

Report by the Supervisory Board



Dr. Hans Meinhardt
Chairman of the Supervisory Board

In fiscal year 2003, we addressed in detail the Company's situation in a difficult economic environment.

We advised the Executive Board and supervised the management of the Company in accordance with the duties assigned to us by law, the Articles of Association, and the bylaws. The Executive Board informed us in a timely and comprehensive manner in our meetings and via written reports. The Chairman of the Supervisory Board was kept informed about all important matters. He also held regular discussions with the Chairman of the Executive Board regarding the Group's strategy and risk management.

Four regular and two extraordinary Supervisory Board meetings were held in the year under review. At these meetings, we discussed current business developments, important business transactions, and Executive Board measures requiring Supervisory Board approval. In particular, we approved a new schedule of responsibilities for the Executive Board. We also focused in detail on the share buyback program that began on December 23, 2003. In November, we held in-depth discussions of the Company's medium-term planning, including its financial, investment, and human resources planning.

We addressed the implementation of the German Corporate Governance Code in several meetings. We amended our first declaration of compliance, issued in December 2002, on June 30, 2003. We issued the declaration of compliance for fiscal year 2003 in December 2003 and made it accessible to the shareholders on the Company's website. Additional information on corporate governance at Beiersdorf can be found in the joint report by the Executive and Supervisory Boards on the following pages.

The Executive Committee of the Supervisory Board met three times, as well as passing a resolution in writing. Among other things, the Executive Committee addressed the issues of succession planning for the Executive Board and the latter's compensation, which consists of a fixed and a variable component. The Committee also authorized the share buyback program. It was not necessary for the Mediation Committee, set up in accordance with § 27 (3) *Mitbestimmungsgesetz* (German Co-Determination Act), to meet. The Audit Committee that was formed in November 2002 met twice, in March and in September 2003.

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which was appointed as the Company's auditors by the Annual General Meeting on June 11, 2003 and engaged by the Supervisory Board, audited the annual financial statements of Beiersdorf AG and the Group financial statements as of December 31, 2003, as well as the joint management report for Beiersdorf AG and the Group, and issued an unqualified audit opinion on them. In addition, they audited the report by Beiersdorf AG regarding dealings among Group companies according to § 312 *Aktien-gesetz* (German Stock Corporation Act), which states that there are no reportable dealings at this time, and issued the following unqualified audit opinion: "As a result of our audit, we confirm the correctness of the information contained in this report." The annual financial statements, the joint management report, the report on dealings among Group companies, and the auditors' report were distributed to all members of the Supervisory Board immediately after their preparation. The Audit Committee of the Supervisory Board performed a preliminary review of the financial statements, the reports, and the proposal on the utilization of the net retained profits.

In the meeting convened to adopt the annual financial statements on March 10, 2004, all documentation relating to the above-mentioned financial statements and reports were discussed at length in the presence of the auditors, who reported on the key results of their audit. Our review of the financial statements, the joint management report, the report on dealings among Group companies including the statement made by the Executive Board that there were no reportable dealings, and the auditors' report did not raise any objections. Therefore, we concur with the auditors' findings and approve the annual financial statements of Beiersdorf AG and the Group as prepared by the Executive Board for the year ending December 31, 2003; the annual financial statements of Beiersdorf AG are thus adopted. We endorse the Executive Board's proposal on the utilization of the net retained profits.

Mr. Norbert Ranft, a member of the Supervisory Board since 1999, died on March 29, 2003. During his four years on the Supervisory Board, Mr. Ranft exhibited both dedication and expertise in his work for the Company. We will keep him in our remembrance. Mr. Detlef Stutter, the replacement member elected in accordance with § 11 (4) of the Articles of Association and § 17 of the *Mitbestimmungsgesetz* (German Co-Determination Act) succeeded Mr. Ranft on the Supervisory Board. Mr. Stutter resigned from his Supervisory Board position on May 15, 2003. Mr. Tomas Nieber, Trade Union Secretary of IG Bergbau, Chemie, Energie was appointed to the Supervisory Board of Beiersdorf AG following a ruling by the Hamburg Local Court on May 23, 2003.

Mr. Günter Herz, a member of the Supervisory Board since 1974, resigned from his position effective September 22, 2003. We thank Mr. Herz for his many years of service in this capacity. Mr. Dieter Ammer, Chairman of the Executive Board of Tchibo Holding AG, was appointed to the Supervisory Board of Beiersdorf AG effective September 23, 2003 following a ruling of the Hamburg Local Court on August 29, 2003.

Report by the Supervisory Board

On June 30, 2003, Dr. Werner Opgenoorth retired from the Executive Board at his own request after 12 years' service as the Executive Board member of Beiersdorf AG responsible for Human Resources. We would like to express our sincere thanks for his extremely successful work. Mr. Peter Kleinschmidt was appointed as a full member of the Executive Board responsible for Human Resources effective May 1, 2003.

At the end of fiscal year 2003, Dieter Steinmeyer resigned from the Executive Board of Beiersdorf AG to concentrate on his position as CEO of tesa AG. Mr. Steinmeyer has been a member of the Executive Board of Beiersdorf AG since 1990. We would like to thank him for his extremely successful work.

We would like to thank the Executive Board and all employees for their hard work and achievements over the past fiscal year in what was a particularly difficult environment for Beiersdorf.

Hamburg, March 10, 2004

On behalf of the Supervisory Board

Dr. Hans Meinhardt
Chairman



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Corporate Governance at Beiersdorf

Good management has a name: Corporate Governance

Beiersdorf AG welcomes the German Corporate Governance Code presented by the Government Commission and last updated in May 2003. The Code not only creates transparency for domestic and foreign investors as regards the framework for corporate management and supervision in Germany, but also establishes generally accepted standards for good and responsible company management.

Good corporate governance has been a high priority at Beiersdorf even before the publication of the Code. Close, efficient cooperation between the Executive and Supervisory Boards, a focus on shareholder interests, open corporate communication, proper accounting and auditing, and responsible risk management have always been the basis of the Company's success. As a result, compliance with the Code and its amendments did not necessitate any fundamental changes at Beiersdorf. We consider corporate governance to be an ongoing process and will continue to track future developments carefully.

Declaration of Compliance

The Executive and Supervisory Boards of the Company submitted their first declaration of compliance with the Code in the version dated November 7, 2002 on December 10, 2002 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act) and § 15 *Einführungsgesetz zum Aktiengesetz* (Introductory Act to the German Stock Corporation Act). According to this declaration, Beiersdorf complied with the recommendations of the Code with one exception. The deviation with respect to § 5.4.5 (1) sentence 3 of the Code disclosed in this declaration – which relates to separate compensation for the chairs and members of the Supervisory Board committees – no longer applies following the resolution of the Annual General Meeting on June 11, 2003 to amend the Company's Articles of Association, and the entry of this amendment in the commercial register on June 30, 2003. Beiersdorf therefore complied with all recommendations of the "German Corporate Governance Code" in the version dated November 7, 2002.

At the end of December 2003, the Executive Board and Supervisory Board of the Company issued the declaration of compliance with the recommendations of the Code for fiscal year 2003 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act). This declaration of compliance also covers the updates to the Code resolved by the Commission on May 21, 2003. The following declaration was made permanently accessible to the shareholders on the Company's website at www.Beiersdorf.com:

Corporate Governance at Beiersdorf



Extensive information on corporate governance at Beiersdorf is available at Beiersdorf.com in the section "About us"

"In fiscal year 2003, Beiersdorf Aktiengesellschaft complied with, and continues to comply with, the recommendations of the 'Government Commission on the German Corporate Governance Code' in the versions dated November 7, 2002 and May 21, 2003 respectively, with the following exceptions:

An individualized breakdown of the compensation paid to our Executive and Supervisory Boards is not provided (§§ 4.2.4 sentence 2 and 5.4.5 (3) sentence 1 of the Code). In fiscal year 2003, one member of our Supervisory Board reached the age limit in force for Supervisory Board members (§ 5.4.1 sentence 2 of the Code)."

Remuneration of the Executive and Supervisory Boards

The remuneration of individual Executive Board members consists of a fixed and a variable, dividend-based component. Further details on the remuneration of the Executive Board for fiscal year 2003 can be found on pages 78 and 79 of the Group notes. In addition to this remuneration, all Executive Board members have been granted pension commitments. Each Executive Board member is also provided with a company car. The Company does not have a stock option program. The remuneration system for the Executive Board is regularly discussed and examined by the Executive Committee; at the proposal of the Executive Committee the Supervisory Board also discusses and reviews its structure. Remuneration mainly depends on the respective Executive Board member's tasks, his or her personal performance, and the entire Executive Board's performance, as well as the economic situation and the Company's success and future prospects, including in comparison with its peer group.

The remuneration paid to individual Supervisory Board members consists, in accordance with the Articles of Association, of a fixed and a variable, dividend-based component. In addition, Supervisory Board members are reimbursed for cash expenses. The Chairman of the Supervisory Board receives double the amount, while his two Deputies each receive one-and-a-half times this amount. Members of the Executive and Audit Committees also receive additional compensation for their work in these committees. If a member of the Supervisory Board simultaneously holds several positions for which increased remuneration is granted, he or she shall only receive the remuneration for the highest-paying position. More information on the remuneration of our Supervisory Board members can be found on page 78 of the Group notes as well as on our website, www.Beiersdorf.com.

The update to the German Corporate Governance Code resolved by the Government Commission on May 21, 2003 changed the previous suggestion that individualized breakdowns of Executive Board and Supervisory Board remuneration be provided into a recommendation. To protect our Executive and Supervisory Board members' rights of privacy, we have decided – along with other major listed corporations – to report the Executive and Supervisory Boards' remuneration as a total amount, in accordance with the statutory provisions.

Further information on Corporate Governance at Beiersdorf

More detailed information on the duties of the Supervisory Board and its committees, as well as on the cooperation between the Executive Board and Supervisory Board, can also be found in the Report by the Supervisory Board on the previous pages. As disclosed in our declaration of compliance, one member of our Supervisory Board, Mr. Hans-Otto Wöbcke, reached the age limit for Supervisory Board members in fiscal year 2003. Mr. Wöbcke's exceptional wealth of experience as a former Chairman of the Company's Executive Board is extremely valuable to the Supervisory Board's work.

Transparency and our goal of informing our shareholders and the public quickly, comprehensively, and simultaneously are top priorities for our corporate communication. That is why current developments and key company information are announced on our website (www.Beiersdorf.com) as soon as possible. In addition, detailed information and updates on corporate governance at Beiersdorf, the Company's reports (annual and interim reports), as well as a financial calendar with all key events and publications, ad hoc disclosures, and directors' dealings are published there. Information on the directors' dealings notified to the Company in 2003 in accordance with § 15a *Wertpapierhandelsgesetz* (German Securities Trading Act) is disclosed in the Group notes on page 79.

Hamburg, March 10, 2004

Beiersdorf Aktiengesellschaft

The Supervisory Board

The Executive Board

Auditors' Report

We have audited the consolidated financial statements of Beiersdorf Aktiengesellschaft, comprising the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement, and notes to the financial statements, for the fiscal year from January 1, 2003 to December 31, 2003. The preparation and the content of the consolidated financial statements are the responsibility of the Company's management. Our task is to express an opinion, based on our audit, on whether the consolidated financial statements comply with International Financial Reporting Standards (IFRS).

We conducted our audit in accordance with German auditing regulations and the German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (IDW, German Institute of Auditors), as well as in accordance with the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations, and cash flows of the Group for the fiscal year in accordance with IFRS.



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Our audit, which also extends to the management report on the Group and the Company prepared by the management for the fiscal year from January 1, 2003 to December 31, 2003, did not give rise to any objections. In our opinion, on the whole the combined Group management report/management report of Beiersdorf Aktiengesellschaft provides a suitable understanding of the position of the Group and the Company, and suitably presents the risks of future development.

In addition, we confirm that the consolidated financial statements and the Group management report for the fiscal year from January 1, 2003 to December 31, 2003 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and a Group management report in accordance with German law.

Hamburg, February 24, 2004

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Dyckerhoff
Wirtschaftsprüfer

sgd. zu Inn- u. Knyphausen
Wirtschaftsprüfer

