

Report of the Executive Board on Item 10 of the Agenda (Resolution on the authorization to issue convertible bonds and/or bonds with warrants and on the creation of Contingent Capital) in accordance with §§ 221 (4) sentence 2, 186 (3) sentence 4, (4) sentence 2 *Aktiengesetz* (German Stock Corporation Act, *AktG*)

The authorization to issue convertible bonds and/or bonds with warrants under item 10 of the agenda allows the Company to take advantage of attractive financing opportunities, depending on the market conditions pertaining at the time. The possibility of providing for a conversion obligation in the case of convertible bonds broadens the scope for structuring such financing tools. This includes the ability of the Company, via its investees, if appropriate, to access the German or international capital markets, depending on market conditions.

Shareholders shall be entitled to pre-emptive rights as a basic principle. However, these may be disapplied with the approval of the Supervisory Board if the convertible bonds and/or bonds with warrants are issued in each case at a price that, according to the Executive Board's due examination, is not materially lower than the theoretical market value of the bonds calculated by recognized methods, and in particular by financial methods. The ability to disapply pre-emptive rights gives the Company the flexibility to take advantage of favorable stock market conditions at short notice.

According to § 221 (4) sentence 2 *AktG*, the provision laid down in § 186 (3) sentence 4 *AktG* applies mutatis mutandis to the disapplication of pre-emptive rights. In order to comply with the limit that this specifies for disapplying pre-emptive rights of a maximum of 10% of the share capital existing at the time that the authorization comes into effect and at the time it is exercised, the issue without pre-emptive rights of convertible bonds and/or bonds with warrants with conversion or option rights or with a conversion obligation in relation to shares with a notional interest in the share capital is limited to a total of up to 10% of the share capital in existence at the time that the authorization comes into effect and the time it is exercised; furthermore, this is only permissible to the extent that this limit has not already been exhausted by the utilization of Authorized Capital II and/or by the utilization of the authorization to sell own shares in accordance with § 186 (3) sentence 4 *AktG*.

In addition, § 186 (3) sentence 4 *AktG* specifies that the issue price may not be significantly lower than the market price. This is intended to ensure that there is no significant economic dilution of the value of shareholders' shares (discount to the market value). The likelihood of such a dilutive effect can be calculated by comparing the theoretical market value of the bond with the issue price. The Executive Board is obliged to guarantee, by means of due examination, that the theoretical market value of the bond is calculated by recognized methods, and in particular by financial methods. In this context, the Executive Board may obtain the support of experts, if it deems it necessary in a particular situation to obtain professional advice. For example, the banking syndicate underwriting the issue can assure the Executive Board in an appropriate form that a significant dilution in the value of the shares is not to be expected; this may also be confirmed by an independent investment bank or an external expert. If the issue price is no more than 3%, and in any case no more than 5% less than the theoretical market value calculated by the methods mentioned above at the time of issue of the convertible bonds or bonds with warrants, disapplication of pre-emptive rights is permitted within the meaning and purpose of § 186 (3) sentence 4 *AktG* due to the only insignificant nature of the discount. This takes account of the need to protect shareholders against a dilution of their shareholdings. The provision in the authorization that the final issue price must not be significantly below the theoretical market value, means that the value of the pre-emptive rights is reduced to almost zero, which means that

shareholders are not economically disadvantaged by the disapplication of the pre-emptive rights.

Please refer to the Report of the Executive Board on item 7 of the agenda regarding the authorization to disapply shareholders' pre-emptive rights for fractions and for holders of convertible bonds and/or bonds with warrants.

The contingent capital is required to service the conversion or option rights, or conversion obligations relating to the convertible bonds and/or bonds with warrants with Beiersdorf shares, if the Company exercises its discretion not to utilize own shares. The conversion or option price for a share may not fall below 80% of the average market price of the shares on the ten stock exchange trading days preceding the resolution on the issue. Alternatively, the conversion or option price for a share can be determined on the basis of the average market price of the shares during the first trading days for the pre-emptive rights. Furthermore, provision may be made for the conversion ratio and/or the conversion price specified in the conversion terms and conditions to be variable, and for the conversion price to be determined within a range to be specified depending on the share price development during the term of the bond. These options make it possible for the terms of the issue to be as close to the market as possible.

Hamburg, March 2005

Beiersdorf Aktiengesellschaft

The Executive Board

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