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**Report to the Annual General Meeting of Beiersdorf AG,
Hamburg on May 17, 2006**

(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.

We are pleased that you have come to the Congress Centrum in Hamburg to hear about the Beiersdorf Group's business and its strategic plans, and once again to adopt a number of important resolutions today.

To start with, the Executive Board will report on the year 2005. This will cover the annual and consolidated financial statements, and the management report for Beiersdorf AG and the Group for the past fiscal year.

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

And thirdly, today I would like to give you an outlook on the current fiscal year and future business developments. In this context, I am particularly pleased to explain to you the key elements of our Consumer Business Strategy 2010, which is entitled "Passion for Success".

A. Developments in 2005

Let me begin with developments in 2005.

While preparing this speech, I naturally looked at my predecessors' scripts for past Annual General Meetings, and the first sentence of these was usually: "The past year was another successful year for Beiersdorf".

I am delighted that I can continue this happy tradition and say to you today that "2005 was another successful year for Beiersdorf, which can now look back on a 124-year history".

In more detail, we achieved the following results:

1. Our sales grew by 3.9 % after adjustment for currency translation effects. The Consumer business segment increased its sales by 4.0 %, outperforming global market growth which was around 2-3 %, while tesa grew by 3.0 %. At current exchange rates, we achieved growth of 5.1 % to reach €4,776 million.
2. EBIT (Earnings Before Interest and Taxes) increased faster than sales by 10.0 % to €531 million. This corresponds to an operating return on sales of 11.1 %, compared with 10.6 % in the previous year.
3. The Group profit after tax rose to €335 million. The return on sales after tax therefore totaled 7.0 %. This is a good result for Germany, but remains below some of our international competitors.
4. Due to the growth in our profit after tax, we are proposing an increase in the dividend to €1.70 per no-par value share carrying dividend rights. This means that since the year 2000, our total dividend has increased by 54 % and our profit after tax has risen by 48 %.
5. Cash and cash equivalents increased to €483 million in 2005. The debt relating to the share buyback program implemented in early 2004 was repaid in full.
6. Based on the current share price of around €120 per share, Beiersdorf AG has a market capitalization of more than €10 billion (on the basis of total share capital). It therefore remains one of the heaviest-weighted stocks in the MDAX. We were particularly encouraged by the increase in our share price in 2005 from €85.60 per share at the beginning of the year to €104.00 at the end of 2005.

On this basis, I think we can rightly continue to say that we are successfully continuing to position Beiersdorf as a reliable growth stock.

Ladies and Gentlemen,

The annual report, together with the consolidated financial statements, the management report for Beiersdorf AG and the Group, and the annual financial statements of Beiersdorf AG, which were published separately, are available to you in accordance with item 1 on the agenda.

As always, the annual and consolidated financial statements have been granted an unqualified audit opinion by the auditors, BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

That completes our look at the key quantitative figures for fiscal year 2005.

I would now like to address a small number of topics and projects, which I believe are particularly important and which dominated 2005.

First topic: The new Executive Board

I am pleased to report to you that we successfully managed a smooth transition from the "old" to the "new" Executive Board. This comprised the switch from Mr. Wölfer to Mr. Nota in the Brands function, from myself to Mr. Pinger in the Supply Chain function, and from Dr. Kunisch to myself in the position of Chairman of the Executive Board. Together with our CFO Mr. Schwalb and our Board member responsible for Human Resources, Mr. Kleinschmidt, we immediately got down to business as a team.

Second topic: Our new "Passion for Success" Consumer Business Strategy

The highlight of our first few months of working together in 2005 was definitely our offsite workshop. The 5 members of the Executive Board spent 5 intensive days on a secluded farm in Northern Germany. Our goal was to agree the key elements of our team work, as well as to agree the common objectives and the focuses of our work in the coming years. The visible result of this work is our new strategy for Beiersdorf AG's consumer business entitled "Passion for Success", which we have now communicated across the Group. I look forward to giving you a few details about this in the third part of my speech today.

The third topic is the decision to realign our Consumer Supply Chain.

Three years ago, Beiersdorf AG created the new Supply Chain function on the Executive Board. This covers the entire supply chain from the procurement of raw and packaging materials, through production and logistics, to customers via retailers' shelves. The reason for this was that an efficient supply chain is now an increasingly important success factor in the consumer goods industry. We therefore want to align our supply chain so that we can offer our customers an excellent delivery service with a high degree of efficiency at competitive costs.

To achieve this, Beiersdorf AG resolved a comprehensive realignment of its Consumer Supply Chain in 2005. I will address the details of this crucially important program later when I explain the Company's strategy.

The fourth topic is the significant reduction in our working capital, in other words our capital tied up in the Company that is defined as the balance of inventories plus receivables less liabilities. In the past, we were not competitive here with a ratio to sales of 20.9 % at the end of 2003. However, as a result of intensive measures and projects to manage our working capital worldwide, we cut this figure to only 16.8 % at the end of last year, and we are planning to reduce it further to well below 12 % of sales by 2010.

Fifth topic: The sale of BSN medical.

Our decision to merge our activities in professional wound care, orthopedics and phlebology with Smith & Nephew proved to be correct. Since its formation in 2001, BSN medical has achieved a leading position in its areas of business thanks to the outstanding achievements of the company's management and staff. The sale of BSN medical to Montagu Private Equity enabled us to complete the next logical step in BSN medical's independent development extremely successfully, and gave us a reliable new partner to continue implementing the company's growth strategy. We are convinced that Montagu will fully assume its responsibility for BSN medical. For us, this sale means we can continue to systematically focus on our strong consumer brands. From a financial perspective, the proceeds of the sale of BSN medical totaling €1.03 billion – of which we will receive a 50 % share – are expected to boost our results for the current fiscal year (2006) overall by a disposal gain of around €361 million (after taxes), and a cash inflow of around €430 million.

Sixth and last topic: The performance of our consumer business on the global market. We decided to adopt a systematic strategy in this area a long time ago. Our rule is that sales are only good, healthy and above all sustainable if they are generated from products that have a leading position in their respective market segment in the individual countries in which we sell our products. Sales from fourth- or fifth-placed products or brands offer only a weak basis, no prospects, and usually do not make any money. We are therefore focusing all our efforts on underpinning the quality of our sales with market leadership positions. We were particularly successful at this in 2005. We increased the number of No. 1 positions held by NIVEA brand products worldwide from 188 at the end of 2004, to 203 at the end of 2005. This is a considerable source of motivation for us, and gives us a firm foundation for the future.

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. The Chairman of the Supervisory Board, Mr. Ammer, will briefly explain the Supervisory Board's proposed candidate for election as the auditors later.
- 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 large 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 8 and 9 of the Invitation to the Annual General Meeting.

- In agenda items 7 and 8, you will find proposals by the Executive Board and the Supervisory Board for the modification of the Company's Articles of Association. Agenda item 7 relates to modifications of the Articles of Association in line with the *Gesetz zur Unternehmensintegrität und Modernisierung des Anfechtungsrechts*, or UMAG (German Business Integrity and Modernization of Shareholder Actions Act). As you know, the UMAG came into force in November last year and, among other things, amended the statutory provisions governing the convening of the Annual General Meeting and the preconditions for attendance at the Annual General Meeting and the exercise of voting rights. Articles 17 and 18 of Beiersdorf's Articles of Association are therefore to be modified in line with these amended statutory regulations. In addition, the opportunity created by the UMAG to appropriately limit shareholders' rights to pose questions and to speak is to be laid down in the Articles of Association – as is the case at many other large listed companies. Agenda item 8 contains a proposal to clarify in the Articles of Association that notices of the Company are published in the *electronic Bundesanzeiger* (Federal Gazette).
- In agenda item 9, we are taking up a proposal made by a shareholders' association at the last Annual General Meeting, and are proposing a 1:3 share split with an upstream capital increase from retained earnings. This measure is intended to make the individual Beiersdorf shares "lighter", and therefore more attractive to private investors in particular. Due to the extremely encouraging increase in our share price in the past year, Beiersdorf is now the third-heaviest stock in the MDAX and is therefore very "expensive". The upstream capital increase from retained earnings will be implemented without the issue of new shares, and serves merely to enable the reclassification of the share capital in the ratio of 1:3 and to comply with the statutory minimum amount of €1 for a no-par value share. The reclassification of the share capital will split one no-par value share into three no-par value shares with a notional interest in the share capital of €1 each. This agenda item also includes a proposal for an amendment to the dividend-dependent remuneration of the Supervisory Board in Article 15(1) of the Articles of Association as a result of the share split, because the reclassification of the share capital will lead to the Company's share price being divided by three, and this will also have an effect on the amount of the future dividend per no-par value share.

You can find further details on the proposed resolutions on pages 3 to 7 of the invitation to the Annual General Meeting.

That completes our look at the agenda for today's Annual General Meeting.

C. Business developments in 2006, outlook and key elements of our "Passion for Success" Consumer Business Strategy 2010

I will now come to the third and final part of my speech, which relates to the current situation in 2006. As I mentioned, I would like to conclude by looking forward to the future on the basis of our "Passion for Success" strategy.

With regard to 2006:

1. We made a good start in the first three months of the year, increasing sales by 8.7 % to €1,275 million. After adjustment for currency translation effects, this growth amounted to 6.2 %. This excellent performance was driven by the Consumer business segment, which lifted its sales by 5.5 %, and tesa, which recorded an increase of 10.1 %.
2. The Consumer business segment achieved substantial double-digit growth in its key regions of Eastern Europe, Latin America and Asia.
3. NIVEA increased its sales across all regions by 7.1 % (after adjustment for currency translation effects). This positive development was due in particular to NIVEA BEAUTÉ, NIVEA Hair Care Styling and NIVEA FOR MEN. Eucerin and la prairie also recorded disproportionately high growth.
4. After adjustment for currency translation effects, tesa's sales were up significantly on the previous year by 10.1 %. This healthy growth was driven by both industrial and retail consumer business. The positive development in the automotive and automotive supplier industry was reflected in particular in our industrial business.

Our outlook for the entire fiscal year is therefore as follows: In the consumer business, we expect our sales growth rate for 2006 versus 2005 to be higher than for 2005 versus 2004 after adjustment for currency translation effects. At the same time, we aim to further increase our EBIT margin. We also expect tesa to increase its growth as against 2005 and to further lift its EBIT margin. Our forecast for the Group is therefore: Stronger sales growth for 2006 versus 2005 after adjustment for currency translation effects, with a continued improvement in the EBIT margin and the return on sales after tax – excluding one-time factors in each case.

Now I would like to turn to our consumer business strategy up to 2010. 2005 was the ideal time to revise our strategic focus for three reasons. Firstly, we were able to finally regard the process of focusing our Company on consumer business as successfully completed. Secondly, we had systematically discontinued the divisional structures both on the Executive Board and in the organization as a whole, and assumed functional responsibility for the challenges posed by consumer business. Thirdly, as already mentioned, the personnel changes in the Executive Board had been completed.

Another aspect relates to the current market and competitive environment, where 3 topics pose particularly major challenges:

- Increasingly critical consumers
- Increasingly aggressive competition and
- Private labels

On the basis of our new strategy, we are systematically confronting the challenges that result from these, with clearly defined goals for the period up to 2010.

We aim to increase our global market share in skin and beauty care to 5.5 %. At the same time, we aim to continuously lift our EBIT margin from 11.6 % at present to 15 %.

In a nutshell, those are our ambitious, but realistic goals.

The strategic measures required to achieve them are based on four cornerstones:

- Superior Brands
- Superior Supply Chain
- Clear Geographical Focus
- Superior Talent in Lean Organization

Cornerstone No. 1: Our Superior Brands

We want our products to delight our consumers. That is why we focus squarely on their wishes and needs. On this basis, we develop superior innovations that we rapidly launch using a new, highly concentrated innovation process. Our motto is: less is more. We will concentrate on a smaller number of more significant innovations with a clear benefit for consumers.

New active ingredients for Face Care and a new Hair Care range will be ready in fall 2006. These will enable us to carefully further develop the NIVEA brand, while fully concentrating on the dimensions of care and beauty.

Current examples of innovations with a clear benefit are the launch of NIVEA Deo Pure, a deodorant that does not leave a white residue; the launch of NIVEA body Anti-Age Treatment, a body lotion that sustainably helps fight the signs of skin aging; and – most recently – the launch of NIVEA body Good-bye Cellulite, a product that helps our consumers reduce the external appearance of Cellulite. The principle of "less is more" also applies to our entire range. This means that we will carefully streamline our product range and focus on the products that are important to consumers.

In stores, we will present our brands and in particular our innovations in an attractive and compelling manner. For example, we will gradually expand our NIVEA shop-in-shops, which are generating up to 50 % sales growth, and our "Blue Walls", which are recording up to 30 % higher sales. Another example of innovative marketing is the world's first "NIVEA Haus", which was opened here in Hamburg on April 27, 2006. It presents the brand as an all-round experience, and shows customers NIVEA products in use.

And in order to further accelerate growth in Asia, Latin America and Eastern Europe, we will increasingly attend to specific local consumer needs, such as whitening products in Asia. In 2005, we were the world's first brand to introduce whitening products for men in Thailand.

We will further improve our already outstanding research and development expertise, by measuring our performance against certain leading companies in other industries, for example the automotive and pharmaceutical industries. We will conduct this benchmarking with the support of the renowned Fraunhofer Institute. This will allow us to make even greater leaps in innovation and will put us in a strong position within the global competitive environment.

Finally, we will further increase the efficiency of our marketing and sales investments by deploying our resources in an even more focused manner.

Cornerstone No. 2: Superior Supply Chain

As I mentioned initially, in 2005 we took the initiative and resolved to comprehensively realign Beiersdorf's Consumer Supply Chain. Given our size and the current structure of our Company, we see this in particular as a major opportunity for us to improve our competitiveness.

This realignment includes:

- **Firstly:** Streamlining our product range by converting smaller, local product variants to international product variants, standardizing our international product range and switching to multi-language packaging. This will reduce both complexity and costs throughout the supply chain.
- **Secondly:** As we have disclosed publicly on several occasions, capacity at our locations is no longer being sufficiently utilized at present due to the technological improvements implemented in recent years. Production capacity must therefore be reduced. This also offers the opportunity to cut costs through economies of scale at the remaining locations and by clearly focusing these locations on key technologies. This concentration of the production network on fewer locations, together with the clear technological focus already mentioned, will not only cut costs but also increase our innovation potential.

- **Thirdly:** The realignment of the European logistics network. In a Europe with 25 member states and free movement of goods, our customers are increasingly demanding cross-border deliveries. At the same time, retailers are increasingly passing on their logistics costs to industry.

In this situation, delivery services and the cost-effectiveness of regional goods distribution centers are better than delivering from national warehouses. This is why we plan to close a number of national warehouses in favor of regional ones. The bundling of goods flows in these regional distribution centers allows a higher degree of automation, with the aim of offering better service at the same or lower costs. These are demands from our customers in the retail sector, and we must meet them.

The realignment of the Consumer Supply Chain produced its first results in 2005, and in the future we are expecting a significant improvement in our results due to our project to enhance the efficiency of our supply chain.

The individual measures already resolved and announced to date are expected to lead to annual savings of around €30 million from 2007, and one-time expenses of around €70 million in 2006. As a result of the entire project, overall we are forecasting annual savings of around €100 million (in full from 2009), and one-time expenses of around €220 million. The realignment of the supply chain is a program that will last several years, which means that the resulting expenses will be incurred primarily between 2006 and 2008.

These changes are difficult but necessary to safeguard Beiersdorf's competitiveness and therefore the Company's 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.

Cornerstone No. 3: Clear Geographical Focus

We believe that being the smallest of the global players in the skin and beauty care market is a competitive advantage. 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. However, we also aim to consistently outperform the market in other regions, and thus ensure the planned expansion of our global market position.

The fourth and last cornerstone of our strategy is us, Beiersdorf's employees.

Ultimately, the plans I have outlined will not implement themselves. The best global strategy will remain mere theory unless everyone in the Company assumes their responsibility for implementing it in their job. I am very confident that we will succeed. We have laid the foundations for successful implementation both at our headquarters and our affiliates throughout the world by holding many discussions in person with all our executives. The current structure of our Company will help us do this, as it facilitates a business model with a high degree of local responsibility for implementation on the basis of global goals. We are simply closer to the market than other, globally more complex companies – and we intend to exploit this.

Ladies and Gentlemen,

Those were the central topics regarding the status of, and the prospects for, the consumer business of your Beiersdorf AG.

Finally, I will now turn to tesa.

tesa has performed extremely well in recent years. Its impressive business is reflected by sales of €735 million and a current EBIT margin of 8.4 %. In the past year, tesa again outperformed the market in terms of sales growth, recording another disproportionately strong increase in its results. This success is based primarily on the systematic implementation of the three strategic focuses the company has long pursued. These are

1. Increased innovation.

tesa cooperates closely with major international customers to develop superior, market-driven product systems that offer users process cost benefits and therefore meet with a high degree of acceptance. This is reflected by the share of sales accounted for by new products, which has increased to 45 % over a five-year period.

Closely related to this is

2. The development of new application areas.

For example, tesa has developed new products for attaching electronic components to digital cameras and mobile phones, or for manufacturing flat screens. As these applications are recording disproportionately high growth, they are driving the overall development of the company's sales.

Another key strategic focus is

3. Expanding the company's presence in growth regions.

tesa has a presence comprising its own subsidiaries in all Asian and Eastern European countries, and substantially strengthened its sales infrastructure in the past year. Its new plant in Suzhou, China, began production in the year under review. In addition to a production facility with state-of-the-art coating technology, the company set up a development and technology center in the Shanghai economic area. This enables tesa to rapidly identify new trends in this growth region as well, in close cooperation with local customers. The company is focusing on applications for the electronics and automotive industries.

We are convinced that, on the basis of these strategic focuses, tesa will continue to outperform the market and record another disproportionately strong increase in its results this year.

That rounds off our look at what I believe is the extremely encouraging situation and prospects at tesa AG.

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

The Executive Board believes that your Beiersdorf AG is excellently positioned with regard to its future development, or is in an extremely good starting position. On this sound basis, we are working strenuously on 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 the concepts of speed, focus and consistency. We are backing the right horses – and above all the strong ones – 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.