

**Joint report by the Executive Board of Beiersdorf Aktiengesellschaft and the Management of Florena Cosmetic GmbH, Waldheim, on the profit and loss transfer agreement dated January 18, 2008 between the above-mentioned companies.**

In order to inform their shareholders and in preparation for the resolution at the Annual General Meeting of Beiersdorf Aktiengesellschaft, Hamburg (hereinafter referred to as "BDF") and at the Shareholders' Meeting of Florena Cosmetic GmbH, Waldheim (hereinafter referred to as "Florena"), the Executive Board of BDF and the Management of Florena hereby jointly report the following on the profit and loss transfer agreement between BDF and Florena, in accordance with § 293a *AktG* (*Aktiengesetz* – German Stock Corporation Act):

**1. Signature of the agreement; entry into force**

The profit and loss transfer agreement between BDF and Florena was signed on January 18, 2007. It will be submitted to the ordinary Annual General Meeting of BDF on April 26, 2007 for approval in accordance with § 293 (2) *AktG*. Furthermore, the agreement requires the approval of the Shareholders' Meeting of Florena and entry into the commercial register at the domicile of Florena to take effect. It will apply retroactively as from January 1, 2007.

**2. Explanation of the profit and loss transfer agreement**

- a) The profit and loss transfer agreement includes the following main provisions:

Within the duration of the profit and loss transfer agreement Florena is obliged to transfer all of its profits to BDF. The profit after tax generated without the profit transfer, less any loss carryforward from the previous year and the amount to be allocated to the legal reserve, must be transferred. Florena can appropriate funds from the profit after tax to other retained earnings only with the approval of BDF. BDF undertakes to grant such approval provided that this is permissible under the German Commercial Code and is economically justified in accordance with prudent business practice. Other retained earnings according to § 272 (3) *HGB* accruing during the term of the agreement must be reversed at the request of BDF and used to offset losses or transferred as profits if this is justified in accordance with prudent business practice. This provision conforms to the profit and loss transfer limits specified in § 301 *AktG*.

In accordance with § 302 *AktG* BDF is obliged to offset any losses of Florena arising during the term of the agreement, insofar as these losses are not offset by withdrawals from the other retained earnings of amounts added during the term of the agreement.

The agreement is entered into for an indefinite period and may first be regularly terminated as of the close of December 31, 2011, with six months notice to the end of Florena's fiscal year. The agreement may also be terminated extraordinarily without notice for good cause.

- b) The agreement contains the usual provisions of a profit and loss transfer agreement concluded with the aim of creating a consolidated tax group within the Group. The tax advantages of the consolidated tax group are to be leveraged as of January 1, 2007.

At the time of the signature of the profit and loss transfer agreement, BDF was, and currently is, the sole shareholder of Florena. For this reason, no compensation in accordance with § 304 *AktG* or settlement payments in accordance with § 305 *AktG* have to be made to outside shareholders by BDF. No audit of the profit and loss transfer agreement in accordance with § 293(b) *AktG* was necessary, as BDF holds all shares of Florena.

### **3. Background and purpose of the profit and loss transfer agreement**

Florena was founded in 1852 under the name “Waldheimer Parfümerie- und Toilettenseifenfabrik.” In 1946, Florena became a *volkseigener Betrieb* (VEB – state-owned enterprise) in the German Democratic Republic. After the fall of the Berlin Wall and German unification in 1990, Florena Cosmetic GmbH emerged. In 1992, Florena Cosmetic GmbH was privatized by the *Treuhandanstalt* by way of a so called management buy out. At the time, Florena’s share capital amounted to DM 4 million. Florena has been a wholly-owned BDF subsidiary since 2002. The purpose of the Company is the development, manufacture, procurement, distribution and import/export of cosmetics and personal care and healthcare products.

Florena is registered in the Commercial register of the local court Leipzig under HRB 462 and has a registered capital of 4.000.000 DM. Florena’s turnover amounted to 89,064,636.01 EUR in fiscal year 2006. Florena achieved an annual profit of 6,279,089.33 EUR in fiscal year 2006. In fiscal year 2005 Florena achieved a turnover of 79,024,697.42 EUR and an annual profit of 2,787,022.80 EUR, in fiscal year 2004 the turnover amounted to 63,044,272.46 EUR and the annual profit to 2,220,713.34 EUR.

The aim of this profit and loss transfer agreement is to create a consolidated tax group between BDF and Florena for corporation and trade tax purposes in accordance with § 14 *KStG* and § 2(2) sentence 2 *GewStG*. The consolidated tax group for corporation and trade tax purposes will allow Florena (the controlled company) and BDF (the parent) to be taxed together. This allows taxable profits to be offset against tax losses, and to reduce the tax burden for the BDF Group.

### **4. Economic significance of the profit and loss transfer obligations and the obligations to offset losses incurred, as well as alternatives to a profit and loss transfer agreement**

Florena is obliged to transfer its complete profit to BDF. On the other hand BDF is obliged to offset any losses incurred by Florena during the term of the agreement, insofar as these losses are not offset by withdrawals from the other retained earnings of amounts added during the term of the agreement. At present there are no indications that a claim might be asserted against BDF under the obligation to offset losses incurred. However, no assurance can be

given that an obligation to offset losses incurred will not arise in future accounting periods.

There was no economically prudent alternative to the signature of the profit and loss transfer agreement between BDF and Florena with which the above-mentioned aims could have been realized to the same or greater extent.

Hamburg, February 7, 2007

Waldheim, February 7, 2007

Beiersdorf Aktiengesellschaft

Florena Cosmetic GmbH

Executive Board

Management