

**Report of the Executive Board on Item 7 of the Agenda (Resolution on the creation of Authorized Capital I) in accordance with §§ 203 (1) sentence 1, (2) sentence 2, 186 (3) sentence 4, (4) sentence 2 Aktiengesetz (German Stock Corporation Act, AktG)**

If the authorized capital is utilized, we want to grant our shareholders pre-emptive rights.

The authorization to disapply pre-emptive rights for fractions serves to ensure a practicable subscription ratio with regard to the amount of the capital increase in each case. Not disapplying pre-emptive rights regarding fractions would make the technical implementation of a capital increase, and the exercising of pre-emptive rights, significantly more difficult, particularly in the case of a capital increase involving round amounts. The new shares that are excluded from shareholders' pre-emptive rights as unallotted fractions will be utilized at the best possible terms for the Company either through sale via the stock exchange or in another way.

The authorization to disapply shareholders' pre-emptive rights for the benefit of holders of convertible bonds and/or bonds with warrants is designed to ensure that, in the case that this authorization is utilized, the conversion or option price need not be reduced in line with the antidilution clauses of the conversion or option terms and conditions; rather, the holders of the convertible bonds and/or bonds with warrants may also be granted pre-emptive rights in the amount to which they would be entitled after exercising their conversion or option rights, or after fulfilling their conversion obligations. The authorization gives the Executive Board the opportunity to choose between these two alternatives when utilizing the authorized capitals, after careful consideration of the interests.

Hamburg, March 2005

Beiersdorf Aktiengesellschaft

The Executive Board

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