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**Report to the Annual General Meeting of Beiersdorf AG,  
Hamburg on April 26, 2007  
(This English translation is provided for convenience only.  
The German text shall be the sole legally binding version.)**

Dear Shareholders,  
Ladies and Gentlemen,

On behalf of the Executive Board of Beiersdorf AG, I would like to welcome you to the Annual General Meeting of our Company.

I am especially pleased to do so this year, as 2007 is an anniversary year. Beiersdorf AG has been synonymous with skin and beauty care expertise for 125 years. World-renowned brands, 17,000 employees at more than 150 locations and the best results in the Company's history in 2006 – these are just some of the high points of a unique history that began in 1882 in a small pharmacy in a residential neighborhood in Hamburg.

Given the significance of this occasion we are particularly pleased that you have come to the Congress Centrum in Hamburg today to hear about the Beiersdorf Group's business development and strategic plans on its anniversary, and to adopt a number of important resolutions.

To start with, the Executive Board will report on the year 2006. This report will cover the annual and consolidated financial statements, and the combined management report for Beiersdorf AG and the Group for the past fiscal year as well as the Executive Board's explanatory report on disclosures in accordance with sections 289(4) and 315(4) of the German Commercial Code.

Secondly, I will say a few explanatory words about today's agenda.

And thirdly, I would like to give you an outlook on the current fiscal year and future business developments. In this context, I shall report to you in particular on the initial successes of our Consumer Business Strategy, which was unveiled in November 2005 and is entitled "Passion for Success." After giving you a deeper insight into the present and the future, I would then like to talk about our Company's 125-year past.

## A. Developments in 2006

Let me begin with developments in 2006.

Ladies and gentlemen, I am especially pleased to report today on yet another extremely successful fiscal year for Beiersdorf. Once again, we achieved record sales and earnings figures in 2006.

The results in more detail:

Our sales grew by 7.3% after adjustment for currency translation effects, compared with 3.9% in the previous year. The Consumer business segment increased sales by 7.2% (compared with 4% in the previous year). This significantly outperformed the market, which recorded growth of around 3-4%. tesa also continued on its successful path, growing by an even more impressive 8.2%, as compared to 3% last year. At current exchange rates, i.e., excluding adjustment for currency translation effects, Group sales rose by 7.2% to €5,120 million. This means we have broken the €5 billion barrier for the first time.

EBIT, or earnings before interest and taxes, was impacted by €120 million in expenses for the realignment of our Consumer Supply Chain in fiscal year 2006. Excluding this special factor, our EBIT rose faster than sales by 12.2%, from €531 million last year to €597 million in fiscal year 2006.

Both business segments, Consumer and tesa, contributed to this increase. We therefore increased our return on sales by 11.7%, up from 11.1% last year.

I would now like to address tesa's development:

With sales of €793 million and a current EBIT margin of 9.2% this segment recorded another clear improvement. We were particularly encouraged by two aspects:

1. With 8.2% growth at constant exchange rates, tesa achieved its best sales growth in years. What is more, it grew twice as fast as the market, thus significantly strengthening its market position in the past year.
2. Sales momentum has grown continuously since the carve-out six years ago. At the same time, we nearly tripled our EBIT margin, from 3.1% to 9.2%. This highlights the quality of the growth achieved.

Both aspects are also proof that our positioning and strategy are sound and correct, and that the systematic execution of our strategic focuses is bringing results. I would like to take a special look at two of these focus areas, and their significance for positive development:

1. Technology and a high level of innovation and
2. The establishment of a global business structure and the expansion of the Company's presence in growth regions

Let me address the first point first:

tesa's technological strengths in producing adhesive masses and in coating processes have made it an expert partner for industrial customers. Our product systems increase the speed and cost-effectiveness of our customers' processes. Thanks to this innovative capability, tesa is able to operate in high-quality product segments and achieve higher margins.

This innovative strength also helps the development of our consumer business.

This is because, throughout its **entire** realignment, tesa focused consistently on building a strong technological position, and continuously increased its research and development expenditure. This can be seen particularly clearly in the increased rate of innovations. The share of sales accounted for by new products increased to 47% over a five-year period. This means that almost half of sales are being generated by products that are less than five years old.

Our second critical success factor was the establishment of a global business structure and the expansion of the Company's presence in growth regions.

Today, tesa has its own affiliates in all major countries. This places us in the position to offer our global customers completely integrated services in every country. With three international development centers in Hamburg, Singapore and Shanghai and production facilities in Europe, America, and Asia, tesa is optimally prepared for increasing globalization and the implementation of uniform certification procedures. In close cooperation with international customers, tesa can identify new trends early on, and support their global implementation. I would like to use an example to illustrate this: In Finland, a well-known cell phone manufacturer developed the design for a new model. The manufacturer's suppliers and production sites in Denmark, Hungary, Poland, China, India, and Brazil were involved in the implementation. tesa is present in each of these countries, and thanks to this ability to support these processes internationally, it is a sought-after partner in the accelerating process of globalization.

These two aspects are important success factors for tesa's business. We believe that tesa's technological position and global presence offer excellent prospects for the company's future business development as well.

That rounds off our look at what I believe is the extremely encouraging situation and prospects at our tesa business segment. I would therefore like to conclude this section by expressly praising and thanking all tesa AG employees for their first-rate achievement.

Let me now continue with further details of the Group's overall development.

Our record Group profit after tax of €668 million (previous year: €335 million) was affected not only by the expenses for the realignment of the Consumer Supply Chain, which amounted to €80 million after tax, but also by another special factor: the sale of our investment in BSN medical. This sale resulted in profit after tax of €361 million. After adjustment for these two special factors, our Group profit after tax amounted to €387 million. As a result, the return on sales (after tax) was 7.6% (previous year: 7.0%).

Together with the Supervisory Board, we are proposing a dividend of 60 cents per no-par value share bearing dividend rights. This represents an increase in the dividend as against the previous year. On the basis of the number of shares outstanding before the share split resolved last year, it means a dividend increase of 10 cents per no-par value share bearing dividend rights.

Cash and cash equivalents increased to €1,230 million in 2006. This substantial increase is primarily due to the sale of BSN medical and our strong cash flow. This gives us an excellent starting position and the necessary room for maneuver for additional organic and, potentially, accretive growth. Of course, we also want to enable our shareholders to benefit appropriately in future from our Company's increased earnings via both the dividend and the further increases in the share price that we hope to see.

The liquidity of Beiersdorf's shares has improved as a result of the share split implemented in fiscal year 2006. Based on the current price of approximately €54 per share, Beiersdorf AG has a market capitalization in excess of €13 billion. It therefore remains one of the heavyweights in the MDAX. The rise in our share price in the course of 2006 was also extremely encouraging: Calculated in terms of the number of shares outstanding following the share split, our share price rose from €34.67 per share at the beginning of 2006 to €49.12 at the end of the year. As a result, Beiersdorf's shares clearly outperformed both the DAX and the MDAX.

I think this gives us good reason to continue regarding Beiersdorf as a reliable growth stock.

Ladies and Gentlemen,

The annual report, which contains the consolidated financial statements and the combined management report for Beiersdorf AG and the Group, and the annual financial statements of Beiersdorf AG, which were published separately, have been made available to you in accordance with item 1 on the agenda. In addition, the explanatory report by the Executive Board on the information contained in the management report in accordance with sections 289(4) and 315(4) HGB, which I will come to later on, has been made available.

The annual and consolidated financial statements were granted unqualified audit opinions by the auditors, Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft.

That completes our look at the key **quantitative** indicators for fiscal year 2006.

I would now like to turn to what is, in my opinion, the core **qualitative** aspect of our work in the Consumer business segment, which played a key role in our activities in 2006. This is the implementation of our Consumer Business Strategy, which I already explained to you last year. Allow me to recap: We wanted to focus all our resources on achieving a global market share of 5.5% in 2010. To achieve this aim, we defined a strategic action program based on four pillars:

- Superior brands and vigorous innovation
- A superior, process-driven global supply chain

- A clear geographical focus to enable us to systematically leverage growth potential in the world's dynamically growing markets, and
- Superior talent in a lean organization

We systematically fine-tuned and implemented this strategy over the past year. All our employees throughout the world are working towards its execution and support the new strategy. We have managed to focus our efforts without creating new sources of complexity.

If you were to ask me about our excellent performance in fiscal year 2006, I would like to single out the following: We have managed to implement all necessary changes efficiently and systematically while **at the same time** generating equally strong momentum for our Company's sales growth.

I am convinced that it is our size, our timely focus on the Consumer business, and the carve-out of the tesa business segment that made this possible in the first place.

This made massive demands on our employees, since they had to face and deal with both an increased amount of work and emotionally taxing issues.

Here, too, I would like to express my sincere appreciation of, and heartfelt thanks to, all Beiersdorf Group staff. Their achievements have been well worth it. We are now one of the industry leaders in terms of growth and have expanded our market share. And we have been able to implement our restructuring measures sooner than planned.

Finally, allow me to mention another extremely encouraging point: With the publication of the remuneration details for the individual members of our Executive Board and Supervisory Board in the 2006 Annual Report, Beiersdorf AG now complies with all recommendations of the German Corporate Governance Code.

## **B. Agenda of the Annual General Meeting**

Ladies and Gentlemen,

Having given you my report on the past year, I would now like to turn to the agenda of today's Annual General Meeting.

In agenda items 2 to 5, we are asking you, as every year, to approve the appropriation of profits, to formally approve the actions of the members of the Executive Board and Supervisory Board for the past fiscal year, and to elect the auditors for the current fiscal year.

In agenda item 6, we are asking you for renewed authorization to purchase and utilize our own shares, as has been standard practice for years at nearly all major listed companies, since the current authorization also expires this year. The proposed extension of the authorization is intended to continue to enable the Company to acquire own shares if it were to reduce the number of own shares held in the future. You can find the relevant report by the Executive Board on pages 11 and 12 of the Invitation to the Annual General Meeting.

Agenda item 7 refers to a supplementary election to the Supervisory Board. Mr. Ammer will provide you with further details of this later.

In agenda item 8, the Executive Board and Supervisory Board are proposing to expand the scope of § 3 of the Articles of Association. The Transparency Directive Implementation Act, or “TUG” for short, which entered into force on January 20, 2007, requires listed companies to obtain the consent of their shareholders, among other things, for the electronic transfer of information to the holders of securities admitted to trading. For this reason, we wish to include electronic data transfer as a potential means of transmitting information to our shareholders in § 3 of the Articles of Association.

Finally, in agenda item 9 we request your approval for a profit and loss transfer agreement between Beiersdorf AG and its wholly-owned subsidiary, Florena Cosmetic GmbH in Waldheim. I shall provide you with further details on this profit and loss transfer agreement later.

You can find further details on the proposed resolutions on pages 5 to 10 of the invitation to the Annual General Meeting.

That completes our look at the agenda for today's meeting.

### **C. Business developments in 2007, outlook and key elements of our “Passion for Success” Consumer Business Strategy**

I will now come to the third and final part of my speech, which relates to the current fiscal year to date and to the future on the basis of our “Passion for Success” strategy. As already announced, I would like to combine this with a tribute to our 125-year history.

Let me start with the latter: Everything started on March 28, 1882, when Paul Beiersdorf was granted Patent no. 20057 for the manufacture of adhesive-coated plasters. These beginnings in Hamburg were followed as early as 1893 by moves to establish an international market presence, with the establishment of the first trading relationships with New York. The product range included, among other things, the precursors of today’s Hansaplast plaster and Pebecco toothpaste. In 1911, NIVEA Creme – the first major product in the NIVEA family – was created. Today, this is the largest skin care brand in the world, with sales in excess of €3 billion.

With our other brands such as Eucerin, Labello, 8x4, la prairie, Florena, Hansaplast and tesa, which are also extremely well known, Beiersdorf has made a name for itself as a highly professional branded consumer goods manufacturer.

Beiersdorf has a reputation as a friendly company. Our headquarters and even our largest production facility are located in a residential area. Our neighbors like us. Our employees, our trade clients and our consumers value the Company’s particular quality. Our “Beiersdorf product” has built up a reputation for trust and reliability stretching back decades. The continuity of leadership that comes with only five Executive Board chairmen in the last 60 years, exemplary social benefits and intelligent, highly motivated employees have all helped to shape a unique corporate

culture. From the very beginning, the Group has actively demonstrated its social responsibility.

What are the factors behind our success, then as now?

1. Closeness to our customers: Consumers were always the focus of our work and remain so today more than ever before.
  2. Research and development and innovation: This three-pronged approach was always the basis for new, clearly demonstrable, tangible product benefits, and conforms to the highest possible standards today.
  3. Our consciously small number of strong brands that occupy leading global positions in their segments. For example, NIVEA brand products were no. 1 in 132 categories in 2007 (previous year: 125).
  4. Our highly qualified, highly motivated employees,
- and
5. Our shareholders – in other words you, ladies and gentlemen – who have supported us for so many years. Our thanks are due to you all.

Ladies and Gentlemen,

We succeeded in NOT being taken over a couple of years ago. We have emerged stronger from the process. I would like to thank all of you who believed in Beiersdorf and who saw both the quality and the future potential of this Company. Let us start the next 125 years together.

This brings me directly to the present in 2007.

We got off to an extremely good start to our anniversary year in the first quarter. We were able to maintain the pace of growth recorded in the previous year. Sales by both our Consumer business segment and tesa were up substantially as against the previous year. Sales by our core NIVEA brand, which was recently voted the number one among Reader's Digest "Most Trusted Brands" for the seventh time in a row, again rose substantially. We shall publish detailed figures for the first quarter on May 3 in our interim report.

Thanks to this extremely strong start, we are able to confirm in full the outlook for the year as a whole published in our annual report: The Consumer business segment is planning for sales growth clearly in excess of the market in 2007, at 7% to 8%; its EBIT margin excluding special factors should increase further as against 2006. We also expect growth by the tesa business segment to outperform the market, and that its EBIT margin will increase further.

Our forecast for the Group is therefore as follows: We expect business developments to continue to be positive and are aiming to grow faster than the market, while at the same time continuously improving our EBIT margin excluding special factors.

I shall now turn to the detailed overview of our progress in implementing our Consumer Business Strategy on the basis of our four cornerstones, as previously announced. This represents a great pleasure for me, as today I am able to talk about the hard facts we have achieved rather than about our intentions.

### **Cornerstone No. 1: Our Superior Brands**

The systematic orientation of our brands on consumers' needs and wishes is crucial to our long-term market success. We invested massively in the future here in 2006, launching a completely new action program that systematically ensures we remain close to our consumers. Our goal is to focus all employees and corporate resources more strongly on the users of our products.

**More focused, bigger, better, and faster.** This was the goal for the end-to-end revision of our innovation process in fiscal year 2006. "Integrated Innovation Management" enables us to define the right focus when developing innovations. All projects are managed in an integrated manner from beginning to end and are subject to a clearly structured process: A committee of experts decides in each case whether and how to progress with the concepts presented to them – using clear criteria that assess projects in a neutral, targeted manner. Our motto here is "less is more."

The best examples of what we mean by "less is more" are the following:

1. **NIVEA VISAGE DNAge:** This innovative anti-age skin care system with cell-active folic acid protects the DNA inside skin cells from external factors, thus accelerating the skin's regeneration process. The skin becomes firmer, with the depth of existing wrinkles being reduced and new wrinkles prevented. Our market success clearly exceeded our expectations. We have increased our share of the face care market substantially in all countries in which we have launched DNAge to date. Additional markets are scheduled to follow in 2007.
2. **NIVEA Hair Care:** Our shampoos and hair care products are based on completely new formulas designed to ensure hair that looks and feels good. Enriched with valuable substances such as silk protein and aloe vera, the products allowed us to clearly increase our share of the substantial hair care market.
3. **NIVEA Body Good Bye Cellulite:** This innovative product contains L-carnitine, which occurs naturally in the skin and which assists in the conversion of fat reserves into energy. As a result, it is possible to reduce the external signs of cellulite. In many countries, NIVEA Good Bye Cellulite immediately shot to number 1 in the market.
4. **Eucerin Hyaluron-Filler:** This radically new anti-aging care product contains hyaluronic acid and saponin, which works deep down to stimulate the skin's own production of hyaluronic acid. The skin is plumped out from the inside, resulting in a visible improvement in even deep wrinkles around the forehead, mouth, and nose.



Here, too, we were able to capture the number one slots in several countries within a very short space of time.

In addition, we formulated clear overarching priorities for our brand portfolio in 2006. On the one hand, this means we are specifically focusing our investments in research & development. On the other, we have defined in detail the brand groups that are the priorities for investment in our various regions. This enables us to deploy our resources optimally and to maximum effect.

In stores, we present our brands and in particular our innovations in an attractive and compelling manner – to use the buzzword, we “showcase” them. For example, in 2006 we generated up to 50% sales growth with our NIVEA shop-in-shops, while our “Blue Walls” recorded up to 30% higher sales.

Another example of innovative marketing is the world’s first “NIVEA Haus”: In April 2006, we opened a unique wellness facility right in the middle of Hamburg, Germany: the “NIVEA Haus.” This area of more than 800 m<sup>2</sup> offers a broad range of wellness and spa treatments focusing exclusively on NIVEA products, along with intensive consulting and at a fair price.

Our success has exceeded all expectations: the footfall and sales figures are clearly higher than forecasted.

## **Cornerstone No. 2: Superior Supply Chain**

Last year I reported to you that we had launched a far-reaching realignment of our supply chain – by which we mean our flows of merchandise, procurement, production and logistics.

In addition to high product quality, our success depends on the reliability and speed with which we reach our consumers. This is why we are designing a Consumer Supply Chain in which all processes are perfectly coordinated and managed at a global level.

We have also begun an in-depth review of our entire production and logistics network in the global regions. In Europe, we have already adapted our production sites and logistics centers to reflect actual demand and have reduced overcapacity.

We are currently building transnational warehouses and distribution centers that ensure the perfectly synchronized movement of goods and offer extensive potential synergies and savings.

A newly developed, uniform IT infrastructure is currently enabling us to model the different processes within the Consumer Supply Chain even more transparently, and to better organize interfaces. Starting in 2009, we will be able to call up all the material and product flow information we need in real time, enabling us to react rapidly and flexibly to new situations.

We are also optimizing our procurement activities worldwide by entering into strategic partnerships with our suppliers, so as to better exploit their innovative strength for our

benefit. Internet-based procurement platforms enable us to make greater use of state-of-the-art opportunities in procurement management.

We are also proactively meeting the demands of our retail partners by reducing inventories along the Consumer Supply Chain, running down inventories at outlets, ensuring short restocking times, minimizing warehousing, and reducing tied-up capital.

Such an optimized Consumer Supply Chain benefits everyone involved. We are releasing funds to invest in the growth of our outstanding brands. We are an expert strategic partner for retailers and we play a key part in optimizing the value chain. And we are there for our consumers when they need us for their skin and beauty care wishes. Reliably and rapidly.

Our entire realignment of the supply chain organization is making excellent progress. In Germany, we have worked together with all the bodies involved, the works councils and the employee representatives on the Supervisory Board to find good solutions; as a result, no one has been made redundant here.

These changes are difficult but necessary to safeguard Beiersdorf's competitiveness and therefore jobs in the long term as well. That is why we will implement these changes with good judgment, care and consideration for those affected – but we will also implement them systematically. As the Executive Board, we acknowledge our responsibility towards our employees, shareholders, our trading partners and the environment.

The investments in the realignment of the Consumer Supply Chain total €220 million. We expect to remain within this budget.

We shall achieve our goal of saving €100 million a year through these measures as from 2009.

The first results of the realignment can already clearly be seen – for example in a reduction in our working capital. Whereas our working capital ratio in 2003 was 20.9% of sales, the figure for the past year was 13.4%. This means that our goal of 12% in 2010 is within grasp.

### **Cornerstone No. 3: Clear Geographical Focus**

We place particular emphasis on growth in regions that offer above-average development potential. Our focused brand portfolio is a particularly valuable competitive advantage here. With a small number of strong brands, and with significantly less complexity as well as simpler and more direct communication, we are able to leverage the opportunities offered by local market dynamics more rapidly and systematically.

Our strategy focuses in particular on the major growth markets of China, Russia, Brazil and India. Here we are focusing on developing regional concepts to enable us to better meet specific consumer needs in these regions, and to accelerate our growth. Successful examples are our whitening products in Asia or our customized range of soaps in Brazil.

In this context, I would like to mention another positive development in China: In mid-February of this year, we signed a letter of intent with C-BONS Holding (International) Ltd. in Hong Kong. In it, we agreed to examine a potential exclusive cooperation in the areas of sales, marketing and research & development for C-BONS' Chinese hair care and hair styling business. In addition, our two companies have agreed to hold negotiations in the coming months on a suitable form of investment by Beiersdorf in C-BONS.

C-BONS is the leading Chinese enterprise on the Chinese hair care and hair styling market and has a broad range of shampoo, conditioner and styling products with strong, well-known brands such as Slek and Maestro, as well as a well-developed sales network in China.

To sum up: This project addresses two areas that have been defined as strategic: the Chinese growth market and the hair care segment.

Since negotiations are currently ongoing I hope you will understand that I am unable to provide any additional information at this stage.

**The fourth cornerstone of our strategy comprises the Beiersdorf Group's employees.**

The plans that I have outlined require the commitment and hard work of our employees in our functional areas and regions, since even the best strategy in the world will not succeed unless everyone in the company takes their individual responsibility for implementing it seriously. This is why we have systematically and uniformly aligned our human resources policy instruments with our strategy throughout the world. Open communication, a clear focus on performance, continuous professional development, excellent development opportunities and targeted support for our managers are all in line with the principle of challenging and encouraging our employees. In this context, providing vocational training for young people is not just a social responsibility for us, but also a traditional aspect of our training activities.

As with the other cornerstones of our strategy, quality is also at the center of our human resources recruitment and development activities, since it is a precondition for being able to execute our strategy.

One key advantage here, and one of the Company's major competitive advantages, is our current structure, which facilitates a business model with a high degree of local responsibility for the execution of globally defined goals. We are simply closer to the market than other, globally more complex companies – and this is something that we aim to and will exploit.

... What is more, we are aware of our responsibilities. Millions of people all over the world have trusted us now for 125 years. Our brands stand for high quality, effectiveness and safety. As a manufacturer of branded goods, our research and development activities help us to develop new products that meet the highest possible standards and to continuously optimize these from a sustainability perspective. This also includes both our manufacturing workflows and our transportation routes.

Not only has Beiersdorf been economically strong and successful for many decades – responsible, sustainable activity was always a central element of how we defined ourselves, and we intend it shall remain so in the future.

Beiersdorf and its founders were already practicing forward-looking social responsibility at the beginning of the 20th century. They set up a works kindergarten, improved working hours, and introduced maternity leave and paid holiday. For us, respecting human rights and social values worldwide, proactively taking the initiative with respect to environmental protection and preserving our natural living conditions, working together cooperatively with all social groups in our environment and respecting the personality of each and every individual have always gone without saying. These principles are the yardstick for our daily work – now and in the future.

For this reason, I also take pleasure in presenting you today with the first sustainability report prepared in accordance with the international Global Reporting Initiative (GRI) standard.

In addition to this abridged, bound version, it is important to us to provide you with detailed information on the Internet. Our colleagues manning the “Sustainability at Beiersdorf” stand in the foyer will be happy to supply further information.

Ladies and Gentlemen,

Those were the central topics concerning the status of, and the prospects for, the Consumer business at your Beiersdorf AG.

I would like to conclude my speech today with the following summary:

The Executive Board believes that your Beiersdorf AG is excellently positioned for future development. On this sound basis, we are continuing to push ahead with creating the requirements to ensure our success in the future.

In doing so, we are attempting to strike a firm balance between growth, the quality of growth, the refocusing of key processes including restructuring, and improving our results. This means that, on the one hand we remain committed to continuity, but on the other we are aiming at healthy further development, coupled with speed, focus and consistency. We have occupied the right topics in the growth market of skin and beauty care. And our efforts will of course focus on our customers, the consumers.

We will do all this while keeping one firm goal in sight: to further increase the value of our brands, and therefore, of course, the value of your Company, Beiersdorf.

Thank you for your attention.