

Report by the Supervisory Board



Dieter Ammer
Chairman of the Supervisory Board

The Executive Board kept us informed in fiscal year 2004 in a timely and comprehensive manner in our meetings and via written reports. 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 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 Supervisory Board meetings and the constituent meeting of the newly elected Supervisory Board following the Annual General Meeting 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. All necessary approvals were granted, in particular we approved follow-up financing for the Company's share buyback program. In November, we held in-depth discussions about the Company's medium-term planning, including its financial, investment, and human resources planning.

We issued the declaration of compliance with the German Corporate Governance Code for fiscal year 2004 at the end of December 2004 and made it accessible to 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. 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. 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 met twice, in March and in September 2004.

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which was appointed as the Company's auditors by the Annual General Meeting on June 3, 2004 and engaged by the Supervisory Board, audited the annual financial statements of Beiersdorf AG and the consolidated financial statements as of December 31, 2004, 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 regarding dealings among Group companies drawn up by the Executive Board in connection with the majority interest held by TCHIBO Holding AG, Hamburg, as required by § 312 *Aktiengesetz* (German Stock Corporation Act) for fiscal year 2004, and issued the following unqualified audit opinion:

“Following the completion of our audit, which was carried out in accordance with professional standards, we confirm: 1. that the information contained in this report is correct; 2. that the Company’s compensation with respect to the transactions listed in the report was not inappropriately high; and 3. that there are no circumstances which would justify, in relation to the measures specified in the report, a materially different opinion than that held by the Executive Board.”

The annual financial statements, the joint management report, the report regarding 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, 2005, 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 regarding dealings among Group companies including the concluding declaration by the Executive Board, 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, 2004; 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.

The Annual General Meeting on June 3, 2004, elected new shareholder representatives to the Supervisory Board. Dr. Meinhardt, Dr. Claussen, and Mr. Wöbcke did not run again. Along with the shareholder representatives who had previously served on the Supervisory Board, Mr. Ammer, Dr. Breipohl, and Mr. Pöllath, the Annual General Meeting also elected Mr. Herz, Dr. Mahlert, and Dr. Sälzer to the Supervisory Board.

In the election of the employee representatives that had already taken place, Prof. Rousseau, Mr. Krause, Dr. Diembeck, and Mr. Nieber were re-elected, while Mr. Ganschow and Mr. Plechinger were elected to the Supervisory Board to replace the departing members, Ms. Buhse and Mr. Holland.

We thank the departing members of the Supervisory Board for their service to this body. Our particular thanks go to Dr. Meinhardt for his special contribution as the long-standing Chairman of Beiersdorf’s Supervisory Board.

Immediately after the Annual General Meeting the Supervisory Board elected Mr. Ammer as Chairman and Mr. Krause and Mr. Pöllath as Deputies in its constituent meeting. In addition, the Mediation Committee was set up and the members of the Executive and Audit Committees were elected.

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, 2005

On behalf of the Supervisory Board



Dieter Ammer
Chairman

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 as regards the legal framework for corporate management and supervision in Germany, but also establishes generally accepted standards for good and responsible company management.

Good corporate governance was 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

At the end of December 2004, the Executive Board and Supervisory Board of the Company issued the declaration of compliance with the recommendations of the Code for fiscal year 2004 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act). The election of the new Supervisory Board in 2004 has eliminated the deviation reported in the declaration of compliance for the previous year, to the effect that one member of the Supervisory Board had reached the age limit for Supervisory Board members, and this year's declaration of compliance was adjusted accordingly.

The following declaration was made permanently accessible to the shareholders on the Company's website at www.Beiersdorf.com:

"In fiscal year 2004, Beiersdorf Aktiengesellschaft complied with, and continues to comply with, the recommendations of the 'Government Commission on the German Corporate Governance Code' in the version dated May 21, 2003, with the following exceptions:

An individualized breakdown of the compensation paid to our Executive Board and Supervisory Board is not provided (sections 4.2.4 sentence 2 and 5.4.5 (3) sentence 1 of the Code). One member of our Supervisory Board reached the current age limit for Supervisory Board members (section 5.4.1 sentence 2 of the Code). This deviation no longer applies since a new Supervisory Board was elected, effective as of June 3, 2004."

Remuneration of the Executive and Supervisory Boards

The remuneration of individual Executive Board members consists of a fixed and a variable, dividend-based component. In addition, all Executive Board members have been granted pension commitments, and each Executive Board member is also provided with a company car. Remuneration for the Executive Board mainly depends on the respective Executive Board member's tasks, 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 Executive Committee regularly discusses and reviews the remuneration system for the Executive Board. Further details on the remuneration of the Executive Board for fiscal year 2004 can be found on page 77 of the Group notes.

According to the Articles of Association the remuneration paid to individual Supervisory Board members consists of a fixed and a variable, dividend-based component. In addition, Supervisory Board members are reimbursed for cash expenses. By way of a resolution passed by the Ordinary General Meeting in 2004, remuneration for the Supervisory Board was reduced with effect from fiscal year 2004: the fixed component was increased slightly and the variable component reduced considerably, as this had increased substantially due to the dividend increases of previous years, particularly in comparison with many companies on the DAX. This move also redressed the imbalance between the fixed and variable components somewhat. The remuneration for the Chairman of the Supervisory Board was increased slightly in relation to the basic remuneration for the Supervisory Board, due to the greater amount of time and greater responsibility associated with this position. This move is in line with the recommendation by the Code that allowances should be made for the responsibility assumed and scope of the duties performed by the respective member of the Supervisory Board, and that in particular the Chairmanship of the Supervisory Board should be taken into consideration. The Chairman of the Supervisory Board now receives two and a half times the basic remuneration for the Supervisory Board 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. More information on the remuneration of our Supervisory Board members can be found on page 76 of the Group notes, as well as on our website, www.Beiersdorf.com.

In its current version, the German Corporate Governance Code recommends individualized breakdowns of Executive Board and Supervisory Board remuneration. 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. In our opinion, this adequately addresses the public's and our shareholders' information requirements with regard to the extent of the Company's remuneration obligations towards its executive bodies.



Up to the minute, informative, concise:
our website: www.Beiersdorf.com.

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 be found in the Report by the Supervisory Board on the previous pages.

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 to 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.

Beiersdorf was presented with the "Capital 2004 Investor Relations Award" by the German business magazine Capital and the DVFA – the German Society of Financial Analysis and Asset Management, in July 2004. The excellent rating given to corporate governance at Beiersdorf along with grades for the timeliness, credibility, and quality of the Company's reporting led to its outstanding result in competition with 198 other listed companies.

Hamburg, March 10, 2005

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, 2004 to December 31, 2004. 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.

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, 2004 to December 31, 2004, 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, 2004 to December 31, 2004, 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 22, 2005

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Rohardt zu Inn- u. Knyphausen
Wirtschaftsprüfer Wirtschaftsprüfer