at about 12%, continued to offer sales opportunities for European producers. At the same time, China's growing demand for raw materials led to price rises on the global commodities markets.

Although Continental Asian countries saw dynamic development, Japanese growth remained below expectations.

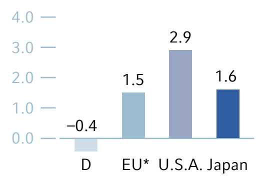
In Latin America, growth remained stable at around 5% in 2007, while in Eastern Europe it was a good 6%.

Growth in Real Gross Domestic Product in 2007 Compared to Previous Year (in %)



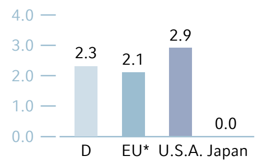
*EU 12 eurozone.

Growth in Private Consumer Spending in 2007 Compared to Previous Year (in %)



*EU 12 eurozone.

Inflation in 2007 Compared to Previous Year (in %)



*EU 12 eurozone.

Sales Market Developments

The cosmetics market saw global growth of 3% to 4% in 2007, continuing its long-term trend. Once again, developments differed greatly from region to region. While the cosmetics market in the major markets of Western Europe and the United States showed some positive trends, no sustained upturn was recorded. By contrast, the markets in Asia and, to an even greater extent, Eastern Europe and Latin America recorded above-average performance.

The global adhesive tape markets grew by around 4% to 5%, with clear regional and segment differences. The electronics segments recorded very strong growth rates especially in Eastern Europe and, once again, in Asia, while the automotive sector generated average growth overall that differed from region to region. In the consumer business, the office supply markets stabilized as compared with the previous year. Growth in the do-it-yourself markets could not be achieved in all countries.

Procurement Market

In 2007, the trend towards rising commodities prices continued unabated. This was one of the main reasons for the substantial demands for price rises confronting procurement. Growing shortages in certain submarkets further exacerbated the situation.

However, we were able to avoid significant increases in the cost of materials by systematically updating and applying the procurement strategies and tools that we have developed over the past view years.

Results of Operations – Group

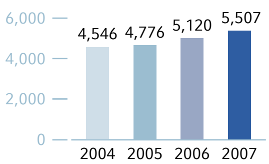
Income Statement – Group Jan. 1–Dec. 31 (in € million)	2006	**2007**	% change
Sales	**5,120**	**5,507**	**7.6**
Cost of goods sold	–1,736	–1,830	5.4
Gross profit	**3,384**	**3,677**	**8.7**
Marketing and selling expenses	–2,409	–2,618	8.7
Research and development expenses	–118	–127	7.6
General and administrative expenses	–245	–260	5.9
Other operating result	–15	12	-
Operating result (EBIT, excluding special factors)	**597**	**684**	**14.7**
Expenses for the realignment of the Consumer Supply Chain	–120	–68	-
Operating result (EBIT)	**477**	**616**	**29.2**
Financial result	374	28	-
Profit before tax	**851**	**644**	**–24.2**
Taxes on income	–183	–202	10.8
Profit after tax	**668**	**442**	**–33.8**

The changes in percent are calculated based on thousands of euros.

Sales

Adjusted for currency translation effects, Group sales increased by 9.1%, outperforming our original expectations. Both business segments contributed positively to overall growth, with the Consumer business segment up 9.3% and the tesa business segment up 8.1%. At current exchange rates, Group sales rose by 7.6% to €5,507 million.

Group Sales (in € million)

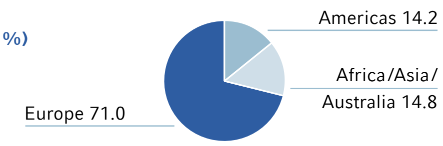


In Europe, we lifted sales by 5.2% (adjusted for currency translation effects). In particular our successful innovations contributed to this. At current exchange rates, we achieved growth of 5.2% to reach €3,909 million.

Strong double-digit growth in Latin America was the main driver behind the trend in the Americas. However, North America also achieved substantial sales growth again this year. Overall, sales in the Americas rose by 11.8% (adjusted for currency translation effects). At current exchange rates, sales increased by 6.0% to €782 million.

Sales growth in Africa/Asia/Australia again proved to be extremely dynamic. The figure of 27.9% growth (adjusted for currency translation effects) recorded for the region was extremely positive. At current exchange rates, we achieved growth of 22.7% to reach €816 million.

Group Sales by Region (in %)



Expenses/Other Operating Result

At +5.4%, the cost of goods sold increased more slowly than sales. Increases in production efficiency and an improved product mix had a positive effect on costs.

At +8.7%, our marketing and selling expenses rose slightly above sales. Spending on advertising, trade marketing, and similar items rose to €1,748 million, up 9.1% on the figure for the previous year of €1,603 million.

We further strengthened our leading position in research and development, increasing our expenditure in this area by 7.6% to €127 million.

As in previous years, general and administrative expenses again rose disproportionately slowly, by 5.9%.

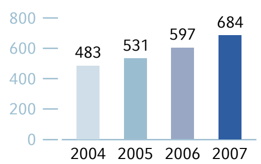
Due to an increase in miscellaneous other expenses, the other operating result amounted to €12 million (previous year: €–15 million).

Operating Result (EBIT, Excluding Special Factors)

EBIT excluding special factors rose to €684 million (previous year: €597 million), while the EBIT margin increased to 12.4% (previous year: 11.7%). Both business segments contributed to this improvement: EBIT for the Consumer business segment climbed from €524 million in 2006 to €596 million, with the return on sales amounting to 12.8% (previous year: 12.1%). EBIT for the tesa business segment improved to €88 million (previous year: €73 million), the EBIT margin reached 10.4% (previous year: 9.2%).

In Europe we generated a result of €590 million (previous year: €537 million). The EBIT margin rose to 15.1% (previous year: 14.4%). The operating result in the Americas amounted to €34 million (previous year: €20 million). The EBIT margin amounted to 4.4% (previous year: 2.7%). EBIT in Africa/Asia/Australia was €60 million (previous year: €40 million), with the EBIT margin being 7.3% (previous year: 6.1%).

Operating Result (EBIT)*
(in € million)



*Excluding special factors.

Expenses for the Realignment of the Consumer Supply Chain

In 2007, we continued the process of realigning the Consumer Supply Chain begun in the previous year. Expenses of €68 million were incurred during the fiscal year for implemented or initiated closures and consolidations of production and logistics locations. These mainly relate to expenses from impairment losses and asset disposals as well as personnel expenses. All in all, the project is scheduled to run for three years and will entail total expenditures of €220 million.

Operating Result (EBIT)

EBIT amounted to €616 million (previous year: €477 million). The EBIT margin was 11.2% (previous year: 9.3%).

Financial Result

The financial result amounted to €28 million. In the previous year, this item included income of €371 million (after tax: €361 million) from the sale of the shares in BSN medical in February 2006.

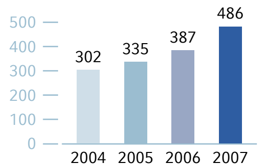
Taxes on Income

Taxes amounted to €202 million (previous year: €183 million). They primarily include a positive effect of the recalculation of deferred taxes amounting to €19 million, resulting from the business tax reform 2008 in Germany. After adjustment for the special factors resulting from the expenses associated with the realignment of the Consumer Supply Chain and, in the previous year, from the sale of the shares in BSN medical, the effective tax rate amounted to 31.7% (previous year: 35.4%).

Profit after Tax

Profit after tax reached €442 million. After adjustment for the special factors related to the expenses for the realignment of our Consumer Supply Chain (€44 million after tax) and, in the previous year, the income from the sale of the shares in BSN medical (€361 million after tax), profit after tax was €486 million (previous year: €387 million). The return on sales after tax was 8.8% (previous year: 7.6%).

Group Profit after Tax (in € million)*



*Excluding special factors.

Basic/Diluted Earnings per Share – Dividends

Earnings per share amounted to €1.93 (previous year: €2.93). After adjustment for special factors, earnings per share amounted to €2.12 (previous year: €1.69). These figures were calculated on the basis of the weighted number of shares carrying dividend rights (226,818,984).

The Executive Board and Supervisory Board will propose a dividend of €0.70 (previous year: €0.60) for each share carrying dividend rights to the Annual General Meeting.

Results of Operations – Business Segments

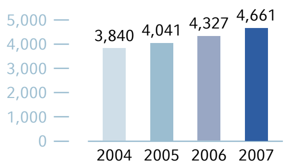
CONSUMER

(in € million)	Europe	Americas	Africa/Asia/ Australia	Total
Sales 2007	3,282	690	689	4,661
Change (adjusted for currency translation effects)	4.8%	12.5%	31.3%	9.3%
Change (nominal)	4.7%	6.7%	26.2%	7.7%
EBIT 2007*	529	25	42	596
EBIT margin 2007*	16.1%	3.7%	6.0%	12.8%
EBIT 2006*	486	11	27	524
EBIT margin 2006*	15.5%	1.8%	4.9%	12.1%

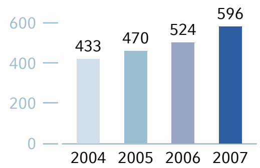
* Excluding expenses for the realignment of the Consumer Supply Chain (Europe only).

In 2007, the Consumer business segment lifted sales by 9.3%, adjusted for currency translation effects. At current exchange rates, we achieved growth of 7.7% to €4,661 million (previous year: €4,327 million). This means we grew substantially faster than the market and were able to increase our global market share. EBIT excluding special factors climbed to €596 million (previous year: €524 million), while the corresponding EBIT margin rose to 12.8% (previous year: 12.1%).

CONSUMER SALES (in € million)



CONSUMER OPERATING RESULT (EBIT)* (in € million)



* Excluding special factors.

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

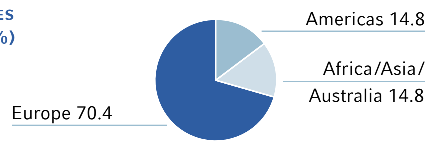
In 2007, NIVEA recorded global growth of 11.4% (adjusted for currency translation effects). Sales rose in all regions. The key growth drivers were NIVEA deodorant – thanks mainly to the positive performances of Energy Fresh and Pearl and Beauty – NIVEA body, and NIVEA FOR MEN. The launch of NIVEA VISAGE Oxygen Power had a very good start. The relaunch of NIVEA Hair Care continued its success, too. On the other hand, NIVEA SUN recorded poor growth rates in many regions as a result of bad weather.

We met our targets for our Eucerin brand with double-digit growth in 2007. The brand recorded clear growth of 19.6% (adjusted for currency translation effects), thus beating last year's excellent result. The products in the dry skin segment performed particularly well, the success of the Eucerin Hyaluron-Filler line launched last year continued, the line was extended by an eye care product in 2007.

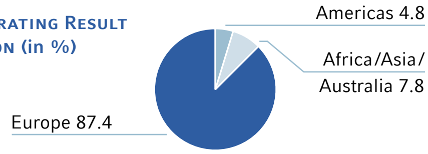
In the area of selective cosmetics, the La Prairie Group again recorded disproportionately rapid growth of 10.7% (adjusted for currency translation effects). The launch of the innovative la prairie Pure Gold face care product and the 20th anniversary of the la prairie Caviar Collection both played a major role.

The plaster brands, primarily Hansaplast/Elastoplast, recorded lower sales in a market showing a slight overall decline. This was due to a reduction in sales in the U.S.A. following the disposal of the Curad brand plaster business in April 2007. Sales growth was achieved primarily in Australia and by the UK/Ireland Group, while business in Germany and the Belgium/Netherlands Group in particular was weaker.

CONSUMER SALES BY REGION (in %)



CONSUMER OPERATING RESULT (EBIT) BY REGION (in %)



GROUP MANAGEMENT REPORT

Consumer Sales in Europe (in € million)	Germany	Western Europe (excluding Germany)	Eastern Europe	Total
Sales in 2007	968	1,762	552	3,282
Change (adjusted for currency translation effects)	–4.2%	4.3%	27.7%	4.8%
Change (nominal)	–4.2%	3.8%	29.2%	4.7%

In Europe, we lifted sales by 4.8% (adjusted for currency translation effects). At current exchange rates, sales increased by 4.7% to €3,282 million (previous year: €3,134 million). EBIT for the Consumer business segment (excluding special factors) climbed from €486 million in the previous year to €529 million, while the corresponding EBIT margin rose to 16.1% (previous year: 15.5%).

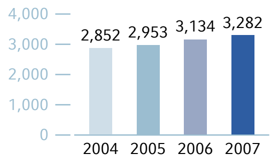
The export sales of Beiersdorf AG (Germany) to the Middle East and the member countries of the Commonwealth of Independent States (CIS) in particular were transferred to our affiliates in Dubai and Russia respectively during the third quarter of 2006. This led to a corresponding decrease in exports from Germany to these countries. Total sales in Germany declined by 4.2%.

Sales to customers within Germany were 0.2% up on the previous year. NIVEA body, NIVEA deodorant, and the relaunch of NIVEA Bath Care all contributed significantly to this result. Our Eucerin brand again enjoyed above-average growth in the pharmacy business.

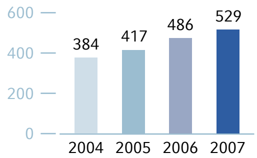
In Western Europe (excluding Germany), sales rose by 4.3%. The La Prairie Group (+12.0%), Greece (+10.9%), and Spain (+8.7%) all made significant contributions to growth. In addition to the strong performance of NIVEA deodorant, the relaunch of NIVEA Hair Care, the launch of NIVEA VISAGE Oxygen Power, and the continuing success of NIVEA body Good-bye Cellulite played a major role. Eucerin achieved double-digit growth.

We continued to record double-digit growth in Eastern Europe (27.7%). In Russia, NIVEA deodorant, NIVEA Hair Care, and NIVEA FOR MEN were the main growth drivers. In Poland, sales of NIVEA deodorant, NIVEA VISAGE, and NIVEA body rose in particular.

Consumer Sales Europe (in € million)



Consumer Operating Result (EBIT)* Europe (in € million)



*Excluding special factors.

Consumer Sales in the Americas

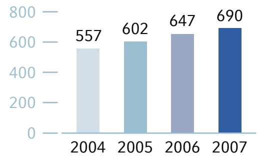
(in € million)	North America	Latin America	Total
Sales in 2007	313	377	690
Change (adjusted for currency translation effects)	4.9%	20.0%	12.5%
Change (nominal)	–3.2%	16.6%	6.7%

In the Americas, sales grew by 12.5% adjusted for currency translation effects (previous year: 7.5%). At current exchange rates, sales rose by 6.7% to €690 million (previous year: €647 million). EBIT was €25 million (previous year: €11 million), while the EBIT margin amounted to 3.7% (previous year: 1.8%).

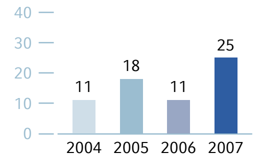
In North America, the effects of our realignment of the product ranges in the previous year were visible, with sales growth of 4.9%. The growth was reduced by the sale of the low-margin, slow-growing Curad brand plaster business. The core business of NIVEA body and NIVEA FOR MEN, as well as the la prairie and Eucerin brands, developed very positively.

In Latin America we again recorded double-digit growth (+20.0%). In addition to the key markets of Brazil (+22.4%) and Mexico (+15.0%), our affiliates in Venezuela (+47.2%) and Argentina (+35.7%) made a particular contribution to this strong growth. NIVEA Bath Care, NIVEA FOR MEN, NIVEA deodorant, and NIVEA VISAGE reported the highest growth rates in this region.

Consumer Sales Americas (in € million)



Consumer Operating Result (EBIT) Americas (in € million)



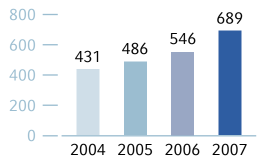
Consumer Sales in Africa/Asia/Australia

(in € million)	Africa/Asia/ Australia
Sales in 2007	689
Change (adjusted for currency translation effects)	31.3%
Change (nominal)	26.2%

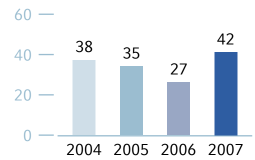
Africa/Asia/Australia again achieved double-digit growth in 2007. Sales increased by 26.2% to €689 million (previous year: €546 million). Adjusted for currency translation effects, growth amounted to 31.3%. We lifted EBIT for the consumer business segment to €42 million (previous year: €27 million), while the EBIT margin rose to 6.0% (previous year: 4.9%).

At 45.1%, growth in China was maintained at a high level. NIVEA VISAGE and NIVEA FOR MEN were the largest contributors to this impressive performance. Thailand recorded significant increases in nearly all segments (sales +21.1%). In Africa, we achieved an improvement of 54.0% in sales over the previous year. This very good development was particularly contributed by NIVEA deodorant, NIVEA body, and NIVEA VISAGE.

Consumer Sales Africa/Asia/Australia (in € million)



Consumer Operating Result (EBIT) Africa/Asia/Australia (in € million)



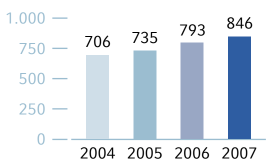
tesa

(in € million)	Europe	Americas	Africa/Asia/Australia	Total
Sales in 2007	627	92	127	846
Change (adjusted for currency translation effects)	7.5%	7.1%	11.8%	8.1%
Change (nominal)	7.6%	0.9%	6.5%	6.7%
EBIT 2007	61	9	18	88
EBIT margin 2007	9.7%	10.1%	14.2%	10.4%
EBIT 2006	51	9	13	73
EBIT margin 2006	8.8%	9.1%	11.5%	9.2%

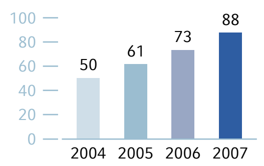
tesa develops, manufactures, and markets self-adhesive system and product solutions for industrial customers and consumers. Its direct business with industrial customers mainly comprises solutions for optimizing products and production processes. Its major customers belong to the electrical and electronics, automotive, as well as printing and paper industries. Security solutions for protection against counterfeiting and manipulation and for product traceability are a further focus in developing new business areas. The industrial distribution business offers technical dealers self-adhesive product solutions for industrial customers engaged in construction and painting, among other things.

Sales rose by 8.1%, adjusted for currency translation effects. At current exchange rates, sales increased by 6.7% to €846 million (previous year: €793 million). tesa increased its EBIT to €88 million (previous year: €73 million). The EBIT margin improved to 10.4%.

tesa Sales (in € million)



tesa Operating Result (EBIT) (in € million)



In the industrial segment, both business with direct customers and the distribution business again performed extremely well. All regions and markets contributed to growth.

The direct business with the electronics industry received a boost from innovative, heat-activated special adhesive tapes for assembling flexible printed circuit boards (FPCB). FPCBs are used in all modern electronic appliances such as mobile phones, digital cameras, and electronic organizers. We successfully introduced the new products at global components manufacturers in China and Korea.

Our system solutions for the automotive industry have concentrated successfully on construction applications in vehicle production. The focus is on innovative special products for permanently covering production-related drain holes in the bodywork that are required for anti-corrosion treatment. In addition, new, double-sided foam tapes with particularly strong adhesive qualities for permanently affixing emblems to vehicle exteriors have been very well received.

The successful launch of the new EasySplice Film Line has enabled us to transfer our concept of splicing tapes for flying splices in the printing and paper industry to the film processing industry. The main focus is on the flexographic printing process, which is used for printing packaging and is spreading rapidly, particularly in eastern Europe.

Also in the flexographic printing industry, tesa's UV Strips have been enthusiastically received. This pioneering new system enables precise measurement of the UV dosage in the curing process for UV coating applications and is being used by key customers. We have also acquired new customers with this technology in industries that work with UV applications and in which tesa has not been active to date, including the plastic packaging production and labeling sector.

We have further strengthened our market position in the security technologies business. We have acquired a large number of new customers for our manipulation protection and anti-theft ranges due, among other things, to our solutions for securing duty-free goods at airports and for protecting automotive spare parts and luxury goods. We have also been successful in expanding the use of our Holospot® technology for counterfeit protection by leading-name manufacturers, including those in the luxury goods, automotive, and electronics industries.

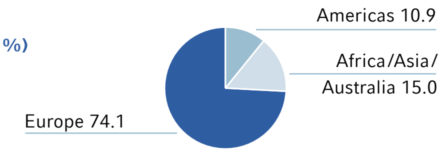
We have developed a new generation of Holospot® laser lithographs that enable customer-specific counterfeit protection features to be inscribed quickly and in a highly visible manner.

In the distribution business, we have added new products, specifically tailored to particular areas of application, to our range of masking, strapping, and packaging solutions and have thereby strengthened our product family expertise. The new developments include a highly tear-resistant special adhesive tape for grip reinforcement in carton packaging that has met with an excellent response in the U.S. market in particular. We have successfully transferred our product families concept to the fast-growing Eastern European market.

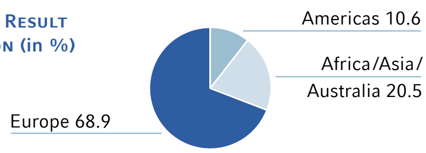
The consumer business also performed well with significant growth in both sales and earnings. Double-digit sales growth was recorded in Northern Europe and, once again, in Eastern Europe.

All major product categories, and especially our products for repairing and renovating, and for insect protection, contributed to this dynamic development. We achieved double-digit sales growth for our range of fixing tapes with especially strong adhesive properties that was launched in 2006. The Europe-wide launch of a full range of hook-and-loop products under the dual brand name tesa VELCRO® was also successful. The launch of the brand with its own newly developed design concept was accompanied by extensive communication activities at the point of sale, an advertising campaign, and a separate, multi-language website. The tesa VELCRO® brand is already available at more than 5,000 DIY superstores and hypermarkets in 20 countries. This means that we have established a new category of fastening solutions for all sales channels that we will expand in the future. At the end of the year under review, we launched the innovative tesa TACK fastening solution for the office supplies and stationery sector. The hexagonal, reusable adhesive pads allow paper notes and other light objects to be fixed and quickly removed again.

tesa Sales by Region (in %)



tesa Operating Result (EBIT) by Region (in %)



Balance Sheet Structure – Group

Balance Sheet – Group **Assets** (in € million)	**Dec. 31, 2006**	**Dec. 31, 2007**
Non-current assets	814	1,081
Inventories	548	598
Other current assets	904	1,088
Cash and cash equivalents	1,230	1,117
	3,496	**3,884**
Equity and liabilities (in € million)	**Dec. 31, 2006**	**Dec. 31, 2007**
Equity	1,790	2,070
Non-current provisions	419	407
Non-current liabilities	128	154
Current provisions	469	505
Current liabilities	690	748
	3,496	**3,884**

As of December 31, 2007, non-current assets were up significantly as against the previous year. This was mainly due to the acquisition of the majority interest in C-BONS Hair Care, a leading group in the Chinese hair care market, as well as the increase in the interest in Beiersdorf AG (Switzerland) to 100%. The carrying amounts attributable to the acquisitions and allocated as of the reporting date were €351 million (non-current assets), €14 million (inventories), €32 million (other current assets), and €23 million (cash). Because the acquisition took place near to the balance sheet date, the allocation of assets and liabilities for C-BONS Hair Care was only provisional.

Capital expenditure excluding financial assets decreased slightly to €106 million (previous year: €110 million). €82 million of this figure was attributable to the Consumer business segment, and €24 million to tesa. Inventories rose by €50 million to €598 million. Cash and cash equivalents decreased to €1,117 million.

Payments for acquisitions were offset by cash flows of €477 million. Net liquidity (cash and cash equivalents less current financial liabilities) amounted to €1,035 million (previous year: €1,168 million).

The equity ratio increased to 53% (previous year: 51%). The share of non-current liabilities amounted to 15% (previous year: 16%), and the share of current liabilities to 32% (previous year: 33%).

The increase of non-current liabilities is primarily due to the liability for the purchase price option for the remaining shares in C-BONS Hair Care of €48 million. Deferred tax liabilities decreased, particularly due to the business tax reform 2008 in Germany. Non-current financial liabilities continued to decline.

Current provisions rose by €36 million to €505 million compared with the prior year.

Current liabilities increased in particular due to higher trade payables.

Financing Structure

Financial Position – Group

Cash Flow Statement – Group (in € million)	2006	2007
Gross cash flow	427	477
Change in working capital	107	–75
Net cash flow from operating activities	534	402
Net cash flow from investing activities	417	–319
Free cash flow	951	83
Net cash flow from other financing activities	–194	–186
Other changes	–10	–10
Net change in cash and cash equivalents	747	–113
Cash and cash equivalents at the beginning of the year	**483**	**1,230**
Cash and cash equivalents at the end of the year	**1,230**	**1,117**

In 2007, the gross cash flow amounted to €477 million, €50 million above the prior-year value. The strong increase in the operating result, as well as the reduced expenses related to the realignment of the Consumer Supply Chain, had a positive influence.

The change in working capital led to an outflow of €75 million (previous year: inflow of €107 million). In the year under review, this primarily resulted from increased trade receivables based on good sales development, as well as the lower rise in current liabilities and provisions. The net cash flow from operating activities amounted to €402 million, and was €132 million lower than the prior-year value.

The net cash outflow from investing activities amounted to €319 million. Included are acquisition expenses less acquired cash amounting to €302 million for the acquisitions of a majority shareholding in C-BONS Hair Care, and the increase in the interest held in Beiersdorf AG (Switzerland) from 50% to 100%. In the previous year €433 million inflow from the sale of BSN medical were included here.

Free cash flow totaled €83 million. The net cash flow from other financing activities amounted to €186 million, €8 million below the prior-year value.

In 2007, cash and cash equivalents only declined by €113 million to €1,117 million, despite the acquisitions.

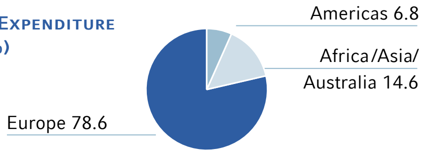
Financing and Liquidity Provisions

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.

Capital Expenditure – Group

In addition to our acquisitions, our investments in operating activities amounted to €106 million (previous year: €110 million) relating to intangible assets and property, plant, and equipment in 2007. €82 million of this amount was attributable to the Consumer business segment (previous year: €85 million) and €24 million to tesa (previous year: €25 million).

Group Capital Expenditure by Region (in %)



Capital expenditure in the Consumer segment related to €5 million invested in intangible assets; these mainly comprised software in Germany. Capital expenditure on property, plant, and equipment totaled €77 million, and relates to a large number of projects for the realignment of the Consumer Supply Chain and replacement investments, as well as to the construction of a new factory in Shanghai (China).

€14 million of the capital expenditure on tesa of €24 million relates to sites in Germany. In total, €15 million were invested in the factories worldwide. In addition to a significant investment of €1 million in a coating plant at the technology center in Germany, and investments in new coating technologies in Italy (€1 million) and Singapore (€1 million), several major investment projects were started; these are scheduled to be completed in 2008.

Investments in financial assets amounted to €4 million.

For fiscal year 2008, for total capital expenditure the budget is roughly the same level as for the previous year, both for the Group as a whole, and for the Consumer and tesa business segments.

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

This expenditure will be financed in full from operating cash flow.

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

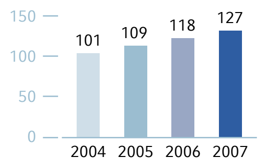
Research and Development

Beiersdorf.com/
Research

Our innovative strength is based on over 125 years of research and development. Again and again we provide our consumers with compelling new products, addressing their wishes and winning decisive advantages over the global competition.

In the year under review, we spent €127 million (previous year: €118 million) on research and development. This represents 2.3% of sales (previous year: 2.3%). On a global level, 870 (previous year: 855) members of staff – without C-BONS Hair Care – were employed in research and development.

Research and Development Expenses (in € million)



Consumer: Innovative Skin and Beauty Care

Our research center in Hamburg is one of the most modern in the world. Over 400 researchers conduct basic dermatological research and develop new products there. We supplement our comprehensive expertise with external knowledge gained in over 100 international collaborative research projects and strategic partnerships with well-known universities and industrial enterprises.

Research and development for Beiersdorf AG's exclusive cosmetic brands in the area of skin and beauty care – la prairie, JUVENA, Marlies Möller, and SBT Skin Biology Therapy – is focused at the La Prairie Group in Zurich (Switzerland) and was restructured in 2007 to make workflows even more efficient. Three closely linked departments develop and take up innovative ideas and market trends, turn them into new formulas and products of the highest quality, and launch them on the market in accordance with legal requirements.

We spent €102 million (previous year: €95 million) on research and development for our Consumer business segment in 2007.

It is our goal to use effective mechanisms to find solutions to cosmetic skin and hair problems. We use state-of-the-art test methods in the fields of biology, molecular biology, and biophysics to do this. One key theme remains combating the various signs of skin aging. We are building on our previous discoveries and successes, which include active ingredients such as coenzyme Q10, alpha-glucosylrutin, creatine, and folic acid, as well as skin stimulation using oxygen.

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

We again provided consumers with compelling innovations in the year under review. Some of the most important innovations were:

1 **NIVEA VISAGE Oxygen Power:** The first face care product enriched with 15% pure oxygen. Beiersdorf's research and development proved that the oxygen content of the skin increases rapidly after this emulsion is applied. This stimulates the skin and boosts cell renewal and vitality. The results: Natural skin regeneration is significantly improved and new skin cells are formed. NIVEA VISAGE Oxygen Power was developed and launched on the market in only two years.

2 **NIVEA Hair Care Straight & Easy:** These products make it easier and faster to straighten hair. The long-lasting formula with "anti-frizz" effect protects hair effectively from humidity so that it stays straight longer.

3 **NIVEA deodorant Energy Fresh:** This new deodorant uses lemongrass to create an energetic freshness. The aerosol, roll-on, and spray contain avocado extracts and stay effective for 24 hours to give you an optimal level of care.

- **NIVEA Hair Care:** The entire line of styling products was overhauled and relaunched with the theme "Looks good. Feels good." The hairspray and styling mousse use new formula technology to give hair more hold and shine. The packaging was also redesigned.

- **NIVEA SUN Light Feeling Lotions:** These products offer reliable protection against sunburn and premature skin aging. The formulas combine a highly-effective UVA/UVB sun protection system with an extra-light oil-in-water emulsion that is absorbed quickly into the skin.

The most important innovations made up in our research laboratory in Zurich in 2007 were:

- **la prairie Cellular Radiance Concentrate Pure Gold:** The first face care product with colloidal gold as an active ingredient. The serum illuminates and brightens skin immediately while reducing age spots.
- **la prairie Skin Caviar Luxe Eye Lift Cream:** This new luxurious eye care product expands the successful range of caviar-based products.

A total of around 5,000 cosmetic formulations were tested for tolerance, effectiveness, and sensory properties in the year under review. We work with 32 research institutes from all over the world on this. At the same time, we tested the effectiveness and tolerance of our products on over 24,000 people in our own Test Center. In addition to our Test Center contacts, we integrate consumers actively in our research processes so as to take their needs into account from the very beginning. For example, consumers participate in the development of so called prototypes in our "Online Lab". We use in-depth observational studies to get to know our consumers' habits, such as how they use shampoos, for example.

Beiersdorf's LATAM Laboratory, modeled on the successful Asia Laboratory, was founded in Hamburg in 2007. This research facility develops special products for the strategic focus market of Brazil and other South American and Latin American regions – in close cooperation with international marketing and the affiliates in the region.

We award one of the most generously endowed prizes in the field of basic dermatological research, the Paul Gerson Unna Prize, every two years. We use this to promote significant original research that opens up new opportunities for over-the-counter dermatological products. Prof. Dr. W. H. Irwin McLean (Scotland) and Dr. Alan Irvine (Ireland) won the prize in 2007 for their research into important genetic causes of neurodermatitis.

We protect our innovative technologies with patents and similar intellectual property rights. We are awarded around 100 patents a year.

tesa: State-of-the-Art Self-Adhesive System and Product Solutions

In the tesa business segment, we successfully continued our work on environmentally friendly, solvent-free adhesive substances and coating technologies. The focus is on the further development of adhesive systems for particularly strong double-sided adhesive tapes with high shear resistance. The products were successfully tested on the market.

Some of the highlights of our research and development are:

- We are currently working on solvent-free manufacturing processes for high-performance adhesive tapes to bundle wiring harnesses in the automotive industry. The tapes meet the increasingly strict requirements for aging resistance and environmental compatibility.
- In the electronics industry, we introduced a range of special double-sided adhesive tapes for installing LCD flat screens that assist in light distribution in addition to attaching the structures.
- A new focus market is products for medical technology applications. Our development work focuses on multilayer laminates and special self-adhesive films.
- We have expanded our range for consumers with tesa TACK, a reusable fastening solution for lightweight objects. We can now manufacture it without the use of solvents.
- We also further enhanced our trusted Moll products for insulating doors and windows. Using them reduces energy consumption by up to 35%.

tesa's innovative products are in demand worldwide from both industrial customers and consumers.

Sustainability

Beiersdorf.com/
Sustainability

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

Consumer

Sustainability is central to our business philosophy, especially when it comes to the quality of our products. Our consumers expect our products to offer excellent skin tolerance and environmental compatibility and expect us to keep our promises. That is how we retain their trust in our brands.

In 2007, we published our significantly expanded Sustainability Report under the title "Our Responsibility." For the first time, the report complies with the requirements of the international "Global Reporting Initiative" guidelines. It is based on an intensive dialog with our stakeholders – employees, consumers, opinion-formers, and the capital markets – whose interests and information needs were taken into account.

The comprehensive internet version, available at www.Sustainability.Beiersdorf.com, presents all of our activities relating to products, environmental protection and occupational safety, employees, society, and the economy. A summary of the most important topics is also available as a brochure.

In 2007, we again expanded our audits for environmental protection and occupational safety. Production locations successfully audited include Santiago de Chile.

Environmental Protection and Occupational Safety
In our environmental protection and occupational safety activities, we are continuing our consistent efforts to reduce the use of resources, to cut waste volumes and disposal costs, and to organize a global exchange of experience to ensure a uniformly high standard at an international level. 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 the international "Responsible Care" initiative and is the basis for implementing our vision of "zero accidents." Our database-driven CEOS Management System (Corporate Environmental Protection, Occupational Safety, and Security), launched in 2006, enabled us to collect environmental protection and occupational safety performance indicators for all our production locations in 2007. In addition, the system documents our Company's guidelines and minimum standards, and provides a discussion forum for the exchange of technical information on important aspects of environmental protection and occupational safety.

In parallel, we enhanced our internal ESMAS program (Environmental Protection and Safety Management Audit Scheme) for environmental protection and occupational safety audits, and successfully audited our locations in Chile and Brazil. Now 13 production locations are certified. We also use the ESMAS program to exchange experience on an international basis, in addition to its auditing function. The program has been certified by the DQS (Deutsche Gesellschaft zur Zertifizierung von Managementsystemen – German Association for the Certification of Management Systems) in accordance with ISO 14001 and OHSAS 18001.

Social Responsibility
Our commitment to society is focused on communicating values in three areas education, family, and culture. Our primary goal is to improve the future prospects of young people. For each of the three topics, we define a key project, in addition to many others, whose size allows us to place even greater emphasis on the particular area. Moreover, our projects are characterized by a long-term approach, local relevance, and continuous improvement through exchanges with our stakeholders.

Since 2007, we have supported MUS-E, the arts program for schools run by the Yehudi Menuhin Foundation in Germany. The program gives primary school children access to art and culture, especially in socially disadvantaged areas. MUS-E (originally "Music for Schools in Europe") brings the arts right into the urban areas in question and creates cultural identity and identification. Our cooperation with MUS-E, which will last for at least three years, began with a pilot project in Hamburg and is to be extended in 2008 to include an international project with one of our affiliates.

Since 2000, the Casa NIVEA project has been running in Brazil. The aim of the project is to integrate socially disadvantaged children and young people into society and to help them make a start in taking responsibility for their own lives. The project enables children and young people who are living apart from their families to grow up in a family environment. Major elements of the project include school classes and qualified support in preparing for careers, as well as promoting social relations and contacts with wider society. We work together with specialist project partners in all areas.
In addition, the voluntary involvement of Beiersdorf employees on the ground contributes to the success of the project.

We have been supporting young artists in South Africa since 2005 with "START: the NIVEA Art Award." Each year, 20 selected up-and-coming artists are commissioned to reflect on interpersonal relationships in an original work of art produced specially for the project. As well as money prizes, the three winners are given the chance to exhibit their works in the renowned KwaZulu Natal Society of Arts Gallery in Durban – a springboard for their subsequent artistic careers.

tesa

The tesa business segment is also committed to our responsibility to society and the environment. tesa documented its worldwide activities with respect to society, the environment, quality, and employees in its Corporate Responsibility Report for the first time in 2007.

Helping children and young people is also a central focus for tesa AG throughout the world. We have committed ourselves to this objective by adopting binding value statements and a sponsorship strategy. A steering group including management representation has been set up in order to help affiliates in selecting appropriate projects, and in coordinating and supporting them. Examples of our social commitment include support for the "Sternenbrücke" children's hospice in Hamburg and for projects run by the "Chancen für Kinder" foundation. In the latter case, we provide assistance to two schools in India and Chile that rescue children who are forced to work or who are living on the street, giving them an education, and with it the prospect of a better life.

Ensuring that economic issues and ecology are not at odds with each other is an important principle underlying tesa's business operations. We set ourselves ambitious environmental targets for the period from 2002 to 2007 which we met – with over 50 individual projects at all our production locations. In fact, we exceeded our goals in many areas. We achieved reductions of around 40% in the use of solvents, more than a quarter in energy consumption, and 10% in the volume of waste, all measured in relation to constant units of production. In order to build on this success, we have drawn up a new environmental program for the next five years. For the first time, the program is obligatory for all international locations, and also includes a commitment to reduce emissions of volatile organic compounds (VOC emissions). All European production locations and the production facilities in Malaysia and the U.S.A. have an environmental management system and are certified in accordance with ISO 14001.

Our commitment to society is focussed on the three areas education, family, and culture.

Employees

Beiersdorf.com/Career

As of December 31, 2007, we employed 21,101 staff (previous year: 17,172) – 17,246 in the Consumer business segment and 3,855 in the tesa business segment. The increase in the Consumer segment is primarily attributed to the acquisition of the C-BONS Hair Care Group in China. The number of vocational training positions and trainees worldwide was 539 (previous year: 502).

The basis for our success is our employees' high degree of identification with the Company and its brands, combined with their high level of commitment. We are continuously expanding our position against the global competition by focusing on success and performance. Our dealings with each other, and with customers and business partners, are characterized by openness, fairness, and respect.

Consumer

"Superior Talent in Lean Organization" is one of the four cornerstones of our Consumer Business Strategy. We value leadership, team spirit, and the motivation to achieve high performance. Our human resources activities focus on:

- supporting the implementation of the Consumer Business Strategy within the Company in an advisory, organizational, and process-oriented capacity,
- investing in a focused manner in the development and encouragement of leadership skills and the identification of managerial talent, and
- laying the foundations for increasing the commitment and motivation of our employees even further via a transparent compensation and bonus system.

The implementation of our Consumer Business Strategy is also leading to organizational changes in many areas of our Company. Human Resources advises and supports the various functions and international affiliates in the efficient implementation of organizational structures. For example, some central and local areas of responsibility in Europe are changing, and in some areas new workflows and interfaces are emerging. The "Organizational Excellence – Market Leadership Unit" project develops the European affiliates to focus even more on marketing and sales activities. Implementation will begin in 2008.

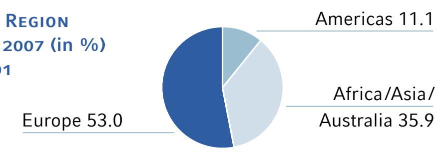
The year under review saw extensive training programs. Beiersdorf never before trained so many employees as it did to support them in the implementation of the Consumer Business Strategy.

The most important measures were:

- "Intouch & Discovery": Over 1,000 employees in 23 countries had participated in training as of the end of 2007. The courses demonstrate how consumer wishes are identified and used to develop ideas for new products and communication concepts. Page 10
- "Integrated Innovation Management" (IIM): We use a number of training modules to support the implementation of our innovation processes, in which we focus on fewer, but larger and more significant, product innovations.
- "Winning in the Pharmacy": This training shows how the needs and requirements of dermatologists and pharmacists can be met so that they will actively recommend our products. Participants also find out how to create the best environment for our brands in pharmacies and comparable sales channels. This training follows the successful example of the "Winning in the Store" training program, which was launched globally in 2006. Page 17

Our uniform global "Leading for Success" process helps us ensure that we use our specialists and management personnel effectively and offer them challenging career development opportunities. This includes in particular the systematic identification of potential managerial talent, as well as regular and transparent appraisals of all employees. In 2007, employees in 58 countries were appraised – a new record. The process helps to ensure that we retain talented employees within the Company for the long-term by providing in-depth support for their development and offering them challenging career opportunities.

Employees by Region as of Dec. 31, 2007 (in %) in Total 21,101



An example of encouraging managerial talent is the global "Learn to Lead" program. It consists of three one-week modules in which young managers develop their individual skills and improve their opportunities for development. The number of worldwide participants rose again in the year under review.

In 2007, we again expanded our "Beyond Borders" international graduate trainee program for qualified college and university graduates. Program participants work at various international affiliates for six months. In 2007, we focused in particular on our strategic focus markets in China, Russia, and India.

Beiersdorf uses a transparent and flexible compensation and incentive system. It increases our employees' dedication to performance and success and also makes Beiersdorf attractive to highly qualified staff from other companies. The system comprises a basic remuneration component and performance-related incentives, including one-time bonuses and payments for excellent performance, among other things. The goal is to offer our employees competitive total compensation. In line with this, we conduct total compensation studies based on job evaluations and use these as the basis for attractive compensation packages. Ten affiliates have already adopted a total compensation policy based on this.

tesa

tesa increased its staff numbers by 3.6% in 2007. New employees were hired primarily for research and development in Hamburg to further increase capacities and hence our track record for innovation. We also expanded our coordinated sales teams in the growth regions of Eastern Europe and Asia.

The job market is experiencing an increasing shortage of qualified applicants. In order to continue to recruit suitable employees, we developed the new "think tesa!" concept that showcases tesa as an innovative employer with an unmistakable profile. Our goal is to effectively address prospective employees in our key disciplines. The concept provides all affiliates with a series of modules ranging from an employer prospectus through informational materials and trade fair booth items to job announcement templates.

Our human resources activities also focus on employee development as well as on thinking and acting globally. In addition to participating in a large number of training and development programs in 2007, our employees are also increasingly taking advantage of our offer of assuming responsibilities in another country for a period of three to five years. This promotes the international exchange of ideas and knowledge. We recorded more expats in the year under review than ever before.

In order to accomplish our ambitious goals, we have developed a global qualification program for our sales force, and are rolling it out in the growth regions of China and Russia, among others. The program covers the entire sales process, and is structured into modules so that training can be adapted to different market conditions and cultural requirements.

The tesa facility in Harrislee (Germany) was chosen as one of the top 100 employers among German middle-market companies in the Top 100 Initiative. The various measures that we use to encourage employee individual responsibility and motivation were the deciding factor behind the nomination.

Close and intensive cooperation between our employees – as pictured here at our Russian affiliate – is one of the foundations of Beiersdorf's success.

Risk Report

Integrated Risk and Opportunity Management

Entrepreneurial success cannot be achieved without consciously taking risks. Risk management helps us to control the risks associated with the strategic objectives of the business and to maximize our strategic potential. We ensure that opportunities and risks are well balanced by means of regular strategy reviews. We incur risks only if there is a corresponding opportunity for an appropriate increase in value and if they can be managed using established methods and measures within our organization.

Risk management is an integral part of central and local planning, management, and control processes, and conforms to consistent standards across the Group. Our open communications policy, the risk inventory carried out at regular intervals, and the planning and management system ensure that our risk situation is presented transparently. Risk management is coordinated at Group headquarters.

Our Internal Audit department monitors compliance with the internal control system by means of systematic audits. The department is independent of the Group's operating activities, thus ensuring the integrity of our business processes and the effectiveness of the systems and controls we have put in place. In addition, the external auditors audit the risk early warning and monitoring systems. They report their audit findings to the Group Executive Board and to the Audit and Finance Committee of the Supervisory Board, which regularly focuses on the topic of risk management.

Risks and Opportunities of Strong Brands

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

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

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

Strong brands that balance innovation and continuity are our response to fierce global competition on price, quality, and innovation. We have reorganized our Global Marketing Services area to ensure that we are able to identify consumer wishes even faster and to reflect them in the products we develop. Strong brands also counteract the growing retail concentration and the regional emergence of private label products.

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

The brand-specific risk factors also apply at a fundamental level to tesa's business.

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

Other Significant Risks

We counter procurement risks relating to the availability and price of raw materials, merchandise, and services by continuously monitoring our markets and ensuring active management of our supplier portfolio, as well as appropriate contract management. The project launched in 2006 to bundle our procurement activities more intensively worldwide, and to further improve their quality and cost, is currently in the implementation phase. Completion of the project is planned for the end of 2009.

Occupational safety, environmental, and business interruption risks in our production and logistics activities are minimized by process control checks and location-specific audits. We also transfer selected risks to insurance companies, when economically appropriate. We minimize risks relating to the availability, reliability, and efficiency of our IT systems through continuous monitoring and process improvements, as well as emergency training.

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

We limit currency risks from intragroup deliveries of goods and services using currency forwards. About 75% of forecasted annual net cash flows are hedged (cash flow hedges of forecasted transactions). Currency risks from cross-border intragroup financing are hedged in the market by the central treasury department using currency forwards.

The Company limits potential default risks relating to the investment of the Group's liquid funds by only making short-term investments with prime-rated counterparties. Counterparty risk is monitored on the basis of credit ratings and the counterparties' liable capital as well as our own risk-bearing capacity. With the help of these parameters, maximum amounts are determined for investments with each partner bank (counterparty limits) and are regularly compared with investments actually made across the Group. Our Group companies are required to manage their investments within the framework of the counterparty limits and to agree them with the central treasury department if they exceed a certain level of investment. Our timely monitoring of our counterparty risk in this way enables us to ensure that the defined limits are observed.

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

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

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

Overall Risk

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

Report by the Executive Board Regarding Dealings among Group Companies

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

Report on Post-Balance Sheet Date Events

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

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

The appointment and removal from office of members of the Executive Board are governed by §§ 84 and 85 *Aktiengesetz* (German Stock Corporation Act, *AktG)*, § 31 *Mitbestimmungsgesetz* (German Co-Determination Act, *MitbestG*), as well as by Article 7 of the Articles of Association in the version dated May 25, 2007. In accordance with Article 7 of the Articles of Association, the Executive Board is composed of at least three persons; apart from this provision, the Supervisory Board determines the number of members of the Executive Board. The Articles of Association may be amended in accordance with §§ 179 and 133 *AktG* and with Article 16 of the Articles of Association in the version dated May 25, 2007; according to the latter provision, the Supervisory Board is authorized to resolve amendments and additions to the Articles of Association that concern the latter's wording only.

By way of a resolution of the Annual General Meeting on April 26, 2007, Beiersdorf AG was authorized in accordance with § 71(1) no. 8 *AktG* to purchase own shares in the total amount of up to 10% of the existing share capital in the period up until October 25, 2008. The shares shall be purchased via the stock exchange or via a public purchase offer addressed to all shareholders. By way of a resolution dated April 26, 2007, the Annual General Meeting also authorized the Executive Board, with the approval of the Supervisory Board, to sell in whole or in part the own shares purchased on the basis of the above-mentioned or a prior authorization while disapplying the shareholders' preemptive rights in a way other than via the stock exchange or via a purchase offer to all shareholders, to the extent that these shares are sold at a price that does not fall materially below the market price of the same class of shares of Beiersdorf AG at the time of the sale. The Executive Board is also authorized, with the approval of the Supervisory Board, to utilize the above-mentioned own shares in whole or in part as consideration or partial consideration as part of a merger or the acquisition of companies, equity interests in companies, or business units of companies, while disapplying the preemptive rights of shareholders. Moreover, the Executive Board is authorized, with the approval of the Supervisory Board, to utilize the above-mentioned own shares in whole or in part, while disapplying the preemptive rights of shareholders, in order to satisfy the subscription and/or conversion rights from convertible bonds and/or bonds with warrants issued by Beiersdorf AG or companies in which it holds a direct or indirect majority interest.

Furthermore, the Executive Board is authorized, with the approval of the Supervisory Board, to retire the above-mentioned own shares without requiring an additional resolution by the Annual General Meeting.

For information on the Executive Board's authority to issue shares, please refer to Note 24, "Authorized Capital" in the Notes to the Consolidated Financial Statements. Page 89

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

For information on the composition of the share capital of and shareholdings in Beiersdorf AG, please refer to Note 23, "Share Capital" and to the section entitled "Shareholdings in Beiersdorf AG" in the Notes to the Consolidated Financial Statements. Page 89, 99

Report on Expected Developments

Expected Macroeconomic Developments

Expectations for the global economic cycle remain burdened by the continuing uncertainty on the financial markets and worries regarding the U.S. growth.

We expect a decreasing economic dynamic of the European economies, as in our opinion the export and investment climate will be tarnished. Real consumer spending in Western Europe should benefit from the improving employment and income conditions. Particularly for Germany we expect, that the consumer growth will normalize again after the VAT increase in 2007. Main risks remain booming energy and food prices, which could have a negative impact on the consumers' purchasing power.

Thanks to the ongoing robust environment in Eastern Europe and Latin America, where economic growth rates are forecasted to be a good 5%, and continued momentum in Asia, and especially in China and India, with expected growth rates of between 8% and 11%, we anticipate that global economic growth will remain constant at about 4% in the coming years.

Sector Developments

In our opinion, the global cosmetics market will continue its long-term trend, with growth of 3% to 4%. We expect growth in the major Western European markets to be somewhat subdued. We predict significant growth in Eastern Europe, Latin America, and Asia.

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

Expected Business Developments

For the Group as a whole, we are forecasting a continuation of the positive business development recorded in 2007 in the next few years. Our aim is to achieve organic growth in excess of the growth in the market. The EBIT margin is expected to increase further.

Earnings in 2008 will again be impacted by expenses relating to the realignment of the Consumer Supply Chain, amounting to approximately €30 million. This means that we will remain within the planned total of €220 million for these expenses since 2006. The project will be completed at the end of 2008 and shall generate cost advantages of around €100 million annually from 2009 onwards.

On a like-for-like basis, we expect to achieve an increase in profit after tax (excluding special factors) in excess of the rate of growth in sales. The return on sales after tax will continue to improve.

The Consumer business segment is planning organic growth next year of over 8%, clearly above the market. We expect to see particularly strong growth again in China, Russia, Brazil, and India. We are forecasting the growth in EBIT from our existing business to be proportionately higher than the increase in sales.

The business activities acquired in China and Switzerland will accelerate our sales growth in 2008. We will support the business development of our new affiliates in China, C-BONS Hair Care Group, with substantial investments in marketing over the next few years. This will impact growth in EBIT.

The tesa business segment is anticipating an increase in sales in excess of the market average once again, and a modest improvement in the EBIT margin.

We firmly believe that with our existing brands and innovative products, the process optimizations in progress, and our acquisitions, we are well prepared to meet the challenges of the coming years.

The Executive Board

Franca Lucente has opted deliberately for la prairie. Her favorite cosmetics range is the exclusive Caviar Collection: A unique combination of caviar extracts and sea proteins.

la prairie

Closeness Means Understanding the Most Demanding Requirements

la prairie's exclusive products meet even the highest demands – like Franca Lucente's. She enjoys a lifestyle that is tailored to her individual needs and wants to be pampered with special luxuries: "I don't experiment on my facial skin. I need effective anti-age care that gives me the feeling I'm doing the best for myself and my skin." la prairie is one of the leading brands in the selective cosmetics segment.

Consolidated Financial Statements

Consolidated Income Statement

(in € million)	Notes	2006	2007
Sales	1	**5,120**	**5,507**
Cost of goods sold		–1,736	–1,830
Gross profit		**3,384**	**3,677**
Marketing and selling expenses	2	–2,409	–2,618
Research and development expenses		–118	–127
General and administrative expenses	3	–245	–260
Other operating income	4	105	130
Other operating expenses	5	–120	–118
Expenses for the realignment of the Consumer Supply Chain	6	–120	–68
Operating result (EBIT)		**477**	**616**
Income from the sale of BSN medical	7	371	-
Financial income	8	38	72
Financing costs	9	–35	–44
Financial result		**374**	**28**
Profit before tax		**851**	**644**
Taxes on income	10	–183	–202
Profit after tax	11	**668**	**442**
Profit attributable to equity holders of Beiersdorf AG		664	437
Profit attributable to minority interests	12	4	5
Basic/diluted earnings per share (in €)	13	**2.93**	**1.93**

Consolidated Balance Sheet

Assets

(in € million)	Note	Dec. 31, 2006	Dec. 31, 2007
Intangible assets	15	30	350
Property, plant, and equipment	16	740	687
Other non-current assets	20	12	10
Deferred tax assets	10	32	34
Non-current assets		**814**	**1,081**
Inventories	18	548	598
Trade receivables	19	727	823
Income tax receivables	20	25	38
Other current assets	20	116	170
Cash and cash equivalents	21	1,230	1,117
Non-current assets and disposal groups held for sale	17	36	57
Current assets		**2,682**	**2,803**
		3,496	**3,884**

Equity and Liabilities

(in € million)	Note	Dec. 31, 2006	Dec. 31, 2007
Share capital	23	252	252
Additional paid-in capital	26	47	47
Retained earnings	27	1,587	1,879
Other equity	28	–105	–117
Equity attributable to equity holders of Beiersdorf AG		**1,781**	**2,061**
Minority interests	29	9	9
Equity		**1,790**	**2,070**
Provisions for pensions and other post-employment benefits	30	288	275
Other non-current provisions	31	131	132
Non-current financial liabilities	32	8	1
Other non-current liabilities	32	8	58
Deferred tax liabilities	10	112	95
Non-current liabilities		**547**	**561**
Provisions for income taxes	31	79	87
Other current provisions	31	390	418
Trade payables	32	485	529
Current financial liabilities	32	62	82
Other current liabilities	32	120	137
Liabilities held for sale	17 32	23	-
Current liabilities		**1,159**	**1,253**
		3,496	**3,884**

Consolidated Cash Flow Statement

(in € million)	2006	2007
Operating result (EBIT)	**477**	**616**
Income taxes paid	–221	–237
Depreciation and amortization	183	122
Change in non-current provisions (excluding interest)	–17	–14
Gain/loss on disposal of property, plant, and equipment, and intangible assets	5	–10
Gross cash flow	**427**	**477**
Change in inventories	–12	–35
Change in trade receivables and other assets	–49	–81
Change in liabilities and current provisions	168	41
Net cash flow from operating activities	**534**	**402**
Investments	–114	–110
Cash outflows for acquisitions (less acquired cash)	-	–302
Proceeds from divestments	59	21
Proceeds from the sale of BSN medical	433	-
Proceeds from interest, dividends, and other financing activities	39	72
Net cash flow from investing activities	**417**	**–319**
Free cash flow	**951**	**83**
Proceeds from loans	62	66
Loan repayments	–96	–68
Interest and other financing expenses paid	–31	–48
Cash dividends paid (Beiersdorf AG)	–129	–136
Net cash flow from financing activities	**–194**	**–186**
Effect of exchange rate fluctuations on cash held	–11	–10
Effect of changes in Group structure and other changes on cash held	1	-
Net change in cash and cash equivalents	**747**	**–113**
Cash and cash equivalents as of Jan. 1	**483**	**1,230**
Cash and cash equivalents as of Dec. 31	**1,230**	**1,117**

Consolidated Statement of Changes in Equity

(in € million)	Share capital	Additional paid-in capital	Retained earnings*	Other equity: Currency translation adjustment	Other equity: Other changes	Minority interests	Total
Jan. 1, 2006	**215**	**47**	**1,096**	**–62**	**–16**	**13**	**1,293**
Net result from cash flow hedges	-	-	-	-	5	-	5
Currency translation adjustment	-	-	-	–31	-	–1	–32
Other changes	-	-	–7	-	–1	–7	–15
Total income and expenses recognized directly in equity	-	-	*–7*	*–31*	*4*	*–8*	*–42*
Profit after tax	-	-	664	-	-	4	668
Total earnings for the period	-	-	*657*	*–31*	*4*	*–4*	*626*
Capital increase from retained earnings	37	-	–37	-	-	-	-
Dividend of Beiersdorf AG for previous year	-	-	–129	-	-	-	–129
Dec. 31, 2006	**252**	**47**	**1,587**	**–93**	**–12**	**9**	**1,790**
Net result from cash flow hedges	-	-	-	-	6	-	6
Currency translation adjustment	-	-	-	–28	-	-	–28
Other changes	-	-	–9	–2	12	–5	–4
Total income and expenses recognized directly in equity	-	-	*–9*	*–30*	*18*	*–5*	*–26*
Profit after tax	-	-	437	-	-	5	442
Total earnings for the period	-	-	*428*	*–30*	*18*	-	*416*
Capital increase from retained earnings	-	-	-	-	-	-	-
Dividend of Beiersdorf AG for previous year	-	-	–136	-	-	-	–136
Dec. 31, 2007	**252**	**47**	**1,879**	**–123**	**6**	**9**	**2,070**

* The cost of treasury shares amounting to €955 million has been deducted from retained earnings.

Statement of Recognized Income and Expense

(in € million)	**2006**	**2007**
Net result from cash flow hedges	5	6
Exchange differences	–32	–28
Deferred taxes on measurement gains and losses recognized directly in equity	4	–3
Other income and expense recognized directly in equity	–19	–1
Total income and expenses recognized directly in equity	**–42**	**–26**
Profit after tax	**668**	**442**
Total recognized income and expense	**626**	**416**
Of which attributable to		
– Equity holders of Beiersdorf AG	630	416
– Minority interests	–4	-

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Segment Reporting

Business Segments 2007

(in € million)	Consumer	tesa	Group
Net sales	**4,661**	**846**	**5,507**
Change in % (nominal)	7.7%	6.7%	7.6%
Change in % (adjusted for currency translation effects)	9.3%	8.1%	9.1%
Share of Group sales	**84.6%**	**15.4%**	**100.0%**
EBITDA	**624**	**114**	**738**
Operating result (EBIT)	**528**	**88**	**616**
as % of sales	11.3%	10.4%	11.2%
Operating result (EBIT), excluding special factors*	**596**	**88**	**684**
as % of sales (excluding special factors)	12.8%	10.4%	12.4%
Gross operating capital**	**1,745**	**450**	**2,195**
Operating liabilities**	**1,009**	**148**	**1,157**
EBIT return on net operating capital	**71.8%**	**29.1%**	**59.4%**
Gross cash flow	**395**	**82**	**477**
Capital expenditure	**82**	**24**	**106**
Depreciation, amortization, and impairment losses	**96**	**26**	**122**
Research and development expenses	**102**	**25**	**127**
Employees (as of Dec. 31, 2007)	**17,246**	**3,855**	**21,101**

Business Segments 2006

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

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

Regions 2007

(in € million)	Europe	Americas	Africa/Asia/Australia	Group
Net sales	**3,909**	**782**	**816**	**5,507**
Change in % (nominal)	5.2%	6.0%	22.7%	7.6%
Change in % (adjusted for currency translation effects)	5.2%	11.8%	27.9%	9.1%
Share of Group sales	**71.0%**	**14.2%**	**14.8%**	**100.0%**
EBITDA	**623**	**45**	**70**	**738**
Operating result (EBIT)	**522**	**34**	**60**	**616**
as % of sales	13.4%	4.4%	7.3%	11.2%
Operating result (EBIT), excluding special factors*	**590**	**34**	**60**	**684**
as % of sales (excluding special factors)	15.1%	4.4%	7.3%	12.4%
Gross operating capital**	**1,581**	**316**	**298**	**2,195**
Operating liabilities**	**870**	**115**	**172**	**1,157**
EBIT return on net operating capital	**73.5%**	**17.3%**	**47.0%**	**59.4%**
Gross cash flow	**389**	**33**	**55**	**477**
Capital expenditure	**83**	**7**	**16**	**106**
Depreciation, amortization, and impairment losses	**101**	**11**	**10**	**122**
Research and development expenses	**124**	**1**	**2**	**127**
Employees (as of Dec. 31, 2007)	**11,189**	**2,341**	**7,571**	**21,101**

Regions 2006

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

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

Significant Accounting Policies

Information on the Company and on the Group

The registered office of Beiersdorf AG is at Unnastrasse 48 in Hamburg (Germany) and the Company is registered with the commercial register of the Hamburg Local Court under the number HRB 1787. The ultimate parent of the Company is maxingvest ag (formerly: Tchibo Holding AG).

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

The consolidated financial statements of Beiersdorf AG for the fiscal year ended December 31, 2007 were prepared by the Executive Board on February 7, 2008, and submitted to the Supervisory Board for its examination and approval.

General Principles

The consolidated financial statements of Beiersdorf AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of German commercial law required to be applied under § 315a (1) *Handelsgesetzbuch* (German Commercial Code, *HGB*). All IFRSs and IFRICs endorsed by the European Commission and required to be applied as of December 31, 2007 were applied.

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

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

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

Preparation of the consolidated financial statements requires management to make estimates and assumptions to a limited extent that affect the amount and presentation of recognized assets and liabilities, income and expenses, and contingent liabilities. Such estimates and assumptions reflect all currently available information. Significant estimates and assumptions relate in particular to the definition of uniform Group depreciation periods, impairment, writedowns of receivables and inventories, parameters applied to the measurement of pension provisions and expected return on plan assets, and other provisions. Actual amounts may differ from those estimates.

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

Consolidated Group

In addition to Beiersdorf AG, the consolidated financial statements include 19 German and 139 international companies whose financial and business policies Beiersdorf AG is able to control either directly or indirectly, and from whose activities it can derive economic benefits.

In the year under review, three companies were sold, four companies were newly established, and four companies (C-BONS Hair Care Group) were acquired. Additionally, the interest in Beiersdorf AG (Switzerland), until then proportionately consolidated, was increased to 100%. Please refer to the section entitled "Significant Acquisitions".

Except for as described in the section entitled "Significant Acquisitions", the initial consolidation of the newly established companies did not materially affect the net assets, financial position, and results of operations.

EBC Ecz. BDF Kozm., Istanbul (Turkey), which is managed collectively with other shareholders as in the previous year, is proportionately consolidated under IAS 31 (Interests in Joint Ventures).

The significant subsidiaries and joint ventures included in the consolidated financial statements are presented in the list of shareholdings in an annex to these notes. A complete list of Beiersdorf AG's shareholdings is issued separately.

Significant Acquisitions

On December 5, 2007, Beiersdorf – through the Group company Beiersdorf CEE Holding GmbH, Vienna (Austria) – acquired an 85% interest in and related voting rights of C-BONS Hair Care, a leading group in the Chinese hair care market. After a transitional period of two resp. three years, Beiersdorf has the opportunity to acquire these 10% resp. 5% minority interest for at least €48 million. In return, the seller has the right, under the same conditions, to dispose of this remaining 10% resp. 5% of the investment to Beiersdorf.

Due to these options, all shares of C-BONS Hair Care have already been included in the balance sheet. In 2007, C-BONS Hair Care generated sales of €122 million and earnings of €8 million.

Because C-BONS Hair Care was acquired close to the balance sheet date, the purchase price was only allocated on a provisional basis as of December 31, 2007. The final identification and determination of the fair values of the acquired assets and the liabilities and contingent liabilities assumed will be made within 12 months of the acquisition in accordance with IFRS 3 (Business Combinations).

The acquisition cost for C-BONS Hair Care (100%) was €321 million (including transaction costs). The part of the purchase price relating to the purchase option for the remaining 15% in the amount of €48 million was recognized as an other non-current liability. €290 million of the other fair values of the assets acquired and liabilities assumed are assigned to intangible assets, €20 million to property, plant, and equipment, €35 million to other assets, €12 million to cash and cash equivalents, and €36 million to liabilities. Provisional purchase price allocation did not identify any material differences between the carrying amounts and fair values of the assets acquired and the liabilities assumed.

On December 12, 2007, Beiersdorf took over the remaining 50% interest in and voting rights of Beiersdorf AG (Switzerland), which until then had been consolidated proportionately under IAS 31. Goodwill deriving from this purchase amounts to €35 million, and is primarily based on expected synergies, which are directly connected with the Beiersdorf AG's business and cannot be recognized as a separate asset. The purchase was accounted for a business combination achieved in stages. In 2007, the Swiss company generated sales of €107 million and earnings of €18 million.

Consolidation Principles

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

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

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

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

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

Currency Translation

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

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

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

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

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

	ISO Code	Average rates	
€1 =		2006	2007
Swiss franc	CHF	1.5768	1.6461
Pound sterling	GBP	0.6819	0.6873
Japanese yen	JPY	146.7517	162.0433
Polish zloty	PLN	3.9074	3.7834
U.S. dollar	USD	1.2631	1.3790

	ISO Code	Closing rates	
€1 =		2006	2007
Swiss franc	CHF	1.6080	1.6557
Pound sterling	GBP	0.6714	0.7346
Japanese yen	JPY	156.6500	165.0000
Polish zloty	PLN	3.8413	3.5928
U.S. dollar	USD	1.3181	1.4716

Changes in Accounting Policies

The accounting policies correspond generally to those applied in the previous year. In addition, the Group has applied the following new or revised Standards and Interpretations that are relevant to the business activities of the Group and were required to be applied for the first time in fiscal year 2007:

- IAS 1 "Presentation of Financial Statements" – Capital Disclosures
- IFRS 7 "Financial Instruments: Disclosures"
- IFRIC 9 "Reassessment of Embedded Derivatives"
- IFRIC 10 "Interim Financial Reporting and Impairment"

Apart from additional disclosure requirements, application of these Standards and Interpretations had no material effects on the consolidated financial statements.

The following new or revised Standards and Interpretations relevant for the Beiersdorf Group's business operations are published as of December 31, 2007, but not yet required to be applied for the fiscal year then ended:

- IAS 1 "Presentation of Financial Statements"
- IAS 23 "Borrowing Costs"
- IFRS 8 "Segment Reporting"
- IFRIC 13 „Customer Loyalty Programmes"
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

The Group did not exercise any options to apply Standards and Interpretations prior to their effective date. Apart from additional or modified disclosure requirements, no significant effects on the consolidated financial statements are expected for the first time adoption.

Significant Accounting Policies

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

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

Marketing and selling expenses comprise the cost of marketing, the sales organization, and distribution logistics. This item also includes writedowns of trade receivables.

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

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

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

Useful Lives of Property, Plant, and Equipment

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

Production costs of internally manufactured items of property, plant, and equipment are calculated on the basis of attributable direct costs plus an appropriate share of production-related overheads. Interest on borrowings is recognized as current expense in accordance with IAS 23 (Borrowing Costs). Repair and maintenance costs for property, plant, and equipment are also expensed as incurred. Substantial renewals or enhancements that materially increase production capacity or significantly extend the economic life of an asset are capitalized. Components that were previously capitalized and have been replaced by new expenditures to be capitalized are correspondingly accounted for as disposals. Government grants and subsidies reduce historical cost.

Goodwill and indefinite-lived intangible assets are **tested for impairment** at least once a year; such impairment tests are only conducted for finite-lived intangible assets, property, plant, and equipment, and other assets if there are indications of impairment. An impairment loss is recognized in profit or loss if the recoverable amount of the asset is lower than its carrying amount.

Recoverable amount is generally identified separately for each asset. If this is not possible, recoverable amount is identified on the basis of a group of assets or the legal entity.

Recoverable amount is the higher of net realizable value and value in use. Net realizable value is the amount obtainable from the sale of an asset in an arm's length transaction, less the costs of disposal. Value in use is generally calculated on the basis of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life, using the discounted cash flow method.

Cash flows are derived from the business plans and reflect current developments. They are discounted to the date of the impairment test using capitalization rates for equivalent risks.

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

Inventories are carried at the lower of cost or net realizable value in accordance with IAS 2 (Inventories). Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories are measured using the average cost method. The cost of inventories is calculated as the direct costs plus an appropriate allocation of materials and production overheads, as well as production-related depreciation. It also includes the proportionate costs of company pension arrangements and voluntary social benefits, as well as production-related administrative expenses.

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another entity. Financial assets and financial liabilities are measured at fair value on initial recognition. At Beiersdorf, the financial instruments are solely allocated to the "loans and receivables", "available for sale" and "other liabilities" categories.

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

Financial assets available for sale are those non-derivative financial assets that do not fall under other categories and that were classified as "available for sale". They are generally measured at fair value. The resulting gains and losses are recognized directly in equity. When these financial assets are sold or written down for impairment, the cumulative gains and losses recognized in equity are recognized in the income statement. They are measured on the basis of corresponding market prices or by applying appropriate valuation methods. Financial investments in equity instruments for which there is no active market and whose fair value cannot be reliably determined are measured at historical cost.

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

The recognition of changes in the fair values of derivative financial instruments depends on whether these instruments are used as hedging instruments and meet the criteria for hedge accounting under IAS 39. If the criteria are not met, despite the existence of an economic hedge, changes in the fair values of derivative financial instruments are recognized immediately in profit or loss.The effective portion of the change in the fair value of a derivative financial instrument designated as a hedging instrument that qualifies for hedging accounting as a cash flow hedge is recognized directly in equity, net of the related tax effect. The ineffective portion is recognized in profit or loss.

When the hedged item (underlying) is settled, the effective portion is also recognized in the income statement. Since the derivative financial instruments mostly have short maturities, the value recognized in the income statement for the fiscal year corresponds to the hedging reserve recognized in equity in the previous year.

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

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

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

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

Actuarial gains and losses are recognized if they exceed the greater of 10% of the present value of the obligations or of the fair value of plan assets. The amounts exceeding 10% are amortized over the average remaining working lives of the employees beginning in the following year.

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

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

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

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

In accordance with IAS 39, **financial liabilities** are measured at amortized cost at the balance sheet date, which normally corresponds to the settlement amount, using the effective interest method. Financial liabilities include the Beiersdorf Group's interest-bearing liabilities. Other non-current liabilities are discounted if the effect of the value of money is material. Liabilities with remaining contractual maturities of more than one year are classified as non-current.

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

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

Notes to the Income Statement

1 Sales

Sales increased from €5,120 million in the previous year to €5,507 million in 2007.

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

2 Marketing and Selling Expenses

Marketing and selling expenses increased by 8.7% to €2,618 million (previous year: €2,409 million). The expenditure on advertising, retail marketing, and similar items included in marketing and selling expenses amounts to €1,748 million (previous year: €1,603 million).

3 General and Administrative Expenses

General and administrative expenses amounted to €260 million in fiscal 2007, thus increasing by 5.9% compared with the previous year. This item comprises personnel expenses and other costs of administration, as well as the cost of external services that are not allocated internally to other functions.

4 Other Operating Income

(in € million)	2006	2007
Income from the reversal of provisions	39	39
Exchange gains	18	27
Gains on disposal of non-current assets	3	13
Miscellaneous other income	45	51
	105	**130**

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

5 Other Operating Expenses

(in € million)	2006	2007
Exchange losses	23	32
Losses on disposal of non-current assets	7	3
Amortization of trademarks acquired	1	1
Miscellaneous other expenses	89	82
	120	**118**

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

6 Expenses for the Realignment of the Consumer Supply Chain

As part of the realignment of the Consumer Supply Chain, the soap factory Hirtler GmbH in Heitersheim (Germany) and the production and logistics facility in Savigny-le-Temple (France) were sold, and the production plants in Almere (the Netherlands) and Brembate (Italy), and the logistics centers in Almere and Brussels (Belgium) were closed. The sale of land and buildings is planned for 2008. In addition, a decision was made in 2007 to transfer the logistics activities in Hamburg (Germany) to a logistics provider and to sell the logistics center.

Total realignment expenses amounted to €68 million (previous year: €120 million). In particular, they include personnel expenses in the amount of €20 million (previous year: €35 million), IT costs in the amount of €11 million (previous year: €7 million), and impairment losses on non-current assets in the amount of €8 million (previous year: €61 million). The impairment losses correspond to the difference between the carrying amount of the assets and their fair value less costs to sell.

7 Income from the Sale of BSN medical

Income of €371 million was generated by the sale of Beiersdorf's share in BSN medical in February 2006. The sale of BSN medical resulted in tax expenses of €10 million in the previous year.

8 Financial Income

(in € million)	2006	2007
Interest income	30	47
Other financial income	8	25
	38	**72**

Interest income primarily results from cash and cash equivalents. Other financial income primarily includes exchange gains on financial items denominated in foreign currencies. These include €5 million of the net gains and losses from cash flow hedges previously recognized directly in equity, which were recognized in the income statement when the underlying transactions were settled.

9 Financing Costs

(in € million)	2006	2007
Interest expense	15	11
Other financing costs	20	33
	35	**44**

Interest expense primarily results from financial liabilities. The interest expense on pension and other entitlements acquired in previous years is netted against any return on plan assets and the amortization of unrecognized actuarial gains and losses. This results in an interest expense of €1 million (previous year: €6 million). Other financing costs consist in particular of exchange losses on financial items. In the previous year, these included €5 million of the net gains and losses from cash flow hedges recognized directly in equity.

10 Income Taxes

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

(in € million)	2006	2007
Income taxes		
Germany	116	92
International	88	133
	204	**225**
Deferred taxes	–21	–23
	183	**202**

Taxes include a positive effect of €19 million from the recalculation of deferred taxes as a result of the business tax reform 2008 in Germany.

€3 million (previous year: €4 million) of deferred taxes shown in the balance sheet were directly recognized in equity.

There are tax loss carryforwards and unused tax credits of €43 million (previous year: €44 million) for which no deferred tax assets have been recognized. Of this amount, €42 million (previous year: €42 million) can be carried forward without restriction; the remaining amount can be carried forward over a period of up to four years.

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

Allocation of Deferred Taxes

	Deferred tax assets		Deferred tax liabilities	
(in € million)	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007
Non-current assets	23	21	71	43
Inventories	12	14	-	-
Receivables and other current assets	6	6	7	24
Provisions for pensions and other post-employment benefits	4	3	89	78
Other provisions	31	34	1	-
Liabilities	12	8	3	4
Loss carryforwards	3	2	-	-
	91	**88**	**171**	**149**
Offset deferred taxes	–59	–54	–59	–54
Deferred taxes recognized in the balance sheet	**32**	**34**	**112**	**95**

Calculation of the Actual Tax Expense

Given an effective tax rate of 31.4%, the actual tax expense corresponds the expected tax expense. The expected tax rate is calculated as the weighted average of the tax rates of the individual Group companies and amounts to 31.4% (previous year: 36.2%). The following table shows the reconciliation of expected to actual tax expense:

Actual Tax Expense

(in € million)	2006	2007
Expected tax expense at a tax rate of 31.4% (previous year: 36.2%)	308	202
Tax deductions due to tax-free income	–132	–6
Tax increases due to non-deductible expenses	9	15
Changes of corporate tax rates	-	–20
Other tax effects	–2	11
Actual tax expense	**183**	**202**

11 Reconciliation of Profit After Tax

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

(in € million) 2006	According to P&L	Special factors	Adjusted
EBIT	477	120	597
Financial result	374	–371	3
Taxes	–183	–30	–213
Profit after tax	**668**	**–281**	**387**
2007			
EBIT	616	68	684
Financial result	28	-	28
Taxes	–202	–24	–226
Profit after tax	**442**	**44**	**486**

The special factors affecting EBIT relate to expenses for the realignment of the Consumer Supply Chain; the special factor in the previous year influencing the financial result relates to the gain from the sale of our equity investment in BSN medical.

12 Minority Interests

€5 million of profit after tax is attributable to minority interests (previous year: €4 million). As of the balance sheet date, other shareholders primarily hold interests in Nivea-Kao Co., Ltd., Japan, PT. Beiersdorf Indonesia, and Beiersdorf India Limited.

13 Diluted/Undiluted Earnings per Share

Earnings per share for 2007 amounted to €1.93 (previous year: €2.93). Earnings per share excluding special factors amounted to €2.12 (previous year: €1.69).

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

14 Other Disclosures

Cost of Materials

The cost of raw materials and supplies, and of purchased goods and services, amounted to €1,285 million (previous year: €1,229 million).

Personnel Expenses

(in € million)	2006	2007
Wages and salaries	712	718
Social security contributions and other benefits	107	102
Pension expenses	70	69
	889	**889**

Employees

The breakdown of employees by function is as follows:

(number as of December 31)	2006	2007
Production	6,275	6,839
Sales and Marketing	6,890	9,900
Other functions	4,007	4,362
	17,172	**21,101**

The number of employees primarily increased due to the acquisition of the C-BONS Hair Care Group in China (4,276 employees) as of the balance sheet date. The employ-ees of the proportionately consolidated joint venture in Turkey are included in the total number of employees in proportion to the interest held. A total of 51 people are employed by this company (previous year: 48). Page 63

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

Notes to the Balance Sheet

15 Intangible Assets

in € million	Patents, licenses, trademarks, software, and similar rights and assets	Goodwill	Total
Cost			
Opening balance Jan. 1, 2006	**418**	**9**	**427**
Currency translation adjustment	–1	-	–1
Additions	13	-	13
Disposals/transfers	–3	–2	–5
Closing balance Dec. 31, 2006 = Opening balance Jan. 1, 2007	**427**	**7**	**434**
Currency translation adjustment	–2	-	–2
Changes in consolidated Group/Acquisitions	144	181	325
Additions	5	-	5
Disposals/transfers	–46	-	–46
Closing balance Dec. 31, 2007	**528**	**188**	**716**
Amortization			
Opening balance Jan. 1, 2006	**387**	**6**	**393**
Currency translation adjustment	-	-	-
Amortization	15	-	15
Disposals/transfers	–2	–2	–4
Closing balance Dec. 31, 2006 = Opening balance Jan. 1, 2007	**400**	**4**	**404**
Currency translation adjustment	–2	-	–2
Amortization	11	-	11
Disposals/transfers	–47	-	–47
Closing balance Dec. 31, 2007	**362**	**4**	**366**
Carrying amount Dec. 31, 2007	**166**	**184**	**350**
Carrying amount Dec. 31, 2006	27	3	30

Intangible assets increased by €320 million compared with the previous year to €350 million (previous year: €30 million). This was primarily due to the acquisition of the majority interest in C-BONS Hair Care, as well as the increase in the interest in Beiersdorf AG (Switzerland) from 50% to 100%, amounting to an aggregate of €325 million.

As in the previous year, no internally generated intangible assets were recognized as of December 31, 2007, since the prerequisites for recognition under IAS 38 (Intangible Assets) were not met for the development projects.

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

16 Property, Plant, and Equipment

(in € million)	Land, land rights, and buildings	Technical equipment and machinery	Office and other equipment	Advance payments and assets under construction	Total
Cost					
Opening balance Jan. 1, 2006	**787**	**859**	**521**	**28**	**2,195**
Currency translation adjustment	–8	–11	–6	-	–25
Changes in consolidated Group	2	-	-	-	2
Additions	6	23	44	24	97
Disposals/transfers	–69	–82	–54	–22	–227
Closing balance Dec. 31, 2006 = Opening balance Jan. 1, 2007	**718**	**789**	**505**	**30**	**2,042**
Currency translation adjustment	–4	–6	–5	-	–15
Changes in consolidated Group/ Acquisitions	9	19	3	1	32
Additions	8	26	36	31	101
Disposals/transfers	–124	–95	–82	–23	–324
Closing balance Dec. 31, 2007	**607**	**733**	**457**	**39**	**1,836**
Depreciation					
Opening balance Jan. 1, 2006	**388**	**549**	**374**	**2**	**1,313**
Currency translation adjustment	–3	–7	–5	-	–15
Depreciation	46	72	50	-	168
Disposals/transfers	–36	–77	–51	-	–164
Closing balance Dec. 31, 2006 = Opening balance Jan. 1, 2007	**395**	**537**	**368**	**2**	**1,302**
Currency translation adjustment	–2	–5	–4	-	–11
Depreciation	18	46	47	-	111
Disposals/transfers	–92	–90	–69	–2	–253
Closing balance Dec. 31, 2007	**319**	**488**	**342**	**-**	**1,149**
Carrying amount Dec. 31, 2007	**288**	**245**	**115**	**39**	**687**
Carrying amount Dec. 31, 2006	323	252	137	28	740

Non-current fixed assets changed by €53 million compared with the previous year to €687 million. Investments in property, plant, and equipment amounted to €101 million.

Depreciation expenses of €111 million contain impairment losses due to the realignment of the Consumer Supply Chain of €8 million. These impairment losses primarily relate to the production center in Italy, closed in 2007.

Disposals of carrying amounts of property, plant, and equipment amount to €64 million, €57 million of which are attributable to the realignment of the Consumer Supply Chain. This amount contains the reclassifications of property, plant, and equipement held for sale to „Non-current assets and disposal groups held for sale“.

No impairment losses were reversed in the year under review.

17 Non-Current Assets and Disposal Groups Held for Sale

As part of the realignment of the Consumer Supply Chain, the production centers in Almere (the Netherlands) and Brembate (Italy) as well as the logistics centers in Almere and Brussels (Belgium) were closed in 2007. The sale of property and buildings is planned for 2008. Furthermore, it was decided to sell the logistics center in Hamburg (Germany). In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) all related assets have been reclassified as "Non-current assets and disposal groups held for sale." Non-current assets of €57 million were reclassified as of December 31, 2007.

There were no liabilities directly associated with non-current assets held for sale and disposal groups as of December 31, 2007.

The assets to be sold are in the Consumer segment and do not represent discontinued operations of the Beiersdorf Group.

Assets and related liabilities held for sale in the previous year for the production and logistics center in Savigny-le-temple (France) and Hirtler GmbH, Heitersheim (Germany), were sold in the first half of 2007.

18 Inventories

(in € million)	2006	2007
Raw materials, consumables, and supplies	121	126
Work in progress	35	35
Finished goods and merchandise	389	434
Advance payments	3	3
	548	**598**

Inventories increased by €50 million compared with the previous year to €598 million, of which €72 million were carried at net realizable value. Writedowns of inventories amounted to €73 million (previous year: €70 million).

19 Trade Receivables

	Carrying amount	of which neither impaired nor overdue	of which not impaired and overdue: less than 30 days	between 30 and 60 days	between 60 and 90 days	between 90 and 120 days	more than 120 days
Dec. 31, 2007 Trade receivables	823	658	67	14	7	2	6
Dec. 31, 2006 Trade receivables	727	582	60	12	6	2	5

The trade receivables are classified as "loans and receivables" in accordance with IAS 39. Individual adjustments of trade receivables amounting to €11 million were charged in 2007 (previous year: €10 million). Individual adjustments recognized in the previous year were mainly utilized.

20 Other Assets

(in € million)	2006	2007
Income tax receivables	25	38
Other tax receivables	30	37
Currrent advance payments	30	34
Other current assets	56	99
Other non-current assets	12	10
	153	**218**

€85 million (previous year: €51 million) of the other current assets are assigned to the "loans and receivables" category. The other current assets also include positive fair values of financial derivatives in the amount of €14 million (previous year: €5 million). €2 million (previous year: €6 million) of the other non-current assets are classified as "loans and receivables" and €5 million (previous year: €1 million) are classified as "available for sale" in accordance with IAS 39. The other non-current assets contain non-current advance payments of €3 million (previous year: €4 million). In 2006, positive fair values of financial derivatives in the amount of €1 million were included. Changes in the fair value of financial derivatives used for cash flow hedges are recognized directly in a separate component of equity after deduction of deferred taxes.

Other assets do not contain overdue positions.

21 Cash and Cash Equivalents

(in € million)	2006	2007
Cash	1,189	1,031
Cash equivalents	41	86
	1,230	**1,117**

Cash comprises bank balances, cash-on-hand, and checks. They are classified as "loans and receivables". Cash equivalents are short-term liquid investments such as overnight funds that can be converted into cash at any time and are exposed to no more than insignificant fluctuations in value. They are classified as "available for sale" in accordance with IAS 39.

22 Capital Management Disclosures

As a matter of principle, Beiersdorf pursues the goal of sustainably securing its capital base and generating an appropriate return on invested capital. However, the Group's reported equity serves merely as a passive management parameter, with sales and EBIT applied as active management parameters. As of December 31, 2007 the shareholder equity ratio was 53% (previous year: 51%).

23 Share Capital

The share capital amounts to €252 million and is composed of 252 million no-par value bearer shares.

Since the settlement of the share buyback program on February 3, 2004, and following implementation of the share split in 2006, Beiersdorf AG has held 25,181,016 no-par value bearer shares, corresponding to 9.99% of the Company's share capital.

24 Authorized Capital

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

Shareholders must be granted preemptive rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' preemptive rights in the following 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, preemptive rights to new shares in the amount to which they would be entitled after exercising their conversion or option rights, or after fulfilling their conversion obligation (Authorized Capital I, II, III);
3. to issue new shares at an issue price that is not materially lower than the quoted market price of existing listed shares at the time when the issue price is finalized, which should be as near as possible to the time the shares are placed; in the context of the restriction of this authorization to a total of 10% of the share capital, those shares must be included for which the preemptive rights of shareholders are disapplied in accordance with § 186 (3) sentence 4 *AktG* when the authorization to sell own shares is utilized and/or when the authorization to issue convertible bonds and/or bonds with warrants is utilized (Authorized Capital II);
4. in the case of capital increases against non-cash contributions, for the purpose of acquiring enterprises or equity interests in businesses (Authorized Capital III).

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

25 Contingent Capital

The Annual General Meeting on May 18, 2005 also resolved to contingently increase the share capital by up to a total of €40 million. In addition, the Annual General Meeting on May 17, 2006 resolved a capital increase from retained earnings. In accordance with § 218 sentence 1 *AktG*, contingent capital is increased by the same proportion. It therefore now amounts to €46,875,000. In accordance with the resolution by the Annual General Meeting, the contingent capital increase will be implemented only if:

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

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

26 Additional Paid-in Capital

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

27 Retained Earnings

Retained earnings comprise the net profit for the fiscal year and undistributed profits generated in prior periods by companies included in the consolidated financial statements. The retained earnings are reduced by the cost of the 25,181,016 treasury shares held by Beiersdorf AG amounting to €955 million.

28 Other Equity

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

Changes in the value of financial derivatives in fiscal year 2007 amounted to €6 million (previous year: €5 million).

29 Minority Interests

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

30 Provisions for Pensions and Other Post-employment Benefits

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

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

Measurement is based on the following assumptions:

Actuarial Assumptions

(in %)	2006 Germany	2006 Other countries	2007 Germany	2007 Other countries
Discount rates	4.25	2.00 – 10.00	5.50	2.00 – 10.00
Expected return on plan assets	4.25	2.00 – 8.00	5.50	2.00 – 9.20
Projected wage and salary growth	3.00	2.25 – 8.00	3.00 – 3.50	1.25 – 8.00
Projected pension growth	1.75	0.50 – 3.50	1.75	0.50 – 3.00
Projected staff turnover	2.00 – 4.50	1.50 – 8.00	2.00 – 4.50	0.50 – 8.00

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

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

Pension Benefit Expense

(in € million)	2006 Germany	2006 Other countries	2006 Group	2007 Germany	2007 Other countries	2007 Group
Current service cost	17	10	27	18	7	25
Past service cost	-	1	1	2	-	2
Gains on curtailments and settlements	-	–5	–5	-	–2	–2
Defined benefit expense (EBIT)	**17**	**6**	**23**	**20**	**5**	**25**
Interest expense	30	7	37	31	8	39
Expected return on plan assets	–22	–8	–30	–26	–8	–34
Amortization of actuarial gains and losses	–2	1	–1	–5	1	–4
Net interest income for defined benefit plans	**6**	**-**	**6**	**-**	**1**	**1**
Total expenses for defined benefit plans	**23**	**6**	**29**	**20**	**6**	**26**
Defined contribution expense (EBIT)	28	19	47	29	15	44
Total pension benefit expense	**51**	**25**	**76**	**49**	**21**	**70**

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

Interest expense on obligations acquired in previous years, the return on plan assets, and the amortization of unrealized actuarial gains and losses are reported in the income statement under interest income/expense.

Change in the Present Value of Defined Benefit Obligations

(in € million)	2006 Germany	2006 Other countries	2006 Group	2007 Germany	2007 Other countries	2007 Group
Present value of defined benefit obligations, opening balance	718	149	867	755	185	940
Current service cost	17	10	27	18	7	25
Interest expense	30	7	37	31	8	39
Actuarial gains and losses	23	–2	21	–119	–9	–128
Contributions by plan participants	2	3	5	2	2	4
Pension benefits paid	–31	–8	–39	–32	–8	–40
Currency translation adjustment	-	–6	–6	-	–8	–8
Other changes	–4	32	28	2	1	3
Present value of defined benefit obligations, closing balance	**755**	**185**	**940**	**657**	**178**	**835**

Funding Status of Present Value of Defined Benefit Obligations

(in € million)	2006 Germany	2006 Other countries	2006 Group	2007 Germany	2007 Other countries	2007 Group
Partly or wholly funded defined benefit obligations	739	159	898	643	157	800
Unfunded defined benefit obligations	16	26	42	14	21	35
Present value of defined benefit obligations	**755**	**185**	**940**	**657**	**178**	**835**

Classification of Plan Asset Fair Value

(in € million)	2006 Germany	2006 Other countries	2006 Group	2007 Germany	2007 Other countries	2007 Group
Fair value of plan assets, opening balance	526	100	626	614	153	767
Expected return on plan assets	22	8	30	26	8	34
Actuarial gains and losses	68	1	69	–7	–3	–10
Actual return on plan assets	**90**	**9**	**99**	**19**	**5**	**24**
Employer contributions	4	9	13	2	9	11
Contributions by plan participants	-	3	3	-	1	1
Pension benefits paid	–6	–5	–11	–6	–5	–11
Currency translation adjustment	-	–5	–5	-	–7	–7
Other changes	-	42	42	-	8	8
Fair value of plan assets, closing balance	**614**	**153**	**767**	**629**	**164**	**793**

Categories of Plan Asset Fair Value

(in € million)	2006 Germany	2006 Other countries	2006 Group	2007 Germany	2007 Other countries	2007 Group
Equity instruments	224	81	305	234	91	325
Debt instruments	341	58	399	350	58	408
Real estate	36	-	36	33	-	33
Cash and cash equivalents	12	7	19	11	8	19
Other	1	7	8	1	7	8
Fair value of plan assets	**614**	**153**	**767**	**629**	**164**	**793**

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

Recognized Provisions for Pensions and Other Employee Benefits

(in € million)	2005	2006	2007
Present value of defined benefit obligations	867	940	835
Fair value of plan assets	–626	–767	–793
Net obligation	**241**	**173**	**42**
Net cumulative unrecognized actuarial gains and losses	61	107	222
Other recognized amounts	1	8	11
Recognized provisions for pensions and other employee benefits	**303**	**288**	**275**

31 Other Provisions

(in € million)	Income taxes	Personnel expenses	Marketing and selling expenses	Restruc-turing	Miscella-neous	Total
Opening balance Jan. 1, 2007	**79**	**172**	**150**	**37**	**162**	**600**
of which non-current	-	*73*	*2*	-	*56*	*131*
Currency translation adjustment	–1	–1	–3	-	–2	–7
Change in consolidated Group	7	-	-	-	2	9
Additions	56	103	145	6	110	420
Utilized	50	82	122	21	64	339
Reversals	4	6	8	4	24	46
Closing balance Dec. 31, 2007	**87**	**186**	**162**	**18**	**184**	**637**
of which non-current	-	*74*	*2*	-	*56*	*132*

Provisions for personnel expenses primarily comprise provisions for partial retirement arrangements, annual bonuses, vacation pay, severance agreements, and anniversary payments.

The provisions for marketing and selling expenses relate in particular to customer bonuses and rebates.

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

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

32 Liabilities

Non-current financial liabilities amounting to €1 million (previous year: €8 million) are classified as "other financial liabilities". None (previous year: none) of the non-current financial liabilities have remaining contractual maturities of more than five years. No bonds were issued.

Other non-current liabilities primarily include liabilities from the option to purchase the remaining interest in C-BONS Hair Care amounting to €48 million. Other non-current liabilities of €6 million (previous year: €4 million) have remaining contractual maturities of more than five years. Financial instruments included in this position amounted to €51 million (previous year: none) and are assigned to the "other financial liabilities" category.

Current financial liabilities amounting to €82 million (previous year: €62 million) relate in particular to overdrafts and short-term bank loans. They are classified as "other financial liabilities".

Trade payables are assigned to the "other financial liabilities" category in accordance with IAS 39.

Other Current Liabilities

(in € million)	2006	2007
Other tax liabilities	38	44
Social security liabilities	11	11
Advance payments received	4	5
Other liabilities	67	77
	120	**137**

Of the other liabilities, €72 million (previous year: €62 million) are allocated to the "other financial liabilities" category in accordance with IAS 39. Other current liabilities include the negative fair values of financial derivatives in the amount of €4 million (previous year: €5 million).

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For information on liabilities held for sale, please refer to Note 17, "Non-current assets and disposal groups held for sale."

€15 million of previous year's liabilities held for sale of €23 million are assigned to the "other financial liabilities" category.

33 Additional Disclosures on Financial Instruments

(in € million)		Measurement category under IAS 39			
2007	Carrying amount Dec. 31	Amortized cost	Fair value recognized directly in equity	Fair value through profit or loss	Fair value Dec. 31
Assets					
Loans and receivables	*1,941*	*1,941*	-	-	*1,941*
Other non-current assets*	2	2	-	-	2
Trade receivables	823	823	-	-	823
Other current assets*	85	85	-	-	85
Cash	1,031	1,031	-	-	1,031
Available-for-sale financial assets	*91*	*5*	*86*	-	*91*
Cash equivalents	86	-	86	-	86
Other non-current assets*	5	5	-	-	5
Derivative financial instruments used for hedges	*14*	-	*14*	-	*14*
Equity and liabilities					
Other financial liabilities	*735*	*735*	-	-	*735*
Non-current financial liabilities	1	1	-	-	1
Other non-current liabilities*	51	51	-	-	51
Current financial liabilities	82	82	-	-	82
Trade payables	529	529	-	-	529
Other current liabilities*	72	72	-	-	72
Liabilities held for sale	-	-	-	-	-
Derivative financial instruments used for hedges	*4*	-	*4*	-	*4*
2006					
Assets					
Loans and receivables	*1,973*	*1,973*	-	-	*1,973*
Other non-current assets*	6	6	-	-	6
Trade receivables	727	727	-	-	727
Other current assets*	51	51	-	-	51
Cash	1,189	1,189	-	-	1,189
Available-for-sale financial assets	*42*	*1*	*41*	-	*42*
Cash equivalents	41		41	-	41
Other non-current assets*	1	1	-	-	1
Derivative financial instruments used for hedges	*6*	-	*6*	-	*6*
Equity and liabilities					
Other financial liabilities	*632*	*632*	-	-	*632*
Non-current financial liabilities	8	8	-	-	8
Current financial liabilities	62	62	-	-	62
Trade payables	485	485	-	-	485
Other current liabilities*	62	62	-	-	62
Liabilities held for sale*	15	15	-	-	15
Derivative financial instruments used for hedges	*5*	-	*5*	-	*5*

* Only financial instruments in accordance with IAS 39 / IFRS 7.

The existing financial instruments have predominantly short remaining contractual maturities. Therefore, their carrying amounts at the balance sheet date correspond approximately to their fair value.

For the non-current financial liabilities amounting to €1 million (previous year: €8 million), no material differences to the carrying amount were identified when the fair value was determined. Financial instruments within the other non-current liabilities amounting to €51 million (previous year: none) primarily relate to the liability for the purchase price option for the remaining interest in C-BONS Hair Care, on which interest accrues contractually until the option is exercised. Therefore, the carrying amount of the non-current liabilities corresponds approximately to their fair value.

34 Contingent Liabilities and Other Financial Obligations

(in € million)	2006	2007
Contingent liabilities		
Liabilities under bills	1	1
Liabilities under guarantees	2	-
Other financial obligations		
Obligations under rental and lease agreements:	51	46
due within the next year	20	21
due in 2 to 5 years	26	23
due after more than 5 years	5	2
Obligations under purchase commitments:	10	20
due within the next year	9	20
due between 2 to 5 years	1	-

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

35 Financial Risk Management and Derivative Financial Instruments

Risk Management Principles

As a result of its operations, the Beiersdorf Group is exposed to various risks such as currency, interest rate, and default risk.

Derivative financial instruments are used to guarantee the core operational business and material financial transactions. These do not expose the Group to any further risk. The transactions are conducted exclusively with marketable instruments.

IFRS 7 requires the disclosure of sensitivity analyses, which show the effects of hypothetical changes in relevant risk variables on profit or loss and equity, to be used in presenting market risk. For the Beiersdorf Group, this mainly relates to currency rate risks. The effects are ascertained by applying the hypothetical changes in risk variables to the portfolio of financial instruments at the balance sheet date. It is assumed that the balance at the reporting date is representive for the year as a whole.

Currency Risk

Currency risk is the risk of fluctuations in the fair value or future cash flows of a financial instrument as a result of changes in exchange rates.

Currency risk within the meaning of IFRS 7 arises through financial instruments which are reported in a currency other than the functional currency. Exchange rate differences arising from the translation of financial statements of subsidiaries into the Group currency are not included. Relevant risk variables are therefore basically all non-functional currencies in which financial instruments are held by the Beiersdorf Group. As a result of the Beiersdorf Group's international orientation and emphasis on the euro zone, the euro serves as the key currency. Hence, Beiersdorf is exposed to risks through financing measures and operational activities when other currencies fluctuate against the euro.

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. Owing to these hedging activities, Beiersdorf is not exposed to any significant currency risks in its financing activities as of the balance sheet date.

With regard to operations, cash flows in non-functional currencies in the Beiersdorf Group are hedged up to 36 months in advance using standard currency forwards. Additional forward contracts are concluded at regular intervals during the course of the year in order to compensate for deviations from forecasts. All these transactions are centrally recorded, measured, and managed in the treasury management system. As a result, Beiersdorf is not exposed to any significant currency risks in its operations as of the balance sheet date.

Since material primary monetary financial instruments are either denominated directly in the functional currency or the currency risk transferred to the functional currency through the use of derivatives, changes in the exchange rate do not have any material effects on profit and loss or equity.

Interest income and expenses arising from financial instruments are also hedged as a matter of principle. Therefore, here as well, there is no effect on the amounts in question.

Thus, the Beiersdorf Group is only exposed to currency risk arising from currency forwards which are used as hedging instruments and which meet the criteria for recognition as cash flow hedges on forecasted transactions. Changes in market prices affect the hedging reserve in equity and the fair values of the hedging transactions.

The fair value of currency forwards as of the balance sheet date was €10 million (previous year: €1 million), and their notional value was €525 million (previous year: €491 million). €520 million (previous year: €477 million) of the forward contracts have a remaining maturity of up to one year, €5 million (previous year: €14 million) have a remaining maturity of between one and five years and none (previous year: none) have a remaining maturity exceeding five years. The notional values represent the aggregate of all purchase and selling amounts for derivatives. The notional values shown are not offset.

If the euro had appreciated (depreciated) by 10% against all currencies as of the balance sheet date, the hedging reserves in equity and the fair values of the currency forwards would have increased (decreased) by €7 million (previous year: €10 million).

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates.

Because of the very small volume of non-current operating financial instruments and the absence of derivative interest rate contracts, changes of fair values are of no more than minor significance for the Beiersdorf Group. Therefore, Beiersdorf currently only holds fixed-income financial instruments, and has not entered into any interest rate hedges. Fixed-income financial instruments carried at amortized cost are not exposed to interest rate risk within the meaning of IFRS 7. Therefore, there are no financial instruments exposed to interest rate riks as of the balance sheet date.

Default Risk
Beiersdorf is exposed to default risk within the scope of its financing activities and in its operations. In order to minimize this risk as much as possible, financing transactions are only entered into counterparties with prime credit ratings. Receivables in the operating activities are continually monitored; potential defaults are accounted for using specific and general valuation allowances.

The maximum default risk is evident from the carrying amount of each financial asset recognized in the balance sheet. The total carrying amounts of the financial assets was €2,046 million as of December 31, 2007 (previous year: €2,021 million). In the area of trade receivables, risks are partly covered by corresponding insurance policies.

Liquidity Risk
Liquidity risk is the risk that an entity will encounter difficulties in meeting the obligations associated with its financial liabilities. As a result of the large amount of cash and cash equivalents held as of the balance sheet date, Beiersdorf is not currently exposed to any liquidity risk. Additionally, in order to ensure the liquidity and financial flexibility of the Beiersdorf Group at all times, liquidity reserves are maintained in the form of credit lines.

Notes to the Cash Flow Statement

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

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

The total purchase price for the companies acquired in 2007 amounted to €373 million, €325 million of which was paid in cash. Cash acquired with the affiliates amounted to €23 million.

Cash funds are composed of cash and cash equivalents, such as short-term securities that can be converted into cash at any time and are exposed to no more than insignificant fluctuations in value. No cash and cash equivalents are attributable to the proportionately consolidated companies (previous year: €13 million). ▷

Notes to the Segment Reporting

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

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

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

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

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

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

Net operating capital of €1,038 million (previous year: €1,043 million) consists of gross operating capital less operating liabilities. The following tables show the reconciliation of net operating capital to the balance sheet items:

Assets

(in € million)	2006	2007
Intangible assets	30	350
Property, plant, and equipment	740	687
Inventories	548	598
Trade receivables	727	823
Other receivables and other assets (operating portion)[1]	94	135
Gross operating capital attributable to acquisitions	-	–398
Gross operating capital	**2,139**	**2,195**
Non-operating assets	1,357	1,689
Total balance sheet assets	**3,496**	**3,884**

Equity and Liabilities

(in € million)	2006	2007
Other provisions (operating portion)[2]	521	550
Trade payables	485	529
Other liabilities (operating portion)[3]	90	150
Operating liabilities attributable to acquisitions	-	–72
Operating liabilities	**1,096**	**1,157**
Equity	1,790	2,070
Non-operating liabilities	610	1,814
Total balance sheet equity and liabilities	**3,496**	**3,884**

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

Other Disclosures

Remuneration of the Executive and Supervisory Boards

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

Related Party Information in Accordance with IAS 24

The implementation on December 22, 2003, of the share purchase agreement dated October 23, 2003, increased maxingvest ag's (formerly Tchibo Holding AG) interest in Beiersdorf AG from 30.36% of the share capital to 49.96%. Since March 30, 2004, maxingvest ag has held 50.46% of Beiersdorf AG's share capital. Accordingly, Beiersdorf AG is a dependent company within the meaning of § 312 (1) sentence 1 in conjunction with § 17 (2) *Aktiengesetz* (German Stock Corporation Act, *AktG*). Since no control agreement exists between Beiersdorf AG and maxingvest ag, the Executive Board of Beiersdorf AG prepares a report regarding dealings among Group companies in accordance with § 312 (1) sentence 1 *AktG*. In the period under review, Beiersdorf AG and its affiliated companies and maxingvest ag and its affiliated companies pooled purchase quotas to cut costs, as well as sourcing products from each other on a very small scale at standard market terms. There was also limited collaboration with respect to marketing campaigns and in the area of product testing.

Exercise of Exemption Options

The following German affiliates included in the consolidated financial statements of Beiersdorf AG exercised the exemption option under § 264 (3) or § 264b *Handelsgesetzbuch* (German Commercial Code, *HGB)* in fiscal year 2007:

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

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 2007, and made this declaration permanently accessible to shareholders on the Company's website at www.Beiersdorf.com. Page 36

Audit

The Annual General Meeting on April 26, 2007 elected Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the auditors of Beiersdorf AG and the Beiersdorf Group for fiscal year 2007.

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

Fees Paid to the Group Auditors

(in € thousand)	2006	2007
Audit services	669	644
Other assurance services	-	-
Tax advisory services	112	101
Other services	-	13
Total	**781**	**758**

Shareholdings of Beiersdorf AG

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

Shareholdings in Beiersdorf AG

In accordance with the provisions of the *Wertpapierhandelsgesetz* (German Securities Trading Act, *WpHG*), Beiersdorf AG received the following notifications by shareholders of the Company by the preparation date of the balance sheet (February 7, 2008):

Coro Vermögensverwaltungsgesellschaft mbH, Hamburg, Germany, and Mr. Joachim Herz, Hamburg, Germany, informed us in accordance with §§ 21 (1), 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG*, that their share of voting rights in our Company fell below the thresholds of 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on January 1, 2005, and now amounts to 0%.

HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsverwaltung mbH, Hamburg, Germany, informed us in accordance with § 21 (1) *WpHG* that its share of voting rights in our Company fell below the thresholds of 10% and 5% on January 18, 2007, and now amounts to 0%.

The Free Hanseatic City of Hamburg, Germany, informed us that its share of voting rights in our Company fell below the thresholds of 10% and 5% on January 18, 2007 and now amounts to 0%.

Allianz Aktiengesellschaft, Munich, Germany, 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 voting rights are attributable to Allianz Aktiengesellschaft in accordance with § 22 (1) sentence 1 no. 1 *WpHG*.

Tchibo Holding AG (now maxingvest ag), Hamburg, Germany, informed us in accordance with § 21 (1) *WpHG* that it had transferred the voting rights from 20.10% of the shares in our Company to Tchibo Beteiligungsgesellschaft mbH, Hamburg, on December 22, 2004. Tchibo Holding AG's (now maxingvest ag) share of voting rights amounted to 50.46% since this date, as these voting rights were attributable to the company in accordance with § 22 (1) sentence 1 no. 1, (3) *WpHG*. Tchibo Holding AG (now maxingvest ag) also informed us that Tchibo Beteiligungsgesellschaft mbH acquired 20.10% of the voting rights in our Company from Tchibo Holding AG on December 22, 2004.

Finally, Tchibo Holding AG (now maxingvest ag) informed us that Vanguard Grundbesitz GmbH was merged with Tchibo Beteiligungsgesellschaft mbH on July 15, 2005, and W. H. Kaffeehandelskontor GmbH, Gallin, was merged with Tchibo Beteiligungsgesellschaft mbH on August 9, 2005, and that both companies had been dissolved. During the course of the merger, the shares held by these companies and the voting rights in our Company attributable to these shares amounting to a total of 30.358% were transferred to Tchibo Beteiligungsgesellschaft mbH. Since that date, Tchibo Beteiligungsgesellschaft mbH therefore exceeds the threshold of 50% of the voting rights from shares in our Company and has directly held 50.46% of the voting rights since August 9, 2005.

In addition, the following persons and companies listed below informed us in accordance with § 21 (1) *WpHG* that their share of voting rights had exceeded the threshold of 50% on March 30, 2004, and that they were entitled to 50.46% of voting rights, 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

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

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

(in € million)	2007
Profit after tax of Beiersdorf AG	212
Transfer to retained earnings	–36
Net retained profits of Beiersdorf AG	**176**

At the Annual General Meeting, the Executive Board and Supervisory Board will propose that the net retained profits for fiscal 2007 of €176 million be utilized as follows:

(in € million)	2007
Distribution of a dividend totaling €0.70 per no-par value share carrying dividend rights (226,818,984 no-par value shares)	159
Transfer to other retained earnings	17
Net retained profits of Beiersdorf AG	**176**

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

If the number of treasury shares held by the Company at the time of the resolution by the Annual General Meeting on the utilization of the net retained profits is higher or lower than at the time of the Executive Board's proposal on the utilization of the net retained 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 share carrying dividend rights remains unchanged. If necessary, an appropriately modified draft resolution will be presented to the Annual General Meeting.

Hamburg, February 7, 2008

Beiersdorf AG

The Executive Board

Beiersdorf AG Boards

Honorary Chairman of the Company

Georg W. Claussen

Supervisory Board

Dieter Ammer, Hamburg
Chairman

Chairman of the Executive Board
of Conergy AG

Chairman of the Supervisory Board
- Conergy AG (until November 15, 2007)
- Tchibo GmbH (until June 15, 2007)

Member of the Supervisory Board
- GEA Group AG
- Heraeus Holding GmbH
- IKB Deutsche Industriebank AG
- tesa AG (intragroup)

Thorsten Irtz, Stapelfeld
Deputy Chairman

Chairman of the Works Council
of Beiersdorf AG

Member of the Supervisory Board
- maxingvest ag

Prof. Dr. Reinhard Pöllath, Munich
Deputy Chairman

Lawyer
P + P Pöllath + Partners

Chairman of the Supervisory Board
- maxingvest ag
- SinnerSchrader AG

Member of the Supervisory Board
- Deutsche Woolworth GmbH & Co. OHG (until October 30, 2007)
- Euvestor Investment AG
- Tchibo GmbH
- Wanzl Metallwarenfabrik GmbH

Member of the Board
- Tisbury Capital Ltd., London

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

Member of the Supervisory Board
- maxingvest ag
- Tchibo GmbH

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

Member of the Advisory Board
- Dr. August Oetker Nahrungsmittel KG

Dr. Arno Mahlert, Hamburg
Chairman of the Executive Board
of maxingvest ag

Chairman of the Supervisory Board
- Tchibo GmbH (since July 4, 2007, previously Member of the Supervisory Board)

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

Chairman of the Board
- Springer Science + Business Media S.A., Luxemburg

Tomas Nieber, Bad Münder
Head of Industrial Policy Department,
IG Bergbau, Chemie, Energie

Member of the Supervisory Board
- BP Refining & Petrochemicals GmbH
- maxingvest ag

Member of the Advisory Board
- Qualifizierungsförderwerk Chemie GmbH

Stefan Pfander, Berg
Senior Advisor of
Wm. Wrigley Jr. Company,
Chicago

Senior Advisor of
Lehman Brothers Europe Limited,
London

Member of the Supervisory Board
- GfK AG
- maxingvest ag
- Tchibo GmbH (since June 15, 2007)

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

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

Prof. Manuela Rousseau, Rellingen
Head of Corporate Social Responsibility, Beiersdorf AG

- Professor at the Academy of Music and Theater, Hamburg

Supervisory Board Committees

Members of the Executive Committee
Dieter Ammer (Chairman)
Michael Herz
Thorsten Irtz
Prof. Dr. Reinhard Pöllath

Members of the Audit and Finance Committee
Dr. Arno Mahlert (Chairman)
Dieter Ammer
Dr. Walter Diembeck
Prof. Dr. Reinhard Pöllath

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

Members of the Nomination Committee
Dieter Ammer
Dr. Rolf Kunisch
Dr. Arno Mahlert
Stefan Pfander

Executive Board*

Thomas-B. Quaas, Chairman

Chairman of the Supervisory Board
- tesa AG (intragroup)

Member of the Supervisory Board
- Euler Hermes Kreditversicherungs-AG

Dr. Bernhard Düttmann, Finance
Finance/Controlling/Legal/IT

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

Peter Kleinschmidt, Human Resources
Human Resources/Sustainability
Labor Director

Pieter Nota, Brands
Marketing/Research & Development/
Sales

Member of the Board of Directors
- GfK e.V.

Markus Pinger, Supply Chain
Procurement/Production/Logistics/
Quality Management

*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.

Auditors' Report

We have audited the consolidated financial statements prepared by Beiersdorf Aktiengesellschaft, Hamburg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law under section 315a (1) of the *Handelsgesetzbuch* (German Commercial Code, *HGB*) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law under section 315a (1) of the *HGB*, and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, February 7, 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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

Responsibility Statement by the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Hamburg, February 7, 2008

The Executive Board

Annual Financial Statements of Beiersdorf AG in Accordance with the *HGB* (Condensed)*

Income Statement – Beiersdorf AG

(in € million)	2006	2007
Sales	**1,369**	**1,447**
Stock movements	-	–5
Other operating income	60	74
Cost of materials	–489	–547
Personnel expenses	–374	–246
Depreciation and amortization of property, plant, and equipment, and intangible assets	–26	–28
Other operating expenses	–517	–550
Expenses for the realignment of the Consumer Supply Chain	–11	–23
Operating result	**12**	**122**
Financial result	550	162
Result from ordinary activities	**562**	**284**
Taxes on income	–97	–72
Profit after tax	**465**	**212**

Balance Sheet – Beiersdorf AG

Assets

(in € million)	Dec. 31, 2006	Dec. 31, 2007
Intangible assets	**4**	**142**
Property, plant, and equipment	**125**	**116**
Financial assets	**1,044**	**1,538**
Non-current assets	**1,173**	**1,796**
Inventories	84	76
Trade receivables	80	88
Other receivables and other assets	176	244
Cash and cash equivalents	1,518	1,061
Current assets	**1,858**	**1,469**
	3,031	**3,265**

Equity and Liabilities

(in € million)	Dec. 31, 2006	Dec. 31, 2007
Equity	**1,846**	**1,922**
Provisions for pensions and other employee benefits	497	511
Other provisions	249	276
Provisions	**746**	**787**
Trade payables	61	37
Other liabilities	378	519
Liabilities	**439**	**556**
	3,031	**3,265**

* The full version of Beiersdorf AG's annual financial statements and management report, together with an unqualified audit opinion by the auditors, is published in the Bundesanzeiger (Federal Gazette) and is filed with the companies register. The annual financial statements and management report of Beiersdorf AG are also available online at www.beiersdorf.com.

Dr. Björna Windisch, Head of Laboratory Product Development Deo, feels that working for Beiersdorf is a special challenge: "The leading international position occupied by our research and development obliges and motivates us to develop innovative and consumer-oriented products."

Research & Development

Closeness Turns Wishes into Successful Innovations

Our knowledge of, and research into, the special properties of human skin are virtually unique. As Head of Laboratory Product Development Deo, Dr. Björna Windisch plays a key role here: "Developing the right products for consumers is what makes our work so varied and challenging. Our ability to really understand people's wishes is the reason why our products are consistently successful."

Additional Information

Significant Group Companies

	Location	Share of capital (%)	Sales* 2007 (in € million)	Profit** 2007 (in € million)	Employees as of Dec. 31, 2007
Europe					
Beiersdorf Ges. mbH	AT, Vienna	100.0	136	11	198
SA Beiersdorf NV	BE, Brussels	100.0	86	11	97
tesa Bandfix AG	CH, Bergdietikon	100.0	48	3	183
Beiersdorf AG	CH, Münchenstein	100.0	54	9	67
Juvena (International) AG	CH, Volketswil, Zurich	100.0	98	14	132
Beiersdorf spol. s r.o.	CZ, Prague	100.0	40	3	65
Juvena Produits de Beauté GmbH	DE, Baden-Baden	100.0	113	12	454
Cosmed-Produktions GmbH	DE, Berlin	100.0	111	17	174
Beiersdorf AG	DE, Hamburg		1,250	244	2,882
Bode Chemie GmbH & Co. KG	DE, Hamburg	100.0	70	4	281
tesa AG	DE, Hamburg	100.0	581	53	817
tesa Werk Hamburg GmbH	DE, Hamburg	100.0	98	6	420
tesa Werk Offenburg GmbH	DE, Offenburg	100.0	134	6	445
Florena Cosmetic GmbH	DE, Waldheim	100.0	104	10	373
Beiersdorf S.A.	ES, Argentona (Barcelona)	100.0	70	8	268
BDF Nivea S.A.	ES, Tres Cantos (Madrid)	100.0	187	18	288
Beiersdorf s.a.	FR, Paris	99.9	302	15	307
Beiersdorf UK Ltd.	GB, Birmingham	100.0	225	18	213
Beiersdorf Hellas AE	GR, Gerakas, Attikis	100.0	64	5	151
Beiersdorf d.o.o.	HR, Zagreb	100,0	38	4	43
Beiersdorf Kft.	HU, Budapest	100.0	35	3	75
Beiersdorf SpA	IT, Milan	100.0	355	2	192
Comet SpA	IT, Solbiate-Concagno	100.0	75	2	219
Beiersdorf NV	NL, Almere	100.0	124	20	71
NIVEA Polska sp. z o.o.	PL, Poznan	100.0	207	21	467
Beiersdorf Portuguesa, Limitada	PT, Queluz de Baixo	100.0	67	10	89
Beiersdorf Romania SRL	RO, Bucharest	100.0	40	5	60
Beiersdorf d.o.o. Beograd	RS, Belgrade	100.0	30	5	24
Beiersdorf OOO	RU, Moscow	100.0	139	8	187
Beiersdorf Aktiebolag	SE, Göteborg	100.0	69	6	55

	Location	Share of capital (%)	Sales* 2007 (in € million)	Profit** 2007 (in € million)	Employees as of Dec. 31, 2007
Americas					
Beiersdorf S.A.	AR, Buenos Aires	100.0	41	–2	97
BDF NIVEA LTDA.	BR, São Paulo	100.0	127	2	161
Beiersdorf Industria e Comercio Ltda.	BR, São Paulo	100.0	46	–1	147
Beiersdorf Canada Inc.	CA, Quebec	100.0	36	0	34
Beiersdorf S.A.	CL, Santiago de Chile	100.0	51	2	305
Beiersdorf S.A.	CO, Bogotá	100.0	35	0	206
BDF México, S.A. de C.V.	MX, Mexico City	100.0	90	5	314
tesa tape inc.	US, Charlotte, NC	100.0	65	4	155
La Prairie, Inc.	US, New York, NY	100.0	52	3	79
Beiersdorf North America Inc.	US, Wilton, CT	100.0	244	–1	508
Beiersdorf S.A.	VE, Caracas	100.0	36	3	64
Africa/Asia/Australia					
Beiersdorf Middle East FZCO	AE, Dubai	100.0	86	9	42
Beiersdorf Australia Ltd.	AU, North Ryde, NSW	100.0	83	3	197
C-BONS Hair Care Group	CN, Wuhan	85.0	122	8	4,276
Nivea (Shanghai) Company Limited	CN, Shanghai	100.0	85	–9	436
Nivea-Kao Co., Ltd.	JP, Tokyo	60.0	131	11	82
Nivea Seoul Ltd.	KR, Seoul	100.0	34	–1	83
Beiersdorf Singapore PTE. LtD.	SG, Singapore	100.0	49	1	69
Beiersdorf (Thailand) Co., Ltd.	TH, Bangkok	100.0	133	10	408
Beiersdorf Consumer Products (Pty.) Ltd.	ZA, Westville	100.0	47	2	67

* These figures also include intragroup sales and do not reflect the contribution to the consolidated financial statements.
** Profit after tax in accordance with the Group's accounting policies but before consolidation.

2007 Highlights

1st Quarter (January – March)

January

[1] **NIVEA Hair Care** starts the new year with the **relaunch of its styling range.** The new formulas ensure a reliable hold and hair that feels beautiful and shiny. A modern packaging design and extensive communication activities round off the launch in over 30 countries.

February

As part of the realignment of the Consumer Supply Chain, Beiersdorf **sold Seifenfabrik Hirtler GmbH, Heitersheim**. The new investor Budelpack Holding B.V. is keeping on all employees.

March

[2] For the seventh time in a row, **NIVEA** is voted "**Reader's Digest Most Trusted Brand**" in skin care. NIVEA is named the most trusted skin care brand for consumers in all 15 participating countries. In addition, NIVEA comes top of further beauty categories in five countries

Beiersdorf **sells its production and logistics facilities in France** as part of its ongoing restructuring of the Consumer Supply Chain. The new owners are keeping on all employees.

2nd Quarter (April – June)

April

Beiersdorf publishes its significantly extended **Sustainability Report**. This complies with the "Global Reporting Initiative" guidelines and shows in detail how the Company is fulfilling its economic, ecological, and social responsibilities.

June

[3] Within just two years, **NIVEA FOR MEN** has become **market leader in China in the men's face care segment**. NIVEA VISAGE increased its sales in 2006 by more than 50%. This success is based on Beiersdorf's substantial investments in China as a strategic focus market.

A new **NIVEA FOR MEN** campaign **in India** aimed at more than 500 million Indian males positions the range as a **whitening expert**. NIVEA's goal is to position itself as market leader for men's cosmetics within the next four years.

Beiersdorf plans to **sell its Italian facilities** as part of the realignment of the Consumer Supply Chain.

3rd Quarter (July – September)

July

[4] With **NIVEA VISAGE Oxygen Power**, researchers at Beiersdorf managed to stabilize 15% pure oxygen in a cream – an innovation that stimulates the creation of fresh skin cells.

[5] The new hair care and styling products from **NIVEA Hair Care Straight & Easy** flatten hair without straightening irons. The innovative product range will be launched in a large number of European countries in the course of 2008.

August

[6] Germany sees the launch of **NIVEA's global umbrella brand campaign "Beauty is ..."** By the end of 2008, it will ensure a uniform global brand presence in over 60 countries. The campaign portrays beauty as a combination of appearance, well-being, and personality, in line with female consumers' changing self-image.

September

[7] **la prairie** brand marks its **20th anniversary** by launching a special edition of the Skin Caviar Luxe Cream on the market. The blue jar is handmade and set with glittering Swarovski crystals.

8


9


4th Quarter (October – December)

October

9 **Eucerin** positions itself as a leading brand for medical skin care at the **21st World Congress for Dermatology in Buenos Aires**. The focus is on the newest innovation: the Hyaluron-Filler Eye care product.

November

☐ In **cooperation with the international Yehudi Menuhin Foundation**, Beiersdorf promotes the MUS-E art program, which gives primary school children access to art and culture. Following the pilot project in Hamburg, the cooperation will be expanded internationally in 2008. Beiersdorf also supports the canto elementar singing program in 60 kindergartens in Hamburg.

December

8 **Beiersdorf acquires 85% of the shares of C-BONS Hair Care, China**. The group is one of the leading providers on the Chinese hair care market. The acquisition strengthens Beiersdorf's position in China's growth market.

☐ Beiersdorf acquires the remaining 50% of the shares of its **Swiss affiliate** in Münchenstein. The company – previously managed as a joint venture – is **acquired in full**.

125 Years of Beiersdorf – The Future of Care

In 2007 we celebrated our 125th anniversary. We have been close to our consumers since 1882, developing innovative products with our passion for skin and beauty care. Our deep knowledge for people's wishes and needs is the basis of new products and forms of communication to satisfy consumers around the world.

The Company itself was founded on an innovation: a coated plaster for which the pharmacist Paul C. Beiersdorf was granted a patent certificate. Today, our research and development is among the best in the world. Our brands are international leaders – above all NIVEA, the world's biggest skin and beauty care brand*. In Hamburg, where our headquarters have been located from the beginning, and in over 150 affiliates our employees shape Beiersdorf's success – with commitment, a motivation to perform well, and a high degree of identification with the Company.

We celebrated our anniversary with a series of special events. For example, a corporate exhibition ran for several weeks and is now available online at www.Beiersdorf.com. This presents interesting and valuable information on skin and beauty care as well as on Beiersdorf as a company.

We are proud of what we have achieved and are looking to the future full of strength and confidence.

* Euromonitor, Cosmetics & toiletries excluding fragrances and haircolourants by retail sales value, 2008.

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ADDITIONAL INFORMATION

Global Success with Self-Adhesive System Solutions

tesa AG is one of the world's leading manufacturers of self-adhesive product and system solutions for the manufacturing industry, retailers, and consumers – producing customized protective, packaging, and fastening systems and innovative products for designing, gluing, decorating, renovating, protecting, and packaging.

UV strips: New Measurement Technology

In the printing industry, automotive construction, or medical technology: More and more industries are now using UV varnishes and coatings. We launched tesa® UV Strips, the first system solution of its kind on the market, to help determine the precise dose of UV radiation. Because all of the data is saved digitally, the manufacturing process and quality can be monitored at any time, thus reducing spoilage. This technology allows us to tap into a new market segment with high growth potential, including industries in which tesa has never operated before.

tesa® VELCRO® Brand: Open and Closed, Attached and Free Again – Up to 10,000 Times

In a unique cooperative arrangement, tesa is blazing a new trail in the consumer business: Under the double brand tesa® VELCRO®, tesa, and Barcelona-based Velcro Europe S.A., the leading global provider of hook-and-loop systems, will offer a comprehensive, high-quality range of hook-and-loop solutions throughout Europe. Retailers will benefit from target-group-specific assortments of products for organizing, bundling, and affixing items. A market with strong potential: The number of complex electronic devices is increasing in more and more offices and households, leading to a sharp rise in demand for quick and easy cable bundling solutions, for example.

Eurologistics: Prepared For the Future

tesa AG is systematically expanding its business in growth regions. One example is Eastern Europe: We reduced our logistics costs by around a fifth, raised inventory turnover by more than half, and increased product availability to 97% thanks to the new tesap and Eurologistics concept in Hungary. This enables us to offer our customers optimum service quality. In the coming years, all logistics locations in Eastern Europe will be integrated into the new tesap and Eurologistics concept, giving us an excellent position from which to meet the logistical challenges of the future.

Corporate Responsibility: Responsibility As the Guiding Principle

By joining the Global Compact in March 2006, tesa committed itself to conducting its business activities in accordance with the ten ethical principles of this U.N. initiative. tesa's 2007 Corporate Responsibility Report documents its commitment to and application of these values. We support children and young people all over the globe in order to give them a brighter future. We have met the environmental targets defined for 2002 to 2007 in all areas and even surpassed many of them. The new environmental program is internationally binding for the first time and sets ambitious quantitative targets to be achieved by 2012. The effectiveness of these measures is monitored annually and compared with the targets. Additional measures are initiated in the case of deviations.

Ten-year Overview

in € million (unless otherwise stated)	1998	1999	2000	2001	2002	2003[1]	2004	2005	2006[2]	2007[2]
Sales	**3,347**	**3,638**	**4,116**	**4,542**	**4,742**	**4,435**	**4,546**	**4,776**	**5,120**	**5,507**
Change against prior year in %	4.1	8.7	13.1	10.3	4.4	–1.3	2.5	5.1	7.2	7.6
cosmed	1,980	2,242	2,590	2,955	3,167	-	-	-	-	-
medical	735	768	858	915	882	-	-	-	-	-
Consumer	-	-	-	-	-	3,739	3,840	4,041	4,327	4,661
tesa	632	628	668	672	693	969	706	735	793	846
Europe	2,550	2,687	2,855	3,183	3,410	3,329	3,388	3,498	3,717	3,909
Americas	544	630	832	903	819	638	635	687	738	782
Africa/Asia/Australia	253	321	429	456	513	468	523	591	665	816
EBITDA	**424**	**468**	**538**	**620**	**633**	**614**	**656**	**693**	**660**	**738**
Operating result (EBIT)	**291**	**339**	**389**	**466**	**472**	**455**	**483**	**531**	**477**	**616**
Profit before tax	**265**	**323**	**382**	**468**	**478**	**491**	**492**	**535**	**851**	**644**
Profit after tax	**166**	**175**	**226**	**285**	**290**	**301**	**302**	**335**	**668**	**442**
Return on sales (after tax) in %	5.0	4.8	5.5	6.3	6.1	6.4	6.6	7.0	13.0	8.0
Earnings per share in €	0.64	0.68	0.87	1.11	1.12	1.17	1.29	1.45	2.93	1.93
Total dividend	52	60	84	109	118	121	121	129	136	159
Dividend per share in €	0.20	0.24	0.33	0.43	0.47	0.53	0.53	0.57	0.60	0.70
Cost of materials	**981**	**995**	**1,112**	**1,196**	**1,205**	**1,149**	**1,113**	**1,147**	**1,229**	**1,285**
Personnel expenses	**701**	**713**	**786**	**817**	**863**	**808**	**804**	**840**	**889**	**889**
Capital expenditure (incl. financial assets)[3]	**138**	**129**	**249**	**241**	**242**	**162**	**165**	**128**	**114**	**110**
Depreciation, amortization, and impairment losses (incl. financial assets)	**154**	**129**	**149**	**154**	**162**	**159**	**173**	**162**	**184**	**122**
Research and development expenses	**74**	**79**	**88**	**92**	**93**	**97**	**101**	**109**	**118**	**127**
as % of sales	2.2	2.2	2.1	2.0	2.0	2.2	2.2	2.3	2.3	2.3
Employees as of Dec. 31	**16,417**	**16,065**	**16,590**	**17,749**	**18,183**	**18,664**	**16,492**	**16,769**	**17,172**	**21,101**

in € million (unless otherwise stated)	1998	1999	2000	2001	2002	2003[1]	2004	2005	2006[2]	2007[2]
Intangible assets	79	56	118	138	128	94	58	34	30	350
Property, plant, and equipment	751	782	808	871	917	871	887	882	740	687
Non-current financial assets	31	26	24	18	22	94	93	5	6	6
Inventories	484	515	595	695	677	629	558	536	548	598
Receivables and other assets[4]	618	701	804	811	832	789	815	967	942	1,126
Cash and cash equivalents	443	622	632	714	722	828	290	483	1,230	1,117
Equity	**1,122**	**1,289**	**1,458**	**1,636**	**1,727**	**1,831**	**1,033**	**1,293**	**1,790**	**2,070**
Share capital	215	215	215	215	215	215	215	215	252	252
Reserves	890	1,051	1,219	1,400	1,492	1,604	806	1,065	1,529	1,809
Minority interests	17	23	24	21	20	12	12	13	9	9
Liabilities	**1,284**	**1,413**	**1,523**	**1,611**	**1,571**	**1,479**	**1,668**	**1,614**	**1,706**	**1,814**
Current and non-current provisions	691	772	828	863	908	839	846	837	888	912
Current and non-current financial liabilities	66	61	83	129	96	66	204	103	70	83
Other liabilities[5]	527	580	612	619	567	574	618	674	748	819
Total equity and liabilities	**2,406**	**2,702**	**2,981**	**3,247**	**3,298**	**3,310**	**2,701**	**2,907**	**3,496**	**3,884**
Equity ratio in %	46.8	47.7	48.9	50.4	52.4	55.3	38.2	44.5	51.2	53.3
Return on equity (after tax) in %	14.7	14.5	16.4	18.5	17.3	16.9	21.1	28.8	43.3	22.9
Return on capital employed (before tax) in %	13.1	13.7	14.2	15.5	14.9	14.9	17.0	19.6	27.0	17.8
Beiersdorf share year-end closing price[6,7]	**19.60**	**22.22**	**37.17**	**42.50**	**35.37**	**32.07**	**28.53**	**34.67**	**49.12**	**53.00**
Market capitalization as of Dec. 31[7]	4,939	5,599	9,366	10,710	8,912	8,081	7,190	8,736	12,378	13,356

[1] Restated to reflect the new reporting structure.
[2] Figures include special factors. For details of these special factors, please refer to the Notes on page 84.
[3] Excluding changes in carrying amounts resulting from measurement using the equity method.
[4] Including non-current assets and disposal groups held for sale.
[5] Including liabilities held for sale.
[6] Figures for 1998 to 2005 adjusted to the number of shares after the share split.
[7] Based on Frankfurt floor trading until 1998 and on the XETRA trading system from 1999 onwards.

Financial Calendar / Contact Information

Financial Calendar

April 30, 2008	Annual General Meeting
May 2, 2008	Dividend Payment
May 6, 2008	Interim Report January to March 2008
August 5, 2008	Interim Report January to June 2008
November 4, 2008	Interim Report January to September 2008, Financial Analyst Meeting
January 2009	Publication of Preliminary Group Results
February / March 2009	Publication of Annual Report 2008, Annual Accounts Press Conference, Financial Analyst Meeting
April 30, 2009	Annual General Meeting
May 2009	Interim Report January to March 2009
August 2009	Interim Report January to June 2009
November 2009	Interim Report January to September 2009, Financial Analyst Meeting

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This Annual Report is also available in German. The online version of the Annual Report as well as the Annual Financial Statements and the Management Report of Beiersdorf AG are available at **www.Beiersdorf.com/Annual_Report.** The Interim Reports can be found at **www.Beiersdorf.com/Interim_Report.**

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